



# **Economic Development Work Session**

**February 2, 2021**



# Purpose and Goal

The purpose of today's presentation is to:

- Provide City Council with an overview of the City's current economic development policy and findings of our initial staff assessment
- Receive feedback and direction on proposed policy changes and next steps for further review and modification

With an ultimate goal of ensuring that the policy:

- Aligns with the current City Council's vision and values for furthering economic development
- Provides a consistent and predictable approach for the evaluation and approval of economic development projects
- Optimizes the City's competitiveness for new and expanding businesses



# Policy History

## Policy adopted seven (7) years ago:

- Adopted December 13, 2013 (Resolution 2013-185R)

## And amended twice in year 2016:

- Amended January 5, 2016 (Resolution 2016-03R)
  - Family Living Wage Criteria Added
- Amended February 2, 2016 (Resolution 2016-15R)
  - Economic Development Supplemental Fund Added



# Policy Considerations

Policy Intent – ***“to help make San Marcos the most desirable place to locate or expand a business in the nation”***

- Ensure San Marcos competitiveness
  - Attraction of new jobs and investment – relocated or expanding
  - Balance project evaluation with site selection process
- Plan economic development funding
  - San Marcos is not a Type A or Type B sales tax city
  - Current (Chapter 380 property tax rebates) and potential new tools
- Integrate other City planning and project initiatives
  - Support Comprehensive Plan and strategic initiatives
  - Support existing Tax Increment Financing Zones, Public Improvement Districts, and other target geographic areas (e.g., Downtown Master Plan)



# Policy Walk-Through by Section

## Sections

1. General Purpose & Objectives
2. Definitions
3. Incentives Policy
4. Process
5. Economic Development Supplemental Fund (EDSF)



# 1. 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.**”*

Staff Assessment: Consider updating at Council’s discretion



## 2. Definitions

### ➤ Provides definitions for terms used throughout the policy

- Preferred Scenario Map
- COSM Water Quality Regulations
- Economic and Fiscal Impact
- State Economic Development Funds
- Headquarters
- Local Firm
- Average Wage
- Median Wage
- Targeted Industry
- Family Living Wage
- Net Present Value

### Staff Assessment: Add or expand definitions for clarity

#### ➤ Example - Jobs definition

- Full-time job - defined by hours worked per week
- Part-time job - defined by hours worked per week
- Full-time equivalent job - defined by combining part-time jobs



# 3. Incentives Policy

- Minimum Requirements
  - Must be located within the Preferred Scenario Map
  - Must comply with current City of San Marcos water quality regulations on all current projects and during term of incentive agreement
- Businesses and projects are evaluated by these major criteria
  - Overall economic and fiscal impact
  - Local linkages to the San Marcos economy
  - Infrastructure impact
  - Labor force practices
  - Cultural/Quality of Life considerations
  - Extraordinary economic impact
- Greater San Marcos Partnership (GSMP) and Economic Development San Marcos (EDSM) Board participate in process





## 4. Process

- Scoring system
  - Assess if incentives are offered
  - Potential amount offered
- Benefit provided under Ch. 380
  - Property tax rebate
  - Jobs-based grant
- Performance-based
  - Incentives are not paid upfront
  - Annual compliance reports
  - Payment based on compliance

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



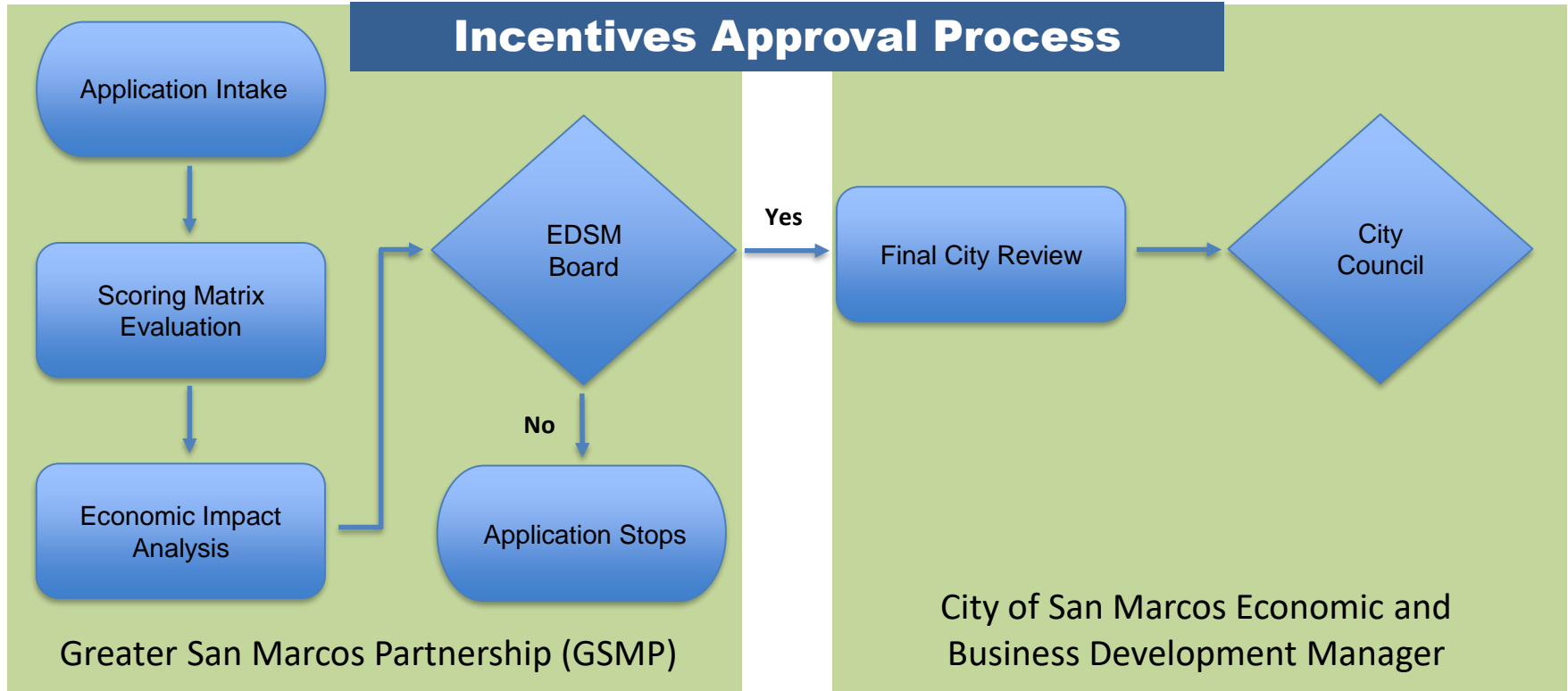
## 4. Process

- Once an application is evaluated through the scoring matrix, the total points determine the amount of benefit to offer the business
- The following table provides the possible options

<u><b>Total Points Scored</b></u>	<u><b>Property Tax Rebate</b></u>	<u><b>Jobs-Based Grant</b></u>
Less than 60	No Consideration	No Consideration
60 to 70 points	Up to 60%	Up to \$100/job
71 to 80 points	Up to 70%	Up to \$150/job
81 to 100 points	Up to 80%	Up to \$200/job
Extraordinary Economic Impact	Up to 100%	Add up to \$50/job



## 4. Process





## 3. Incentives Policy and 4. Process

### Staff Assessment:

- Focus on reconciling the policy with scoring matrix
- Review existing and possible new scoring criteria
- Provide an inclusive listing of potential incentives
  - Fee waivers – impact fees, building permit fee
  - Infrastructure assistance – improving or extending gas, electric, water,
  - Process related – fast-track permitting, fast-track inspections
  - Grants – Business Improvement Grant, economic development funds
  - Tax Increment Reinvestment Zones/Public Improvement Districts
  - Utilities – fee reductions for commercial users
  - Property tax – abatement under Chapter 312



## 3. Incentives Policy and 4. Process

### Staff Assessment (continued) :

- Utilize for legacy and/or small businesses to promote job retention and expansion

#### Example incentives:

- Reduced or waived City development fees
- Chapter 380 tax rebates up to a specified dollar amount
- City participation in infrastructure projects within public right-of-way or easements

Similar to some other cities, allow administrative authority for these incentives to meet the needs of these businesses

Will need to create a definition for legacy and small business



## 3. Incentives Policy and 4. Process

### Staff Assessment :

Based on changes to the definitions and incentives policy section:

- Review application process and timing
- Update incentives application



## 5. Economic Development Supplemental Fund

- Established as a complementary incentive to the City's existing incentive tools
- Qualified projects fall under the following categories:
  - Business and support facilities
  - Research and development facilities
  - Distribution centers
  - Sectors – aerospace/aviation, material sciences, life sciences and information technology, manufacturing and industrial facilities
- Consideration and final approval provided by City Council
- Fund is not currently active

**Staff Assessment:** Consider updating uses and providing funding in the future considering current budget constraints



# Council Direction Needed

## Key Council Questions:

1. Consider update to Goals and Objectives?
2. Review existing and possible new scoring criteria? →
3. Provide inclusive listing of potential incentives?

• Fee waivers	• Grants	• Utilities rates
• Infrastructure assistance		
• Expedited permits and inspections		
• Property tax abatements under Chapter 312		
• Tax Increment Reinvestment Zone		

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





# **Council Direction Needed**

## 4. Consider utilizing for legacy/small business to promote job retention and expansion?

### *Example incentives:*

- *Reduced or waived City development fees*
- *Chapter 380 tax rebates up to a specified dollar amount*
- *City participation in infrastructure projects within public right-of-way or easements*

*Similar to some other cities, allow administrative authority for these incentives to meet the needs of these businesses*

*Define legacy and small business*

## 5. Review application process and timing?

## 6. Consider updating ED Supplemental Fund uses and reactivating funding in future?



# Next Steps

Staff will work with EDSM and GSMP to address each of the Council directed changes to the policy

Will bring forward draft amendments for Council review