



CITY OF HOUSTON
Mayor's Office of Economic Development

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The Honorable Morgan Meyer
Chairman, House Committee on Ways and Means
P.O. Box 2910
Capitol Station
Austin, TX 78768

RE: Testimony on HB 5 Relating to agreements to create jobs and to generate state and local tax revenue for this state

Dear Chairman Meyer:

It is with appreciation for the responsibility placed on you as Chairman of the House Committee on Ways and Means that the City of Houston submits this letter of testimony for House Bill 5. As you are aware, HB 5 would create a valuable path for school districts across the state to participate in economic development by allowing them to enter into agreements with businesses seeking to expand within or relocate to Texas. At the local level, we recognize the need for such a path, and we appreciate the substantial effort that has been made to bring this bill to this point.

Here in the City of Houston, we have heard from existing and potential businesses that the passage of a bill like HB 5 would be extremely advantageous to the City and the State as they evaluate where to plan their future expansions. One business, in particular, is Zeta Energy, a business born in Houston in 2014, the outcome of research conducted at Rice University. Zeta is leading the way in the commercialization and mass production of safe, rechargeable batteries that are higher performing, lower cost, and sustainably manufactured. They were recently awarded \$4 million in federal funding through the US Department of Energy's ARPA-E Electric Vehicles for American Low-Carbon Living program, and their products have significant potential for use cases ranging from long-term energy storage to military frontline applications.

Zeta is currently planning three expansion phases, and Texas is their preferred location to expand. Considering all three phases, Houston and the State of Texas could see up to 1,100 jobs created and capital expenditures of over \$1 Billion in the next five years. However, the ability to enter into mutually beneficial agreements with the school district is essential to Texas remaining on the list. Other states they are considering have mechanisms in place (and ready to utilize) that cannot be ignored from their perspective, and HB 5 would provide the same type of tool for us to keep

this valuable company at home and creating jobs for hard working and capable Texans.

Understanding the importance of delivering this tool for Texas, we would like to suggest a modified approach that could better serve unique community needs and respect local control in the authority that HB 5 would grant. Most importantly, the current draft of HB 5 approaches the issue from a Comptroller-centric angle. While it is appreciated that the ultimate decision of whether or not to enter-into agreements that are recommended for approval by the Comptroller would be left to the School Districts, the language of the bill would essentially provide the Comptroller with veto authority over projects as the district would be unable even to consider proposed agreements that do not meet with approval from the State.

Of almost equal importance is the limited number of industries that could be eligible for such agreements. Limiting the “Qualified Industry” list to the Manufacturing, Critical Infrastructure, and National/State Security and Critical Domestic Supply Chain Support categories is not sufficiently broad to capture the diversity of the Texas economy in 2023. We would ask that the list of industries include research and development, advanced clean energy projects, renewable energy electric generation, life science and biotechnology projects, and projects of significant expenditures, in addition to the industries included in the draft bill. In fact, Houston would support removing a qualified industry list altogether and letting each proposed project speak for itself in terms of investment and job creation.

In addition to the two significant issues identified above, we have also identified minor operational items in the bill that should be modified or addressed. It is unclear in Section 403.602(a)(8) what entities have the authority to create a reinvestment zone that would be sufficient for a valid application to be submitted. Houston would suggest a clarification that any area designated as a reinvestment zone under Tax Code Chapter 311 or 312, or under Government Code Chapter 2303, be allowed. Also, Section 403.605 states that the school district shall either approve or disapprove a recommended agreement from the Comptroller “*within days of receiving a recommendation;*” we suggest allowing **45 days** for district consideration.

In closing, I wish to reiterate the City of Houston’s appreciation for consideration of this bill. By incorporating the above suggestions, we are confident that we can work together, alongside current and future businesses, to build a strong and resilient Texas. The City of Houston stands ready to support our mutual economic development efforts with the tools at our disposal, and we welcome the delivery of this vital tool to our school districts. I also would like to thank you personally, Chairman Meyer, for your committee’s leadership on this issue and for your service to our state. Please do not hesitate to contact me if I can be of any assistance.

Sincerely,



Andrew F. Icken
Chief Development Officer
City of Houston