



# Economic Development Presentation

*Economic Development Committee*

**Jennifer Curley – Executive Staff Analyst**





# Presentation Summary

## **I. Financial Policies Update**

- A. Background
- B. Compliance Update

## **II. TIRZ FY22 Budget Schedule**



# Background – Ordinance and Amendments

The intent of the Financial Policies is communicated clearly in the ordinance recitals from the 1987 ordinance, which states that it is “to promote sound financial practices, enhance the City’s financial position with rating agencies and offer guidance in the management and conduct of the fiscal affairs of the City”.

- Ordinance was amended in 1997, 2003, 2014, 2015, 2018 and 2020 with each amendment further strengthening the integrity and transparency of public information, protecting public assets and enhancing stewardship of public funds and resources.
- Financial Policies is an integrated framework within which the Mayor, City Council, City Controller, Finance Director and all department directors shall define and adhere a presence of integrity, ethics, competence and a positive internal control environment.



# Financial Policies – Economic Development

Economic development policies are stated in Section: M Local Economic Development Polices

The Mayor's designee shall report annually to the Economic Development Committee detailing the progress of each active project in which the City has provided an incentive through the Tax Abatement and Chapter 380 Programs.

Such reports shall be published prominently on the City's website within 30 calendar days of presentation to the appropriate committee.



# Compliance Update – Tax Abatement Agreements

## Tax Abatement Program

- First established in 1988 by Ordinance 1988-104
  - Chapter 44 Article IV
- State law requires that tax abatement guidelines and criteria expire after two (2) years and limits the term of the agreements to 10 years
- In 2018, the City of Houston modified the Tax Abatement Ordinance to include:
  - Requires at least one (1) community benefit in every application
  - Emphasizes targeted hiring within distressed communities
  - Lowers investment/job creation requirement within Complete Communities
- The City of Houston’s ordinance was modified in May of 2020 to include:
  - Inclusion of public notice requirement for agreement – 2019 state legislative requirement.
  - Expanded list to include a commitment to strengthen local hiring.
- The City of Houston’s ordinance was last modified in December of 2020 to include:
  - An increase to the fee for a traditional, LEED and Green Stormwater tax abatement application.
  - The inclusion of the Green Stormwater Infrastructure Tax Abatement Program.



# Compliance Update – Tax Abatement Agreements

Company	Year Executed	Council District	Investment (Committed)	Investment (Actual)	MKT Value <sup>1</sup> (2020 Value)	New Jobs (Retained Jobs) (Committed)	New Jobs (Retained Jobs) (Actual) <sup>2</sup>
Emerson Process Management LLP	2010	F	\$13.9M	\$15.7M	\$29.3M	96	116
BVSW Garden Oaks	2012	C	\$8.0M	\$10.0M	\$24.9M	0	4
CyrusOne	2013	A	\$90.0M*	\$77.8M	\$45.2M	3	12
Haliburton	2015	B	\$145.0M	\$154.0M	\$157.6M	(2700)	(3759)
The Kroger Company	2015	B	\$41.0M	\$42.1M	\$48.9M	15	115

Notes:

\* Cyrus One is required to invest 70% of the \$90,000 investment commitment in order to receive the incentive

Total Executed Agreements	Active	Term Expired	Terminated
15	9	3	3

<sup>1</sup> Reflects 2020 Real AND Personal Property Values for respective property.

<sup>2</sup> Reflects Full Time and Part time Employment.



# Compliance Update – Tax Abatement Agreements

Company	Year Executed	Council District	Investment (Committed)	Investment (Actual)	MKT Value <sup>1</sup> (2020 Value)	New Jobs (Retained Jobs) (Committed)	New Jobs (Retained Jobs) (Actual) <sup>2</sup>
Cullen SH Apartments	2015	I	\$22.0M	\$23.9M	\$30.4M	5	7
UPS – United Parcel Service	2015	A	\$119.0M	\$131.6M	\$113.2M	575	1531
Converge Midstream Services (Formerly Fairway Energy)	2016	K	\$218.0M	\$226.0M	\$89.3M	25	39
Brittmoore Founders District	2019	A	\$150.0M**	\$16.5M	\$28.0M	105	124

Notes:

\*\* Brittmoore Founders District is required to invest \$150.0M by December 31, 2023

Total Executed Agreements	Active	Term Expired	Terminated
15	9	3	3

<sup>1</sup> Reflects 2020 Real AND Personal Property Values for respective property.

<sup>2</sup> Reflects Full Time and Part time Employment.



# Compliance Update – Tax Abatement Agreements

<b>Company</b>	<b>Economic Value</b>	<b>Economic Growth</b>
	<b>(10-Year Projection)</b>	<b>(YTD Actual)</b>
<b>Emerson Process Management LLP</b>	\$7.6M	\$15.0M
<b>BVSW Garden Oaks</b>	\$6.7M	\$25.0M
<b>CyrusOne</b>	\$88.7M	\$44.6M
<b>Haliburton</b>	\$119.6M	\$171.7M
<b>The Kroger Company</b>	\$7.3M	\$18.06M
<b>Cullen SH Apartments</b>	\$24.6M	\$33.4M
<b>UPS – United Parcel Service</b>	\$80.9M	\$102.2M
<b>Converge Midstream Services (Fairway Energy Partners LLC)</b>	\$208.0M	\$111.1M
<b>Brittmoore Founders District</b>	\$134.5M	\$127.1M

## NOTES:

**Economic Value (Projected)** = Projected Growth in Appraised value from Base Year to End of Agreement

**Economic Growth** = Growth in Appraised value from Base Year to Current 10-year value with projection for unknown years.





# Compliance Update – Chapter 380 Agreements

- **Chapter 380 Program**

- Program was created in 1999 by Ordinance 1999-74
- Typically used to reimburse for public infrastructure or to leverage the state’s economic development programs
- Allows the city to close the “infrastructure gap” when compared to MUD ETJ development where developers are reimbursed for infrastructure by the MUD
- Private business or developer advance funds the public improvements and is reimbursed over time from the “new incremental” property taxes and is performance based (Tax Increment Financing Structure)
  - The project only recovers if it performs
  - Developer assumes the risk if failure to perform
- Public infrastructure is conveyed to the city and becomes a city-owned asset
- 380 programs incentivizes job creation or public access to private space
- Revenue cap presents a challenge to the traditional 380 property tax reimbursement structure



# Compliance Update – Chapter 380 Agreements

Company	C.D.	Type	Status	Investment	Investment	Public Investment	MKT Value	Job Commitment		Jobs
				(Committed)	(Actual)	(Committed)		New	Retained	(Actual)
InTown Homes <sup>1</sup>	A	B	1,3	\$290.0M	NCR	Based on Actual	\$137M	0	0	
Dynamo	I	B	3	\$86.0M	NCR	-	\$108M	0	0	
HEB	I	A	3	-	NCR	-	\$60.5M	60	0	60
Independent Arts Collaborative (MATCH)	D	C	2	\$10.0M	\$25.2M	-	\$15.2M	25	0	27
Kroger	H	A,B	3	\$32.0M	NCR	\$2.5M	\$25.5M	170	0	182
Schlumberger	G	A	2	\$10.0M	NCR	-	\$26.6M	400	175	Pending
CH2M Hill	G	B	2	\$5.3M	NCR	-	\$5.5M	333	167	Pending
4444 Westheimer	G	A	3	\$210.0M	\$308.0M	\$16.4M	\$316.7M	275	0	854
Centerpointe Hotels	I	B	1,2	\$30.5M	NCR	\$2.1M	\$18.4M	0	0	0
Downtown Living Initiative	I	C	3	-	NCR	-	N/A	0	0	0
Energy Corridor	G,A	B	3	\$1.5B <sup>2</sup>	NCR	\$21.0M	\$3.2B	0	295	Pending
Costco	F	B	2	\$21.0M	NCR	\$2.3M	\$13.1M	0	125	165
Westchase	F,G	B	3	\$50.0M <sup>2</sup>	NCR	Based on Actual	\$5.5B	0	0	
City Park	D	B	3	\$220.0M	NCR	\$18.2M	\$105M	0	0	
Reserve at Clear Lake	E	B	1,3	\$108.0M	NCR	\$9.7M	\$192.2M	0	0	
HCID No. 12	K	B	1,2	\$188.0M <sup>2</sup>	NCR	\$14.6M	\$746.2M	0	0	
Museum of Fine Arts (MFAH)	C	C	1	\$200.0M	NCR	-	\$18.2M	25	0	Pending
Studemont Venture	I	B	1	\$62.0M	NCR	\$860K	\$87.2M	0	0	
WOIH Partners LLC	H	B	2	\$9.3M	\$12.1M	\$1.1M	\$5.6M	0	0	Pending
Westheimer Ranch	A,B	G	1	\$19.04M	Pending	-	\$8.1M	234	234	Pending

**Status:**

- 1 – Active, Construction Pending
- 2 – Active, Reimbursement Pending
- 3 – Active, Payment in Progress

**Type:**

- A – Jobs
- B – Infrastructure
- C – Other

**Notes:**

NCR – Not Condition for Reimbursement

MKT Value – TY2020 market value for parcel(s) containing project site

<sup>1</sup> Due to data collection limitations, market and economic values represent 100-acre portion of agreement only.

<sup>2</sup> Represents an induced investment

<sup>3</sup> Appraised Value of Development



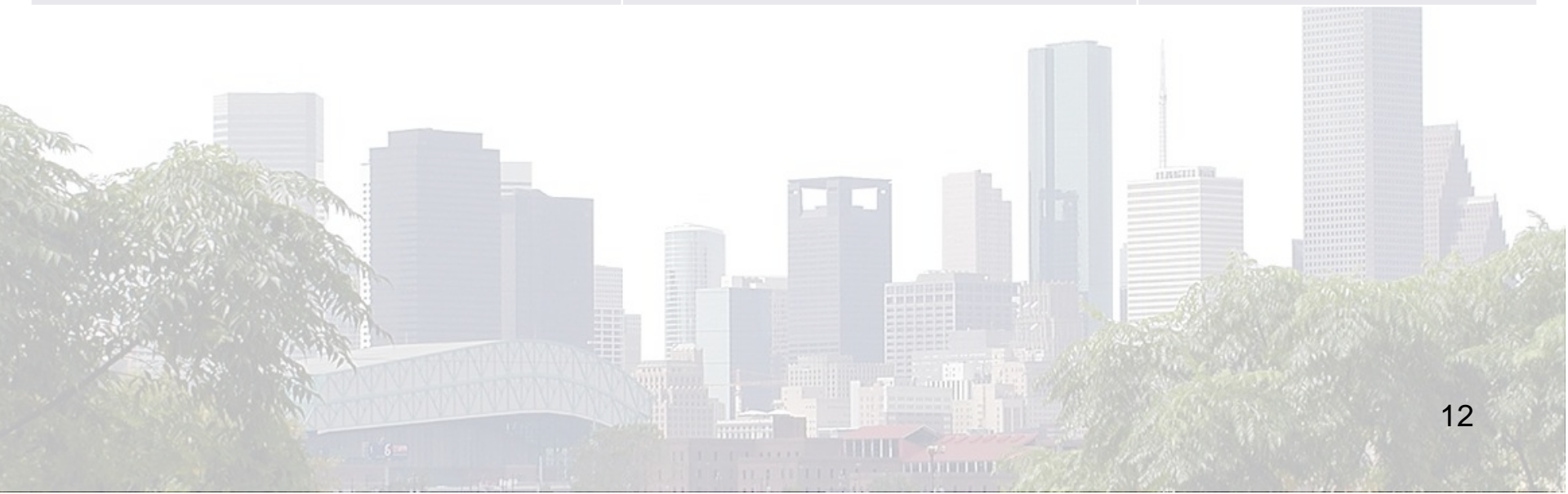
# Compliance Update – Chapter 380 Agreements

<b>Company</b>	<b>Year Executed</b>
<b>InTown Homes</b>	2010
<b>Dynamo</b>	2011
<b>HEB</b>	2011
<b>Independent Arts Collaborative (MATCH)</b>	2011
<b>Kroger</b>	2011
<b>Schlumberger</b>	2011
<b>CH2M Hill</b>	2012
<b>4444 Westheimer</b>	2012
<b>Centerpointe Hotels</b>	2012
<b>Downtown Living Initiative</b>	2012
<b>Energy Corridor</b>	2012
<b>Costco</b>	2013
<b>Westchase</b>	2013
<b>City Park</b>	2013
<b>Reserve at Clear Lake</b>	2014
<b>Holmes Road Sanitary Sewer</b>	2014
<b>Museum of Fine Arts (MFAH)</b>	2015
<b>Studemont Venture</b>	2015
<b>WOIH Partners LLC</b>	2015
<b>Westheimer Ranch</b>	2021



# Compliance Update – Chapter 380 Agreements

Company	Community Benefits (Committed)	Community Benefits (Delivered)
HEB	<ul style="list-style-type: none"> <li>• Meeting Space Availability</li> </ul>	Yes
Museum of Fine Arts (MFAH)	<ul style="list-style-type: none"> <li>• Access to Sculpture Garden</li> </ul>	Yes
WOIH Partners LLC	<ul style="list-style-type: none"> <li>• Local Job Fair</li> <li>• Host Farmers Market</li> <li>• Performance Space Availability for local Schools</li> <li>• Free Public Parking Availability</li> </ul>	Yes
Westheimer Ranch	<ul style="list-style-type: none"> <li>• Recruit/Hire at least 30% from the Houston-Westchase area</li> <li>• Job Sourcing through Local Job Boards, Turnaround Houston, the City’s Re-entry Program</li> </ul>	Pending – New Agreement





# Compliance Update – Texas Enterprise Zones

## Texas Enterprise Zone Program

- Program is administered by the State of Texas
- Reimbursement of state sales/use tax for qualifying projects
- Local municipalities are allotted nine (9) nominations per biennium
- Nominations do not require any funding from the local municipality
- The County can only nominate a project through an interlocal agreement with the City in which the project is located.
- The next biennium begins September 2021



# Compliance Update – Active Texas Enterprise Zones

Company	C.D.	Status	Investment (Committed)	Investment (Actual)	MKT Value	New Jobs (Committed)	New Jobs (Actual)	Jobs w/ Benefits
CHCA West Houston, L.P.	F	Active	\$16.0M	Monitored by State	\$72.3M	15	Monitored by State	Monitored by State
CHCA Woman's Hospital, L.P.	K	Active	\$14.0M	Monitored by State	\$155.6M	100	Monitored by State	Monitored by State
KPH Consolidation, Inc.	ETJ	Active	\$30.0M	Monitored by State	\$131.1M	100	Monitored by State	Monitored by State
Lyondell Chemical Company	ETJ	Active	\$1.4B	Monitored by State	\$392.3M	120	Monitored by State	Monitored by State
American General Life Insurance Company	C	Active	\$34.0M	Monitored by State	\$338.9M	0	Monitored by State	Monitored by State
United Airlines	B	Active	\$325M	Monitored by State	N/A*	150	Monitored by State	Monitored by State
Crown Castle International Corp	A	Active	\$85.0M	Monitored by State	\$58.6M	150	Monitored by State	Monitored by State
Powell Electrical Systems, Inc	I	Active	\$8.0M	Monitored by State	\$33.5M	100	Monitored by State	Monitored by State
Southwest Airlines Co	I	Active	\$5.0M	Monitored by State	N/A*	0	Monitored by State	Monitored by State
JPMorgan Chase Bank, N.A.	I	Active	\$50.0M	Monitored by State	\$429.2M	10	Monitored by State	Monitored by State

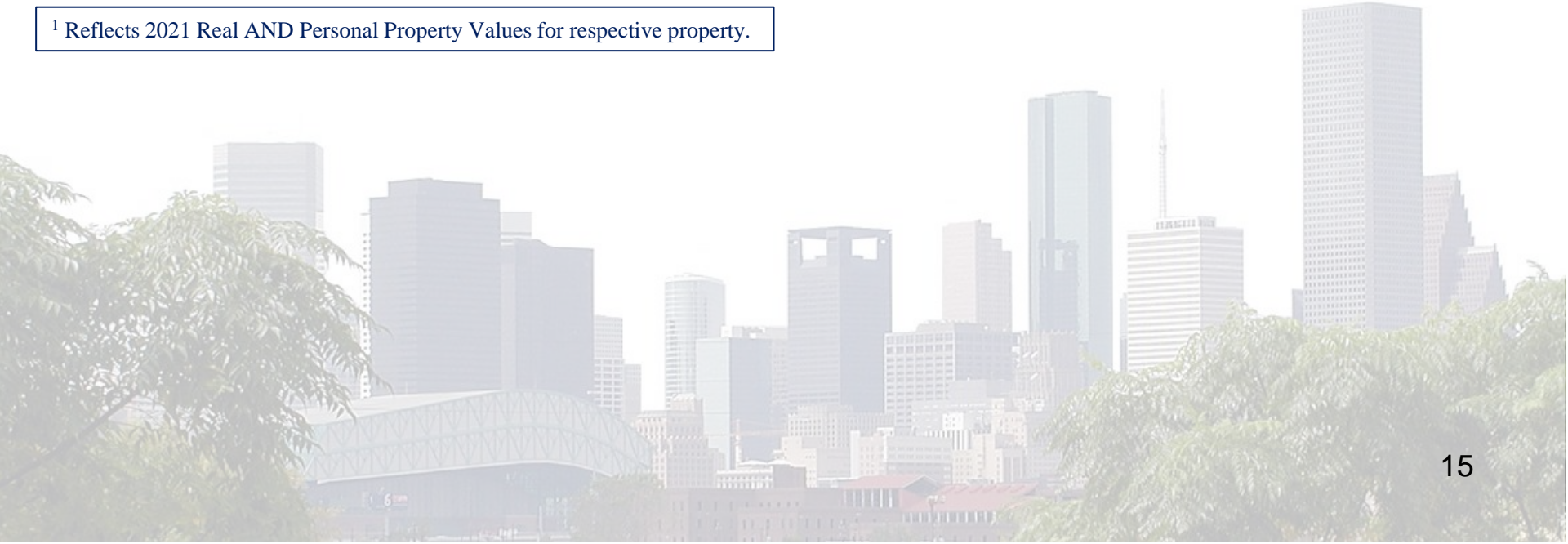
<sup>1</sup> Information not available as the entities are tenants of the Houston Airport System



# Compliance Update – Pending Texas Enterprise Zones

Company	C.D.	Status	Investment (Committed)	Investment (Actual)	MKT Value	New Jobs (Committed)	New Jobs (Actual)	Jobs w/ Benefits
Quanta Services, Inc	C	Pending	\$87.0M	Monitored by State	Pending	66	Monitored by State	Monitored by State
Transocean Offshore Drilling Inc	G	Pending	\$50.0M	Monitored by State	\$72.5M	10	Monitored by State	Monitored by State
Anheuser Busch, LLC	B	Pending	\$15.0M	Monitored by State	\$271.9M	10	Monitored by State	Monitored by State

<sup>1</sup> Reflects 2021 Real AND Personal Property Values for respective property.





# Financial Policies Update

## Questions?







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## **II. TIRZ FY22 Budget Schedule**



# City of Houston TIRZ Program

- **Tax Increment Reinvestment Zones are authorized by Chapter 311 of the Texas Tax Code**
- **Tax Increment Reinvestment Zones are created by the City to encourage the redevelopment of under/undeveloped commercial areas**
  - The incremental revenue generated after the TIRZ creation is redistributed to the TIRZ
  - City currently has 26 Active TIRZ's
  - State law allows the City to collaborate with other jurisdictional partners to leverage more funding for projects
  - Counties
  - Community Colleges
  - School Districts (prior to 1999)
- **Infrastructure improvements are focus of Zones**
  - Good public infrastructure has been proven to be a catalyst for private development
  - Historically, property tax value within TIRZ's have increased at twice the rate of overall City



# Proposed FY22 TIRZ Budget Schedule

GROUP 1		GROUP 2		GROUP 3		GROUP 4	
TIRZ NO.	TIRZ NAME	TIRZ NO.	TIRZ NAME	TIRZ NO.	TIRZ NAME	TIRZ NO.	TIRZ NAME
9	South Post Oak	22	Leland Woods#	13	Old Sixth Ward	5	Memorial Heights
25	Hiram Cark/Fort Bend	26	Sunnyside	18	Fifth Ward	1	St George's Place
27	Montrose	8	Gulfgate	21	Hardy/Near Northside	6	Eastside

TARGET COUNCIL MEETING DATES			
<b>GROUP 1</b> August 25	<b>GROUP 2</b> September 1	<b>GROUP 3</b> September 8	<b>GROUP 4</b> September 15



# Proposed FY22 TIRZ Budget Schedule

GROUP 5		GROUP 6		GROUP 7		GROUP 8	
TIRZ NO.	TIRZ NAME	TIRZ NO.	TIRZ NAME	TIRZ NO.	TIRZ NAME	TIRZ NO.	TIRZ NAME
23	Harrisburg	11	Greenspoint	2	Midtown	12	City Park
7	OST Almeda	14	Fourth Ward	3	Main St/Market Square	16	Uptown
10	Lake Houston	19	Upper Kirby	15	East Downtown	17	Memorial City
				20	Southwest Houston	24	Greater Houston

TARGET COUNCIL MEETING DATES			
<b>GROUP 5</b> September 22	<b>GROUP 6</b> September 29	<b>GROUP 7</b> October 6	<b>GROUP 8</b> October 13



# TIRZ Budget Schedule

**Questions?**

