

# Performance-Based Grant/Revenue Sharing Performance Agreement Process

---

Department of Economic Development





# Performance-Based Grant Process

---

- Evaluation / Analysis
- Recommendation
- Approval Process
- Grant Payment Procedures



# Development Policy and Program

---

- Eligibility Criteria:
  - The project represents a significant capital investment
  - The project is a permanent job generator
  - The project is a catalyst for future growth
  - The project cannot succeed in the beginning without assistance (although the project must be able to show viability long-term without continued City assistance).



# Development Policy and Program

---

- Underpinning the “performance-based” concept is a cost/benefit analysis that will require the recipient business to generate investments, at no less than a **2 to 1** ratio in excess of the City’s investment.

# Performance-Based Grant Analysis

---

- The prospective Grantee must provide the City with the following items for review:
  - Comprehensive Business Plan
  - 10-year Operating Pro-forma
  - Other financial information relating to capital investment and project funding
- From this information, the City will evaluate the incremental revenues generated by the project
- The annual grant payment is calculated by applying a predetermined sharing ratio to the actual incremental revenues
- Payments are made in arrears based on actual performance



# Analysis

---

- The City performs financial and cost/benefit analyses to determine:
  - Viability of business venture
  - Necessity of City participation
  - Level of City participation
    - A portion of the incremental benefits realized by the City from the project will be granted for a limited period of time
    - Incremental benefits include: real property values, sales, business personal property, etc.



# Approval Process

---

- The Director of Development will make a recommendation to the City Manager.
- Upon the City Manager's approval the project will be presented to City Council in a Closed Session.
- If there is a favorable response from the Council, the project will be then carried to the open meeting of City Council for vote.
- If the City Council votes favorably on the project then a Grant Agreement will be drafted for signature by the City's designee (i.e. EDA or NRHA) and Grantee



# Grant Payment Procedures

---

- Once the project is complete, the Grantee must provide verification of the Grantee's costs of development (as described in section 3.1.A in the Grant Agreement)





# Grant Payment Procedures

---

- Annual Grant payments will be calculated based on the percentages identified in the Grant Agreement for actual calendar year sales and assessments, subject to the following conditions:
  - Annual and aggregate caps (as defined in the Grant Agreement)
  - Annual budget appropriations
- Payment will be made in the following fiscal year

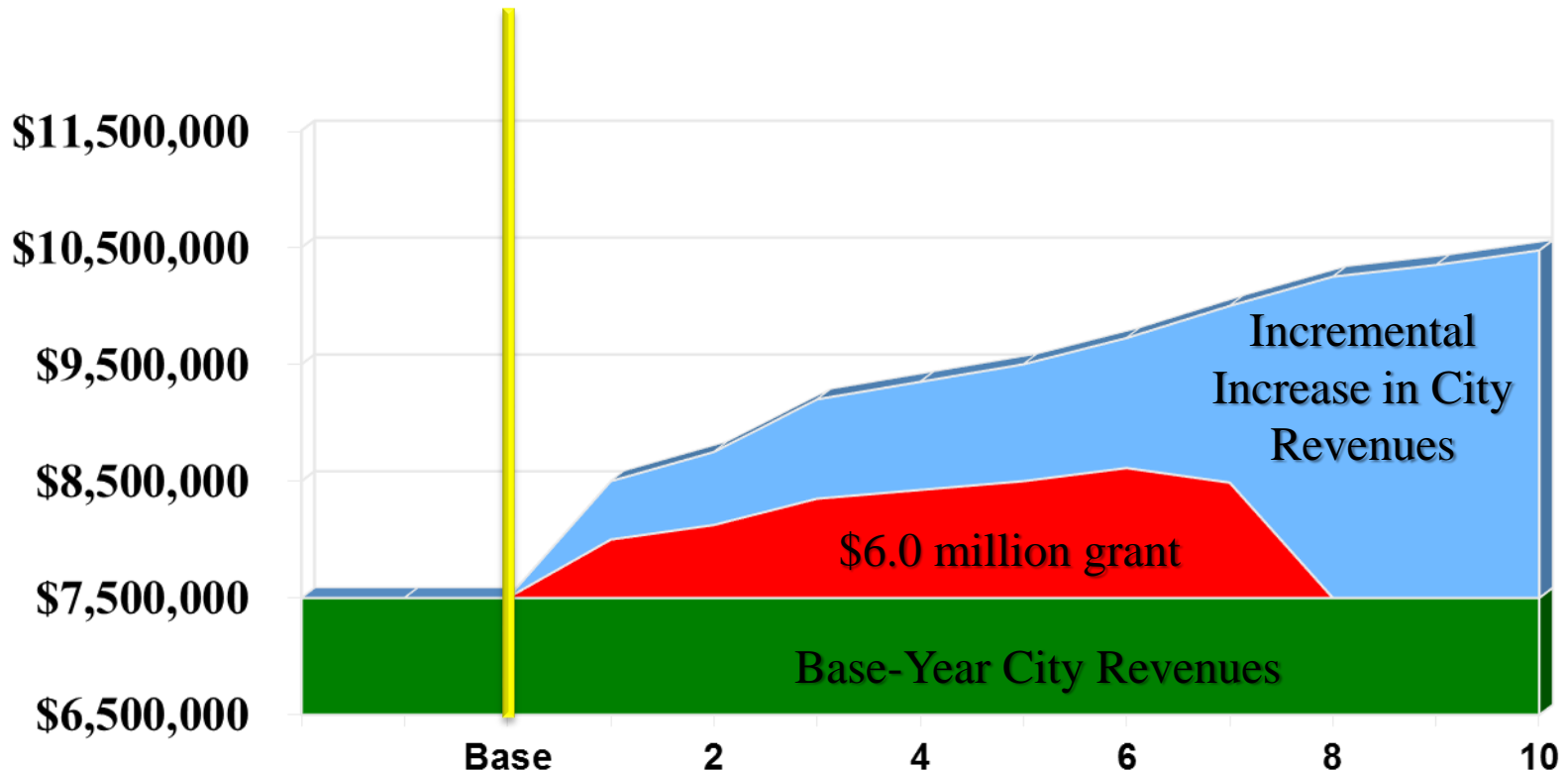
# Sample Grant Payout Scenario

New Investment	\$	20,000,000		
Total Grant Amount	\$	6,000,000		
Year		Est. Incremental Revenue	Annual Sharing Ratio	Annual Grant
1	\$	1,000,000	50%	\$ 500,000
2	\$	1,020,000	50%	\$ 510,000
3	\$	1,700,000	50%	\$ 850,000
4	\$	1,850,000	50%	\$ 925,000
5	\$	2,000,000	50%	\$ 1,000,000
6	\$	2,225,000	50%	\$ 1,112,500
7	\$	2,500,000	50%	\$ 1,102,500
8	\$	2,750,000	50%	\$ -
9	\$	2,850,000	50%	\$ -
10	\$	2,975,000	50%	\$ -
<b>Total</b>	<b>\$</b>	<b>20,870,000</b>		<b>\$ 6,000,000</b>

**Grant conditions:**

1. Subject to all necessary approvals by City and/or City's designee
2. Measurement based on increase in defined revenues from "baseline" (12 month period immediately preceding initiation of the project)
3. Payable annually, in arrears, based on actual measurement of revenues generated by project (subject to annual and aggregate caps)
4. All grants shall be subject to annual appropriations

# Sample Grant Revenue Flow



The annual grant payment is calculated by applying a predetermined sharing ration to the actual incremental revenues. Payments are made in arrears based on actual performance.