

Legislation Text

File #: 20-530, **Version:** 2

Presenter/Contact

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SUBJECT:

Discuss and consider a resolution of the City Council of the City of New Braunfels approving a recommendation of the New Braunfels Economic Development Corporation to provide up tot \$85,000 in financial incentives to United Training Career, LLC. for the creation and retention of up to 40 full-time jobs; and declaring an effective date.

BACKGROUND / RATIONALE:

United Career Training, LLC. (“the Company”) provides short-term training programs to prepare individuals for new careers or employment. They specialize in training that builds skills and delivers certifications in common business, IT and health care administration applications. The Company identified a need to locate a training center closer to clients in and around New Braunfels who are unwilling to commute to San Antonio or Austin to attend a training center. The Company also wanted to provide space to grow a team of Inside Sales Representatives that will sell training services to medium/small clients across existing and new market areas from a centralized location. The space will also allow management team members to live and work in New Braunfels and at least five of seven of the company’s management team have relocated or are actively exploring New Braunfels.

The Company searched for a real estate solution in New Braunfels and purchased a building to renovate on Landa Street. During its due diligence, the company engaged an architect and general contractor to identify issues critical to the renovation and estimated a renovation budget of ~\$1.7M. However, once plans were formalized, the project budget increased to ~\$2.55M. These cost increases, as well as acquisitions and other operational issues arose that paused the project for most of 2019. In the fall of 2019, company leadership approached staff about revisiting the project with revised employment and investment figures. In the interim, the company relocated its operations temporarily to an office facility on Wald Road and has been operating there since. The action before the City Council would finalize, if approved, an application process that started more than 18 months ago.

Current and Proposed Hiring:

The Company’s executive leadership, outside sales and approximately 12 salespersons are currently operating in the temporary facility. The company will have ~\$2M of payroll in 2020, with the following projected levels through 2023:

Year	Gross Payroll Estimates	Minimum Employee Count

2021	\$2.65M	40
2022	\$2.77M	40
2023	\$2.89M	40

Average salaries at the facility will be ~\$60,000.

Proposed Terms:

- Maintain the corporate headquarters (Comal Appraisal ID 71471) in the City of New Braunfels for a minimum of five (5) years; and
- Minimum investment of \$2.4M in the building (exclusive of acquisition) verified through contractor pay apps/GC contract; and
- Creation and maintenance of at least 40 positions within one year of agreement with minimum base gross payroll levels and terms aligned with average annual wages as described above; and
- All the positions should be in place for at least one year prior to receiving any funds and would require yearly affidavits signed by principals that the positions exist.
- If the audit/compliance review determines that the minimum requirements are not being met, then the payment due in that year will be reduced by \$1,000 for each position under the minimum requirements. I.e. if a training position was not filled for 90% of the year, the company would receive \$1,000 less in its annual payment.

There would be no ongoing commitments between the parties after 5 years.

ADDRESSES A NEED/ISSUE IN A CITY PLAN OR COUNCIL PRIORITY:

<input checked="" type="checkbox"/>	Yes	Strategic Priorities	Ensure sustainable quality development
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FISCAL IMPACT:

An economic impact analysis performed for the project concludes that, over ten years, the project will yield net benefits of \$167,373 (\$130,282 present value) to the City. An amount that provides the community with a five-year payback is \$85,000.

COMMITTEE RECOMMENDATION:

At its meeting on July 16, 2020, the New Braunfels Economic Development Corporation voted to approve the project expenditure and performance agreement.

STAFF RECOMMENDATION:

Staff recommends approval of the resolution and project expenditure.