

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

DEPARTMENT: Economic Development
AGENDA DATE: February 9, 2010 Regular Agenda
CONTACT PERSON/PHONE: Kathryn Dodson, PhD, Director 541-4670
DISTRICT(S) AFFECTED: ALL

SUBJECT:
Discussion and action on incentive policies: City council adopted the Blighted Policy January, 6 2009 and adopted the General Incentives Policy (Chapter 380) on October 2, 2007.

BACKGROUND/DISCUSSION:
City council has previously approved policies on Blighted property and Chapter 380 incentives. These policies have expired and the department recommends reauthorization with no changes except to eliminate the sunset dates.

PRIOR COUNCIL ACTION:
Has the Council previously considered this item or a closely related one?

Yes. City council adopted the Blighted Policy January, 6 2009 and adopted the General Incentives Policy (Chapter 380) on October 2, 2007.

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*****

LEGAL: (if required) _____ **FINANCE:** (if required) _____

DEPARTMENT HEAD: _____
(Example: If RCA is initiated by Purchasing, client department should sign also). *Information copy to appropriate Deputy City Manager*

APPROVED FOR AGENDA:

CITY MANAGER: _____ **DATE:** _____

RESOLUTION

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

That the City of El Paso Incentives Policy – Guidelines & Criteria attached hereto as Exhibit "A" are adopted as the City of El Paso incentive policy for business and commercial development projects.

ADOPTED this the ____ day of February, 2010.

THE CITY OF EL PASO

John F. Cook
Mayor

ATTEST:

Richarda Duffy Momsen
City Clerk

APPROVED AS TO FORM:



Marie A. Taylor
Assistant City Attorney

APPROVED AS TO CONTENT:



Kathryn Dodson, Director
Economic Development Department

EXHIBIT A

City of El Paso Incentives Policy – Guidelines & Criteria February 2010

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 to establish standards for implementation. New businesses or 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

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. It shall be the responsibility of the business to notify the City of any such substantive change.

The City of El Paso is under no obligation to approve any requested incentive and no right to these incentives is neither intended nor implied.

SECTION II. 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 will pursue a stable, year-round economy with an emphasis on targeting **quality** jobs. A quality job is defined as a job that pays a wage or salary equal to or greater than the current El Paso County Median Wage as computed annually by the Texas Workforce Commission and provides health insurance benefits to employees for which the employer pays at least 50%.
2. The City of El Paso supports the retention and expansion of existing businesses within the City.
3. The City of El Paso supports the attraction of primary and secondary targets identified in Regional Economic Development Corporation's ("REDCO") strategic plan and attached as Exhibit "A"
4. The City of El Paso supports large private commercial recreational and tourism ventures that attract a Regional or National client base.

5. The City of El Paso supports the revitalization of designated redevelopment areas.
6. The City of El Paso supports the attraction and retention of companies that have strong Regional and National markets for their products or services.
7. The City's economic development efforts should be consistent with the City's Growth & Development Policy and General Plan for the El Paso area.
8. The City of El Paso supports Creative Class businesses as defined by Richard Florida in "The Rise of the Creative Class".

SECTION III. 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;
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 IV. QUALIFICATION CRITERIA

In order to be eligible for incentives, a project must meet qualifying standards in at least ONE of the categories below. ALL projects must receive a job credit of 25 or more to be eligible.

Job Credit Scoring:

a. Wages

Less than \$10.57/hr	=	0X
10.57-12.57/hr (or 100% to 119% of MCW whichever is greater)	=	1.0X
12.58 - 15.84/hr (120% to 149% of MCW whichever is greater)	=	1.5X
15.85/hr or more (150% of MCW whichever is greater)	=	2.0X

b. Number of Jobs

Example: ABC Company is establishing operations and hiring or retaining 40 workers

Credit for number of jobs will be based on the wage levels above. For instance, if a company is hiring or retaining 5 jobs at less than \$10.57/hr, 5 jobs at \$11/hr, 10 jobs at \$14/hr and 20 jobs at \$16/hr then their job credit would be calculated as follows:

<i>Salary</i>	<i>Jobs</i>	*	<i>Factor</i>	=	<i>credits</i>
>\$10.57/hr	5	*	0	=	0
\$11/hr	5	*	1	=	5
\$14/hr	10	*	1.5	=	15
\$16/hr	<u>20</u>	*	2	=	<u>40</u>
Totals:	40			=	60

Category 1 - Quality Jobs - 80% of jobs must be at or above \$10.57/hr (or the prevailing median county wage, whichever is higher).

If 80% of the jobs pay at least 10.57/hr or the prevailing Median County Wage (whichever is greater) the company is eligible for a 50% Grant.

Category 2 - Targeted Location

- a. Located in a Federal Zone (Empowerment or Enterprise Zone) or;
- b. Located in a Census Tract with greater than 20% of its population at or above poverty level or;
- c. Located in a City defined Targeted Redevelopment Area.

Grant Amounts will be based on the following:

25% Grant - A minimum of 80% of the jobs paying at least \$9.51/hr (or 90% of the MCW whichever is higher) or;

50% Grant - A minimum of 90% of the jobs paying at least \$9.51/hr (or 90% of the MCW whichever is higher).

Category 3 - Business Type

- a. Market for service or product is Regional, National or Global, or;
- b. Primary and additional targets identified in REDCO's strategic plan and identified in Exhibit "A" or;
- c. *Member of Creative Class as defined by Richard Florida in "The Rise of the Creative Class."
- d. *R&D, publishing, software, television & radio, design, music, film, toys & games, advertising, architecture, performing arts, crafts, video games design, fashion design and art.

Grant Amounts will be based on the following:

25% Grant - A minimum of 80% of the jobs paying at least \$9.51/hr (or 90% of the MCW whichever is higher) or;

50% Grant - A minimum of 90% of the jobs paying at least \$9.51/hr (or 90% of the MCW whichever is higher).

Category 4 – Capital Intensive Project

If 80% of Jobs pay at least \$9.51/hr (or 90% of MCW whichever is higher)

AND;

Capital Investment is \$30M – \$49M - 30% Grant

Capital Investment is \$50M or more - 35% Grant

Or;

If 90% of Jobs pay at least \$9.51/hr (or 90 % of MCW whichever is higher)

AND;

Capital Investment is \$30M - \$49M - 60% Grant

Capital Investment is \$50M or more - 65% Grant

SECTION V. ECONOMIC DEVELOPMENT INCENTIVE

Companies meeting the qualification standards above who wish to pursue incentives will need to pay a \$750 non refundable application fee in order to formally request incentives.

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 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 salaries 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 incentives packages will be limited to 100% of the taxes (real & property) actually collected in any given year unless approved by specific council action. For Category 2(c) (Targeted Redevelopment Area), the City Council may consider offering incentives based on capital investment only. Final Percentages of all grants will be at the sole discretion of City Council.

SECTION VI. BONUS INCENTIVES

In order to be eligible under this section, a company must first establish eligibility in one of the prior categories (1 – 4)

A 50% Bonus may be earned if:

1. The company agrees to locate within the area covered by the Downtown 2015 plan.

2. The company locates a headquarters unit with a minimum of 100 employees to El Paso.
3. The company locates their Research & 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).