

City of Murphy Incentive Policy

I. General Purpose

The City of Murphy is committed to the attraction of a diverse mix of goods and services to the community that improves the quality of life. Success in economic development ensures that Murphy maintains a dynamic commercial sector with healthy property values and sales tax revenue. The City encourages the use of incentives only as necessary to both retain existing businesses and attract new business.

The purpose of this policy is to establish standards and guidelines that will govern the granting of financial incentives to facilitate economic growth. The Murphy Community Development Corporation (MCDC) and the Murphy Municipal Development District (MMDD) will be the primary funding sources for any incentives, with an emphasis on the MMDD.

As a Best Practice, the Government Finance Officers Association (GFOA) recommends that cities create a policy on the appropriate parameters for use of economic development incentives. They encourage adoption of an economic development incentive policy specific enough to establish clear boundaries but not overly restrictive in order to allow for flexibility and discretion to ensure that the policy serves the best interest of the City. As such, this policy follows the GFOA Best Practice guidance.

II. Criteria

Generally, incentives may be utilized only as inducements to generate development or property enhancements that otherwise would not occur. Any request for incentives shall be considered and evaluated based upon a review of the following criteria that each applicant will be requested to address in a narrative as well as in application form to be provided by the Community & Economic Development Department.

- How much real and personal property value will be added to the tax roll?
- How much direct sales tax will be generated?
- How will this project affect existing business?
- To what extent does the project act as a catalyst for future private investment?
- To what extent does the project address a service or business category that does not currently exist in Murphy?
- What, if any, infrastructure construction would be required?

The following shall establish minimum eligibility for receiving any incentives identified in this Policy:

- Location: The project must be located within the City's municipal boundaries.
- Code Violations: The property must not have any outstanding code violations or related liens with the City.
- Taxes: The property must be current on taxes due to the city.

- Zoning: The property must be adequately zoned for proposed uses.

III. Financial Incentive Tools and Limitations

This section defines the types of incentives the City of Murphy may consider and any limitations on their use (i.e., maximum dollar amounts, time limits, type of project that is eligible). The City may consider providing one or a combination of any of the following economic development incentives:

- A. Chapter 380 Agreements – Under Chapter 380 of the Texas Local Government Code, the City may consider incentive options for qualifying projects. The preferred time length of 380 Agreements is five (5) years or less. These incentives include, but are not limited to:
 - Fee Waivers. Reduction or full waiver of building permit fees assessed by the City and/or rebated water and sanitary sewer impact fees.
 - Forgivable Loans. Loans whose repayment may be forgiven under particular circumstances.
 - FF&E Grants. The City may reimburse up to 50% of the costs of tenant improvements (FF&E – fixtures, furniture, and equipment).
 - Infrastructure Assistance. Participation in a portion of the costs of water and sanitary sewer line extensions, roadway improvements, and storm drainage improvements serving the project.
 - Matching Grants. Cash grants for the improvement of existing site facilities (i.e., Site Enhancement Grant Program).
 - Sales Tax Rebates: Reimbursement of all or a portion of the sales tax going to the MMDD and MCDC.

- B. Tax Abatement – Authorized by Chapter 312 of the Texas Tax Code, the City may offer real property tax abatements for qualifying projects that meet the minimum capital investment values listed below. Qualifying projects may include new tenancies, expansions, or renovations of existing facilities.

Minimum Capital Investment	Years of Abatement	Percentage of Abatement
\$20 M +	5	30%
\$10 M - \$19,999,999	4	25%
\$5 M - \$9,999,999	3	20%

The thresholds as described above are considered guidelines for establishing tax abatement agreement terms; however, the City retains discretion to determine the resulting amounts and terms of abatement for individual projects.

- C. Targeted Incentives – The City may consider providing one or a combination of any of the above listed incentives in order to further the strategic objectives of the 2021 Strategic Plan for Economic Development. These targeted incentives shall be for new “destination” Retail, Entertainment & Restaurants that have the capability to attract customers from outside the city. Destination businesses shall fit well into the existing retail/ restaurant economy to provide new and different shopping, dining, and/or entertainment experiences.

These incentives may also be considered for existing “destination” retailers and restaurants that are expanding or relocating within the city if their added square footage is a minimum of 25% larger than their current space. In order to qualify for these incentives, “destination” retailers and restaurants may own the property, otherwise they are required to sign a minimum five-year lease with the property owner. Based on the value of the incentive requested, the City may require the tenant to sign a lease for a period longer than five (5) years.

All incentives will be evaluated on a case-by-case basis so that the total incentive package may be designed specifically for each project as well as provide maximum flexibility for an incentive package that accommodates the unique needs of each project. Consideration for incentives shall require a return on investment (ROI) deemed reasonable by approving bodies and city staff. More detailed ROI amounts shall be determined in respective incentive programs adopted by the City of Murphy. Nothing herein shall imply or suggest that the City of Murphy is under any obligation to provide incentives to any applicant. Even through a project may meet the criteria set forth in this policy, an application may be denied for any reason at the discretion of the City Council.

IV. Performance

All financial incentives granted by the City shall be performance-based. Approved incentive agreements will include individual performance measures to be met by the contracted party and specific recapture provisions intended to safeguard the City from potential financial loss. These recapture provisions will specify requirements a company must fulfill in order to continue to receive incentives and shall specify the process for recapture of incentives should a company be in default of its contract with the City.

V. Administrative Process Guidelines

- A. All applicants are highly encouraged to meet with the Economic Development staff prior to preparation of an Application.

- B. Applicants should complete the “Application Form” and include a narrative statement explaining why incentives are being sought for the specific project and address the criteria outlined in Section II.
- C. Completed application forms and supplementary information may be submitted to the Director of Community & Economic Development, at:

City of Murphy
Attn: Economic Development
206 N. Murphy Road
Murphy, Texas 75094

Or via email by sending the scanned documents to EcoDev@murphytx.org.

- D. The application package shall be reviewed for completeness and accuracy. Additional information may be requested. The applicant will allow staff the opportunity to visit the property to verify its status prior to any incentives.
- E. The application will be presented to the Murphy Municipal Development District (MMDD) board for review. The board will make a recommendation to the City Council regarding the incentive request.
- F. The Murphy City Council will consider the application. If approved, an Economic Development Incentive Agreement will be drafted based upon approved terms.
- G. Incentive Agreement will be placed on a City Council regular meeting agenda for a final vote. The final decision on any incentive application will rest with the Murphy City Council.
- H. Following a majority approval vote, the Mayor and the MMDD President will execute copies of the Incentive Agreement. One original agreement will be filed with the City Secretary and one original mailed to the contracted party.
- I. The applicant shall be fully responsible for providing all documentation required of the agreement to the City of Murphy Economic Development staff in a timely manner such as copies of receipts, contracts, and other records required for any reimbursement.