



ECONOMIC DEVELOPMENT INCENTIVES



POLICY OF GUIDELINES AND CRITERIA



Exhibit “A”

Policy of Guidelines and Criteria for Economic Development Incentives

The Town of Pecos City (the “City”) is committed to the promotion of quality development in all areas of the City and to an ongoing improvement in the quality of life for its citizens. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, the City will, on a case-by-case basis, give consideration to providing incentives as a stimulus for economic development.

It is the policy of the City that said consideration will be provided in accordance with the procedures and criteria outlined in this document; however, nothing herein shall imply or suggest that the City is under obligation to provide any incentive to any applicant. All applications shall be considered on a case-by-case basis by the Pecos City Council.

As authorized by the Texas Constitution, Chapters 311 (Texas Tax Code), 312 (Texas Tax Code) and 380 (Texas Local Government Code), and other applicable laws, the City has established this incentives policy so as to work in concert with other taxing authorities as part of an overall publicly supported incentive program designed to create economic tax base and job opportunities which bring new economic advantages to the region and strengthen both the current and future economic base of the City.

All incentives requests will be reviewed by the Pecos City Council, who will either 1) approve incentives with modifications, 2) approve as is, or 3) deny the request. All incentive approvals will be memorialized in an economic development agreement between the City and recipient.



Overview of Incentives

Tax Abatements/Tax Grant

Tax abatements Chapter 312 (Tax Code) or tax grants may be offered for improvements to real property and/or for business personal property, and do not apply to land. Tax abatements or tax grants for improvements to real property may be offered to an applicant that constructs a new or expanded facility to house the applicable project. The tax abatement or tax grant will apply to the taxable value of the new or expanded improvements. Tax abatements or tax grants for business personal property may be offered to an applicant that purchases or long-term leases existing or new facilities, and will apply to the taxable value of the business personal property added to the facility after the execution of the tax abatement or tax grant agreement.

This policy is meant to be a guideline, as Council has the authority to make decisions not included in this policy.

The Council may offer economic incentive grants to businesses who are able to show the economic value being brought to the community for renovating existing structures and infrastructure. These grants will vary depending on the economic benefit the business is expected to bring to the community.

Tax abatements will be a maximum of ten (10) years and up to one hundred percent (100%) abatement of City taxes for the term of the abatement. The City has the sole discretion as to the term and percentage of City taxes abated.

Suggested examples of Tax Incentives are presented below *for reference only*. 10-year term abatements:

1. 10-year, 100% abatement

Ex.: \$1,000,000 project Tax rate for City only \$0.41/100

Abatement of paid taxes of \$4,100 per year for 10-years

2. 10-year, Graduated Abatement (100,90,80,70,60,50,40,30,20,10) %

Ex.: \$1,000,000 project Tax rate for City only \$0.41/100

Abatement of paid taxes as follows:

Year 1 \$4,100 - Year 2 \$3,690- Year 3 \$3,280 ...



5-year term abatements:

1. 5-year, 100% abatement

Ex.: \$1,000,000 project Tax rate for City only \$0.41/100

Abatement of paid taxes of \$4,100 per year for 5-years

2. 5-year, Graduated Abatement (100,80,60,40,20) %

Ex.: \$1,000,000 project Tax rate for City only \$0.41/100

Abatement of paid taxes as follows:

Year 1 \$4,100 - Year 2 \$3,280- Year 3 \$2,460 ...

3-year term abatements:

1. 3-year, 100% abatement

Ex.: \$1,000,000 project Tax rate for City only \$0.41/100

Abatement of paid taxes of \$4,100 per year for 3-years

2. 3-year, Graduated Abatement (100,67,33) %

Ex.: \$1,000,000 project Tax rate for City only \$0.41/100

Abatement of paid taxes as follows:

Year 1 \$4,100 - Year 2 \$2,747- Year 3 \$1,353

This policy can be modified or amended as needed with the direction of City Council.



Building Permit, Development, Connection and Impact Fees

The City may approve a waiver, deferral, grant or rebate of all or a portion of related fees, including but not necessarily limited to: building permit fees, development fees, connection fees and impact fees.

Cost Participation in Infrastructure

The City may agree to participate in the cost of the extension, construction, or reconstruction of public infrastructure necessary for the development of a project. Participation by the city is considered on a case-by-case basis and shall be limited to infrastructure improvements within municipal rights-of-way or easements.

Hotel/Motel Occupancy Tax

The City is committed to attracting conference center space to the community. A 6% hotel occupancy tax is levied by the State of Texas and the City levies a 9% hotel occupancy tax, and Reeves County levies a 2% hotel occupancy tax for a total of 17%. These taxes may be used for purposes as allowed by law.

Tax Increment Financing (TIF) or Tax Increment Reinvestment Zone (TIRZ)

Chapter 311 of the Texas Tax Code allows political subdivisions to create TIF Zones in order to use the increased tax value of land from development toward financing of the public improvements in the reinvestment zone.

- TIF Districts may assist in financing development of unimproved or blighted land by dedicating the real estate property taxes to be generated by the built project to a TIF Fund for payment of the principal and interest on TIF Bonds.
- Under a TIF, the property owner pays taxes on the full value of the property, and the taxing entities pay into the TIF Fund the taxes attributed to the added value of the property due to the new development.
- TIF Bonds may be issued for a maximum of 20 years and may be used to pay for public improvements associated with a development (i.e. parking, infrastructure, land acquisition, utilities, etc.).
- A TIF Reinvestment Zone must meet set criteria as defined by law.
- The municipality establishes the TIF Reinvestment Zone and other taxing entities approve agreements to participate in the TIF District and set forth the percentage of tax increment they are willing to dedicate to the TIF Fund, up to a maximum of 100%.
- A TIF Board, consisting of 5 to 15 members, is established with representatives from the participating taxing entities and other representatives as set forth in the state law.



Public Improvement District

A Public Improvement District is a public financing vehicle (Chapter 372 of the Texas Local Code) that can be used to finance the cost of public infrastructure related to his project. Under a Public Improvement District:

- A Public Improvement District is formed over property that will benefit from public improvement projects to be constructed
- Assessments are levied in a manner that apportions costs according to the benefits received from the public improvements
- Bonds are issued to fund the improvements. Bond proceeds are deposited to a construction fund
- As eligible projects are completed, the proceeds in the construction fund are used to acquire facilities from the developer
- Assessments are paid by the property owners (usually over a period of years, although assessments may be prepaid in full or in part at any time). Assessments transfer along with title to the property. Therefore, end users typically pay the bulk of assessments. This is fitting, as the public improvements benefit the end users' property.

Neighborhood Empowerment Zone

A Neighborhood Empowerment Zone is a tool for cities that would promote at least one of the following:

- ✓ the creation of affordable housing, including manufactured housing, in the zone;
- ✓ an increase in economic development in the zone;
- ✓ an increase in the quality of social services, education, or public safety provided to residents in the zone; or
- ✓ the rehabilitation of affordable housing in the zone. Tax Code § 378.002.

A city may offer the following incentives within a neighborhood empowerment zone:

- (1) waive building, inspection, or impact fees;
- (2) enter into sales tax rebate agreements lasting up to ten years;
- (3) enter into property tax abatement agreements lasting up to ten years; and
- (4) set baseline performance standards to encourage alternative building materials that address environmental or energy consumption concerns. Tax Code § 378.004.



380 Agreements

Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. Specifically, it provides for offering loans and grants of city funds or services at little or no cost to promote state and local economic development and to stimulate business and commercial activity in Pecos. A Chapter 380 development agreement bypasses the need for upfront government incentives and is realized only once a project is operating or underway, thereby avoiding the prospect of a failed development taking incentive dollars.

Under a Chapter 380 agreement, a developer and taxing body negotiate a contract to provide sales tax or other incentives in return for the project meeting performance benchmarks. The agreement should help the business offset some costs associated with construction and infrastructure.

The Town of Pecos City may enter into incentive agreements with landowners with projects demonstrating an increased investment in buildings and fixed assets, increased employment or an increase in the City's sales tax.

The proposed project should:

- ✓ expand the local tax base;
- ✓ create permanent full time employment opportunities;
- ✓ make a contribution to enhancing further economic development;
- ✓ not result in any unreasonable aesthetic and/or environmental concerns or give adverse impacts to adjacent properties; and
- ✓ not result in any violation of the laws of the United States, the State of Texas or ordinances of the Town of Pecos City

Fast Track Permitting

At the request of the applicant, permitting time can be shortened if the project needs and justifies the reduced time frame through the Pecos Fast Track program.

Structure/Building

The City may construct, or provide funding to construct a building or structure needed for the project.



General Guidelines

I. Criteria for Economic Development Incentives

The nature and procedure for implementation of an economic development incentive/s will be developed based upon the merits of the individual project. In determining what, if any, incentives to provide, the city council will consider to what extent such incentives are necessary to attract or assist commercial enterprise, what type of incentive/s would provide the city with the most benefit for the cost, meet the needs of the commercial enterprise, assess the economic benefit that the city will derive from the operations of the commercial enterprise in the city, the city's budgetary limitations, and the amount investment by the commercial enterprise. Nothing within these procedures shall imply or suggest that the Town of Pecos City is under any obligation to provide any incentive to an applicant. The criteria:

- Must be reasonably expected to increase the appraised value of the property in the amount specified in the agreement after the period of abatement has expired.
- Project does not have any negative environmental impacts on the community (e.g.; significant pollution, excessive water usage or hazardous waste).
- The degree to which the specified project meets the purposes and objectives of the City, the relative impact of the project will be used to determine the total value and duration of the incentives, tax abatement or tax grant provided to any applicant. In compliance with state law no abatement will be for more than a maximum of 10 years in duration.

II. Objective Criteria

In order for the economic development incentives application to be considered the following must be addressed in written format by the applicant using "Town of Pecos City Application for Economic Development Incentives" attached to this policy as Exhibit B:

- Number of new jobs in Pecos that will be created by the project.
- Average salary detailed by skilled, unskilled and management positions.
- Total annual payroll created by the project.
- The net tax base valuation (real and personal property) that will be added by the project.
- Projected annual sales tax that will be directly generated by the project for a time period of 5 years and 10 years.

III. Subjective Criteria

In addition to the objective criteria for which specific values can be assigned, several additional considerations must be evaluated. Using "Town of Pecos City Application for Economic Development Incentives" attached to this policy as Exhibit B the applicant must respond to the following in written narrative format, with backup documentation:

- Explain the types and values of public improvements, if any, which will be made by the applicant.
 - Explain to what extent the project will complement existing businesses.



- If the project poses any negative operational, visual/image, style impacts or additional noise, etc., provide details.
- The applicant must indicate whether or not they are willing to commit to a definite construction/completion schedule for the project and to define exactly what will be built (i.e.; what will be on the tax roll and when).
- State in the application whether the project is a franchise, expansion, relocation/consolidation from elsewhere, or the start-up of a new operation.

IV. Value of Economic Development Incentive Provided

The objective criteria and subjective criteria outlined in Sections II and III will be used by the City Council in determining whether or not it is in the best interests of the City to provide economic development incentives for a particular project. Specific considerations will include the degree to which the individual project furthers the goals and objectives of the community, as well as the relative impact of the project.

V. Procedural Guidelines

Any person, organization or corporation desiring that the City consider providing economic development incentives to encourage location or expansion within the city limits of Pecos shall be required to comply with the following procedural guidelines. Nothing within these guidelines shall imply or suggest that the City is under obligation to provide any incentive to any applicant.

- **Application Steps:** To apply for economic development incentives complete “Town of Pecos City Application for Economic Development Incentives” attached to this policy as Exhibit B and available via the City of Pecos’s website, www.pecostx.gov. The application must be submitted to the City Manager’s Office (the “Department”).



Application Procedure

Any person or company requesting that the City provide an economic development incentive shall comply with the following procedure:

- The applicant will submit a completed application for the requested incentive(s) utilizing the application outline provided by the Town of Pecos City attached to this policy as Exhibit B, and available at www.pecostx.gov.
- The applicant will address all applicable criteria set forth in this policy and the application including the following:
 - ✓ *Background* – the applicant's company official name and contact information; brief history of the business; last three yearly operating expense and revenue reports (income statement); the most recent company balance sheet; current employee count and average wage;
 - ✓ *Operations* – a description of the applicant's current operations in the city limits and the economic benefits that the city will derive from operation (or expansion) of the commercial enterprise's business in the city;
 - ✓ *Request* - the proposed economic incentive/s being requested from the city; and
 - ✓ *Benefit* – the role of the city economic incentives in the success of the applicant's enterprise, expansion, or relocation plans;
- The applicant will provide a plat, map or survey showing the location of the property and the proposed project.
- The applicant will provide a legal description of the property; the name, address, phone number, fax number of the owner of the property; the tenants or proposed tenants, if any; and state whether the property is to be owner occupied or leased.
- The City reserves the right to waive any of these requirements or require additional information at its discretion.
- The applicant will describe in detail the proposed project and the type of economic development incentive(s) requested.
- The application must be submitted by either mail or in person to Town of Pecos City, Attn: City Manager, 115 W. 3rd Street, Pecos, TX 79772.
- Pecos City will review the economic development incentive request and may request additional information from the applicant prior to considerations by City Council. Failure to timely submit any additionally requested information will cause the application to be rejected and will be deemed withdrawn by the applicant without further action by the City.
- The City Council will review the requested incentive request pursuant to this policy and recommendations by City staff.
- When necessary under this policy the City Council will, at a regular meeting and when allowed by law at a special meeting, consider proposed economic development incentive agreement.
- Information submitted by the applicant regarding the requested incentive is confidential to the extent allowed by law



Application Review

- All information submitted as detailed above will be reviewed by the Department for completeness, accuracy and the rationale for projections made. Additional information may be requested as needed.
- If applicable, the application will be distributed to the appropriate departments for internal review and comments. Additional information may be requested as needed.
- If necessary, copies of the complete application package may be provided to the other appropriate taxing entities.

Consideration of the Application

- After review by the Economic Development Department the application will be reviewed by the appropriate city staff. If needed, this team will meet with the applicant to negotiate final terms of the incentives.
- Prior to approval of an economic development incentive agreement, the economic incentive request may be scheduled for review by City Council in an executive session meeting. All necessary legal documents will be considered for approval following evaluation of all relevant staff and review team recommendations and reports.
- For a tax abatement, additional steps, including a public hearing, must be incorporated into the process. These procedures are mandated by State law and are detailed in the Property Redevelopment and Tax Abatement Act.

VI. Execution of Agreements

Should the City Council determine that it is in the best interests of the City to approve economic development incentives to a particular applicant, a resolution shall be adopted declaring that under the guidelines and criteria established herein, the application is eligible for an economic development incentive in the form of an economic development incentive agreement. The resolution shall further authorize the Mayor to execute a contract with the applicant governing the provision of the incentives. Any agreement so adopted must include at least the following specific items:

- The amount, character and type of incentive to be paid or provided to the commercial enterprise, and the terms, limitations and qualifications thereon.
- Such terms and conditions as the city council determines are necessary to insure that the incentive/s will be used for the intended purpose and will stimulate business and commercial activity in the city consistent with the objectives and purposes of Chapter 380 of the Texas Local Government Code
- Any status or performance reporting of the project, as a condition of the incentive or as deemed appropriate
- The nature, level of timing of participation or performance by the commercial enterprise.
- The recapture of all incentive value provided in the event of default by the party to the agreement
- Duration of the incentive



Impact Analysis

The City reserves the right to perform an economic impact analysis for any project to determine the impact the project will have on the City. If deemed necessary this analysis will be made before an incentive is offered to the applicant.

Negotiation Process

The initial contact and preliminary discussions relating to available incentives is to be between the authorized representatives of the applicant and the Pecos Economic Development Department. All negotiations for Economic Development Incentives shall be between the authorized representative(s) of the applicant and the Economic Development Department and any City employee as designated by the City Manager.

City Council's decision shall be based upon an evaluation of the criteria that each applicant has addressed in narrative format in their application.

Execution of Agreement

If it is necessary for City Council to take action on the application a resolution shall be adopted declaring that under the guidelines and criteria established herein, the application is eligible for economic development incentives. The resolution shall further authorize the Mayor or the City Manager (if delegated) to execute a contract with the applicant governing the provision of the incentive.