



MEMO

TO: Joe Pantalion, Assistant City Manager, and Stephanie Reyes, Assistant City Manager
FROM: Kelsee Jordan Lee, Economic & Business Development Manager
CC: Alison Brake, Historic Preservation Officer, and Josie Falletta, Downtown Coordinator
DATE: September 29, 2021
RE: **Proposed Incentives – Legacy Business Program & Small Business Retention Incentive**

In recognition of the role legacy businesses and small businesses continue to play in contributing to the culture of San Marcos and employment of residents, City committees and staff members have explored options to support these businesses through new city programs. The Historic Preservation Commission and Main Street Advisory Board passed a recommendation resolution (2021-03RR) to City Council for a program to be established supporting legacy businesses and staff has received direction from the City Council and City Manager to also explore programs.

Two incentive programs are proposed to serve two historically underserved constituents of the business community – long-standing legacy businesses and local small businesses. The proposed programs are the **Legacy Business Program** and the **Small Business Retention Incentive**. A high-level description of these programs is below.

Legacy Business Program

Recommendation resolution 2021-03RR encourages a framework based on best practices for legacy business programs in the Cities of San Antonio and San Francisco. This program provides a wealth of marketing assistance and promotional opportunities for designated businesses. To be eligible for a Legacy Business Designation, a company must have been in operation in San Marcos for 20 years or more and meet one or more of the following:

- 1) Owned and operated by successive generations of the same family;
- 2) Perpetuates San Marcos' authenticity through the goods or services it provides;
- 3) Cultivates and sustains traditions and culture through instruction, education and handing down of traditional ways of knowledge;
- 4) Designated San Marcos historic district or designated as a local landmark; or
- 5) Located in a property that is eligible and willing to register the property as a landmark.

Businesses that receive the Legacy designation will receive marketing support to highlight their legacy status such as promotional opportunities and special events. Applications to the Legacy Business Program will be received by the Legacy Business Team (consisting of a staff representative from Economic Development, Main Street, and Planning) and approval designations will be granted in accordance with the City Council-approved policy.

To add additional support to businesses who have been a staple of the San Marcos community, staff recommends considering an additional financial component to assist long-standing legacy businesses. As discussed during the June 1, 2021, work session on the Economic Development Policy, these incentives could be Chapter 380 tax rebates, reduced or waived development fees, or infrastructure assistance in City rights-of-way. Legacy businesses seeking one of these financial incentives would receive a recommendation from the Legacy Business Team to the City Manager for final determination. Any financial incentive given to a business will be performance based and in the form of a reimbursement payment to the company.

Small Business Retention Incentive

The Small Business Retention Incentive is also a response to direction received at the June 1, 2021, work session when City staff was tasked with exploring opportunities to aid existing small businesses in San Marcos. The goal of this incentive is to support small businesses to stay or expand in San Marcos.

To be eligible for incentives, a business must:

- Be located and have a non-residential location within the corporate city limits of the City of San Marcos;
- Have continual operation of business in San Marcos for no less than 24 months before requesting incentives;
- Employ between 1 and 25 employees; and
- Demonstrate that the company would otherwise reduce services/production, close permanently, relocate to another municipality, or not expand its operations in San Marcos should support not be received from the City.

Evaluation criteria for each request will include items such as the business' economic impact on the city, support of the City's strategic initiatives, contribution to the cultural and charitable needs of San Marcos, and payment of a determined average wage for all employees.

Incentives may be Chapter 380 tax rebates, Chapter 380 jobs grants, or City participation in infrastructure improvements in the right-of-way. Economic Development staff will receive applications for incentives and present a recommendation to the City Manager for final determination. Any financial incentive given to a business will be performance based and in the form of a reimbursement payment to the company.

Program Comparisons

Program Comparisons		
Program	Legacy Business Program	Small Business Retention Incentive
Age of business in San Marcos	20 years	2 years
Size of business	Any size	Less than 26 employees
Incentive Type	Marketing support and eligibility for financial	Financial
Recommending entity	Legacy Business Team	Economic Development
Approving entity	City Manager	City Manager
# of Awards/year	No limit. As many as meet eligibility requirements	Evaluated on case-by-case basis and as funding is available
Eligible Incentive Types		
Chapter 380 tax rebate	X	X
Chapter 380 jobs grant		X
Infrastructure Assistance in City right-of-way	X	X
Reduced or waived development fees	X	X
Admission to Small Business Counseling Program	X (if small business)	X
Marketing support	X	
Eligibility Criteria		
Minimum continuous operation for 20 years	X	
Minimum continuous operation for 2 years		X
Business is owned by successive generations of the same family	X	
Business perpetuates San Marcos' authenticity through goods & services	X	
Business is in a designated historic district or is a landmark or is eligible and willing to become a landmark	X	
Minimum wage consideration		X
Environmental sustainability consideration		X

Employ less than 26 employees		X
Supports cultural or charitable needs of San Marcos	X	X
Demonstration that the company would otherwise close, relocate, or not expand		X
Supports a Council Strategic Initiative		X

Staff will continue to work through the details of one or both proposed programs should City Council give direction to move forward. The updated proposals will be brought back to City Council for consideration in the update to the Economic Development Incentive Policy.