

# **CITY COUNCIL WORK SESSION**

## **Economic Development Policy Work Session**

Tuesday, August 6, 2019

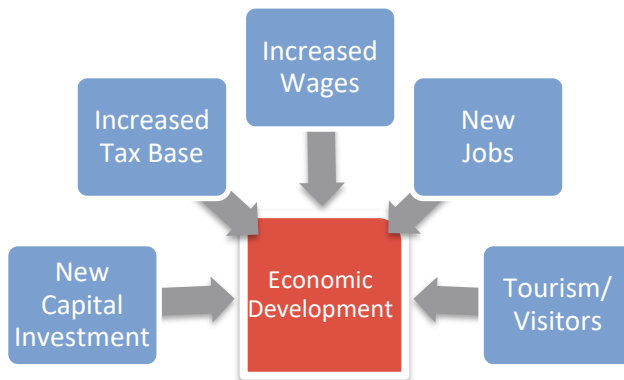
[sanmarcostx.gov](http://sanmarcostx.gov)

# Presentation

Staff presentation/discussion regarding the  
City's Economic Development Policy

# What is Economic Development

- Process by which **new dollars** come into a local economy through “primary sector” employers
  - Example: CFAN, Mensor sell products across the country/state (outside of San Marcos)
  - Primary Sector = Companies whose products/services are sold in statewide, national or international markets
- Creates economic diversity that sustains the local economy through business cycles
- GOAL = to increase the per capita income of local residents



# **Economic Development in San Marcos**

- Greater San Marcos Partnership (GSMP) is the city's agent for economic development
- Mission: to be a force for positive economic change by attracting and growing quality jobs and investment
- Team of 8 experienced economic development professionals
- GSMP's annual program of work is based on a driven 5 year strategy – Vision2020

# Economic Development in San Marcos

## ➤ GSMP/City of San Marcos Contract Deliverables

### 1. **BRE** (Business Retention & Expansion)

Work with local businesses to expand, establish annual program to meet with them and act as resource for issues

### 2. **Business Recruitment**

Recruit new companies in target industry sectors

### 3. **Small Business**

Connect small businesses to resources, organize events on economic development and entrepreneurial events

### 4. **Workforce Development**

Through BRE meetings align education and training efforts with industry needs, identify shortcomings in training and enhance

5 partnerships with training providers

# Economic Development in San Marcos

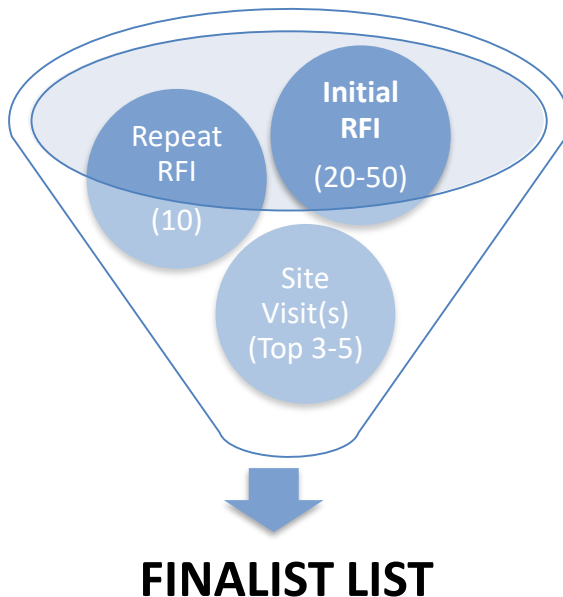
- Vision 2020: 5 year Economic Development Strategy (2016-2020)
  - **Marketing & Promotion**  
Promote San Marcos as a great place to do business
  - **Workforce Development**  
Work with WF Development providers, higher education institutions, ISDs to ensure residents have the skills needed for good jobs
  - **Quality Jobs**  
Attract quality jobs to the community by retaining and expanding existing companies, attracting new companies, and small business
  - **Quality of Place**  
Support infrastructure, beautification efforts and maintaining an attractive location through quality and sustainable growth

# **Vision 2020: Target Industries**

- Aerospace, Aviation, Security & Defense
- Business Services and Support
- Material Science
- Information Technology
- Life Sciences
- Regional Distribution
- Destination Attractions

# The Economic Development Process

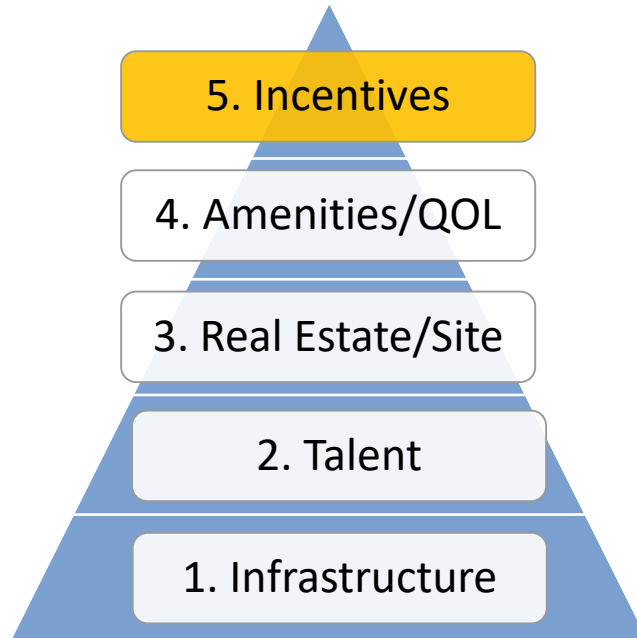
- Site Selection Process
- Two entities: the Company and the Location/Community





# The Economic Development Process

- “Heirarchy of Needs”
- Primary Factors in assessing a location



# Economic Development Incentives

- Incentives are a key tool used to pursue Economic Development projects and growing your economy
  - Texas is the 4<sup>th</sup> highest property tax state for large capital investment projects in the country
  - Other communities/states will offer incentives to attract same company

# Incentive Tools

- Chapter 312 Tax Abatements- a portion of property taxes are waived for a period not to exceed 10 years
- Chapter 380 - written agreement that rebates sales tax or property tax back to businesses based on a level of investment or a schedule of additional payroll/jobs from the city
- Chapter 381 - written agreement that rebates sales tax or property tax back to businesses based on a level of investment or a schedule of additional payroll/jobs from the county
- Chapter 313 - creates a state program for certain large businesses to limit the appraised value on their property for the purposes of local Texas public school district property taxes.

**Chapter 380's are the primary tool that the City of San Marcos uses.**

# Incentive Tools

- City's can designate a portion of their sales tax towards a 4A/4B designation. Local sales tax can not exceed 2%.
- In 1987, the voters approved a ½ cent sales tax for property tax reduction for both the city and the county thus taking San Marcos to the 2% cap.
- 4A Sales Tax Incentives - created to fund industrial development project such as business infrastructure, manufacturing and research and development.
- 4B Sales Tax Incentives - created to fund Type A eligible projects as well as parks, museums, sports facilities and affordable housing.
- San Marcos is not eligible for the 4A/4B economic development sales tax allocation.

***City of San Marcos' ED Supplemental Fund was created to simulate 4A/4B funding.***

# Incentive Tools used by Other Cities

| City            | Abatements | Chapter 380 | 4A | 4B | Cash/Land |
|-----------------|------------|-------------|----|----|-----------|
| San Marcos      | X          | X           |    |    | X*        |
| New Braunfels   | X          | X           | X  | X  | X         |
| College Station | X          | X           |    |    | X         |
| Georgetown      | X          | X           | X  | X  | X         |
| Round Rock      | X          | X           |    | X  | X         |
| Hutto           | X          | X           | X  | X  | X         |

\* Available but not used

# Strategic Advantage of Other Cities

| City            | City Positions | City Budget                             | 4A/4B & Regional Funding | Outside ED Staff |
|-----------------|----------------|---|--------------------------|------------------|
| San Marcos      | 1              | \$400,000                               | \$1.6M                   | 8                |
| New Braunfels   | 1              | Cost of 1 position approximately \$125K | \$6.7M                   | ?                |
| College Station | 3              | \$675K                                  | \$1.7M                   | 6                |
| Georgetown      | 4              | \$635K                                  | \$8.8M                   | 7                |
| Round Rock      | 0              | \$0                                     | \$20.3M                  | 7                |
| Hutto           | 4              | \$927k                                  | \$1.4M                   | 1                |



# City Economic Development Process

## GSMP

- Meets w/ Company
- Accepts application
- Evaluates and scores per city ED policy
- Performs Economic Impact Analysis (EIA)
- Presents to City Staff/EDSM/Council

## City Staff

- City Staff receives briefing from GSMP
- Meets w/Company
- Evaluates proposal per city policy
- Reviews EIA

## EDSM

- Called to meet
- Reviews application, scoring and EIA
- Recommendation to Council

## Council

- Presentation to Council by GSMP/City staff
- Review and deliberate EDSM recommendation
- Final recommendation and direction to City Staff

# Current San Marcos Economic Development Policy

- Established in 2013 and amended in 2016
- Policy for performance-based tax incentives
- All projects are reviewed/scored on key criteria:
  - Overall economic and fiscal impact to the city from jobs, wages and capital investment amount and stability of company/industry
  - Linkages to San Marcos economy in terms of industry sector and opportunities for local contracting. Start new industry sector.
  - Impact on city infrastructure
  - Labor force practices for employees including diversity, wages/benefits
  - Corporate culture and quality of life
  - Any extraordinary economic impact (high # jobs or investment)



## How Do We Measure Criteria

- Economic impact analysis which evaluates jobs and economic activity associated with project
- Interviews and individual research associated with the firm
- Number and percentage of jobs earning a family living wage plus benefits
- Average/median wages compared to national and county average
- Estimate of percentage of hiring locally
- Third party reports, legal actions/judgments regarding firm

# Project Score & Incentive Ranges

Each project application is scored based on the policy criteria.  
Total score determines an appropriate incentive range.

| Score     | Qualifies for<br>Tax Incentive<br>Rebate | or | Per job Payment |
|-----------|--|----|-----------------|
| 81 to 100 | 80%                                      |    | \$200 per job   |
| 71 to 80  | 70%                                      |    | \$150 per job   |
| 60 to 79  | 60%                                      |    | \$100 per job   |
| Below 60  | Not Eligible                             |    | Not Eligible    |

***The City Council reserves the right to create a unique incentive package in the case of extraordinary economic development opportunities.***

# Steps for Approval

Typically, Company meets with Greater San Marcos Partnership as well as City staff.

Company completes ED application and GSMP performs fiscal impact analysis.

GSMP meets with City staff to develop an incentive recommendation for the SM Economic Development Board (EDSM).

City staff takes incentive recommendation to EDSM for approval. Currently, GSMP coordinates

City Council approves or amends EDSM recommendation.

City staff completes the Chapter 380 based on Council direction.

**Chapter 380 is approved at a future council meeting.**

# Economic Development Success

- TABLE TO BE INSERTED
- This table will show that despite not being a 4A/4B economic development city, that the City has still been successful in adding companies to the economic base

# Economic Development Position

- Job Description is currently being developed and should be posted shortly
- Position Responsibilities for Economic Development:
  - Serve as the City's agent, in conjunction with GSMP, to seek best projects that meet our economic development goals and our community values
  - Follow clear protocols meeting Council expectations around insuring we have identified pros and cons and background of the company
  - Conduct financial and city cost benefit analysis on each project
  - Coordination of city staff during contract negotiations and entitlement process
  - Facilitate approved projects through the development process
  - Work in unison with current successful efforts provided by GSMP in recruiting and delivering projects to the City

# Economic Development Position

- Position Responsibilities for Business Development:
  - Support local established businesses that have an interest to expand or simply want to continue to be successful in our community
  - Possible creation of a program that would focus around legal or long-term business incentive programs
  - Augment GSMP efforts to coordinate with available partners in the community around employee recruitment, training, entrepreneurship and other business needs
  - City Liaison for new businesses wanting to establish their business here and support them through the process
- Position Responsibilities for Workforce Development:
  - Assist with the City Strategic Initiative regarding Workforce Development and will work with regional partners and businesses to accomplish this task
  - The goals of this initiative will be determined by the San Marcos City Council

# GSMP Contract Deliverables

- With the hiring of the City Economic Development Position, contract deliverables will need to be reviewed and possibly amended to ensure collaboration with the City in implementing the City's initiatives
- Contract Deliverables should be focused around:
  - Recruitment efforts that are focused on the promotion and marketing of quality companies that meet or exceed the City's criteria and community values. The goal is to incentivize quality companies that offer good paying jobs, increase the economic base and who are solid community partners.
  - Workforce Development would include a Continuum of Services study to identify all providers, partners, programs and services and to identify opportunities and gaps thus helping us to assemble a focused game plan on how to develop our workforce.
  - Business Retention and Expansion (BRE) work with GSMP and community to continue BRE visits. Goal is to help businesses expand or to help them proactively work through city related issues.

# Policy Review

- The current City Economic Development Policy is sound and objective, but needs to be updated.
- Potential additions to the scoring criteria
  - Sustainability and green building practices
  - Hourly rate
  - Extraordinary impact for 500+ jobs and/or \$200M+ Capital Investment



# Next Steps

- New Economic Development Policy September 3, 2019
- GSMP Contract with new deliverables- October 1, 2019 (pending hire of City ED position start date)

***QUESTIONS?***