

CITY OF LAREDO

ECONOMIC DEVELOPMENT PROGRAM GUIDELINES

Authorized by Chapter 380, Texas Local Government Code
Effective May 17, 2021

GENERAL PROVISIONS

1.0 PURPOSE

Chapter 380 of the Texas Local Government Code authorizes the Laredo City Council to establish and provide for the administration of one or more programs, including programs for the making of loans and grants of public money and providing personnel and services of the City, to promote economic development. This Policy is intended as a recommended practice for administration of the incentive agreements outlined herein, which can be revised upon adoption biennially, is intended to establish a program and set forth recommended guidelines and criteria for persons or entities interested in receiving economic development program grants or loans from the City pursuant to Chapter 380 of the Texas Local Government Code. <https://statutes.capitol.texas.gov/Docs/LG/htm/LG.380.htm>

1.1 BACKGROUND

Purposeful economic development practices create thriving communities. A successful and beneficial economic development approach responds to the needs of the community, illustrates agility in the face of dynamic market conditions, utilizes a proactive intervention strategy, and is guided by shared community values. The City of Laredo's shared vision is captured in the Viva Laredo Economic Development Strategy and the Viva Laredo Comprehensive Plan, both adopted in September 2017. These plans focus on an integrated approach to the prosperity of the city. They are meant to expand equitable economic opportunity, diversity, creativity, sustainability, leadership, and affordability as a foundational approach.

The City of Laredo seeks transformative public-private partnerships to strengthen the local economy, sustain economic activity, and build resilience against national economic downturns. The following guidelines have been developed to govern the implementation of new agreements and to establish a process for program creation, project selection, program stewardship, and regular reassessment.

The basic framework for spending City funds is:

1. City funds must be spent for a City purpose (municipal purpose);
2. The City must get a benefit that is roughly equivalent to what it is spending; and
3. The City must be able to track that the purpose is being achieved;
4. Additionally, the Texas Constitution generally prohibits the use of public funds for a private purpose, prohibits the City from giving a gift; and prohibits the City from investing in private entities.

1.2. GENERAL ELIGIBILITY CRITERIA FOR ECONOMIC INCENTIVES

The terms and conditions of any 380 Grant will be set forth in an Economic Development Program Agreement that must be negotiated and executed by both the City of Laredo and the applicant or a representative of the applicant. Agreements must be recommended by City staff and receive final approval from the Laredo City Council. Although the City will consider all applications for the 380 Grants that meet the eligibility requirements set forth in the Policy, it is especially interested in supporting projects that are

expected to produce a meaningful impact on the City and its economy and that result in one or more of the following:

- Growth of business activity, employment, or investment especially, but not limited to identified target industries such as:
 - A. Manufacturing/Advanced & Light**
 - B. Healthcare Industry**
 - C. Large Distribution Centers & Logistics; Produce & Cold Storage**
 - D. Destination Retail/Hospitality**
- Creation of high-wage and quality jobs or large number of jobs
- Growth of business, employment, or investment in Downtown, Inner City or South Laredo
- Revitalization in a key employment node or specifically designated area of the city
- Retention or expansion of an existing major employer, logistics included
- Other opportunities as specified by Chapter 380 of the Texas Local Government Code
- Businesses must submit an online application for program consideration. A \$2,500 fee is required.

2.0 DEFINITIONS

380 Grant Term – The period of time specified in an Economic Development Program Agreement in which a party may receive annual 380 Grants, not to exceed a total of ten (10) years unless otherwise approved by City Council.

Business Personal Property – Any taxable tangible personal property other than inventory and supplies that (i) is subject to ad-valorem taxation by the City; (ii) is located on the property subject to an Economic Development Program Agreement; (iii) is owned or leased by the party to the Economic Development Program Agreement.

Grant – A monetary grant from the city to the project applicant. The most common form of a grant is a tax rebate. However, a grant may include any combination of the following: funds for hard and/or soft costs, funds reimbursing certain expenses, a tax rebate, or any other incentive that the City is authorized to offer in accordance with Texas Chapter 380.

Capital Investment – Expenditures for real property improvements such as, without limitation, new facilities and structures, site improvements, infrastructure improvements, facility expansion, facility modernization, and utility installation. Capital Investment does NOT include land acquisition costs or the cost or value of any improvements existing on the property.

City – City of Laredo.

Comprehensive Plan: Viva Laredo, City of Laredo Comprehensive Plan. Adopted September 2017,

Destination Retail – A development that contains a retailer or group of retailers who will offer a product and or good (subject to sales tax) that is unique to the market and which is not otherwise available for purchase at a retail business physically located in the City of Laredo.

Existing Business – A business that was operating within the corporate limits of the City at least one year before applying to the program.

Federal Agencies – US federal government agencies in Laredo, i.e. US CBP. Texas government code allows cities to enter in agreements with federal agencies.

Minimum Living Wage – To be eligible for an economic incentive, at least (80%) of the company’s new and existing employees at the project location must earn no less than a “living wage”, as defined by the MIT living wage calculator tool indicated below, throughout the full terms of the agreement and all economic development grant incentives agreements under Chapter 380 connected to jobs creation or retention. **(Massachusetts Institute of Technology (MIT): \$13.37 per hour for Laredo/Webb County in 2021).** <https://livingwage.mit.edu/metros/29700>

Personal Property Investment – The value of Business Personal Property installed in a development.

Standard Benefits – Medical, dental and vision insurances available, sick and vacation and or paid time off, and a retirement option.

Target Industries – A business providing services in the sectors specifically identified in this document and in part in the Viva Laredo! City of Laredo Comprehensive Plan (Economic Development) and the Economic Recovery initiatives approved in 2020. May be revised periodically.

3.0 GENERAL EXCLUSIONS AND LIMITATIONS

Leases of Real Property

A person or entity seeking an economic incentive should be advised that the City will only provide incentives, such as a tax rebate or “grant,” based on the increased value of the taxable real property, if any, and the increase in value of taxable improvements and business personal property located on the real property.

3.1 GENERAL PROGRAM GOALS

The Chapter 380 program, as a part of the larger economic development strategy, generally adhere to the Viva Laredo Comprehensive Plan Economic Development Goals and Policies found in Chapter 12 of the Viva Laredo Economic Development Strategy. www.vivalaredo.org. Additionally:

- A. The City of Laredo will focus its program efforts on attraction, retention, and expansion efforts on a set group of targeted industry clusters that have the best chance for growth and the best return on investment for the community.
- B. Laredo’s regional assets support the expansion of these clusters and their potential linkages because investment in them will develop and attract skilled workers, offer profitable markets for companies to participate in, retain highly skilled and educated workers, and connect businesses to a broader range of entrepreneurship, suppliers, or other resources.
- C. Applicants that target local cluster industries and investments that address opportunity gaps that link them while meeting quality of life and place metrics will receive the highest attention.

4.0 ELIGIBILITY CRITERIA FOR PROJECTS

- a. Project incentives should comply with City Charter, local policy and Chapter 380 of The Texas Government Code.

- b. **Projects must substantially enhance the economic health of Laredo; will result in the net increase or retention of quality, well-paying jobs; generate capital investment, be net positive, generate economic activity and add to the city's ad-valorem tax base.**
- c. To be considered for a Texas Chapter 380 Grant, a project must commit to a minimum investment of at least \$10 million (real and or business personal property), and or the creation of at least 30 new full-time jobs with City's living wage requirements, and if approved by City Council, of the grant term can be no more than 10 years. City Council may renew the agreement for an additional period of no more than 10 additional years with a re-application and staff review. No agreement may be renewed or extended for a total of more than 20 years.
- d. The amount of assistance for a particular project will be based on a determination of need for financial incentives from the City on a case-by-case basis to ensure the attraction, retention and/or execution of eligible projects. Staff will also conduct a fiscal benefit analysis on each project and evaluate the total benefits projected from all financial incentive programs the City can offer for the project, including tax rebate and/or assistance from the State of Texas.
- e. The amount of incentives per project will be based on the amount of capital investment, ad-valorem, job creation/retention, average hourly and annual salaries, type of industry and other factors such as sales tax generation. Grant payments will be disbursed based on terms negotiated with the recipient.
- f. Generally, payments as tax rebates/abatements will not be made until the next calendar year after the project completes one year in operation and compliance requirements are met for that first year. For example: Project A receives certificate of occupancy in September 2021. Project A completes one full calendar year in operation December 2022. It will then receive a full assessment by Webb County Appraisal District, and therefore, Project A will begin to receive benefits/rebates beginning in 2023 for year 2022, its first full year in operation.
- g. Economic incentives may be granted for new facilities and improvements to existing facilities for the purpose of modernization or expansion.
- h. Economic incentives may be granted for the added value of eligible property improvements based on valuations as determined by the Webb County Appraisal District and subject to and listed in an agreement between the City and the property owner or lessee.
- i. If the recipient of an Economic Development Program Agreement breaches any of the terms or conditions of the Economic Development Program Agreement and fails to cure such breach in accordance with its individual Economic Development Program Agreement, the City shall have the right to terminate the Economic Development Program Agreement.

4.1 MAXIMUM TAX REVENUE PERCENTAGE REIMBURSEMENT:

- **Up to 75% & 5 years based on minimum \$10 million investment and at least 30 new, full-time permanent jobs with at least 80% above the minimum living wage & with standard benefits.**
- **Up to 85% & 7 years based on minimum \$20 million investment and at least 60 new, full-time permanent jobs with at least 85% above the minimum living wage with standard benefits.**

- **Up to 100% & 10 years based on minimum \$30 million investment and at least 120 new, full-time permanent jobs with at least 90% above the minimum living wage with standard benefits.**
- **Consideration will also be given to a jobs-focused project that has no real property investment (lease only), or an investment-focused project with few jobs.**

4.2 OTHER USE OF FUNDS

Funds may be used to provide economic development loans and grants pursuant to Chapter 380, Texas Local Government Code, to help fund the following types of job retention, expansion and/or creation projects and project-related expenditures:

1. Public infrastructure improvements associated with the project
2. Training for new or retained jobs
3. Real and personal property acquisition and site development
4. Studies or planning that promote growth in the targeted industries and/or areas
5. City of Laredo utility infrastructure costs
6. Grants or loans to community education partners
7. Entering into a project partnership with a federal agency
8. Restoration or adaptive reuse of existing structures for project retaining and/or creating jobs

4.3 LOAN PROGRAM

Chapter 380 of the Texas Local Government Code allows the City of Laredo to establish a loan program as part of a Chapter 380 economic incentive program. Under this program, the City could establish a small business loan program if discretionary funds designated for economic development are available as identified by the City Manager for such uses. If the loan program is established with funding, the program must be implemented through a third-party vendor and not the City of Laredo Economic Development department or other city staff.

5.0 TYPES OF TARGET INDUSTRIES

In keeping with the broad-based approach to economic development, agreements will not be restricted to any particular type of industry. Preference will, however, be given to:

- A. Manufacturing/Advanced & Light**
- B. Healthcare Industry**
- C. Distribution Centers & Logistics; Produce & Cold Storage**
- D. Destination retail/hospitality**

Also, other types of industry, which provide wages above the living wage, that are a strategic economic development priority and bring at least a \$10 million investment and 30 full-time permanent jobs based on **the Viva Laredo! City of Laredo Comprehensive Plan – Economic Development Chapter**, and **Economic Recovery Initiatives** approved by City Council in Spring 2020. Destination Retail and/or Destination Entertainment projects will also be considered.

*Projects may also be considered if the City Council determines that the venture will make a unique or unequalled contribution to the economy, or if the project is expected to have at least \$10 million in added value to real property and/or business personal property combined or at least 30 new permanent full-time jobs created.

- E. **SPECIAL CONSIDERATIONS:** City Council may waive certain incentive requirements if the business/project is a company will locate a primary or a regional headquarters to Laredo, is a technology firm, research and development business, professional services firm or a strategic medical facility that will create multiple high-demand or high-paying jobs. Wage and benefit rules, however, will still apply.
- F. **EXISTING/LOCAL BUSINESS EXPANSIONS:** The City wants to support the growth of businesses already located in Laredo. In order to be considered for 380 Grants, an Existing Business expansion project that is not eligible for 380 Grants elsewhere in these guidelines must commit to a **minimum investment of at least \$7 million and the creation of at least 20 new, full-time permanent jobs with benefits and with at least 70% paying more than the minimum living wage, adopted with this policy to receive up to a 75% annual real property tax rebate for no more than 5 years.**
- G. **DOWNTOWN & INFILL:** Special consideration can be given to projects, valued at \$5 million or more, located in Downtown Laredo or other economically challenged areas of Laredo, that would include development on vacant land, or redevelopment of or refurbishment of a vacant or under-utilized facility where improvements would raise the ad-valorem value significantly, create housing or retail opportunities and generally follow the City's Comprehensive Plan.

6.0 APPLICATION PROCESS

Those interested in pursuing a Chapter 380 grant for a project, contact the Economic Development Department visit the website <https://www.cityoflaredo.com/ecodev/>. Staff, after review, will determine whether the project would be the best fit for a tax abatement, rebate or a grant, and will assist the applicant through the process. Applicants must complete an online or hard copy application and submit it with the required attachments.

- A. **APPLICATION SUBMISSION.** An applicant must complete and submit a City of Laredo Economic Development Program application (with required attachments). An application can be obtained from and should be submitted to the City's Economic Development Department. In order to be complete, the application must include documentation that there are no delinquent property taxes due for the project property. Submit applications to:

**CHAPTER 380 PROGRAM
CITY OF LAREDO
ECONOMIC DEVELOPMENT DEPARTMENT
1110 HOUSTON STREET
PO BOX 579
LAREDO, TEXAS 78042-0579**

- B. **APPLICATION FEE.** Upon submission of the Application, an applicant must also pay an application fee. This application fee shall be \$2,500 and will be utilized for City staff expenses associated with the review and processing of the application and fees associated with legal any notice requirements.

- C. REVIEW AND EVALUATION.** The Economic Development Department will review an application for accuracy and completeness. Once complete, the Economic Development Department will evaluate an application based on the perceived merit and value of the project, including the following criteria:
- Types and number of jobs created, including wages and benefits, as per guidelines
 - Type of industry and activities associated with project
 - Project capital investment and or valuation
 - Financial viability of the project
 - Basic economic impact
 - Compliance with Viva Laredo Comprehensive Plan for economic development
 - Applicants must be in compliance with all federal, state and local laws and must not be the subject of litigation or lawsuits based on its business practices.
 - No project will be considered if construction is already underway at the time of application.
- D. SUPPORTING MATERIAL.** Along with the application, a detailed description of the project with corresponding renderings, maps, capital outlay and labor forecast (with positions listings and wage) and other appropriate material an addition to a detailed costs estimate. If sufficient information is not received along with the application and fee, applicant will be notified, and the process will be halted.
- E. FOLLOWING REVIEW.** After review, the City's Economic Development Department will make contact with the applicant. Additionally, after a careful evaluation, the City of Laredo Economic Development submit the plan to the City of Laredo Economic Advisory Committee for a recommendation. Staff will the make a recommendation to City Management. The project then moves forward to the City Council for consideration. The applicant will be informed of application's status in a timely manner. Construction on the project must begin within a year of City Council approval or the application will be void.
- F. CITY COUNCIL AUTHORITY.** **The City Council retains sole authority to approve or deny any Tax Rebate Agreement or Economic Development Program Agreement under Texas Government Code Chapter 380 and is under no obligation to approve any application or agreement.** Each program agreement will be negotiated on a case-by-case basis, and the amount awarded may be less than maximum available term specified.

7.0 COMPLIANCE

The First Compliance Review Year shall be the full calendar year after which a final certificate of occupancy is issued by the City of Laredo for the real property and or Business Personal Property investment required by the agreement or as negotiated. Compliance reviews, such as for operations, employment and or project valuation – as per the Webb County Appraisal District – will take place annually at a date, place and time to be negotiated and listed in the project's 380 agreement, however, the City reserves the right to perform additional evaluations for compliance, with reasonable notice to the firm, if it deems necessary.

If the grant is in the form of ad-valorem tax rebate or abatement, it will be paid in the calendar year following the Compliance Review Year and the year it receives a full appraisal. The City will continue to review and determine the recipient's compliance with the terms and conditions of the agreement for each subsequent calendar year until its expiration.