

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

DEPARTMENT: Planning and Economic Development
AGENDA DATE: June 14, 2011
CONTACT PERSON/PHONE: Ernesto Gamboa, Deputy Director 541-4670
DISTRICT(S) AFFECTED: All

SUBJECT:

Discussion and action that City Council approve the creation of the City of El Paso Economic Development Incentive Policy "Impact Fund" for the purpose of achieving economic growth and development, wage growth, expanding and diversifying the tax base and creating new quality jobs within the City of El Paso.

[Planning and Economic Development, Ernesto Gamboa, (915) 541-4670]

BACKGROUND / DISCUSSION:

The purpose of this policy is to develop a sustainable life sciences campus and cluster in the Medical Center of the Americas (MCA) area of El Paso, remove non-competitive barriers, and create the infrastructure and environment to create, attract and retain jobs in the target industries clusters. The City of El Paso, through the implementation of this policy, shall endeavor to accomplish the following strategic objectives: allocate 75% of the annual fund to assist the MCA Foundation and other key stakeholders to create one or more life sciences campuses in the City of El Paso; reserve the remaining portion of the fund (25%) to support entrepreneurship and innovation economic development strategies to create and assist technology-based and/or high growth, scalable businesses; or as a 'deal closing fund' to assist those companies that will make significant investments in capital and human resources, where some incentives are important to a location or expansion decision.. The funds available to achieve these strategic objectives come from El Paso Electric Franchise Fee Increase approved in 2010 for economic development purposes. Project proposals will be considered on a case-by-case basis and awarded by City Council. City Council may determine percentages to be set aside for specific target categories. Those percentages may be adjusted periodically based on current market and economic conditions or for some extraordinary economic opportunity.

PRIOR COUNCIL ACTION:

N/A

AMOUNT AND SOURCE OF FUNDING:

Approximately \$4.5 M; restricted fund as described in Ordinance 17460.

BOARD / COMMISSION ACTION:

On April 7, 2011 the Economic Development, Planning and Tourism LRC approved bringing this item forward to City Council.

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

DEPARTMENT HEAD: _____



Department Head

RESOLUTION

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

That the City Council approve the creation of the City of El Paso Economic Development Incentive Policy "Impact Fund" for the purpose of achieving economic growth and development, wage growth, expanding and diversifying the tax base and creating new quality jobs within the City of El Paso, with the policy being attached hereto as Exhibit "A".

APPROVED this the _____ day of _____, 2011.

THE CITY OF EL PASO

John F. Cook
Mayor

ATTEST:

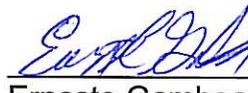
Richarda Duffy Momsen
City Clerk

APPROVED AS TO FORM:



Marie A. Taylor
Assistant City Attorney

APPROVED AS TO CONTENT:



Ernesto Gamboa, Deputy Director
Planning and Economic Development

EXHIBIT A

City of El Paso Economic Development Incentive Policy “Impact Fund”

SECTION I. PURPOSE

The purpose of this policy is to create, attract and retain high wage jobs in El Paso by focusing on targeted industry clusters that will make a measureable difference in achieving economic growth and development, wage growth, and expanding and diversifying the tax base with in the City of El Paso and greater region.

SECTION II. STRATEGIC OBJECTIVES, SOURCE OF FUNDS, FUNDING PERCENTAGES and DEFINITIONS

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

1. Dedicate 75% of the annual fund to assist the MCA Foundation and other key stakeholders to create one or more life sciences campuses in the City of El Paso.
2. Reserve the remaining portion of the fund (25%) allocation to:
 - (i) support entrepreneurship and innovation economic development strategies to create and assist technology-based and/or high growth, scalable businesses; or
 - (ii) serve as a ‘deal closing fund’ to assist those companies that will make significant investments in capital and human resources, where some incentives are important to a location or expansion decision.

The resources provided to the Impact Fund are derived from an incremental increase (0.75%) in the El Paso Electric Company franchise fee paid to the City of El Paso, as approved in 2010. Project proposals will be considered on a case-by-case basis and awarded by City Council.

Projects which do not leverage proceeds from this fund with other non-city resources will not be given consideration.

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. The City may at its discretion establish separate advisory review panels to evaluate and comment on specific proposals depending on the technical aspect of the submission.

The City of El Paso is under no obligation to approve any requested incentive and no right to these incentives is either intended or implied.

Definitions

Capital Investment – Expenditures made by an organization, including those made on capital improvements, equipment, and personal property (furniture and fixtures). For the purpose of calculating incentives, investment does not include real property acquisition or value of inventory.

Cluster – A concentration of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are/will become present in the El Paso region.

Full-time employees – Employees working at least 35 hours per week and eligible to receive health benefits.

High Energy User – A company whose electricity demand is 600 kW or more, with a projected load factor (in excess of the last reported annual load factor 57%). A high-load factor customer can be defined as any customer that operates at a level significantly in excess of El Paso Electric Company's system load factor and/or using power in off-peak periods.

Payroll – The total wages, excluding benefits, paid to full-time employees in any given year.

Qualifying Project – A project in which more than **50% of all jobs** at the company's or organization's El Paso location **pays wages not less than 118% of the El Paso Median County Wage (MCW)**. In addition, the overall average wage must be not less than 118% of the County Median Wage, and the company must pay for a minimum of 50% of the employees' health care benefit.

Target Area – An area identified by City Council as having strategic economic development value. The priority target area for this fund is the Medical Center of Americas master plan area. Other Target Areas include the Downtown 2015 Plan Area, Rapid Transit System (RTS) corridors, other designated Redevelopment Zones, and city airport research and technology park.

Target Industries – Industry segments that have been identified by City Council as top priority for the community. Life sciences, biomedical science, and clean technologies are primary areas of focus. Other, eligible Target Industries include: defense/ homeland security, automotive, and advanced manufacturing.

Transformational Technologies – Technological innovations that radically transform a product or service in ways that the market does not expect, typically by lowering price, improving technology performance and usability, and/or displacing an existing technology.

SECTION III. Medical Center of the Americas

The City of El Paso considers activities related to the economic growth and development of the Medical Center of the Americas (“MCA”) campus as the top priority for funding. The City has designated a significant portion of the annual Impact Fund allocation for use in one or more of the following manners so long as the activity to be funded has a nexus to an economic development purpose:

1. Creation of a ‘research and technology commercialization institute’ that will be housed in a MCA Foundation research facility.
2. Acquisition by the City of real property in and around the MCA area to assure land availability as the health sciences/research center expands.
3. Assistance in developing one or more MCA Research Buildings and/or Research Parks.
4. Attraction of life sciences companies to the MCA area or expansion within the MCA area.
5. Projects which propose to fund or engage in collaborative research with local institutions of higher education; and specifically those collaborations that will assist UTEP in building biomedical research capacity to accelerate its progress toward achieving Tier One status and Texas Tech Paul Foster School of Medicine to realize its goal of becoming an independent health sciences university.

SECTION IV. QUALITY JOBS AND INVESTMENT GRANTS

Other projects will be considered on a case by case basis depending on funding availability. An economic impact analysis will be conducted by the Economic Development Division on every project considered for incentives.

Grant agreements may be conditioned on the completion of specific improvements to real property and/or job numbers and salaries levels being met. Such grant agreements may contain recapture clauses in the event that such conditions are not met. Generally, grants are available for up to five years however, projects which exhibit extraordinary benefit may be eligible for grants up to 10 years. All grants are subject to fund availability.

A company must first establish eligibility under this section by meeting the definition of a Qualifying Project. Projects meeting qualifying criteria will be evaluated. Since funds are limited, not all projects that qualify will receive funding. Grants will be awarded at the sole discretion of City Council.

Evaluation Criteria

All Qualifying Projects will be evaluated on the following criteria:

Target Industry

of Jobs

Quality of Jobs (% of jobs above MCW)

Benefits Package

Capital Investment

Non-city funds leverage

Technological Innovation

Electric Profile, including demand, utilization and load factor

Renewable Energy use or device manufacturer

Energy provider using Renewable Energy resources

Location in a target area

National or Regional Headquarters or Research & Development presence

Adherence to Green environmental/sustainability principles

Education Benefits

Training opportunities & programs

Projects which propose to fund collaborative research with institutions of higher education

Amount of Grant

The yearly grant amount will be derived by a simple formula and expressed as follows:

Basic Grant = (Yearly Payroll + Investment) multiplied by 0.0025

SECTION V. ENTREPRENEURSHIP AND INNOVATION DEVELOPMENT

The City of El Paso may, at City Council discretion, set aside a specific annual allocation from the Impact Fund or choose to fund other activities in support of the development of Target Industry Clusters. Such uses include but are not limited to:

1. Business incubation or acceleration in Target Industries
2. Proof of concept activities
3. Technology testing and evaluation centers

Applicants will be required to provide the following information to the City:

- Organizational structure
- Business and / or operational plan showing transition to commercialization and self-sufficient operation creating Qualifying Jobs in the local market
- Technological and business background of executives and other key personnel
- Performance metrics relating to jobs, wages and capital investment
- Scientific and market validity of technology

Technologies must have been reviewed by City staff and a technology development entity or private service provider (Innovate El Paso, BNSL, etc.) and at least one of the following groups: university personnel, private capital source (angel group, venture capitalist, etc). Applicants must warrant that no conflict of interest exists between the applicant and any of the technology reviewers.

Priority will be given to projects in the areas of clean technology (including alternative energy) and life sciences.

SECTION VI. APPLICATION

Applications must be made through the City of El Paso's Planning and Economic Development Department.

SECTION VII. TERM OF INCENTIVES

These guidelines and criteria shall apply upon adoption by resolution of City Council and shall remain in effect through the term of the El Paso Electric Company franchise fee agreement and may be reviewed and revised periodically to assure impact and effective performance.