

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

DEPARTMENT: Economic and International Development

AGENDA DATE: CCA January 19, 2021

CONTACT PERSON/PHONE: Jessica L. Herrera-Director, 212-1624

DISTRICT(S) AFFECTED: ALL

SUBJECT:

That the City of El Paso Incentives Policy – Guidelines & Criteria 2021 attached hereto as Exhibit “A” be adopted as the City of El Paso Incentives Policy. [Economic and International Development, Jessica L. Herrera, Director, (915) 212-1624]

BACKGROUND/DISCUSSION:

The City of El Paso's Chapter 380 economic incentive policy was originally adopted on November 3, 2015. The Economic and International Development department has reviewed the existing policy and is now recommending a set of adjustments which will serve to better-align the policy with current conditions and departmental strategies. The four principal areas of adjustment will:

- Shift the wage considerations to require all proposed positions to exceed the local wages associated with each proposed position
- Facilitate incentive partnerships with key supply chain firms
- Add bonus incentives to support local company-initiated workforce training programs
- Update the 380 policy's Target Areas

PRIOR COUNCIL ACTION:

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

Yes. The original Chapter 380 policy was adopted by City Council action on November 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*****

FOR

DEPARTMENT HEAD: Eduardo Garcia Digitally signed by Eduardo Garcia
Date: 2021.01.11 09:58:29 -07'00'

RESOLUTION

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

That the City of El Paso Incentives Policy – Guidelines & Criteria 2021 attached hereto as Exhibit “A” be adopted as the City of El Paso Incentives Policy.

APPROVED this ____ day of _____, 2021.

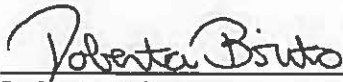
CITY OF EL PASO

Oscar Leeser
Mayor

ATTEST:

Laura Prine
City Clerk

APPROVED AS TO FORM:



Roberta Brito
Assistant City Attorney

APPROVED AS TO CONTENT:

Eduardo Garcia Digitally signed by Eduardo Garcia
Date: 2021.01.12 05:46:13 -0700

For Jessica Herrera, Director
Economic & International Development

EXHIBIT A

City of El Paso Economic Incentives Policy – Guidelines & Criteria - 2021

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 and processes for implementation of the plan.

SECTION II. DEFINITIONS

Applicant – A business that submits a formal application requesting incentives under the City of El Paso’s Chapter 380 economic incentive policy.

Attraction – Process of attracting, recruiting, and selecting companies that make substantial capital investments and create new quality 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 – For purposes of this document, the company’s principal and legal location for its corporate headquarters will be in the City of El Paso.

BLS – The United States Bureau of Labor Statistics

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 –The process of developing substantially more effective and/or lower cost or revolutionary products, processes, services, technologies or business models.

Median County Wage - The limit between the amount earned by 50 percent of workers who are the lowest paid and 50 percent of workers who are the highest paid in a particular job or industry occupation, within the El Paso, TX MSA.

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

Retention – The process of providing resources and assistance to existing, local businesses for employee retention and to maintain current operations.

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

Target Areas – City of El Paso’s business attraction, expansion, and retention strategic areas listed in Exhibit B. The Target 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 in Exhibit A. 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, local Median County Wage associated specifically with the proposed employment position.

SECTION III. STRATEGIC OBJECTIVES

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

1. Support incentives that reduce business costs to create significant new Quality Jobs, investment, tax revenues, and consumer spending.
2. Support the retention and expansion of existing businesses within the City.
3. Support the attraction, expansion, and retention of the Target Industries described in Exhibit B.
4. Support large private, commercial, recreational, destination retail, and tourism ventures that attract a Regional or National client base.
5. Support the employment of STEM graduates and Veterans.
6. Support the revitalization of designated Target Area.
7. Support the attraction and retention of companies that have strong Regional and National markets for their products or services.
8. Support efforts that enhance economic development in the region to create a more robust regional economy.
9. Support efforts to build human capital by improving labor force skills and career advancement through education, training, and career development efforts.
10. Support efforts to make the City's economy more resilient to and capable of taking advantage of change and disruption.

11. Support the development of regional technology based businesses that fall within or strengthen the City's Target Industry priorities.

SECTION IV. GENERAL CRITERIA, POLICY & PROCEDURES

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

1. Substantially enhances 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;
3. Demonstrates the potential to generate revenues to the City, which outweigh costs associated with incentives;
4. Shows 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;
5. Provides health insurance benefits to employees for which the employer pays at least 50%.

In addition, the following criteria must be satisfied.

The project **MUST**:

1. Upon request, provide all credible documentation required to enable City staff to verify Applicant eligibility and prepare a fiscal impact analysis.
2. Upon request, provide credible documentation that demonstrates the business' financial stability and capacity to complete the project and its compliance with all local, state and federal laws.
3. Commit to good faith efforts to hire and train employees through the local workforce board, Workforce Solutions Borderplex.
4. Be current on all city taxes and/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. It shall be the responsibility of the business to notify the City of El Paso of any ownership changes.

Projects that have been issued a building permit, including any conditional permits are ineligible to receive economic incentives under this policy.

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 El Paso City

Council. The City is under no obligation to approve any requested incentive and no right to these incentives is either intended nor implied. The Applicant's compliance with the policy criteria does NOT guarantee receipt of incentives. Policy allows City staff to exercise discretion in deciding which projects will receive incentives. Additional evolving policy considerations may influence City staff's analysis of proposal value.

SECTION V. QUALIFICATION CRITERIA

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

Category 1 – Quality Jobs

If all proposed positions pay a wage at or above the position-specific entry Median County Wage, the company is eligible for a 40% grant.

Category 2 – Business Type

If a participating firm satisfies the requirements in Category 1 and identifies with at least one of the following descriptions, the company is eligible for a 50% grant.

- a) Target Industry, as described in Exhibit A;
- b) Market for service or product is Regional, National, or Global;
- c) Proposed facility is located within one of the Target Areas described in Exhibit B.

Category 3 – Capital Intensive Project

If a participating firm satisfies the requirements in Category 1 and;

- a) Proposes a capital Investment in the amount of \$30M - \$49M; the company is eligible for a 60% grant
- b) Proposes a capital Investment in the amount of \$50M or more, the company is eligible for a 70% grant

Category 4 – Increased Productive Capacity

If a participating firm proposes to invest in enhancing the local supply chain, verifiably and directly related to an identified Target Industry, the company is eligible for a 50% grant.

Category 5 – 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.

All noted grant percentages represent minimum potential incentive grant amounts to be considered.

SECTION VI. BONUS INCENTIVES

In order to be eligible under this section, a company must first establish eligibility in ONE of the categories outlined in "Section V: Qualification Criteria".

An additional 10% rebate amount, not to exceed 100%, may be earned if:

- a) Applicant proposes to locate their corporate headquarters within the City of El Paso.
- b) Applicant proposes to locate their Research and Development (as defined by Federal Tax Code) within the City of El Paso. For the purposes of this section, 25% of the total jobs at the facility must be Research & Development related or directly support the Research & Development function.
- c) Applicant proposes to actively employ 15% of veterans through formal company hiring programs/initiatives.
- d) Applicant proposes to hire and train a portion of their employees through the local workforce board, Workforce Solutions Borderplex and qualified training institutions.
- e) Applicant proposes to engage with the local workforce board, Workforce Solutions Borderplex and qualified training institutions in formal collaborations or business partnerships such as mentoring, internships, and other programs which provide employees with the latitude to complete minimal educational attainment (e.g. G.E.D. or High School Diplomas).
- f) Applicant proposes to relocate/expand operations within the City of El Paso with aggregate wages at a minimum of two times the prevailing Median County Wage.
- g) 80% of a company's total proposed occupations are STEM-related.

SECTION VII. ECONOMIC DEVELOPMENT INCENTIVE PROCESS

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 City of El Paso's Economic & International Development Department is charged with developing a recommendation to City Council. All incentive packages will be limited to a maximum rebate or abatement level of 100% of the incremental value of property taxes (real & personal) collected in any given year unless otherwise 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 without official City Council action:

- 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."

SECTION IX. TERM OF INCENTIVES

These policy guidelines and criteria shall apply upon adoption by the El Paso City Council and may be reviewed and revised periodically to assure impact and effective performance and/or to adapt to adjusting market conditions.

Exhibit A

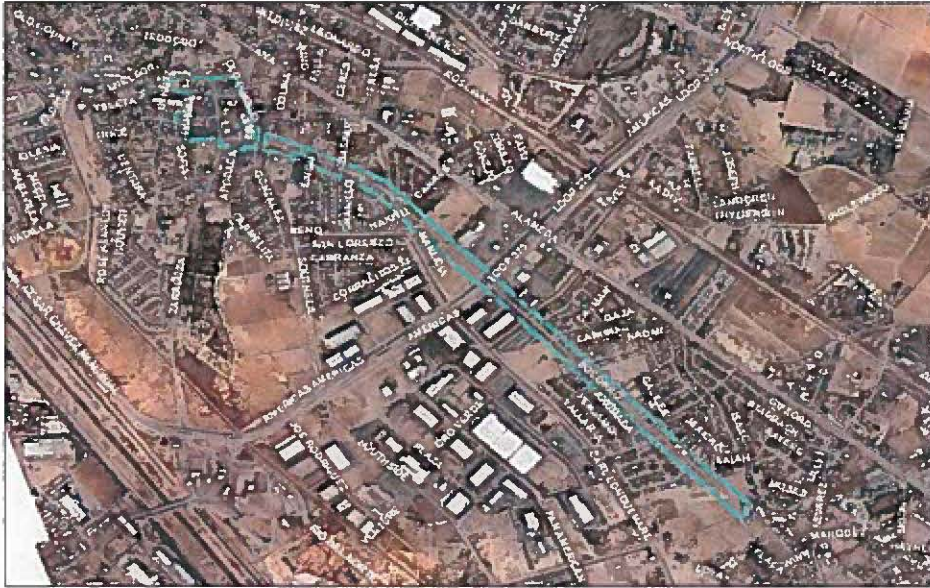
[Target Industry Sectors]

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

Exhibit B

[Target Areas]

Historic Mission Trail



El Paso Downtown Plan Area



Tax Increment Reinvestment Zone #11



El Paso International Airport Footprint



Tax Increment Reinvestment Zone #6



Exhibit C

[City of El Paso Chapter 380 Economic Incentive Program Application]

16. Please include the number of **PART-TIME** jobs, with hourly wage/salary, to be created or retained. (Fringe benefits not included in calculations).

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

17. Total company workforce (global / national workforce): _____

18. If available, include the expected number of construction jobs: _____

19. Total local jobs to be created (part time, full time, construction): _____

20. Provide total annual payroll years 1-5, as required, **excluding** benefits.

	Year 1 (2020)	Year 2 (2021)	Year 3 (2022)	Year 4 (2023)	Year 5 (2024)
Existing jobs					
New Jobs					
Total Annual Payroll					

21. What percentage of health care benefits is covered by the employer: ____%

SECTION D. INVESTMENT INFORMATION

22. Total dollar investment for proposed project:

Real Property	
Land	\$
Existing Building Improvements	\$
New Building Improvements	\$
<u>Total</u>	\$
Personal Property	
Equipment	
Computers	\$
Machinery	\$
Furniture and Fixtures	\$
<u>Total</u>	\$
GRAND TOTAL	\$

23. Please provide yearly investment breakdown:

Capital Investment	
Year 1 (2020)	\$
Year 2 (2021)	\$
Year 3 (2022)	\$
Year 4 (2023)	\$
Year 5 (2024)	\$
Training Investment	
Year 1 (2020)	\$
Year 2 (2021)	\$
Year 3 (2022)	\$
Year 4 (2023)	\$
Year 5 (2024)	\$

SECTION E. NEW CONSTRUCTION DETAILS

- 24. Wall Height: Choose an item.
- 25. Construction Type: Choose an item.
- 26. General Shape: Choose an item.
- 27. HVAC: Choose an item.
- 28. Lighting: Choose an item.
- 29. Fire Suppressant: Choose an item.
- 30. Occupancy: Choose an item.
- 31. Exterior Walls: Choose an item.
- 32. Parking Area: Choose an item.
- 33. Loading Dock Area: Choose an item.

SECTION F. LEGAL ENTITIES TO A 380/381 INCENTIVE AGREEMENT

34. Please list all applicant subsidiaries that would be a party to the incentive agreement:
- | | |
|--------------------|----------------------------------|
| Affiliate 1: _____ | Relationship to applicant: _____ |
| Affiliate 2: _____ | Relationship to applicant: _____ |
| Affiliate 3: _____ | Relationship to applicant: _____ |

SECTION G. ADDITIONAL COMPANY INFORMATION

35. Please include the following attachments:
- Company insurance
 - Health insurance benefits
 - Financial statements 3-year or prior year report
 - Property information:
 - Metes and bounds
 - Site survey/renderings showing the location of existing and proposed improvements
 - Legal description
 - If this project is in the Retail / Destination / Hotel Industry, please provide projected sales

SECTION H. CERTIFICATION

I hereby certify that I am familiar with the provisions contained in the current incentive policy and guidelines, and that the information provided in this application may become part of an incentive agreement with the County and City of El Paso. I also certify that I am authorized to sign this application and that the information provided here is true and correct, and that knowingly providing false information may result in voiding this application and termination of any incentive agreement.

Name: _____ Title: _____
 Signature: _____ Date: _____

Submit the following application and additional documents (i.e. Section G) to:

Attention: Eddie Garcia, AICP, CNU-A
 Economic Development Manager
 801 Texas Avenue | City 3
 El Paso, TX 79901
 O: 915.212.1570
 GarciaE22@elpasotexas.gov

County of El Paso
 Economic Development Department
 500 E. San Antonio Avenue, Room 312
 El Paso, TX 79901
 O: 915.546.2177

SECTION I. ADDITIONAL INFORMATION (FOR INTERNAL STAFF USE ONLY)

- City tax information (if expansion)
 - Texas Secretary of State legal standing status
- Applicant is eligible for: FTZ incentives State incentives
- County precinct: _____ City council district: _____
 School district: _____ Proposed property zoning: _____
- What is the current year appraisal value as per the Central Appraisal District:
 Real property: \$ _____ Personal property: \$ _____