

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

DEPARTMENT: City Development

AGENDA DATE: 06/18/2013

CONTACT PERSON/PHONE: Mathew McElroy (915) 541-4193]

DISTRICT(S) AFFECTED: ALL

SUBJECT:

Discussion and action on a Resolution to amend the City's Economic Development Incentive Policy so as to include projects in Downtown El Paso and to include the Sustainable City Centers Fund as a source of additional funding for such projects. **(All Districts)** [City Development, Mathew McElroy, (915) 541-4193]

BACKGROUND/DISCUSSION:

Staff recommendation is that the previously adopted Economic Development Incentive Policy be amended to: (1) include projects that promote commercial investment in the renovation, restoration, and rehabilitation and new development and new construction in Downtown El Paso; and (2) utilize Sustainable City Center Funds for qualified projects in Downtown El Paso.

PRIOR COUNCIL ACTION:

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

Yes, on June 14, 2011, the El Paso City Council, adopted a resolution that established the Economic Development Incentive Policy

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:** _____

CITY CLERK DEPT.

2013 JUN 13 AM 11:07

**A RESOLUTION AMENDING THE CITY'S ECONOMIC DEVELOPMENT
INCENTIVE POLICY**

WHEREAS, on June 14, 2011, the El Paso City Council, adopted a resolution that established the Economic Development Incentive Policy (the "Policy"); and

WHEREAS, the Director of City Development now recommends that the adopted Policy be amended: (1) include projects that promote commercial investment in the renovation, restoration, and rehabilitation and new development and new construction in Downtown El Paso; and (2) utilize Sustainable City Center Funds for qualified projects in Downtown El Paso.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO THAT:

The City of El Paso Downtown New Construction Incentive Policy be amended and restated as shown in Exhibit "A", attached to this Resolution.

PASSED AND APPROVED this _____ day of _____ 2013.

CITY OF EL PASO, TEXAS

ATTEST:

John F. Cook
Mayor

Richarda Duffy Momsen
City Clerk

APPROVED AS TO FORM:

Matthew K. Behrens
Assistant City Attorney

APPROVED AS TO CONTENT:

Mathew McElroy, Director
City Development Department

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

SECTION I. PURPOSE

The purpose of this policy is to: (1) 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 within the City of El Paso and greater region; and (2) promote commercial investment in the renovation, restoration, and rehabilitation of properties and new development and construction utilizing the design guidelines described within Plan El Paso, the City of El Paso’s Comprehensive Plan within the downtown 2015 Plan area.

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

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.

Impact Fund

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; or
 - (iii) promote commercial investment in the renovation, restoration, and rehabilitation and new development and new construction in Downtown El Paso.

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.

Sustainable City Centers

The Sustainable City Centers Fund is a separate funding source intended to supplement downtown construction projects eligible for property tax rebates and other grants and subsidies approved by the City Development Department. Sustainable City Centers Funds made available for projects under this policy shall be limited to those funds stemming from the City's Community Adjustment and Investment Program Fund and shall be utilized before Impact Funds are utilized for such projects.

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.

Comprehensive Plan -- City of El Paso's Comprehensive Plan entitled "Plan El Paso" adopted by El Paso City Council on March 6, 2012.

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.

Downtown Plan – The Downtown 2015 Plan adopted by El Paso City Council on October 31, 2006, and incorporated into the Comprehensive Plan pursuant to the provisions of Section 213.002 of the Texas Local Government Code (as depicted on the Map attached hereto as Exhibit A, within the Incentive Area

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 Employment 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.

Qualifying Employment Projects

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.

All Qualifying Employment Projects will be evaluated on the following criteria:

1. Target Industry
2. Number of Jobs
3. Quality of Jobs (Percentage of jobs above Median County Wage)
4. Benefits Package
5. Capital Investment
6. Non-city funds leverage
7. Technological Innovation
8. Electric Profile, including demand, utilization and load factor
9. Renewable Energy use or device manufacturer
10. Energy provider using Renewable Energy resources
11. Location in a target area
12. National or Regional Headquarters or Research & Development presence Adherence to Green environmental/sustainability principles
13. Education Benefits
14. Training opportunities & programs
15. Projects which propose to fund collaborative research with institutions of higher education

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

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

Downtown Construction Projects

The City of El Paso may provide a grant, subsidy, or property tax rebate of up to 100% of the City' incremental ad valorem property taxes over the base year for a period of up to ten (10) years to a property owner if the proposed renovation or new construction project meets the following requirements:

1. Is a private commercial or multi-family use property that includes investment in adaptive reuse or rehabilitation of any property in a historic district or with a historic designation in the Downtown Incentive Area; and
2. Projects must have a minimum investment of Five Million Dollars and 00/100 (\$5,000,000.00); and
3. Building permits must be granted within forty-eight (48) months after March 1, 2013; and
4. Renovation is in accordance with the requirements and review provisions of Chapter 20.20 (Historic Landmark Preservation) of the City Code, where applicable; and
5. New construction projects must meet the design guidelines outlined in the City's Comprehensive Plan and Downtown Plan or bring the property into greater conformance with the design guidelines as determined by the City's Economic Development Department; and
6. Projects must not include the demolition of properties with a historic overlay that are deemed historic or contributing unless specifically approved by the El Paso City Council; and
7. Show a clear demonstration of public purpose and economic benefit through advancement of the City's revitalization strategy for the future growth and development of the downtown area which is the economic heart of the City and its vibrancy is key to investments made throughout the community and promotes public health, safety, and welfare and creates an area with quality and thriving places to work, live and visit; and
8. Include solid evidence provided by the property owner that demonstrates the financial stability and capacity to complete the project, evidence can include financial statements for an entity or tax statements for an individual; and
9. Be in compliance with all local, state, and federal laws.

SECTION VI. 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:

1. Organization structure
2. Business and / or operational plan showing transition to commercialization and self-sufficient operation creating Qualifying Jobs in the local market
3. Performance metrics relating to jobs, wages, and capital investment
4. 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.



7C: Amendment to City's Economic Development Incentive Policy "Impact Fund"

City Development
06/18/13



7C: Amendment to City's Economic Development Incentive Policy "Impact Fund"

Purpose of "Impact Fund" policy:

- Create, attract and retain high wage jobs in El Paso
- Promote commercial investment in the renovation, restoration, and rehabilitation of properties and new development and construction as per City's design guidelines

Proposed amendments:

- (1) include projects that promote commercial investment in the renovation, restoration, and rehabilitation and new development and new construction in Downtown El Paso;
- (2) utilize Sustainable City Center Funds for qualified projects in Downtown El Paso.