

The City of San Marcos

Economic Development Policy

Adopted December 17, 2013 (Reso. 2013-185R)

Amended January 5, 2016 (Reso. 2016-03R)

Amended February 2, 2016 (Reso. 2016-15R)

General Purpose & Objectives

The City of San Marcos is a culturally diverse, rapidly growing community that prides itself on its natural beauty, young and talented workforce and friendly environment. In the beautiful Central Texas Hill Country, San Marcos serves as the Hays County seat and is located halfway between Austin, the State Capitol, and San Antonio to the South on the fast growing IH 35 corridor. Hays County has been ranked one of the fastest growing counties in the nation given the numerous factors that make San Marcos an appealing place to live and work. This economic development policy has been developed in order to help make San Marcos the most desirable place to locate or expand a business in the nation.

Definitions

1. "Preferred Scenario Map," means geographic region of the City of San Marcos as shown on the attached Exhibit A, where development is preferred by city planners.
2. "COSM Water Quality Regulations," means the City of San Marcos' water quality regulations, standards, and requirements, including those appearing in the City Code or other ordinance, or administrative rules.
3. "Economic and Fiscal Impact," means impact any given project may have on the tax base of the City of San Marcos and financial ability to meet the desired level of service expected by citizens.
4. "Headquarters," means the physical location of a company's center for administrative operations and the physical location of the primary office for the Chief Operating Officer, President, or principal management of the company.
5. "Family living wage," means a wage of \$15.00 per hour, plus employer-sponsored health insurance available to the employee and dependents that provides coverage equal to that offered to any other full-time employee of the company.
6. "Local firm," means a firm engaged in business and located within the taxing jurisdiction of the City of San Marcos.
7. "Average wage," means statistical average mean wage being paid or proposed wage to be paid by prospective company.
8. "Median Wage," means statistical median wage being paid or proposed wage to be paid by prospective company.

9. "Targeted Industry," means specific industrial activities, or companies involved in specific industries that have been identified as a desirable industry for our recruitment program.
10. "State economic development funds," means financial incentives by or through state government.
11. "Net Present Value," means the discounted value of an investment's cash inflows minus the discounted value of its cash outflows.

Incentive Policy

Firm -Based Investments

San Marcos is committed to the promotion of quality development in all parts of the City and to improving the quality of life for its citizens. In order to meet these goals, the City Council will consider providing incentives to stimulate economic development in San Marcos and its extraterritorial jurisdiction (ETJ). The city will consider providing incentives to appropriate businesses in accordance with the procedures and criteria outlined in this Policy. Prospective businesses are strongly encouraged to discuss potential incentives with the Greater San Marcos Partnership, City officials and staff members early in the stage of a permit has been issued for the project before an incentive application is submitted.

Minimum Requirements:

- The Firm must be located within the Preferred Scenario Map unless special consideration is given by San Marcos City Council.
- The Firm must comply with current City of San Marcos water quality regulations on all current projects and during term of incentive agreement. (reference: City Council Resolution)

A. Overall Economic and Fiscal Impact

- What is the absolute size of the net benefit?
 - Economic impact as measured by jobs and income
 - Level of desirable public benefits included in the project
 - Net fiscal impact to the City
- Does the project fit with one of the strategic targets identified?
- Is the firm a headquarters operation? Does it represent the "headquarters" of a new product line/service for the firm?
- Is the firm growing? Is the firm in a growing industry? How stable is the firm?

Measurements:

- Economic impact analysis (jobs, economic activity)
- Net fiscal impact analysis
- Discussion of other items

B. Local Linkages to the San Marcos Economy

- Does the project make use of an especially underutilized asset?
 - Certain segments of the labor force /current office space
- Will the project create significant contracting opportunities for local firms?
 - Small /disadvantaged business
- Does the project fill a gap in the San Marcos economic base?

- Key supplier relationships
- Does the project have the potential to either seed a new economic cluster or bring additional firms to San Marcos?
- Will the firm directly compete for resources with existing local firms?

Measurements:

- Analysis of above items in light of information gleaned from both the firm and secondary sources

C. Infrastructure Impact

- Will the firm make a disproportionate demand on the community's infrastructure?

D. Labor Force Practices

- All jobs calculated or counted for economic development incentive purposes shall earn no less than a "family living wage," as defined herein, throughout the full term of the agreement.
- Will the bulk of new hires be local or imported?
- What is the average wage paid? How does it compare to the local or national industry average?
- What is the median wage paid? How are job categories and wages distributed within the overall structure?
- What training is provided? Are there opportunities for advancement? Are there funds for additional education (tuition match, etc.)?
- Does the firm actively promote diversity in hiring and promotion?

Measurements:

- Number and percentage of jobs earning a family living wage
- Average and median wages compared to national /regional averages
- Estimate of percentage of hiring from local labor force

E. Cultural/Quality of Life Considerations

- Does the firm have a proactive cultural outreach program?
- Does the firm actively encourage employee volunteer /charitable efforts?

Measurements:

- Analysis of above items, based on objective measures (third -party reports, judgment/legal actions, etc.) as well as interaction with the firm.

F. Extraordinary Economic Impact (only one required)

- The firm is in a targeted industry
- The firm is involved in leading edge technology
- State economic development funds are available for the firm
- The firm will generate 200 jobs or more

Process

Firm -Based Scoring System

Under the attached scoring system, points are assigned to each of the major criteria described above. This scoring system is used to assess whether incentives will be offered to a firm and, based on the final

score, the potential incentive amount for the firm.

Firms with a score between 81-100 may qualify for up to 80% of the net present value of the estimated total tax liability or up to \$200 per job per year over 10 years. Firms with a score between 71 -80 may qualify for up to 70% of the net present value of the estimated total tax liability or up to \$ 150 per job per year over 10 years. Firms with a score between 60 -70 may qualify for up to 60% of the net present value of the estimated total tax liability or up to \$100 per job per year over 10 years. Firms that score below 60 points do not qualify for incentives.

As a standard practice, total investments in a firm will not exceed 50% of the present value of the estimated total tax liability over 10 years and will not exceed 80% of the total tax liability in any single year. Firms that are in a targeted industry as identified by the City of San Marcos, in a leading edge technology, eligible for state incentives, will generate 200 or more jobs, invest \$25 million or more, or establish its headquarter operations in San Marcos are eligible for an additional \$50 per job per year. However, the City Council reserves the right to create a unique shared investment package in the case of extraordinary opportunities for economic development in San Marcos. These may include cases where:

- The firm is in a targeted industry
- The firm is involved in leading edge technology
- State economic development funds are available for the firm
- The firm will generate 200 jobs or more
- The firm will relocate its headquarters to San Marcos

The table below represents the scoring system used by the Greater San Marcos Partnership to measure each project. The economic development matrix provides additional information for each category scored.

Overall Economic and Fiscal Impact		
Small	Medium	Large
10	20	30
Linkages to the Local Economy		
Poor	Acceptable	Strong
0	15	25
Character of Jobs/Labor Practices		
Poor	Acceptable	Excellent
0	15	25
Infrastructure Impact		
Disproportionate	Proportionate	Low Impact
0	5	10
Quality of Life/Cultural Vitality		
Unacceptable	Acceptable	Excellent
0	5	10
Total Possible Points		100

Policy Regarding Use of the City of San Marcos Economic Development Supplemental Fund

Section 1. Purpose. The City of San Marcos has established an Economic Development Supplemental Fund (the Fund) to complement existing economic development incentive tools for projects to be located within areas and with uses as provided for in the Comprehensive Plan, “*Vision San Marcos: A River Runs Through Us.*”

Section 2. Qualified Projects. The Fund may be used for projects that have qualified for Chapter 380 Economic Development Incentives from the City of San Marcos in the following categories:

- a) **Business and support facilities**, including national and regional corporate headquarters, back office operations, customers care service centers, processing and data centers, professional, scientific and technical services, are eligible projects, provided the facilities create or retain primary jobs.
- b) **Business sectors for current consideration** shall include aerospace/aviation, material sciences, life sciences and information technology, to include related manufacturing and industrial facilities, as well as other advanced manufacturing facilities, provided the facilities create or retain primary jobs.
- c) **Research and development facilities** are eligible projects, provided the facilities create or retain primary jobs.
- d) **Distribution centers and warehouse facilities** are eligible projects, provided the facilities create or retain primary jobs.
- e) **Other.** The Fund may be used for other exceptional primary job creation or retention opportunities, or other business opportunities, as determined by the City Council.

Section 3. Use of Funds. The Fund may be used for the following purposes:

- a) To fund all or a portion of Qualified Projects that the City Council determines will promote the development of new or expanded business enterprises within the City; and
- b) By the City Manager, as directed by the City Council, for the purpose of enhancing the City’s economic development efforts.

Section 4. Procedures. The process for approval of the use of the Economic Development Supplemental Fund may include:

- a) Analysis by City staff, and/or the Greater San Marcos Partnership, and/or the EDSM Board as necessary; and
- b) Consideration and Final Approval by the City Council.