

About the Sugar Land Development Corporation

The Sugar Land Development Corporation is a “Type A” economic development corporation governed by a board of directors and authorized under Texas law to levy an economic development sales tax to promote, assist and enhance economic development activities for the benefit of the City. As part of these responsibilities, the board of directors is charged with overseeing the SLDC’s direct incentive policy and program, as well as making recommendations on the City’s Economic Development Strategic Plan that includes short- and long-term objectives of the corporation, guidelines on the use of tax funds received and procedures on how the use of funds will be determined. The corporation utilizes a .25 cent sales tax approved by voters for the purpose of funding economic development activities. The main requirement for the voter-approved tax is the recruitment and retention of primary employment within the City.

The SLDC does not negotiate or approve development agreements with developers; these agreements are the responsibility of City Council. Except in very rare circumstances involving the implementation of advanced funding agreements such as those repaid by a Tax Increment Reinvestment Zone, the SLDC has no role in development agreements.

History of the Sugar Land Development Corporation

The SLDC was approved by voters and established as a non-profit corporation in 1993 under the Texas Development Corporation Act of 1979. As part of this act, Texas law has allowed cities to form economic development corporations to attract businesses and create job opportunities. Specifically, the legislation provides that such economic development corporations can be funded by the imposition of a local sales and use tax dedicated to economic development upon approval by voters of the city during an election. The overall purpose of the SLDC is to promote, assist and enhance economic development activities in the City of Sugar Land, and the SLDC is an important component of economic development in Sugar Land.

Summary of Previous SLDC Projects

High-profile SLDC projects have included the following:

Smart Financial Centre

Construction of the 6,430-seat live entertainment venue will create a facility that will be the first of its kind in the region. A feasibility study conducted in 2012 shows the project will provide an annual benefit to the community of \$26.1 million or a return of \$572 million over 30 years. Authorization for this project was specifically approved by voters in November 2008.

Sugar Land Town Square

Since inception in 1998, Sugar Land Town Square resulted in incremental valuation increases to the City of \$137 million and incremental taxes captured of more than \$9 million. Additionally, a “10-Year Anniversary” report in 2013 showed that Sugar Land

Town Square will have provided an estimated \$7.7 million benefit to the City by the time the Tax Increment Reinvestment Zone expires in 2025 and the City pays off the last bonds in 2027 – and which will increase to an annual benefit of approximately \$2.9 million each year thereafter from various sales, property, hotel and mixed beverage taxes.

Sugar Land Regional Airport expansion

More than 100 Fortune 500 companies utilize the airport annually. The airport contributes more than \$69.9 million to the property tax rolls, funding services provided by both Fort Bend County and Fort Bend Independent School District.

The University of Houston - Sugar Land Campus

Through the University of Houston Sugar Land, students have access to world-renowned academic programs and faculty, enabling them to pursue bachelor's and graduate degrees obtain certifications.

Direct Incentive Program

The SLDC has a direct incentive program that may be used to provide grants to qualifying projects and companies. If the company is eligible, the direct incentives are based on a number of factors including total job creation and wages, capital investment, the financial strength of the applicant, the applicant's business history and an analysis of the relevant business sector.

Direct incentives require a performance agreement with the company and are based on the assumptions used to determine the incentive. The City of Sugar Land's Office of Economic Development administers the direct incentive program. Recent examples of SLDC projects include the following:

Schlumberger plans to consolidate its U.S. headquarters in Sugar Land as part of its long-term resource management and consolidation strategy. The company will relocate more than 500 jobs to its Sugar Land campus and construct more than 250,000 square feet of Class A office space and a new amenities building totaling approximately 100,000 square feet. The company will invest more than \$200 million in capital improvements at its existing 200-acre Sugar Land campus along U.S. Highway 90A to accommodate the move.

First Data Corporation relocated its TeleCheck divisional headquarters to approximately 90,000-square-foot in the Sugar Creek on the Lake building at 14141 Southwest Freeway in March 2015. This project brought more than \$10 million in investment and will add 600 new jobs during a 10-year period. The decision of this Fortune 500 company to relocate its divisional headquarters to Sugar Land was made after building owner PM Realty Group contributed more than \$13 million in investments and upgrades.

Applied Optoelectronics is building a new 102,000-square-foot, three-story building to be used primarily as its corporate headquarters and for research and development. In addition, a new 9,600-square-foot, one-story building for manufacturing will be added. This project will result in approximately \$39 million in capital investment and the creation of more than 530 new jobs and the retention of 235 existing jobs over 10 years.

Nalco Champion is building a new 133,500-square-foot headquarters office building with 1,000 parking spaces in 2015. Additionally, the company is reconfiguring existing buildings to maximize office space, accommodate supply chain needs and create additional space for the expansion of the company's research and development facilities. This project will result in more than \$45 million in capital investment, the retention of 342 jobs, the recapturing of 247 jobs previously in Sugar Land and the addition of 862 new jobs to Sugar Land.

Minute Maid relocated Coca-Cola North America's Minute Maid business unit headquarters to Sugar Land Town Square in 2009. In addition to leasing a substantial amount of Class A office space and creating approximately 200 jobs, the company also completed \$10.8 million in tenant improvements.

It is important to note, however, that the estimated total 10-year direct and indirect benefits during the first 10 years of any project receiving an incentive from SLDC must exceed the total direct incentives offered; these benefits come primarily from sales taxes generated by the company and their employees and visitors, Hotel Occupancy Taxes generated by the company's visitors, as well as other direct and indirect revenues such as permit fees and franchise fees for utilities.

About the Board of Directors

Seven directors are appointed by City Council to serve two-year terms. Though the SLDC is a non-profit organization, it has the power to collect and expend tax funds, a responsibility that neither the SLDC nor the City of Sugar Land (as the authorizing municipality) takes lightly -- the corporation has overseen more than \$80 million in sales tax collections since its creation in 1993.

HB3036 amended the Development Corporation Act of 1979 in 2005 to state that the Type A Corporation board of directors consists of at least five directors -- without establishing any criteria for their selection. Therefore, in fall 2005, the City Council appointed five of its members to serve as board members for the SLDC, and after amending the Articles of Incorporation and bylaws, the board was enlarged to seven members in 2006. The remaining Council members were appointed as directors at that time.

This decision was intended to increase accountability for the expenditure of sales tax dollars and oversight of powers such as eminent domain and the freedom to procure goods and services outside of the typical State-required municipal purchasing process, both of which are powers of the SLDC. The City is ultimately more accountable to the general

public when individuals elected by residents make decisions on the use of tax dollars. Further, the City Council retains final oversight authority and must approve all programs and expenditures of the corporation per state law. This is accomplished through the City's annual budget process.

Further, the ability for the City and the SLDC to respond quickly and in one voice to companies evaluating a move to Sugar Land has enabled both entities to recruit and retain companies like Minute Maid, Nalco Champion, Applied Optoelectronics, First Data and Schlumberger. In a January 19, 2016 *Houston Business Journal* article, Michael Lateur – a director at Duff & Phelps, who Schlumberger hired to oversee their recent site selection process, commented on the importance of speed in the incentive process by saying:

“Sugar Land and Fort Bend impressed us all with their level of detail. We had an all-hands-on-deck experience with both. They were extremely focused and aggressive,” said Lateur. “The communication, the response time, the willingness to even take a meeting. Many times projects like this start out in code names, but even before they knew who the company was, they were extremely focused.”

The Importance of Economic Development in Sugar Land

Sugar Land has achieved its sustainable, strong local economy through an aggressive, focused economic development program that:

- creates opportunities for new business investment and jobs;
- furthers the City's reputation as a premier location for corporate headquarters; and
- strengthens its existing employment base.

The city's growing economy provides an excellent location for relocating and expanding companies to thrive, as evidenced by the fact that Sugar Land's assessed commercial valuation has more than doubled in just over a decade—increasing by over \$2 billion.

As a regional employment center, Sugar Land is home to high-profile regional and international corporations housed in more than 25-million-square feet of commercial space, including more than 15 Fortune 500 companies with a significant presence. Sugar Land now boasts more than 63,500 jobs—a more than 38 percent increase in jobs since 2012, during which the City's residential population increased by less than 3 percent.

Additionally, the City's Office of Economic Development has been involved in the negotiation of agreements that are responsible for more than \$840 million in commercial valuation growth and the creation of over 5,500 new jobs within the city.

The attraction of primary employers is an extremely important driver of Sugar Land's economy. Jobs in Sugar Land generate demand for new retail services and result in the creation of new sales tax dollars, increased commercial property tax values and the capturing of additional Hotel Occupancy Tax (HOT) revenues. With this boost to the economy, the City of Sugar Land is able to keep property taxes low for residents.

While the increase in commercial property tax values offsets the cost of providing public services to residents, the increase in restricted revenue funds, such as economic development sales taxes and HOT, may only be reinvested into projects that increase the quality of life in Sugar Land, such as parks, support of higher education, cultural arts and entertainment amenities. These amenities help make Sugar Land an even more attractive place for primary employers, leisure travels and residents, making it even more possible for people to live, work, shop and play in Sugar Land—all with one of the lowest property tax rates in the State of Texas.