

## **MEMORANDUM**

**TO:** Donna Barron, City Manager

**FROM:** Jason Moore, Economic Development Director

**DATE:** August 19, 2019

**SUBJECT:** **Approval of a Resolution to Nominate Caliber Bodyworks of Texas, Inc. for Designation as a Single Texas Enterprise Project by the Governor's Office of Economic Development and Tourism in Accordance with Chapter 2303 of the Texas Government Code.**

### **BACKGROUND**

Caliber Bodyworks of Texas, Inc. has submitted a request to staff asking that the City Council consider a resolution to nominate them for designation by the Governor's Office of Economic Development and Tourism as a single Texas Enterprise Project.

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. An enterprise zone is a census tract block group that has 20% or more poverty rate based upon the most recent decennial census federal poverty level information, a distressed county, a federally designated zone or renewal community. The State of Texas is the designating body for all Enterprise Zones.

The Enterprise Zone Program encourages and assists Texas companies in creating or retaining jobs and in making sizable capital investments in their facilities with a refund of State sales and use taxes based on jobs created and on-site capital investments. On-site capital investments typically include facility and technology upgrades. In most cases, the program results in the retention of the company's presence in the city.

A qualified business is eligible to apply for a designation based upon their amount of capital investment and number of jobs being created and/or retained. The table below indicates the level of capital investment guidelines, the maximum number of jobs allocated, maximum potential refund per the level of investment, and the maximum refund per job allocated by the State.

<b>Level of Capital Investment</b>	<b>Maximum Number of Jobs Allocated</b>	<b>Maximum Potential Refund</b>	<b>Maximum Refund Per Job Allocated</b>
\$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
Double Jumbo Project \$150,000,000 to \$249,999,999	500*	\$2,500,000	\$5,000
Triple Jumbo Project \$250,000,000 or more	500*	\$3,750,000	\$7,500

For example, if a company creates 125 jobs, and invests between \$5,000,000 and \$149,999,999, the maximum refund is \$2,500 per job, which would equate to a \$312,500 refund.

The Texas state sales and use tax rate is 6.25%, but the local taxing jurisdictions (cities, counties, special purpose districts and transit authorities) may also impose sales and use tax up to 2% for a total maximum combined rate of 8.25%. For purposes of this program, it is the 6.25% portion of the tax that is used to provide a refund to corporations that apply for the Enterprise Zone program and are designated as a project. The 2.0% local tax is not affected; therefore, there is no fiscal impact to the City of Lewisville.

Projects may be physically located in or outside of the Enterprise Zone. If located within a zone, the company must commit that at least 25% of their new employees will meet economically disadvantaged, enterprise zone residence or veteran requirements. If located outside of the zone, which this applicant does, the company must commit that at least 35% of their new employees will meet economically disadvantaged, enterprise zone residence or veteran requirements.

Participating cities are required to have an ordinance on file with the State of Texas Governor's Office of the Economic Development that authorizes Council to hold hearings on applications submitted for approval. Each participating city can approve up to nine (9) designations per biennium. The City of Lewisville established its Enterprise Zone Program under Ordinance No. 3792-08-2010 which also nominated Overhead Door Corporation for designation as an

Enterprise Zone Project. The State ultimately denied that application based on other competitive projects at the time.

Nonetheless, once a city has an approved Enterprise Zone Ordinance, applications received simply require a city resolution naming said company (as the applicant) as an Enterprise Zone Project for a project designation. When an application is approved, the signed application, signed and seal stamped resolution and associated fee are sent to the Governor's Office of Economic Development for consideration on or before the quarterly due date. If the state approves the designation of a company as an Enterprise Zone Project, the company would be eligible for a refund of state sales and use tax based on the employment criteria and the amount of the capital spent at the qualified business site.

### **ANALYSIS**

Caliber Bodyworks of Texas is planning an \$11 million expansion for real and business personal property improvements at a new location in Lewisville as their current location on Corporate Drive cannot support the expansion. Additionally, they plan to hire an additional 125 employees. The company has hired Ryan, Inc. to ensure that the company meets the “qualified business” requirements and to manage compliance reporting. The project must constitute “an expansion, renovation, or new construction, or other property to be undertaken by a qualified business.” They have asked the city to consider and pass a resolution in order to submit the application to the state on Caliber’s behalf.

In August 2010, the City of Lewisville adopted Ordinance No. 3792-08-2010, which established the city’s participation in the Enterprise Zone Program. Since its adoption, Lewisville may nominate up to 6 projects per biennium out of a total 105 statewide. Because of the timing of Caliber’s capital investment in their expansion project, they must pursue the state incentive within a 90-day window of those improvements taking place.

Since accepting the Council’s tax abatement and tax grant offer this past June 2019, the company is in the process of making business decisions as formal economic development agreements are finalized. With the critical timing of the Enterprise Zone Program and Caliber’s current development process, it is necessary to submit an application to the state, on behalf of Caliber, by September 1, 2019.

### **RECOMMENDATION**

It is City staff’s recommendation that the City Council approve the resolution as set forth in the caption above.