

RESOLUTION NO. SLDC-R-22-03

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUGAR LAND DEVELOPMENT CORPORATION ADOPTING A POLICY ON GRANTING AN ECONOMIC DEVELOPMENT INCENTIVE FOR RETENTION OF OFFICE HEADQUARTERS.

WHEREAS, there are a number of companies that lease space within the City of Sugar Land (“City”) for their regional or national corporate headquarters (their “Office Headquarters”); and

WHEREAS, the real estate market in the City, Houston, and the surrounding metropolitan areas is highly competitive; and

WHEREAS, the Sugar Land Development Corporation would like to incentivize companies that lease space within the City for their Office Headquarters to remain in the City when their existing leases expire or terminate; and

WHEREAS, the SLDC wishes to adopt a policy for providing a financial incentive to encourage existing businesses to retain their Office Headquarters in the City; NOW, THEREFORE,

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF
THE SUGAR LAND DEVELOPMENT CORPORATION:**

Section 1. That the SLDC adopts the following Policy on Granting an Economic Development Incentive for Retention of Office Headquarters.

**SUGAR LAND DEVELOPMENT CORPORATION POLICY
ON GRANTING AN ECONOMIC DEVELOPMENT INCENTIVE
FOR RETENTION OF OFFICE HEADQUARTERS**

A. Purpose.

To provide a funding incentive for the retention of regional or national corporate headquarters for existing businesses within the City of Sugar Land, to stimulate the local economy through job retention and creation and additional capital investment.

B. Definitions.

Act means the Development Corporation Act of 1979, codified in Chapters 501 through 505 of the Texas Local Government Code, as amended.

City means the City of Sugar Land, Texas.

Company means the business entity to which a Retention Incentive is granted under a Performance Agreement in accordance with this Policy.

Office Headquarters means a Company's regional or national corporate headquarters facilities as specified by the Act, that leases spaces within the City and provides Primary Jobs and whose continued location in the City will retain Primary Jobs.

Performance Agreement means the agreement entered into between the SLDC and the Company under which the SLDC provides a Retention Incentive to the Company in consideration of the Company's complying with the terms of the performance agreement.

Policy means this Policy on Granting an Economic Development Incentive for Retention of Office Headquarters, adopted by the SLDC by Resolution No. SLDC-R-22-03.

Primary Job means a job as specified by the Act that is available at a company for which a majority of the products or services of that company are ultimately exported to regional, statewide, national, or international markets infusing new dollars in the local economy.

Project means the new lease of space by the Company, within City limits, for its Office Headquarters.

Retention Incentive means SLDC funds provided to the Company under a Performance Agreement.

SLDC means the Sugar Land Development Corporation.

C. Requirements.

1. **Statutory Requirements in Granting Economic Development Incentive.** In addition to any requirements imposed under this Policy, the Retention Incentive provided to a Company under this Policy and a Performance Agreement must meet the following requirements of the Act:
 - (a) That the jobs retained by the Company will be Primary Jobs, as defined by the Act;
 - (b) That the Retention Incentive made is required or suitable for the development, retention, or expansion of regional or national corporate headquarters facilities; and
 - (c) That the Retention Incentive is provided under a Performance Agreement that includes:
 - (1) A schedule of the additional payroll or jobs to be created or retained;
 - (2) A statement of the minimum capital investment to be made; and
 - (3) A default provision that provides that upon default the SLDC will be repaid the incentive provided, with interest.

2. **Qualifications for Receiving Retention Incentive.** To receive a Retention Incentive under this Policy, the Company must meet the qualifications of this section. The SLDC may waive a qualification, other than compliance with the Act, if the Company will clearly provide other benefits to the City that offset the qualification waived.
 - (a) The Project must meet the Act's requirements for receiving a Retention Incentive, as stated in preceding paragraph C(1);
 - (b) The Company's Office Headquarters must already be located within the City;
 - (c) The Company must enter into a new lease for its Office Headquarters, within City limits, with a duration of at least five (5) to ten (10) years. The lease may be for either the existing location of its Office Headquarters or a new location, so long as the Office Headquarters will remain in the City;
 - (d) The Project must retain at least 50 Primary Jobs occupied by Company's employees that are physically present full time at the location within the City;
 - (e) The Project must include a minimum capital investment of at least \$1,000,000. This capital investment will be included in the new lease for the Office Headquarters, and may be made by either the Company or the landlord of the Company's Office Headquarters; and
 - (f) The Company's Project will produce economic benefits to the City in an amount that is equal to or greater than the Retention Incentive paid to the Company.
3. **Factors Considered in Granting Retention Incentive.** To determine whether to grant a Retention Incentive for a Project that meets the minimum qualifications under this Policy, the SLDC may consider any of the following:
 - (a) The value and productive life of the Project;
 - (b) The amount of local payroll the Project will create or retain;
 - (c) The amount of local sales taxes the Project will generate or retain;
 - (d) The Company's use of local higher education resources;
 - (e) The Company's corporate citizenship;
 - (f) Whether the Company is in a growth industry or targeted business or industry;
 - (g) The risk of the Project's success or failure;
 - (h) The City's costs in providing services to the Project;

- (i) Whether the Company has a credit rating of “A” or equivalent; or
 - (j) Whether the Project will maintain at least a 10.5% annual rate of return during each year of the Performance Agreement.
4. **Excluded Projects.** The SLDC will not grant a Retention Incentive to any Project in which City or SLDC participation would expose the City or SLDC to undue risks including financial, legal, and political.
5. **Retention Incentive Amount.** A qualifying Company that enters into a Performance Agreement with the SLDC for the Project is eligible to receive a Retention Incentive in the amount of Six Thousand and No/100 Dollars (\$6,000.00) for each job retained or created under its new lease for Office Headquarters.
6. **Program Funding.** Each fiscal year the SLDC will adopt a budget that has a Retention Incentive fund of approximately \$1,700,000 to be used for Retention Incentives under this Policy. Any Retention Incentive funds not spent or committed from the previous fiscal year will be carried over to the following fiscal year to reduce the amount of Retention Incentive funds that will need to be budgeted. Funding is subject to the availability of funds within the SLDC’s budget and will be used in accordance with applicable State law. If all funds in a given year are spent or committed to Projects, the SLDC may appropriate additional funds should a Project of substantial and compelling interest be identified.
7. **Terms and Conditions.** The City Council Economic Development Committee charged with economic development oversight may recommend and the SLDC may impose any other conditions in a Performance Agreement that the SLDC deems necessary to promote the purposes of this Policy.
8. **Request for Retention Incentive.**
- (a) Any person may request a Retention Incentive by making a request to the City. This includes the City’s Department of Economic Development, which may proactively initiate a request on behalf of a Company.
 - (b) The City’s Economic Development Department will review the request and make its recommendation to the City Council subcommittee charged with economic development oversight. In special cases concerning Project timing, the SLDC Board may meet in executive session to discuss the Project. The City Council subcommittee charged with economic development oversight is responsible for reviewing the requests and making recommendations to the SLDC. The City Council subcommittee charged with economic development oversight may develop policies and procedures for processing requests that are not inconsistent with this Policy or State law.
 - (c) The City Council subcommittee charged with economic development oversight will review all requests it receives. If the City Council subcommittee charged with economic development oversight believes the SLDC should grant a Retention Incentive

to the requestor, it will submit the request to the SLDC along with its recommendation of the terms and conditions under which the Retention Incentive should be granted. If the City Council subcommittee charged with economic development oversight believes that the Retention Incentive should not be granted to the requestor, no further action will be taken on the request unless the requestor requests in writing that the City Council subcommittee charged with economic development oversight submit the request and its negative recommendation to the SLDC.

- (d) A Performance Agreement must be approved by the affirmative vote of four or more SLDC members at a regularly scheduled meeting.

PASSED AND APPROVED on _____, 2022.

Stewart Jacobson, President

ATTEST:

Thomas Harris, III, City Secretary

APPROVED AS TO FORM:

Dan Shea Smith