

City of San Antonio Guidelines Economic Development Incentive Fund (EDIF)

1. Background and Eligibility:

The primary purpose of the Economic Development Incentive Fund (“EDIF”) is to provide a financial incentive in the form of economic development grants and/or loans to help do the following:

- Attract, retain and/or expand companies in targeted industries, including green tech, clean tech and corporate and regional headquarters;
- Assist development projects at and around military bases, particularly those bases affected by Base Realignment and Closure, such as Fort Sam Houston and Lackland Air Force Base.
- Promote development projects at educational institutions, and other nongovernmental institutions which create jobs and support growth in the targeted industries;
- Promote commercial and mixed-use development projects in targeted areas, particularly in the Downtown area;
- Attract a new corporate or regional headquarters to the Downtown area or the retention and/or expansion of an existing corporate or regional headquarters into the Downtown area;
- Promote multi-family, market rate housing Downtown; and
- Stimulate development and investment in distressed areas, such as the federal Empowerment Zone and State Enterprise Zone census tract areas.

2. Definitions:

Targeted Industry - Those industries identified and defined in the City and County Joint Tax Phase-In Guidelines as having the most potential for growing the economy and providing good jobs for the citizens of San Antonio and Bexar County. These industries include: Aerospace, Creative Services, Finance, Information Technology, Logistics and Distribution, Manufacturing, Telecommunications, Environmental Technology (including Green and Clean Technology) and Biotechnology/Healthcare.

Targeted Areas - Includes Downtown and the areas covered by the federal Empowerment Zone, all State Enterprise Zone census tracts (except those north of Loop 410), the Westside Development Corporation, Brooks City-Base, Port of San Antonio, Texas Research Park, San Antonio International Airport, Stinson Municipal

Airport, the Medical Center area, the Inner City TIRZ #11, the River North TIRZ #27 and the proposed Midtown TIRZ area if approved.

Downtown - The area managed by the Center City Development Office which encompasses the CRAG which is the inner-city area defined by the Community Revitalization Action Group as the San Antonio city limits prior to 1940. This area includes a 36 square mile area, with the center being the dome of the San Fernando Cathedral. The area is defined by Hildebrand Avenue to the north, Division Street to the south, Rio Grande Street to the east, and 24th Street to the west.

Market-Rate Housing – A project with the majority of housing units available at market rate for rent or for sale.

Mixed-Use Project – A project with market-rate residential housing units constituting at least 75 percent of the usable project space and the remaining space commercial retail space.

Corporate and Regional Headquarters - The company's corporate or regional legal principal place of business is or will be located in San Antonio.

3. EDIF Eligibility Requirements:

The amount of EDIF assistance for a particular project will be based on a determination of financial need for public assistance to ensure the execution of desired projects in San Antonio. For each application, staff will conduct a cost-benefit analysis and review the project's financial information to determine if there is a gap in project financing that requires City assistance. In this analysis, staff will include the benefit to the project from other available financial incentive programs the City might provide. If EDIF incentives are offered to a qualifying project, the project must, at a minimum, meet the following requirements:

- Meet one or more of the eligible project categories listed in Para 1 above.
- All jobs must meet the City's minimum wage requirements specified in the City's Tax Phase-In Guidelines, except for mixed-use and residential-only projects.
- Demonstrate that a gap in financing exists which requires public assistance to ensure execution or that EDIF assistance is necessary for the City to favorably compete with other cities for a targeted project.
- Result in a positive cost-benefit to the City over at least a 20-year period.

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.

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 projects and project-related expenditures:

- Public improvements associated with the project;
- Training for new or retained jobs;
- Real property (e.g., land) acquisition;
- Site development;
- Facility construction and/or real property improvements;
- Studies or planning that promote growth in the targeted industries;
- Marketing of mixed-use and market-rate housing projects;
- Equity participation by a City-created Economic Development Corporation;
- Utility infrastructure costs not funded by CPS Energy Community Infrastructure and Economic Development funds; and
- Creation of a small business assistance fund of up to \$500,000 administered by the South Texas Business Fund (STBF) equitably distributed at \$250,000 each for projects managed by the Westside Development Corporation (WDC) and for San Antonio for Growth on the Eastside (SAGE).

5. Ineligible and Restricted Areas or Uses:

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

- Projects located in whole or in part over the Edwards Aquifer Recharge Zone.
- Retail stores, retail centers or businesses that primarily provide goods and services directly to consumers, except for projects located within the areas served by the WDC and SAGE.
- Outbound or contract call centers whose primary business operations are to make outbound calls for the purpose of selling goods or services directly to consumers, except such projects located within the areas served by the WDC and SAGE.
- Hotels and motels.
- Projects that will negatively impact military missions and/or installations.

6. Authorization for Use:

The City Manager is authorized to offer and negotiate the use of some or all of the EDIF funds for projects meeting the eligibility requirements. All agreements and allocations for the use of funds from the EDIF must receive City Council approval.

7. Amount of EDIF Incentive per Project:

The amount of EDIF Incentive for a specific project will be based on need as addressed in Paragraph 3 above. The total amount of the EDIF incentive will vary based on whether the type of assistance provided is an economic development grant or loan or a combination of both grant and loan assistance. The maximum amount of EDIF assistance is limited to \$2 million for a grant and \$1 million for a loan. The amount of EDIF assistance is limited to a total of \$2 million for any combination loan and grant, except for a corporate or regional headquarters locating Downtown. The STBF will establish separate rules and requirements for the administration of any funds allocated from the EDIF to the STBF small business assistance program in collaboration with the WDC and SAGE.

7.1 Grant Funding: The total amount of EDIF grant funding for any one project is limited to \$2 million. The amount of incentive per project will generally be based on the amount of capital investment, location of the project, job creation and type of project. Staff will use the following formula when recommending the amount of EDIF funding for a project:

- Up to one percent (1%) of the initial investment not to exceed \$2 million
 - Up to an additional \$500,000 if one of the following applies:
 - Between 1,000 - 2,000 jobs; or
 - Over 300 jobs in the Downtown area; or
 - A Downtown mixed-use project or market-rate housing project with investment of at least \$40 million.
 - Up to another \$500,000 if one of the following applies:
 - Project creates over 2,000 jobs; or
 - Over 500 jobs in the Downtown area; or
 - A Downtown mixed-use project or market-rate housing project with investment of at least \$60 million.
- Up to \$2 million for a corporate or regional headquarters locating Downtown.
- Projects locating in the WDC, SAGE or other targeted areas would be eligible for financial assistance of up to \$3,000 per job from the EDIF or for other financial assistance provided through the programs administered by the STBF.

7.2 Loan Funding: 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, or \$1 million, whichever is less. However, a corporate or regional headquarters locating in the Downtown area could receive a loan up to \$2.5 million with terms separately negotiated and recommended for City Council approval. The terms of any loan will include an interest rate based on COSA's average rate of return at the time of the loan (as determined by the Finance Department). Loan payments will normally not be disbursed until the issuance of a Certificate of Occupancy, unless otherwise negotiated. Loan repayments with interest will be made annually in equal installments over six years beginning within twelve months of initial loan disbursement. All loan repayments will be deposited back into the EDIF.

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.

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 the Finance Department.