

Potential Business Attraction Policies

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Overview

Three policies to consider:

- Sustainable Automotive Sales Tax Rebate
- Job Creation Incentive
- Development Reinvestment Incentive (Three Options)



Background

- These policies will help provide economic diversification within the City by focusing on key industry sectors.
- Further advances the City's economic development capabilities and will give additional tools to recruit new businesses to our community.
- Will provide much needed assistance to businesses that have been affected by the COVID-19 pandemic.



Sustainable Automotive Sales Tax Rebate

- Culmination of many conversations with community stakeholders.
- This incentive offers purchasers of a new or used electric or fuel-efficient vehicle a rebate on a portion of City's transaction privilege tax (TPT).
- Furthers the Climate Action and Adaptation Plan (CAAP) and assists local automotive dealers by incentivizing sustainable vehicle purchases in Flagstaff.
- Currently funded in the FY-21 budget with \$20,000 available in economic development funds (BBB).



Sustainable Automotive Sales Tax Rebate

- **All Electric Vehicle:** 2% rebate of the city transaction privilege tax (TPT) for any new or used vehicle purchased within the City of Flagstaff.
- **Hybrid / Plug-in Electric Hybrid Vehicle:** 1.5% rebate of the city TPT for any new or used vehicle purchased within the City of Flagstaff with a city fuel economy of 40 MPG or higher.
- **Fuel Efficient Vehicle:** 0.5% rebate of the city TPT for any new or used vehicle purchased within the City of Flagstaff with a city fuel economy of 35 MPG or higher.
- **Income Based:** An additional \$250 may be made available to use towards the remaining local sales tax, for individuals that make less than \$50,000 per year.



Sustainable Automotive Sales Tax Rebate

Criteria

- Must be sold by a qualified dealer: A seller of motor vehicles within the City of Flagstaff that has a city TPT license for the sale of motor vehicles.
- Must be purchased by a qualified purchaser: Registered owner of the fuel-efficient vehicle.
- Limit of one rebate per household per year. Limit of five rebates per commercial account.



Sustainable Automotive Sales Tax Rebate

Council: Questions, Comments, Direction?

- Limit of rebates – Household (1) vs Commercial (5)
- Other Items



Business Attraction Job Creation Incentive

- This incentive offers qualifying new businesses the ability to apply for reimbursement for certain expenses;
 - Relocation expenses
 - Job related trainings
 - Workforce development
- Currently funded in the FY-21 budget with \$75,000 available in economic development funds.
- Gives the City's Economic Development Team an additional tool to recruit new business to our community.



Business Attraction Job Creation Incentive

Criteria

- Business must be locating within City limits. New businesses may apply for this incentive, if they located to Flagstaff within the last 30 days of the resolution's start date.
- Must be one of the key industries identified by the City.
- Must create a minimum of ten (10) new permanent full-time jobs, where the position's salary exceeds the Coconino County median wage for the specified position.



Business Attraction Job Creation Incentive

Key Industry Sectors (Why?)

- Astronomy
 - Bioscience & Healthcare
 - Education
 - Environmental Technology
 - Manufacturing
 - Research and Development
 - Software and Information Based Technology
- These sectors have been targeted areas for the City of Flagstaff over the last several years. These industries provide needed economic diversification to our community and make Flagstaff less dependent on tourism.
 - Additionally, these sectors generate high wage jobs that strengthen the economic base of Flagstaff and therefore compliment other sectors, i.e. retail, hospitality, lodging. These sectors will support existing industries within the City as well.



Business Attraction Job Creation Incentive

Council: Questions, Comments, Direction?



Business Attraction Development Reinvestment Incentive



- This incentive offers qualifying new businesses the ability to apply for reimbursement for certain expenses related to site improvements that provide public benefit.
- This incentive would be funded using a portion of the City's unrestricted construction sales tax (0.5%). The sales tax from these projects currently credit the General Fund.
- Gives the City's Economic Development Team an additional tool to recruit new business to our community.



Business Attraction Development Reinvestment Incentive



Criteria

- Must be locating this business within City limits. New businesses may apply for this incentive, if they located to Flagstaff within the last 30 days of the resolution's start date.
- Must be one of the key industries identified by the City.
- Must create a minimum of ten (10) new permanent full-time jobs, where the position's salary exceeds the Coconino County median wage for the specified position.



Option 1

- A portion of the construction sales tax would become available for reimbursement (0.5%) for improvements that provide public benefit.
- Ex) A \$1,000,000 development would generate \$5,000 in available funds that could be allocated for the below uses;
 - Beautification improvements
 - Code required landscaping
 - Dark sky code compliance
 - Energy efficiency items
 - Public drainage, stormwater and floodplain
 - Public roads and lighting
 - Public water and wastewater



Option 2

- Some stakeholder feedback has stated that this may not be a meaningful amount of money to provide infrastructure improvements.
- An alternate option would be to allow qualifying businesses to use these funds to further uses outlined in the Job Creation Incentive if they exceed the \$15,000 limit.



Comparison

- **Option 1:** Implement the policy using the currently proposed reimbursable expenses (Improvements that create public benefit).
- **Option 2:** Change the reimbursable expenses to match the Job Creation incentive (Relocation expenses, related job trainings, workforce development). Would be used to supplement businesses that exceed the \$15,000 maximum set in the Job Creation Incentive.



Business Attraction Development Reinvestment Incentive



Council: Questions, Comments, Direction?

Option 1: Implement the policy using the currently proposed reimbursable expenses (Improvements that create public benefit).

Option 2: Change the reimbursable expenses to match the Job Creation incentive (Relocation expenses, related job trainings, workforce development).

Option 3: Council does not wish to divert resources from the General Fund at this time.

Questions?



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