



## Legislation Details (With Text)

**File #:** ORD 18-032    **Version:** 1    **Name:**  
**Type:** Ordinance    **Status:** Agenda Ready  
**File created:** 4/20/2018    **In control:** City Council  
**On agenda:** 5/1/2018    **Final action:**  
**Title:** Consideration of and action on an ordinance calling a public hearing on an ordinance amending the local incentives that may be offered to qualified businesses participating in the Texas Enterprise Zone Program.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Ordinance Calling PH -Additional Enterprise Zone Incentives, 2. Ord. 3302, 3. Ordinance 3419 - additional EZ incentives

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

Consideration of and action on an ordinance calling a public hearing on an ordinance amending the local incentives that may be offered to qualified businesses participating in the Texas Enterprise Zone Program.

**Summary:**

**Fiscal/Budgetary Impact:**

It is proposed that the list of possible incentives for Texas Enterprise Zone projects be expanded and that two (2) Shell projects be nominated as Enterprise projects under the Texas Enterprise Zone program. These projects are as follows:

1) Refinery project

- Name of legal entity for nomination- Deer Park Refining Limited Partnership
- Amount of capital investment over 5-year designation period- \$250 million
- Number of retained jobs- 500

2) Chemical project

- Name of legal entity for nomination- Shell Chemical L.P.
- Amount of capital investment over 5-year designation period- \$150 million
- Number of retained jobs- 500

The Enterprise Zone program is very competitive and the selections are made on a point rating system. The more incentives, the more points the nomination scores in the selection process. Local incentives are established by city ordinance. The City previously listed incentives in 2009 by Ordinance #3302 and in 2011 by Ordinance #3419. The City has previously sponsored three Enterprise Zone nominations for the following local businesses; Shell Refinery, Lubrizol, Rohm & Haas Texas, Inc.

The following is the proposed timeline for the May 1<sup>st</sup> and May 15<sup>th</sup> meetings:

1. May 1, 2018 Council Workshop: Discuss the Enterprise Zone incentives and the 2 project nominations.
2. May 1, 2018 Regular Council Meeting: Call for a public hearing on the additional Enterprise Zone incentives for May 15, 2018.
3. May 15, 2018 Regular Council Meeting: conduct a public hearing on additional Enterprise Zone incentives.
4. May 15, 2018 Regular Council Meeting: approve ordinance for additional Enterprise Zone incentives.
5. May 15, 2018 Regular Council Meeting: approve resolution nominating the Deer Park Refining Limited Partnership project as an Enterprise project.
6. May 15, 2018 Regular Council Meeting: approve resolution nominating the Shell Chemical L.P project as an Enterprise project.

The proposed new incentives include:

- A. Local Sales Tax Refunds (2 pts. If included in ordinance; 4 pts. If actually delivered to the project)
- B. Other tax deferrals, tax refunds or tax incentives (2 pts. If included in ordinance; 4 pts. If actually delivered to the project)
- C. Provision of publicly owned land for development purposes (1 pts. if included in ordinance; 4 pts. If actually delivered to the project)

The City's incentives currently total 28 out of a possible 53 points. Adding the proposed incentives would add 5 points for a total of 33 out of a possible 53 points. Attached is a sheet from the Texas Enterprise Zone project application which show checks by the City's current incentives. The highlighted ones are proposed.

NOTE: including an incentive in the list of incentives does not require the city to offer an incentive to any business.

### **Background**

The Texas Enterprise Zone Program is an economic development tool for local communities to partner with the State of Texas to promote job creation and capital investment in economically distressed areas of the state (census block groups with a poverty level greater than 20 percent).

Designated projects are eligible to apply for state sales and use tax refunds on qualified expenditures. Qualified expenditures include building materials, machinery and equipment, electricity, gas and tangible property purchased and consumed in the normal course of business, and taxable services.

The level and amount of refund is related to the capital investment and jobs created at the qualified business site. In addition, local communities must offer incentives to participants under the Enterprise Zone Program, such as tax abatement, tax increment financing, one-stop permitting, and other incentives developed by participating communities.

Communities may nominate projects for a designation period up to five years, not including a 90-day window prior to the application deadline. Employment and capital investment commitments must be incurred and met within the five-year time frame.

Projects may be physically located in or outside of an enterprise zone:

- If located within a zone, the company commits that at least 25 percent of its new employees will meet economically disadvantaged or enterprise zone residence requirements.

- If located outside of a zone, the company commits that at least 35 percent of its new employees will meet economically disadvantaged or enterprise zone residency requirements.

Deer Park has previously sponsored three Enterprise Zone nominations for the following local businesses; Shell Refinery, Lubrizol, Rohm & Haas Texas, Inc.

The Deer Park City Council first adopted their Enterprise Zone Program Local Incentives in Ordinance #3302 in September 2009. At that time, Council listed the following 5 local incentives as being available for enterprise zone program nominees:

- Tax Abatements
- Building Code exemptions
- Impact Fee exemptions
- Streamlined permitting
- Problem Resolution or Ombudsman

In July 2011, Deer Park's City Council then passed Ordinance # 3419, which added more incentives available to enterprise zone program nominees. This was an effort to help the project nominees be as competitive as possible with the State by giving them all more. The additional incentives are:

- a) The City may provide business and industrial development services, including:
  - 1) Chapter 380 tax rebates for projects which significantly enhance the city's tax base;
  - 2) Freeport exemption on property tax for employer's inventory that is shipped outside of Texas;
  - 3) Establishment a Tax Increment Reinvestment Zone;
  - 4) promotion and marketing services.
- b) The City may provide regulatory relief to businesses, including:
  - 1) zoning changes or variances;
  - 2) exemptions from unnecessary building code requirements, or inspection fees; or
- c) The City may provide enhanced municipal services to businesses, including:
  - 1) enhanced police and fire protection;
  - 2) institution of community crime prevention programs; or
- d) The City may provide improvements in community facilities, including:
  - 1) capital improvements in water and sewer facilities;
  - 2) road repair; or
  - 3) creation or improvement of parks.
- e) The City may assist in providing job training and employment services to businesses, including:
  - 1) retraining programs;
  - 2) literacy and employment skills programs;
  - 3) vocational education; or
  - 4) customized job training
- f) The City may waive development fees for projects in the zone
- g) The City may establish permitting preferences for businesses in the zone.

Approve the ordinance calling a public hearing on an ordinance amending the local incentives that may be offered to qualified businesses participating in the Texas Enterprise Zone Program.