



Economic Development Presentation

Economic Development Committee

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Presentation Summary

I. Financial Policies Update

- A. Background
- B. Compliance Update

II. TIRZ FY21 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, and 2018 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 2016, the City of Houston modified the Tax Abatement Ordinance to include:
 - Expanded the examples of community benefits an applicant may commit to in order to receive more favorable consideration
 - Expanded list to include a commitment to provide livable wages, local job recruitment, and affordable or workforce housing.
- 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 was last modified in 2020 to include:
 - Inclusion of public notice requirement for agreement – 2019 legislative requirement.
 - Expanded list to include a commitment to strengthen local hiring



Compliance Update – Tax Abatement Agreements

Company	Year Executed	Council District	Investment (Committed)	Investment (Actual)	MKT Value ¹	New Jobs (Committed)	New Jobs (Actual)
Emerson Process Management LLP	2010	F	\$13.9M	\$15.7M	Real: \$27.7M	96	196
BVSW Garden Oaks	2012	C	\$8.0M	\$10.0M	\$22.3M	2	1
CyrusOne	2013	A	\$90.0M	\$97.9M	\$43.5M	0	5
Haliburton	2015	B	\$145.0M	\$154.0M	\$145.5M	0	0
The Kroger Company	2015	B	\$41.0M	\$41.0M	Real: 46.3M	15	55
Cullen SH Apartments	2015	I	\$22.0M	\$23.9M	Real: \$32.3M	5	5
UPS – United Parcel Service	2015	A	\$119.0M	\$130.8M	\$105.3M	575	1056
Fairway Energy (Now Converge Midstream Services)	2016	K	\$218.0M	\$226.0M	Real: \$95.6M	25	30
Brittmoore Founders District	2019	A	\$150.0M	<i>Project Under Construction</i>	Real: \$16.7M	105	<i>Project Under Construction</i>

Total Executed Agreements	Active	Term Expired	Terminated
15	9	3	3

¹ Reflects 2019 Real AND Personal Property Values for respective company



Compliance Update – Tax Abatement Agreements

Company	Economic Value (10-Year Projection)	Economic Growth (YTD Actual)
Emerson Process Management LLP	\$7.6M	\$12.2M
BVSW Garden Oaks	\$6.7M	\$20.7M
CyrusOne	\$88.7M	\$44.4M
Haliburton	\$119.6M	\$125.5M
The Kroger Company	\$7.3M	\$41.5M
Cullen SH Apartments	\$24.6M	\$27.7M
UPS – United Parcel Service	\$80.9M	\$43.6M
Fairway Energy Partners LLC	\$208.0M	\$147.0M
Brittmoore Founders District	\$5.9M	Under Construction

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 (TY19)* or where applicable adjusted from TY18 YTD value



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 ¹	A	B	1,3	\$290.0M	NCR	Based on Actual	\$140.4M	0	0	
Dynamo	I	B	3	\$86.0M	NCR	-	\$311.7M	0	0	
HEB	I	A	3	-	NCR	-	\$58.6M	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	\$22.1M	170	0	182
Schlumberger	G	A	2	\$10.0M	NCR	-	\$18.5M	400	175	Pending
CH2M Hill	G	B	2	\$5.3M	NCR	-	\$22.1M	333	167	Pending
4444 Westheimer	G	A	3	\$210.0M	\$308.0M	\$16.4M	\$301.7M	275	0	854
Centerpointe Hotels	I	B	1,2	\$30.5M	NCR	\$2.1M	\$19.9M	0	0	0
Downtown Living Initiative	I	C	3	-	NCR	-	N/A	0	0	0
Energy Corridor	G,A	B	3	\$1.5B ²	NCR	\$21.0M	\$3.2B	0	295	Pending
Costco	F	B	2	\$21.0M	NCR	\$2.3M	\$15.1M	0	125	165
Westchase	F,G	B	3	\$50.0M ²	NCR	Based on Actual	\$5.2B	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	\$148.7M	0	0	
Holmes Road Sanitary Sewer	K	B	1,2	\$188.0M ²	NCR	\$14.6M	\$689.5M	0	0	
Museum of Fine Arts (MFAH)	C	C	1	\$200.0M	NCR	-	\$22.4M	25	0	Pending
Studemont Venture	I	B	1	\$62.0M	NCR	\$860K	\$28.9M	0	0	
WOIH Partners LLC	H	B	2	\$9.3M	\$12.1M	\$1.1M	\$6.3M	0	0	

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 – TY2019 market value for parcel(s) containing project site
- ¹ Due to data collection limitations, market and economic values represent 100 acre portion of agreement only.
- ² Represents an induced investment
- ³ Appraised Value of Development



Compliance Update – Chapter 380 Agreements

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



Compliance Update – Chapter 380 Agreements

Company	Community Benefits (Committed)	Community Benefits (Delivered)
HEB	<ul style="list-style-type: none"> • Meeting Space Availability 	Yes
Museum of Fine Arts (MFAH)	<ul style="list-style-type: none"> • Access to Sculpture Garden 	Yes
WOIH Partners LLC	<ul style="list-style-type: none"> • Local Job Fair • Host Farmers Market • Performance Space Availability for local Schools • Free Public Parking Availability 	Yes





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



Compliance Update – Texas Enterprise Zones

Company	C.D.	Status	Investment (Committed)	Investment (Actual)	MKT Value	New Jobs (Committed)	New Jobs (Actual)	Jobs w/ Benefits
Mattress Firm, Inc.	I	Expired	\$28.0M	Monitored by State	\$4.0M	350	Monitored by State	Monitored by State
Valero Refining – Texas L.P.	I	Expired	\$800.0M	Monitored by State	\$517.3M	12	Monitored by State	Monitored by State
Spectra Energy Corp.	G	Active	\$60.0M	Monitored by State	\$93.3M	250	Monitored by State	Monitored by State
CHCA West Houston, L.P.	F	Active	\$16.0M	Monitored by State	\$59.2M	15	Monitored by State	Monitored by State
CHCA Woman’s Hospital, L.P.	K	Active	\$14.0M	Monitored by State	\$115.0M	100	Monitored by State	Monitored by State
KPH Consolidation, Inc.	ETJ	Active	\$30.0M	Monitored by State	\$23.6M	100	Monitored by State	Monitored by State
Lyondell Chemical Company	ETJ	Active	\$1.6B	Monitored by State	\$371.3M	93	Monitored by State	Monitored by State
American General Life Insurance Company	C	Active	\$34.0M	Monitored by State	\$349.6M	0	Monitored by State	Monitored by State
United Airlines	B	Active	\$325M	Monitored by State	275.0M	150	Monitored by State	Monitored by State
Crown Castle International Corp	A	Pending	\$85.0M	Monitored by State	Pending	150	Monitored by State	Monitored by State
Powell Electrical Systems, Inc	I	Pending	\$8.0M	Monitored by State	Pending	100	Monitored by State	Monitored by State



Financial Policies Update

Questions?





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 25 Active TIRZ's (plus 1 County TIRZ)
- **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



Presentation Summary

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II. TIRZ FY21 Budget Schedule



Proposed FY21 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
6	Eastside	22	Leland Woods#	13	Old Sixth Ward	24	Greater Houston
9	South Post Oak*	26	Sunnyside	18	Fifth Ward	25	Hiram Clark/Fort Bend Houston
12	City Park	8	Gulfgate	21	Hardy/Near Northside	1	St George's Place

TARGET COUNCIL MEETING DATES			
GROUP 1 August 19	GROUP 2 August 26	GROUP 3 September 2	GROUP 4 September 9



Proposed FY21 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
5	Memorial Heights	11	Greenspoint	2	Midtown	16	Uptown
7	OST Almeda	14	Fourth Ward	3	Main St/Market Square	17	Memorial City
10	Lake Houston	23	Harrisburg	15	East Downtown	19	Upper Kirby*
						20	Southwest

TARGET COUNCIL MEETING DATES			
GROUP 5 September 16	GROUP 6 September 23	GROUP 7 September 30	GROUP 8 October 7



TIRZ Budget Schedule

Questions?

