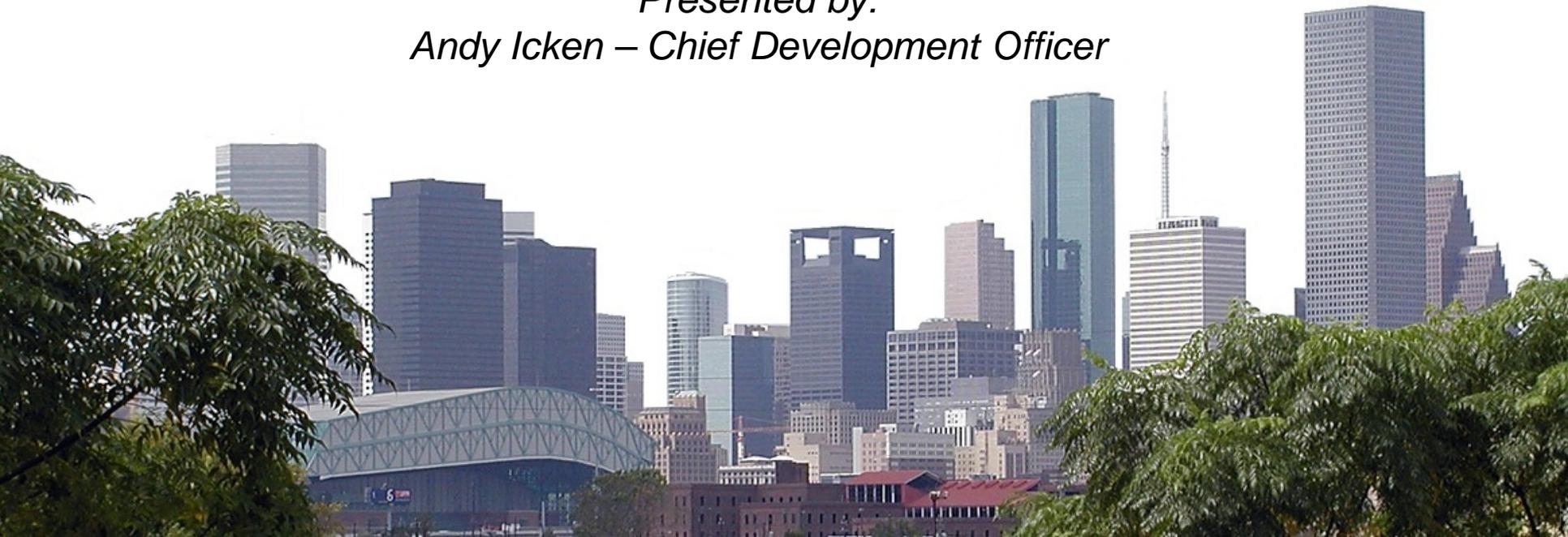




City of Houston Economic Development Programs

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Economic Development

- **Policy of the Administration is to promote economic development through use of a variety of tools**
 - ❖ Focus in on jobs and investment
 - ❖ Direct City “incentive” is only offered to those that demonstrate a need and without this “incentive” the project or investment is judged would not happen
 - ❖ Requires detailed analysis of a project’s “pro forma” – shared by developer with the City
- **Approval of basic incentive “packages” come to City Council for specific approvals**
- **All must satisfy the basic “but-for” condition for the agreement and ultimately be self funded**

COH Target Areas and Development Priorities

- **Affordable housing in high income and low residential areas**
 - ❖ Downtown
- **Market in low income or distressed markets**
 - ❖ East End, Sunnyside, East Houston
- **Manufacturing with strong job creation**
- **Corporate relocations and expansions**
- **Grocer retailers in food deserts**
- **Brownfield redevelopment**
- **Transit Oriented Development**
- **Undeveloped Areas**
 - East End, Sunnyside, East Houston

How do Economic Development Projects Get Started?

- Referrals through and directly from Council Offices
- Networking events and invitations for presentations at economic
- Tax Increment Reinvestment Zones
- Greater Houston Partnership
- Management Districts/MUDS/Community Organizations
- Ongoing outreach to international investors through
- Direct calls to the Office of Economic Development
 - ❖ Companies/consultants exploring relocation or expansion opportunities
 - ❖ Initial call usually general inquiry, followed by a fact finding meeting

Economic Development Tools

- **Tax Abatements**
- **Tax Increment Reinvestment Zones (TIRZ)**
- **State Enterprise Zones/Funds**
- **Chapter 380 Programs**
- **Historic Site Exemption**
- **EB 5 – Foreign Investment Program**
- **Industrial Districts**

Economic Development Tools

Tax Abatement

- **State law gives authority to cities to enter into tax abatement agreements**
- **Abatements are used to encourage new development, growth of existing development and investment in the City**
 - ❖ Abatements of property taxes available for up to 90% for 10 years, but considered on a case-by-case basis using pro forma financial information
 - ❖ Also used for Brownfield development after voluntary clean up
 - ❖ LEED certified new and refurbished buildings are eligible for additional abatements from 1% to 10% depending on level of certification
- **A significant tool used to compete with other States to encourage companies to move to or expand in Houston; also used to retain businesses**

Economic Development Tools

Tax Increment Reinvestment Zones

- **TIRZ authorized by Chapter 311 of the Texas Tax Code**
- **Tax Increment Reinvestment Zones created by the City to collect the increase in property tax value after creation date**
 - ❖ City currently has 24 TIRZ's (plus 1 County TIRZ)
- **Combining the funds with other jurisdictional partners: Harris County, ISD's and Community Colleges leverages project development**
- **Construction of infrastructure proven to be catalyst for private investment in the area**
 - ❖ Historically property tax value within TIRZ's have increased at twice the rate of overall City

Economic Development Tools

380 Agreements

- **Local Government Code Chapter 380 enables cities to make grants or loans to the private sector to create economic development**
 - ❖ Allows municipalities to use tax funds for economic development
 - ❖ No specific requirements on how grants are offered or if funds are rebated from a specific project
- **City Council Ordinance 99-674**
- **City has chosen to be more restrictive in negotiating 380 agreements**
 - ❖ Developer fronts all public infrastructure project costs “up front”
 - ❖ Developer receives reimbursements from the success of the project
 - ❖ Have required reimbursements can only fund public infrastructure including but not limited to streets, sidewalks, detention, public utilities, etc.
 - ❖ Requires commitment of specified investment or satisfies critical infrastructure needs. For job creation have required contractual commitment or generally accepted economic impact analysis of potential job creation.

Two Frameworks for 380 Agreements

- **Project Based – typically single developer/owner**
- **Program based for multiple projects in a specific area**

Project Based 380 Programs

- **Focus on a single project**
- **Developer constructs public infrastructure as part of larger development project**
- **Public infrastructure are conveyed and accepted by the City**
- **Improvements become City's Capital Assets**
- **Public amenities are accessible by and available to benefit the general public**
 - ❖ Landscaping, park/open space, recreational facilities
- **Reimbursement paid from increment generated from the project**
- **Examples**
 - ❖ Houston Baptist University, Energy Corridor (Park Row), Intown Homes

Program Based 380 Programs

Incentive to attract specific development

- **Define the geographic target or economic impact area**
- **Identify the development gap which serves as the focus of incentive**
 - ❖ Residential, office, retail, grocers to address food deserts
- **Prescribe the eligibility criteria and scope of projects**
 - ❖ Type of development, no of units/sq. feet of development
- **Allows for multiple projects for incentive considerations**
- **Reimbursement paid from increment generated from the new development or incremental revenue from market growth**
- **Creates an opportunity to obtain desired development**
- **Examples**
 - ❖ Downtown Living Initiative, Westchase District

Economic Development

Conclusion

- **Focus of Economic Development is to create necessary infrastructure to encourage continued growth and stimulate development in distressed areas to achieve stability**
- **We work through various partnerships, including the development community, special entities and city leaders**
- **Our approach is to be both reactive to good projects as presented and proactive in target areas**