

RESOLUTION NO. 2021-20

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL AMENDING THE DEVELOPMENT REINVESTMENT INCENTIVE PROGRAM TO ASSIST IN ATTRACTING NEW BUSINESSES THAT WILL PROVIDE HIGH WAGE JOBS IN TARGETED INDUSTRY SECTORS

RECITALS:

WHEREAS, the City of Flagstaff has authority pursuant to Arizona Revised Statutes ("A.R.S.") § 9-500.11 to spend money on economic development activities; and

WHEREAS, the City has historically operated and desires to continue providing funding for business attraction programs to attract new businesses that will provide high wage jobs in targeted industry sectors; and

WHEREAS, on July 7, 2020 the City adopted Resolution No. 2020-45 establishing the Flagstaff Development Reinvestment Incentive Program; and

WHEREAS, the City desires to amend the Flagstaff Development Reinvestment Incentive Program.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. In General

The City Council hereby amends the Business Attraction Development Reinvestment Incentive Program, a copy of which is attached hereto as Exhibit A. This updated program will apply to any awards granted after the effective date of this resolution.

The Economic Vitality Division Director or the Director's designee is delegated authority to undertake all such actions necessary to implement the program, provide information about the program to the public, and to provide a report on and any recommendations related to the program prior to April 1, 2022.

SECTION 2. Effective Date.

This resolution shall be immediately effective.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 18th day of May, 2021.


MAYOR

ATTEST:


CITY CLERK

APPROVED AS TO FORM:


CITY ATTORNEY

Attachment:

Exhibit A - Business Attraction Development Reinvestment Incentive Program

City of Flagstaff Development Reinvestment Incentive



**CHOOSE
FLAGSTAFF**

City of Flagstaff's Economic Development Program Mission: Enhancing prosperity, long-term viability, and resilience of our community.

The City of Flagstaff is interested in attracting sustainable companies that will provide high quality, career oriented, opportunities for its residents that further commerce in the region. As part of these efforts, the City is providing economic incentives to meet its goal of attracting businesses to the following key industries:

- ❖ Astronomy
- ❖ Bioscience & Healthcare
- ❖ Education
- ❖ Environmental Technology
- ❖ Manufacturing
- ❖ Research and Development
- ❖ Software and Information Based Technology

Development Reinvestment Incentive - A new business in Flagstaff may receive a reimbursement for local construction contracting taxes paid for constructing new improvements or developments. This reimbursement must be used to pay for specified uses. THIS INCENTIVE IS AVAILABLE FOR UP TO FIVE YEARS FROM WHEN THE APPLICATION IS APPROVED TO ENABLE PHASED CONSTRUCTION.

The amount of the reimbursement will be up to the amount of a 0.5% local sales tax rate on construction contracting for improvements for the new business locating in Flagstaff. The local sales tax rate is currently 2.281%. The construction contracting tax is found in Sections 3-05-004-0415, and 0417 of the City Code, as amended by state laws.

For example: A \$1,000,000 million-dollar taxable value project, net of deductions, will create a reimbursable amount of up to \$5,000 of construction contracting taxes. ~~that may be used for the below qualifying expenses, but not limited to:~~

THE REIMBURSEMENT IS LIMITED TO EXPENSES THAT PROVIDE DIRECT COMMUNITY BENEFIT AND MAY INCLUDE:

- a. Employee Relocation Expenses
- b. Job Related Training
- c. Workforce Development
- d. ~~VARIOUS Site improvements that provide public benefit:~~ Beautification improvements, energy efficiency items, public roads and lighting, code required land scaping, public water, and wastewater. ~~Or other eligible City fees.~~

Criteria: All submittals will be reviewed by staff to determine if potential employers meet the minimum criteria to be eligible for City incentives:

1. Must be performing referenced construction within City limits.
2. Must be one of the key industries identified by the City.

3. Must create a minimum of ten (10) new permanent full-time jobs, where the new position's salary exceeds the Coconino County median wage of \$20.04 per hour.

Submittals: Any applicant that is interested in applying for this available incentive must submit the following information.

1. Written narrative of the venture which includes:
 - a. Explanation of how all necessary criteria will be met.
 - b. What City incentives you are applying for and how these incentives will be used to strengthen your ability to locate to Flagstaff.
 - c. General proposal of how incentive funds will be used.
 - d. If incentive is not received how will this impact your ability to locate to Flagstaff.
2. Budget, schedule and business plan for the potential venture.
3. A narrative of the impact of the applicant's businesses relative to water and energy usage, and to the community waste stream (this does not need to be elaborate).
4. A DETAILED DESCRIPTION OF ANY PROPOSED DIRECT BENEFITS TO THE COMMUNITY (NOT JUST APPLICANT'S BUSINESS) SUCH AS INFRASTRUCTURE, WORKFORCE DEVELOPMENT OPPORTUNITIES FOR RESIDENTS OR STUDENTS, VOLUNTEER WORK, OR SOME OTHER BENEFIT THAT THE BUSINESS IS ABLE TO OFFER TO THE COMMUNITY.
5. An accounting of the applicant's private investment relative to the requested grant (Can be submitted confidentially).

Please submit all proposals for incentive requests to the City's Business Attraction Manager Jack Fitchett at jack.fitchett@flagstaffaz.gov

Scoring: Economic Vitality staff and various city offices will review and rank applications. Each complete application will be ranked based upon an overall tally of available points for three separate criteria:

Wages (20pts): A comparison of the wages of the jobs being created relative to the Coconino County median wage and relative to the average sector wage.

Environmental Impact (30pts): A narrative of the impact of the applicant's businesses relative impacts to water and energy usage, and to the community waste stream.

Direct Community Benefit (50pts): A description of any proposed direct benefits to the community (not just the applicant's business) such as infrastructure, workforce development opportunities for residents or students, volunteer work, or some other direct benefit that the business is providing to the community.

The review team will determine awards after considering the submitted application and final score. Successful applicants may then request reimbursement for approved uses. A successful applicant may be reimbursed for a variety of approved uses but will not exceed the 0.5% generated by the local sales tax rate on construction contracting.

SUCCESSFUL APPLICANTS WILL PROVIDE A FINAL REPORT IF AN INCENTIVE IS AWARDED, DESCRIBING IN DETAIL ANY ITEMS REALTED TO SECTION FOUR OF THE SUBMITTAL

REQUIREMENTS AND HOW THIS INCENTIVE WAS USED. SUCCESSFUL APPLICANTS WILL MEET WITH CITY OF FLAGSTAFF ECONOMIC DEVELOPMENT STAFF QUARTERLY DURING THE FIRST YEAR, AND THEN ON AN AS NEEDED BASIS UNTIL THESE INCENTIVE FUNDS HAVE BEEN FULLY REIMBURSED. SUCCESSFUL APPLICANTS MAY BE INCLUDED IN FUTURE MARKETING EFFORTS FOR THE PROGRAM AND FOR THE ECONOMIC DEVELOPMENT EFFORTS OF THE CITY OF FLAGSTAFF IN GENERAL.

Staff is bringing forward minor changes to the three business attraction incentives based on program analysis and stakeholder/ community feedback received since the inception of these incentives last July (2020). The recommended proposals outlined in the attached incentive policies will make these programs more effective and efficient while staff pursues the City's economic development goals and objectives. Additions are shown in UNDERLINED CAPITAL TEXT, and deletions are shown as ~~stricken~~. The main alterations are also called out directly in the key consideration section of this agenda item