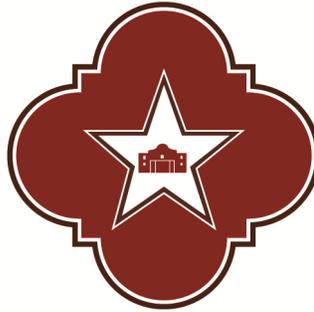


## City of San Antonio



### **Economic Development Incentive Fund (EDIF) Guidelines (Approved by City Council June 16, 2016, as updated February 19, 2019)**

#### **Section 1. Background:**

Since FY 2009, the San Antonio City Council has appropriated funding in the City’s General Fund Budget for the sustainment of an Economic Development Incentive Fund (“EDIF”). The primary purpose of the EDIF is to make funds available for 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. The EDIF is also available to support initiatives and programs that help achieve the goals outlined in the community’s *Forefront SA* economic development strategic plan and the City’s *SA Tomorrow Comprehensive Plan*. The emphasis of the EDIF is on securing high-wage jobs and quality investment in Targeted Industries.

The City’s *SA Tomorrow Comprehensive Plan* lays out specific, long-term goals to address key economic challenges in the areas of economic geography and diversity, workforce development, and business attraction and retention. The plan also stresses the role of the City’s Targeted Industries, cultural and creative industries, and the need to nurture and support entrepreneurial development and innovation. *SA Tomorrow* and *Forefront SA* articulate related goals of increasing household income in San Antonio through increase in targeted industry employment and both stress the central role of innovation, entrepreneurship, and startups and provide a roadmap for improving the performance of the San Antonio economy over the course of the next five years.

#### **Section 2. Eligibility:**

2.1. The following project and program categories are eligible for consideration for EDIF assistance:

- a) The attraction and recruitment of companies, domestic and international, that plan to create jobs and investment in Targeted Industries, including corporate headquarters.
- b) The retention and/or expansion of local companies, including corporate headquarters, that are considering relocating and/or expanding outside of San Antonio.
- c) Promote development and investment at and around former military bases (Port San Antonio and Brooks City-Base), in distressed areas, as defined in the Inclusive Growth Area (IGA,

defined below, See **Appendix A**) with an emphasis on downtown investment and job creation, and within State Enterprise Zone census tract areas.

- d) Promote targeted development and investment in Regional Centers as defined by the *SA Tomorrow Comprehensive Plan* and for which City Council has approved specific industry and development plans.
- e) Programs creating a scale increase (e.g. doubling) outcomes in research, innovation, start-ups, or entrepreneurial development, leading to commercialization of new technologies, products, or services in the City's Targeted Industries by 2020, where applicants demonstrate a track record of outcomes for no less than two years and matching dollars which must include private sector support.
- f) Training, recruitment, retention and development of a skilled workforce to support growth in the Targeted Industries and in the Creative Industries.
- g) Infrastructure, facilities, and equipment to support growth in the Targeted Industries.
- h) Events, marketing, sponsorships, industry groups, legislative programs, and other initiatives that help grow and/or promote the Targeted Industries.
- i) Projects, programs or initiatives in the Creative Industries that directly create or retain jobs or support the creation or retention of jobs in the Targeted Industries.

### **Section 3. Definitions:**

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

Creative Industries: Those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property. The Creative Industries sectors primarily include advertising, architecture, arts and crafts, design, film and video, interactive leisure software, music, the performing arts, publishing, software and computer games, and television and radio.

Inclusive Growth Area (IGA): City Council adopted the Inclusive Growth Area on December 13, 2018 as the focus for targeted investment, and for sourcing of job candidates and job training candidates. This area includes Tier I, Tier II and Tier III, Brooks City-Base, Port San Antonio and each of the City's designated Regional Centers, as adopted in the SA Tomorrow Comprehensive Plan (see **Appendix A**).

High-Wage Jobs: Jobs for which earnings are at or above \$50,000 annual salary, based on a minimum to exceed the Bexar County Average Weekly Wage as determined by the Bureau of Labor Statistics, and to align with incentives such as the State Enterprise Zone Program.

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.

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.

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.

Targeted Industries: 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:

Aerospace & Advanced Manufacturing  
Bioscience/Healthcare  
IT & Cybersecurity  
Energy

#### **Section 4. Determination of Amount of EDIF Assistance:**

The amount of EDIF assistance for a business recruitment or retention/expansion project will be based on a determination of need for financial incentives from the City to ensure the attraction, retention and/or expansion of the eligible company or program. Staff will also conduct a fiscal benefit analysis on each such project and evaluate the total benefits from all financial incentive programs the City might offer for the project. The amount of EDIF assistance offered to other eligible projects, programs, and initiatives will be evaluated and determined based on the individual merits of each request in accordance with the principles set forth herein.

#### **Section 5. Wage and Benefit Requirements:**

When EDIF assistance is offered to an eligible job recruitment or retention/expansion project or program, that project must, at a minimum, meet the following requirements:

- a) Living Hourly Wage Requirement: In order to be eligible for an EDIF grant, 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 term of the EDIF Grant Agreement. 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 2019, the living wage requirement is \$12.38 per hour.
- b) 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 Grant Agreement with the City, at least seventy percent (70%) of all new and existing employees at the project location, 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 as of January 2019 the current applicable wage is \$16.65 per hour.

- c) High-Wage Job Threshold: Additional consideration associated with the EDIF Grant Agreement and/or percentage will be provided based on the proportional number of jobs that meet the High-Wage Job Threshold as defined above.
- 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 (at least meeting the minimum requirements of a Qualified Health Plan as defined in the Affordable Health Care Act) within one year from date of employment similar to those benefits offered to all employees.

## **Section 6. Use of EDIF Funds:**

6.1. 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 attract, retain and/or expand jobs in a targeted industry. The EDIF may also be used for projects, programs, and initiatives that promote entrepreneurial development, spur innovation, facilitate the commercialization of local technology and intellectual property, grow startup companies in Targeted Industries, and support workforce development initiatives.

6.2. Projects, programs, and initiatives must demonstrate that EDIF assistance is essential to the City's ability to compete favorably with other cities to attract a targeted project that create new jobs, to retain jobs that may relocate elsewhere, to assist in the expansion of jobs by a local company, or to develop programs or projects for entrepreneurial development or the Creative Industries that would not otherwise occur in San Antonio.

6.3 Approved EDIF funds may be used for the following expenditures:

- a) Public improvements associated with the project;
- b) Training programs and other initiatives to develop and sustain a skilled workforce for the Targeted Industries and the Creative Industries;
- 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;
- g) Grants or loans to the San Antonio Economic Development Corporation and the San Antonio Economic Development Foundation;
- h) Utility infrastructure costs for eligible projects not totally funded by CPS Energy and SAWS;

- i) Grants or loans to community partners, such as the WDC, SAGE, and others;
- 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) Entrepreneurial development programs and initiatives in the Targeted Industries subject to Section 2.1(e.);
- l) Third party due diligence, evaluation, and financial analysis of eligible projects; and/or
- m) Marketing, events, sponsorships, trade shows, and trade missions in support for entrepreneurial development and Targeted Industries and support for industry advocacy groups.

**Section 7. 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 IGA on a case-by-case basis.
- c. Hotels and motels.
- d. Projects that will negatively impact military missions and/or installations.
- e. Job creation and retention projects that do not meet the wage requirements.

**Section 8. Authorization for Use:**

The City Manager is authorized to offer EDIF funds for recruitment and retention/expansion projects and programs 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 professional services agreements under \$50,000, which the City Manager may approve, as authorized under the City’s Administrative Directive 1.6 Purchasing Procedures. Staff will first advise the City Council Economic and Human Development Committee before entering into any such agreements involving studies and/or programs related to policy issues.

**Section 9. Amount of EDIF Incentive per Project or Program:**

9.1 Grant Funding: The amount of incentive for a job creation and/or retention project will be based on the amount of capital investment, location of the project, job creation/retention, average annual salary, entrepreneurial nature of the project or program, 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, lease commencement, and/or based on entrepreneurial startup costs, and/or job creation milestones.

9.2 **Loan Funding:** Loans for projects are encouraged, and the total amount of an EDIF loan for any one project will generally 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 IGA and up to \$500,000 for projects locating outside the IGA. 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. Normally, loan payments will not be disbursed until the issuance of a Certificate of Occupancy, unless otherwise negotiated. A loan repayment schedule with interest will be negotiated separately for each project or program and incorporated into a Loan Agreement. If possible, the City will secure the loan with some form or reasonable collateral and/or personal guarantee. All loan repayments and interest will be deposited back into the EDIF.

9.3 Staff will use the following table as a general guide in determining the amount of potential grant to recommend for a business recruitment project creating new jobs. Staff may individually consider projects involving startup companies and the retention/expansion of local jobs and negotiate an appropriate grant amount to recommend to City Council. In considering EDIF requests from local companies to retain and expand jobs, staff will evaluate the fiscal and economic impact of the project, the threat of losing jobs to another community, the location of the jobs in San Antonio, the level of new investment proposed, the type of industry, and the competition for these jobs in other communities.

| <b>Any Location<br/>in the City Limits</b>                  | <b>Within<br/>Inclusive Growth Area</b>                     | <b>Corporate<br/>Headquarters<br/>(Any Location)</b>         |
|---|---|--|
| Up to 1.0% of Investment<br>And/Or<br>Up to \$3,000 per job | Up to 1.5% of Investment<br>And/Or<br>Up to \$5,000 per job | Up to 1.5% of Investment<br>And/Or<br>Up to \$10,000 per job |

9.4 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, programs designed to encourage and promote entrepreneurial development in the Targeted Industries, 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.

**Section 10. Recapture Provisions:**

EDIF Agreements for business recruitment and retention/expansion projects 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.

**Section 11. Administration of the EDIF:**

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

# Appendix A – Inclusive Growth Area

