



City of League City, TX

300 West Walker
League City TX 77573

Meeting Minutes City Council

Tuesday, February 13, 2018

5:00 PM

Council Chambers
200 West Walker Street

Council Work Session

The City Council of the City of League City, Texas, met in a work session in Council Chambers at 200 West Walker Street on the above date at 5:00 p.m.

Mayor:

Pat Hallisey

City Council Members:

**Dan Becker
Hank Dugie
Larry Millican
Todd Kinsey
Greg Gripon
Keith Gross
Nick Long**

City Manager:

John Baumgartner

Assistant City Manager

Bo Bass

Assistant City Manager

Michael Kramm

City Attorney:

Nghiem Doan

City Secretary:

Diana M. Stapp

Interim Chief of Police:

Gary Ratliff

Director of Budget/Project Management

Angie Steelman

Director of Engineering:

Christopher Sims

Director of Finance:

Allena Portis

Director of Human Resources/Civil Service:

Janet Shirley

Director of Parks & Cultural Services:

Chien Wei

Director of Planning/Development:

David Hoover

Director of Public Works:

Jody Hooks

1. CALL TO ORDER AND ROLL CALL OF MEMBERS

Mayor Hallisey called the meeting to order at 5:00 p.m. and called the roll. All members of Council were present with Mr. Long arriving at 5:13 pm.

Present 8 - Mayor Pat Hallisey, Mr. Dan Becker, Mr. Hank Dugie, Mr. Larry Millican,
Mr. Todd Kinsey, Mr. Greg Gripon, Mr. Keith Gross and Mr. Nick Long

Mayor Hallisey moved to suspend the rule and move Public Comment after the presentations if time allows. Motion was seconded by Mr. Becker

The motion passed by the following vote:

For: 7 - Mayor Hallisey, Mr. Becker, Mr. Dugie, Mr. Millican, Mr. Kinsey, Mr. Gripon and Mr. Gross

Absent: 1 - Mr. Long

3. **PRESENTATION BY PGAL ARCHITECTS REGARDING CITY COUNCIL CHAMBERS RENOVATIONS**

John Baumgartner, City Manager – gave an opening introduction. For those of you who have gotten on council within the last couple of years, previous to that we had looked at some opportunities to remodel this room versus perhaps build something across the street. Council at that time didn't think it was appropriate to move forward with that and continued comments on the facility, the atrium, restrooms, etc. So we thought we would at least reintroduce the subject and see if there is any interest in moving forward with any remodel. I always look at this room as our window to the community and their first impression of League City. I would suggest the room while functional is a little bit dated. Obviously, we continue to get challenged with technology issues, whether it is audio or video.

Paul Bonnette with PGAL provided the previous design packets to the council and gave a brief presentation. We actually bid the project out a little over 3 years ago and the low bid at the time was around \$662,000, and the high bid was \$886,000. Depending on what other elements we add, if we add the bathrooms in it would push the numbers up a bit, but I would image construction costs would be \$725,000 - \$750,000 for a low bid for the same work today as construction cost have gone up.

Mr. Baumgartner, a couple of things for the benefit of the council about order of magnitude and cost, before when we had talked about renovating the council chambers the funding source would be PEG funds, as part of our production studio. Obviously, we use it for council meetings but we also use it for other production activities. If there is a general consensus what I would suggest we do is bring forth a budget amendment to get a formal consensus from the council before marching forward with the project.

4. **PRESENTATION OF PROPOSED NEW ECONOMIC DEVELOPMENT INVESTMENT POLICY**

Scott Livingston, Director of Economic Development, gave a presentation. In June 2017, the City Council provided some goals for the City Manager and his team of city staff to address. One of the goals was to “Update economic development policy with clearly defined investments by May 1, 2018”. The six-page Economic Development Investment Policy was initially provided to the City Council in the City Manager’s October 2017 Report. The same Economic Development Investment Policy was provided in each of the City Manager’s Monthly Reports for the past several months and late last week in preparation for this meeting. The purpose of my presentation tonight is to lay the groundwork for, and formally present, the new, proposed Economic Development Investment Policy to the City Council and address any questions which you may have about the policy. In the fall of 2016, the League City Regional Chamber of Commerce convened a group of League City’s stakeholders to identify and discuss issues that appear to threaten League City’s quality of life and make recommendations to the City Council in support of new policies and action steps to preserve, protect, and sustain League City’s superior quality of life. The group, which later became known as the League City Comprehensive Master Plan Taskforce, met every other Friday for more than one year. One of the recommendations the Taskforce made is this new, proposed Economic Development Investment Policy. The remaining recommendations of the Taskforce are summarized in a White Paper, which staff has reviewed and provided feedback on only the non-political recommendations, and the City Council should receive the Taskforce’s White Paper in the next several weeks. The Economic Development Investment Policy is a tool, which is proposed to assist the City Council, staff, and community in strategic decision making for the investment of public funds in private projects that move us closer to achieving our public goals.

I have been in League City for 1 ½ years and my family and I are loving it! We love the transition, the schools, the community. One of the things I have been doing for the last 1 ½ years is listening and trying to understand and observe the community sentiments, concerns and needs. One of the things I have heard the City Manager say on several occasions is we will only undertake the projects which the City Council and the citizens/taxpayers of League City desire and support. And so this tool is in line with that philosophy. Therefore, the Economic Development Investment Policy was created as a tool that is sensitive to the needs and desires of the citizens of League City. So when we start talking about League City’s challenges, these are challenges that I have heard the people of League City mention over and over. They say that we have traffic congestion, we need to increase our non-residential tax revenue, we need more infrastructure, we are resource challenged. One of the things that the Texas Workforce Commission indicated early on is that 85% of our citizens commute. They leave the city every day for their primary source of employment. If we look at these same challenges individually there is a summarized solution that has been proposed. That is to create and offer more value in League City for both the Citizens of League City and Others with who we wish to Partner to Grow our Community. If we do that then theoretically we will start to address some of the challenges that our community faces.

What will create more value in League City? I would like to propose to you it is the following:

- **Attract, create, and retain high-paying, quality primary jobs.**
Primary Jobs, which are specifically defined in Section 501 of the TX Local Govt Code, are “available at a company for which a majority of the products or services of that company are ultimately exported to regional, statewide, national, or international markets infusing new dollars into the local economy and are further listed by NAICS codes. Commonly speaking, they are High-Paying Quality Jobs with which a household may support a mortgage.
- **Attract quality, commercial investment**
- **Attract quality, residential investment**
- **Attract tourists, heads in beds**
- **Shop locally**
- **Attract shoppers, customers, and workers from outside**
- **Attract more investment and tax revenue from outside**
- **Provide infrastructure**
- **Support workforce development and primary job training**

How can we create more value in League City? I would like to propose to you these following points:

- **Invest in infrastructure, site improvements, public spaces, downtown, land, commercial buildings, personnel/staff, and tools/resources to build and support a business ecosystem in town.**
- **Invest in “Placemaking” and a robust business ecosystem**
- **Support entrepreneurial and small business development (including incubator/accelerator and economic gardening**
- **Invest in tourism and destination entertainment and retail projects**
- **Invest in workforce development and professional training**
- **Promote the community to quality primary employers**
- **Promote the community to destination retail, tourism and entertainment projects**
- **Encourage quality residential and commercial development**
- **Promote a pro-growth business climate**

League City is largely a residential “Bedroom Community”. Obviously, this means that the homeowners are paying the bulk of the taxes. Since 85% of League City’s full-time employed residents commute outside the city each day for their primary source of employment, most of League City’s income is derived from outside League City. A few rhetorical questions. How much time would League City’s citizens have to spend with their families, with their neighbors, and in their community, if they did not have to commute to work each day? Why should League City’s citizens have to drive to work each day for their primary source of employment/income? What is the value to the Community of League City of having employers, who offer quality, primary jobs in League City?

What would be the value to League City's residents of not having to commute a long distance to work each day? Based upon the National Average, multiple studies have shown that for each dollar of revenue that cities receive, residential development requires \$1.15 - \$1.20 in city expenditures while non-residential development requires \$0.27 - \$0.44 in city expenditures. Residents generally demand more City services, such as police, fire, roads, libraries, parks, pools, etc., more than Employers. Employers provide primary jobs with salaries and benefits, daytime employment, sales tax, and hotel taxes, which disproportionately contribute to the City's revenue. Fast-growing bedroom communities are prone to deteriorating financially because their residential base grows more quickly in proportion to the commercial and industrial tax base needed to offset the city's cost of services.

Typical Revenue Sources:

Residential – Real Property Tax, Retail Sales Purchases

Commercial – Real Property Tax, Retail Sales Purchases, Business Personal Property Tax, Increased Daytime Employment, Real Property Tax, Retail Sales Purchases, Real Property Tax, Retail Property Tax, Retail Sales Purchases, Real Property Tax, Retail Sales Purchases, Lower Cost to Provide City Services. This is why business and commercial projects are so valuable to a community and to a community's financial wellbeing. We talk about Public and Private Projects. Public means we pay for all of it ourselves, Private means the private pays for all of it themselves but when we talk about Public Private Partnerships these are opportunities in which we can work together to accomplish mutually beneficial goals. Communities may invest public funds in private projects and developments that provide a public benefit and/or generate a direct, financial return on investment.

A "Box" is basically a container. If you think about Black Box theory, it is a device or system which can be viewed in terms of its inputs and its outputs without transparent knowledge of its internal workings.

The Economic Development Investment "Box" has six constraints and/or conditions: Policy, Guidelines, Qualifying Projects, Qualifying Expenditures, Minimum Thresholds of Investment & Job Creation, and Maximum Limits of Public Investment. We are partnering with Impact Datasource to help us with analysis to evaluate the value of projects to which we might partner in the future. The point is we want to minimize investment of public funds, we want to maximize the public's return on investment because again when I started listening to things that the citizens of League City were saying is important to them, I wanted to make sure that all of those things were incorporated into this Economic Development Investment Policy. Also we want to provide a public benefit, have an application so we have a process, have an economic and fiscal impact model so we know what we are getting, prioritize projects, projects already underway get nothing, any awards are up to City Council's discretion, a development agreement is required for any offerings or participation, and performance and compliance would be required.

Qualifying expenditures for private projects, a strict, narrow focus will guide the use and investment of public funds for: Commercial Land, Buildings, Equipment Facilities, expenditures, infrastructure, primary jobs and other related improvements and site improvements. Each of these things are (and this is my own descriptive nomenclature) permanent/long-term community assets. A company might leave the community at some point in the future, but they're unlikely or much less likely to take these community assets with them.

Economic and Fiscal Impact Analysis. Economic Impact Analysis estimates how changes in economic activity, such as a new business locating in a community, will affect the local economy. It does not account for costs of city services. An economic impact analysis measures effects on three levels: Direct Effect, Indirect effects, and Induced effects. Direct Effect is the initial change in employment, income, and output (business revenues or sales). Indirect Effect is the change in employment, income, our output in subsequent rounds of re-spending that arise through purchases from local supplier industries. Induced Effect is created when payrolls increase and workers from the project spend more on local goods and services. Fiscal Impact Analysis estimates the costs of local government services needed to support a development project and considers the costs of development in relation to the public-sector benefits. **Benefits of Economic and Financial Analysis** – It gives us estimates of the proposed project's value to the community, Assists in determining the appropriate level of public participation (i.e. investment) for a project, Provides an objective, consistent, and analytical tools for determining levels of investment, Provides a clearer picture of how a project will benefit the community and local government, Calculates a net fiscal impact on the affected taxing entities.

Paul Scheuren, Economist & Principal at Impact DataSource gave an overview of the specifics on what their model does that plays into the framework in terms of what type of projects will be considered and what would be going into the model. Our economic consulting firm is based in Austin, Texas and has been around since 1993. We prepare models (software) that clients can use inhouse. We currently have about 80 model clients that use one of our models throughout the country, with about 60% of that is in Texas. **Economic Development Impact Analysis** – you have a type of business, industry, capital investment, jobs, salaries, workforce needs. What you need to be able to do is go beyond just looking at the economic impact because you want to know more about the project. We want to understand the actual deal depending on the circumstances of the project. The Fiscal Impact is where everything comes together. We want to see who gets revenue and will there be any costs associated with this. If there is public investment provided for this how does that feed back into the whole analysis to understand those costs and revenues in context. It starts with a new economic impact – a new business creates jobs, which creates additional spin-off jobs. Fiscal impact – additional tax revenue to the community and additional costs to the community. So when you boil all of that down you get a changes in social welfare, if the revenue is higher than costs, it will provide the city the ability to provide more services or lower taxes. Additional revenues would include property taxes, sales taxes, fees, charges, lease revenue.

On the cost side we can think about types of things that the city pays for in terms of public safety, the school district in education, or the county in infrastructure. in order for the analysis to be useful, you need more than an aggregate total of tax revenue.

Benefits of using a model include. Scenario Analysis - should I get hung up on this assumption? Consistency extremely valuable - Board, Council, or State legislature can get comfortable with the approach. Compare apples and oranges. Convert the project to Net Benefits so you can compare. Communicate effectively – Business/Consultants, Boards/City Council.

2. **PUBLIC COMMENTS**

5. **ADJOURNMENT**

At 5:57 p.m. Mayor Hallisey said, there being no further business this meeting is adjourned.

PAT HALLISEY
MAYOR

DIANA M. STAPP
CITY SECRETARY

(SEAL)

MINUTES APPROVED: