



# City of San Antonio

## Agenda Memorandum

**File Number:**20-5985

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**Agenda Item Number:** 4.

**Agenda Date:** 10/6/2020

**In Control:** Economic and Workforce Development Committee

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**DEPARTMENT:** Economic Development

**DEPARTMENT HEAD:** Alejandra Lopez

**COUNCIL DISTRICTS IMPACTED:** City-wide

### **SUBJECT:**

Briefing and possible action on Small Business Economic Development Advocacy (SBEDA) Significant Business Presence Criteria.

### **SUMMARY:**

The City's SBEDA program incentivizes small, minority-, and women-owned business enterprises (S/M/WBEs) on City contracts with the primary goal of remedying racial disparities outlined in the 2015 disparity study. Economic Development Department (EDD) solicited input from the San Antonio small business community and stakeholders regarding the current SBEDA eligibility criteria that allows businesses not headquartered in the San Antonio Metropolitan Statistical Area (SAMS) to be eligible for the incentives. Based on survey results and community feedback, staff recommends amending the SBEDA Ordinance to limit the benefits to businesses headquartered in the San Antonio metro area and those currently meeting the criteria for significant business presence.

### **BACKGROUND INFORMATION:**

To qualify for incentives under the SBEDA ordinance, businesses must be certified by the South Central Texas Regional Certification Agency (SCTRCA) and be headquartered or have significant business presence in the San Antonio metro area. Currently, businesses not headquartered in the SAMS can demonstrate significant business presence if they maintain a branch location for one year and at least twenty percent of total employees are based in that branch location.

The original intent of including the significant business presence eligibility criteria in the SBEDA program was

to increase local economic activity and provide mentorship opportunities to local firms by offering SBEDA incentives and benefits to small, minority women businesses outside of the San Antonio Metropolitan Statistical Area to establishing a local branch. At the request of the business stakeholders and community members and due to current economic conditions, EDD reviewed this eligibility criteria and engaged stakeholders to provide an assessment of this criteria.

As of August 2020, less than one percent of businesses (70 vendors) listed in the City's Central Vendor Registry are headquartered outside of the SAMSAs yet qualify for SBEDA incentives under the Significant Business Presence eligibility criteria. A total of 17 of these vendors have been paid \$5.8 million in fiscal year 2020 on solicitations reviewed under the SBEDA ordinance, representing less than 2% of total payments year-to-date.

## ISSUE:

EDD staff conducted extensive outreach to the local business community and stakeholders to solicit input. An electronic survey in English and Spanish was sent to all companies registered to do business with the City, business listings in the San Antonio metro area, and local chambers of commerce, business organizations, professional and trade associations were asked to share the survey with their respective members. EDD also conducted two (2) targeted focus groups of small, minority and women-owned business owners, including business owners that may be affected by this criteria change. Stakeholder organizations were invited to a virtual presentation to learn about the current policy and to provide feedback on the potential change. EDD staff also offered individual briefings with interested parties who could not attend focus groups or the stakeholder meetings.

EDD received a total of 1,071 survey responses with a majority (69%) of respondents supporting amending the SBEDA ordinance and to re-direct all benefits to firms that are local and headquartered within the San Antonio metro area. Below is a breakdown of the survey responses by category:

Survey Results	Amend Criteria	Keep Current Criteria
SBEDA-eligible companies registered in the CVR with headquarters in the SAMSAs (8000+)	85%	15%
SBEDA-eligible companies registered in the CVR with headquarters outside the SAMSAs	0%	100%
Non-SBEDA eligible companies registered in the CVR	55%	45%
Business listing (InfoUSA) in SAMSAs (16,000+)	75%	25%
Local Chambers, Trade Association, Advocacy organization members	61%	39%
<b>Total Responses</b>	<b>69%</b>	<b>31%</b>

The main objective of the two focus groups was to understand the concerns from small, minority, women-owned businesses about this criterion and any potential changes. Some of the S/M/WBEs headquartered outside of the SAMSAs preferred to maintain SBEDA eligibility and expressed concern about potential reciprocal treatment by other cities. Businesses headquartered in SAMSAs sought to change the criteria to increase local economic activity and asked for more local support. Examples of feedback in favor of amending the SBEDA

Ordinance include:

- Locally headquartered businesses are asking for additional assistance, especially considering the economic impact of COVID-19;
- The goal of removing local racial disparities is better served by promoting locally-owned minority businesses;
- The amendment may offer opportunities to increase utilization of locally-owned small, minority, women-owned businesses;
- Less than 1% of vendors registered to do business with the City are headquartered outside of the SAMSA and are SBEDA-eligible, thus negative impact should be minimal;
- Owners and executives of locally-owned business may be more likely to invest and pay taxes locally; and

EDD presented the results of the survey and focus groups to the Small Business Advocacy Committee (SBAC) on September 25, 2020. The SBAC unanimously supported amending the SBEDA ordinance to: (1) limit SBEDA benefits to small, minority, women-owned businesses that are headquartered in the San Antonio Metro area; and (2) allow the seventy (70) existing businesses that currently qualify for SBEDA benefits under the significant business presence criteria to continue qualifying until a new disparity study has been completed and adopted by City Council.

#### **FISCAL IMPACT:**

Approval of this item has no fiscal impact to the City's budget

#### **RECOMMENDATION:**

Staff seeks approval by the Economic and Workforce Development Committee and to advance for City Council consideration the amendment of the SBEDA Ordinance to limit the benefits to businesses headquartered in the San Antonio metro area and those currently meeting the criteria for significant business presence.