

RESOLUTION 2022-94R

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN MARCOS, TEXAS AMENDING THE CITY'S ECONOMIC DEVELOPMENT POLICY TO, AMONG OTHER THINGS, EXPAND AVAILABLE INCENTIVE CATEGORIES FOR NEW AND EXISTING BUSINESSES, REALLOCATE SCORING MATRIX POINTS, AND UPDATE DEFINITIONS; AND DECLARING AN EFFECTIVE DATE.

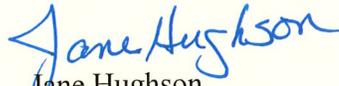
BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN MARCOS, TEXAS:

PART 1. The attached amended Economic Development Policy (the "Amended Policy") is hereby approved and adopted.

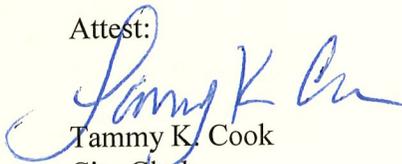
PART 2. The Amended Policy replaces and supersedes all prior Economic Development Policies and amendments to such policies.

PART 3. This resolution shall be in full force and effect immediately from and after its passage.

ADOPTED on May 3, 2022.


Jane Hughson
Mayor

Attest:


Tammy K. Cook
City Clerk



City of San Marcos

Economic Development Policy

Adopted December 17, 2013 (Resolution 2013-185R)

Amended January 5, 2016 (Resolution 2016-03R)

Amended February 2, 2016 (Resolution 2016-15R)

Amended May 3, 2022 (Resolution 2022-94R)

1. General Purpose & Objectives

The City of San Marcos (the City) encourages and supports high quality new business development and the expansion of its business community through retention, expansion, and recruitment endeavors. San Marcos is a complete community of diverse and inclusive neighborhoods that protects and celebrates the San Marcos River and the City's other rich natural and historical assets; retains its small-town feel, charm, and quality of life; and leverages growth to continue building a sustainable community that benefits existing and new businesses and residents.

The purpose of this Economic Development Policy (the Policy) is to establish standards and guidelines that will govern the granting of incentives to facilitate economic growth. The City of San Marcos is a vibrant community with a strong workforce pipeline and robust infrastructure network to support business growth, and, as such, financial incentives should not be necessary in most cases. The City encourages the use of incentives only as necessary to fill gaps and support business developments that would otherwise not select San Marcos as the location to locate or expand their operations.

This Policy is designed to promote capital investment and job creation in the City of San Marcos that fill targeted industries and align with community values. This Policy may not address every type of project for which incentives may be requested, and the City of San Marcos reserves the right to evaluate projects on a case-by-case basis, in the best interest of the City. Additionally, nothing within this Policy shall imply or suggest that the City of San Marcos is obligated to provide incentives to any applicant.

Mission Statement. To encourage the development of a diverse economy in San Marcos through technical and financial assistance to businesses that invest in the community to enhance the lives of San Marcos residents.

Goals. The goals of this policy are:

1. Provide formal guidance on incentives.
2. Support intentional growth in the City of San Marcos and a create a stable tax base through economic diversification.
3. Provide consistency and set expectations to the process for both applicants and decision makers.

2. Definitions

1. "Average wage" shall mean the statistical average mean wage salary being paid or proposed wage to be paid by a prospective company.
2. "City of San Marcos water quality regulations" shall mean the City of San Marcos' water quality regulations, standards, and requirements, including those appearing in the City Code or other ordinance, or administrative rules.
3. "Economic and fiscal impact" shall mean the impact any given project may have on the tax base of the City of San Marcos and its financial ability to meet the desired level of service expected by citizens.
4. "Firm, company, or business" may be used interchangeably in this Policy and shall mean a business organization or enterprising entity engaged in commercial, industrial, or professional activities. They may be for-profit or non-profit business organizations.
5. "Full-time employee" shall mean a company employee who is engaged an average of 30 hours or more per week.
6. "Headquarters" shall mean a physical corporate, subsidiary, or regional managing office, as defined by NAICS 551114, that is responsible for strategic or organizational planning and decision making for the business on an international, national, or state-wide basis. A headquarters in San Marcos must have a minimum of 16 full-time employees at its San Marcos location, including positions such as the Chief Operating Officer, President, or principal management of the company.
7. "Legacy business" shall mean a business with a continuous physical presence within the City of San Marcos taxing jurisdiction for at least 20 years and contributes to the history, culture, and authentic identity of San Marcos.
8. "Local firm" shall mean a firm engaged in business and located within the taxing jurisdiction of the City of San Marcos.
9. "Local labor force" shall mean a resident permanently living within the taxing jurisdiction of the City of San Marcos prior to the effective date of an economic development agreement.
10. "Net present value" shall mean the discounted value of an investment's cash inflows minus the discounted value of its cash outflows.
11. "Small business" shall mean a firm with 1 to 25 full-time employees total throughout all its locations.
12. "Strategic initiatives" shall mean the strategic areas identified by the San Marcos City Council to focus on for the continued growth of the city.
13. "Targeted industry" shall mean specific industrial activities, or companies involved in specific industries that have been identified as a desirable industry for the City of San Marcos.
 - a. Aerospace
 - b. Business and support services
 - c. Destination attractions

- d. Materials sciences
- e. Information technology
- f. Life sciences
- g. Regional distribution

3. Policy Criteria

The City of San Marcos is committed to the promotion of quality development in all parts of the city and to improving the quality of life for its citizens. In order to meet these goals, the City Council will consider providing incentives to stimulate economic development in San Marcos in accordance with the procedures and criteria outlined in this Policy. Prospective businesses are strongly encouraged to discuss potential incentives with City of San Marcos and Greater San Marcos Partnership staff members early.

In order to determine the feasibility of a project, both quantitative and qualitative analyses will be performed to determine the expected economic, environmental, and social impact of the project to the community.

Minimum Requirements:

- A. The firm must be located within the taxing jurisdiction of the City of San Marcos. Applicants with a project located outside of the city limits may apply for incentives to be effective after an approved petition for annexation.
- B. The firm must comply with current City of San Marcos water quality regulations on all current projects and during the term of the incentive agreement. Variances from the requirements will not be given via an economic development incentive agreement.
- C. Infill development and reuse of existing buildings is encouraged. For new businesses in San Marcos, incentives will not be considered if a new development permit application has already been submitted, the purchase of an existing property has been finalized, or a new tenant lease has been executed. For existing businesses, incentives will not be considered if an application for a new development permit has already been submitted.
- D. Except for the Small Business Retention Incentive, all jobs calculated or counted for jobs-based economic development purposes shall earn no less than the county all industry average wage for the county in which the firm will be or is operating.
- E. All new full-time employees and their dependents shall have access to employer sponsored healthcare throughout the full term of the agreement.
- F. Applicants must demonstrate within their application that, without receiving incentive assistance, the applicant would not locate or expand within the City of San Marcos.
- G. Any company receiving incentives must use local public resources to inform the local labor force of career opportunities (e.g., San Marcos Public Library, Workforce Solutions Rural Capital Area, Texas State University, San Marcos Daily Record, local job fairs).

4. Types of Incentives

The following list of incentives may be considered but are not guaranteed. The City will evaluate each proposed incentive on a case-by-case basis. Incentive applications may be found online at www.sanmarcostx.gov/incentives.

Business Improvement & Growth (BIG) Grant. The Business Improvement & Growth Grant provides technical and financial assistance to property owners or business tenants seeking to renovate or restore

facades, signage, lighting, and life-safety systems for commercial buildings through a 50% matching grant of up to \$20,000. An additional 50% matching grant up to \$5,000 is available for removal and replacement of non-conforming signage. The details of this program can be found in [Exhibit B](#). Requests for BIG Grants shall be directed to the City's Economic Development Staff.

Chapter 312 Agreements. Chapter 312 of the Tax Code allows a taxing unit to exempt all or part of the increase in value for real property from taxation for a period of up to 10 years. A project must fall within a designated reinvestment zone. The process for Chapter 312 Agreements can be found in [Exhibit A](#). Requests for Chapter 312 Agreements shall be directed to the Greater San Marcos Partnership.

Chapter 380 Agreements. Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development. Incentives may be in the form of tax rebates or jobs-based grants or waivers from certain development standards. The process for Chapter 380 Agreements can be found in [Exhibit A](#). Requests for Chapter 380 Agreements shall be directed to the Greater San Marcos Partnership.

Downtown Co-Marketing Fund. The City of San Marcos Downtown Co-Marketing fund is a marketing program that provides matching advertising funds for business within the Main Street District to promote their business in areas outside of the San Marcos area. The process for the Downtown Co-Marketing Fund can be found in [Exhibit C](#) and requests shall be directed to the City's Main Street staff.

Economic Development Supplemental Fund. This Fund complements existing economic development incentive tools for projects to be located within areas and with uses as provided for the City's Comprehensive Plan. The details of this program can be found in [Exhibits A and D](#). Requests for Economic Development Supplemental Fund support shall be directed to the Greater San Marcos Partnership.

Fee waivers. Waivers can represent a full or partial waiver of development-related fees, such as permit fees, to reduce the overall cost of a project. Fee waivers may be approved by the City Manager, but total fee waivers shall not exceed \$50,000 per project except when approved by City Council. Waivers are not retroactive, and reimbursements will not be granted for fees already paid. Requests for fee waivers shall be directed to the Greater San Marcos Partnership.

Infrastructure assistance. Improving or extending electric, water, or wastewater lines within the City's service area may be considered. Requests for infrastructure assistance shall be directed to the City's Economic Development staff.

Legacy Business Program. Businesses maintaining a continuous, physical presence in the City of San Marcos for at least 20 years are eligible to apply for the Legacy Business Program for promotional and technical support and possible financial incentives. The details of this program can be found in [Exhibit E](#). Request for Legacy Business Program incentives shall be directed to the City's Economic Development staff.

Main Street Incentive Grant. The San Marcos Main Street program has established the Main Street Incentive Grant to provide financial assistance to property owners or business owners seeking to renovate or restore facades or signage in the Main Street district. The Main Street program will provide a 50% matching grant to reimburse up to \$2,000. The details of this program can be found in [Exhibit F](#). Requests shall be made to the City's Main Street staff.

Process Incentives. The City of San Marcos has a professional Planning and Development Services and Engineering department experienced in developments of all sizes. In some cases, expedited processes may be offered so long as they do not conflict with applicable ordinances or other laws or create a negative impact to the thoroughness of reviews and inspections. Requests for process incentives shall be directed to the City's Economic Development staff.

Small Business Retention Incentive. Businesses having 1 to 25 full-time employees that have operated with a physical presence in San Marcos for at least 24 months may be eligible to apply for the Small Business Retention Incentive for infrastructure assistance or jobs-based grants. The details of this program can be found in Exhibit G. Requests for Small Business Retention Incentives shall be directed to the City's Economic Development staff.

Speculative Buildings. Incentives may be considered for high-quality speculative new-build construction where less than 50% of the space is pre-leased or owner-occupied. The details of this program can be found in Exhibit H. Requests for speculative building incentives shall be directed to the Greater San Marcos Partnership.

Sustainable Resources Grant. Businesses implementing environmentally sustainable business practices may be eligible for a grant to reimburse for eligible projects. The details of this program can be found in Exhibit I. Requests for a Sustainable Resources Grant shall be directed to the City's Economic Development staff.

Tax Increment Reinvestment Zones or Public Improvement Districts. Special zones and districts may be created to pay for improvements in a geographic area. Requests for TIRZ or PID incentives shall be directed to the City's Economic Development staff.

Utility Fee Reductions for Commercial Users. Temporary utility fee reductions may be considered. Requests for fee reductions shall be directed to the City's Economic Development staff.

5. Performance

Financial incentives granted by the City of San Marcos are performance-based. A project that fails to satisfy the terms outlined in its approved agreement will not be eligible to receive its commensurate incentive. Incentive agreements shall include specific recapture provisions to safeguard the City of San Marcos from potential financial loss.

The City of San Marcos will perform evaluations of approved incentive agreements to ensure compliance by all parties. For some incentives, an annual compliance certificate must be received by City of San Marcos staff each year of an active agreement prior to the corresponding yearly incentive being released.

6. Ineligible or Reviewed Case-by-Case Projects

The Policy does not consider incentives for residential projects or the residential portion of designated mixed-use projects.

Direct sales businesses without a physical, non-residential presence are not eligible for incentives through this Policy.

Tax abatements and rebates will be considered on a case-by-case basis within a Tax Increment Reinvestment Zone (TIRZ) created within the city. Providing ad valorem tax incentives in a TIRZ may dilute the fund's projected value and limit the City's ability to carry out approved projects within these zones.

Exhibit A – Policy Process and Scoring for Chapter 312 Agreements, Chapter 380 Agreements, Economic Development Supplemental Fund, and Fee Waivers

Applications for Chapter 312 Agreements, Chapter 380 Agreements, Economic Development Supplemental Fund, and Fee Waiver incentives must be submitted to the Greater San Marcos Partnership on behalf of the City of San Marcos. Additional information may be requested for a holistic view of the proposed project. The Greater San Marcos Partnership shall run an initial analysis and economic impact report for the projects, bringing City of San Marcos staff into early discussions.

The maximum percentage of a rebate for any single year is 100%. Tax-based incentives are preferred to be on the Maintenance & Operations (M&O) portion of the tax rate, but the total tax incentive will be considered at the discretion of the City Council. Tax-based incentives will be for the increase in property value over the base value before improvements.

Points are assigned to each of the major criteria described below. This scoring system is used to assess whether incentives will be offered to a firm and based on the final score, the potential incentive amount for the firm.

- **Firms with a score between 81 and 100 points** may qualify for an incentive amount up to 80% of the net present value of the estimated total tax liability, or up to \$200 per job per year, over 10 years.
- **Firms with a score between 71 and 80 points** may qualify for an incentive amount up to 70% of the net present value of the estimated total tax liability, or up to \$150 per job per year, over 10 years.
- **Firms with a score between 60 and 70 points** may qualify for an incentive amount up to 60% of the net present value of the estimated total tax liability for up to over 10 years.
- **Firms that score below 60 points** do not qualify for incentives.
- Firms demonstrating an extraordinary economic impact may qualify for an incentive amount up to 100% of the net present value of the estimated total tax liability or an additional \$50 per job per year over 10 years.

Process

1. A business owner must complete an application and submit it to the Greater San Marcos Partnership.
2. The Greater San Marcos Partnership shall run an initial analysis and economic impact report for the project, bringing City of San Marcos staff into early discussions.
3. City of San Marcos staff shall score the project according to the below scoring matrix. GSMP Staff will assist City staff with collecting data and providing additional analyses.
4. Applications scoring 60 or more points will be presented to the Economic Development San Marcos (EDSM) Board to make a recommendation of approval or disapproval to the City Council.
5. The project will be considered by the San Marcos City Council for approval or disapproval. The San Marcos City Council shall have final authority to approve or deny applications under this incentive.
 - Requests that are only for fee waivers and less than \$50,000 may be considered by the City Manager for administrative approval.

Eligibility does not guarantee the offer of an incentive. All applications are subject to final approval by the City of San Marcos and require an executed performance agreement that specifies the grant's terms, conditions, and compliance requirements.

Scoring Criteria

1. Overall Economic and Fiscal Impact (max 40 points)

- A. Relative to its industry, what are the net benefits as measured by jobs and income for the City?
- B. Relative to its industry, what are the net benefits as measured by the level of desired benefits? Or, does the project fulfill one of the City's identified strategic initiatives?
- C. Relative to its industry, what are the net benefits as measured by net fiscal impact?
- D. Will the project create contracting opportunities for local firms, including small and disadvantaged businesses?
- E. Does the project have the potential to either seed a new development or bring additional firms to the city?

2. Environmental Sustainability (max 20 points)

- A. Does the project make use of an underutilized asset?
- B. Does the firm use building materials or landscaping features known to promote sustainability?
- C. Does the firm use innovative practices or technology to support environmental sustainability?

3. Labor Force Practices (max 20 points)

- A. Are the majority of new hires intended to be local?
- B. How does the average wage paid compare to the county in which the firm will be or is operating or national industry average?
- C. Are there opportunities for training, additional education, and/or advancement?
- D. Does/will the firm actively promote or exemplify diversity in hiring and promotion?
- E. Will the majority of employees be full-time W-2 employees?

4. Cultural and Quality of Life Considerations (max 20 points)

- A. Does the firm have positive corporate and social practices?
- B. Does the firm actively encourage employee volunteer and charitable efforts?
- C. Will the firm participate in cultural and charitable programs in the community?
- D. Will the firm participate in educational and charitable programs with the school district?

5. Extraordinary Economic Impact (2 extra points for each criterion met)

- A. Is the firm in a targeted industry?
- B. Is the firm involved in leading edge technology?
- C. Will the firm generate 250 full-time jobs or more?
- D. Will the firm invest \$100 million or more in capital investment?
- E. Will the firm establish or relocate its headquarter operations to San Marcos?

6. Extraordinary Contribution to Community Values (2 extra points for each criterion met)

- A. Will the project use electric vehicles or solar panels?
- B. Will the building be designated Leadership in Energy and Environmental Design (LEED) or other comparable industry certification or practice after completion of construction?
- C. Will the firm offer health benefits to all employees beginning from day one of employment?
- D. Will the firm designate a substantial portion of budget to employee training and promotion programs or tuition-reimbursement or scholarship programs?

- E. Will the firm designate a substantial portion of construction, design professional, or vendor budgets to contract with Historically Under-Utilized Businesses, Minority Business Enterprises, or Woman Business Enterprises in San Marcos or the county?

Scorecard

BASE POINTS

Economic and Fiscal Impact		
Small	Medium	Large
10	25	40
Sustainability		
Poor	Acceptable	Excellent
0	10	20
Jobs/Labor Force Practices		
Poor	Acceptable	Excellent
0	10	20
Quality of Life/Cultural Considerations		
Poor	Acceptable	Excellent
0	10	20
Total Possible Base Points		100

Extraordinary Economic Impact	
Total Possible Extra Points	10
Extraordinary Contribution to Community Values	
Total Possible Extra Points	10

Exhibit B – Business Improvement & Growth (BIG) Grant

Description

The City has established the Business Improvement & Growth (BIG) Grant Program to provide technical and financial assistance to property owners or business tenants seeking to renovate or restore exterior façades, signage, lighting, and life-safety systems for commercial buildings. The City will provide a fifty percent matching grant to reimburse up to \$20,000 of well-designed property improvements. An additional fifty percent matching grant to reimburse up to \$5,000 for construction of monument-type signage or the removal and replacement of non-conforming signs. The applicant's match may be in the form of other financial aid (grant or loan) received from other agencies or financial institutions but may not be "in-kind." Understanding that the overall objective of the BIG Grant Program is to improve the exterior visibility and presentation of a property, the City has the discretion to decline an application while suggesting enhancements that would enable future acceptance.

Objective

The BIG Grant Program is designed to impact properties in need of revitalization, resulting in improved exterior visibility and presentation of a property, as well as enhanced occupant safety. The BIG Grant Program is not designed to subsidize corrections to building code violations that prolong the life of a commercial property. The BIG Grant Program strives to increase sales and/or revenue for the property owner or tenant.

Business Eligibility

- Applicants must be commercial property owners or commercial tenants located within the taxing jurisdiction of the City of San Marcos within the Main Street District or along designated corridors
- Preference will be given to independent businesses not required by contractual arrangement to maintain standardized décor, architecture, signs, or similar features
- Businesses must not be part of a franchise or chain store with more than 10 locations nationwide
- Tenants must have written approval from property owners to participate in the program
- Property owners must be current on all municipal taxes prior to participation in the program
- Applicants must comply with all State and local laws and regulations pertaining to licensing, permits, building code and zoning requirements
- Applicants must agree not to change or alter the property improvements without prior written approval from the BIG Review Committee for three (3) years from the date of the rebate check issued under the BIG Grant Program
- Improvements made prior to written approval by the BIG Review Committee will not be funded
- Businesses receiving a BIG grant must sit out of the program for a minimum of 1 year from the date of reimbursement prior to being approved for a subsequent BIG grant
- Property or business owners with multiple properties may apply for up to 2 businesses or property locations in one year
- Properties located within a historic district or designated local landmark must obtain a Certificate of Appropriateness

Eligible Projects

- Restoration of exterior details in historically contributing or significant buildings, and removal of elements that conceal architectural details, including cleaning, repainting, or residing of building
- New storefront construction, appropriately scaled within an existing building, that is in substantial conformance with all applicable provisions of the San Marcos Land Development Code
- Awnings or canopies in character with the building and streetscape

- Lighting that is visually appealing and appropriately illuminates signage, storefront window displays, and recessed areas of a building façade
- Window replacement and window framing visible from the street and appropriately scaled to the building
- Signage that is attractively integrated into the architecture of the building, including the window area, awnings or canopies, and entryways, and the removal and replacement of non-conforming signs
- Installation of monument signage, and the removal and replacement of non-conforming signs
- Curbing, irrigation, approved trees, landscaping beds (not including planting material) or other landscape features attached to the building where appropriate, not to exceed twenty percent (20%) of the project budget
- Removal of architectural barriers to public accessibility
- Installation of fire sprinklers or other life-safety systems in historically or architecturally significant buildings
- Other improvements that meet the objectives of the BIG Grant Program

Process

1. The Applicant will meet with City staff for initial project discussion and file an application with the City's Economic Development staff.
2. The Applicant will meet with the BIG Review Committee (consisting of a staff representative from Economic Development, Main Street, and Permitting, or other City Manager designees) to discuss property improvements and design alternatives.
 - a. If necessary, an architect will prepare final designs and submit them to the BIG Review Committee.
3. Upon approval from the BIG Review Committee, the Applicant has 60 days to solicit itemized bids for work to be done.
4. The BIG Review Committee will review/approve the reimbursement amount based on the lowest responsible bid for improvements.
5. The BIG Review Committee will send the Applicant a "notice to proceed with improvements."
6. Applicant, contractor(s), and project architect will hold a pre-development meeting with applicable City staff.
7. Applicant has sixty (60) days from "notice" to begin improvements and nine (9) months to complete improvements after permit is issued. If any design changes occur, the BIG Review Committee must be notified.
8. Applicant notifies BIG Review Committee when improvements are complete.
9. BIG Review Committee verifies that project improvements comply with the approved plans.
10. Applicant submits copy of all paid invoices to BIG Review Committee. The Architect and contractor(s) submit letters to the BIG Review Committee acknowledging full payment by the Applicant.
11. City issues rebate check.

An extension of time may be granted by the BIG Review Committee if there are special circumstances that prevent the above timeline from being met.

Exhibit C – Downtown Co-Marketing Fund

Description

The City of San Marcos Downtown Co-Marketing fund is a marketing program that provides matching advertising funds for businesses within the Main Street District to promote their business in areas outside of the San Marcos area. This program is funded by hotel occupancy tax dollars which are generated by guests staying in hotels located within the city limits of San Marcos. If approved, 50% of total marketing costs will be reimbursed to the applicant. The co-marketing fund is limited to the amount funded by City Council per fiscal year and are available on a first come, first served basis. The maximum amount of funding per applicant/project is \$5,000.

Objective

The Downtown Co-Marketing Fund supports the promotion of the City of San Marcos and businesses within the Main Street District to attract new visitors and customers from outside the area.

Business Eligibility

- Individual businesses marketing or collaborations with other downtown businesses or events
- Businesses must be located in the San Marcos Main Street District

Eligible Projects

- Advertising must include “Downtown San Marcos” or a similar phrase
- Marketing must be placed in areas outside of the San Marcos extraterritorial jurisdiction and placed at locations that directly meet the Texas Hotel Occupancy Tax Code requirements:
 - The expenditure must directly enhance and promote tourism and convention and hotel industry; and
 - Promote tourism in the San Marcos area.

Process

1. A business owner must complete an application and submit it to the City’s Main Street staff.
2. Applicant schedules meeting with program administrative staff and to review the completed application and proposed marketing.
3. Main Street Program and Convention and Visitor Bureau will review applications monthly. If approved, funds will be processed once the invoices have been paid by the applicant.

Exhibit D – Economic Development Supplemental Fund

Description

The Economic Development Supplemental Fund (the Fund) supports new and expanding opportunities by providing additional incentives for projects that have qualified for Chapter 380 economic development incentives from the City of San Marcos.

Objective

The Fund was established to complement other economic development incentive tools in the Policy. Eligible projects must be in one of the following targeted industries, provided the facilities create or retain primary jobs:

- **Aerospace:** Aviation, design and production of aircraft, space mission, and national defense and security-related products and parts
- **Business Services and Support:** Customer care operations, customer support centers, financial transactions processing, shared services, legal services, advertising, public relations, software and computer programming, and consulting operations.
- **Destination Attractions:** Site leveraging world-class shopping concentrations, natural assets, downtowns, historical districts, and activity centers.
- **Materials Science:** Use of physical and chemical properties of solid materials to create or improve end-products.
- **Information Technology:** Software, hardware, internet applications, computer security, and cybersecurity solutions.
- **Life Sciences:** Biotechnology and environmental sciences.
- **Regional Distribution:** Distribution to the Central Texas market or other parts of the Texas Triangle.
- **Other:** The Fund may be used for other exceptional primary job creation or retention opportunities, or other business opportunities, as determined by the City Council.

The Fund may be used for the following purposes:

- To fund all or a portion of qualified projects that the City Council determines will promote the development of new or expanded business enterprises within the City; and
- By the City Manager, as directed by the City Council, for the purpose of enhancing the City's economic development efforts.

Process

A business owner must complete an application and submit it to the Greater San Marcos Partnership. The process for approval of the use of the Economic Development Supplemental Fund follows the process outlined in [Exhibit A](#).

Exhibit E – Legacy Business Program

Description

The Legacy Business Program includes a registry listing maintained by the City's Main Street, Planning and Development Services, and Economic Development divisions to promote and market the businesses. A business tool kit will also be provided to eligible businesses which will contain services such as lectures, educational seminars, and architectural guidance. Designated Legacy Businesses will also receive priority admission into the City's Small Business Counseling Program, and City Staff may assist eligible businesses with applying for the Texas Treasures Business Award through the Texas Historical Commission. To add additional support to businesses who have been a staple of the San Marcos community, designated businesses may be eligible for Chapter 380 tax rebates, reduced or waived development fees, or infrastructure assistance in City rights-of-way.

Objective

The Legacy Business program pays tribute to legendary businesses located in the City of San Marcos. The purpose of the program is to acknowledge the contributions these businesses have made to the City's culture and economy. This program aims to champion the continued success of legacy businesses through promotional and educational support.

Eligibility

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:

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

Process

1. A business owner must complete an application and submit it to the City's Economic Development staff.
2. Applications to the Legacy Business Program will be reviewed and approved by the Legacy Business Team (consisting of a staff representative from Economic Development, Main Street, and Planning, or other designee from the City Manager)
3. Approved businesses will receive a business tool kit and be added to the San Marcos Legacy Business Registry.
4. Legacy businesses seeking financial incentives will meet with the Legacy Business Team to present their request and supporting documentation.
5. The Legacy Business Team will submit a recommendation to the City Manager for final determination.
6. The City Manager may administratively approve financial incentives up to \$50,000 to support the City's economic development efforts.

*Businesses less than 20 years old may be evaluated on a case-by-case basis with at least two letters of support from the community indicating the business' contribution to the culture and history of San Marcos.

Exhibit F – Main Street Incentive Grant

Description

The San Marcos Main Street program has established the Main Street Incentive Grant to provide financial assistance to property owners or business owners seeking to renovate or restore facades or signage in the Main Street District. The Main Street program will provide a fifty percent matching grant to reimburse up to \$2,000.

Objective

The Main Street Incentive Grant is designed to impact properties in need of revitalization, resulting in improved exterior visibility and presentation of a property, as well as enhanced occupant safety. The Main Street Incentive Grant is not designed to subsidize corrections to building code violations that prolong the life of a commercial property. The Main Street Incentive Grant strives to increase sales and/or revenue for the property owner or tenant.

Business Eligibility

- Applicants must be commercial property owners or commercial tenants located in San Marcos within the Main Street District
- Properties located within a historic district or designated local landmark must obtain a Certificate of Appropriateness

Eligible Projects

- Façade improvements
- Sign improvements
- Awning improvements
- Window replacements

Process

1. A business owner must complete an application and submit it to the City's Main Street staff.
2. The Main Street Advisory Board will review the application and make a recommendation to staff.
3. Main Street staff will review the application, and the applicant will be notified of the decision.

Exhibit G – Small Business Retention Incentive

Description

Businesses having 1 to 25 full-time employees that have operated with a physical presence in San Marcos for at least 24 months are eligible to apply for the Small Business Growth Program to receive incentives related to remaining in or expanding operations in the City of San Marcos. The City will offer loan funding that will be forgiven if the business remains in continuous operation for at least 24 months after the funding is approved. The funding is considered a loan that must be repaid in the event that a business defaults on the grant terms and conditions, but will convert to a grant that does not need to be repaid if the business remains in continuous operation for at least two years.

Objective

The City of San Marcos recognizes the impact of small businesses on the local, regional, and national economy. The following Small Business Incentive Program policy is designed to help support the needs of the San Marcos small business community through flexible, timely assistance. This program assists businesses that are in jeopardy of closing due to external economic impacts by providing them with short-term working capital.

Eligibility

To be eligible for consideration, 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 at least 24 months before requesting incentives;
- Employ 1 to 25 full-time employees; and
- Demonstrate that the company would otherwise close permanently, relocate to another municipality, or not expand its operations in San Marcos should support not be received from the City.

The City Manager shall have authority to administratively approve incentives targeted to support small businesses to a financial amount not to exceed \$50,000 per business. This incentive shall be in the form of:

- A. A one-time jobs-based incentive of up to \$5,000, or
- B. Assistance with targeted infrastructure in the City's right-of-way.

Only full-time W-2 jobs will be eligible for jobs-based grants. This incentive can fund employee hiring/signing bonuses, relocation bonuses for employees that are moving to take an open position, and employee retention bonuses. There is a cap of \$1,000 per employee. Infrastructure assistance will be only considered for portions within the City's right-of-way.

Business owners must submit a plan for how they will use the funding. Business owners who receive funding will be required to attend a free financial literacy session as part of the City of San Marcos small business counseling program or similar approved program. Employees receiving a grant through this program must reside or be moving within the City of San Marcos zip code of 78666.

Process

1. A business owner must complete an application and submit it to the City's Economic Development Staff.
2. City staff will review the application for completeness and present a recommendation for approval

or disapproval to the City Manager.

3. The City Manager may administratively approve jobs-based grants up to \$20,000 or infrastructure assistance up to \$50,000 to support the City's economic development efforts.

Exhibit H – Speculative Buildings

Description

Incentives may be considered for high-quality, speculative new-build construction when less than 50% of the space is pre-leased or owner-occupied. Incentives shall be based on a rebate of property tax and the percentage of property tax rebate decreases as occupancy of the building increases. Except in special cases, the maximum term for consideration is three years.

Objective

The City of San Marcos desires to have an attractive and readily available inventory of buildings for prospective businesses. This incentive considers support for Class A developments that fill a gap in the San Marcos market.

Eligibility

To be eligible for consideration, the project must be located within the corporate city limits of the City of San Marcos or is willing and able to annex into the city limits (in such case, incentives shall be contingent on approved annexation and zoning.)

Evaluation Criteria

- The industry proposed for the speculative space and the type of speculative space being built should fill a gap in the San Marcos market
- Additional environmental and sustainability measures may be required
 - Examples: Energy-efficient lighting, formatting roof for solar panel installation, additional insulating materials, rainwater collection for toilets or landscaping, etc.
- The maximum percentage of a rebate for any single year is 100%. Tax-based incentives are preferred to be on the Maintenance & Operations (M&O) portion of the tax rate, but the total tax incentive will be considered at the discretion of the City Council. Tax-based incentives will be for the increase in property value over the base value before improvements.

Process

1. A business owner must complete an application and submit it to the Greater San Marcos Partnership.
2. The Greater San Marcos Partnership shall run an initial analysis and economic impact report for the project, bringing City of San Marcos staff into early discussions.
3. Applications will be presented to the Economic Development San Marcos (EDSM) Board to make a recommendation of approval or disapproval to the City Council.
4. The project will be considered by the San Marcos City Council for approval or disapproval. The San Marcos City Council shall have final authority to approve or deny applications under this incentive.

Exhibit I – Sustainable Resources Grant

Description

Businesses implementing environmentally sustainable business practices can be eligible for a grant to reimburse for certain projects. In addition to this grant, businesses are encouraged to review other sustainability-focused resources available such as the renewable energy credit program and rebates for solar, rainwater, shade tree, and irrigation.

Objective

A key priority for the City of San Marcos is to adopt policies encouraging sustainability. The Sustainable Resources Grant helps small businesses transition to sustainable practices by providing a one-time reimbursable grant of up to \$2,500 for implementing impactful products or services. Eligible projects may support reduction of water or electricity consumption, reduction of single use plastics, installation of xeriscaping, and other environmentally sustainable items.

Eligibility

To be eligible for consideration, 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 at least 12 months before requesting incentives; and
- Employ 1 to 25 full-time employees.

Process

1. A business owner must complete the application and submit it to the City's Economic Development staff.
2. A meeting will be held with the grant review team (consisting of a staff representative from Economic Development and Neighborhood Enhancement, or other designee from the City Manager) to review the proposed project and estimated environmental benefit.
3. After receiving approval for the project, a business will have up to 90 days to fully implement the product or service.
4. Reimbursement will be made following confirmation that the project is complete.