PORT ARTHUR
ECONOMIC DEVELOPMENT CORPORATION

IMPACT INCENTIVE POLICY

Impact Incentive Policy

Adopted August 13, 2024 (Resolution ABC-123)

1. General Purpose and Objectives

The Port Arthur Economic Development Corporation (PAEDC) encourages and supports new business development and the expansion of its business community through retention, expansion, and recruitment endeavors. Port Arthur is a vibrant city known for its rich natural and historical assets, including its beautiful coastline and the bustling port that drives local commerce. The city embraces its cultural diversity, maintains a strong sense of community, and leverages growth to continue building a sustainable community that benefits both existing and new businesses and residents.

The purpose of this Incentive Policy (the Policy) is to establish standards and guidelines that will govern the granting of incentives to facilitate economic growth. Port Arthur boasts a robust workforce pipeline and strong infrastructure network to support business growth, and, as such, financial incentives should not be necessary in most cases. The PAEDC encourages the use of incentives only as necessary to finance gaps and support business developments that would otherwise not select Port Arthur as the location to establish or expand their operations.

This Policy is designed to promote capital investment and job creation in Port Arthur that fill targeted industries and align with community values. This Policy may not address every type of project for which incentives may be requested, and the PAEDC reserves the right to evaluate projects on a case-by-case basis, in the best interest of the community. Additionally, nothing within this Policy shall imply or suggest that the PAEDC is obligated to provide incentives to any applicant.

Mission Statement: To implement a proactive, aggressive industrial recruitment process focused upon specific industrial clusters that can achieve world-class competitive stature in Port Arthur.

The goals of this policy are:

1. Provide formal guidance on incentives.
2. Support intentional growth in Port Arthur and create a stable tax base through economic diversification.
3. Provide consistency and set expectations for the process for both applicants and decision-makers.

2. Definitions

“**Average wage**” shall mean the statistical average mean wage salary being paid or proposed wage to be paid by a prospective company.

“**Balance sheet**“ shall mean a financial summary containing details of a company’s assets or liabilities at a specific point in time.

“**Bankruptcy**“ shall mean a legal proceeding initiated when a person or business cannot repay outstanding debts or collections.

“**Business operations**“ shall mean activities that businesses engage in on a daily basis to increase the value of the enterprise and earn a profit.

“**Capital investment**“ shall mean the acquisition of physical assets by a company for use in furthering its long-term business goals and objectives. Real estate developments, new construction or renovation of an existing facility, and equipment are among the assets that are purchased as capital investments.

“**City of Port Arthur water quality regulations**" shall mean the City of Port Arthur's water quality regulations, standards, and requirements, including those appearing in the City Code or other ordinance, or administrative rules.

“**Compliance**“ shall mean the process of ensuring that all parties involved fulfill their obligations according to the agreement.

“**Economic and fiscal impact**" shall mean the impact any given project may have on the tax base of the City of Port Arthur and its financial ability to meet the desired employment level expected by citizens.

“**Firm, company, or business**” may be used interchangeably in this Policy and shall mean a business organization or operating entity engaged in commercial, industrial, or professional activities. They may be for-profit or non-for-profit business organizations.

“**Full-time employee**” shall mean a company employee who is engaged an average of 30 hours or more per week.

“**Headquarters**" shall mean a physical corporate, subsidiary, or regional managing office, as defined by NAICS 551114, that is responsible for strategic or organizational planning and decision-making for the business on an international, national, or state-wide basis. A headquarters in Port Arthur must have a minimum of 16 full-time employees at its Port Arthur location, including positions such as the Chief Operating Officer, President, or principal management of the company.

“**Incentive**“ shall mean programs designed to influence business investment behaviors for an economic development purpose.

“**Infrastructure**“ shall mean the "underlying structure" that a business needs in order to function. These include roads, bridges, dams, water and sewer systems, communication systems, railways, airports, and harbors.

“**Legacy business**” shall mean a business with a continuous physical presence within the City of Port Arthur taxing jurisdiction for at least 20 years and contributes to the history, culture, and authentic identity of Port Arthur.

“**Local firm**” shall mean a firm engaged in business and located within the taxing jurisdiction of the City of Port Arthur.

“**Local labor force**” shall mean a resident permanently living within the taxing jurisdiction of the City of Port Arthur prior to the effective date of an economic development agreement.

“**NAICS code**“ refers to the North American Industry Classification System (NAICS) which is the standard used by Federal statistical agencies in classifying business establishments.

“**New jobs**“ shall mean jobs that are created for the purpose of satisfying a company’s compliance obligations.

“**Performance**“ shall mean the demonstration of a business’s ability to implement a strategy to achieve objectives set in a contract.

“**P&L**“ shall mean a financial statement that summarizes the revenues, costs, expenses, and profits/losses of a company during a specified period.

“**Primary industry**“ shall mean a business sector responsible for producing raw materials, including but not limited to metal, meat, oil or vegetables.

“**Primary job**“ shall mean a job that produces goods and/or services for customers that are predominantly outside the community.

“**Pro forma**“ shall mean a document of a business’s financial projections or presumptions for a certain length of time.

“**Project**“ shall mean a company’s capital investment for improvements, infrastructure, equipment, and job creation.

“**Small business**” shall mean a firm with 500 or fewer employees total throughout all its locations.

“**Strategic initiatives**” shall mean the strategic areas identified by the Port Arthur Economic Development Corporation to focus on for the continued growth of the city.

“**Targeted industry**” shall mean specific industrial activities, or companies involved in specific industries that have been identified as a desirable industry for the City of Port Arthur, including:

- Energy and Petrochemicals
- Logistics and Distribution
- Manufacturing
- Maritime and Shipbuilding
- Healthcare
- Renewable Energy

Eligible NAICS Codes Industries by Sector:

111 Crop Production
112 Animal Production
113 Forestry and Logging
11411 Commercial Fishing
115 Support Activities for Agriculture and Forestry
211 to **213** Mining
221 Utilities
311 to **339** Manufacturing
42 Wholesale Trade
48 and **49** Transportation and Warehousing
51 Information (excluding 512131 and 512132) (excluding movie theaters and drive-in theaters)
523 to **525** Securities, Commodity Contracts, and Other Financial Investments and Related Activities; Insurance Carriers and Related Activities; Funds, Trusts, and Other Financial Vehicles
5413, 5415, 5416, 5417, and **5419** Scientific Research and Development Services
551 Management of Companies and Enterprises
56142 Telephone Call Centers
922140 Correctional Institutions
928110 National Security and for corresponding index entries for Armed Forces, Army, Navy, Air Force, Marine Corps, and Military Bases.

3. Policy Criteria

The Port Arthur Economic Development Corporation (PAEDC) is committed to the promotion of quality development in all parts of the city and to improving the quality of life for its citizens. In order to meet these goals, the PAEDC will consider providing incentives to stimulate economic development in Port Arthur in accordance with the procedures and criteria outlined in this Policy. Prospective businesses are required to discuss potential incentives with PAEDC staff members prior to receiving an application.

In order to determine the feasibility of a project, both quantitative and qualitative analyses will be performed to determine the expected economic, environmental, and social impact of the project on the community.

4. Eligible Projects

The IMPACT Incentive Program, administered by the Port Arthur Economic Development Corporation (PAEDC) as a Type A Corporation, is designed to support projects that contribute to the industrial and economic growth of Port Arthur. Eligible projects must align with the statutory requirements of Type A Corporations under the Texas Local Government Code, with a focus on primary job creation and industrial development. The following types of projects are eligible for the IMPACT Incentive Program:

1. **Industrial and Manufacturing Facilities:**
   - Projects that involve establishing, expanding, or improving manufacturing plants, industrial facilities, and processing centers that directly contribute to primary job creation.
   - Examples: Construction of new manufacturing plants, expansion of existing industrial facilities, upgrades to production lines.
2. **Primary Job Creation Projects:**
   - Businesses that create or retain primary jobs in sectors such as manufacturing, warehousing, distribution, and corporate operations related to industrial activities.
   - Examples: Establishment of large-scale distribution centers, creation of corporate headquarters for industrial companies.
3. **Infrastructure Development for Industrial Use:**
   - Projects requiring the development or enhancement of infrastructure to support industrial operations, such as roads, utilities, and transportation networks essential for industrial activities.
   - Examples: Construction of access roads to industrial sites, upgrades to utility services for manufacturing plants.
4. **Business Retention and Expansion (Industrial Focus):**
   - Projects aimed at expanding or retaining existing industrial businesses that are critical to Port Arthur's economy, particularly those that may relocate without additional support.
   - Examples: Expansion of existing industrial operations, incentives to retain key manufacturing facilities in Port Arthur.

5. **Environmental and Compliance-Related Projects:**
    - Projects that involve alterations to industrial facilities to ensure compliance with environmental regulations, safety codes, or other governmental requirements necessary for continued operations.
    - Examples: Installation of environmental control systems, structural modifications for safety compliance in industrial buildings.
6. **Workforce Development for Industrial Sectors:**
    - Projects that support the creation of training programs and workforce development initiatives specifically geared toward the skills needed in the industrial and manufacturing sectors.
    - Examples: Job training programs in partnership with local educational institutions for manufacturing skills.

5. Ineligible Projects

While the IMPACT Incentive Program supports the industrial and economic growth of Port Arthur, certain types of businesses and projects are ineligible for funding under the Type A Corporation guidelines. The following types of projects are not eligible for the IMPACT Incentive Program:

1. **Retail and Commercial Businesses:**
    - Businesses primarily engaged in retail, restaurants, hospitality, and other commercial activities that do not involve primary job creation in industrial or manufacturing sectors.
    - Examples: Clothing stores, grocery stores, hotels, restaurants, and entertainment venues.
2. **Professional and Consumer Services:**
    - Businesses providing professional services, personal services, or consumer-oriented services, as these do not align with the industrial focus of Type A Corporations.
    - Examples: Law firms, accounting firms, salons, spas, gyms, and repair services.
3. **Residential and Real Estate Development:**
    - Projects related to residential real estate, including housing developments, condominiums, or apartment complexes, are not eligible for Type A Corporation funding.
    - Examples: Apartment complexes, single-family housing developments, residential subdivisions.
4. **Non-Profit Organizations and Cultural Institutions:**
    - Non-profit organizations and businesses focused on arts, culture, recreation, or other non-industrial activities, unless directly tied to industrial job creation, are excluded.
    - Examples: Art galleries, theaters, recreational facilities, museums, and charitable organizations.

5. Hospitality and Tourism:

- Typical hospitality and tourism businesses, including hotels, resorts, and attractions, are not eligible unless they are directly tied to industrial job creation.
- Examples: Resorts, theme parks, tourist attractions, boutique hotels.

6. Small-Scale Local Businesses:

- Small local businesses that do not contribute to significant primary job creation in the industrial or manufacturing sectors are generally ineligible.
- Examples: Local cafes, small independent retailers, craft stores.

The IMPACT Incentive Program is committed to supporting projects that align with the strategic goals of economic development in Port Arthur, particularly those that drive industrial growth and primary job creation. Projects that do not meet these eligibility criteria may not qualify for funding under the Type A Corporation guidelines, but businesses are encouraged to explore other programs that may better suit their needs.

6. Minimum Eligibility Requirements:

A. The business must be located within the taxing jurisdiction of the City of Port Arthur. Applicants with a project located outside of the city limits may apply for incentives to be effective after an approved petition for annexation.

B. The business must comply with current City of Port Arthur water quality regulations on all current projects and during the term of the incentive agreement. Variances from the requirements will not be given via an economic development incentive agreement.

C. Infill developments and the reuse of existing buildings are encouraged.

D. For new businesses considering locating in Port Arthur, PAEDC incentives must be a crucial part of the decision-making process. Incentives will not be considered if a new development permit application has already been submitted, the purchase of an existing property has been finalized, or a new tenant lease has been executed prior to incentive discussions. For existing businesses, incentives will not be considered if an application for a new development permit has already been submitted.

E. All jobs calculated or counted for jobs-based economic development purposes shall earn no less than the Beaumont-Port Arthur Metropolitan Statistical Area all-industry average wage as recorded by the U.S. Bureau of Labor Statistics.

F. All new full-time employees and their dependents shall have access to employer-sponsored healthcare (health, dental, and vision) throughout the full term of the agreement.

G. Applicants must demonstrate within their application that, without receiving incentive assistance, the applicant would not locate or expand within the City of Port Arthur.

H. Any company receiving incentives must use local public resources to inform the local labor force of career opportunities (e.g., Port Arthur Economic Development Corporation, Port Arthur Public Library, Workforce Solutions Southeast Texas, Lamar State College-Port Arthur, Port Arthur News, local job fairs).

I. The business must have a Federal Employer Identification Number (EIN).

J. The business must have a Texas Business Identifier Number with the Texas Secretary of State and the Texas Comptroller.

K. The applicant must provide proof of ownership of the business or proof that the owner of the business has approved the application for incentive funds. Acceptable documentation includes stock certificates, membership certificates, agreements, certificates of status, and government-issued documents of business registration.

L. A current Business Plan, including Marketing and Communications Plans, reviewed and approved by either a lending/financial services entity or the Lamar State College Port Arthur SBDC, must be provided to PAEDC with the application for businesses under 5 years old.

M. An Expansion Plan including a 1-year Proforma.

N. Financial reports covering the previous thirty-six (36) months plus financial projections for the next twelve (12) months as of the date of the application.

O. If approved for funding, the business must have a current Disaster Preparation and Resiliency Plan reviewed and approved by PAEDC.

P. A majority vote of the Board of Directors of the PAEDC must approve all applications.

Q. All applicants shall be notified in writing of the PAEDC's decision to approve or disapprove the application.

R. If approved for funding, during the proposed project, a representative(s) of the PAEDC shall have the right, at reasonable times, to have access to and inspect the work in progress.

S. The applicant shall be responsible for obtaining all applicable permits related to the proposed project. Copies of all required permits related to the improvement project are to be included with the application package.

7. Performance

Financial incentives granted by the PAEDC are performance-based. A project that fails to satisfy the terms outlined in its approved agreement will not be eligible to receive its approved incentive. Incentive agreements shall include specific recapture provisions to safeguard the PAEDC from potential financial loss.

The PAEDC will perform evaluations of approved incentive agreements to ensure compliance by all parties. For some incentives, an annual compliance certificate must be received by PAEDC staff each year of an active agreement prior to the corresponding incentive being released.

8. Required Documents

- Proof of ownership
- Certificates of Good Standing: Secretary of State and State Comptroller
- Bios on Owners with 20% or greater ownership
- Business plan including Marketing and Communications plan (if business is less than 5 yrs. old)
- Expansion plan including 1 year Profit/Loss Statement
- Business financial statements for last 3 years
- Business tax returns for last 3 years (include extension when applicable)
- Personal financial statements of Owners with 20% or greater ownership (if businesses less than 5 years old)
- Personal tax return of Owners with 20% or greater ownership (if businesses less than 5 years old)
- Proof of business insurance coverage
- Site plan
- Proof of funding sources

Applications submitted with missing information or documentation will be rejected.

INCENTIVE PROCESS

START

1. Prospect meets with PAEDC for initial project discussion to determine project & application eligibility.
2. Applicant completes application.
3. Applicant double checks all documents are accounted for and submits application.
4. Application is reviewed by PAEDC to determine project's feasibility and estimated ROI.
5. CEO presents a high level overview of the proposed project to the PAEDC Board of Directors.
6. PAEDC and Applicant negotiate terms and conditions for a Performance Agreement.
7. CEO presents proposed terms and conditions to PAEDC Board of Directors for its review and approval.
8. Tentative Performance Agreement terms and conditions are submitted for review to PAEDC attorney for consultation with Applicant's attorney.
9. Performance Agreement submitted to PAEDC board for approval.
10. Performance Agreement reviewed by City Council for final approval.
11. Performance Agreement is fully executed and project implementation commences.
12. B.A.R.E. Manager verifies Performance Agreement milestones are achieved.
13. PAEDC issues reimbursement check per milestone schedule.