



City of Galveston

DEVELOPMENT SERVICES

ECONOMIC DEVELOPMENT STAFF REPORT

STAFF MEMO

Date February 17, 2022

To: Brian Maxwell, City Manager
Honorable Mayor and City Council Members

From: Michele Hay, Economic Development Coordinator

Project: Economic Development Tools: 380 Agreements

Request:

Discuss the City's current 380 Agreement policy and provide staff direction for updating the policy to align with the City's Economic Development efforts.

Background

In 2016, City Council adopted Ordinance 16-051, establishing an economic development program, pursuant to chapter 380 of the local government code, specifying criteria for awards under the program and providing for the administration of the program by the city manager or his designee.

Within this adopted ordinance, the 380 Agreements were specifically focused on incentivizing the costly reconstruction or rehabilitation of the historic buildings primarily located the downtown district.

While Chapter 380 of the Local Government Code grants cities broad discretion to make loans and grants of public funds or provision of public services to promote business development, the Council for the City of Galveston chose to start with specific criteria to best implement and manage the incentive program.

The purpose of the Chapter 380 program was *"to specifically focus on stimulating business and commercial activity in the City of Galveston through the reconstruction and/or rehabilitation of existing structures, primarily within the downtown area between 19th and 27th Streets and Harborside to Broadway, with an emphasis on preserving the historic character of the area and structures. Similar projects outside the defined area may be considered if the City Council determines them to be of historic interest to the City."*

The types of incentives available under the City's 380 Program were limited to the granting of funds not to exceed 75% of the cost of reconstruction/rehabilitation of an existing structure.





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Specific details would be negotiated on a case-by-case basis with funds coming from one or more of the following revenue sources for the City generated by the Project or Awardee:

- **Ad Valorem Tax** - an amount equal to the portion of the city's increased ad valorem tax over the base year for a maximum of twenty years
- **Personal Property Taxes** - an amount equal to the portion of the city's increased personal property taxes over the base year, for a maximum of twenty years
- **Sales Tax** - an amount equal to the City's portion of the Texas sales tax generated by the applicant, for a maximum of twenty years
- **Waiver of permit and license to use (LTU) fees** - during the period of construction, not to exceed two years

Since 2016, three (3) Chapter 380 agreements have been executed in the City of Galveston and at this time, none of the agreements have yet to be completely fulfilled.

In 2018, City Council adopted an Economic Development Plan for the City of Galveston with short-, mid- and long-term goals. The City's Economic Development Coordinator provides a single point of contact at the City through which business development and economic development activities are undertaken.

In 2021, staff reviewed the Economic Development Plan with Council to reestablish goals and objectives and develop processes and methodologies by which the City might advance its activities.

Goals and objectives for the Redevelopment Ecosystem - the Redevelopment Authority, Housing Finance, and Property Finance entities were approved by Council in Aug 2021.

At this juncture, staff seeks additional guidance from Council to best utilize tools like the 380 Agreements, in order to further advance the City's efforts in Economic Development as well as other initiatives of Council.

Attachments

- Exhibit A: Ordinance 16-051_380 agreements
- Exhibit B: Local Government Code, Chapter 380
- Exhibit C: Current 380 agreements

