



# City of Killeen

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## **Economic Development Policy**

ADOPTED VIA RESOLUTION - \_\_\_\_

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# ECONOMIC DEVELOPMENT POLICY

## DIVISION 1. INTRODUCTION

The City of Killeen desires to create a policy for economic development incentives that are specific enough to establish clear boundaries, but not overly restrictive, so as to allow for flexibility and discretion and ensure that the best interests of the community are served. The City delegates primary responsibility for economic development to the Killeen Economic Development Corporation (KEDC).

The Economic Development Policy will guide economic development activities by directing the growth of Killeen to maximize economic potential, secure and enhance quality of life, and create a bright future. The City of Killeen desires to stimulate economic activity and create competitive wage jobs, thereby broadening its collective tax base and attracting investments that would improve the quality of life for its citizens.

## DIVISION 2. ECONOMIC DEVELOPMENT PROGRAM

### *Sec. 2-10. Purpose*

The purpose of this policy is to grant, and vest authority to offer incentives, when appropriate, to eligible applicants or projects that support:

1. Growth of private sector employment that provides competitive wage jobs and talent development, within the City of Killeen;
2. Increased tax revenue and other revenues;
3. Diversifying the economic base; and/or
4. Public infrastructure development.

This policy is intended to attract new businesses and encourage expansion of existing businesses. The City Council, at its sole discretion, may offer assistance to retain existing businesses when they deem it appropriate to do so.

### *Sec. 2-20. Goals*

The City of Killeen has the following goals:

- A. **Employment** – Stimulate the creation and retention of permanent competitive wage jobs that reduce unemployment and underemployment rates;
- B. **Fiscal** - Promote and encourage private sector capital investment that generates stable long-term revenue streams to support the City’s services and infrastructure;
- C. **Economic Diversification** - Encourage and foster the development of targeted industries;

- D. **Workforce Development** - Close the “Capabilities Gap” by supporting new and existing businesses and industries that adopt new technology and processes;
- E. **Business Retention & Expansion** - Support existing business and industry by providing services and programs that facilitate expansion and long-term stability;
- F. **Targeted Investment Areas** - Facilitate development of key commerce and industrial areas including existing and future business/industrial parks that will result in incremental infrastructure development;
- G. **Public Infrastructure Development** – Promote the construction of public infrastructure to ensure that key sites are ready for development; and
- H. **Place design**- Place design to shape developments. Incentives can be used to add quality, or up-scale features to a project. This is particularly the case with non-industrial developments where unique architecture, landscaping or other features would enhance the quality of development to attract customers and other businesses.

## DIVISION 3. COMPONENTS OF ECONOMIC DEVELOPMENT

### *Sec. 3-10. Workforce Development*

Workforce Development Policy Statement- The City, through KEDC, shall coordinate with the Workforce Solutions of Central Texas to provide employment assistance and training to eligible businesses and industries. The City shall coordinate with other partners, local or otherwise, to provide necessary training to close the “Capabilities Gap” by supporting new and existing business and industry that adopt new technology and processes that require special training.

It is important for economic development activities to closely align with workforce development efforts. Successful workforce development efforts include supplying the needed workforce, taking stock of business needs, connecting employees with job training and education programs, and developing initiatives to attract and retain the right kind of talent in the community. Educational institutions can develop workforce training programs to entice prospective industries and businesses to locate in Killeen.

The following resources are available:

- A. **The Texas Self-Sufficiency Fund** is a job-training program that is specifically designed for individuals who receive Temporary Assistance for Needy Families (TANF). The program links the business community with local educational institutions and is administered by the Texas Workforce Commission. The goal of the Fund is to assist TANF recipients in becoming independent from government financial assistance.
- B. **The Killeen Economic Development Corporation (KEDC)** offers cash incentives for businesses that create competitive wage jobs in Killeen. These funds may be utilized by companies to train and develop their workforce in ways that suit them best.

- C. **The Workforce Solutions of Central Texas** provides programs and services to meet the employment needs of business, industry, and workers in the Central Texas area. These services are designed to place Texans in jobs and to equip those workers with the skills needed to foster economic development.
- D. **The Business Resources Center**, which is a collaboration of GKCC, CTC, and Workforce Solutions of Central Texas. Their activities are limited to small business development.
- E. **The Veterans Business Outreach Center (VBOC)** is a program designed to provide entrepreneurial development services such as business training, counseling, mentoring and resource partner referrals to transitioning service members, veterans, National Guard and Reserve members, and military spouses interested in starting or growing a small business.
- F. **The Skills Development Fund** is a program created to assist in financing public, community, and technical colleges to customize job training for their local businesses. The Fund was established by the Legislature in 1995 and is administered by the Texas Workforce Commission. Grants are provided to help companies and labor unions form partnerships with local community colleges and technical schools to provide custom job training.
- G. **The Economic Development and Diversification In-State Tuition** incentive allows employees and family members of a qualified business considering a relocation or expansion of its operations to pay in-state tuition rates at public institutions of higher education in the state without first establishing residency. A city, county or economic development group covering the Texas region in which the qualified business is considering locating may apply on behalf of the business, so long as the business is still in the decision-making process to relocate or expand its operations at the applicable site. The incentive lasts for a period of five (5) years after the qualified business becomes established as part of the state's Economic Development and Diversification Program (i.e., a qualifying student's enrollment date may not be more than five (5) years after the dates of the qualified business' establishment in the program).
- H. **Educational Institutions** such as Central Texas College (CTC), Killeen Independent School District (KISD), Texas A&M Central University Central Texas (TAMU-CT).

***Sec. 3-20. Provision of Infrastructure***

Provision of Infrastructure Policy Statement- The City, through KEDC, may on a case by case basis, consider paying or reimbursing businesses/developers for all or a portion of the cost of public infrastructure required for targeted economic development to occur. Tax Increment Reinvestment Zone (TIRZ) #2 was established for that purpose. The City may also offer incentives to promote economic development throughout the city.

Public infrastructure is an integral part of economic development. The City must promote the construction of infrastructure to ensure that adequate sites are available for targeted industry and business development, or be ready to participate with the private sector with development incentives.

***Sec. 3-30. Availability of Utilities***

Availability of Utilities Policy Statement - Local utility providers are always ready to accommodate new development and work with developers to provide needed utilities. The City and/or KEDC will assist utility providers as possible to provide such utilities, subject to all applicable laws, rules and requirements.

***Sec. 3-40. Access to Capital***

Access to Capital Policy Statement - The City, through KEDC, shall assist businesses by providing them with information regarding available funding alternatives to obtain loans, grants, or other resources.

Potential funding options for businesses include banks and credit unions, the U.S. Small Business Administration loans, and alternative online lenders. See Appendix 1 for a list of funding options.

***Sec. 3-50. Government Regulations***

Compatible Government Regulations Policy Statement- The City shall streamline the economic development process so that it is efficient and not unnecessarily burdensome, while remaining in compliance with all applicable state, federal and local laws.

***Sec. 3-60. Economic Development Partners' Roles and Expectations***

- A. **City Council** - The City Council shall develop and adopt clear and understandable policy to promote the creation and retention of competitive wage jobs and attract targeted businesses and industries. The City Council shall also annually audit Development Agreements and review and evaluate incentivized projects and the economic development policy and incentives to determine if adjustments are required to improve the economic development tools.
- B. **City of Killeen Staff** –City staff develops website information regarding this policy and the development process in Killeen. The Planning and Development Services Director, or designee, shall act as liaison to facilitate the development process.
- C. **Killeen Economic Development Corporation (KEDC)** - KEDC is the primary economic development arm of the City. KEDC encourages the economic development of Killeen and recommends to the City Council projects and programs to encourage and further the economic development of Killeen.

KEDC shall provide the City with an annual budget detailing the anticipated use of the City's allocated funds. KEDC is authorized to commit and spend allocated funds contributing to the creation of new jobs or retention of jobs without securing prior approval from the City Council for the following types of projects: improvement of infrastructure, extension of existing roads, water and sewer treatment and improvement; business, industrial or commercial expansion grants, state and federal matching grants, construction of building and structures to attract business, purchase of land for present/future business expansion, professional services associated with creation/retention of military/civilian jobs, insurance to secure KEDC's interest in any such projects, and posting of required bonds.

KEDC, shall obtain City Council consent prior to entering into any agreement requiring an expenditure of public funds or for any agreement expending allocated funds in a manner not specifically authorized above to be spent without Council approval. For purposes of this document, "public funds" are City budgeted funds that do not include funds that have been allocated to KEDC pursuant to an agreement with KEDC for economic development services.

When incentives that require City action are contemplated, including but not limited to tax abatement, 380 agreements, and public improvement districts, KEDC shall make recommendations to the City Council.

When an incentives application is submitted to the City the Killeen or KEDC, KEDC will review, process, and evaluate the application pursuant to the City's Economic Development Application and Performance Agreement Instructions attached hereto as Appendix 2.

KEDC shall report quarterly to the City Council on the amount and nature of expenditures or commitments made of funds received from the City and its progress and plans in promoting the economic development of the City. KEDC will provide a written copy of its quarterly report to the City Council at least one week in advance of the quarterly briefing. A written report shall also be concurrently provided by the Chamber of Commerce detailing the staff work hours associated with KEDC economic development efforts. Both reports shall be provided to the City Manager's office. If the need arises for additional communication on a sensitive matter, KEDC shall communicate to City Council members within the bounds of the law. KEDC shall work with the City's liaison to keep the City informed of its activities and to schedule required meetings with City Council.

- D. **The Greater Killeen Chamber of Commerce (GKCC)** - The Chamber of Commerce focuses on programs that will lead to the creation and recruitment of jobs with competitive wages in the service, manufacturing and retail sectors. They organize and host prospect visits to the community, analyze data, and prepare recommendations. They work with a negotiating team to evaluate and create incentive proposals, prepare offer letters, and collaborate with attorneys to prepare Development/Performance Agreements. They then present projects to the City Council, as needed, for the Council's approval. The GKCC funds the Business Resource Center, which offers counseling and training to

entrepreneurs and small businesses. They conduct a business recruitment program to attract new retail business and commercial/industrial business to the community. They

market and keep the Killeen Business Park competitive. They also provide staff support for KEDC and the Killeen Industrial Foundation (KIF) and contribute to economic development by keeping the KEDC website up to date. The GKCC develops policy, keeps current, and acts on public policy agendas to address key issues at the federal, state, and local levels.

In promoting economic development, they maintain a meaningful, user-friendly chamber website and continually add content to the websites to meet the information needs of investors and the general public.

- E. **Other Partners** - Educational institutions can develop workforce training programs to entice prospective industries and businesses to locate in Killeen. Also, Bell County has economic development programs and incentives that Killeen could benefit from.

### ***Sec. 3-70. Confidentiality Statement***

It is specifically agreed and understood between all parties that confidentiality must be maintained in economic development negotiations and discussions with potential. Subject to the Texas Open Meetings Act, Texas Public Information Act (V.T.C.A., Government Code, Chapters 551 and 552, respectively), Texas Attorney General opinions interpreting the same, and any other applicable statute or regulation, it must be agreed and understood that involved parties may freely conduct confidential discussions or negotiations, unless and until some public action by the City is required, or unless and until the release of such information is approved by the potential employer.

## **DIVISION 4. ECONOMIC DEVELOPMENT PROCESS**

The economic development process includes:

- 1) Identifying business opportunities, supporting entrepreneurial initiatives, facilitating market access and creating a climate conducive to investment and business activity;
- 2) Seizing opportunities and effectively utilizing labor, capital and other resources to achieve local priorities;
- 3) Identifying sites that are already zoned appropriately and served by utilities and streets, or sites that can be zoned and developed to accommodate new companies;
- 4) Identifying available services that could be needed and how to obtain them;
- 5) Identifying potential incentives that could be offered to a new or growing business;
- 6) Identifying companies that will locate in Killeen. This includes meeting with and providing interested companies with all relevant information on development requirements, permits, certificates of occupancy, and community resources that could play a part in providing employee training or other services;
- 7) Guiding potential developers in completing required applications, including those for economic development incentives;

- 8) Submission and evaluation of all required applications by the City and others;
- 9) Obtaining necessary permits and construction of facilities; and
- 10) Obtaining a Certificate of Occupancy in order to use the facilities.

## **DIVISION 5. ECONOMIC DEVELOPMENT INCENTIVES TOOLBOX**

This policy is intended to ensure that the use of economic development incentives is standardized, contributes to the community's vitality, and targets prospects with a high return on investment. The City has many incentives in its tool box, including tax abatement, fee waivers, grants, etc. No incentives will be distributed on a retroactive funding basis. City incentives will only be granted pursuant to this policy. Neither the applicant/business, nor the City, shall be obligated to the other until such time an approved Performance Agreement is fully executed and all conditions are met.

The following are potential incentives that could be utilized independently or in combination with others:

- A. 380 and 381 Development Agreement** - Through a 380/381 Agreement, the City/County can provide grants, loans, and services for the promotion and encouragement of economic development by stimulating business and commercial activity within the City. These are governed by Chapters 380 and 381 of the Texas Local Government Code.
- B. Job Creation Incentive** - The City shall offer job creation incentive through KEDC and other sources when possible. The KEDC offers cash incentives based on competitive wage jobs that are created in Killeen. Generally, if the prospect's business is in a targeted industry cluster, an amount of \$2,500 or more could be offered for each full time equivalent job created. The amount is based on the return on investment back to the City of Killeen.
- C. Killeen Tax Abatement** – The City of Killeen offers tax abatements up to 100 percent (100%) of property taxes (excluding school district taxes, per state law) and can be approved for up to ten (10) years.
- D. KEDC Incentives** - Potential incentives are listed below:
  - a. **Build-to-Suit Option:** KEDC will consider a build-to-suit agreement in exchange for a five- to ten-year lease agreement, with a five year option to renew.
  - b. **Job Creation Payments:** KEDC offers cash incentives based on premier paying jobs that are created in Killeen. Generally, if the prospect's business is in a Targeted Industry Cluster, an amount of \$2,500 or more could be offered for each job created. The amount is based on the Return on Investment back to the City of Killeen.

- c. Tax Abatements: Up to 100 percent of property taxes (excluding school district taxes, per state law) can be abated up to five (5) years.
- d. Fast Track Permitting: The City of Killeen offers Fast Track Permitting for companies meeting at least one of the following criteria:
  - 1. Create a minimum of 50 permanent, full-time jobs within the first 12 months after its expansion or relocation to the City of Killeen; or
  - 2. Create a minimum increase in property value of 300% for construction of a new facility; or
  - 3. Expansion of an existing facility with an investment of at least \$250,000 in taxable assets; or
  - 4. Be a targeted industrial, commercial or service project eligible for incentives; or
  - 5. Produce \$2 million in gross annual payroll.
- e. Reduced price or free land: KEDC and the Killeen Industrial Foundation own land in the Killeen Business Park. Land can be discounted or provided without charge.
- f. Employment assistance utilizing the Workforce Solutions of Central Texas.
- g. Property tax reimbursement: Property taxes can be reimbursed by KEDC in lieu of a Tax Abatement.

**E. North Killeen and Downtown Incentives:**

- 1) **Façade Improvement Grant Program** - The City of Killeen offers a grant for eligible rehab projects located in the downtown Historic Overlay District (HOD). The grant is structured on a 4:1 basis, in which the City contributes 80% of the eligible costs, and the property owner contributes 20% of funds toward façade, roof, and/or sign improvements. The goal of this program is to encourage reinvestment in, and revitalization of, downtown Killeen. These grants are available for up to \$10,000 per façade with a maximum subsidy of \$20,000 per property owner in any given calendar year.
- 2) **Historic District Sign Grant Program** - Any commercial property within the Historic Overlay District (HOD) is eligible for sign grant funds. The Historic District Sign Grant Program is designed to encourage unique, quality signs in Killeen’s historic business district. The grant is a single payment reimbursement to property owners and tenants per building on a 50/50 matching basis with a cap of \$800 per grant.
- 3) **North Killeen Revitalization Program** – The North Killeen Revitalization Program exists to promote redevelopment in North Killeen, including downtown, by offering financial incentives for property owners who wish to construct new buildings or rehabilitate or expand existing ones. New construction and rehabilitation projects that spend at least \$2,000 are eligible to have all permit fees waived.

Also, Tax Abatement Guidelines and Criteria for this area offer tax abatement opportunities to commercial and multi-family property owners who increase their property value 150% for new construction or 25% for the expansion of an existing facility and an overall new investment of at least \$25,000 in taxable assets.

- 4) **Texas Historic Preservation Tax Credit Program** - The state historic tax credit is worth 25 percent of eligible rehabilitation costs and is available for buildings listed in the National Register of Historic Places. The program is administered jointly by the Texas Historical Commission (THC) in cooperation with the Texas Comptroller of Public Accounts.
  - 5) **Federal Historic Preservation Tax Incentives** - The Federal Historic Preservation Tax Incentives program encourages private sector investment in the rehabilitation and reuse of historic buildings by offering a twenty percent (20%) tax credit for the rehabilitation of historic buildings. Established in 1976, the federal historic tax credit program is a significant financial incentive for the reuse of historic buildings and revitalization of historic downtowns.
- F. **Tax Increment Reinvestment Zone No. 2** - In 2008, the City created TIRZ No. 2, comprised of a large area including the City's downtown. TIRZ funds can be used to construct needed public infrastructure, thereby encouraging development and increasing property values and long term property tax revenue. The TIRZ can reduce the developer's costs by providing reimbursement for eligible public improvements. This reduction in the cost of development may ensure the viability of certain types of development.
- G. **Industrial District Agreement** - An Industrial District Agreement contractually protects companies located in the designated district from annexation and exempts them from City requirements, such as permitting and platting, in exchange for a Payment in Lieu of Taxes (PILOT).
- H. **State & Federal Incentives** - Texas offers competitive incentives to companies that are creating jobs and driving innovation in Texas. The incentives are administered by the Department of Economic Development Finance. Local incentives and tax abatements are not included here.
- I. **Texas Enterprise Zone** - The State Economic and Tourism department identifies portions of Killeen's ~~downtown area~~ as a designated State Enterprise Zones. The Enterprise Zone Program is an economic development tool, which allows local communities to partner with Bell County to promote job creation and significant private investment that will assist economically distressed areas of the state. Approved projects are eligible to apply for state sales and use tax refunds on qualified expenditures. The Texas Enterprise Fund

(TEF) is used as a final incentive tool for projects that offer significant projected job creation and capital investment and where a single Texas site is competing with another viable out-of-state option.

**J. Product Development and Small Business Incubator Fund** - The Product Development and Small Business Incubator Fund (PDSBI) is a revolving loan program financed through original bond issuances. The primary objective of the program is to aid in the development, production and commercialization of new or improved products, and to foster and stimulate small business.

**K. Development Agreements** - Chapter 212 of the Texas Local Government Code provides a mechanism for a city to ~~can~~ enter into a written contract with an owner of land in the city's extraterritorial jurisdiction (ETJ) to:

- 1) Guarantee the continuation of the extraterritorial status of the land and its immunity from annexation by the municipality;
- 2) Extend the municipality's planning authority over the land by providing for a development plan to be prepared by the landowner and approved by the municipality under which certain general uses and development of the land are authorized;
- 3) Authorize enforcement by the municipality of certain municipal land use and development regulations in the same manner the regulations are enforced within the municipality's boundaries;
- 4) Authorize enforcement by the municipality of land use and development regulations other than those that apply within the municipality's boundaries, as may be agreed to by the landowner and the municipality;
- 5) Provide for infrastructure for the land, including streets, drainage, water, wastewater, and other utility systems;
- 6) Authorize enforcement of environmental regulations;
- 7) Provide for the annexation of the land as a whole or in parts and to provide for the terms of annexation, if annexation is agreed to by the parties;
- 8) Specify the uses and development of the land before and after annexation, if annexation is agreed to by the parties; or
- 9) Include other lawful terms and considerations the parties consider appropriate.

**Public Improvement Districts (PID)** - A public improvement district (PID) is a defined geographical area established to provide improvements financed by assessments against the property owners within the district. Allowable projects include construction or improvement of pedestrian malls; acquisition, construction or improvement of libraries; and the establishment or improvement of parks.

Chapter 372 of the Texas Local Government requires that the petition to create a PID be signed by owners of more than 50% of the appraised value of the taxable real property subject to assessment, as well as owners of real property liable for assessment who constitute more than 50% of all owners liable for assessment, or own taxable real property that constitutes more than 50% of the area liable for the assessment.

- L. **Up-sizing Agreements** - Section 212.071 of the Local Government Code regulates how cities can enter into Developer Participation Contracts without having to comply with the sealed bid requirements of Texas Local Government Code Chapter 252. Subject to certain limitations, Section 212.071 allows the city to “make a contract with a developer of a subdivision or land in the municipality to construct public improvements, not including a building, related to the development.” Under a contract pursuant to Section 212.071, the developer is required to construct the improvements, and the city is required to participate in the costs. The City may participate in up to thirty percent (30%) of the total contract price, and additionally may participate in up to 100 percent (100%) of the cost for the over-sizing of improvements that are required by the City to meet existing or future needs.
  
- M. **Opportunity Zones** - Opportunity Zones are a new community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide. The Opportunity Zones program provides a tax incentive for investors to re-invest their unrealized capital gains into Opportunity Funds that are dedicated to investing into Opportunity Zones designated by the chief executives of every U.S. state and territory.
  
- N. **Development Fee Waivers** - The City may consider waiving a portion, or the entire amount, of all City fees charged in the regulation of land development, as approved by ordinance.
  
- O. **Fast-Track Development Process** - At times, the standard development process may not meet the special needs and time constraints of an economic development prospect. A customized approach to the development review process may be necessary to complete the project in an expedited manner.

## **DIVISION 6. TARGETED BUSINESSES & INDUSTRIES**

The City of Killeen and its economic development arm, KEDC, want to attract clean industrial development, regional retail development, defense-related businesses, business retention, regional health and medical services, technology and cyber-security, and alternative energy businesses /industries. They strive to upgrade local infrastructure in order to improve access to

current and emerging technology for businesses and residents/ families and to strengthen the region's competitive advantage in the new information-based economy.

- A. The City intends to be selective regarding the kinds of industrial businesses that are recruited and incentivized. To that end, non-retail businesses will take precedence over retail businesses, unless the retail establishment has regional draw and serves residents from Central Texas and beyond. In general, the primary objective of the City's economic development efforts is to target new and expanding businesses that offer living wage jobs with benefits that equal or exceed the median wages for similar positions in the State of Texas or that make significant capital investment in the City. The creation and retention of competitive wage jobs shall be a key determinant in granting any incentive.
- B. The City encourages the development of regional retail opportunities within its jurisdiction in order to provide services to its constituency and the visiting public from Central Texas and beyond. The City will consider incentives for retail businesses and developers that precipitate the expansion of the sales tax base and other revenues, further the effort to develop Killeen as a regional hub for retail goods and services, and expand the property tax base. The City wants such developers who add quality, or up-scale features, to the architectural designs and landscaping. This is particularly the case with non-industrial developments where unique architecture, landscaping or other features would enhance the quality of development to attract customers and other businesses.
- C. The City desires to retain existing businesses/industries that are contemplating relocating to another city, or state. The City may consider offering financial incentives that would offset the cost differentials that make other locations viable. To be eligible under this premise, the applicant or business must provide a declaration that states it is actively pursuing relocation and, absent City incentives, would carry out its intent. Furthermore, the applicant or business must make a minimum incremental capital investment, which can be for plant modernization, new equipment, technology, or other long-lived depreciable assets that increase the assessed valuation.
- D. Generally, incentives will not be considered if an applicant, whether a new or existing business, has been issued a building permit for new construction, has executed a binding purchase contract on an existing building or site, or has executed a lease of land or a building, unless there are enforceable written contingencies in such contracts that make closing and/or occupancy subject to the award of City incentives or as otherwise provided herein for expansion or retention of certain businesses. Before granting any incentive, the City shall determine that without the incentive, the applicant would not locate or expand within the City's jurisdictional boundaries.

## DIVISION 7. ANNUAL REVIEW OF POLICY

To ensure the ongoing relevance of the Economic Development Policy, the City Council shall evaluate it annually. By May 1 of each year, an annual report listing all financial incentives that remain in effect will be presented to the City Council. The annual report shall include information regarding when the incentive was granted, when the incentive expires, current property taxes paid for the property, in-lieu-of tax payments if any, the amount of any industrial revenue bonds issued, the assessed value of the property, number of employees, salary and payroll of all employees, and any additional information concerning the operation of the business receiving the incentive, and other information as requested by the City Council.

### APPENDIX 1: FUNDING OPTIONS

- A. **SBA Grants** - The U.S. Small Business Administration's (SBA) provides grants to cities for projects that involve job creation, and that are dependent on infrastructure improvements and/or other business development programs that should be investigated by the City.
- B. **SBA Loan Programs** - The SBA loan guarantee programs cover a variety of purposes, including start-ups, working capital, real estate, equipment and inventory. The SBA does not make the loans itself, nor does it set rates. Rather, the agency guarantees a portion of the loans (up to 85%) made by lenders including banks and microfinance organizations. By guaranteeing a portion of the loan, the SBA allows lenders to make loans to small businesses that might not otherwise meet their criteria or may be deemed risky. These businesses may not be in a strong enough financial position to obtain traditional small business loans from a bank, and therefore rely on the SBA guarantee.

**SBA loans** cover a wide range of business uses, including start-ups, working capital, inventory, debt refinancing, equipment purchases, and more. Here's an overview of the SBA's most commonly offered loan programs:

- 1) **The SBA Advantage Loan** - (formerly known as the 7(a) loan) is the SBA's most popular guarantee program. An SBA Advantage loan allows funds to be used for starting, acquiring or expanding a small business (up to \$5 million). It provides creditworthy small firms that cannot obtain credit elsewhere the opportunity to access capital from private lenders. SBA does not offer direct lending to small businesses; rather, SBA guarantees the repayment of loans issued by lenders for general business purposes.
- 2) **CDC/504 Loan Program** - ~~Another SBA's second largest~~ loan program is the CDC/504 Loan Program, which provides long-term and fixed-rate financing (up to \$5 million) provided by a combination of private and government guarantee support to assist with the acquisition of major fixed assets, such as real estate or machinery or equipment purchases that expand or update small businesses. To be

eligible for the loan program, the project must meet a job creation or job retention requirement or meet specific community development or public policy goals.

~~3) **SBA Grow Loan** - The SBA Grow Loan provides long term, fixed rate financing for real estate or other fixed assets. It provides up to \$12 million with a 10% down payment (15% for startups), and requires 51% occupancy of an existing building or 60% occupancy for new construction.~~

~~4) **SBA Microloan** - The SBA Microloan offers short-term loans of up for \$50,000.00 for working capital or the purchase of inventory, supplies, furniture, fixtures, machinery and/or equipment.~~

C. **Venture Capital** - Venture capital (VC) is a type of equity financing for early-stage, high-growth startups with funds pooled from institutional investors. Venture capital involves giving up a portion of the ownership of business in exchange for money from investors. Venture capital firms are usually organized as partnerships that raise money from institutional investors, such as pension funds and endowments, which the VC partners then invest in promising startups. Only a tiny fraction—less than 1%—of all startups receive venture capital funding.

D. **Texas Capital Access Program** - The Capital Access Program (CAP) is a partnership between the State of Texas and selected non-profit lenders to increase access to financing for small and medium-sized businesses and non-profits which face barriers to accessing capital or fall outside the guidelines for conventional lending. The Program facilitates loans which are underwritten by the participating non-profit lenders and supported by the state contributions to a loan loss reserve fund.

This program is for small and medium-sized businesses and non-profit organizations seeking financing for projects, activities or enterprises in the state that foster economic development. Recipients must be domiciled in Bell County, or have at least 51% of their employees located in the state. The incentive is for loans whose proceeds may be used for working capital or the purchase, construction or lease of capital assets, to include buildings and equipment. The state supports program loans made by each participating lender through contributions to a loan loss reserve account.

E. **Community Banks and Credit Unions** - Smaller banks are key allies to small businesses, offering similar services to big banks, but with higher loan approval rates. Small businesses have better luck with small banks (under \$10 billion in assets). Community banks and credit unions have traditionally been key allies for small business, making a disproportionate share of small business loans. In general, working with small businesses is a main focus of community banks. They have a deep understanding of the local community and take that into account when considering loan applications from local businesses. The same goes for credit unions. Credit unions are nonprofit financial cooperatives owned by their members/depositors. They offer similar services as banks, including small business loans, but often have a “community” focus or mission.

## APPENDIX 2: APPLICATION AND PERFORMANCE AGREEMENT INSTRUCTIONS

### *Application Process*

The KEDC will accept and evaluate applications based on anticipated economic impact of the projects and cost vs. benefit analysis. Incentives are created and offered on a case-by-case basis. The first step in the process is that the prospect must complete a MS-Excel Data Sheet. When completed, the file created provides information regarding the company's operations and investment. It is important that the data within the file be accurate. An economic impact analysis (EIA) is completed based on the data provided in the file. The analysis is prepared by a software program developed by Impact DataSource.

Subject to the Public Information Act and Texas Attorney General opinions interpreting the same, applications submitted to the City are considered confidential until some public action by the City is required, or unless and until the release of such information is approved by the applicant.

### *Application Information*

The application requires at least the following:

- Name of the company, street address and website
- Name of person applying, title, phone number, and email address
- Name of and proposed location of the Project
- Will the Project be located within the city limits?
- Description of the Project
- Identify the Project's primary North American Industry Classification System (NAICS) Code or describe the activity that will occur at the local facility.
- The Project's capital investment each year
- Are the building and improvements costs entered above for construction?
- Building permits and fees to be paid to the City during construction, if applicable
- Estimated taxable inventories at the end of each year
- Numbers of new full-time jobs to be added in the community each year
- Average annual salaries of new employees each year
- The Project's estimated taxable purchases of materials, supplies, and services in the community as well as the estimated sales that will be subject to sales taxes in the community
- The Project's annual utilities
- Number of telephone lines at the Project
- Percent of the Project's utility usage for manufacturing or processing operations
- Number of out-of-town visitors expected in the first year
- Percent of annual increase in the number of visitors
- Average number of days each visitor will stay in Killeen.
- Average daily taxable visitor spending in the City, excluding lodging
- Average number of nights that a typical visitor will stay in a hotel in Killeen

## *Performance Agreements*

Once a completed application is determined to be eligible for consideration for incentives, KEDC will develop a draft Performance Agreement. The Performance Agreement shall generally be between KEDC and the business and/or property owner, unless the use of certain incentives legally requires that the City be a party to the agreement. At a minimum, any Performance Agreement shall clearly include:

- A. The parties to the Performance Agreement;
- B. The term of the Performance Agreement, or the duration that incentives will be payable to a complying business/applicant;
- C. The City's/KEDC's responsibilities, as applicable;
- D. The Business/Property Owner's responsibilities, including to secure and maintain all applicable licenses and permits;
- E. The terms and conditions under which the City/KEDC, as applicable, can access the prospect's records;
- F. A statement that compliance with all applicable local, state, and federal codes, laws, and regulations is required;
- G. Default definitions;
- H. Circumstances that would trigger repayment or clawback of any incentives by the developer, and penalties for non-compliance;
- I. Indemnity and hold-harmless provisions that are germane to incentive agreements;
- J. Penalties for failure to remedy a default; and
- K. A binding agreement between the business (including the business owner(s), real property owner(s), and their successors and assigns) and the City/KEDC, as applicable.

Performance agreements will stipulate the requirements for reporting of hiring practices and a census of jobs and classifications. If an applicant is a lessee, the lease must reference the Performance Agreement and acknowledge that any incentives are for the benefit of the lessee, not the lessor. In addition, the lease must be equal to or longer than the duration of the Performance Agreement. The City/KEDC shall not be obligated in any way to the lessor should the lessee breach its lease or take other actions that result in the termination of the Performance Agreement.

Each business receiving an incentive from the City/KEDC shall be required to complete an annual report in a KEDC-provided format by March 1. The information in the report will cover the time period of January 1 through December 31 of the previous year. The annual report will be reviewed by May 1. Any material omission or misrepresentation in the information provided to the City may be deemed grounds for repeal of any Performance Agreement approved, renewed or extended in reliance thereon. The failure of a business to provide accurate and timely information to the City in the preparation of the annual report or to comply with the performance

standards set forth in the Performance Agreement shall be grounds for the modification or revocation of the incentives.

The Performance Agreement will grant the City/KEDC, as applicable, the right to levy appropriate recourse for non-compliance. These may include: 1) rescission, or a complete cancellation of the Performance Agreement, 2) monetary penalties, which shall be assessed if the business does not meet a certain level of performance or relocates, and finally, 3) recalibration, which is a provision for changing the Performance Agreement in some manner in order to accommodate an evolving economic climate. The City's/KEDC's use of these options is intended to motivate compliance and ensure that the community realizes the promised economic and public benefits that were the basis for the original Performance Agreement.

Additionally, if the City/KEDC determines that a national or state-declared disaster, force majeure, or economic downturn has substantially contributed to the non-compliance, the City/KEDC may amend the Performance Agreement to reconcile the recipient's obligations with the expected benefits to the City. An updated, limited-scope EIA may be required to frame the new Performance Agreement terms and obligations.

The Agreement shall not be reassigned, transferred, or sold without the prior written consent of the City/KEDC, as applicable. Incentives granted by the City/KEDC may be transferred as a result of a change in the majority ownership of the business. The transferee shall file a new application for the City's/KEDC's consideration of modifying the Performance Agreement. The City/KEDC shall be immediately notified by the business of any change in ownership, or of and any substantive change in operations upon which the original incentive award was based. The City/KEDC shall not be obligated to transfer the Performance Agreement should the new ownership or use not satisfy eligibility requirements of these policies.

The Draft Performance Agreement as prepared by KEDC will be presented to the City Liaison for further processing and consideration by the City Council if Council approval is required. The City Council has final authority to approve or disapprove the application and/or performance agreement if Council approval is required.

Following approval, the applicant and the City/KEDC shall execute the Performance Agreement when applicable. If applicable, the land owner (if applicant leases land or building) shall either co-sign the Performance Agreement or provide a Landowner Consent and Stand Still Agreement enabling the City/KEDC to recapture any incentive funds prior to the Landlord exercising its rights and remedies under a lease, should a breach of the Performance Agreement occur. To ensure compliance with clawback remedies, the City/KEDC may, in its sole and absolute discretion, record liens against real and/or personal property belonging to the applicant or business. Under no circumstances is the approval and execution of a Performance Agreement to be interpreted as approval of any required development permits, ministerial or discretionary. The decision of the City Council is final and no appeal process is available.

Each Performance Agreement shall be reviewed annually by KEDC and the City. The City shall receive the annual review report, and if it is determined that a business or project is not in compliance with the provisions of the Performance Agreement, the incentive may be modified pursuant to the Performance Agreement as deemed appropriate by the City/KEDC. Modifications to the incentive may include, but are not limited to, termination of the incentive, reduction of any incentive and clawback or repayment of any existing incentive. The review shall also include a comprehensive review of the entire incentive period for the business (if applicable), including milestones and project phases for the business.