



ECONOMIC INCENTIVES

There are a range of economic incentives available to qualifying new, relocating or expanding companies in the Conroe area. CEDC Staff will work with you to develop an incentive proposal based on your needs and qualifications. *Please note that only full-time jobs count towards minimum FTE requirements and are eligible for incentives. Full-time job is defined as a position in the direct employ of the entity that is a party to the incentive agreement and works at least 1,560 hours per year with a minimum salary of \$15.00 per hour (excluding benefits).*

LOCAL INCENTIVES

PERFORMANCE-BASED CASH INCENTIVE

A cash incentive based on projected performance is available to new and expanding companies in Conroe. Qualifying companies are required to sign mutually accepted performance agreements based on capital investment and/or payroll and maintain a physical location and conduct business in the City of Conroe for a specified period of time. The amount of the incentive is based on a cost-benefit analysis that determines the overall net benefit to the community from the project over a seven-year period of time. Three years of financial statements are required for credit analysis.

AD VALOREM/PROPERTY TAX ABATEMENT

The City of Conroe and Montgomery County both offer abatements that exempt from taxation a portion of the increased value in real property and fixed personal property that a proposed project will generate. Property eligible for abatement under this program include real property of buildings and improvements and personal property including fixed heavy machinery and equipment. Any real property already on the tax roll (such as land) is not eligible for abatement, nor is personal property like machinery and equipment or furniture and fixtures. The abatement schedule is as follows:

Abatement Category	Total Added Tax Value to City	Minimum FTEs City of Conroe	City of Conroe Schedule	Total Added Tax Value to County	Minimum FTEs Montgomery Co.	Montgomery Co. Schedule
Expansion to existing business only	\$1,000,000 - \$4,000,000	10	4 years: 100%, 75%, 50%, 25%	N/A	N/A	N/A
Expansion and/or new business	\$4,000,000 - \$8,000,000	21	6 years: 100%, 100%, 80%, 60%, 40%, 20%	\$10,000,000 - \$50,000,000	10	5 years: 100% (construction), 100%, 80%, 60%, 40%



Expansion and/or new business	\$8,000,000 - \$25,000,000	51	8 years: 100%, 100%, 100%, 100%, 80%, 60%, 40%, 20%	\$50,000,000 - \$100,000,000	10	7 years: 100% (construction), 100%, 100%, 80%, 60%, 40%
Expansion and/or new business	Over \$25,000,000	150	Maximum 10 years: % of abatement each year to be determined	Over \$100,000,000	10	Maximum 10 years: % of abatement each year to be determined

CHAPTER 380 – MUNICIPAL AGREEMENTS & CHAPTER 381 – COUNTY AGREEMENTS

Chapter 380 of the Local Government Code, authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. Specifically, it provides for offering loans and grants of city funds or services at little or no cost to promote state and local economic development and to stimulate business and commercial activity. minimal or no charge. In order to provide a grant or loan, a city must establish a program to implement the incentives. Before proceeding, cities must review their city charters or local policies that may restrict a city's ability provide a loan or grant.

Chapter 381 of the Local Government Code allows counties to provide incentives encouraging developers to build in their jurisdictions. A county may administer and develop a program to make loans and grants of public money to promote state or local economic development and to stimulate, encourage and develop business location and commercial activity in the county.

For more information, please review the following link: [Chapter 380/381 Economic Development Agreements \(texas.gov\)](#)

FREERPORT EXEMPTION

A community may choose to offer the Freeport exemption for various types of goods that are detained in Texas for a short period of time. Freeport property includes goods, wares, merchandise, ores, and certain aircraft and aircraft parts. Freeport property qualifies for an exemption from ad valorem taxation only if it has been detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabricating. For certain aircraft parts, a community, by official action, may extend the deadline to 730 days. **Four of the five taxing jurisdictions in Conroe offer this exemption on Freeport eligible goods.**

For more information, please review the following link: [The Freeport and Goods in Transit Exemptions \(texas.gov\)](#)

FOREIGN TRADE ZONE #265

Foreign-trade zone (FTZ) status is a cost reduction service. Zone status can reduce the costs associated with conducting U.S. based foreign trade activity. These “reduced costs” are the effective cost of complying with U.S. customs and trade laws, regulations and rules; zone status is a tool for managing how and when these laws, rules and regulations are applied.



FTZ 265's primary mission is to assist in the local economic structure's business establishments, current and prospective, obtain the benefits from, and/or adjust to the challenges created by the nation's increasing levels of foreign trade. The business/economic activities that can benefit from zone status include:

- Foreign-trade logistics
- Exporting
- Production (manufacturing/assembly)

FTZ 265's grant of authority was awarded to the City of Conroe. As such the City is the zone's grantee. The City of Conroe has contracted with the Trade Development Company, L.L.C. to be FTZ 265's zone administrator. Questions on matters about foreign-trade zones in general or specific questions about FTZ 265 should be directed to the company's principal:

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STATE INCENTIVES

TEXAS ENTERPRISE FUND

The Texas Enterprise Fund (TEF) awards "deal-closing" grants to companies considering a new project for which a single site in Texas is actively competing with at least one viable out-of-state option. The fund serves as a performance-based financial incentive for those companies whose projects would contribute significant capital investment and new employment opportunities to the state's economy. "Deal-closing" cash grants are calculated according to a uniform analytical model for each applicant. Award amounts are calculated on the average wage of new employees, taking into account the expected hiring timeline and number of jobs created, with per-employee award amounts subject to adjustment based on the company's total proposed capital investment. Eligibility is determined as follows:

- The single Texas site being considered for the project must be in active competition with at least one out-of-state site and the company must not have made a location decision. Actions signifying the company has already made a location decision include, but are not limited to—signing a lease, purchasing land, hiring employees and/or making a location announcement.
- Projected new job creation must exceed 75 full-time jobs (urban areas) or 25 full-time jobs (rural areas).
- The total average wage for new jobs must meet or exceed the average county wage for the county in which the project would be located during the full term of the grant agreement.
- The company must demonstrate significant levels of planned capital investment, as determined by the Governor's Office.
- The project must be supported by the city, county and/or school district in which the project would be located, particularly in the form of local economic incentive offers.
- The company must be well-established and financially sound.
- The company must operate in an advanced industry which affords it other feasible location options nationally and/or internationally.



With a rolling application period, eligible companies must submit a complete application packet to be considered for a TEF grant. TEF applicants undergo a thorough 11-step due diligence screening process. Areas of focus include project competitiveness, corporate activity, financial standing, tax status, legal issues, credit ratings, estimated economic impact, and the business climates of competing locations. The Governor, Lieutenant Governor, and Speaker of the House review all applications and must unanimously agree to support the use of TEF for each applicant. If and when approved for a TEF grant and upon acceptance of such grant, all TEF awardees must sign a grant contract with the state which legally obligates the company to fulfill, among other things, projected job creation and average wage commitments. No TEF funds are disbursed until after grantees sign a grant contract and meet their respective job and wage targets for each individual period (typically annually). Grantees are required to maintain these job and wage figures throughout the term of the contract. In the event a grantee fails to do so or fails to meet other terms of the grant contract, certain contract provisions allow the Governor’s Office to demand repayment of previously disbursed grant funds in the form of claw backs. Each TEF grantee will also participate in a press release with the Governor’s Office announcing the project and the TEF award amount.

For more information, please follow this link: [Texas Enterprise Fund | Texas Economic Development | Office of the Texas Governor | Greg Abbott](#)

TEXAS ENTERPRISE ZONE PROGRAM

The Texas Enterprise Zone Program (EZP) is a state sales and use tax refund program designed to encourage private investment and job creation in economically distressed areas of the state. Texas communities must nominate companies in their jurisdiction to receive an Enterprise Zone designation and thus be eligible to receive state sales and use tax refunds on qualified expenditures by submitting an application on the company’s behalf. Companies must meet minimum capital investment thresholds and create and/or retain jobs that employ a certain percentage of economically disadvantaged individuals, enterprise zone residents, or veterans. State sales and use tax refund, with the maximum allowable refund—both total and per-job—determined for each company which has been awarded a designation based on the company’s planned capital investment and job creation and/or retention at the qualified business site (see table below). Companies approved for Enterprise Zone designations are eligible to apply for refunds of the state sales and use tax they have paid during the designation period on qualified expenditures, up to their maximum allowable refund. The Texas Comptroller’s Office administers all refunds. EZP designations are effective beginning 90 days prior to the deadline for the applicable application round and extend for a period of not less than 1 year and not more than 5 years from the date on which the designation is made.

Level of Capital Investment	Maximum Number of Jobs Allocated	Maximum Potential Refund	Maximum Refund Per Job Allocated
Half Enterprise Project \$40,000 to \$5,000,000 or more	250	\$625,000	\$2,500



Enterprise Project \$5,000,000 to \$149,999,999	500	\$1,250,000	\$2,500
Double Jumbo Project \$150,000,000 to \$249,999,999	500*	\$2,500,000	\$5,000
Triple Jumbo Project \$250,000,000 or more	500*	\$3,750,000	\$7,500

**Double and Triple Jumbo Projects may not count retained jobs for benefit. A Double Jumbo and Triple Jumbo Project must create at least 500 jobs.*

The program eligibility requirements include:

2. Jobs counted for benefit must have an average weekly wage which meets or exceeds the average county weekly wage in the county which the qualified business site is located.
3. Each community has a limited number of designations available per biennium; communities with a population at or above 250,000 have 9 designations available per biennium, while communities with a population of less than 250,000 have 6 designations available. The state may award a maximum of 105 designations statewide per biennium, and may award up to 12 designations per quarterly round.
4. Employment (new and retained jobs) and capital investment commitments must be met prior to the expiration of the designation period.
5. A company must first pay the applicable state sales and use tax on qualified expenditures in order to receive a refund of those taxes.
6. The percentage of a project’s new employees who must meet economically disadvantaged, enterprise zone residency, or veteran requirement varies depending on whether the qualified business site is located inside or outside of an Enterprise Zone—state-designated area with economically depressed conditions.
 - If located within a Zone, 25% of the company’s new employees at the qualified business site must meet economically disadvantaged, enterprise zone residency or veteran requirements
 - If located outside a Zone, 35% of the company’s new employees at the qualified business site must meet economically disadvantaged, enterprise zone residency, or veteran requirements.
7. Only full-time jobs qualify for EZP award consideration
8. Jobs must be maintained through the end of the designation period, or for at least 3 years after the date on which tax benefits are received, whichever is later.

The application period for the EZP occurs quarterly, with applications for the respective rounds due by 5:00 pm on the first business day of March, June, September and December.

For more information, please review the following link: [Texas Enterprise Zone Program | Texas Economic Development | Office of the Texas Governor | Greg Abbott](#)

SKILLS DEVELOPMENT FUND

The Skills Development Fund (SDF) is Texas' premier upskilling program. SDF grants provide site-specific, customized training opportunities for Texas businesses and their employees to increase skill levels and wages



of the Texas workforce. Success comes through collaboration among economic development partners, business partners, and eligible grant applicants, which include public community or technical colleges, the Texas Engineering Extension Service (TEEX), community-based organizations in partnership with one of these entities, or a local Workforce Development Board. To be considered for a Skills Development Fund grant, the private business, business consortium or trade union must:

- Partner with an eligible grant applicant, which is a public community or technical college, the Texas Engineering Extension Service, or a private, nonprofit community-based organization in partnership with one of those institutions.
- Be actively involved in the planning and design of the customized training project.
- Pay wages to the employees who successfully complete the training program that are equal to or greater than the prevailing wage for the occupation in the local labor market.
- Disclose any other state or federal grant funds sought or awarded for the proposed training project.
- Sign an agreement with the grant applicant outlining each entity's roles and responsibilities in the training project, including reporting requirements related to trainee participation.
- Provide equal employment opportunity documentation as well as information on the occupations for training, employment benefits, wages and social security numbers for trainees.
- Use WorkinTexas.com to post openings for new workers trained under the project.

In addition to identifying your training needs and the number of employees to be trained, you must provide information about your business. The specific items required from participating employers include identifying information for your business, wage ranges of each job title to be trained, and other individual identification information that may be required by the eligible grant applicant or training provider. Your grant applicant or SDF Outreach Team regional representative can help you with this information when you begin the application process.

For more information, please follow this link: [Skills Development Fund — Texas Workforce Commission](#)

SKILLS FOR SMALL BUSINESS PROGRAM

Through the Texas Workforce Commission (TWC) Skills for Small Business program, up to \$2 million from the Skills Development Fund is dedicated to the backbone of Texas' business community—our small employers. Small businesses can apply to TWC for training offered by their local community or technical college, or the Texas A&M Engineering Extension Service (TEEX). TWC processes the applications and works with the college to fund the specific courses selected by businesses for their employees. This exceptional opportunity supports businesses with fewer than 100 employees and emphasizes training for new workers though it also may help upgrade the skills of incumbent workers.

- Skills for Small Business emphasizes training newly hired employees, those who have been hired by the business up to twelve months prior to the date that TWC receives an application.
- The program pays up to \$1,800 for each new employee being trained and \$900 for existing employees per 12-month period.
- Funding for training is for full-time employees.
- All training must be provided by a public community or technical college, or the Texas A&M Engineering Extension Service (TEEX). No third-party vendor training is allowed.
- Training must be selected from active course catalogs/schedules— credit, continuing education, online or other available unpublished courses.



- Employers must pay the prevailing wages in the local labor market for the trainees funded under the grant.

For more information, please follow this link: [Skills for Small Business for Employers — TWC \(texas.gov\)](#)

STATE TAX EXEMPTION PROGRAMS

MANUFACTURING SALES TAX EXEMPTION

Leased or purchased machinery, equipment, replacement parts, and accessories that are used or consumed in the manufacturing, processing, fabricating, or repairing of tangible personal property for ultimate sale, are exempt from state and local sales and use tax.

For more information, please follow this link: [Manufacturing Exemptions \(texas.gov\)](#)

STATE SALES TAX EXEMPTION FOR QUALIFIED DATA CENTERS

A "data center" is a facility of at least 100,000 square feet in Texas that has been, or will be, specifically constructed or refurbished to house servers and related equipment for processing, storing or distributing data. The Comptroller's office may certify single-occupant data centers that meet specific requirements related to capital investment and job-creation as "qualifying data centers." Certain items necessary and essential to the operation of a qualified data center are temporarily exempt from the 6.25 percent state sales and use tax. Local sales taxes are due on purchases of these qualifying items.

For more information, please review the following link: [State Sales Tax Exemption for Qualified Data Centers \(texas.gov\)](#)

SALES TAX EXEMPTION OR FRANCHISE TAX CREDIT FOR QUALIFIED RESEARCH

In 2014, a Texas law went into effect to encourage economic development in Texas related to research and development. A person engaged in qualified research can claim either:

- a sales and use tax exemption on the purchase, lease, rental, storage or use of depreciable tangible personal property directly used in qualified research, or
- a franchise tax credit based on qualified research expenses.

A person cannot claim both the sales tax exemption and the franchise tax credit for the same period. The election to claim the sales tax exemption or take the franchise tax credit is not permanent and can be changed.

For more information, please review the following link: [Sales Tax Exemption or Franchise Tax Credit for Qualified Research \(texas.gov\)](#)

TAX RELIEF FOR POLLUTION CONTROL PROPERTY

The Tax Relief for Pollution Control Property Program (Prop 2) is responsible for determining whether a facility uses certain property or equipment, in whole or in part, for pollution control (referred to as a use determination). Application forms are provided by the TCEQ for applicants to request a use determination. Applicants that receive a positive use determination from the TCEQ may then apply to the local property tax appraisal district for a property tax exemption.

For more information, please see the following link: [Tax Relief for Pollution Control Property - Texas Commission on Environmental Quality - www.tceq.texas.gov](#)



OTHER IMPORTANT PRO BUSINESS FACTORS

PERMIT ASSISTANCE

TCEQ and the Office of the Governor Economic Development & Tourism division have established a relationship to assist companies, which may experience unwarranted delays in their environmental permitting process for projects that could affect job creation or have a high economic impact.

RIGHT-TO-WORK STATE

Texas is a *right-to-work* state, meaning that employees at any given company have the right to remain independent of union membership. Union activity in the Houston region and across the state is quite low.

For more information, contact:

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