

**CITY OF EL PASO, TEXAS
AGENDA ITEM DEPARTMENT HEAD'S SUMMARY FORM**

DEPARTMENT: Economic and International Development

AGENDA DATE: Work Session - 6/25/2018

CONTACT PERSON/PHONE: Jessica L. Herrera, Economic & International Development 212-1624

DISTRICT(S) AFFECTED: ALL

SUBJECT:

Economic & International Development staff to supply update on the proposed revisions to the City of El Paso's 380 Incentive Policy. [Economic Development, Jessica L. Herrera (915) 212-1624]

BACKGROUND/DISCUSSION:

On November 3, 2015, the El Paso City Council approved a Chapter 380 incentive policy to provide incentives to selected private businesses that make or will make a measurable difference in achieving economic growth and development, expanding and diversifying the tax base and creating new quality jobs within the City of El Paso. The purpose of this policy is to define the financial incentives and to establish standards for implementation. New business or expansion of existing businesses can be considered for financial incentives.

PRIOR COUNCIL ACTION:

Has the Council previously considered this item or a closely related one?

Yes: the original 380 incentive policy was approved on 11/3/2015.

AMOUNT AND SOURCE OF FUNDING:

How will this item be funded? Has the item been budgeted? If so, identify funding source by account numbers and description of account. Does it require a budget transfer?

N/A

BOARD/COMMISSION ACTION:

N/A

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD:



FQR: JESSICA HERRERA

City of El Paso Incentives Policy – Guidelines & Criteria 2015

SECTION I. PURPOSE

It is the policy of the City of El Paso to provide incentives to selected private businesses that make or will make a measurable difference in achieving economic growth and development, expanding and diversifying the tax base, and creating new quality jobs within the City of El Paso.

The purpose of this policy is to define the financial incentives and establish standards for implementation. New businesses or the expansion of existing businesses can be considered for financial incentives. In order to be eligible for incentives, businesses or individuals must be current on all city taxes or any other obligation to the City of El Paso.

Incentives cannot be transferred as a result of a change in the majority ownership of the business without the expressed written consent of the City of El Paso. Any new owner shall file a new application for an economic development incentive (Exhibit A). It shall be the responsibility of the business to notify the City of El Paso of any substantive changes.

The City is under no obligation to approve any requested incentive and no right to these incentives is neither intended nor implied. Applicant's meeting the criteria under this policy does NOT guarantee receipt of incentives. Policy allows staff to exercise discretion in deciding which projects will receive incentives. Additional evolving policy considerations may influence Staff's analysis of applicant's application.

Council has directed that this policy be reviewed on a biennial basis. This policy will remain in effect until it is expressly revised by Council.

Economic Development will provide Council with an annual report reviewing the implementation of this policy and the resulting effects of Council's approved incentives under this policy.

SECTION II. DEFINITIONS

Attraction – Process of attracting, recruiting, and selecting companies that make substantial capital investments and create new jobs. These attraction efforts are deployed thoughtfully in the context of an overall economic development strategy to create sustainable growth for the community.

Corporate Headquarters – The company's principal and legal location for its corporate headquarters will be in the City of El Paso.

Destination Retail Projects – A development that contains a retailer or group of retailers who will offer a product and or good (subject to sales tax) that is unique to the market and which is not otherwise available for purchase at a retail business physically located in the City of El Paso. A destination retailer is expected to attract new sales tax dollars or retain sales tax dollars in the City of El Paso that may

otherwise go to a nearby city or metro area. Each destination retailer must have a minimum of \$20.0 million in annual sales (subject to sales tax).

Economic Impact Analysis – Examines the effect of the investment and/or job creation on the economy and measures the cumulative effects of that economic activity. The Economic Development Department will conduct an economic impact analysis on every project considered for incentives.

Expansion – The expansion and growth of an existing business which includes new capital investment and/or new job creation providing new capacity or capability.

Innovation – Companies or individuals that create revolutionary products or technologies making advances in technology or processes.

Quality Job – Jobs that provide education, training, or career development opportunities for continued career advancement in addition to meeting wage and benefit requirements.

Retention – Existing businesses in need of resources and/or assistance for employee retention and to maintain current operations.

STEM – Science, Technology, Engineering, and Mathematics are key academic disciplines promoting a competitive global workforce.

Strategic Areas – City of El Paso’s business attraction, expansion, and retention strategic areas listed on Exhibit B. The Strategic Areas may be revised from time to time to reflect current market conditions and promote sustainable economic development opportunities.

Target Industries – City of El Paso’s business expansion and attraction target industry priorities listed on Exhibit B. The Target Industries may be revised from time to time to reflect current market conditions and promote sustainable economic development opportunities.

Wage Requirement – Wage or salary equal to or greater than the current El Paso Median County Wage as computed annually by the Bureau of Labor Statistics and provides health insurance benefits to employees for which the employer pays at least 50%. Exceptions to wages may be made on a case-by-case basis if the jobs are Quality Jobs in Target Industries or Strategic Areas whereby such wages meet industry standards for such Target Industries and/or Strategic Areas and whereby the company can evidence education, training, or career development activities. If wages fall below the El Paso Median County Wage, exceptions to wages may be made on a case-by-case basis if the investments are promoting economic development in a distressed area and the jobs are sourced from Workforce Solutions Borderplex to deploy and enhance the employment of underutilized low skill workers or the unemployed and whereby the company can evidence education, training, or career development activities.

SECTION III. STRATEGIC OBJECTIVES

The City of El Paso, through the implementation of this policy, shall endeavor to accomplish the following strategic objectives:

1. The City of El Paso supports incentives that reduce business costs to create significant new Quality Jobs, investment, tax revenues, and consumer spending.
2. The City of El Paso supports the retention and expansion of existing businesses within the City, acknowledging that over 80% of the annual job growth comes from the retention and expansion of existing businesses.
3. The City of El Paso supports the attraction, expansion, and retention of Target Industries and Strategic Areas modified from time to time to reflect new market realities as more specifically detailed in Exhibit B.
4. The City of El Paso supports large private, commercial, recreational, destination retail, and tourism ventures that attract a Regional or National client base.
5. The City of El Paso supports the employment of STEM graduates and Veterans.
6. The City of El Paso supports the revitalization of designated redevelopment areas.
7. The City of El Paso supports the attraction and retention of companies that have strong Regional and National markets for their products or services.
8. The City of El Paso supports efforts that enhance economic development in the region to create a more robust regional economy.
9. The City of El Paso supports efforts to build human capital by improving skills in the workplace through education, training, and career development to promote career advancement. The City of El Paso acknowledges that the educational attainment of the region's workforce is the greatest driver for economic success.

SECTION IV. General Criteria

The City of El Paso may provide incentives for any business or commercial development project if that project:

1. Will substantially enhance the economic health of the City of El Paso;
2. Will result in a net increase or retention of jobs in the City or add to the tax base or will otherwise improve or enhance the economic welfare of the residents or businesses of the City; or
3. Demonstrates the potential to generate revenues to the City which outweigh costs associated with incentives.

In addition, the following criteria must be satisfied.

The project **MUST**:

1. Show a clear demonstration of public purpose and economic benefit through advancement of the City's economic goals which include expanding the tax base, creating quality jobs, increasing private capital investment in the community, spurring development in targeted City locations, or encouraging development of targeted businesses or clusters desirable to enhance the City's economy;
2. Include solid evidence provided by the business that demonstrates the business's financial stability and capacity to complete the project; and
3. Be in compliance with all local, state and federal laws.

The business, in order to receive any such incentives from the City of El Paso will make available credible information, including but not limited to capital investment and employment projections, to enable the City to prepare a fiscal impact analysis. The recipient will also make available an update of this data available annually after business operations have begun. The decision to provide any economic development incentives will be considered on a project by project basis, in accordance with the criteria set forth in this policy, and at the discretion of the City Council of the City of El Paso.

SECTION V. QUALIFICATION CRITERIA

In order to be eligible for incentives, a project must meet qualifying standards in at least ONE of the categories below.

- a. For projects not meeting Wage Requirement, the City of El Paso may qualify the project, provided the applicant commits to hiring through our local workforce board, Workforce Solutions Borderplex. Workforce Solutions Borderplex provides employers with skilled workers and assists individuals in developing the skills needed to thrive in the workplace.

Category 1 – Quality Jobs – 80% of jobs must be at or above the prevailing Median County Wage (MCW).

If 80% of the jobs pay at least MCW the company is eligible for a 40% Grant.

Category 2 – Business Type

- a. **Target Industry Cluster as identified by The Borderplex Alliance Regional Strategic Plan in Exhibit B,**
- b. **Market for service of product is Regional, National, or Global, or**
- c. **Enhances El Paso's supply chain by providing a service or capability currently not available locally.**

If applicant satisfies Category 1 and Category 2, company is eligible for a 50% grant.

Category 3 – Capital Intensive Project

80% of jobs must be at or above the prevailing Median County Wage (MCW), and;

Capital Investment in the amount of \$30M - \$49M; company is eligible for a 50% grant.

Capital Investment in the amount of \$50M or more; company is eligible for a 60% grant.

Or;

90% of jobs must be at or above the prevailing Median County Wage (MCW), and;

Capital Investment in the amount of \$30M - \$49M; company is eligible for a 65% grant.

Capital Investment in the amount of \$50M or more; company is eligible for a 70% grant.

Category 4 – Retail Development/Destination Retail/Retail Distribution Center

The purpose of this incentive is to specifically encourage the development or expansion of retail operations that fill an important void in the existing retail market. In order to qualify for this incentive, the applicant's project must embody a retail opportunity that conforms to the stated vision for the area, as well as fulfills an unmet demand. The City may provide a rebate of a percentage of the city's portion of the property tax and/or sales tax increment attributable to property improvements or upgraded tenant mix. The rebate can be made either to the site developer as a reimbursement for site improvement expenses or to the retail tenants of the improved center in order to assist in relocation or expansion related costs of the tenants. The percent of the City's sales tax and/or property tax rebate and length of time will be negotiable. The project will be required to provide a trade area analysis including a market analysis; feasibility study; and any other relevant information that will allow the City to make an informed decision.

Up to a 100% rebate on the city's portion of property taxes (incremental to base year value), and/or

Up to a 100% rebate on the city's portion of the sales taxes.

SECTION VI. BONUS INCENTIVES

In order to be eligible under this section, a company must first establish eligibility in one of the categories outlined previously in Section V: Qualification Criteria, Categories 1-4.

Up to a 50% rebate may be earned if:

1. A company locates within Downtown Plan Area and or Tax Increment Reinvestment Zone #5 (see Exhibit C).
2. A company locates within the Medical Center of the Americas Master Planned Campus. (see Exhibit D).
3. A corporate headquarters establishes their operation within the City of El Paso with a minimum of 100 employees.
4. A company locates their Research and Development (as defined by Federal Tax Code) in El Paso (25% of the total jobs must be Research & Development related or directly support the Research & Development function).

5. A company actively employs 15% of veterans through formal company hiring programs/initiatives.
6. A company engages in formal collaboration or business partnerships such as career and skills training pathways with higher educational institutions and or technical institutes (e.g. UTEP, TX Tech, EPCC, Western Tech etc.).
7. A company engages in formal collaboration or business partnerships such as mentoring, internships, and programs which provide employees with the latitude to complete minimal educational attainment (e.g. G.E.D. or High School Diplomas).
8. A company relocates/expands in the City of El Paso with aggregate wages at a minimum of two times the prevailing median county wage.

SECTION VII. ECONOMIC DEVELOPMENT INCENTIVE

An economic impact analysis will be conducted by the Economic Development Department on every project considered for incentives. The delivery mechanism of choice for incentives will be the Chapter 380 agreement; however, the City reserves the right to use any other source (City, State, Federal, Foundation, etc.) in the award of incentives. As a matter of general policy, tax abatements/rebates and Chapter 380 agreements entered into as a result of this policy will not be used simultaneously unless the revenue stream from which the Chapter 380 agreement is paid is derived from sources other than property tax.

Agreements may be conditioned on the completion of specific improvements to real property and/or job numbers and salary levels being met. The Agreements shall contain recapture clauses in the event that such conditions are not met.

The Economic Development Department is charged with developing a recommendation to Council. In most cases, incentives will be limited to 50% of the calculated direct, indirect, and induced benefit; (excluding any bonus incentives earned) unless extraordinary benefit can be shown. All incentive packages will be limited to 100% of the taxes (real & property) actually collected in any given year unless approved by specific council action. Final percentages of all grants will be at the sole discretion of the City Council.

SECTION VIII. INELIGIBLE AND RESTRICTED AREAS OR USES:

The following types of projects or uses are not eligible for incentives:

- a. Projects that have been issued a building permit, including any conditional permits.
- b. Projects that do not meet the Wage Requirements, except as specified in Section V., Qualification Criteria.

Exhibit A



Department of Economic Development INCENTIVES APPLICATION FORM

The City of El Paso requires the following information in order to process an application for incentives. This information is protected by the State of Texas and is not subject to public disclosure until the incentive agreement is executed. An application does not guarantee an incentive grant.

SECTION A. COMPANY AND CONTACT INFORMATION

1. Official Name and Address of Company: _____

2. Name of Contact Person: _____
- Phone () Fax ()

SECTION B. PROPOSED PROJECT INFORMATION

3. Name and Address: _____

4. Company NAICS Code _____

SECTION C. JOB AND WAGE INFORMATION

5. Provide number of FULL-TIME jobs, with hourly wage/salary, to be created or retained. (Fringe benefits are not to be included in these calculations.) Include current employment numbers if applicable. **Attach additional sheets if necessary.**

Title or Occupation Code	Number of Employees	Hourly Wage per employee	Annual Salary

6. Provide the total annual payroll for each of the initial five years of operation, **excluding** benefits.

	Year 1 ()	Year 2 ()	Year 3 ()	Year 4 ()	Year 5 ()
Total Annual Payroll					

7. Health Insurance

- What type of Health insurance will the company offer employees? What percentage of Healthy insurance will the company pay?

***Please submit Paperwork to certify Health benefits, which will be offered to employees**

SECTION D. INVESTMENT INFORMATION

8. Total dollar amount for proposed project improvements:

Real Property	
Land	\$
Existing Building Improvements	\$
New Building Improvements	\$
Total	\$
Personal Property	
Equipment	
Computers	\$
Machinery	\$
Other- Specify _____ (attach additional sheets if necessary)	\$
Furniture and Fixtures	\$
Total	\$
Grand Total	\$

9. What is the present year Central Appraisal District appraised value on:

Real Property	\$	Personal Property	\$
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9. Please provide timeline for proposed project:

SECTION E. CERTIFICATION

I hereby certify that the information contained on this application is true and correct.

Name and Title of Officer of Company: _____

Signature: _____

Date:

Return Completed Application to:

**Eddie Garcia
Garciaez2@elpasotexas.gov
Economic Development Manager
Economic & Int'l Development Department
801 Texas Ave. 2nd Floor
El Paso Texas, 79901**

Exhibit B

Exhibit B

2015 Borderplex Alliance Strategic Recommendations

Target Industry Sectors:

- Defense and Aerospace
- Life Sciences
- Tourism
- Advanced Manufacturing
- Advanced Logistics
- Business Support Services

Exhibit C



Exhibit D

