



# City of San Marcos

## Meeting Minutes City Council

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Tuesday, June 16, 2020

3:00 PM

Virtual Meeting

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**This meeting was held using conferencing software due to the COVID-19 rules.**

### I. Call To Order

**With a quorum present, the regular meeting of the San Marcos City Council was called to order by Mayor Hughson at 3:02 p.m. Tuesday, June 16, 2020. This meeting was held virtually.**

### II. Roll Call

**Present:** 6 - Council Member Melissa Derrick, Mayor Jane Hughson, Mayor Pro Tem Ed Mihalkanin, Deputy Mayor Pro Tem Mark Rockeymoore, Council Member Maxfield Baker and Council Member Saul Gonzales

**Absent:** 1 - Council Member Joca Marquez

### PRESENTATIONS

1. Receive a presentation and hold discussion on city programs, activities, and regional economic development; and provide direction to the City Manager.

**Bert Lumbreras, City Manager provided a brief introduction regarding today's focus on economic development. Joe Pantaloni, Assistant City Manager stated that San Marcos has a number of characteristics making it an attractive location for business, but it also has its fair share of challenges because we are in a highly competitive market. The main goal of the City's economic development program is to capitalize on those economic opportunities to improve the economic well-being of our community. This is done by focusing on areas that align with the priorities set by City Council. These include:**

- o Business Marketing and Attraction,**
- o Business Retention & Expansion,**
- o Entrepreneurial and Small Business Development,**
- o Downtown Development and Reuse, and**
- o Workforce Development.**

**Scott Hardwick, Economic & Business Development Manager, highlighted a number of the programs and initiatives he has been working on in each of these areas since he joined the City late last year. The response to COVID-19 has shifted some of the services the City provides, and he will also touch on**

how economic development has adapted. Our location between Austin and San Antonio is a great benefit.

Economic Development components include Business Marketing and Attraction, Business Retention & Expansion (BRE), Entrepreneurial and Small Business Development, Downtown Development and Reuse, and Workforce Development.

Our Economic Development Partners include: City Departments (Planning, Engineering, and others), San Marcos Chamber of Commerce, Greater San Marcos Partnership (GSMP), Splash Coworking, Downtown Association, Texas State Small Business Development Center, and Rural Workforce Solutions

The response to COVID 19 has shifted some of the services the City provides, and he touched on how economic development has adapted.

This presentation is timely as there are a number of upcoming considerations related to economic development including:

- o ensuring our incentives policy aligns with City goals,
- o re-evaluating residential development financial incentives, and
- o developing economic development goals for the future comprehensive plan.

Jason Giulietti, President of the Greater San Marcos Partnership (GSMP), will also participate and highlight some of the work done by the Partnership. Mr. Giulietti will provide some of the history and focus of GSMP as well as explain his organization's impact in our community.

Mr. Hardwick provided the presentation. He explained the community assets, strategy and stated the main goal is to improve the economic well being of the community including: job creation, job retention, tax base enhancements, and quality of life and place. He explained "why" Economic Development is important:

- Tax Base Diversification - real and personal property tax and sales tax
- Economic Growth - population, income, businesses
- Competitiveness - local communities drive economic development and funding and structure

Mr. Hardwick noted that we do not have an Economic Development Corporation because we do not have 4(a) or 4(b) funds which can come from sales tax. In 1988, our community voted to have property tax relief instead.

**The components of economic development include:**

- **Business Marketing and Attraction**
- **Business Retention & Expansion (BRE)**
- **Entrepreneurial and Small Business Development**
- **Downtown Development and Reuse**
- **Workforce Development**

**Partners:**

- **City Departments (Planning, CVB, Main Street)**
- **San Marcos Chamber of Commerce**
- **Greater San Marcos Partnership (GSMP)**
- **Splash Coworking**
- **Downtown Association**
- **Texas State Small Business Development Center**
- **Workforce Solutions**

### **Business Marketing and Attraction**

#### **Activity**

- **GSMP provides business marketing and attraction services for the City**
- **Creates new jobs and economic growth**
- **Involves working with site selectors to showcase available commercial space**

#### **Key Functions:**

- **Partner with GSMP to attract new businesses to San Marcos**
- **Ensure each project meets our economic development goals and objectives**
- **Conduct financial and cost analysis on projects**
- **Coordination of city staff during recruitment process**

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

#### **Activity**

- **BRE visits conducted by GSMP to businesses within target industries**
- **Building relationships with existing businesses**
- **Collect data to analyze business activity and track trends**

#### **Key Functions**

- **Assist BRE efforts with target industries**
- **Work with partners to establish a BRE program for non-target industries**
- **Coordinate among all San Marcos efforts**
- **Ensure consistent communication with local businesses, collect accurate data to meet needs and resolve issues**

### **Downtown Development and Reuse**

#### **Activity**

**Business Improvement Grant (BIG):**

- ☐ 50% matching grant up to \$20,000 for real property improvements
- ☐ 50% matching grant up to \$5,000 for signage
- 19 projects funded since 2016
- Total investment of approximately \$375,000
- BIG disbursements of approximately \$150,000
- Potential enhancements:
  - ☐ increase marketing of program
  - ☐ monitor timeline for improvements

**Key Functions of Downtown Development and Reuse**

- Work with existing property owners to facilitate redevelopment
- Assemble resources to assist commercial property owners and developers on economic feasibility of projects:
  - ☐ New Markets Tax Credit (NMTC)
  - ☐ Property Assessed Clean Energy (PACE)
  - ☐ Historic Tax Credits
- Evaluate and develop economic development incentives for:
  - ☐ residential (non-student housing) to increase density
  - ☐ commercial office to pursue a professional workforce

**Entrepreneurial & Small Business Development****Activity**

- Texas State Small Business Development Center (SBDC) offers no-cost business advising and educational workshops
- GSMP Events include an Innovation Quick Pitch competition
- Splash Coworking Programming
- entrepreneurship boot camp - intro. to entrepreneurship, validation of business concept, business finance, and marketing
- professional development workshops - time management, work/life balance, reskilling, career advancement opportunities

**Key Functions**

- City liaison and information clearinghouse for new startups
- Collaborate with partners to develop:
  - mentoring services
  - educational workshops
  - technical assistance programs
  - recognition events
- Work to enhance the entrepreneurship ecosystem in San Marcos
- Pursue opportunities to fund future programs for entrepreneurship

**Workforce Development**

**Activity****Public Library in-person events and resources:**

- average 32 General Education Diploma (GED) and English as Second Language (ESL) classes
- Workforce Wednesday - individual job search, resume, and career advice
- 25 locals hired at events for Census 2020 and IRS
- two job fairs with Workforce Solutions

**Programming since March 16, 2020:**

- GED and ESL classes went online
- online Job Fair with Workforce Solutions
- developed Facebook jobs and resource page

**Key Functions**

Assist with the City's Strategic Initiatives and planning

Collaborate with GSMP to develop a comprehensive workforce strategy

Work with partners and businesses to develop an action plan

Focus on bringing together all the stakeholders conducting workforce development

Implement a cohesive process which assists entrants into the workforce, trains residents, provides upskilling while recognizing and meeting the needs of local employers

**Mr. Hardwick provided the next steps:****Economic Development Incentives Policy**

- Review to ensure alignment with City goals

Residential Development Financial Incentives approved in 2015 and will need to review.

- Established five-year review period - ending November 2020
- Temporarily suspends financial incentives for residential development
- Assess the absorption of incentivized housing into market

**Vision San Marcos: A River Runs Through Us**

- Economic development goals and objectives
- Development of goals and objectives for future comprehensive plan

Council Member Baker inquired about Mr. Hardwick's time working with Greater San Marcos Partnership (GSMP) and does it limit his time to focus on more small businesses? Mr. Hardwick stated that he works with small business activities to meet the goals and objectives of the Council.

Council Member Baker asked if the mission of GSMP in conflict with small business. Mr. Hardwick said no conflict. Council Member Baker stated that

larger corporations are here to make a profit off of our community but small businesses are here to help the community. He hopes when we continue to look at economy goals and make sure they align with the needs of our community. Mayor Hughson said as a member of the GSMP Board, she sees no conflict with the city. When GSMP is looking at large corporations they are looking at jobs for our community.

Council Member Rockeymoore asked about the clearing house and being primary an online component. Will there be a place where citizens can receive resources that the city can endorse? Mr. Hardwick stated that the goal is to have a resource center and looking for funding like grants to help fund a centralized location. Mr. Hardwick would like to have a robust entrepreneur system for the city.

Council Member Rockeymoore asked about any obstacles to accomplish within a reasonable time frame. Mr. Hardwick stated that funding is the number one obstacle and always looking for opportunity with the development partners to make this project happen.

Mr. Lumbreras stated that GSMP does recruitment of companies and the city makes the determination as to if it will meet the goals, needs and values of the community.

Council Member Derrick asked about the ecosystem. If Mr. Hardwick can focus on Splash and a robust ecosystem to promote the local economy that is sustainable for the City and expand what we have and make it more centralized. Mr. Hardwick's work experience in San Antonio provides a background for this in San Marcos.

Council Member Baker inquired about types of target industries. Mr. Hardwick noted the benefit of redevelopment in downtown properties which could bring underutilized properties to highest and best use.

Mr. Giulietti provided a presentation that explained that economic development is described as creation of jobs and wealth, and the improvement of quality of life.

Economic development often includes three major themes:

- (1) Policies that government undertakes to meet broad economic objectives including inflation control, high unemployment and sustainable growth.
- (2) Policies and programs to provide services including building highways,

managing parks, and providing medical access to the disadvantaged.

(3) Policies and programs explicitly directed at improving the business climate through specific efforts, business finance, marketing, neighborhood development, business retention and expansion, technology transfer, real estate development and others.

Main goal of economic development is improving the economic well-being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life. Economic Development involves new companies, increased tax base (including diversification of the tax base), increased revenue, diverse industry sectors, job creation, skilled workforce and tourism.

Economic Development is collaborative and creates economic diversity that sustains each local economy throughout the business cycle and the goal is to increase the per capita income levels of local residents. The goal is to create quality of life for all.

Mr. Giuliatti explained that competition is stiff and communities have to develop aggressive and innovative economic development strategies and incentives are a valuable and necessary tool that helps sway site selection decisions. Site Selection basically comes down to site elimination so communities must prove why a particular business should choose their community over others.

Business Recruitment/Expansion most important considerations are Infrastructure and talent. Next are Real Estate/Site and Amenities/Quality of Life. Last item for consideration is incentives.

Mr. Giuliatti provided information on the Greater San Marcos Partnership, when it was established, mission, vision, board, target industries, and their focus for Hays and Caldwell Counties.

Established in October 2010

Mission: To enhance and diversify the regional economy by creating high quality jobs and investment

1st Five Year Strategy: 2010-2015

2nd Five Year Strategy: 2015-2020

Undertaking Vision 2025 now

**Core Values****Accountability, Transparency & Integrity****Commitment to Excellence****Continuous Improvement to our Processes & Operations****Exceptional service to our Clients & Communities****Vision 2025****5-year collaborative regional economic development strategy****Guided by a diverse Steering Committee comprised of public, private and non-profit leaders from the region****Strategy will include actions and tactics designed to address challenges and capitalize on opportunities to heighten the region's competitiveness and prosperity****Leadership and staff participants include: Mayor Hughson, Council Member Ed Mihalkanin, City Manager Lumberas, Laurie Moyer, Tom Taggart, Scott Hardwick, Shannon Mattingly, Superintendent Michael Cardona****Target Industries are Aerospace, Aviation, Security & Defense, Business Services & Support, Destination Attractions, Information Technology, Life Sciences, Materials Science, and Regional Distribution****The main focus includes:****1. Marketing and Promotion****2. Business Attraction/Recruitment****GSMP focuses on Recruitment and retention of primary employers no matter the size of the operation.****Primary employers are companies whose products or services are used/sold outside the region of creation/origin (statewide, national or international markets) and infuse the local economy with imported dollars.****Focus on export-oriented primary jobs**

- Create a "win/win" (ROI)**
- Look at jobs AND capital investment**
- Focus on high "multiplier" effects/clusters**
- Utilize incentives strategically**

**High multiplier clusters are those that create spin-off jobs to support the industry or employee (as consumers) needs.****Economic Development San Marcos (EDSM) is a 13-member city appointed commission which includes Maxfield Baker and Bert Lumbreras. The function is to review and advise draft incentive proposals for comment and direction before going before council to ensure that the relocation of a company meets the economic goals of the city. GSMP is administrative support only for this**



group.

### **3. Business Retention and Expansion (BRE)**

- **Vital component to any economic development strategy**
- **Existing businesses account for greatest numbers of net new jobs to communities**
- **More difficult to attract new companies**
- **Learn about their needs, opportunities and challenges**
- **New Director of BRE to join GSMP next week**

**Mr. Guilietti noted that our regions has 40 times the number of patents issued in Texas.**

**Mr. Giulietti provided the GSMP Economic Impact to our region:  
Study conducted by Impact DataSource of GSMP supported and announced projects from 2010 to 2019**

- **39 companies assisted (relocated or expanded)**
- **5,441 direct new jobs**
- **\$544 million in capital investment**
- **Local taxing jurisdictions are projected to add \$9.6 million in sales tax revenue and \$35 million in property tax revenue over a 10-year period**
- **Estimated \$2.9 billion in annual economic output**

**Wages are going up.**

**In summary:**

**The main goal of economic development is to improve the economic well being of a community**

- **Competition is fierce for business recruitment/expansion - site selection is about site elimination**
- **Incentives are a necessary, valuable and compelling tool**
- **GSMP focuses on primary employers that import dollars into the region and create spin-off jobs**
- **GSMP is guided by its board and a collaborative economic development strategic plan**
- **Business Retention and Expansion (BRE) is vital to the strategy**
- **Data indicates that San Marcos is growing, and residents are benefiting**

**Mr. Giulietti mentioned that Barbara Thomason is the new director of Business Retention and Expansion.**

**Council Member Rockeymoore expressed his appreciation and work done by the GSMP. He asked Mr. Giulietti what work force means to him. Mr. Giulietti**

stated all encompassing and that means anything from education or work experience needed for these companies that come to our community. Mr. Rockeymoore asked about the City of San Marcos and how we compare to other communities in our region. Mr. Giuliatti stated the GSMP is basically an outsourced economic resource to the City and they respond to all inquiries regarding future job creation. He explained that 80 to 90 percent of their recruitment effort is for San Marcos. They also serve as the economic development staff for Hays and Caldwell counties.

Mr. Rockeymoore stated that biotech was a large part of the future. He would like to continue this initiative. Mr. Giuliatti said they will continue to seek these types of companies.

Council Member Derrick thanked Mr. Giuliatti for the presentation and the work GSMP has done. She stated that she has heard that GSMP is a “pay to play” organization, that if they don’t pay, GSMP will not help a company. She asked how can Scott can assist us with this. Mr. Giuliatti was shocked at this information and in the 18 months he has been in this position he is unaware of this and will remedy it immediately if he sees it happen. Ms. Derrick’s hope is that we are now in a position that our local economy will be paid attention to no matter how big or small the company. Mr. Giuliatti said his team is looking at things holistically and hold us accountable and let's move forward.

Council Member Baker stated we hear a lot about increasing our tax base, GSMP has been bringing business that are outside the core causing sprawl which is a negative impact on our core. What is being done to refocus GSMP to bring more infill development. Mr. Giuliatti stated this challenges us because that we don't have existing infrastructure to support that kind of growth. He has shown developers downtown area and tried to convince them to bring resources to help grow downtown. There is nowhere to build in the dense areas of San Marcos and no existing buildings for the purposes for those interested in San Marcos.

Council Member Baker said GSMP has been in business for 10 years, when will the mission be complete. Looking at how much has been spend on GSMP over the years. There is no doubt the return on investment has been there. Do you believe GSMP can operate in a smaller budget now that you can spend the money more effectively. Mr. Giuliatti stated the mission is never done. We are going to continue to see an influx in the community due to more jobs opportunities for our residents. Our goal in organization is to further diversify more funding from the public sector to private sector. Currently it is 60%

private and 40% from the public sector. Would like to see it at 80% from private sector and 20% from public sector. The return on this investment is higher than the investment.

Council Member Baker asked how much is spent on networking. Mr. Giulietti said we don't break it out and can't provide a percentage that national publications on businesses and communities and more of putting our branding out there.

Council Member Baker asked if we are including farms or non conventional businesses. Mr. Hardwick stated no exclusions on business owners that has something to offer to the community. Council Member Baker would like to make sure that farmer's market are on the radar to be helped with any assistance.

## **EXECUTIVE SESSION**

2. Executive Session in accordance with the following Government Code Sections:
  - A. §Sec.551.071 of the Texas Government Code: Consultation with attorney - to receive advice of legal counsel regarding state law preemption of city ordinances regulating the sale or use of single-use packages and containers.
  - B. §Sec. 551.087 of the Texas Government Code: Economic Development - to receive a briefing and deliberate regarding the following projects: Project Rx, Project Molly, Project Red Dawn, Project Free Flow, Project Focus, and Project Big Hat

**A motion was made by Mayor Pro Tem Mihalkanin, seconded by Council Member Baker, to enter into Executive Session at 4:45 p.m. The motion carried by the following vote:**

**For:** 6 - Council Member Derrick, Mayor Hughson, Mayor Pro Tem Mihalkanin, Deputy Mayor Pro Tem Rockey Moore, Council Member Baker and Council Member Gonzales

**Against:** 0

**Absent:** 1 - Council Member Marquez

## **III. Adjournment.**

**Mayor Hughson stated Executive Session concluded at 5:54 p.m. and she adjourned the June 16, 2020 work session meeting of the City Council at 5:57 p.m.**

**Tammy K. Cook, Interim City Clerk**

**Jane Hughson, Mayor**