

## ECONOMIC DEVELOPMENT INCENTIVE POLICY



The Mexia Economic Development Corporation (“MEDC”), has established an economic development program (“the Program”) that seeks to attract new businesses to the City of Mexia (“City”) and to retain existing businesses that wish to expand their operations in the city. The purpose of MEDC’s Program is to provide economic development incentives that create a vibrant economic climate for our residents by expanding the City’s tax base, creating quality job opportunities, and promoting sustainable economic development throughout the city. Economic development incentives should strive to balance local job creation in targeted industries with projects that generate significant positive return for the public sector.

Given Mexia’s strategic location in Limestone County, Texas and its position in the “Heart of the Texas Triangle,” incentives do not need to, nor will they, be offered to the majority of expanding and relocating businesses. However, this policy will evolve in response to changing market conditions, actions of competitive communities, and shifts in City priorities. The types of businesses that are target industries will likewise evolve as the balance of businesses within the city and the surrounding community changes over time.

### Incentive Policy Guidelines

- All applicants seeking economic development incentives from MEDC shall submit an Incentives Application including all documentation as required by the application or the MEDC.
- MEDC is committed to using the same standards and scoring matrix when considering whether to offer incentives for economic development projects. However, MEDC reserves the right to tailor special incentive packages for projects that offer unique or extraordinary opportunities for economic development.
- In all cases, the projected benefits to the City shall exceed the costs to the City and MEDC, even after incentives are granted meaning that the tax revenues generated (e.g., sales tax, *ad valorem*, etc.) must exceed City and MEDC costs over the term of the agreement.
- A Performance Agreement (“Agreement”) is required for all economic development incentives.
- All projects receiving economic development incentive funds must be completed within a specified time as agreed upon between the project owner and MEDC. The time by which to complete a project may be extended due to extraordinary circumstances if the project owner submits a request to MEDC’s Executive Director at least thirty (30) days prior to the completion date reflected in the Agreement. Granting of such time extension is at the sole discretion of MEDC Board of Directors.
- Applicants who are awarded economic development incentive funds may request payment upon completion of the work made the basis of the incentive, and upon proof of payment to all vendors, contractors, etc. associated with the completion of the work. Any costs the applicant incurs prior to the date any Agreement is executed shall not be included in the economic development incentive. It is the responsibility of the applicant receiving the economic development incentive funds to submit a request for payment that includes all supporting documentation (e.g., paid invoices, etc.). MEDC will not be liable to any contractor or supplier for payment for any work provided to any applicant receiving economic development incentive funds.

- Projects receiving economic development incentive funds must comply with all City-approved plan, permitting requirements, code of ordinances, and other applicable state and federal laws. Failure to do so shall result in the forfeiture or requirement the repayment of all economic development incentive funds.
- The Executive Director of MEDC, or other representative authorized by the MEDC Board of Directors, is authorized to verify completion of a project.
- All records relating to an applicant's economic development incentive is subject to the Texas Public Information Act.

### **Cash Grants**

- The MEDC may provide cash grants to applicants to supplement business start-up costs for fixed business personal property, improvements to fixed business personal property, improvements for trade fixtures that would remain with the property in the event of a business relocation or closure, or other equipment used for business operations subject to certain restrictions which the MEDC may impose.
- Cash grants shall generally reimburse no more than 1/3 of the total project cost, but may be awarded at any value as determined by the MEDC, subject to State law governing Type B Economic development organizations.
- The Incentive Policy Guidelines are also applicable to all cash grants.

### **Incentive Application Review**

The Executive Director of MEDC shall be the primary contact for economic development incentive negotiations with business prospects. The MEDC Board of Directors will be briefed on all negotiations. When applicable and in accordance with the Open Meetings Act and Public Information Act, negotiations with economic development prospects will be held in executive session. Incentive applicants should be aware that MEDC is subject to Open Government regulations and all information provided as part of an incentive application is therefore also subject to such disclosure as falls within the law.

The following criteria shall be considered in determining what level of economic development incentives may be offered to an applicant:

- Expansion of ad valorem and business personal property tax base (capital investment),
- Expansion of sales tax revenue,
- Creation of permanent employment opportunities (the number and type of jobs to be created or retained, and the average salary and benefits paid to said employees),
- Whether the project satisfies an unmet need in the community or is a city designated target industry,
- Whether the project design (including landscaping) meets or exceeds the minimum requirements of the City Code of Ordinances, where applicable,
- Whether the project is appropriate for the applicable zoning district where it is to be located,
- The extent to which the project supports or otherwise enhances the City's Comprehensive Plan,
- The amount of City utilities required,

- The types and costs of public infrastructure that will be built to support the project,
- The cost of providing City services (e.g. utility, police) and whether the City has existing capacity or requires expansion,
- The types and values of public infrastructure that will be built in support of the project *by the applicant*,
- The financial capacity of the applicant to undertake and complete the proposed project,
- The market conditions and growth potential for the business activity,
- The time necessary to complete the project,
- The methods available to recapture incentives if the applicant fails to fulfill the terms of the Agreement,
- The time required for the City and MEDC to generate a positive return on investment,
- The opportunity cost to the City and MEDC to provide the economic development incentive (what alternative uses of funds are foregone in support of this project),
- Whether the project positively or adversely impacts current Mexia businesses or future business prospects,
- Other (state or federal) incentive programs for which the applicant qualifies, and
- Any other factors that the MEDC Board of Directors find helpful and relevant to accomplishing the economic development objectives.

### **Cost-Benefit Analysis**

- Utilizing the information from the Incentive Application, a cost-benefit analysis will be completed for each project. This analysis shall be used to calculate the value of any incentives compared to the economic benefit to the City of the business relocation to or expansion within the City.
- Variables to be considered as part of the analysis of primary benefit to the City may include, but shall not necessarily be limited to:
  - Total capital investment in the project by the business,
  - Property tax (ad valorem) revenues from the business,
  - Sales tax revenues from the business,
  - Permits and fees associated with the project, and
  - Revenues from other services provided by the City paid by the business.
- The following indirect variables may also be considered as secondary benefits to the City:
  - The annual local payroll the business will generate,
  - Property taxes (ad valorem) generated by employees who choose to live in the City,
  - Sales tax revenue generated by employees,
  - Revenues from other services paid by employees who choose to live in the City, and
  - Miscellaneous revenue from other businesses choosing to relocate to the City because of an existing business relationship with the applicant.
- The following quality of life variables may also be considered as secondary benefits to the City:
  - The business provides a product or service that is currently unavailable in the City, and

The business has a proven record of community participation through sponsorships of local organizations, support of community events, and encouraging volunteerism among their employees.