



# **INDUSTRIAL BUSINESS GRANT PROGRAM**

## **CITY OF WACO GUIDELINES AND POLICY STATEMENT**

### **I. GENERAL PURPOSE AND OBJECTIVES**

Certain types of business investments, which result in the creation of new jobs, new income and provide for positive economic growth and inner-city economic stabilization are beneficial to the City as a whole. This policy provides the general guidelines for grants of money from the City of Waco for new investment in industrial real and personal property, owned or leased, economic development projects. Grants pursuant to this policy will be considered, in accordance with state law, on a case-by-case basis by evaluating industrial projects for potential to promote state or local economic development and to stimulate business activity in the City.

This policy applies to real and personal property, whether owned or leased. Nothing in the policy shall be construed as an obligation by the City of Waco to approve any grant application.

It is the policy of the City of Waco to give priority consideration for projects that:

- (a) are located in enterprise zones;
- (b) result in significant real or personal property being added to the tax rolls;
- (c) result in a development with little or no additional cost to the City;
- (d) result in 200 or more new jobs; or
- (e) result in 5 or more new jobs in targeted neighborhoods, Community Development Block Grant Service Areas and State Enterprise Zones.

It is further the policy of the City of Waco to encourage the use of disadvantaged business enterprises (any final grant contract may include specific goals and objectives relative to disadvantaged business enterprises, utilization of Waco-based firms, prospective employment commitments for Waco residents and other specific criteria as may be negotiated).

### **II. DEFINITIONS**

- A. "Agreement" means the contractual agreement between City and the business for the purpose of a grant.

- B. "Base Year Value" means the assessed value of either the applicant's real property and improvements located on the property on January 1 of the year prior to the execution of the agreement plus the agreed upon value of any property improvements made after January 1 of that year but before execution of the agreement, and/or the assessed value of any tangible personal property located on the owner's real property on January 1 of the year prior to the execution of the agreement.
- C. "Economic Life" means the number of the years a property improvement is expected to be in service in a facility; provided, however, in no event shall the number of years exceed the depreciation allowance specified in the Federal Internal Revenue Service Code.
- D. "Expansion" means the addition of buildings, structures, fixed machinery, or equipment for the purpose of increasing production capacity.
- E. "Facility" means property improvements completed or in the process of construction which together comprise an integral whole.
- F. "Full-time job" means a job that requires a minimum of forty (40) hours of work per week and includes benefits.
- G. "Lease" means a relationship whereby the business applying for a grant has a contract for exclusive possession of either the real property on which improvements are to be made and/or of movable personal property to be used for the operation of the business for a defined period of time.
- H. "Modernization" means the replacement and upgrading of existing facilities, which increases the productive input or output, updates the technology, or substantially lowers the unit cost of operation, and extends the economic life of the facility. Modernization may result from the construction, alteration, or installation of buildings, structures, fixed machinery, or equipment. It shall not be for the purpose of reconditioning, refurbishing, repairing, or completion of deferred maintenance.
- I. "New facility" means a property previously undeveloped, which is placed into service by means other than expansion or modernization.
- J. "Personal Property" means equipment and/or tools used, bought, or leased for use, in the operation of the business applying for grant, other than that which was located on the real property at any time before the period covered by the agreement, and other than inventory, supplies, and/or office equipment.
- K. "Real Property" means the area of land defined by legal description as being owned or leased by the business applying for a grant, including any improvements thereto, which has been or will be improved and valued for property tax purposes.

### III. GRANT AUTHORIZED

- A. Authorized Facilities: A grant may be for new facilities, leased facilities and for expansion or modernization of existing facilities. The economic life of a facility or improvements must exceed the life of the grant agreement.
- B. Eligible Property: A grant may be for improvements to real or personal property, whether owned or leased.
- C. Amount of Grant: Authorized facilities may be granted an amount of money equal to all or a portion of the City taxes paid on the increased taxable value of eligible property over the base year value for a period not to exceed 5 years for real or leased property and 7 years for qualified personal property. **However, up to an additional 5 year period for real property may be granted by the City Council on a case-by-case basis if conditions concerning the number of jobs and real property construction or improvements are met and maximized as specified in these guidelines. An additional application fee shall be submitted with this application in the amount specified in section VI. (A) of these guidelines.**

### IV. PROJECT IMPACT DATA

#### A. Introduction

The criteria outlined in this Section will be used by the City of Waco City Council to determine whether or not it is in the best interest of the City of Waco to award a grant to a particular applicant. Special considerations will include the degree to which the individual project furthers the goals and objectives of the City of Waco.

The applicant should endeavor to provide the most accurate estimates possible based upon available information. The applicant may be requested by the City to describe the methodologies utilized to respond to the questions and to supply supporting documentation.

#### B. Employment Impact

- 1. How many of the following new jobs will be created in Waco at this site:
  - a. Permanent full-time jobs?
  - b. Temporary jobs?
  - c. Part-time jobs?
- 2. What percentage of new employees will come from (a) within the City of Waco, (b) within McLennan County, (c) inside the state of Texas, and (d) outside the State of Texas?

3. What types of jobs will be created?
4. What will be the total project annual payroll of the newly created jobs?
5. What type of specialized training will be required?

C. Proposed Improvements

1. Identify and describe the kind, number, location, and cost of all proposed real property improvements and/or personal property additions to the property; discuss the development schedule of the proposed improvements and/or additions; provide construction site plans.
2. Provide a list of all personal property additions to the City Manager's Office, including the following: type of personal property, any identification or serial numbers for the personal property; location of property, and documentation showing the original cost.
3. To what extent will additional public improvements be needed?

D. Fiscal Impact

1. How much real or personal property value will be added to the tax roll by the end of the agreement period?
2. How much direct sales tax will be generated?
3. How will this proposed project affect existing local business and/or office facilities?
4. What is the proposed depreciation schedule for the real or personal property?

E. Community Impact

1. What effect (approximately) will the proposed project have on the local housing market?
2. What environmental impact, if any, will be created by the project? (Please provide information for any required state or federal regulatory licensing.)
3. How compatible is the proposed project with the City's comprehensive zoning plan?
4. Will rezoning and platting and/or replatting be required?

## V. GUIDELINES: REAL or PERSONAL PROPERTY, either OWNED OR LEASED

- A. Each applicant for a grant must comply with Project Impact Data request for information by providing the most accurate estimates regarding real property as possible.
- B. The City of Waco may enter into an agreement to grant the business an amount of money equal to all or a portion of the City taxes paid on the increased taxable value or eligible property over the base year value for a period not to exceed 5 years for real or leased-real property and 7 years for qualified personal property.
- C. Applicants that announce new facilities that meet and substantially exceed the guideline thresholds for real and or personal property grants may be considered on a case-by-case basis for grant terms and percentages greater than what is listed for all new facilities. This type of agreement would only be provided in exceptional cases at the specific direction of the Waco City Council.
- D. Premium Opportunity for job creation: An additional 10% grant is available annually for the period of the agreement if two-thirds (66.7%) of new full-time employees (additional employees in the case of a qualifying expansion) actually live within the City of Waco. This will be shown by the business on an annual basis, in a manner most convenient to the company, but not later than the last date on which the McLennan County Appraisal District may remove property from the tax rolls for exemption purposes. On or before December 31 of the agreement year is the preferred verification anniversary date. If at any time during the agreement period the business fails or ceases to comply with the required employment conditions, the grant percentage will be reduced accordingly.
- E. Real Property Grant
  - 1. The threshold eligibility requirements to qualify for a real property grant agreement for 90% of ad valorem taxes over five (5) years (maximum) in any location are as follows:
    - a. new structure or expansion square footage of one hundred thousand (100,000) square feet; **or**
    - b. two hundred (200) new full-time jobs; **or**
    - c. increases the taxable value of real property as appraised by McLennan County Appraisal District for \$10,000,000 or more.
  - 2. The threshold eligibility requirements to qualify for a real property grant agreement for a maximum of five (5) years in a Designated Neighborhood, CDBG Service area, or State Enterprise Zone, are as follows:

a. <u>New Structure/Expansion</u> <u>Square Footage</u>	<u>Grant Amount</u>	<u>Number of Years</u>
100,000 square feet	90%	5
99,999-50,000 square feet	65%	5
49,999-10,000 square feet	40%	5
9,999-5,000 square feet	40%	2
4,999-0 square feet	0%	0

**or**

b. <u>New Full-time Jobs</u>	<u>Grant Amount</u>	<u>Number of Years</u>
200 new jobs	90%	5
199-100 new jobs	65%	5
99-5 new jobs	40%	5
4-0 new jobs	0%	0

**or**

c. <u>Real Property Investment</u>	<u>Grant Amount</u>	<u>Number of Years</u>
\$10,000,000.00	90%	5
\$ 9,999,999.00-\$5,000,000.00	65%	5
\$ 4,999,999.00-\$2,000,000.00	40%	5
\$ 1,999,999.00-\$0.00	0%	0

3. The Minimum threshold eligibility requirements to qualify for any leased-real property (5 year maximum) grant are as follows:

Grant Percentage

5-Year Lease

- Year 1: 40% Grant
- Year 2: 30% Grant
- Year 3: 20% Grant
- Year 4: 15% Grant
- Year 5: 5% Grant

- a. Improvement to lease property that increases its taxable value by \$2,000,000 as verified by the McLennan County Appraisal District (MCAD); **or**
- b. Office: 40,000 square feet Class A office space plus 100 new full-time employees on the day the grant starts, either relocated from outside the City of Waco or new hires; **or**

- c. Office/Warehouse: 60,000 square feet of Office/Warehouse space plus 75 new full-time employees on the day the grant starts, either relocated from outside the City of Waco or new hires; **or**,
- d. Office/Warehouse: 100,000 square feet of Office/Warehouse space plus 60 new full-time employees on the day the grant starts, either relocated from outside the City of Waco or new hires.
- e. The benefits outlined in this section cannot be combined with real or personal property grants unless expressly authorized by the City of Waco City Council.

F. Personal Property Grant

- 1. All personal property investment amounts are based on appraisal values as determined by McLennan County Appraisal District
- 2. Premium Opportunity for job creation: An additional 10% grant is available annually for the period of the agreement if two-thirds (66.7%) of new full-time employees (additional employees in the case of a qualifying expansion) actually live within the City of Waco. This will be shown by the business on an annual basis, in a manner most convenient to the company, but not later than the last date on which the McLennan County Appraisal District may remove property from the tax rolls for exemption purposes. On or before December 31 of the agreement year is the preferred verification anniversary date. If at any time during the agreement period the business fails or ceases to comply with the required employment conditions, the grant percentage will be reduced accordingly.
- 3. Personal Property Grant Percentages: Without Job Creation
  - a. \$10,000,000.00 or more: 7 Year Grant
    - Year 1: 50% Grant
    - Year 2: 40% Grant
    - Year 3: 30% Grant
    - Year 4: 20% Grant
    - Year 5: 10% Grant
    - Year 6: 5% Grant
    - Year 7: 5% Grant **or**
  - b. \$9,999,999.00 - \$5,000,000.00: 5 Year Grant
    - Year 1: 50% Grant
    - Year 2: 40% Grant
    - Year 3: 30% Grant
    - Year 4: 20% Grant
    - Year 5: 10% Grant **or**

- c. \$4,999,999.00 - \$2,000,000.00: 5 Year Grant
  - Year 1: 40% Grant
  - Year 2: 30% Grant
  - Year 3: 20% Grant
  - Year 4: 10% Grant
  - Year 5: 5% Grant

4. Personal Property Grant Percentages: With Job Creation

- a. \$4,999,999.00 - \$2,000,000.00 and Minimum of 100 New Employees (on the day the grant starts): 7 Year Grant
  - Year 1: 40% Grant
  - Year 2: 30% Grant
  - Year 3: 20% Grant
  - Year 4: 15% Grant
  - Year 5: 5% Grant
  - Year 6: 5% Grant
  - Year 7: 5% Grant

5. Personal Property Grants in Designated Neighborhoods, CDBG Service Areas, and State Enterprise Zones (Emphasis on City Council Priorities of Job Creation and Retention):

- a. A new or expanding business which has a more than 45% increase in existing employment or more than 30 new full-time jobs created is eligible for a five year grant at the following schedule:
  - Year 1: 40% Grant
  - Year 2: 30% Grant
  - Year 3: 20% Grant
  - Year 4: 10% Grant
  - Year 5: 5% Grant

**or**
- b. A new or expanding business which has at least a 30% increase in employment or more than 15 new full-time jobs created is eligible for a four year grant at the following schedule:
  - Year 1: 40% Grant
  - Year 2: 30% Grant
  - Year 3: 20% Grant
  - Year 4: 10% Grant

**or**
- c. A new or expanding business which has a 30% increase in employment or more than 5 new full-time jobs created is eligible for a 2 year grant at the following schedule:
  - Year 1: 40% Grant
  - Year 2: 30% Grant

## G. Grant Restrictions

1. No grants will be made for modernization projects unless there is a change in use or a change in ownership and the project is not attributable to delayed or deferred maintenance.
2. No grants will be made for inventory or supplies, including office equipment.
3. Personal property that was located on the real property at any time before the period covered by the agreement will not be eligible for inclusion in the agreement.
4. Personal property agreements cannot be combined with real property agreements unless expressly authorized by the City of Waco City Council.
5. An applicant that is awarded a grant will not be eligible for water or sewer refund contracts.
6. **If at any time during the agreement period the business fails or ceases to comply with the required employment conditions, the grant percentage will be reduced accordingly.**

## VI. PROCEDURAL GUIDELINE

Any person, partnership, organization, corporation or other entity desiring that the City of Waco consider providing a real, leased-real, or personal property grant to encourage location of operations within the city limits of Waco shall be required to comply with the following procedural guidelines. Nothing within these guidelines shall imply or suggest that the City of Waco is under any obligation to provide a grant in any amount or value to any applicant. Further, no representations made herein are binding unless and until approved by the City of Waco City Council.

### A. Preliminary Application Steps

1. Applicant located in designated neighborhoods, CDBG Services Areas, or State Enterprise Zones, shall submit a City of Waco Application for real, lease or personal property grant with a filing fee of \$500.00. The filing fee for an applicant, located outside Designated Neighborhoods, CDBG Service Areas or State Enterprise Zones, is \$1,000.00. An application will not be processed without the total amount of the filing fee being paid in advance.
2. Applicant shall address all criteria questions outlined in Section IV above in letter format.
3. Applicant for real or personal property grant shall prepare a survey map showing the precise location of the property, all roadways within five hundred (500) feet of the site, all existing land uses and zoning within five

hundred (500) feet of the site and the kind, number and location of all proposed improvements.

4. City may request applicant to provide substantiation of the economic feasibility of the overall project to assist in determining the long-term benefit to the City.
5. Applicant shall provide a complete legal description of the real property where the real or personal property to be granted will be located.
6. All information in the application package detailed above will be reviewed for completeness and accuracy.
7. The application will be distributed to the appropriate City Departments for internal review and comments. Additional information may be requested as needed.
8. Copies of the complete application package and staff comments will be provided to the City Council.

**B. Consideration of the Application**

1. The City Council will consider the application at meetings conducted pursuant to the Open Meetings Act. Additional information may be requested as needed.
2. The City Council shall determine the potential of the grant to promote state or local economic development and to stimulate business activity in the City.
4. The City Council shall consider adoption of a resolution authorizing the grant.
5. The City Council shall consider approval of the terms and conditions of an agreement between the City and the applicant, which governs the administration of the grant.

**VII. ANNUAL CERTIFICATION**

Beginning on or before December 31 of the first year of an agreement, and throughout the term of such agreement, the owner shall annually submit a statement, preferably on or before December 31st of each year, but not later than the last date on which the McLennan County Appraisal District may remove property from the tax rolls for exemption purposes, which provides the names and addresses of employees, number of jobs created, dollar amount of payroll, type of equipment (if applicable) and the square footage of qualified facilities. The City shall have the right, if it deems necessary, to examine the owner's appropriate records and to renegotiate or adjust the agreement based on the verified information provided by owner's statement.

## **VIII. RECAPTURE**

If a project is not completed as specified, or if the terms of the grant agreement are not met, the City has the right to cancel or amend the grant agreement. **If a business awarded a grant fails or refuses to meet its obligations and commitments under a grant agreement or these guidelines, the business shall be responsible and obligated to repay to the City the grant funds received from the City. Repayment of the grant funds shall be made by the business upon sixty (60) days demand therefore by the City. Repayment of the grant shall be made on a pro-rata basis based on the percentage of non-compliance by the business.**

## **X. INSPECTION AND FINANCIAL VERIFICATION**

The City of Waco reserves the right to review and verify the applicant's financial statements prior to awarding a grant and to review the financial condition of the business during the term of the agreement. The City of Waco also reserves the right to send a representative to inspect the facilities of the applicant during the term of the agreement and to verify the information provided for the grant agreement. Provisions to this effect shall be incorporated into the agreement.

## **XI. EVALUATION**

Upon completion of the installation of the equipment, or during the course of any real or personal property grant agreement, the City Manager's designee may annually (or such other times deemed appropriate by the City) evaluate each business receiving a grant to insure compliance with the agreement and report possible violations of the agreement.

## **XII. INTERLOCAL AGREEMENTS**

The City of Waco may enter into interlocal agreements with McLennan County for the purpose of designating the City as the party responsible for administrating any cooperative industrial business grant projects for which the City and the County are cooperatively providing industrial business grant funding.