

AN ORDINANCE 2014-12-11-1038

AMENDING THE ECONOMIC DEVELOPMENT INCENTIVE FUND
GUIDELINES EFFECTIVE JANUARY 1, 2015.

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WHEREAS, the Economic Development Incentive Fund (the "EDIF") was established by City Council in 2004 to be used to attract new companies and help local companies expand and the current EDIF Guidelines were adopted on June 21, 2012; and

WHEREAS, staff is proposing an amendment to the EDIF Guidelines, to add the "All Industries Median Hourly Wage" requirement so that companies receiving financial support from the EDIF must pay 70% of all new and existing employees, with at least one year of full employment, the San Antonio Metropolitan Statistical Area median wage for all industries, which is currently \$14.66 per hour; and

WHEREAS, the proposed amendment will also align the wage requirements of all economic development grant incentives which are connected to jobs creation and/or retention with those contained in the Tax Abatement Guidelines; **NOW THEREFORE:**

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

SECTION 1. The amended Economic Development Incentive Fund ("EDIF") Guidelines set out in **ATTACHMENT I** are hereby approved.

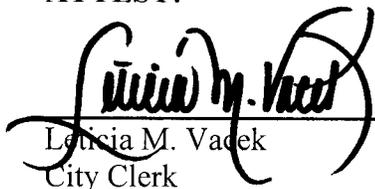
SECTION 2. This Ordinance shall be effective on January 1, 2015.

PASSED AND APPROVED this 11th day of December, 2014.



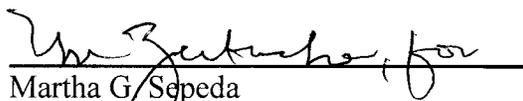
M A Y O R
Ivy R. Taylor

ATTEST:



Leticia M. Vadek
City Clerk

APPROVED AS TO FORM:



Martha G. Sepeda
Acting City Attorney

Agenda Item:	39B (in consent vote: 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20A, 20B, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 32, 33, 34, 35, 36A, 36B, 37A, 37B, 38A, 38B, 39A, 39B, 41)						
Date:	12/11/2014						
Time:	02:45:24 PM						
Vote Type:	Motion to Approve						
Description:	An Ordinance amending the Economic Development Incentive Fund (EDIF) Guidelines effective January 1, 2015.						
Result:	Passed						
Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Ivy R. Taylor	Mayor		x				
Roberto C. Trevino	District 1	x					
Keith Toney	District 2		x				x
Rebecca Viagran	District 3		x				
Rey Saldaña	District 4		x				
Shirley Gonzales	District 5		x				
Ray Lopez	District 6		x				
Cris Medina	District 7	x					
Ron Nirenberg	District 8		x				
Joe Krier	District 9		x				
Michael Gallagher	District 10		x			x	

LOH
/ /
Item #

ATTACHMENT I

City of San Antonio
Economic Development Incentive Fund (EDIF) Guidelines
(Approved by City Council December 11, 2014)

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 Inner City Reinvestment/Infill Policy (ICRIP) 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.

ICRIP: An area with designated boundaries approved and as amended 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 Hourly Wage Requirement: In order to be eligible for a tax abatement, one hundred percent (100%) of the company's new and existing employees *at the project location* must earn no less than a "living wage" throughout the full terms of the EDIF Agreement and all economic development grant incentives agreements under Chapter 380 connected to jobs creation and/or retention. This wage is based on the poverty level for a family of four, as determined annually (January) by the U.S. Department of Health and Human Services (HHS). As of January 22, 2014, the living wage requirement is \$11.47 per hour.

All Industries Median Hourly Wage Requirement: In addition to the “Living Wage” requirement, after one year of initiating full operations at the project location, but not more than two years after execution of the EDIF Agreement and/or the economic development grant incentives under Chapter 380 connected to jobs creation and/or retention with the City, at least seventy percent (70%) of all new and existing employees, with at least one year of full employment with the company at the project location, must earn a cash wage at or exceeding the annual San Antonio Metropolitan Statistical Area (MSA) Median Hourly Wage for All Industries (Companies) for the most recent year available. This wage is compiled by the Bureau of Labor Statistics (BLS) Occupational Employment Survey and published annually by the Texas Workforce Commission (TWC). This wage is updated annually, and for 2014 the current applicable wage is \$14.66 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 the 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 (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 projected 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 and/or economic development grant incentives under Chapter 380 connected to jobs creation and/or retention 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 \$11.47/hour, and updated annually).
- c. In addition to the “Living Wage” requirement, after one year of initiating full operations at the project location, but not more than two years after execution of the EDIF Agreement with the City, at least seventy percent (70%) of all new and existing employees, with at least one year of full employment with the company at the project location, must earn \$14.66/hour, and as updated annually.
- d. 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 elsewhere or to assist in the expansion of jobs by a local company that would not otherwise occur in San Antonio.
- e. 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.
- f. 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 types 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;
- 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; and
- 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 ICRIP 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.
- f. Projects that do not meet the Wage Requirements.

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 ICRIP. 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.

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.

Any Location in the City Limits	ICRIP	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

7.4 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 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.

