

League City's Economic Development Investment Policy

Purpose

League City (City) will endeavor to minimize the investment of public funds and maximize the return on investment for all public funds invested in any project that demonstrates a public benefit to develop the community's economic base and quality of life. Information provided from each applicant will be used to estimate the economic impact, fiscal impact, and return on investment for each proposed project.

The City's economic and fiscal impact model must be applied to every project, whether the project is applying for direct financial investments, abatements, deferred taxes, permit fee waivers, etc. When multiple projects are competing for limited resources, the City may use Net Present Value to compare, prioritize projects, and select one or more projects in which to invest. Public funds may be considered to be invested to:

- Attract and Retain Quality, Full-Time, High-Paying Primary Jobs *
- Attract and Retain Commercial Tax Base
 - Property Tax
 - Sales Tax
 - Hotel Occupancy Tax

** "Primary Jobs" are those which are identified in the "Primary Business Targets of League City" and Texas Local Government Code Section 501.002(12).*

A "primary employer" produces goods and services that are primarily purchased and consumed by customers outside the local community. As a result, the primary employer attracts additional money into the local community and generates new value for the local community in terms of salaries and tax revenue. Examples of primary employers include corporate/regional headquarters, research and development, medical services, and manufacturing.

The employer redistributes the additional money into the local community through salaries paid to its employees and payments to local vendors. Employees and local vendors spend their disposable income at local retail, entertainment, and service-based companies that creates and/or supports "secondary jobs" in the local community.

Requirements

All applicants must submit a completed application and demonstrate the ability to meet or exceed the following minimum requirements:

- (1) Only the minimum amount of investment required (i.e. the “but for”) to bring the project to fruition will be considered for any project.
- (2) Public funds available for investment are very limited and, therefore, will be prioritized and committed to projects that leverage private sector capital investment, create more primary jobs, offer higher rates of guaranteed return, stimulate new, high quality commercial development, and decrease the demand for city services and/or infrastructure.
- (3) Authorized expenditures of public funds to support economic development are outlined in Sections 501-505, 380, and 52-a of the Texas Local Government Code. However, unless otherwise restricted by state law, a strict, narrow focus will guide the use and investment of public funds for commercial land, commercial buildings, commercial equipment, commercial facilities, expenditures, targeted infrastructure, primary jobs, primary job training, and site improvements.
- (4) The incremental tax revenues to be generated by each project will be included in the economic and fiscal impact model.
- (5) Projects which have already pulled a permit, executed a lease, started construction, and/or purchased land may not be considered for any public financial investment.
- (6) The City Council will retain discretion to commit a lesser or greater economic development investment to any project.
- (7) The commitment of any economic development investments may be made only upon the execution of a development agreement, which has been executed first by the applicant and then approved by the City Council.
- (8) The payment of any economic development investments will be based upon the performance and compliance of the applicant in conformance with the executed development agreement.
- (9) Development agreements may contain all-or-nothing, proportional payment, and/or repayment clauses, if a project fails to meet and maintain the benchmarks established per the development agreement.

Minimum Investment Required

New Business Attraction

Each applicant must meet at least one of the following minimum criteria:

Project Type	Minimum Taxable Property Value	Minimum Annual Taxable Sales	Minimum Number of Primary Jobs
Research & Development	\$1.5 million	\$2 million	7
Industry	\$1.5 million	\$2 million	7
Office	\$5.0 million	\$2 million	7
Medical	\$2.0 million	N/A	10
Hotel/Tourism	\$7.5 million	\$3 million	N/A
Destination Retail	\$5 million	\$5 million	N/A
Combination of Project Types	\$5 million	\$5 million	10

Business Retention & Expansion

Each applicant must meet at least one of the criteria in the table for New Business Attraction, plus at least one of the criteria in the table below:

Project Type	Minimum Taxable Property Value	Minimum Annual Taxable Sales	Minimum Number of Primary Jobs
Research & Development	15% Increase	15% Increase	15% Increase
Industry	15% Increase	15% Increase	15% Increase
Office	15% Increase	15% Increase	15% Increase
Medical	15% Increase	N/A	15% Increase
Hotel/Tourism	20% Increase	20% Increase	N/A
Destination Retail	20% Increase	20% Increase	N/A
Combination of Project Types	20% Increase	20% Increase	20% Increase

Investment Tools

Business Personal Property Tax Rebates

Cash Grants

Chapter 313

Cost Recovery Fee Waivers, Reductions, and Rebates

EB5

Enterprise Zones
 Foreign Trade Zones
 Freeport Exemption (in qualifying areas, only)
 Hotel Occupancy Tax Rebates
 Industrial Districts
 Inventory Tax Rebates in Lieu of Freeport Exemption (in non-qualifying areas)
 Municipal Management Districts
 Neighborhood Empowerment Zones
 Other tools authorized by law in the State of Texas and the United States of America
 Permit Fee Waivers, Reductions, and Rebates
 Property Tax Rebates in Lieu of Property Tax Abatement
 Public Improvement Districts
 Sales Tax Rebates
 Tax Abatement
 Tax Increment Reinvestment Zones
 Texas Enterprise Funds
 Texas Workforce Development Fund
 Utility Extension Agreements

Minimum Required Return on Investment

Each project will provide a Payback Period of 10 or fewer years and an average Return on Investment that meets or exceeds the following minimum thresholds:

Project Type	Minimum Required Return on Investment
Research & Development	10%
Industry	15%
Office	15%
Medical	20%
Hotel/Tourism	20%
Combination of Project Types	20%
Destination Retail	25%

Each applicant, which meets or exceeds the requirements of this policy, may qualify for a public investment up to, but not exceeding, one or more of the following:

- A financial amount or less, which yields a Payback Period of 10 or fewer years and a minimum average Return on Investment over 10 years, that meets or exceeds the requirements in the chart above, and/or
- Other limits imposed by local ordinance, state law, and/or laws of the U.S.A.