

Training - Incentive Policies-Analysis-Agreements

An informal overview of incentive policies, analysis of incentive proposals, and writing comprehensive incentive agreements.

Problem Identification

- Either there is no Incentives Policy or it is outdated
- There is limited or no analysis done on requests for incentives or proposed incentives
- Limited knowledge of the types of incentive agreements and important aspects in negotiating and writing them

Goal is to Understand the Following

- The statutory authorizations and limitations of incentives
- Project limitations related to sources of funds
- Writing and adopting good Incentive Policies
- Bad and Best Practices in negotiating incentives
- Optional ways to evaluate the merits of incentives
- Bad and Best Practices in writing incentive agreements
- How to stay out of trouble...

Typical Presentation Setting / Format

- Preferably a setting that allows for a PowerPoint presentation along with easy and informal discussion between the consultant, Board and staff. Depending on questions and discussion, anticipate a 1.5 hour discussion.

Typical Topics Covered

- Terminology / definitions
- Statutory authorization and limitations
- Tax abatement vs 380 agreements
- Incentive policies, requirements, adoption, application
- Project limitations; Type A and B Development Corporations, sources of funds
- Confidentiality and communications protocols
- Evaluating Incentives: Is there an answer to "Is this a good deal for us?"
- Negotiating Incentives: Who blinks first?
- Bad and Best Practices for Incentive Policy development
- Bad and Best Practices for Incentive Agreement development
- What can go wrong and how to avoid it

Other Training Available

- **Local Incentives Overview:** An informal overview of various potential local incentives, how they are authorized, identified, and incorporated into incentive agreements.
- **Business Retention & Expansion (BRE) Programs Overview:** An overview of a wide variety of programs that can be implemented to support existing businesses

Incentive Policies-Analysis-Agreements

Positives or benefits / Negatives or Costs

The Good, the Bad, and the Ugly

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Texas Midwest Community Network
October 25, 2017

Revenue Estimation

Estimate revenues from sales, ad valorem, and hotel taxes

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Analysis & Evaluation

Typical Agreement Structure

- Ordinance / resolution for approval
- Recitals
- Definitions
- Business performance requirements
- Agency incentives
- Recapture / Clawback
- General provisions

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Incentive Agreement Development

Terminology / Definitions

- **Incentives:** Any number of inducements that an agency/community/state might offer to a prospect to entice them to remain, expand, or locate within a preferred area
- **Performance Agreement:** An agreement identifying business requirements and Agency incentives
- **Grants:** Funds provided to businesses in exchange for performance per Ch. 380
- **Recapture / Clawbacks:** Clause requiring repayment of incentives if they don't perform

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Introduction

Options Analysis

Analysis of % of costs to be incentivized
Break-even analysis in years

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Analysis & Evaluation

Agreement Development

Bad Practices	"Best Practices"
• Poor font selection	• Font that reproduces well
• Draft progressions not tracked	• Utilize redline / strikeout, date each draft
• No adoption resolution	• Resolution includes prior authorizations / actions
• Recitals that are not supported by document	• Recitals should represent the document's contents
• Recitals that include performance criteria	• No criteria in recitals
• Redundant redundancy to "emphasize" it	• Say what you want one time, and in the right place

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