TOMBALL ECONOMIC DEVELOPMENT CORPORATION

INCENTIVE POLICY BENCHMARK AND RECOMMENDATIONS

THE SHORT VERSION

Tomball updated its incentive framework at the start of 2026, and the new structure holds up well against peers. The Chapter 380 Incentive Policy Framework adopted in January and the Chapter 312 Tax Abatement Policy readopted in February work together as a single system, and two features in that system, a clear demonstration-of-need test and a net-positive fiscal return requirement, put Tomball ahead of several larger Texas cities we reviewed.

This is not a case for rewriting a policy that was just adopted. It is a focused read on where the policy is already strong and where a small number of targeted refinements would raise its return. We benchmarked Tomball against five Texas peers, Pearland, Conroe, Sugar Land, Allen, and Fulshear, and against best-practice guidance from the Government Finance Officers Association, the Pew Charitable Trusts, the Texas Comptroller, and GASB Statement 77. We recommend four refinements: have TEDC staff weigh job quality when they evaluate projects, build the named target sectors into the incentive criteria, extend support to early-stage target-sector firms, and tighten how the policy recaptures public dollars when a deal underperforms. We also recommend two structural moves that matter more than any single refinement: establish the incentive policy as the City's economic development policy, with a clear rationale for why incentives exist, and bring the tax abatement resolution into alignment with it.

THE CASE FOR A DISCIPLINED INCENTIVE POLICY

Incentives serve a public purpose. They bring investment and jobs that would not otherwise happen. That premise is built into Tomball's Chapter 380 framework and into Texas law, which authorizes public incentives to promote economic development the market would not deliver on its own. A good program is measured less by how generous it is than by how reliably it turns public dollars into benefits that would not have come for free.

The policy's real work, then, is to set the terms on which incentives are offered, not simply to decide whether to offer them. A disciplined policy sets the conditions that protect the public return: a credible demonstration that the project needs the help, a fiscal test showing the city gains more than it gives, a standard for the quality of the jobs created, accountability when commitments are missed, and transparency about results. The Government Finance Officers Association, the Pew Charitable Trusts, and the Texas Comptroller identify these as the principles of sound incentive practice, and we apply them to every recommendation in this memo.[1, 10, 8]

For Tomball, the stakes are concrete. The city is growing quickly inside one of the most competitive economic markets in the country, and it has just adopted a Comprehensive Plan, named the industries it wants to attract, and refreshed this incentive framework. The opportunity now is to make the policy disciplined and aligned, not just competitive, so that incentives draw growth toward the sectors and places Tomball has chosen rather than subsidizing what would have happened anyway. The refinements that follow are meant to sharpen that alignment, not to second-guess a framework TEDC has already gotten substantially right.

WHY WE LOOKED, AND HOW

TEDC asked CivicSol to evaluate its incentive program against peer practice. We selected five benchmark cities from Tomball's established peer set. Pearland, Conroe, and Sugar Land are Houston-area neighbors with active Chapter 380 programs and primary-employer recruiting. Allen is one of the most frequently cited Texas municipal incentive operations and sets a useful high mark. Fulshear is the closest match on size and growth pace, a small, fast-growing city that adopted a new policy in 2025. Because all five operate at a larger scale than Tomball, we benchmarked on policy design rather than program budget.

For each city we worked from the adopted policy documents and official economic development materials, not marketing summaries, and we have cited every comparison to its primary source. Where a peer does not publish a feature, we treated that absence as a finding rather than assuming the feature exists out of view. The full methodology, peer profiles, and best-practice detail are set out in the companion Research and Assessment memo.

WHAT THE COMPARISON SHOWS

The table below maps Tomball and the five peers across the design dimensions that determine whether an incentive policy protects the public interest while staying competitive. Reading down the rows, the pattern is clear. Tomball already leads on fiscal discipline. The whole peer set, Tomball included, is thin on job-quality standards, formula-based recapture, and public reporting. And the cities that take their target sectors seriously build those sectors into the incentive itself rather than naming them and stopping there.

HOW TOMBALL COMPARES WITH FIVE TEXAS PEERS

Dimension	Tomball	Pearland	Conroe	Sugar Land	Allen	Fulshear
Min. threshold (new facility)	$2M + 25 jobs; $1M expansion	$1M + 20 jobs; $500K + 10 exp.	Tiered $1M–$25M+, 10–150+ jobs	Abatement $4M added; grants $15M / 10–75 jobs	None published	Any one of $5M, 25 jobs, or $100K sales tax
Wage standard	None	None (benefits req.)	$15/hr flat	$61,240 avg salary	None published	125% of county living wage
Abatement max (% / years)	100% / 10 yrs	100% / 10 yrs	Sliding scale / 10 yrs	100% / 10 yrs (tiered)	Not published / 10 yrs	Not capped (380 rebate 50%)
Target sectors	Named, not yet used	Named	Named; retail excluded	Named + lower bar for life sci.	"Primary business" only	Named + priority weighting
But-for / need test	Yes, explicit	No explicit	Partial	No explicit	SBGP only	No explicit
Net-positive fiscal test	Yes	Feasibility study only	Qualitative cost-benefit	Yes + 7–10% ROI	Modeled, no threshold	Yes
Clawback	Discretionary	Discretionary + interest	Discretionary, full	Discretionary	Contract-level	Discretionary
Public reporting	No deal-level report	Org reports only	Internal / regulatory	Posts agreements + dashboard	Periodic impact study	Posts agreements
Evaluation method	Case-by-case	Case-by-case	Case-by-case	Case-by-case	Case-by-case (SBGP scored)	Case-by-case
Small-biz scaling support	Primary-job grant; place-based	Not a feature	Not a feature	Innovation fund	Primary-business grant	Generic small-biz grant

WHAT TOMBALL ALREADY DOES WELL

Two provisions deserve to be protected, not touched. Section 7 of the Framework requires every applicant to justify why the incentive is necessary for the project to proceed, framed around the financial return an investor would otherwise require. That is a real demonstration-of-need test, and it mirrors the "but-for" principle that GFOA names as the core of a sound incentive policy and that Texas itself codifies in the JETI statute.[1, 9] Pearland, Sugar Land, Allen, and Fulshear do not state an explicit need test of this kind.[2, 4, 5, 6]

Section 8 is stronger still. It requires that a project's direct and indirect revenues to the City exceed the total incentive before an award is made, with sensible carve-outs for the small grant programs where that test does not fit. Only Sugar Land states a comparably clear net-positive test among the peers, and it pairs the test with a minimum rate-of-return screen.[4] GFOA and the Comptroller both treat this kind of cost-benefit test as best practice.[1, 8] Tomball should keep both provisions exactly as written. The geographic prioritization tied to the 2025 Comprehensive Plan and the performance-agreement-and-recapture structure are also well-constructed and need no revisiting.

LESSON ONE: THE POLICY DOES NOT YET WEIGH JOB QUALITY

Tomball's grants reward "primary jobs" and define a full-time position as 2,000 hours a year, but the policy does not weigh job quality.

Peers handle this in different ways. Fulshear ties grant-eligible jobs to a multiple of the Fort Bend County living wage; Sugar Land sets a minimum average salary on its direct grants; Conroe uses an hourly floor.[6, 4, 3] Each of these is a hard threshold, and a hard threshold is a blunt instrument, especially when pegged to a county-wide average. In a market like Houston, where the average wage is lifted by energy, engineering, and corporate headquarters, a county-average floor would screen out food manufacturing and other industrial employers that bring real investment and solid jobs. That is the wrong outcome for the target industries Tomball actively recruits.

- ➔ **Why it matters:** the goal is not to exclude employers but to let job quality count. The better path for Tomball is to have TEDC staff weigh job quality, wages relative to the relevant industry, benefits, full-time status, and opportunities for advancement, as one factor among others when they evaluate a project and form a recommendation. That rewards strong jobs and informs the City's choices without setting a single number that disqualifies the industrial and manufacturing users the City most wants to attract.

LESSON TWO: THE TARGET SECTORS ARE NAMED BUT NOT YET USED

The Framework names four target industries, biotechnology and life sciences, food production and processing, information and computer technology, and advanced manufacturing, and ties them to the Comprehensive Plan. That is the right list and the right instinct. The gap is that the incentive tools do not treat a target-sector project any differently from a generic one. Eligibility and award size stay open and case-by-case, so naming the sectors currently carries no consequence.

The leaders put their lists to work. Sugar Land gives life sciences a lower jobs threshold than other applicants, a direct signal of where the city wants to compete.[4] Fulshear gives its target categories explicit priority in review.[6] Allen restricts its incentives to "primary businesses" that import wealth into the local economy.[5]

- ➔ **Why it matters:** A target list that does not change what an applicant receives is a statement of preference, not a tool. Tomball already did the analytical work to identify these sectors, including in the Target Industry Analysis. Aligning the policy's list to that analysis and attaching a real advantage to target-sector projects would let the City direct scarce dollars toward the growth it actually wants.

LESSON THREE: SMALL-BUSINESS SUPPORT COULD REACH EARLIER-STAGE TARGET-SECTOR FIRMS

Tomball's dedicated small-business incentives are mostly about place and appearance. The Business Improvement Grants cover facades, signage, landscaping, and property improvements; the Old Town program covers facades; the New Business Rental program offsets first-year rent. These are good programs for a healthy commercial district and should continue. And the City is not starting from zero on primary employers: the Job Creation/Retention grant carries no minimum investment or job threshold and is used regularly by smaller primary employers, so a growing company does not have to clear a large-project bar to get help.

The narrower opportunity is the earliest stage. A target-sector startup, say a biotechnology or advanced-manufacturing firm building out lab or production space, may not yet be creating jobs at the pace a job-creation grant rewards, and its early needs, equipment and space, are not what the place-based grants cover. Peers fill this in their own ways: Allen scopes its small-business grant to primary businesses that export wealth, excluding retail and restaurants; Sugar Land runs a dedicated innovation fund.[5, 4]

- ➔ **Why it matters:** the companies most likely to become Tomball's next mid-size employers often need help before they are hiring at scale. Extending support to that early stage, building on the Job Creation/Retention grant rather than alongside the facade programs, would connect the City's small-business spending to its target-sector strategy.

LESSON FOUR: THE INCENTIVE POLICY AND THE ABATEMENT RESOLUTION ARE NOT YET ALIGNED

The Chapter 380 Incentive Policy Framework carries the City's strategy: the target industries, the priority places, the demonstration-of-need test, and the net-positive fiscal test. The Chapter 312 tax abatement resolution, readopted in February, runs on the traditional, generic abatement structure and never references those target sectors, those priority areas, or that strategic rationale. The two documents do not conflict, but the abatement reads as an off-the-shelf instrument sitting beneath a strategy-rich policy.

- ➔ **Why it matters:** a property tax abatement of up to 100 percent for as long as ten years is the single most valuable tool the City offers. When the most valuable tool does not reflect the City's own economic strategy, the strategy and the spending can drift apart. Aligning the two ensures the biggest incentive serves the sectors and places the City has chosen, and it lets the City speak with one voice about what its incentives are for.

LESSON FIVE: RECAPTURE AND REPORTING ARE WHERE TOMBALL CAN LEAD

Two features are thin across the entire peer set, which makes them opportunities rather than deficiencies.

The first is recapture. Tomball's policy provides for clawback, but it is discretionary, written as what the City "may" do, with no formula tying the amount recovered to the size of the shortfall. Every peer we reviewed is the same: discretionary, often all-or-nothing, with no proportional standard.[2, 3, 4, 5, 6] GFOA's guidance favors specific, measurable remedies that recover public cost in proportion to missed commitments.[1] Because no peer has adopted a proportional formula, Tomball can lead simply by writing one.

The second is public reporting. TEDC conducts annual compliance assessments internally, but its public reporting does not yet show how individual incentive deals are performing. The fix is not a new publication. TEDC already produces an annual report, and a short incentive-performance section within it, showing jobs and investment committed against jobs and investment delivered, would do the job. Most peers do not report at this level. Sugar Land is the exception worth copying: it posts its active Chapter 380 agreements and maintains a public performance dashboard.[4] GASB Statement 77 already requires governments to disclose tax abatement agreements and their recapture provisions, and the Texas Comptroller maintains public databases of both abatements and Chapter 380 agreements.[7, 8] Adding the deal-level view would put TEDC ahead of peers at low cost.

RECOMMENDATIONS

1. **Establish the incentive policy as TEDC's economic development policy.** Open the Framework with a clear statement of purpose and rationale: what incentives are for, the public-purpose and return discipline that governs them, and how the policy advances the Comprehensive Plan. Position it as the strategic anchor for TEDC's incentive tools, aligned with the City's separate tax abatement policy rather than replacing it. Why it matters: it tells applicants, Council, and residents why TEDC offers incentives and what it expects in return, and it gives every tool a strategic anchor.

2. **Have TEDC staff weigh job quality in evaluation.** Rather than set a wage threshold, direct TEDC staff to weigh job quality, wages relative to the relevant industry, benefits, full-time status, and opportunities for advancement, as a factor when they evaluate applications and form recommendations, with room to favor higher-quality jobs. We are deliberately not recommending a wage floor. A single floor, especially one pegged to the Harris County average, would exclude target industries like food manufacturing that pay below that average yet deliver real investment and quality jobs. Why it matters: it lets the City reward good jobs and inform its decisions without disqualifying the employers it most wants to recruit.

3. **Put the target sectors to work.** Reconcile the Framework's target-industry list with the findings of the Target Industry Analysis so the City tells one consistent story, then give target-sector projects a concrete advantage, whether priority review, enhanced terms, or a defined weight in evaluation. Why it matters: it turns a list of preferences into a recruiting tool.

4. **Add flexibility to the existing grant for early-stage target-sector firms.** The Job Creation/Retention grant already reaches smaller primary employers, so a new program is not needed. The narrow opportunity is the earliest stage: target-sector firms not yet hiring at scale, or whose early needs are equipment and space rather than payroll. Allow the existing grant to support those needs for primary employers in the target industries. Why it matters: it serves the firms most likely to become the City's next employers without duplicating a grant that already works.

5. **Move recapture from discretionary to proportional.** Rewrite the recapture provision so the amount recovered scales with the size of the jobs or investment shortfall, rather than leaving it fully to discretion. Why it matters: a proportional clawback is fairer to applicants, easier to enforce, and would make Tomball a leader among peers that all rely on discretion.

6. **Add an incentive-performance section to the annual report.** Rather than a separate publication, fold a short deal-level summary into TEDC's existing annual report, showing, for each active agreement, commitments against delivered results. This aligns with GASB 77 and the Comptroller's reporting and, given how thin peer reporting is, would distinguish TEDC at minimal cost. Why it matters: transparency builds council and community trust in the program and protects it during budget scrutiny.

7. **Consider a light scoring guide for staff review (optional).** A simple, weighted rubric applied to the existing evaluation factors would add consistency to case-by-case decisions without removing the discretion the board values. Pew notes a scorecard is a recognized way to rate projects against program goals. Why it matters: it makes staff recommendations more consistent and easier to defend, and it is optional, since case-by-case review is common and defensible.

SOURCES

1. Government Finance Officers Association, "Establishing an Economic Development Incentive Policy," approved September 30, 2017. https://www.gfoa.org/materials/establishing-an-economic-development-incentive-policy
2. City of Pearland, "Tax Abatement Policy, Guidelines and Criteria," Resolution No. R2019-36 (2019). https://pearlandedc.com/assets/main/downloads/r2019-36-tax-abatement-guidelines-and-criteria-2019.pdf; Pearland EDC Incentives. https://pearlandedc.com/site-selection/incentives
3. City of Conroe, "Tax Abatement Policy: Guidelines & Criteria," adopted November 8, 2018. https://cms3.revize.com/revize/conroetx/Documents/Services/Legal/Legal%20Notices/Conroe%20Tax%20Abatement%20Polic.pdf; Conroe EDC, "Economic Incentives 2023." https://www.conroeedc.org/business/incentives
4. City of Sugar Land Economic Development, "Direct Business Incentives," "Tax Abatement," and "Sales Tax Rebate Agreement." https://sugarlandecodev.com/incentive/direct-business-incentives; "Incentives & Financing Overview" (2025). https://ctycms.com/tx-sugar-land-ed/docs/incentive-flyer-2025-1.pdf; Chapter 380 Agreements. https://www.sugarlandtx.gov/2244/Chapter-380-Agreements
5. Allen Economic Development Corporation, "Business Incentives in Allen, TX." https://www.allenedc.com/business-assistance/incentives; "Small Business Grant Program Guidelines" (2025). https://www.allenedc.com/hubfs/SBGP%20-%20Guidelines%202025-2.pdf
6. City of Fulshear, "Economic Development Incentive Policy," adopted June 2025. https://www.fulsheartexas.gov/home/showpublisheddocument/5789/638846142277770000; Fulshear Development Corporation, "Small Business Grant Program" (September 2025). https://www.fulsheartexas.gov/home/showpublisheddocument/6271/639026016359570000
7. Governmental Accounting Standards Board, Statement No. 77, "Tax Abatement Disclosures," issued August 2015. https://gasb.org/page/ProjectPage?testId=176166392168
8. Texas Comptroller of Public Accounts, "Chapter 312 Reinvestment Zones and Abatements Executive Summary 2024." https://comptroller.texas.gov/economy/development/prop-tax/ch312/exec-summary-2024.php; Local Development Agreement Database. https://comptroller.texas.gov/economy/development/search-tools/sb1340/search.php
9. Texas Comptroller of Public Accounts, "Texas Jobs, Energy, Technology and Innovation Act (JETI) FAQ." https://comptroller.texas.gov/economy/development/prop-tax/jeti/faq.php
10. Pew Charitable Trusts, "Lessons From a Decade of Studying State Economic Development Tax Incentives," August 8, 2025. https://www.pew.org/en/research-and-analysis/articles/2025/08/08/lessons-from-a-decade-of-studying-state-economic-development-tax-incentives