



City of San Antonio

Agenda Memorandum

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In Control: Economic and Workforce Development Committee

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Alejandra Lopez

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT: A briefing on a new cost-benefit analysis tool for economic development projects.

SUMMARY:

A briefing by the Economic Development Department (EDD) on the new cost-benefit analysis tool that will be used to calculate the City's fiscal impact when pursuing business relocation, retention, or expansion projects that are inclusive of City incentives, such as abatements, rebates, grants, and fee waivers.

BACKGROUND INFORMATION:

EDD currently uses a cost-benefit analysis tool to calculate the City's fiscal impact when pursuing business relocation, retention, or expansion projects that are inclusive of City incentives, such as abatements, rebates, grants, and fee waivers. In addition, the current cost-benefit analysis tool can estimate when the City could expect to break even on the project considering the duration of the incentive agreement. Per the updated 2019 - 2020 Tax Abatement Guidelines, the cost-benefit analysis tool also calculates the company's estimated incentive value which dictates the potential investment percentage into internships, education, workforce support, or partnership options that focus on small business development, sustainability, employee wellness, and commuter benefits.

In November 2018, EDD began exploring improvements to the cost-benefit analysis tool with the goals of increasing automation, reducing manual entry, and including additional factors in the calculation. As a result, EDD conducted an informal bidding process which resulted in the selection of Impact DashBoard due to its ability to provide a highly customizable profile for San Antonio and its enhanced customer support capabilities. Impact DashBoard is used by various communities around Texas including New Braunfels, El Paso, Fort Worth, Houston, along with Port San Antonio.

ISSUE:

The current cost-benefit analysis tool used by staff is a 22-tab Microsoft Excel spreadsheet that captures economic development project details as well as tax rate information. For costs, the spreadsheet captures the amount of City incentives that are being offered, such as abatements, rebates, grants, and fee waivers. For benefits, the spreadsheet captures the amount of investment by the company, CPS revenue (restricted to the annual 14% transfer from CPS to the City), and revenues in the form of real and personal property taxes, as well as sales taxes from resulting wages and construction costs. Although this assessment is an accurate representation of a cost-benefit analysis, the current tool excludes relevant information such as costs that may be incurred by the City as a result of the firm locating or expanding in the community (e.g. emergency services, infrastructure, library, and animal care services among others). The current tool also excludes relevant benefits such as property tax revenues derived from new residential construction that result from the economic development project. If included, these variables provide a more holistic picture of the fiscal and economic impact of an economic development project. Moreover, the current tool is not user-friendly as it requires substantial manual entry and lacks automation on annual updates to factors such as tax rates.

Impact DashBoard can include all current calculation factors, as well as the cost of government services, estimated increase in residential property taxes from new residential development, estimates for CPS and SAWS transfer payments, and miscellaneous taxes and user fees such as licenses, permits, and fines. EDD discussed these variables and calculations with Impact DashBoard inhouse economists and respective City departments before the model was finalized. Staff will phase in use of these additional factors into the cost benefits analysis development process. For example, cost of government services will be considered, however, only the departments that are highly sensitive to fluctuations in population and business needs will be included at first. These departments include Transportation and Capital Improvements, the San Antonio Police Department, and San Antonio Fire Department.

Impact DashBoard is also easier to use than the current tool, as it includes automatic annual updates, requires less manual entry, and produces user-friendly and customizable charts and reports to assist with project briefings and improve transparency with the public.

The annual subscription fee for the service is \$7,500. The subscription fee includes creating and maintaining a customized model profile for San Antonio, access for all EDD staff, and one-on-one customer support as needed. In Fiscal Year 2021, EDD staff will re-evaluate the service and determine whether to continue the service or terminate the agreement.

FISCAL IMPACT:

There is no fiscal impact associated with this briefing item.

RECOMMENDATION:

This briefing is for informational purposes.