



Economic Development Work Session

June 1, 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

With today's feedback, staff will bring back draft amendments for review.



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

- Ensure San Marcos competitiveness
 - Attraction of new jobs and investment – new or expanding
 - Provide financial incentives as the final complementary component in a firm's decision to locate or expand in San Marcos
- 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)
- Align with community and Council values
 - Social sustainability
 - Impact on the environment and river
 - Water usage



Policy Considerations

- 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

- Consider amount and length of incentives under Senate Bill 2
 - New Construction and Expansion Valuations
 - do not count against 3.5% cap in first year
 - increase the base for the 3.5% calculation
 - Consider impacts for existing business expansions
 - Financial health of the City's General Fund



Policy Walk-Through by Section

Sections

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

Items in a blue box are areas of possible change following staff assessments of the policy. These items will be referenced at the end of the presentation for Council feedback.



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.**”*

Recommendation: Update purpose and objective statement to capture the City’s current goals for development to include consideration of community values.



2. Definitions

- Provides definitions for terms used throughout the policy
 - Preferred Scenario Map
 - COSM Water Quality Regulations
 - Economic and Fiscal Impact
 - Headquarters
 - Family Living Wage
 - Local Firm
 - Average Wage
 - Median Wage
 - Targeted Industry
 - State Economic Development Funds
 - New Present Value

Recommendation: Add or update definitions for clarity:

- Full-Time Jobs (add)
- Family Living Wage (update)
- Local Labor Force (add)
- Headquarters (update)
- Targeted Industry (update)



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 with the City



3. Incentives Policy

Recommendation:

- Review existing scoring criteria and consider any new scoring criteria
 - What is scored vs. supplemental information
 - Include categories aligning with community values and establish measurements:
 - Water consumption
 - Sustainability
 - Corporate reputation



3. Incentives Policy

Recommendation (continued):

- Explore other potential incentives on a case-by-case basis:
 - 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

Recommendation (continued) :

- Consider different requirements for existing, legacy, and/or small businesses

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, consider allowing administrative authority for these incentives to meet the needs of these businesses.

Note: A definition for legacy and small business will need to be established.



4. Process

1. Economic Impact Analysis

- GSMP independent software modeling

2. Scoring system

- Assess if incentives are offered
- Determine potential amount offered

3. Benefit provided under Ch. 380

- Property tax rebate
- Jobs-based grant
 - *Subject to budget funding*

4. Performance-based

- Incentives are not paid upfront
- Annual compliance reports
- Payment based on compliance

Current Scoring System

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

Recommendation:

- Review application process and timing



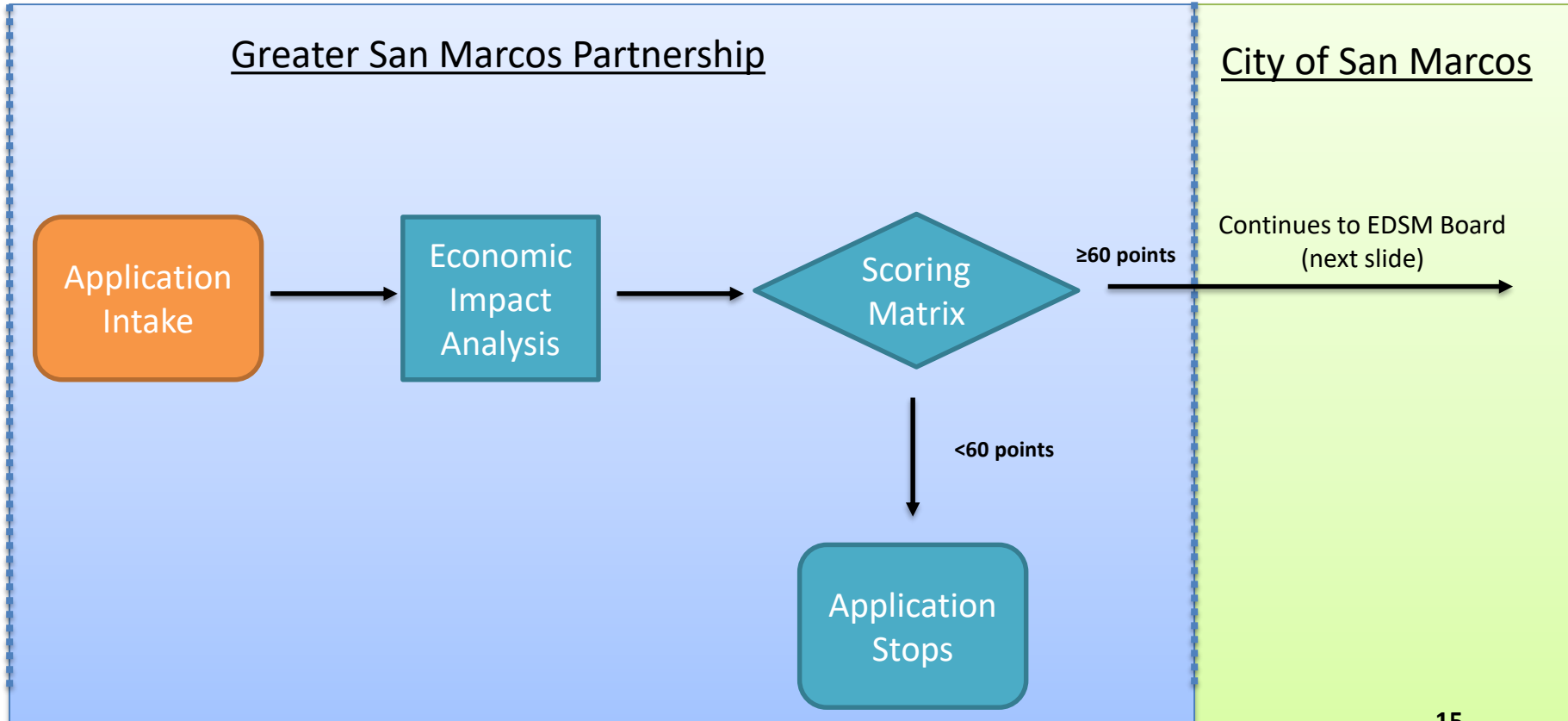
4. Process

- 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>Total Points Scored</u>	<u>Property Tax Rebate</u>	<u>Jobs-Based Grant</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



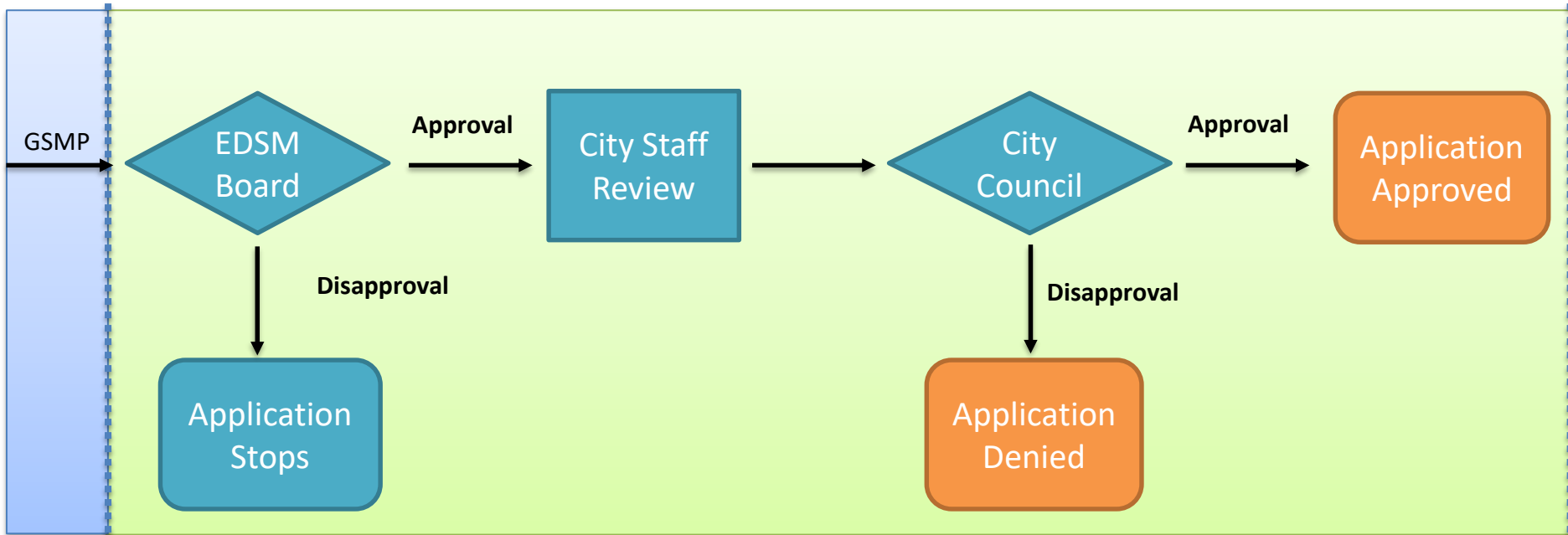
4. Process





4. Process

City of San Marcos



Recommendation:

- Review application process and timing



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

Recommendation:

- Update target industries
- Allocate funding in future budgets



Council Direction Requested

1. Should the purpose and objective statement be updated to capture the City's current goals for development to include consideration of community values?
2. Should the following definitions be updated or added?
 - Full-Time Jobs, Family Living Wage, Local Labor Force, Headquarters, Targeted Industry
3. Should different scoring criteria be used?
4. Should other potential incentives be included?
 - Fee waivers, Infrastructure assistance, Fast-track permitting/inspections, Grants, Tax Increment Reinvestment Zones/Public Improvement Districts, fee reductions for commercial users, Chapter 312 property tax abatements.
5. Should a separate policy be established for legacy, existing, and/or small businesses?
6. Should the application review process and timing be updated?
7. Should the target industries be updated?
8. Should funding be included in the budget for grants/economic incentives?



Next Steps

- City Staff will work with EDSM and GSMP to address each of the Council directed changes to the policy
- City Staff will bring forward draft amendments for Council review/discussion