

BUSINESS INCENTIVES PRACTICE

MAJOR INCENTIVE PROGRAMS TEXAS

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The Business Incentives Practice (“BIP”) strategically assists companies through the process of securing optimal incentive packages for projects considering an expansion, consolidation, or relocation. BIP leverages a project’s unique strengths and benefits to identify, negotiate, and implement all feasible economic development or government incentives (“Incentives”) opportunities. Moreover, BIP provides ongoing support and administration for a project to address any issues that may arise. By engaging BIP to work in parallel to the site selection team, businesses can have assurance that the optimal level of Incentives is secured and realized.

SERVICES

BIP’s mission is to develop a strategy that enhances business performance, while reducing a project’s up-front capital and ongoing operational costs through the procurement of Incentives. Many businesses are not aware they may be entitled to Incentives benefits for certain expansion, consolidation, and relocation activities. BIP identifies said opportunities through a multifaceted methodology that begins with careful analysis of project-specific data. The process continues with a detailed due diligence on all aspects of site-specific Incentives opportunities and concludes with the negotiation, implementation, and administration of Incentives.

RESULTS

BIP has successfully secured Incentives packages for a broad range of clients globally. The BIP team maintains a robust incentives database and along with its vast experience it facilitates the best possible results for a project. Since its inception, BIP professionals have negotiated in excess of \$3.0 billion in savings for its clients.



KEY PROJECT TYPES

BIP enables its clients to identify, negotiate, and quantify the myriad of incentives available through the federal, state, and municipal governments, as well as utilities service providers. BIP clients represent all industry sectors, ranging in size from Fortune 100 corporations to private owners, occupiers and developers. Almost any type of corporate location initiative can benefit from the use of C&W’s Business Incentives Practice:

- Corporate Headquarters Facilities
- Manufacturing Facilities
- R&D Centers
- Warehouse and Distribution Facilities
- Call Centers
- Data Centers
- Back-Office Centers
- Mixed-Use Developments

TEXAS RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOBS	INCENTIVES
Siro Group USA	\$58.5	200	\$0.8
Rackspace	\$32.0	500	\$1.3
Automatic Data Processing (ADP)	\$41.0	1,100	\$1.1
Space Exploration Technologies	\$85.0	300	\$15.3
Charles Schwab Corporation	\$231.5	1,268	\$6.0
Omnitracs	\$10.0	450	\$3.9
Active Network	\$13.0	1,000	\$8.6
Schneider Electric	\$7.0	193	\$0.8
American Airlines	\$88.0	1,300	\$6.5
Flextronics	\$15.0	300	\$1.3
Toyota Motor	\$350.0	3,650	\$46.8
Costco Wholesale Corporation	\$30.0	75	\$2.3

OVERVIEW OF MAJOR TEXAS INCENTIVE PROGRAMS

TEXAS ENTERPRISE FUND

The Texas Enterprise Fund, the largest “deal-closing” fund of its kind in the nation, can be used for a variety of economic development projects, including infrastructure development, community development, job training programs and business incentives.

Projects that are considered for the Enterprise Fund support must demonstrate a project’s worthiness, maximize the benefits to the State of Texas and realize a significant rate of return of the public dollars being used for the economic development of Texas. Capital investment, job creation, wages generated, financial strength of the applicant, applicant’s business history, analysis of the relevant business sector, and federal and local government and private sector financial support of a project will all be significant factors in approving the use of the Enterprise Fund.

Applications are received throughout the year and TEF awards are made several times annually. The award of this incentive is tied to specific wage increase criteria throughout the term of the incentive.

TEXAS EMERGING TECHNOLOGY FUND (TETF)

The Texas Emerging Technology Fund (TETF) is a cash grant program designed to help Texas create jobs and grow the economy over the long-term by expediting the development and commercialization of new technologies and attracting and creating jobs in technology fields. The program works through partnerships between the state, higher education institutions, and the private industry to focus greater attention on the research, development, and commercialization of emerging technology.

Grants are awarded in the following areas:

- **Commercialization Awards:** Incentives for Commercialization Activities occur when the State utilizes taxpayer funds to make an investment in a privately-owned entrepreneurial business that is seeking to bring a new or enhanced technology to the marketplace. To be eligible for the award, the business must be partnered with one of the State’s institutions of higher education.
- **Matching Awards:** The goal of the TETF Research Award Matching program is to create public-private partnerships to leverage the unique strength of universities, federal government grant programs, and industry. The program allows Texas to secure additional research funds from outside the State in key technical and scientific areas that contribute to the growth of our emerging-technology economy.
- **Acquisition of Research Superiority:** The TETF Acquisition of Research Superiority goal is to bring the best and brightest researchers in the world to Texas. The program enables Texas academic institutions to continue to build expertise in key research

Texas shows an average deal value of \$5.17 million with 239 new jobs created per deal

areas, attract and inspire students to pursue advanced degrees in math, sciences, and engineering, and provide an invaluable resource to the community by fostering innovation and commercialization in the State. To be eligible for this award, an applicant must be a Texas public institution of higher education, commit to acquiring new research superiority talent from outside the State, and be sponsored by the institution’s leadership.

- **Regional Centers for Innovation and Commercialization:** Program provides grants to universities and not-for-profit organizations to support the Texas entrepreneurial ecosystem and to recommend company investments to the TETF Advisory Committee.

TEXAS CAPITAL FUND INFRASTRUCTURE PROGRAM

This program is designed to provide financial resources to non-entitlement communities. Funds can be utilized for public infrastructure (water, sewer, roads, etc.) needed to assist a business, which commits to create and/or retain permanent jobs, primarily for low and moderate-income persons. The award may not exceed 50 percent of the total project cost. The minimum award is \$50,000 and the maximum award is \$1,500,000.

TEXAS ENTERPRISE ZONE PROGRAM

The Texas Enterprise Zone program is an economic development tool for local communities to partner with the State of Texas to encourage job creation and capital investment in economically distressed areas of the state. For a business to receive state tax incentives under the Texas Enterprise Zone Program, the local community must nominate it for Enterprise Project designation. Each local community has a limited number of projects allocated and the state has a maximum number of 105 that can be awarded per biennium. Applications are

accepted quarterly with the deadlines on the first working day of March, June, September, and December.

The following requirements must be met in order to participate in the Enterprise Zone program:

- Enterprise Project designation is up to a five-(5) year period, in addition to a 90-day window prior to the quarterly deadline application/designation date as outlined above. Employment and capital investment commitments must be incurred and met within the 90-day window through the designation expiration date;
- Projects may be physically located inside or outside of an Enterprise Zone;
- If located within a zone, the company commits that twenty-five percent (25%) of their new employees will meet economically disadvantaged or enterprise zone residency requirements;
- If located outside of a zone, the company commits that thirty-five percent (35%) of their new employees will meet economically disadvantaged or enterprise zone residency requirements;
- Jobs must provide employment of at least 1,820 hours during a 12-month period; and,
- Jobs must exist through the end of the designation period, or at least three years after the date on which a state benefit is received, whichever is later.

Designated projects are eligible to apply for state sales and use tax refund on taxable items. The level and amount of refund is related to the capital investment and jobs created and/or retained at the qualified business site:

LEVEL OF CAPITAL INVESTMENT	MAX. JOBS ALLOCATED	MAX. POTENTIAL REFUND	MAX REFUND/JOB ALLOCATED
\$40,000 to \$399,999	10	\$25,000	\$2,500
\$400,000 to \$999,999	25	\$62,500	\$2,500
\$1,000,000 to \$4,999,999	125	\$312,500	\$2,500
\$5,000,000 to \$149,999,999	500	\$1,250,000	\$2,500
\$150,000,000 to \$249,999,000	500	\$2,500,000	\$5,000
\$250,000,000 or more	500	\$3,750,000	\$7,500

PROPERTY TAX ABATEMENT

Most counties in Texas offer tax abatements for economic development projects that result in a minimum investment in new eligible property and the creation of net new jobs. Eligible property includes buildings, structures, fixed machinery and equipment, site improvements, as well as office space and related fixed improvements. If a leased facility is granted tax abatement, then a benefit agreement would be entered into by both the owner and lessee.

CHAPTER 313

In 2001, the 77th Texas Legislature enacted House Bill 1200, creating Tax Code Chapter 313 of the Texas Economic Development Act. This Act allows school districts to attract new taxable property and create jobs by offering a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. The property remains fully taxable for the purposes of any school district debt service tax.

The appraised value limitation is an agreement in which a taxpayer agrees to build or install property and create jobs in exchange for:

- An eight-year limitation on the taxable property value for school district maintenance and operations tax (M&O) purposes, and
- A tax credit

After Jan. 1, 2014, applicants are required to select one of two wage targets for qualifying jobs. Additionally, in exchange for the appraised value limitation and tax credit, the property owner must enter into an agreement with the school district to create a specific number of jobs and build or install specified types of real and personal property worth a certain amount. The agreement must specify what is expected of each party, including the terms and conditions required by law, and provisions to protect the school district from possible revenue losses.

The school district's tax collector must credit the overage in equal parts over the last seven years of the agreement, but the credit in each year may not exceed 50 percent of the total taxes paid on the qualified property during that year. Any eligible amount not credited during the seven-year period are to be credited over the following three years, but the amount credited in each year may not exceed the total taxes paid on the qualified property in that year.

SKILLS DEVELOPMENT FUND (SDF)

SDF assists businesses by financing the design and implementation of customized job training projects. The maximum grant award for an individual business is \$500,000. Tuition, curriculum development, instructor fees and training materials are considered eligible costs; however, trainee wages, travel, and equipment purchases are ineligible costs.

To be considered for SDF grants, a private business must partner with a public community or technical college, or non-profit community-based organization to develop a training proposal. Assuming that a training proposal is approved and SDF grants are offered, the Company must pay wages to employees who successfully complete the training program that

are equal to or greater than the prevailing wage for a given occupation in the local labor market.

For more information, contact:

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OTHER TEXAS INCENTIVE PROGRAMS

- Texas Capital Real Estate Development Program
- Property Tax Abatement
- Texas Economic Development Act
- Chapter 380
- Cancer Prevention and Research General Obligation Bonds
- Defense Economic Adjustment Assistance Grant Program
- Moving Image Industry Incentive Program
- Texas Product/Business Fund
- Texas Leverage Fund
- Industrial Revenue Bond Program
- Texas Military Value Revolving Loan Fund
- CAPCO
- Freeport Exemptions
- Pollution Control Equipment Incentive
- Renewable Energy Incentives
- Defense Economic Readjustment Zone Program
- Self-Sufficiency Fund
- Manufacturing Sales & Use Tax Exemptions
- Data Center Incentive
- Research & Development Tax Credit