

# ***Oro Valley Primary Employer Incentive Program***

## **Goal**

The goal of this incentive program is to facilitate long-term community financial sustainability in Oro Valley through the creation of new primary job opportunities and the generation of new capital investment in Oro Valley. This program aims to encourage the expansion of existing businesses and also to attracting new primary employers to the Town.

## **Administration**

New capital investment revenues may be reimbursed to qualified primary employers for allowable expenses based upon the economic impact of their project and business to the Town of Oro Valley. Once construction sales tax revenue has been collected, the incentive program allows for reimbursement of eligible expenses up to the maximum construction sales taxes collected for the project based upon an independent economic analysis of the project to the community.

1. Each qualified primary employer project requesting reimbursement will prepare and submit detailed information to the Town. Primary employers are those that produce more goods and services than can be consumed by the local economy, and therefore export a significant portion of them. A major benefit of primary employers is that external funds are infused into the local economy, and therefore have a substantial impact on output, employment, and wages. The information submitted will always include the primary employer project type by NAICS code, the number of new primary employees and their average salaries and wages along with a detailed list of capital investments, especially construction costs. Other information may be requested to aid in an analysis of benefits.
2. Town staff will confirm that the project qualifies for the program.
3. A 3<sup>rd</sup> Party Vendor will analyze the application to verify it is in compliance with the Arizona Gift Clause (A.R.S. Const. Art. 9 & 7):

“[A] governmental expenditure does not violate the Gift Clause if (1) it has a public purpose, and (2) in return for its expenditure, the governmental entity receives consideration that “is not so inequitable and unreasonable that it amounts to an abuse of discretion, thus providing a subsidy to the private entity.” The Arizona Supreme Court’s interpretation of A.R.S. Const. Art. 9, § 7, (the “Arizona Gift Clause”) highlights a requirement for there to be a quantifiable benefit to government before payment of any kind can be made to private business. The Turken court decision hinged on the second prong of the Wistuber case test and determined that the “reliable way to determine whether the private party has received a forbidden subsidy is to compare the public expenditure to what the government receives under the contract. When government payment is grossly disproportionate to what is received in return, the payment violates the Gift Clause.” Turken v. Gordon, 223 Ariz. 342, 224 P.3d 158 Ariz., (2010); Citing Wistuber v. Paradise Valley Unified School District, 141 Ariz. 346, 687 P.2d 354 (1984).
4. Town Manager reviews and approves contract based on Council Incentive Policy, and recommends to the Town Council for consideration.
5. Council-approved contract is signed.

Reimbursement amounts are restricted **to the total amount of construction sales taxes collected** on a given project based on the analysis of the primary employer application and the economic benefit it brings to the Town. In addition to the collection of fees and taxes, the program is designed to account for the number of retained and newly created primary jobs and associated wages and local spending. The Town may incorporate flexibility and creativity to the program by encouraging a continuation of future growth of the employer, such as providing additional incentives for continued expansion in Oro Valley, or phasing in reimbursements based upon achievement of growth/economic benefit milestones.

### **Minimum Primary Employer Qualifications**

To qualify for this program, employers must:

- Invest \$1 million in direct capital investment<sup>1</sup> in Oro Valley; **Or**
- Create at least 10 net new full-time primary employment job opportunities in Oro Valley that pay at least \$40,000 and meet the median wage in that industry sector as determined by The University of Arizona Eller College MAPAZDashboard<sup>2</sup> or appropriate government sourced ED data.
- **And** be a primary employer

### **Menu of Potential Incentive Credits**

Eligible employers can request reimbursement of up to 100% of the project's construction sales tax collections applied to any of the following expenses:

- Employee relocation expenses: Assistance with the cost of employee relocation (allowable expenses at the discretion of the employer).
- Exterior building aesthetics: Expenses such as building façade or exterior features that improve the appearance of the property. Projects must conform to Oro Valley design standards.
- Renovation expenses: Costs associated with renovating and/or repurposing an existing site for primary employer use by a new or expanding business.
- Job training: Expenses incurred for training employees, including interns and apprentices.
- Sustainable development: Costs associated with investment in renewable energy and sustainability best practices.
- Public infrastructure: Costs of constructing public infrastructure needed to access the employer's facilities.
- Impact fee offsets: The required development/impact fees applied to a project based on the schedule adopted as of the time of construction may be offset by construction sales taxes collected on the project.

### **Other Considerations**

- In addition to reallocation of capital investment revenues for the qualified expenses outlined above, Ordinance 97-27, which states that 1% of the total budget for every new construction project or expansion of existing projects must be allocated for public art, may be capped at \$100,000.
- The Town of Oro Valley may offer reductions of any permit or plan review fees, as well as an expedited permitting process.

---

<sup>1</sup> <https://www.investopedia.com/terms/c/capital-investment.asp>

<sup>2</sup> <https://mapazdashboard.arizona.edu/workforce-demographics/occupational-wages/occupational-wages>

- The Town Manager may include other potential incentive enhancements for inclusion in the recommended incentive agreement if requested by the prospective employer or their site selector.
- Council-approved contract is required after negotiations are finalized by Town Manager.
- By working with state and regional partners on behalf of new and expanding businesses, the Town will help facilitate the use of Federal, State, and Regional Incentive Options, including:
  - The federal **Work Opportunity Tax Credit** (WOTC) is available to employers for hiring individuals from certain targeted groups. More information on the WOTC is available [here](#).
  - **Foreign Trade Zone** (FTZ) #174 encompasses all of Pima County, including the Town of Oro Valley. Sun Corridor Inc. is the administrator of FTZ #174 and can provide additional information on how to best utilize this incentive. Information found [here](#).
  - The **Arizona Commerce Authority** (ACA) offers several incentive options to new and expanding businesses in the State of Arizona. The ACA has programs focused on tax relief, talent and training, innovation and entrepreneurship, small businesses, manufacturing, rural economic development, and international trade. More information is available on their [website](#).
  - **ARIZONA@WORK Pima County One-Stop Workforce Development System** offers a nationally recognized job training program to prepare individuals for quality jobs. Pima County can provide federally funded job training programs that could enhance the Town's incentive effort. More information about the organization and its programming can be found [here](#).
  - **Tucson Electric Power** (TEP) is the Town's electricity provider and offers discounted rates to new or renovated construction for five years after completion of the project. Information on TEP's economic development incentives can be found [here](#).
  - **Southwest Gas** is the Town's gas provider and offers rebates on efforts made to reduce gas consumption. More information can be found [here](#).