



2013 Annual Report



Table of Contents

Mission Statement	3
Leadership Message	4
2013 Board of Directors	5
Economic Development Partners	6
The Evolution of COSADC	7
Economic Snapshots	8
San Angelo Target Industries & Niches	9
Key Strategies for Economic Development	10
Marketing and Business Recruitment	10-11
Ongoing Projects	11-14
Business Retention and Expansion	14-15
Development Review Committee	15
Subdivision and Site Plan Reviews	15
Tax Increment Reinvestment Zone	15
Business Resource Center	15-16
Business Factory	17
Transportation	17
Air Service Marketing Plan	17-18
Affordable Housing	18
Community Development Projects	18-20

Mission Statement

The City of San Angelo Development Corporation (COSADC), working with economic development partners, retains, strengthens and diversifies the job base of the community to ensure a vibrant business climate for San Angelo and the region. We strive to make San Angelo's economy stronger through continued creativity and commitment from COSADC, the Economic Development Partners and the entire community.



Leadership Message



Scott Tankersley
President



Robert Schneeman
Interim Executive Director

2013 was another big year for the City of San Angelo Development Corporation. The Board of Directors and the staff tackled a wide range of projects, including:

- Held the Grand Opening of the Business Resource Center.
- Hosted the 2013 Annual Ports-to-Plains Southern Work Group Conference.
- Rezoned a portion of the Industrial Park from Light Manufacturing (ML) to Heavy Manufacturing (MH) to allow for use by industries such as those related to the oil and gas energy sector.
- Closed on the sale of 20 acres in the Industrial Park to CasedHole Solutions, the largest sale in the history of the Industrial Park, which was founded in 2004.
- Welcomed new board members Tommy Hiebert, Daniel Anderson and Richard Crisp.
- Established a San Angelo Comprehensive Economic Development Strategic Plan.
- Coordinated the review of 79 subdivision plats and 80 site plan reviews.
- Incorporated the responsibilities for managing the Tax Increment Reinvestment Zone (TIRZ).
- Attended various conferences and meetings regarding the rapid growth in the energy sector and its anticipated effect on the local economy.
- Business Incubator clients moved into the Business Factory in January 2013. The clients created a total of 24 full-time and five part-time jobs for a total sales revenue of \$10,315,443 and all jobs were retained for the coming year.

2013 COSADC Board of Directors



Board of Directors are (from left to right) Tommy Hiebert (Director), Daniel Anderson (Director), Tony Villarreal (Second Vice President), Scott Tankersley (President), John Bariou (First Vice President), Pedro Ramirez (Director) and Richard Crisp (Director).

Economic Development Partners



The Evolution of COSADC

Voter Approval of the Half-Cent Sales Tax

In 1999, voters approved the adoption of a sales and use tax within the City of San Angelo in accordance with Section 4B of Article 5190.6 of Vernon's Annual Civil Statutes. Under the original authorization, use of the half-cent sales tax was limited to Lake Nasworthy dredging, Coliseum and Fairgrounds projects and the promotion and/or development of new or expanding business enterprises. The term of financing those projects was limited to six years.

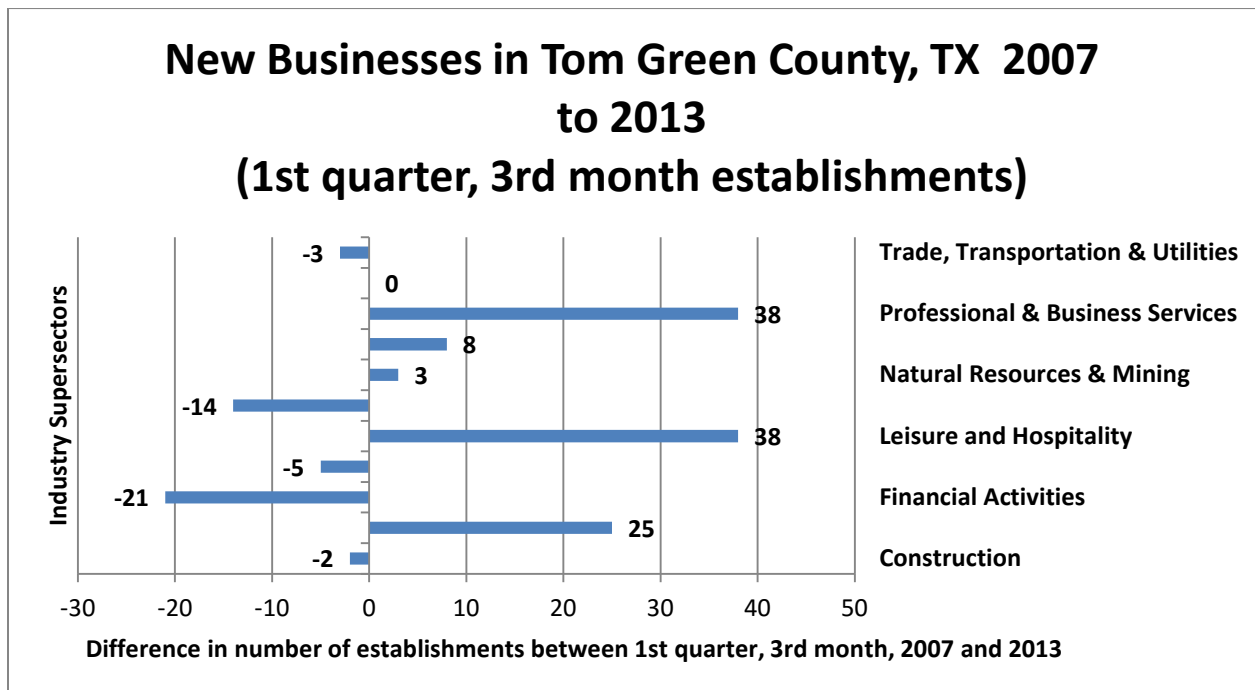
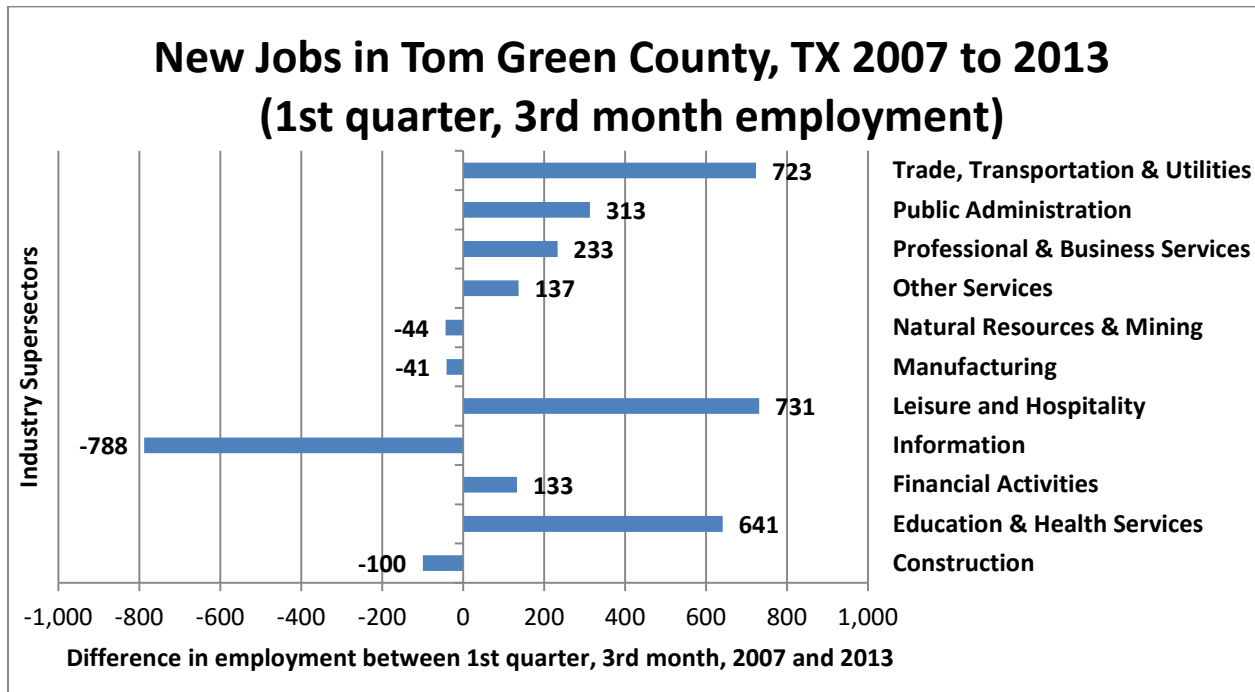
Reauthorization by the Voters

In 2004, the voters approved the reauthorization of the half-cent sales tax and expanded the eligible project list. The 2004 ballot initiative allowed the use of the tax funds for infrastructure projects relating to the development of water supply facilities for water reuse and/or the use of fresh or brackish groundwater and the development and institution of water conservation programs. In addition, the voters authorized using the funds for Concho River improvements, parks and sports facilities improvements and the maintenance thereof, Fort Concho Museum, Coliseum and Fairgrounds improvements, and the development of an affordable housing program. The use of funds for the development, creation, retention and expansion of authorized business enterprises that create or retain primary jobs was also approved, and the term of financing was set at 20 years.

Vote to Repeal Tax Expiration Date

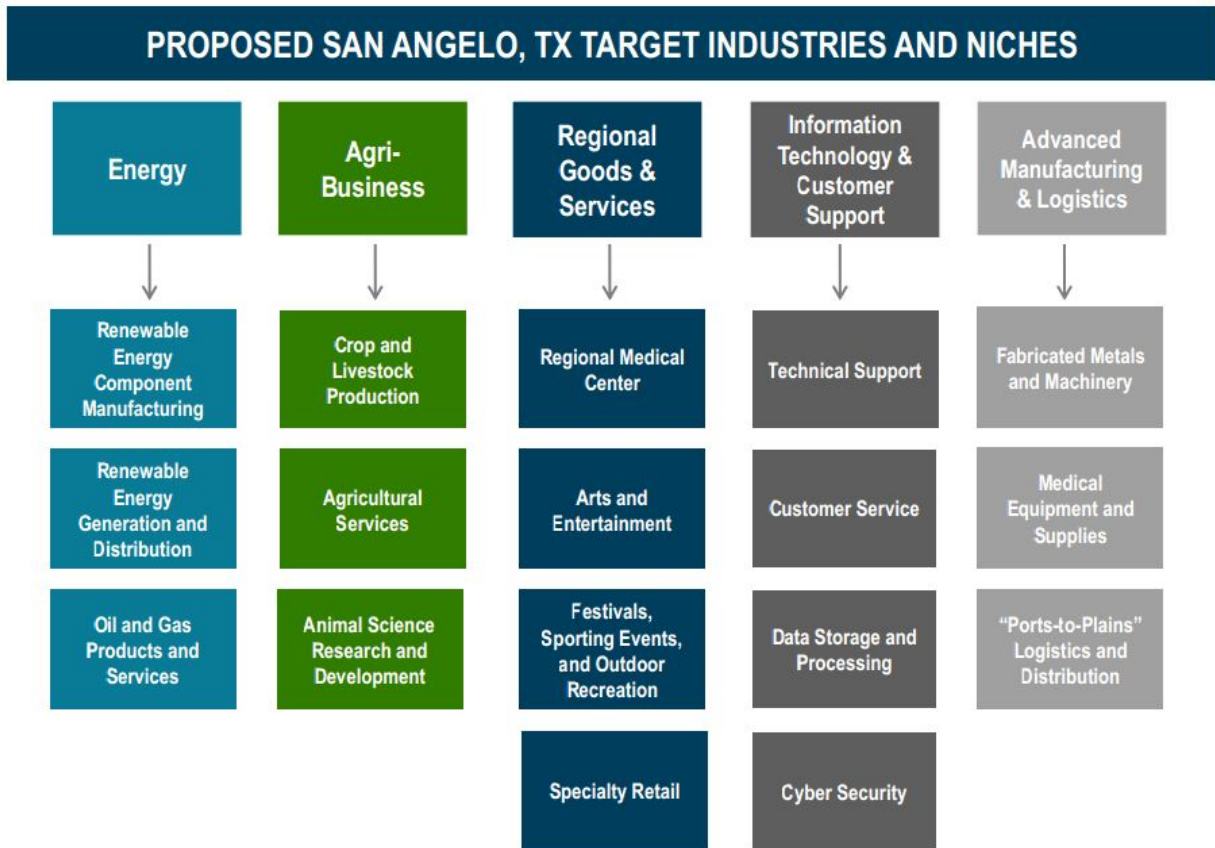
The half-cent sales tax was again placed before the voters in 2010 with a proposal to repeal the expiration date of the 2004 authorization with certain conditions. Among these, the voters approved funding water-related projects on an increasing basis, from a minimum of 21 percent of total half-cent sales tax receipts to a maximum of 72 percent of receipts, as voter-approved projects are completed. The maximum amount of total half-cent sales tax receipts allocated for job creation and retention projects authorized under the act was set at 28 percent.

Economic Snapshots



San Angelo Target Industries & Niches

The following industries were chosen by survey as desirable targets for attraction or expansion by at least 25 percent of San Angelo residents:



Key Strategies for Economic Development

The San Angelo Comprehensive Economic Development Strategic Plan is made up of a set of goals, strategies and key economic development initiatives that generally support multiple target economic sectors.

Recommendations are organized around the following eight goal areas:

Goal 1: Strengthen San Angelo's infrastructure and enhance connectivity to other regions.

Goal 2: Continue to invest in downtown San Angelo and the Concho River.

Goal 3: Fully capitalize on the unique opportunities provided by Angelo State University and Goodfellow Air Force Base.

Goal 4: Tap into San Angelo's innovative culture and leverage small business resources to support entrepreneurship and minority business development.

Goal 5: Clarify and formalize the roles of San Angelo's economic development partners to ensure that economic development is streamlined, transparent and well-understood by all stakeholders.

Goal 6: Improve San Angelo's image and ensure that marketing efforts highlight regional assets and focus on target industries.

Goal 7: Ensure that workforce development and education programs are connected to the marketplace and support the retention of young professionals.

Goal 8: Engage in specific strategies to grow existing and emerging target industry sectors.

Marketing and Business Recruitment

The City of San Angelo contracts with the San Angelo Chamber of Commerce to help market San Angelo and recruit companies. This is accomplished by attending trade shows, participating in state and national associations, distributing marketing pieces, placing advertising outside of the community, responding to requests for proposals and information from prospective companies and coordinating details when business prospects visit San Angelo.

This work is accomplished by the Chamber's Economic Development Division, which includes John Dugan, Vice President for Marketing and Recruitment, and Hope Baron, Economic Development Specialist.

2013 Trade Shows

World Ag Expo (Tulare, Calif.)

List of Association Events

Texas Midwest Community Network (TMCN) Annual Meeting

TMCN “Network Lunch”

TMCN “Dinner and Conversation”

TMCN Quarterly Board Meeting

Ports-to-Plains Southern Work Group Meeting

Texas Economic Development Council Annual Meeting

TMCN Day at the Capitol

Mexico in San Antonio

NAFTA Invest in Texas

West Texas Oil Consortium

Marketing

Ad placements in trade magazine: Area Development

Ongoing Projects

Once the Chamber of Commerce has successfully added San Angelo to a company’s list of possible cities in which to locate, COSADC staff members, with direction from the COSADC board and City Council, formulate an incentive offer, which the Chamber of Commerce and/or COSADC staff members communicate to the prospective company.

MedHab LLC

MedHab LLC is a cutting-edge company in the medical device industry. It entered into a performance agreement with the City of San Angelo Development Corporation in August 2012. According to that agreement, MedHab LLC will locate its production operation to San Angelo and create between 75 and 227 full-time qualifying positions. Also in accordance with the performance agreement, it was required to locate in the Incubator Annex at 2009 W. Beauregard Ave., which it did in December 2012. As of Dec. 31, 2013, MedHab LLC had not requested nor had it been paid any incentives under the agreement.

Following are the major incentive items in the agreement between COSADC and MedHab LLC:

- Effective Date of Agreement – Aug. 22, 2012
- Term of Agreement – Agreement terminates Jan. 1, 2019, or six years after final payments have been made
- 2009 West Beauregard Lease Assistance – Move in within 120 days of Effective Date. Lease continues three years. Lease agreement executed Dec. 19, 2012

- Job Creation – Within six years of Effective Date (Aug. 22, 2018) create and retain a minimum of 75 Full-Time Equivalent (FTE) employment positions and incentivize up to a total of 227 FTEs within the same time frame. Incentive equals \$7,929.00 per FTE*
- Job Retention – Must retain positions for six years from date of payment of incentive
- Capital Investment – \$125,000 minimum within two years
- Capital Investment or Capital Lease – Within six years to a maximum incentivized \$2,000,000 (incentive equals 15 percent of capital investment up to \$300,000)
- Real Property Investment – Within six years, complete renovations or improvements to purchased site up to \$1,100,000.00 (incentive equals 52 percent up to \$575,000)
- Code Compliance Incentive – 25 percent of renovation code compliance items up to \$12,500

Ethicon

Ethicon, a subsidiary of Johnson & Johnson, is the 10th largest employer in San Angelo. In 2010, Ethicon submitted a request to COSADC for incentives to expand and modernize its existing plant and to incentivize the retention and/or retraining of up to 30 at-risk employee positions within the plant. The overall intent of the incentives was to help ensure job retention and to assist in making the San Angelo plant more competitive relative to other Johnson & Johnson locations for more modern processes. The main points of the Ethicon agreement are as follows:

- Capital investment – Between \$16 million and \$28 million
- Job retention – Up to 30 at-risk positions
- City Tax Rebate – Based on increase in appraised value, 100 percent first year; 75 percent second year; 50 percent third year and 25 percent fourth year. Can be accomplished in two phases
- County Tax Abatement – Same terms as City rebate
- Job retention Incentive – \$5,000 per position for retention and an additional \$5,000 per position for retraining, resulting in at least a 10 percent increase in wages and a maximum incentive \$300,000

Note: To date, Ethicon has not elected to execute the job retention agreement

- Capital Investment as of Dec. 31, 2012 – Over \$20 million
- City Tax Rebate to Date – \$259,332.56

Hirschfeld Energy Systems LLC (formerly Martifer-Hirschfeld Energy Systems LLC)

In December 2009, COSADC entered into an economic development performance agreement with Martifer-Hirschfeld Energy Systems LLC to construct a renewable energy plant geared to the production of towers for the wind energy industry. In addition, the City of San Angelo also entered into an agreement with Martifer-Hirschfeld, a jointly owned subsidiary of Martifer Wind Energy systems LLC, a Delaware-based limited liability company, and Hirschfeld Wind Energy Solutions, a Texas-based limited liability company.

In April 2012, COSADC was notified that Hirschfeld Wind Energy Solutions II would become the owner of the Martifer portion of the plant; that the company name would be changed to Hirschfeld Energy

Systems LLC; and that the plant would remain in business. Since that time, Hirschfeld has completed all standing orders for wind towers and has aggressively entered the oil and gas energy market, producing tanks and other vessels in support of that industry. As of 2013, it had made a capital investment of \$20 million for Phase 1 and the Land Purchase. Construction requirements of the agreement were met by the company and incentives paid accordingly. Additionally, Hirschfeld Energy Systems LLC lost 44 Full-Time Equivalent positions. Although the total salary paid for the year 2012 yielded the equivalent of 50 additional FTEs, total employment at the end of the year was less than at the height of employment for the year. When the fourth quarter payroll for the year was annualized, the equivalent rate was 155 FTEs or 26 FTEs less than the total incentivized for the previous year.

The main points of the COSADC agreement with Hirschfeld are as follows:

- Capital Investment Phase 1 – \$20 million
- Capital Investment Phase 2 – \$20 million (total \$40 million)
- Job Creation – Up to 225 Full-Time Equivalents (FTEs)
Note: FTE is defined on a sliding scale as \$31,531 in 2010, increasing yearly to \$38,671 in 2015)
- Land Purchase Incentive – \$280,000 for purchase of land upon which plant is to be constructed
- Construction Funding Incentive – \$500,000 upon completion of \$15 million investment
- Construction Funding Incentive 2 – \$500,000 upon completion of Phase 1 construction
- Job Creation Incentive – \$6,000 per FTE up to 225 or a total of \$1,350,000

Job creation and incentives paid to date are as follows:

- 2010 – 47 FTEs / \$282,000
- 2011 – Added 134 FTEs / \$804,000
- 2012 – Added 50 FTEs

Glazer's

COSADC and the City entered into agreements with Glazer's, a distributor and wholesaler of beverage alcohol, in May 2010 for the expansion of Glazer's existing operations in San Angelo, the retention of existing jobs and the creation of new jobs. The main points of those agreements are as follows:

- Land Acquisition – 10.757 Acres
- Facility Construction – \$7,200,000
- Job Retention – 45 FTEs (FTE equal to \$31,720 per year)
- Job Creation – 79 FTEs (FTE equal to \$33,390)
- Job Creation Incentive – \$7,500 per FTE for up to 124 total FTEs and a maximum incentive of \$930,000 from COSADC
- City Property Tax Rebate – Upon completion of land acquisition, facility construction and job retention and creation per the above, City will rebate annual property taxes as follows:
 - * Years 1 & 2 – 100 percent
 - * Years 3 & 4 – 90 percent
 - * Years 5-7 – 75 percent
 - * Years 8- 10 – 50 percent

Job creation and incentives paid to date are as follows:

- Job Retention and Creation – 124 FTEs / \$930,000 (Glazer’s has continued to exceed its required job retention numbers and, having fulfilled retention requirement, is no longer required to report this item
- City Property Tax Rebate – \$275,770.97

Blue Cross Blue Shield of Texas

COSADC entered into an agreement with Blue Cross Blue Shield of Texas (BCBS) in April 2009, under which agreement BCBS agrees to maintain its current facility and retain its current payroll of \$12 million in exchange for a 10-year property tax assistance grant. The results are:

- Grant Amount – \$37,118 per year
- Grant paid to date – \$37,118 per year for five years = \$185,590

Business Retention and Expansion

San Angelo has a strong network of regional economic development partners that serve the region well, anchored by the City of San Angelo Development Corporation and the San Angelo Chamber of Commerce, and including a number of additional key partners such as the Angelo State University Small Business Development Center, Downtown San Angelo Inc., Howard College, and the Concho Valley Workforce Development Board.

With the launch of the Business Resource Center, working relationships between San Angelo’s regional partners are currently stronger than they have been in many years and are productive and collaborative, thanks to the “sweat equity” and political will of San Angelo’s current public and private leadership. Over the past year, the partners have begun to capitalize on these close working relationships.

Following are the elements of the Strategic Plan relating to Business Retention and Expansion:

Strategy 5.2: Implement a formalized Business Retention and Expansion Program (BREP) with regular outreach to existing San Angelo businesses.

5.2.1: Develop goals and performance metrics for the retention and expansion program to be administered and conducted by the San Angelo Chamber of Commerce, with involvement from the COSADC and other economic development partners as necessary.

5.2.2: Using the Chamber’s existing annual business survey as a starting point, survey existing businesses through online surveys and in-person interviews every six months.

5.2.3: Develop an annual retention and expansion report based upon the survey and interview findings that can be shared with local officials and residents and should be used to track any changes in service quality.

5.2.4: Address issues identified by employers by working with city, county, or state officials.

5.2.5: Use the retention and expansion program to probe supplier opportunities and to better understand and support the growth trends of local businesses.

5.2.6: Visit corporate headquarters of firms with major local operations that are not headquartered in San Angelo.

5.2.7: Establish an Ambassador Program in which Chamber members that volunteer as Ambassadors play an active role in business retention by engaging with new Chamber member businesses, encouraging networking among San Angelo businesses and promoting participation in Chamber programs.

Development Review Committee

One of the key services available to both existing and prospective businesses is the Development Review Committee (DRC), which is hosted by Economic Development staff and held in the BRC Conference Room. The DRC is made up of members of the various reviewing agencies involved in planning and permitting a project, including Permits, Fire Marshal, Planning, Health Department, Water Utilities, Engineering, and Economic Development. Other agencies, including Downtown San Angelo Inc. and the Chamber of Commerce, attend as appropriate. The intent is to assist applicants with negotiating the development process, many for the first time. During Calendar Year 2013, the DRC hosted 110 meetings, to assist in development ranging from small residential to larger commercial projects.

Subdivision and Site Plan Reviews

During Calendar Year 2013, Economic Development staff were also responsible for coordinating and conducting City review of all Site Plans and Subdivision Plats. Staff coordinated the review of 79 subdivision plats, alley or street abandonments and 80 site plan reviews.

The above reviews were coordinated and/or conducted in support of the City's Development Services Department.

Tax Increment Reinvestment Zone

In addition to providing administrative staff support to COSADC, Economic Development staff were also responsible for providing liaison and administrative services to the Tax Increment Reinvestment Zone (TIRZ) Board, including administering the Downtown and North Angelo Incentives programs as well as project management for the Downtown Pedestrian Improvement Plan. These two programs were designed to provide economic incentives to downtown and North Angelo property owners wishing to improve their properties. TIRZ is a reinvestment zone established in 2006 in which all increases in property taxes resulting from increased property values are reinvested in the zone. The board typically meets monthly and oversees the management of the fund. The TIRZ has been instrumental in funding a number of improvements, including a portion of the Downtown Pedestrian Improvement Project, which was also managed by Economic Development staff. Funding for the project included \$573,471 in New Freedom Grant funding, \$271,057 from the North TIRZ and \$258,061 from the Downtown TIRZ, including a \$25,000 contribution from Downtown San Angelo Inc.

Business Resource Center

Description: A one-stop shop for business resources

Mission: To grow and retain local businesses by providing exceptional business services and to strengthen San Angelo's appeal as a place to do business

Goals:

- Consolidate many of San Angelo's ED agencies into one facility
- Create an improved environment for small businesses and the recruitment of businesses
- Increase the knowledge sharing, synergy, cooperation and collaboration amongst the Economic Development Partners

Public and Private Partners featured in the Business Resource Center:

- City of San Angelo Development Corporation
- San Angelo Chamber of Commerce Economic Development
- Angelo State University Small Business Development Center
- Concho Valley Center for Entrepreneurial Development – The Business Factory
- Downtown San Angelo Inc.
- Concho Valley Workforce Development Board
- City of San Angelo
- Howard College

2013 Achievements

- ASU Small Business Development Center (SBDC) – Training seminars
- Business Factory Incubator is at full capacity with growing and successful businesses
- Planning begun for co-working space
- Conference room and training room became available for the public to rent for meetings
- Young Professionals of San Angelo (YPSA) held 12 luncheons/board meetings
- 110 Development Review Committee (DRC) meetings were held at the BRC



Business Factory

The Business Factory is an incubation program designed for small businesses and entrepreneurs who enjoy the networking benefits and atmosphere of a professional environment. It is provided by the Center for Entrepreneurial Development and provides a fertile work environment to operate and grow. The CVCED and Business Factory also provides business assistance in conjunction with the ASU Small Business Development Center.

2013 Clients

- Angelo Solutions- 9 employees
- BEPC- 9 employees
- Blue Collar Health- 2 employees
- Earth Partners- 1 employee
- MedHab LLC- 3 employees

Transportation

Ports-to-Plains

San Angelo is a member of the Ports-to-Plains Alliance, an advocacy group dedicated to delivering infrastructure, food, and fuel to secure the quality of life of America's great cities. The City of San Angelo, Tom Green County, and San Angelo Chamber of Commerce participate as partners of the PTP Alliance. COSADC co-sponsored the Southern Work Group Meeting in February 2013.



Air Service Marketing Plan

In 2011, KSA Engineers and its consultant SH&E were contracted to provide marketing services to attempt to gain additional flights into and out of San Angelo. As a part of this effort, on July 1, 2013, a team of representatives from San Angelo, including COSADC Board Member Randy Brooks, City Manager Daniel Valenzuela, Airport Director Luis Elguezabal, David Dague of ICF SH&E, and Interim Director of Economic Development Robert Schneeman visited Sky West Airlines in St. George, Utah, to provide updated market information and to express support for Sky West possibly providing flights between San Angelo and Houston. Given the increase in energy-related activity in and around San Angelo, the firm

expressed interest in the market; however, ultimately it decided there was not enough potential business to move aircraft from other routes to serve San Angelo.

Affordable Housing

The Affordable Housing Program was approved by voters in 2004, creating an annual allocation of \$335,000 granted by COSADC to the City's Affordable Housing Assistant Program (AHAP). COSADC believes that this program is extremely important for San Angelo's growth because strong neighborhoods build a strong and vibrant community. The Affordable Housing Program, through the use of half-cent sales tax funds, accomplished the following in 2013:



- Gap Financing – \$390,061.75 toward nine new housing units for first-time homebuyers
- Helping Hands – \$20,819 toward rehab of 27 housing units for elderly homeowners
- Blitz – \$261,163 toward siding and painting of 33 housing units for low-income homeowners
- Rehab – \$95,199 toward rehab of 11 housing units for homeowners
- Roof – \$194,530 toward roof repairs for 58 homeowners

Community Development Projects

Concho River Improvement Project

Concho River Improvement Project is a half-cent sales tax-funded project of \$13.5 million (including nearly \$2 million in various grants). Phase I of the project included the 2010 dredging of 1.43 million cubic feet of silt from the North Concho River basin from Sulphur Draw upriver to 14th Street. Phase II began in October 2011 and included stabilization of the banks along public lands from Oakes Street upriver to the vicinity of Sulphur Draw, construction of additional trails and trail improvements, new lighting, an outdoor exercise area, public art, new irrigation systems, shaded sitting areas, water features and other special elements. This project was expected to be completed in August 2013 but given drought and other delays is now anticipated for early 2014.

Project Budget: \$13.5 million



Hickory Aquifer

This project consists of a water wellfield made up of several wells near Melvin, Texas. Water from this area will be pumped via the pump stations to a high point near Eden, Texas, and will flow by gravity from there. When complete, this system will provide more than 6 million gallons of water per day. The first series of wells and the supply line were substantially completed by the end of 2013 with a proposed well field expansion and treatment facility to follow beginning in 2014.

Project Budget: \$120,000,000



Livestock Barns

With support from the half-cent sales tax, the city was also able to make improvements to the San Angelo Coliseum, a multipurpose venue built in the 1950s, adding two livestock barns and expanding parking. The facility is now ranked fifth in the nation on the professional rodeo circuit. *(Due to the efforts of contractor MRI, the Stock Show and Rodeo Association, and the City's Development Services Department, among others, the project was completed ahead of schedule, in time for the San Angelo Stock Show & Rodeo in February 2013). Project Budget: \$1,000,000*



Airport Terminal Renovation

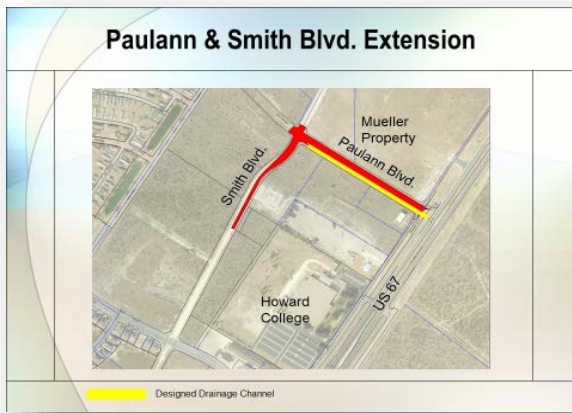
Exterior improvements will include a new entry sign, terminal entrance pavement enhancements, curbside canopies and air traffic control tower renovation. Interior improvements include items such as relocation and configuration of the airline ticket counters and baggage claim area, improvements to the security checkpoint, structural modifications to accommodate a view from the entrance to the arrival/departure escalator area, relocation of the airport administration offices and enhancements to the meet-and-greet area. The project cost of \$5.9 million is paid mostly by the Federal Aviation Administration, with the rest funded by passenger facility charges and half-cent sales tax funds provided by the City of San Angelo Development Corporation, with a total of \$500,000 in COSADC funds dedicated to the project. *Project Budget: \$5,925,715*



City Auditorium

- **Time Summary:** Awaiting results of SAPAC fundraising drive before bidding project. (Currently lack about \$4.2 million)
- **Budget Summary:**
 - Initial Project Budget – \$3,750,000
 - Expenditures to date – \$1,956,228.84, related to design, abatement, demolition, HVAC equipment and installation, basement structural improvements, structural work related to HVAC, annex basement, some plumbing renovations, basement fire protection, etc.
- SAPAC is raising \$2,500,000 for additional improvements

Smith Boulevard and Paulann Boulevard Improvements



COSADC approved funding of an extension of Paulann Boulevard from U.S. 67 to the extension of Smith Boulevard and the extension of Smith Boulevard from its intersection with Paulann Boulevard south to the north property line of Howard College. City Engineer staff have been working on the design of the project and are currently working with the owner of the property north of Paulann Boulevard to acquire a drainage easement in support of the project. COSADC approved financing of the project for \$513,000 at its June 26, 2013, meeting and Council approved same on August 6, 2013. *Project Budget: \$513,000*