

AN ORDINANCE

2012-06-21-0509

AUTHORIZING AN AMENDMENT TO THE ECONOMIC DEVELOPMENT INCENTIVE FUND GUIDELINES TO ALIGN WITH THE CITY'S INNER CITY REINVESTMENT/INFILL POLICY, SA 2020 GOALS AND THE TAX ABATEMENT GUIDELINES.

* * * * *

WHEREAS, in FY 2004, City Council created an Economic Development Incentive Fund (“EDIF”) to provide the City with a funding source to offer financial incentives, through grants or loans, to qualifying projects that can be used in combination with other City incentive programs for the following purposes:

- Attract, retain or expand jobs in targeted industries;
- Promote development around military bases;
- Attract corporate and regional headquarters;
- Stimulate development in distressed areas, such as the Federal Empowerment Zone and State Enterprise Zone census tracts;
- Conduct studies/planning efforts that directly promote growth in targeted industries;
- Promote development projects at educational institutions and other economic development entities that help grow targeted industries; and
- Promote multi-family, market-rate housing and mixed-use development in Downtown and other targeted areas; and

WHEREAS, on February 4, 2010 City Council approved the Inner City Reinvestment/Infill Policy (ICRIP) which created a focused area for increased financial incentives such as tax abatements and fee waivers; and

WHEREAS, the proposed amendment to the EDIF Guidelines is included as Attachment I and will among other things:

- Add the Oil and Gas Industry as a targeted industry;
- Add grants to the San Antonio Economic Development Corporation and the Economic Development Foundation as eligible uses;
- Allow staff to consider retail projects and outbound/third party contract call centers on a case-by-case basis in the ICRIP; and
- Clarifying that projects occupying existing facilities and not involving the construction of new facilities over the Edwards Recharge Zone or Contributing Zone are eligible for EDIF consideration; and

WHEREAS, the City Council finds that it is in the best interest of the City to approve the proposed amendment to the EDIF Guidelines; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Council approves an amendment to the Economic Development Incentive Fund Guidelines, a copy of which is included as **Attachment I**.

SECTION 2. There is no fiscal impact, as these are only guidelines intended to provide policy direction to staff in recommending grants and/or loans from the EDIF.

SECTION 3. This Ordinance shall be effective immediately upon passage by eight affirmative votes; otherwise, it shall be effective on the tenth day after passage.

PASSED AND APPROVED this 21st day of June, 2012.



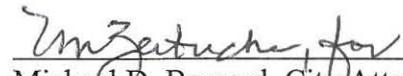
M A Y O R
Julián Castro

ATTEST:



Leticia M. Vacek, City Clerk

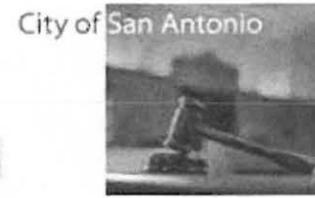
APPROVED AS TO FORM:



Michael D. Bernard, City Attorney



Request for
**COUNCIL
ACTION**



Agenda Voting Results - 55

Name:	55						
Date:	06/21/2012						
Time:	04:56:04 PM						
Vote Type:	Other: expand boundaries						
Description:	An Ordinance authorizing an amendment to the Economic Development Incentive Fund Guidelines to align with the City's Inner City Reinvestment/Infill Policy, SA 2020 goals and Tax Abatement Guidelines. [Pat DiGiovanni, Deputy City Manager; Rene Dominguez, Director, Economic Development]						
Result:	Passed						
Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Julián Castro	Mayor		x				
Diego Bernal	District 1		x			x	
Ivy R. Taylor	District 2		x				
Leticia Ozuna	District 3	x					
Rey Saldaña	District 4	x					
David Medina Jr.	District 5		x				
Ray Lopez	District 6		x				
Cris Medina	District 7	x					
W. Reed Williams	District 8		x				
Elisa Chan	District 9		x				x
Carlton Soules	District 10	x					

ATTACHMENT I

Economic Development Incentive Fund Guidelines

City of San Antonio
Economic Development Incentive Fund (EDIF) Guidelines
(Approved by City Council June 21, 2012)

Section 1. Background and Eligibility:

Since FY 2009, City Council has appropriated funding in the City's General Fund Budget for sustainment of an Economic Development Incentive Fund ("EDIF"). The primary purpose of the EDIF is to make funds available for offering financial incentives in the form of economic development grants and/or loans in accordance with Chapter 380 of the Local Government Code to companies seeking to create or retain jobs and invest in San Antonio.

1.1. The following project categories are eligible for consideration for EDIF assistance:

- a) The attraction and recruitment of companies who plan to create jobs and investment in targeted industries, including corporate headquarters.
- b) The retention/expansion of local companies, including corporate headquarters, who are considering relocating and/or expanding in communities outside of San Antonio.
- c) Promote development and investment at and around active and former military bases and in distressed areas, such as in the Targeted Investment Area (see definition below), State Enterprise Zone census tract areas and the City's designated Reinvestment Plan Areas.
- d) Promote development at and around higher educational institutions and other non-governmental institutions, such as the Texas Research and Technology Foundation, which help create jobs and support growth in the targeted industries.

Section 2. Definitions:

Corporate Headquarters - The company's principal and legal location for its corporate headquarters will be in San Antonio.

Targeted Investment Area: This Area currently includes the Inner City Reinvestment/Infill Policy (ICRIP) Area which is an area approved by City Council and would include any future modifications to the boundaries approved by City Council. The current ICRIP area encompasses Downtown, City-designated Reinvestment Plan Areas, City-initiated Tax Increment Reinvestment Zones within Loop 410, Brooks City-Base, Port San Antonio and annexed portions of City South. Projects locating in the ICRIP are eligible for increased incentives, including development fee waivers to stimulate business activity and investment in the Downtown and surrounding areas (Exhibit A).

Living Wage - The federal wage standard determined annually (January) by the U.S. Department of Health and Human Services (HHS) based on the poverty level for a family of four. As of January 20, 2012, the living wage is \$11.08 per hour.

Call Centers: Outbound and third party contract call centers whose primary business operations are servicing contract(s) to make outbound calls for the purpose of selling goods or services directly to consumers on behalf of a third party.

Reinvestment Plan Areas – Areas selected by the City’s Community Development Advisory Committee and adopted by City Council in accordance with the City’s Strategic Plan for Community Development (Exhibit B).

Retail Businesses: Businesses that primarily provide goods and services directly to consumers and compete with other like businesses in the community.

San Antonio for Growth on the Eastside (SAGE) – San Antonio for Growth on the Eastside (SAGE) is a non-profit organization that serves as a growth engine for San Antonio’s Eastside by promoting, renewing, and empowering the economic and cultural vitality of Eastside area.

Targeted Industry - Those industries identified and defined in the City’s Tax Abatement Guidelines as having the most potential for growing the economy and providing good jobs for the citizens of San Antonio. These industries include: Agribusiness, Aerospace, Creative Services, Environmental Technology (including Green and Clean Technology), Finance, Information Technology and Cyber Security, Logistics/Distribution, Oil and Gas, Telecommunications, Manufacturing and Biotechnology/Healthcare.

Westside Development Corporation (WDC) - The Westside Development Corporation’s (WDC) is a local government corporation created by the City to foster economic development, promote the development and redevelopment of real estate within its target area, create viable urban communities, and preserve the character, culture and history of the Westside.

Section 3. Eligibility Requirements:

The amount of EDIF assistance for a particular project will be based on a determination of need for financial incentives from the City to ensure the attraction, retention and/or execution of eligible projects. Staff will also conduct a fiscal benefit analysis on each project. and evaluate the total benefits project from all financial incentive programs the City might offer for the project, including tax abatement and/or a grant/loan from the WDC or SAGE.

3.1. If EDIF incentives are offered to an eligible project, the project must, at a minimum, meet the following requirements:

- a. Meet one or more of the eligible project categories listed in Section 1.1 above.
- b. New and retained jobs benefiting from grant and/or loan funds at the project site must meet the “Living Wage” standard (currently \$11.08/hour) and updated annually).
- c. Demonstrate that EDIF assistance is essential to the City’s ability to favorably compete with other cities to attract a targeted project that creates new jobs, to

retain jobs that may relocate or to assist in the expansion of jobs by a local company that would not otherwise occur in San Antonio.

- d. The company must provide each full-time person employed at the project location and his or her dependents with access to a health insurance program within one year from date of employment similar to those benefits offered to all employees.
- e. Result in a positive cost-benefit to the City over at least a 20-year period.

Section 4. Use of EDIF Funds:

4.1. The EDIF may be used in combination with other incentive tools and programs in the development of a proposed incentive package for a specific project that will retain and/or create jobs in a targeted industry .

4.2. The EDIF may be used to provide economic development loans and grants pursuant to Chapter 380, Texas Local Government Code to help fund the following type of job retention, expansion and/or creation projects and project-related expenditures:

- a. Public improvements associated with the project;
- b. Training for new or retained jobs;
- c. Real and personal property acquisition and site development;
- d. Company relocation expenses for moving operations to San Antonio;
- e. Facility construction and/or real property improvements;
- f. Studies or planning that promote growth in the targeted industries and/or areas;
- g. Grants or loans to the San Antonio Economic Development Corporation and the San Antonio Economic Development Foundation;
- h. Utility infrastructure costs not funded by CPS Energy;
- i. Grants or loans to community partners, such as the WDC and SAGE; and
- j. Restoration or adaptive reuse of existing structures associated with a project retaining and/or creating jobs, including existing structures over the Edwards Recharge Zone or Contributing Zone.
- k. Retail and call center projects in the Reinvestment Plan Areas.

Section 5. Ineligible and Restricted Areas or Uses:

The following types of projects or uses are not eligible for EDIF funding assistance:

- a. Projects involving new construction over the Edwards Recharge or Contributing Zone that will result in additional impervious cover at the project site.
- b. Retail businesses and call Centers. However, staff may consider such projects in the Targeted Investment Area on a case-by-case basis.
- c. Hotels and motels.
- d. Projects that will negatively impact military missions and/or installations.
- e. Projects that have been issued a building permit, including any conditional permits.

Section 6. Authorization for Use:

The City Manager is authorized to offer EDIF funds for projects meeting the eligibility requirements and make recommendations to City Council. All agreements for the use of funds from the EDIF must receive City Council approval except for professional services agreements under \$50,000 as authorized under the City's Administrative Directive 1.6 Purchasing Procedures. Staff will first advise the City Council Economic and Community Development Committee members before entering into any proposed Agreements involving studies and/or programs related to policy issues.

Section 7. Amount of EDIF Incentive per Project:

7.1 Grant Funding: The amount of incentive per project will be based on the amount of capital investment, location of the project, job creation/retention, average annual salary, type of industry and other factors. Grant payments will be disbursed based on terms negotiated with the recipient. Generally, payments will not be made until the project receives a Certificate of Occupancy and/or based on the job creation schedule.

7.2 Loan Funding: Loans for projects are encouraged, and the total amount of an EDIF loan for any one project will be limited to the amount of new taxes generated by the proposed development over a five-year period up to \$1.0 million for projects locating in the ICRIP area and up to \$500,000 for projects locating outside the Targeted Investment Area. The terms of any loan will generally include an interest rate based on City's average rate of return at the time of the loan (as determined by the Finance Department) or a rate separately negotiated. Loan payments will normally not be disbursed until the issuance of a Certificate of Occupancy, unless otherwise negotiated. A loan repayment schedule with interest will be separately negotiated for each project and incorporated into a Loan Agreement. If possible, the City will secure the loan with some form or reasonable collateral. All loan repayments and interest will be deposited back into the EDIF.

Any Location in the City Limits	Targeted Investment Area	Corporate Headquarters (Any Location)
Up to 1.0% of Investment and Up to \$3,000 per job	Up to 1.5% of Investment and Up to \$5,000 per job	Up to 1.5% of Investment and Up to \$10,000 per job

7.3 Staff will use the following table as a guide in determining the amount of potential grant to recommend for a project creating new jobs. Staff may individually consider projects involving the retention and expansion of local jobs and offer a competitive grant and/or loan based on an evaluation of the fiscal and economic impact, the threat of losing jobs, the location of the jobs, the level of investment and the competition for these jobs in other communities.

7.4 In determining the amount of any grant to offer a qualifying project, staff will consider and give additional weight to projects with a significant number of jobs paying annual wages exceeding the Bexar County average weekly wage, jobs in one of the SA2020 targeted industries of Biosciences, Cyber Security/IT, Aerospace and Renewable Energy and those projects that intend to apply and receive any level of certification under the Leadership in Energy and Environmental Design for all or part of a project.

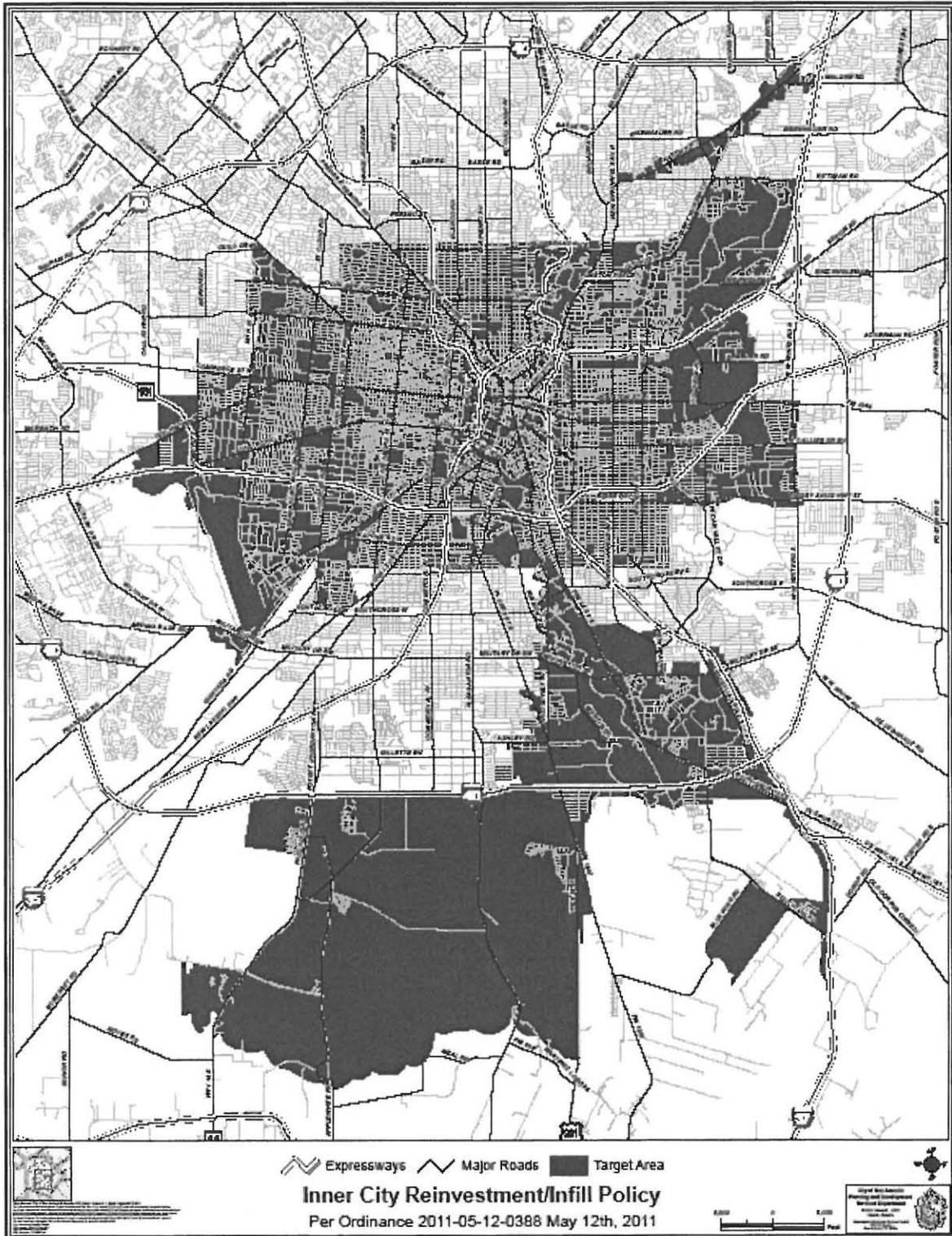
8. Recapture Provisions

EDIF Agreements will include a provision for the recapture of City EDIF financial incentives (e.g. grants and loans) in the event Agreement terms and requirements are not met. These recapture provisions will survive any subsequent assignment of the Agreement and will generally run up to five years beyond the final disbursement of any EDIF funds or the end of the specified job creation term.

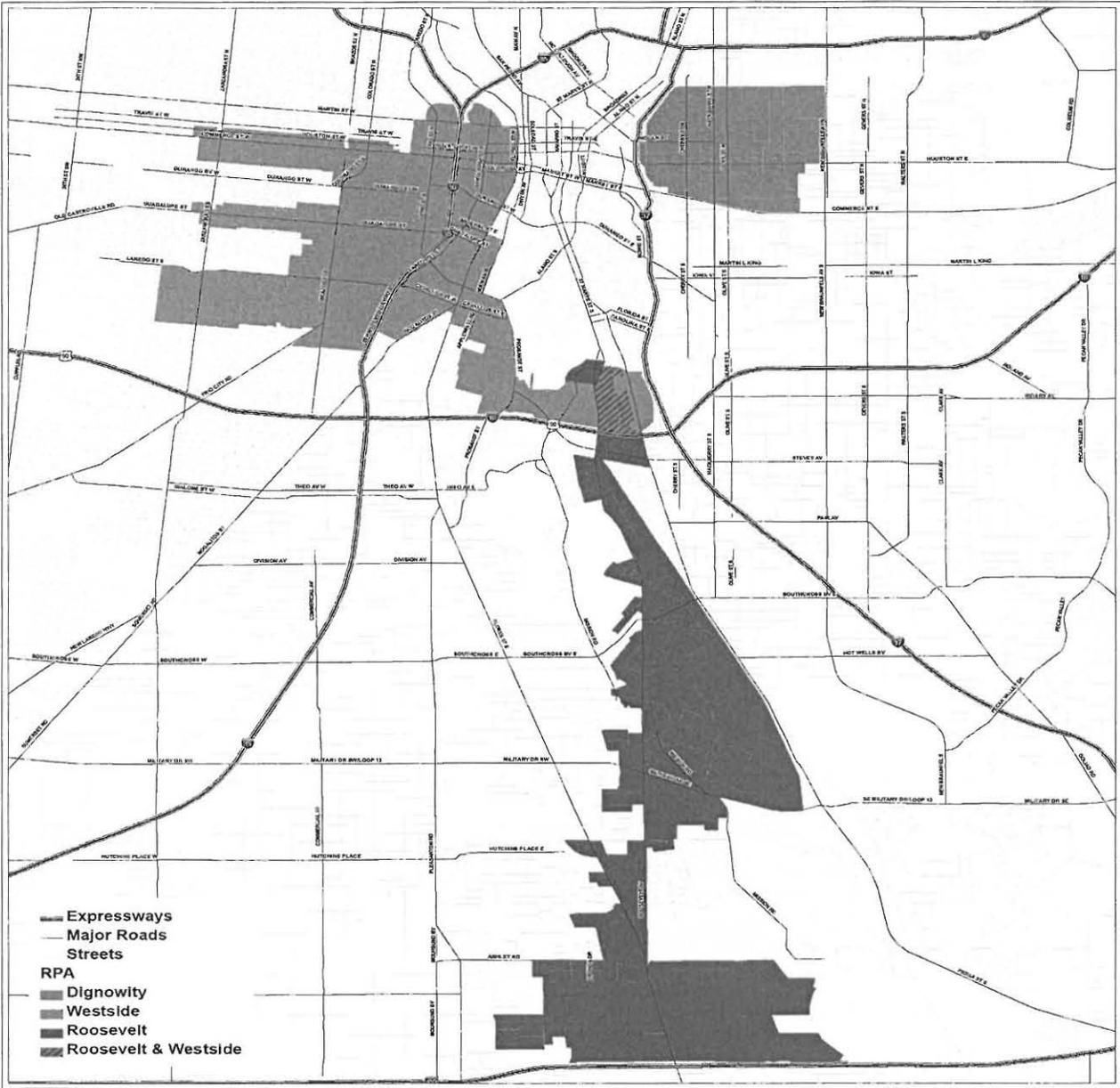
9. Administration of the EDIF:

The Economic Development Department will administer the EDIF program and coordinate with other Departments, such as the Center City Development Office, Office of Military Affairs and Finance Department.

Appendix A
Targeted Investment Area Map



Appendix B Reinvestment Plan Area Map



Reinvestment Plan Areas

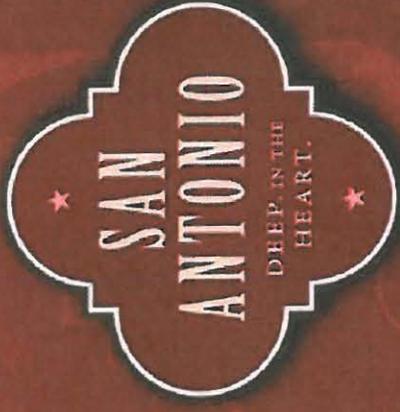


Map prepared by the City of San Antonio Planning and Development Services Department. The map is for informational purposes only and does not constitute a contract or warranty of any kind. The City of San Antonio is not responsible for any errors or omissions on this map. The City of San Antonio is not responsible for any damages or losses resulting from the use of this map. The City of San Antonio is not responsible for any claims or liabilities arising from the use of this map. The City of San Antonio is not responsible for any claims or liabilities arising from the use of this map.

City of San Antonio

City of San Antonio
Planning and Development
Services Department
1501 E. Valero
San Antonio, TX 78204

CITY COUNCIL ITEM #55



Amendment to the Economic Development Incentive Fund Guidelines

June 21, 2012

Proposed Item



- This ordinance approves an amendment to the Economic Development Incentive Fund (EDIF) Guidelines to align them with the Inner City Reinvestment/Infill Policy (ICRIP) adopted by Council, the SA2020 goals, and the Tax Abatement Guidelines.

EDIF Background



- The Economic Development Incentive Fund (EDIF) provides funding for grants and/or loans in combination with other incentives for economic development projects.
- November 20, 2008: City Council approved the current EDIF Guidelines.
- February 4, 2010: City Council approved the ICRIP which created a focus area for increased financial incentives, such as tax abatements and fee waivers in the Inner City.

EDIF Background (Cont.)



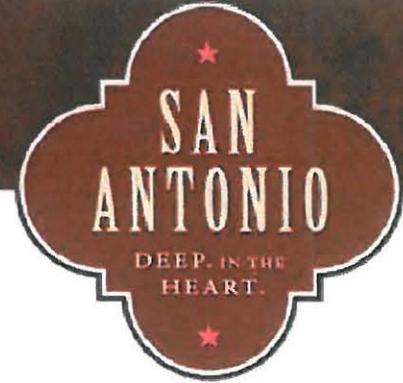
- EDIF grants have been used to promote economic development on projects, such as Southwest Airlines, PETCO, JP Morgan Chase, Medtronic, HVHC, Xenex, and Nationwide.
- In FY 2012, Council appropriated \$4M from the General Fund for the EDIF.
- EDIF grants have been used to invest through the San Antonio Economic Development Corporation in projects, such as InCube and the UT Health Science Center in return for an equity interest in startup companies.

Eligibility and Uses



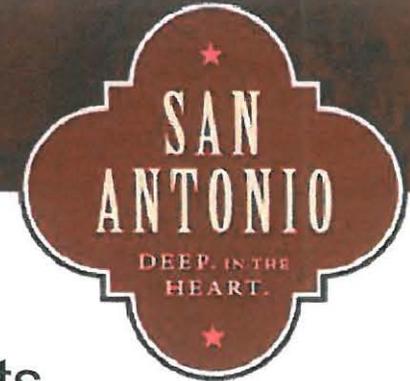
- **Eligibility: Jobs and/or Investment**
 - Recruitment of companies in targeted industries
 - Retention and expansion of local companies
 - Promote development in targeted areas
- **Uses:**
 - Public improvements
 - Utility infrastructure
 - Training and relocation expenses
 - Property acquisition and site development
 - Facility construction and property improvements
 - Funding for the EDF contract and SAEDC projects

Ineligible Uses



- New construction over the Recharge Zone that adds impervious cover
- Retail and call centers except in Targeted Areas, such as the Inner City, WDC, and SAGE
- Hotels and motels
- Projects that impact the military missions
- Projects that have been issued a building permit
- Projects that do not pay all employees a living wage

Key Changes



- Simplifies and provides a more flexible formula for determining grant offers for projects.
- Provides more opportunity for grants outside the ICRIP on a per-job basis.
- Allows grants/loans to projects over the Recharge Zone, if the project is located in an existing facility and not increasing impervious cover.
- Defines the “Targeted Investment Area” as the ICRIP and any future modifications approved by Council.
- Adds the “Oil and Gas Industry” to the list of targeted industries.
- Adds that companies must provide access to healthcare for employees and dependents.

Potential Amount of EDIF Incentive



Any Location in the City Limits	Targeted Investment Area	Corporate Headquarters (Any Location)
Up to 1.0% of Investment and Up to \$3,000 per job	Up to 1.5% of Investment and Up to \$5,000 per job	Up to 1.5% of Investment and Up to \$10,000 per job

Recommendation

- Staff is recommending approval of this Ordinance amending and adopting the attached EDIF Guidelines.
- On June 5, the Council Economic and Community Development Committee endorsed these proposed EDIF Guidelines.

