

Training - Local Incentives Overview

An informal overview of various potential local incentives, how they are authorized, identified, and incorporated into incentive agreements.

Problem Identification

- Board is unfamiliar with the variety of potential local incentives that might be requested or provided
- Limited knowledge regarding different approaches to granting incentives

Goal is to Understand the Following

- The statutory authorizations and limitations of incentives
- Project limitations related to sources of funds
- Local incentives that might be requested or offered
- Things to pay attention to for various incentives

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 dialogue, anticipate a 1 - 1.5 hour discussion.

Typical Topics Covered

- Terminology / definitions
- Statutory authorization and limitations
- Project limitations for Type A and B Development Corporations, sources of funds
- Potential Local Incentives (see below)
- What can go wrong and how to avoid it

Typical Local Incentives

- Ad Valorem and Sales Taxes: Sales tax grants, AV tax relief
- Financial: Forgivable loans, loan guarantees, lease guarantees, equipment purchases, fee waivers / reductions
- Employment: Relocation assistance, cash for jobs, hiring assistance
- Land / Building: Build-to-suit, free land / building
- Procedural: Fast-track processing / permitting, dedicated inspections
- Infrastructure: Roadways, water, sewer, drainage, rail
- Property Enhancements: Façade, landscaping, signage, lighting, parking and driveways
- Creative Incentives: Street naming, country clubs, guns, boots, property gates, etc.

Local Incentives Overview

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Types of Local Incentives

- Ad Valorem Taxes
- Sales Taxes
- Financial
- Employment
- Land / Building
- Procedural
- Infrastructure
- Property Enhancements
- "Creative"

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Chapter 380 Tax Grants

- Ad Valorem Taxes:
 - The City grants back to the business a portion of the City's AV taxes paid
- Sales Taxes:
 - The City grants back to the business a portion of the sales taxes generated by the business
- Hotel Occupancy Tax:
 - The City grants back to the business a portion of the HOT generated by the Hotel
- More "performance based"
- Less notices, hearings, cost
- Does not require establishment of a "zone"

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Tax Abatement

- Authorized by Chapter 312 of the Texas Tax Code
- Must create Reinvestment Zone
- Requires written Agreement
- Real and Business Personal Property
- Max term of 10 years
- School districts cannot participate
- County can participate

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Fee Waivers-Reductions-Credits

- Engineering Review
 - Typically for construction plan review and inspections of public infrastructure
 - E.g. 5% of public construction costs

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Employment Related Incentives

- Relocation Assistance: A grant amount per employee that relocates to the City
- Cash for Jobs: A grant amount for each job created (better terminology is employment grant)
- Employee Recruitment Assistance: A grant amount to provide assistance in the recruiting of employees

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