



Economic Development Presentation

Economic Development Committee

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Presentation Summary

I. Financial Policies Update

- A. Background
- B. Compliance Update

II. TIRZ FY23 Budget Schedule



Background – Ordinance and Amendments

The intent of the Financial Policies as stated in the ordinance recitals from the 1987 ordinance, 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”.

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 Policies

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
- There have been multiple amendments since 1988. The most recent amendment was in December of 2020 to include:
 - The inclusion of the Green Stormwater Infrastructure Tax Abatement Program.
 - An increase to the fee for a traditional, LEED and Green Stormwater tax abatement application.



Compliance Update – Tax Abatement Agreements

Company	Year Executed	Council District	Investment (Committed)	Investment (Actual)	MKT Value ¹ (2022 Value)	New Jobs (Retained Jobs) (Committed)	New Jobs (Retained Jobs) (Actual) ²
BVSW Garden Oaks	2012	C	\$8.0M	\$10.0M	\$24.7M	2	4
CyrusOne	2013	A	\$90.0M*	\$77.8M	\$52.3M	3	12
Haliburton	2015	B	\$145.0M	\$154.0M	\$192.6M	(2700)	(2700) ³
The Kroger Company	2015	B	\$41.0M	\$42.1M	\$57.6M	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

¹ Reflects Preliminary 2022 Real AND Personal Property Values for respective property.

² Reflects Full Time and Part time Employment.

³ Reflects the number of jobs retained as required by the agreement; this location has 4,308 employees currently with 549 new positions



Compliance Update – Tax Abatement Agreements

Company	Year Executed	Council District	Investment (Committed)	Investment (Actual)	MKT Value ¹ (2022 Value)	New Jobs (Retained Jobs) (Committed)	New Jobs (Retained Jobs) (Actual) ²
Cullen SH Apartments	2015	I	\$22.0M	\$23.9M	\$32.6M	5	11
UPS – United Parcel Service	2015	A	\$119.0M	\$131.6M	\$120.3M	575	1608
Converge Midstream Services (Formerly Fairway Energy)	2016	K	\$218.0M	\$226.0M	\$101.3M	25	34
Brittmoore Founders District	2019	A	\$150.0M**	\$16.5M	\$24.6M	105	265
Skanska	2021	I	\$117.0M	Pending	\$22.5M	N/A***	NA***

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

¹ Reflects Preliminary 2022 Real AND Personal Property Values for respective property.

² Reflects Full Time and Part time Employment.

³Skanska is a Green Tax Abatement (project under construction)



Compliance Update – Tax Abatement Agreements

Company	Economic Value (10-Year Projection)	Economic Growth (YTD Actual)
BVSW Garden Oaks	\$6.7M	\$20.8M
CyrusOne	\$88.7M	\$50.1M
Haliburton	\$119.6M	\$216.1M
The Kroger Company	\$7.3M	\$19.8M
Cullen SH Apartments	\$24.6M	\$33.6M
UPS – United Parcel Service	\$80.9M	\$107.9M
Converge Midstream Services (Fairway Energy Partners LLC)	\$208.0M	\$116.7M
Brittmoore Founders District	\$134.5M	Construction in Process
Skanska	\$133.2M	Construction in Process

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.

Note (1): Only Phase 1 of the multiple phase project has been completed which includes the Cannon Accelerator. Construction in process for 52 acre mixed use development.



Compliance Update – Chapter 380 Agreements

- **Chapter 380 Program**

- Program was created in 1999 by Ordinance 1999-74
- Historically used to reimburse for public infrastructure or to leverage the state’s economic development programs
- Private business or developer advance funds the public improvements and is reimbursed over time from the “new incremental” property taxes and is performance driven (Tax Increment Financing Structure)
 - The project only recovers if it performs as planned
 - 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



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	\$139.9M	0	0	
Dynamo	I	B	3	\$86.0M	NCR	-	\$294.2M	0	0	
Independent Arts Collaborative (MATCH)	D	C	2	\$10.0M	\$25.2M	-	\$15.2M	25	0	34
Kroger	H	A,B	3	\$32.0M	NCR	\$2.5M	\$25.5M	170	0	170
Schlumberger	G	A	2	\$10.0M	NCR	-	\$37.4M	400	175	Pending
CH2M Hill	G	B	2	\$5.3M	NCR	-	\$4.7M	333	167	Pending
4444 Westheimer	G	A	3	\$210.0M	\$308.0M	\$16.4M	\$155.7M	275	0	1442
Centerpointe Hotels	I	B	1,2	\$30.5M	NCR	\$2.1M	\$11.1M	0	0	0
Convention Center Hotel	I	C	3	\$370M	NCR	-	\$199.5M	0	0	0
Downtown Living Initiative	I	C	3	-	NCR	-	\$382.4M	0	0	0
Westchase	F,G	B	3	\$50.0M ²	NCR	Based on Actual	\$5.2B	0	0	
City Park ⁴	D	B	3	\$220.0M	NCR	\$16.9M	\$118.8M	0	0	
Reserve at Clear Lake	E	B	1,3	\$108.0M	NCR	\$9.7M	\$322.1M	0	0	
HCID No. 12	K	B	1,3	\$188.0M ²	NCR	\$14.6M	\$738.5M	0	0	
Museum of Fine Arts (MFAH)	C	C	1	\$200.0M	NCR	-	\$18.3M	25	0	80
Studemont Venture	I	B	2	\$62.0M	NCR	\$860K	\$104.7M	0	0	
WOIH Partners LLC	H	B	3	\$9.3M	\$12.1M	\$1.1M	\$6.8M	0	0	
Westheimer Ranch	G	A,B	1	\$19.04M	Pending	-	\$8.3M	234	234	Pending
Meow Wolf	B	A,C	1	\$30M	Pending	Based on Actual	Pending	127	0	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 – TY2021 market value for parcel(s) containing project site
- ¹ Data represents completed phases only (Upland, Phase 2 100 acres, Cottage Grove 1 and 2).
- ² Represents an induced investment
- ³ Appraised Value of Development
- ⁴ An additional \$7M of investment associated with infrastructure outside of MUD.



Compliance Update – Chapter 380 Agreements

Company	Reimbursement Type	Year Executed
InTown Homes	Property Tax	2010
Dynamo	Sales/Mixed Beverage Tax	2011
Independent Arts Collaborative (MATCH)	Sales/Mixed Beverage Tax	2011
Kroger	Property/Sales Tax	2011
Schlumberger	Property/Personal Property Tax	2011
CH2M Hill	Property/Personal Property	2012
4444 Westheimer	Sales Tax	2012
Centerpointe Hotels	Property/Sales Tax	2012
Downtown Living Initiative	Property Tax	2012
Westchase	Property Tax	2013
City Park	Property/Sales Tax	2013
Reserve at Clear Lake	Property/Sales Tax	2014
HCID No.12/Buffalo Pointe	Property Tax	2014
Museum of Fine Arts (MFAH)	Right of Way	2015
Studemont Venture	Property Tax	2015
WOIH Partners LLC	Sales/Mixed Beverage Tax	2015
Westheimer Ranch	Sales Tax	2021
Meow Wolf	Sales Tax	2022



Compliance Update – Chapter 380 Agreements

Company	Community Benefits (Committed)	Community Benefits (Delivered)
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
Westheimer Ranch	<ul style="list-style-type: none"> • Recruit/Hire at least 30% from the Houston-Westchase area • Job Sourcing through Local Job Boards, Turnaround Houston, the City’s Re-entry Program 	Pending – New Agreement
Meow Wolf	<ul style="list-style-type: none"> • Hire at least 25% of their workforce from the local communities (Greater Fifth Ward/Denver Harbor) • Partner with schools and colleges to foster art education, including holding events/trainings for educators, participate in workforce development programs, donate free tickets to area schools for field trips, provide tours of the project, and conduct workshops/demonstrations of the project to students. • Create or commission public art on-site or nearby that will be accessible or visible to the public at no cost. • Make good faith efforts to award at least 10% of contracts/supply agreements to MWBEs registered with the City’s certified firm directory. • Utilize local contractors and suppliers for the project, including local artists. 	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 2023



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
KPH Consolidation, Inc.	ETJ	Active	\$30.0M	Monitored by State	\$121.5M	100	Monitored by State	Monitored by State
Lyondell Chemical Company	ETJ	Active	\$1.6B	Monitored by State	\$405.6M	93	Monitored by State	Monitored by State
American General Life Insurance Company	C	Active	\$34.0M	Monitored by State	\$300.1M	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	\$54.7M	150	Monitored by State	Monitored by State
Powell Electrical Systems, Inc	I	Active	\$5.0M	Monitored by State	\$71.2M	10	Monitored by State	Monitored by State
Southwest Airlines Co	I	Active	\$10.0M	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
Quanta Services, Inc	C	Active	\$87.0M	Monitored by State	\$4.2M	66	Monitored by State	Monitored by State
Anheuser Busch, LLC	B	Active	\$20.0M	Monitored by State	\$295.6M	10	Monitored by State	Monitored by State

¹ Information not available as the entities are tenants of the Houston Airport System



Financial Policies Update

Questions?





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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**



Proposed FY23 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			
GROUP 1	GROUP 2	GROUP 3	GROUP 4
August 23	August 30	September 6	September 13



Proposed FY23 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			
GROUP 5 September 20	GROUP 6 September 27	GROUP 7 October 4	GROUP 8 October 11



TIRZ Budget Schedule

Questions?

