

**City Council
Agenda Memo**



**City Council
Meeting Date: 08-30-10**

TO: Larry D. Gilley, City Manager

FROM: Richard Burdine, Assistant City Manager for Economic Development

SUBJECT: City of Abilene's Participation in the Texas Enterprise Zone Program and Nomination of Health Care Service Corporation, a Mutual Legal Reserve Company, (Blue Cross Blue Shield) as an Enterprise Project to the Office of the Governor Economic Development and Tourism

GENERAL INFORMATION

The City of Abilene's involvement with the state's Enterprise Zone Program began in 1997 when the City Council nominated three Enterprise Zones, which were subsequently approved for designation by the Texas Department of Economic Development (now know as the Office of the Governor Economic Development and Tourism or "Agency"), resulting in Abilene's West, Central and East Enterprise Zones. In 2004 the state legislature revised the program so that any census block group having a 2000 Census poverty level of 20% or higher is automatically an enterprise zone (see attached map).

If the qualified business is not in an eligible block group, as is the case with BCBS, it can be nominated as an Enterprise Project. An Enterprise Project is a business that is nominated by a city or county and approved by the state Economic Development Bank for state and local incentives.

State incentives include state sales and use tax benefits based on capital investment and jobs created and/or retained during the designation period, not to exceed 5 years. Blue Cross Blue Shield will commit to \$5 million in capital investment, retaining their current level of employment and hiring economically disadvantaged individuals to the fullest extent possible over the next five years. These commitments make them eligible for up to \$1,250,000 in state incentives.

The state may designate up to 85 enterprise projects each biennium. With private capital markets so tight there has been tremendous demand for the program, so much that all project designations will probably be allocated to successful applications submitted on September 1, 2010. It will be 2 years before more projects can be considered, which is why BCBS' application is being expedited.

SPECIAL CONSIDERATIONS

See Page 2.

FUNDING/FISCAL IMPACT None to the City of Abilene. All refunds will come from the State.

STAFF RECOMMENDATION City Council approve the attached ordinance recommending BCBS for designation as an Enterprise Project by the Office of the Governor Economic Development and Tourism.

BOARD OR COMMISSION RECOMMENDATION Not Applicable.

ATTACHMENTS Map and Ordinance.

Prepared by: Richard Burdine

Name: Richard Burdine

Title: Asst. City Manager for Economic Development

Item No. _____

Disposition by City Council

- Approved Ord/Res# _____
- Denied
- Other

City Secretary

SPECIAL CONSIDERATIONS

In addition to its own incentives, the state requires cities that nominate companies for enterprise project designation to make complimentary local incentives available. Local incentives are scored by the state when they consider a business' application. Once the ordinance is adopted future project nominations will only require a resolution.

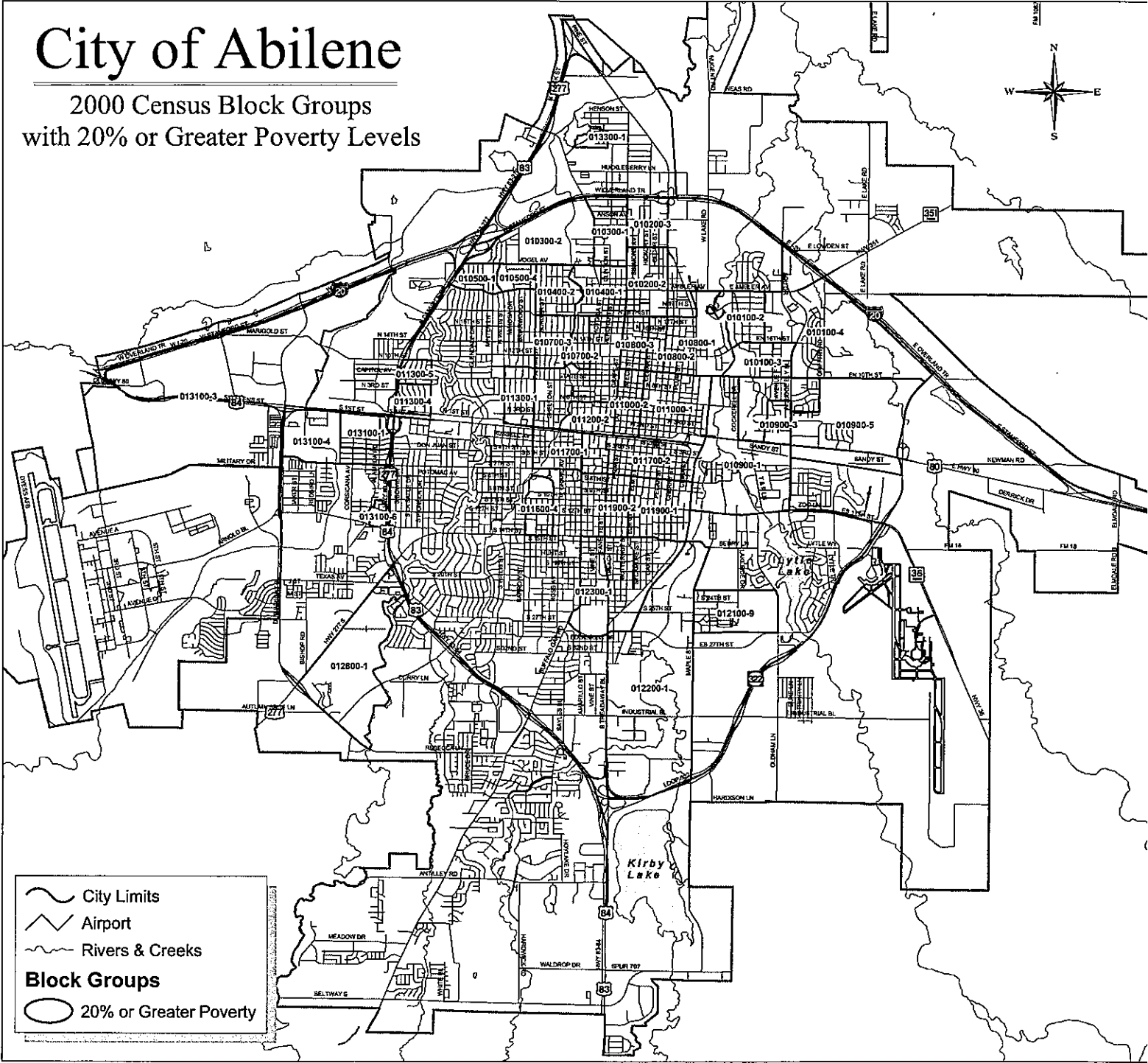
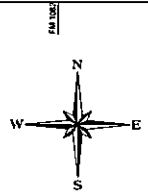
The following local incentives which we already offer or have considered offering in the past, are or will be made available to the nominated project and to future projects at the discretion of the City Council:

- a) Abate taxes up to five (5) years, on a case-by-case basis;
- b) Establish a Tax Increment Financing District to fund public improvements to serve a project;
- c) Adopt the Freeport Tax Exemption;
- d) Offer assistance through its 4A Development Corporation of Abilene, Inc.;
- e) Provide regulatory relief to businesses, including:
 - 1) Zoning changes or variances; and/or,
 - 2) streamlined permitting.
- f) Provide enhanced municipal services to businesses, including:
 - 1) Institution of community crime prevention programs; or,
 - 2) Special public transportation routes or reduced fares.
- g) Provide improvements in community facilities, including:
 - 1) Capital improvements in water and sewer facilities;
 - 2) Road repair; or,
 - 3) Creation or improvement of parks.
- h) Provide improvements to housing, including:
 - 1) Low-interest loans for housing rehabilitation, improvement, or new construction; or,
 - 2) Transfer of abandoned housing to individuals or community groups.
- i) Provide business and industrial development services, including:
 - 1) Low-interest loans for business;
 - 2) Provision of publicly-owned land for development purposes, including residential, commercial, or industrial development; or,
 - 3) Creation of special one-stop permitting and problem resolution centers or ombudsmen.
- j) The City may provide job training and employment services to businesses, including:
 - 1) Retraining programs;
 - 2) Literacy and employment skills programs;
 - 3) Vocational education;
 - 4) Customized job training; or,
 - 5) Job training programs.

At this time Blue Cross Blue Shield has only requested the City's help to nominate their project for state designation.

City of Abilene

2000 Census Block Groups
with 20% or Greater Poverty Levels



ORDINANCE NO. ____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS, ORDAINING THE CITY'S PARTICIPATION IN THE TEXAS ENTERPRISE ZONE PROGRAM PURSUANT TO THE TEXAS ENTERPRISE ZONE ACT, CHAPTER 2303, TEXAS GOVERNMENT CODE (ACT), PROVIDING TAX INCENTIVES, DESIGNATING A LIAISON FOR COMMUNICATION WITH INTERESTED PARTIES, AND NOMINATING THE HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY (BLUE CROSS BLUE SHIELD) TO THE OFFICE OF THE GOVERNOR ECONOMIC DEVELOPMENT & TOURISM (EDT) THROUGH THE ECONOMIC DEVELOPMENT BANK (BANK) AS AN ENTERPRISE PROJECT (PROJECT).

WHEREAS, the City Council of the City of Abilene, Texas (City) desires to create the proper economic and social environment to induce the investment of private resources in productive business enterprises located in severely distressed areas of the city and to provide employment to residents of such area; and

WHEREAS, the project or activity is not located in an area designated as an enterprise zone; and

WHEREAS, pursuant to Chapter 2303, Subchapter F of the Act, Health Care Service Corporation, a Mutual Legal Reserve Company has applied to the City for designation as an enterprise project; and

WHEREAS, the City finds that Health Care Service Corporation, a Mutual Legal Reserve Company meets the criteria for tax relief and other incentives adopted by the City on the grounds that it will be located at the qualified business site, will create economic activity and stability; and

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS:

Section 1: The City nominates Health Care Service Corporation, a Mutual Legal Reserve Company for enterprise project status.

Section 2: The following local incentives, at the election of the governing body, are or will be made available to the nominated project or activity of the qualified business and future projects:

- a) The City may abate taxes up to five (5) years, on a case-by-case basis.

- b) The City may establish a Tax Increment Financing District to fund public improvements to serve a project.
- c) The City may adopt the Freeport Tax Exemption.
- d) The City may offer assistance through its 4A Development Corporation of Abilene, Inc.
- e) The City may provide regulatory relief to businesses, including:
 - 1) zoning changes or variances; or
 - 2) streamlined permitting.
- f) The City may provide enhanced municipal services to businesses, including:
 - 1) institution of community crime prevention programs; or
 - 2) special public transportation routes or reduced fares.
- d) The City may provide improvements in community facilities, including:
 - 1) capital improvements in water and sewer facilities;
 - 2) road repair; or
 - 3) creation or improvement of parks.
- e) The City may provide improvements to housing, including:
 - 1) low-interest loans for housing rehabilitation, improvement, or new construction; or
 - 2) transfer of abandoned housing to individuals or community groups.
- f) The City may provide business and industrial development services, including:
 - 1) low-interest loans for business;
 - 2) provision of publicly-owned land for development purposes, including residential, commercial, or industrial development; or
 - 3) creation of special one-stop permitting and problem resolution centers or ombudsmen.
- g) The City may provide job training and employment services to businesses, including:
 - 1) retraining programs;
 - 2) literacy and employment skills programs;
 - 3) vocational education;
 - 4) customized job training; or
 - 5) job training programs.

Section 3: The City of Abilene City Council directs and designates its Mayor, or his designee, as the City's liaison to communicate and negotiate with the EDT

through the Bank and enterprise project(s) and to oversee zone activities and communications with qualified businesses and other entities in an enterprise zone or affected by an enterprise project.

Section 4: The City finds that Health Care Service Corporation, a Mutual Legal Reserve Company meets the criteria for designation as an enterprise project under Chapter 2303, Subchapter F of the Act on the following grounds:

- (a.) Health Care Service Corporation, a Mutual Legal Reserve Company is a "qualified business" under Section 2303.402 of the Act since it will be engaged in the active conduct of a trade or business at a qualified business site not located in an enterprise zone in the governing body's jurisdiction and at least thirty-five percent (35%) of the business' new employees will be residents of an Enterprise Zone or economically disadvantaged individuals; and
- (a.) There has been and will continue to be a high level of cooperation between public, private, and neighborhood entities in the area; and
- (b.) The designation of Health Care Service Corporation, a Mutual Legal Reserve Company as an enterprise project will contribute significantly to the achievement of the plans of the City for development and revitalization of the area.

Section 5: The enterprise project shall take effect on the date of designation of the enterprise project by EDT and terminate five (5) years after the date of designation.

PASSED ON FIRST READING this 26th day of August, 2010.

A notice of the time and place, where and when said ordinance would be given a public hearing and considered for final passage was published in the Abilene Reporter-News, a daily newspaper of general circulation in the City of Abilene, said publication being on 19th day of August, 2010, the same being 7 calendar days prior to a public hearing being held in the Council Chamber of City Hall in Abilene, Texas, at 8:30 a.m. on the 26th day of August, 2010, to permit the public to be heard. Said Ordinance becomes effective from and after its passage.

PASSED ON SECOND AND FINAL READING this 30th day of August, 2010.

7.1 pg. 6

ATTEST:

CITY SECRETARY

MAYOR

APPROVED:

CITY ATTORNEY