

City of Tomball, Texas Incentive Framework

1. Purpose

Purpose. The Tomball Economic Development Corporation (TEDC) is committed to the attraction and retention of high-quality jobs in all parts of the city and to enhance the quality of life for its citizens. TEDC also seeks transformative public-private partnerships to grow Tomball's tax base, expand economic activity, and build a fiscally sustainable community. TEDC will, on a case-by-case basis, consider providing incentives and grants to promote economic development, as described herein. This document outlines the general process and procedures used to evaluate and approve incentives.

Economic Development Program. The following policy constitutes an Economic Development Program as defined in Section 380 of the Texas Local Government Code. Chapter 380 authorizes the City Council to establish and provide for the administration of one or more programs, including the making of loans and grants of public money, to promote economic development.

Tax Abatement Guidelines. Pursuant to the requirements of Section 312.002 of the Texas Tax Code, the City of Tomball's current tax abatement policy was adopted in February 2024. This incentive policy document does not supersede or change this approved policy.

Use of Incentives. TEDC's economic incentives are intended to help achieve public purposes advanced by a project and to catalyze investment that would not occur without public participation. Any jobs created or capital investments made *prior to* contract execution may not count toward the minimum requirements of this policy. Incentives may be combined to achieve a public purpose. TEDC will comply with all statutory restrictions on the use of public funds as set forth in this Policy, including adherence to the requirements of Texas Local Government Code Sections 501 and 505 governing Economic Development Corporation funds.

Evaluation of Projects. All applicants and projects will be evaluated by TEDC staff based on a variety of factors including, but not limited to, jobs created, jobs retained, ad valorem property tax, sales tax, hotel occupancy tax, industry sector, geographic location, and other significant public benefits. Staff recommendations pertaining to the use of the incentives described herein shall be guided by this Policy.

City of Tomball Approval. TEDC retains its sole authority to approve or deny any Performance Agreement and is under no obligation to provide an incentive or any other assistance. Tomball City Council retains the ability to approve an incentive which does not comply with the terms outlined in this Policy.

2. Project Eligibility

To qualify, the project must be within the City's boundaries (city limits or extraterritorial jurisdiction (ETJ)), properly zoned for the proposed use, and current on all taxes and liens. Property owners must provide proof of ownership, ensure there are no outstanding code violations, and acknowledge that construction cannot begin before the incentive Agreement is approved. In some situations, voluntary annexation might be required to receive an incentive.

3. Prioritization

In 2025, the City of Tomball adopted a new Comprehensive Plan (Ordinance No. 2025-18). TEDC will focus on providing certain incentive programs in key areas that drive economic growth and community revitalization in alignment with the Comprehensive Plan, including:

- Old Town
- Live Oak Redevelopment Project
- First Baptist Church Project
- Medical District
- Commercial Corridor Redevelopment

TEDC has a specific list of target industries. TEDC prioritizes attracting and retaining businesses within its designated target industries including:

- Biotechnology & Lifesciences
- Food Production & Processing
- Information & Computer Technology
- Advanced Manufacturing

4. Economic Development Project Types

The following types of projects and investments (each referred to herein as a “*Project*”) are eligible for TEDC incentives, subject to additional eligibility requirements specific to each individual incentive sought:

- A) Business Attraction Project** – a new facility or business located within the city or ETJ that creates new full-time jobs.
- B) Business Retention and Expansion Project** – the expansion of, or significant investment by, an eligible existing business within the city that creates and retains full-time jobs.
- C) Business Stabilization Project** – Assistance for existing businesses within a specific geographic area that are directly and temporarily impacted by long-lasting infrastructure projects or unforeseen occurrence, such as a natural disaster.
- D) Real Estate Development Project** – the development or redevelopment of an eligible property that exceeds existing development standards, improves the physical appearance of commercial properties, and/or reduces vacancies.
- E) Quality of Place Project** – a project that provides or expands an amenity, type of entertainment, consumer retail offering, or service.
- F) Tourism and Hospitality Project** – the development or redevelopment of a full-service hotel, a resort property, and/or tourism-oriented business intended to increase visitor activity and tourism spending.

5. Incentives Tools Available

The following types of incentives may be provided to Projects under this policy, subject to the discretion of the TEDC and/or Tomball City Council, as evidenced by written Performance Agreement.

- A. Chapter 380 Incentives:** Texas law authorizes municipalities to enter into agreements that provide grants, loans, and/or other incentives in support of a project. This is codified under Chapter 380 of the Texas Local Government Code. The particular terms of an agreement are usually determined on a case-by-case basis, depending on the circumstances. Some common types of incentives that are provided through a Chapter 380 agreement, include: rebates of taxes (property, sales, or hotel occupancy tax), reimbursements for developer-provided infrastructure, reductions or waivers of permitting or related fees, offsets against certain impact fees, and loans for private improvements.

B. Tax Abatements: Chapter 312 of the Texas Tax Code authorizes municipalities to reduce the amount of new real and/or personal property taxes generated by real property improvements and personal property investments. Existing property taxes collected at the site may not be abated and are collected in full. State law limits such abatements to ten (10) years in length. This tool is often used as an incentive for the attraction and retention of companies which make sizable investments.

C. Tax Increment Reinvestment Zone: In addition to other incentive tools, Chapter 311 of Texas law authorizes the designation of tax increment reinvestment zones (TIRZ) that allow municipalities to set aside property taxes generated within the TIRZ to fund infrastructure investments and/or services to spur additional private investments.

D. Public Improvement Districts (PID): Texas law authorizes cities and counties to establish public improvement districts to support large-area improvements, or the provision of services (e.g., landscaping or cleaning) to maintain an area. Financially, property owners within the PID are voluntarily opting to levy an additional tax assessment (in addition to property taxes) to pay for the improvements and/or services. Texas law specifies a petition process with requirements for creation of a PID, along with annual updates to the service and tax assessment plan.

E. Strategic Partnership Agreement: a formal arrangement between a municipality and a special district, such as a municipal utility district (MUD). These agreements are primarily governed by Section 43.0751 of the Texas Local Government Code, which outlines the framework for municipalities to annex districts for limited purposes while allowing the districts to continue operating under a specific term.

F. Tomball Economic Development Corporation: As a Type B Economic Development Corporation, State law allows TEDC to fund industrial development projects such as business infrastructure, manufacturing and research and development. TEDC can also fund parks, museums, and sports facilities. TEDC has several approved performance-based cash incentives for job creation, targeted infrastructure, and other improvements. The specific guidelines, criteria, eligibility requirements, and applications can be obtained from TEDC.

i. Business Improvement Grants (BIG) – A matching grant program designed to encourage commercial property owners and businesses to make high quality improvements to buildings and property in Tomball. The BIG program encourages investments that directly relate to improving the aesthetics of the community and increasing property values. New or existing businesses are eligible for the following:

- Façade improvements (50% of actual costs up to \$10,000)

- Signage upgrades (\$2,500 for an existing business / \$1,000 for a new business)
- Property Improvements (50% of actual costs up to \$10,000)
- Landscaping Improvements (50% of actual costs up to \$10,000)

ii. Old Town Façade Improvement Grants – A program to promote economic development and stimulate business investment through public-private partnerships by offering economic incentives for renovation, rehabilitation, restoration, and enhancement of facades in Old Town area of Tomball.

- Minimum investment of \$10,000
- 50% grant match of approved project costs
- Maximum grant = \$50,000

iii. Target Infrastructure Grants – A program that provides funding of public infrastructure costs for eligible projects. Eligible infrastructure expenditures include: streets and roads; rail spurs; water, sewer, gas, and electric utilities; drainage; site improvements; and telecommunications and internet improvements. Each project is reviewed on a case-by-case basis to determine community benefits, and requires performance-based incentive agreements. Minimum qualifications include:

- The proposed project must create or retain jobs within the City and provide taxable property improvements
- The project must meet the overall development goals, building codes and other applicable ordinances
- The project is not defined as an excluded business category

iv. New Business Rental Incentive Program – This program seeks to reduce area commercial vacancies and facilitate the establishment of new businesses in previously underutilized areas of Tomball. The intent of the program is to facilitate business growth and expansion by assisting businesses in leasing space through a performance-based rental subsidy. TEDC will provide up to 25% of the base monthly rent for the first year of operation only, not to exceed \$10,000 per business.

v. Job Creation/Retention Performance-Based Grant Program – This program provides financial assistance to qualifying expanding, new, or relocating companies in the form of cash grants for projects that create or retain primary jobs. Only “primary employers” are eligible to receive a job creation/retention cash incentive. Qualifying companies are required to enter into performance agreements specifying capital

investment and job creation/retention and commitment to maintain a physical location and conduct business in the Tomball for a specified period.

- vi. Quality of Life Grants – Grants to local organizations to support events, marketing and quality-of-life offerings.
- vii. Summer Youth Employment (SYEP) Grants – A workforce grant program that seeks to connect local industries with Tomball youth up to age 22 to foster career awareness, readiness, and a future workforce pipeline. TEDC will provide financial support to cover the wages for interns during the summer program.
- viii. Business Stabilization Program – A temporary program focused on supporting local businesses directly impacted by an unforeseen incident or long-lasting infrastructure project. For example, Main Street-area businesses may be impacted during the upcoming TxDOT multi-year reconstruction project. As required and deemed necessary, TEDC may fund coordinated efforts to support impacted businesses through additional marketing, directional signage, parking arrangements, or stabilization grants and other financial programs during the impact period.
- ix. High-Profile Shopping and Entertainment Center Redevelopment Program – A program to encourage significant private investment that provides a complete physical update and refurbishment of larger retail and entertainment commercial sites located in high-visibility corridors or at other key locations. On a case-by-case basis, TEDC will consider financial support to assist property owners making an investment of over \$2.0 million in substantially improving the external appearance, parking, lighting, signage, and ADA accessibility improvements.

6. Application

For a Project to be considered for incentives, TEDC must first receive a completed application relevant to the incentive program being sought along with supporting documents. A general application form is attached to this policy. If applying for a specific TEDC grant program, the applicant should fill out the relevant form. Following its review of a submitted application, TEDC staff will notify the applicant of its completeness and status. The application must be deemed complete for evaluation to commence.

7. Demonstration of Need

Each Project seeking incentives or other financial assistance shall justify to the satisfaction of TEDC, the necessity of the requested incentive to ensure that the project can be developed. Justification for incentives may be in the context of financial returns typically required by investors for the specific type of Project. The amount of a project incentive shall be limited by the respective grant program guidelines or, in other cases, fiscal impact analysis. For example, if a project typically requires an internal rate of return of X percent for a particular type of project, the applicant should justify to the satisfaction of TEDC as to how the requested incentive achieves such return.

8. Fiscal Impact Analysis and Incentive Calculation

TEDC staff, or a retained third party, will conduct a fiscal impact analysis on each project. With the exception of certain grant programs described herein, Projects must be predicted to achieve a net positive fiscal return on investment to the City, with the value of direct and indirect project revenues collected by the City exceeding the total incentive amount. The incentive amount offered to a project is the aggregate of all cash incentives, abated taxes, waived fees, infrastructure reimbursement, grants, TEDC assistance, TIRZ assistance, and other City support. The amount of assistance offered will be determined based on the individual merits of each request in accordance with the principles set forth herein. A Performance Agreement authorizing project incentives in the form of grants, reimbursements, loans, and/or rebates shall specify the maximum dollar amount of incentives to be provided.

Programs not requiring a net positive fiscal return include: Business Improvement Grant, Façade Improvement Grant, Summer Youth Employment Program, and rental assistance programs.

9. Administration of TEDC Incentive Policy

TEDC staff will be the primary administrators of this incentive policy. As needed, TEDC will present updates to Tomball City Council regarding incentive Projects, compliance with Performance Agreements, and other related issues.

10. Incentive Agreements and Recapture

Incentives awarded by TEDC shall be evidenced by a written Performance Agreement with the party responsible. The particular terms and conditions of such agreements may vary with the specific project and incentive(s). Applicants are advised that their failure to meet the terms and conditions of an incentive agreement may result in termination of the agreement, reduction of project incentives, and/or required repayment (“recapture”) of any prior project incentives received by the project owner.

Project applicants shall bear all risks associated with the delivery of a project, and their future receipt of grants, loans, reimbursement and/or other payments to the subject applicant shall be conditioned upon (a) completion of the Project in accordance with written agreements; (b) compliance with other terms or conditions of the written incentive agreement; and (c) availability of such funds.

11. Compliance Process

All recipients of funds under this incentive policy are subject to annual compliance assessments conducted by TEDC throughout the agreement term. Each year, TEDC may review the terms and conditions stated in the agreement to determine if the recipient has successfully met all obligations prior to receiving rebates, loans, grants, or any other benefit thereunder. Evidence of noncompliance may be grounds for termination in accordance with termination provisions under the agreement. At its discretion, TEDC may work with the recipient to develop a plan and timeline for becoming compliant.

12. Definitions

Abatement Period – Shall mean the period of time specified in a Tax Abatement Agreement, but not to exceed ten years, during which all or a portion of the value of real property or tangible personal property that is the subject of a tax abatement agreement is exempt from taxation.

Agreement – Shall mean a Performance Agreement between the Applicant and the City of Tomball and/or TEDC.

Agreement Term – Shall mean the full term of the Performance Agreement, including the 380 Grant Term, or the Rebate Term.

Applicant – Shall mean a company, firm, entity, or organization that has submitted a Project Incentive Application for consideration by the City.

Application – Shall mean the incentives application and related documents reviewed and evaluated by TEDC.

Chapter 312 Agreement – Shall mean the Property Tax Code, Chapter 312, popularly referred to as the Tax Abatement Act that allows the City to grant full or partial tax abatement on certain eligible properties as set forth in these Guidelines.

Chapter 380 Agreement – Shall mean a contractual agreement entered into between a company and the City for the purposes of providing assistance for economic development pursuant to Chapter 380 of the Texas Local Government Code that outlines parameters including, but not limited to, a job creation schedule, milestones, capital investment requirements, performance requirements, and/or any other public purpose the agreement may serve that must be demonstrated prior to and in continuation of the incentive.

City – Shall mean the City of Tomball, a home rule municipality.

Expansion – Shall mean addition of buildings, structures, or permanently installed equipment and machinery with the specific objective of increasing overall production capacity.

Full-Service Hotel – Shall mean a hotel that includes, in addition to spacious guest rooms and amenities, provides expanded services, multiple dining options, a bar, meeting or conference facilities, and a variety of recreation or entertainment options.

Grants – Shall mean financial incentives provided to a Project pursuant to this Policy.

Improvements – Shall mean the New Construction or Modernization of buildings, interiors, site work, public works improvements, parking areas and drives, landscaping, irrigation, and lighting.

Incentives – Shall be as defined in Section 5 herein.

Modernization – Shall mean the replacement and upgrading of existing facilities which increases economic activity, employment, or extends the life of the facility. This shall not include deferred maintenance on the facility or its equipment.

New Full-Time Job – Shall mean a position created after the execution of the Agreement in which the employee worked or was paid at least 2,000 hours per calendar year. A contracted job will not necessarily be considered a new full-time job.

New Part-Time Job – Shall mean a position created after the execution of the Agreement in which the employee regularly works less than thirty (30) hours a week.

New Construction – Shall mean the first-time construction of Improvements utilizing newly purchased materials, and specifically excluding any remodeling or renovations undertaken after issuance of the first Certificate of Occupancy.

Payroll – The company's total expenditures for all employees for the month immediately preceding the Application, multiplied by twelve (12).

Performance Agreement – Shall mean a written agreement summarizing the performance requirements of a business or developer and the incentives to be provided upon fulfillment of those performance requirements.

Policy – Shall mean this Incentives Framework Policy.

Project – The initiative or investment to be provided in accordance with the performance standards of any Performance Agreement providing Incentives.

Property – Shall mean the physical parcel of land for which Incentives are being granted.

Property – Business Personal – Shall mean movable items not permanently affixed to the land such as furniture, fixtures, equipment, inventory, and vehicles.

Property – Real - Shall mean land, buildings, and other improvements permanently affixed to the land.

Public Infrastructure – Shall mean the new installation of, or improvements to, public roads, water lines, sewer lines, stormwater facilities, elevated water storage tanks, or similar facilities that are dedicated to the City or its utilities for the intended public use.

Recapture (aka Claw-back) – A provision in a Performance Agreement that states how and to what extent any Incentives provided must be paid back if the required performance criteria are not met.

Retained Jobs – Full-time equivalent position in existence at the time a company enters into an agreement with the City.

Target Infrastructure Grants Excluded Business Categories – The following types of businesses are excluded from receiving incentives under the targeted infrastructure grant program: Adult-Oriented Businesses; Pawn Shops; Liquor/Smoke Shops; Vape Shops, Payday Loan Companies, Apartments or Other Multi-Family Development, ; and Gas Stations and Convenience Stores with Gasoline Sales. Some of these land uses may be eligible under other grant programs offered by TEDC.

Tax Abatement – Shall mean the full or partial exemption from paying ad valorem taxes on real property or tangible personal property in accordance with provisions of Chapter 312 of the Texas Tax Code.

Tax Abatement Agreement – A contractual agreement entered between a property owner and/or lessee and the City for the purposes of a tax abatement, pursuant to Chapter 312 of the Texas Tax Code, that outlines parameters including, but not limited to, a job creation schedule, milestones, capital investment requirements, and other performance requirements that must be demonstrated prior to and in continuation of the Agreement.

Tourism-Oriented Business – means an uncommon commercial activity that attracts significant tourism spending to the community, in addition to use by area residents. Examples include attractions such as zoos, large water parks, amusement parks, heritage tourism destination, destination golf courses/clubs, large concerts and festivals, casinos, and marinas that include water-based excursions to the public.