

## **ECONOMIC DEVELOPMENT INCENTIVE AND INVESTMENT POLICY**

### **Introduction**

On October 19, 2010, the Peoria City Council approved an Economic Development Implementation Strategy (“EDIS”) which provides an implementation-based plan for achieving the economic development goals of the City as established by the Council. The EDIS includes a community and business climate assessment of Peoria, an economic base analysis, an identification of business activities and industries desirable to the City, and a general discussion of strategies to enhance the City’s economic development future. One such strategy identified in the EDIS is creation and implementation of an economic development incentive and investment program that sets forth in detail the types of public incentives and investments that the City is authorized and willing to make on a discretionary basis in furtherance of retaining existing businesses and attracting certain targeted businesses and industries identified in the EDIS as desirable to Peoria.

This Economic Development Incentive and Investment Policy (“EDIIP”) is adopted by the Peoria City Council for the purpose of implementing the EDIS. The EDIIP and accompanying Economic Development Incentive and Investment Policy Guidelines (“EDIIP Guidelines”) provide a framework for evaluating City financial incentives and investment towards the retention and expansion of existing local businesses and attraction and expansion of targeted industries within the City of Peoria in a manner that is consistent with applicable laws. The City is authorized pursuant to Arizona Revised Statutes, Sections 9-500.05 and 9-500.11, to negotiate and enter into development agreements that include expenditures for economic development. The City will negotiate and enter into Economic Development Incentive and Investment Agreements with those projects that qualify and are approved under the EDIIP. Each Agreement will be presented to the City Council for consideration and possible approval.

The City will review each request for public incentives and investment on a project-by-project basis applying this EDIIP and the EDIIP Guidelines. By adopting this EDIIP, the City is not obligated to offer any incentives or make any investments. This EDIIP shall not be applied retroactively and shall become effective on the date adopted by the City Council.

### **Public Purposes Promoted by this EDIIP**

The City Council expressly finds that implementing the EDIS through this EDIIP will further a number of public purposes, including, but not limited to, stimulating the local economy by providing additional value-added employment opportunities, expanding the tax base required to provide essential public services, diversifying the local economy, expanding the economic base of the City, promoting redevelopment of unused or underutilized properties to positively influence infill development opportunities, and providing educational and workforce training opportunities for

Peoria residents. Indirect public purposes that may be served by adoption and implementation of this EDIIP include, but are not limited to, reducing vehicle miles travelled by Peoria residents who no longer have to commute to other communities for suitable employment, reduction of air pollution due to less vehicle miles being travelled, and an overall improvement in quality of life for Peoria residents.

This EDIIP does not commit the City to providing economic development incentive and investment assistance in every instance, nor does it restrict the City from providing additional incentives or investments in a specific instance. The EDIIP and EDIIP Guidelines contain specific criteria, guidelines, and procedures necessary to effectively and fairly administer the City's economic development incentive and investment decisions.

### **Purpose**

Public incentives and investment extended pursuant to this EDIIP is intended to fill gaps in private business investment and development project financing that make the project improbable without public support to fill those financing gaps. This EDIIP and the EDIIP Guidelines establish criteria and procedures for the regulation and coordination of economic development financial incentives and investment by the City, as well as to create a return on investment ("ROI") analysis template that will be applied to each eligible project. These policies and procedures shall be used as a guide for the orderly review and disposition of applications requesting economic development Incentives and investment assistance in coordination with the EDIS, as well as the economic development element of the Peoria General Plan and the City's Principles of Sound Financial Management concerning economic development.<sup>1</sup>

A variety of economic development incentives and investment tools are available, or will be pursued by the City, for use by businesses and developers for those economic development projects that meet the eligibility criteria set forth in this EDIIP and the EDIIP Guidelines and are approved by the City Council. Not all tools are available for every project, and projects may be offered more than one tool. The type and number of incentives and investment tools is the sole discretion of the Peoria City Council. Incentives and investment tools include, but are not limited to, the following:

*Enterprise Zone (state program)* -- The primary goal of the Arizona Enterprise Zone (EZ) program is to improve the economies of areas in the state with high poverty and/or unemployment rates. The program does this by enhancing opportunities for private investment in certain areas that are called enterprise zones. The program offers two types of benefits: income or premium tax credits and property tax reduction.

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<sup>1</sup> The EDIS, economic development element of the Peoria General Plan, and the City's Principles of Sound Financial Management are incorporated into this EDIIP by reference. Italicized terms are defined in the EDIS document.

Foreign Trade Zone (federal program) -- Merchandise can be brought duty-free into a designated Foreign Trade Zone (FTZ) for purposes of storing, repacking, display, assembly or manufacturing. Imports may be landed and stored without full customs formalities. Arizona is the only state in the United States that provides an 80 percent reduction in real and personal property taxes for companies qualifying for Foreign Trade Zone or sub-zone designation.

City Direct Investment -- Provides direct city advance payment or reimbursement to private industry for a variety of capital or operating expenditures such as business relocation costs, worker relocation costs, tenant improvements, impact fee and permit fee waivers, etc. to attract both capital investment and high quality jobs in targeted industries.

Peoria Industrial Development Authority Bonds -- Development Authority issued bonds are conduit financing for an eligible project to assist a private developer or business in facility creation or expansion. Liability of the bonds is solely that of the developer or business. Conduit feature is used to obtain access to capital and competitive interest rates. City charges 1% fee for services provided and pays its costs from that fee. Other fees may apply. Issues for nonprofit entities may be charged a discounted fee and receive a discounted interest rate under the federal tax law, pursuant to IDA policy guidelines.

Lease Revenue Bonds -- Bonds issued by the City, the proceeds from which are used to construct facilities for private business enterprise. Lease payments made by the business enterprise to city government are used to service the bonds.

Government Purchase Lease Excise Tax (GPLET) -- The GPLET is a local excise tax that is levied on a square footage, as opposed to value, basis against improved real property leased by private parties from a municipality or county. The result is a reduction in property tax base for the subject property.

Maricopa County Economic Development Fund -- Maricopa County passed a resolution to fund economic development activities that assist in the creation or retention of jobs or otherwise improve or enhance the economic welfare of the residents of Maricopa County. The program has two goals: to increase the per capita income and to increase the share of employment in base industries in Maricopa County. Funding for such projects will be appropriated from the County General Fund's interest earnings.

### **Guiding Principles**

In carrying out its economic development objectives, the City of Peoria will adhere to the following guiding investment principles for strategically investing its resources in *targeted industries* and *investment zone* redevelopment opportunities appropriate for consideration under this EDIIP:

- Eligible projects that retain, expand, or attract existing or targeted industries providing: (1) high-wage, knowledge-based jobs; and/or (2) significant capital investment and new wealth to the community.
- Eligible projects that create or attract a top-tier workforce desirable to targeted industries, including the creation of industry specific workforce training programs through coordination among community institutions including economic development organizations, non-profit entities and groups, colleges and universities, the business community, and workforce development entities.
- Eligible projects that provide infrastructure improvements and other public benefit necessary to retain and/or expand existing businesses, attract targeted industries, and/or revitalize key development nodes in the City's *investment zones*.
- Eligible projects that nurture and grow targeted startup businesses.
- Eligible projects that promote the development of bioscience and technology-based products and services.
- Eligible projects that redevelop vacant or under-utilized commercial and industrial properties in targeted investment zones.
- Eligible projects for business assistance (new or expansion) focused primarily on targeted industries.

The minimum project qualifications for consideration under the EDIIP are listed in the table below:

Category of consideration	Minimum Requirements
Capital investment	\$250,000
Jobs created	10
Avg. salaries of jobs created	\$50,000 FTE with benefits
Avg. education level	4-year degree
Targeted Industries	Manufacturing, corporate or divisional HQ, advanced business services, back office operations (e.g. data centers, etc.), research and development, or processes which involve the utilization of high technology or innovative new technologies, bioscience, alternative energy, telecommunications, health care, and higher education
Redevelopment Projects	Defined as projects that will economically reposition unused or underutilized properties

The City reserves the right to consider projects beyond the parameters outlined in this section. Projects outside of the scope detailed herein will only be considered if it is found that the nature of such project would have a significantly transformative and dramatically positive net economic impact on the City.

The amount and timing of the City's public investment in an eligible project will be dictated by the terms of the Economic Development Incentive and Investment

Agreement approved by the City Council pursuant to the EDIIP. In general, the City's investment will not occur until the eligible project has completed certain of its contractual obligations under the Agreement. For example, proof that a certain number of high-wage, knowledge-based jobs have been created may trigger a predetermined incentive or investment by the City. However, for certain projects deemed extraordinary, the City may make a portion of its public incentives or investments at an earlier point in time, but subject to repayment or security in the event that subsequent contractual obligations are not timely satisfied. For example, a public incentive may be offered or investment made in the form of tenant improvements to private property so as to facilitate the business' relocation or location in Peoria. In this case, the commitment to locate in the City would be memorialized in an executed lease agreement. Other documentation may be accepted at the discretion of the City Council.

Incentives or investment funds may be used for one or more of the following eligible activities to retain an existing eligible business, assist a targeted industry in locating in Peoria, or to facilitate a redevelopment project:

- Real property lease or acquisition
- Personal property lease or purchase (e.g. equipment)
- Site preparation costs
- On-site infrastructure
- Off-site infrastructure
- Improvements to a building such as tenant improvements
- Other capital investments
- Job training costs not otherwise reimbursed by grants or tax credits
- Other purposes which bring value to the community as determined by the Economic Development Services (EDS) Department on a project-by-project basis
- Payment of site development and building plan review and permit costs

This is not an exclusive list, but rather a sample of the types of public incentives and investments that may be approved by the City Council in its discretion in regard to a particular eligible project.

### **Return on Investment Considerations**

Each eligible project under the EDIIP guidelines must provide a return on investment (ROI) for the assistance provided. The specific ROI will be determined through the negotiation process and stipulated in the Economic Development Incentive and Investment Agreement. Qualifying items for equivalent ROI would include the following:

- Jobs that meet wage and education goals according to the EDIIP guidelines
- Jobs provided to Peoria residents, specifically new employees that move to the City of Peoria
- Redevelopment of under-utilized properties or infill development

- Space absorption resulting in reduced commercial or industrial vacancy rates
- Ability to bring additional targeted investment to the City
- Ability to partner with the City, universities, and others on workforce development goals
- Tax revenue generated through increased property taxes, lease rate taxes, and sales taxes

### **Process for Requesting Public Incentives and/or Investment**

Each entity requesting City economic development assistance under the EDIIP will be required to prepare and submit to the Economic Development Services Department (“EDS”) an application and supporting documentation as required by the EDIIP Guidelines. EDS will review each application for sufficiency on a case-by-case basis using the EDIIP Guidelines. This review process will also include reviews by other City Departments to ensure consistency with all applicable City laws and policies, such as the General Plan, Zoning Ordinance, and Principles of Sound Financial Management. As appropriate, the review process may also include submission of the application and supporting documentation to a panel of relevant industry experts for technical appraisal.

The Guidelines shall be subject to periodic review and may be modified or amended, due to changed economic conditions or competitive considerations. In the event of any modification or amendment, Economic Development Incentive and Investment Agreements previously approved by the City Council pursuant to the EDIIP will not be affected.

In determining whether to make a public incentive or investment in response to a request and, if so, the amount of assistance to be extended, the City will consider, among other relevant factors, the following:

- The total private capital investment in the project including site acquisition, site improvement, building development, tenant improvements, and equipment purchases.
- The number, type and quality of full time jobs created or retained.
- Wage levels and benefits for jobs created by the project.
- The potential for future expansions and increased employment.
- Project specific benefits that impact positively on economic development objectives related to business attraction, business retention, redevelopment, small business, and workforce development, which will further stimulate development in targeted areas of the City, thereby benefiting overall community development.
- The potential for the project to attract other companies which would be suppliers to or affiliated with that company.
- Other factors promoting the public welfare and deemed relevant by the City Council in its discretion.

The City Council desires to make public incentives and investments pursuant to this EDIIP to attract new jobs and capital investments to Peoria by adding new companies and businesses to the community and expanding existing businesses. The City, however, will also consider on a case-by-case basis the utilization of this Policy when necessary to preserve existing jobs and capital investments which are at risk of being lost. This will apply to situations in which a targeted industry is considering the consolidation of operations within a facility in Peoria or a facility outside of Peoria, in which a targeted industry must modernize its equipment or facility to remain competitive in its market, or in other situations in which it is considering reducing or eliminating its operations in Peoria. In such situations, assistance may be made, at the discretion of the City Council, if the overall amount of taxable capital investment for the subject company will increase.

# Application for Economic Development Assistance

An applicant for financial assistance from the City of Peoria, Arizona will complete this form and provide a project narrative including more details on the project answering these questions. Other supporting documentation (business plan, lease agreement, building plans, etc.) should be included.

<b>PROJECT INFORMATION</b>			
1. Business/Project Name		2. Today's Date	
3. Project Representative(s)			
4. Primary Contact			
5. Telephone Number		6. Email Address	
7. Mailing Address			
8. Project/Property Address		9. Square Footage	
10. Investment Zone?	Yes No	11. Foreign Trade Zone Eligible	Yes No
12. Industrial Development Bond Eligible?			Yes No
13. Is this an infill development or redevelopment project ?			Yes No
14. Project Type (circle one)	Expansion	New Peoria Business	Redevelopment
15. Industry Description			
16. Project Start Date		17. Est. Operation Date	
18. Est. Total Capital Investment (in \$)			
19. Please write a project narrative and be as detailed as possible about your project. Include these items: requested assistance and timeframe for assistance; reimbursement or prepayment; suggested clawback measures and forms of security for the city's investment.			
<b>EMPLOYMENT IMPACT</b>			
20. Total number of <u>new</u> FTE jobs brought to Peoria, AZ		Year 1	Year 3
21. Avg. Salaries of <u>new</u> jobs		Year 1	Year 3
22. Total number of <u>existing</u> jobs (if expansion)			
23. Avg. Salaries of <u>existing</u> jobs			
24. Total Payroll of <u>all</u> jobs		Year 1	Year 3
25. Avg. Education Levels of <u>new</u> jobs (circle one)	2-Yr Post Secondary	4-Yr Bachelors	Graduate Degrees
26. Percentage of Benefits paid by employer for <u>all</u> jobs			
<b>FISCAL IMPACT</b>			
27. Total Real and Personal Property for tax purposes			
28. Anticipated direct sales tax generated at 1% of taxable sales			

29. Other revenues (est. annual)	Occupancy taxes	Utility revenues
30. City infrastructure construction required		
31. Projected total annual operating budget for facility		
<b>COMMUNITY IMPACT (for narrative portion)</b>		
32. Effect of project on local housing market		
33. Environmental impact of project		
34. Compatibility of project with City's General Plan		
<b>COMPETITIVE IMPACT (for narrative portion)</b>		
35. Effect on existing businesses/industry in Peoria (please list competitors)		
36. Supply chain opportunities in Peoria (existing and new that your project could create) – Please list		

Send completed form and project narrative via email to [dina.green@peoriaaz.gov](mailto:dina.green@peoriaaz.gov) or mail to Economic Development Services, ATTN: Dina Green 9875 N. 85<sup>th</sup> Ave., Peoria, AZ 85345

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Print Name

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Signature

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Date