

2015 MEDC Strategic Planning Session

Incentive Policy Discussion:

Understanding that all incentive requests are looked upon at the discretion of the MEDC board and city council, I believe it is important to have an easily understood and structured incentive policy to guide our program. This will help accomplish two major things. First, it will make it much easier and quicker to come to “ballpark” estimates on what projects may qualify for, for both staff and the companies making a request. Second it helps protect equity within the program.

In the past, the incentive policies that I have designed and written have been tied to a point system which ties the incentives directly to several economic impact factors such as: capital investment, number of jobs, annual (unloaded) wage of those jobs, the provision of benefits, the project’s sales tax impacts, expected hotel room nights created by the project etc.

Additionally, I generally build in bonus points for several things such as:

- Local business expansion projects as they have already made a significant investment in the community, are tax payers in good standing, and are already employing our citizens.
- If the project takes a dilapidated existing building and brings it up to code.
- If the project will have to address / correct environmental issues at the site or building.
- If the project in some way addresses a specifically identified issue for the community i.e. redevelopment / blighted areas etc.
- If the project falls within an identified “targeted business sector” of the MEDC / City.

Incentive Policy Discussion Points to enable development of our Policy:

1. Does the Board agree with the general methodology?
2. Is it important to encourage and nurture entrepreneurialism within our target sectors?
 - a. If so do we want to set up a mechanism to do this within our incentive policy?
3. If so we could assemble a tiered system to address our needs:
 - a. Policy A – Standard Economic Development policy for larger projects both industrial and office centric.

- b. Emerging Tech Policy
- c. Small Business Assistance policy

4. Policy A – Standard Economic Development Policy

- a. Does the Board believe in a minimum Capital investment for eligibility? i.e. \$1 million, \$3 million etc....
- b. With Office being such a large portion of the McKinney market do we want to provide an either / or option regarding capital investment vs. lease value? Ex: 10,000 sf. @ \$18.00 NNN = \$180,000.00 yr. X 10 years = \$1,800,000.00 in lease value.
- c. Does the Board believe in a minimum number of jobs created initially and within 3 years to be eligible? What are those numbers?
- d. Does the board believe that we should provide bonus points for:
 - i. Existing Industry
 - ii. Bringing an out of compliance facility into compliance
 - iii. Addressing / correcting environmental issues
 - iv. Being a Target Industry
 - v. Addressing a specifically identified need of the community (reinvestment zone etc.)
 - vi. Other
- e. Incentive Clawbacks: We generally incentivize jobs created but do look at projects with heavy capital investment and fewer jobs by incentivizing taxable value rather than job incentives. However, even when we incentivize jobs created, we hold the company to a minimum capital investment / taxable value. I would suggest that we

design our clawbacks in a manner to force the company to comply with the spirit of the agreement without disproportionately penalizing them for things that they do not control.

Ex: Standard job incentive = make company's capital investment the compliance issue (not taxable value) one time at time of construction by provision of receipts etc. Additionally, have company report on number and pay rate of jobs for the extended 5 year period after payment.

Ex: On an incentive based upon taxable value, have company provide receipts representing a minimum capital investment to start agreement, set a minimum taxable value and only rebate the city's true tax income value for each year above the baseline for 3 to 5 years in arrears.

5. Emerging Tech:

- a. Do we agree this is an important sector to support?
- b. Are we comfortable with the current policy of an annual rent reimbursement of 50% up to a maximum of \$50,000.00 that must be renewed / reconsidered annually?
- c. Are there other conditions to consider and/or change the current?

6. Small Business Assistance Program:

- a. It has been suggested that we develop this program to have a lesser incentive similar to the emerging tech program for non-emerging tech target industries that are too small for the regular policy. Good idea?