

CITY OF TEXAS CITY

TAX ABATEMENT GUIDELINES AND CRITERIA

**October 6, 2010
through
October 5, 2012**

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EFFECTIVE: October 6, 2010

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**GUIDELINES AND CRITERIA
FOR GRANTING TAX ABATEMENT IN A REINVESTMENT ZONE
DESIGNATED WITHIN THE CITY LIMITS OF TEXAS CITY, TEXAS**

WHEREAS, the creation and retention of job opportunities that bring new wealth is of the highest civic priority; and

WHEREAS, new jobs and investment will benefit the area economy, provide needed opportunities, strengthen the real estate market and generate tax revenue to support local services; and

WHEREAS, the City of Texas City must compete with other localities across the nation currently offering tax inducements to attract manufacturing facilities and industrial modernization projects; and

WHEREAS, any tax incentives offered in Texas City would reduce needed tax revenue unless strictly limited in application to those new and existing manufacturing facilities that bring new wealth to the community; and

WHEREAS, the abatement of property taxes, when offered to attract new jobs created by additional manufacturing facilities will enhance the local economy and provide a base to encourage improved diversification in the Texas City community; and

WHEREAS, State law, Texas Tax Code §312.002, requires the establishment of **Guidelines and Criteria** governing Tax Abatement Agreements by the City before entering into a tax abatement or designation of an area as a Reinvestment Zone and adoption of a Resolution stating that the City elects to become eligible to participate in tax abatement; and

WHEREAS, to assure a common, coordinated effort to promote the economic development of the City of Texas City, **Guidelines and Criteria** should be in form and content acceptable to the governing bodies of every other taxing unit exercising ad valorem taxing authority within Texas City:

NOW, THEREFORE, the following **Guidelines and Criteria** for granting tax abatement in Reinvestment Zones designated within the City are hereby promulgated.

SECTION I

DEFINITIONS

(a) **Abatement**: The full or partial exemption from ad valorem taxes of, both, new facilities and structures and for the expansion or modernization of existing facilities and structures in a Reinvestment Zone designated by the City of Texas City.

(b) **Affected Jurisdiction**: The City of Texas City and every eligible taxing unit that it includes within its boundaries; real property that is to be included in a proposed reinvestment zone.

(c) **Agreement**: A contractual Agreement between a property owner and the City of Texas City for the purposes of tax abatement.

(d) **Base Year Value**: The assessed value of eligible property January 1, preceding the execution of the Agreement, plus the agreed upon value of eligible property improvements made after January 1 but before the execution of the Agreement.

(e) **Deferred Maintenance**: Improvements necessary for continued operations which do not improve productivity or alter the process technology.

(f) **Distribution Center**: Buildings and structures, including fixed machinery and equipment, used or to be used primarily to receive, store, service or distribute goods or materials owned by the Facility operator where a majority of the goods or services are distributed to points beyond Galveston County.

(g) **Expansion**: The addition of buildings, structures, machinery or equipment for purposes of increasing production capacity.

(h) **Facility**: Property improvements completed or in the process of construction which together comprise an integral whole.

(i) **Manufacturing Facility**: Buildings and structures, including machinery and equipment, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.

(j) **Modernization**: A complete or partial demolition of facilities and the complete or partial reconstruction or installation of a facility of similar or expanded production capacity. Modernization may result from the construction, alteration, or installation of buildings, structures, machinery or equipment. Modernization shall include improvements for the purpose of increasing productivity or updating the technology of machinery and equipment, or both.

(k) **New Facility or Structure**: A property previously undeveloped which is placed into service by means other than or in conjunction with expansion or modernization.

(l) **Other Basic Industry**: Buildings and structures, including fixed machinery and equipment, not elsewhere described, used or to be used for the production of products which primarily serve a market outside Galveston County.

(m) **Productive Life**: The number of years a property improvement is expected to be in service in a facility.

(n) **Research Facility**: Buildings and structures, including machinery and equipment, used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.

(o) **Regional Service Facility**: Buildings and structures, including machinery and equipment, used or to be used to service goods where a majority of the goods being serviced originate outside of Galveston County.

(p) **Permanent Job**: Full time (2080 annual man hours) jobs after construction and during the abatement period.

SECTION II

ABATEMENT AUTHORIZED

(a) **Reinvestment Zone**: To be eligible for tax abatement the owner must own taxable real property which is the subject of the tax abatement within a Reinvestment Zone designated by City Ordinance and must enter into a written Agreement with the City, wherein the owner agrees to make specified improvements or repairs to the property in conformity with the City's comprehensive plan.

(b) **Authorized Facility**: A facility may be eligible for tax abatement if it is a Manufacturing Facility, Research Facility, Distribution Center or Regional Service Facility.

(c) **Creation of New Value**: Tax abatement may only be granted for the additional value of eligible property improvements made subsequent to and specified in a Tax Abatement Agreement between the City of Texas City and the property owner, subject to such limitations as Texas City may require. The productive life of the improvements must exceed 15 years.

(d) **New and Existing Facilities**: Tax abatement may be granted for new facility and improvements to existing facility for purposes of modernization or expansion.

(e) **Eligible Property:** Tax abatement may be extended to the value of buildings, structures, fixed machinery and equipment, site improvements plus the office space and related fixed improvements necessary to the operation and administration of the facility. The value of all property shall be the appraised value of each year as determined by the Central Appraisal District.

(f) **Ineligible Property:** The following types of property shall be fully taxable and ineligible for tax abatement: land; inventories; supplies; tools; furnishings and other forms of movable personal property; vehicles; vessels; aircraft; housing; hotel accommodations; furniture; deferred maintenance investments; property to be rented or leased except as provided in *Section II(g)*; improvements for the transmission of electrical energy not wholly consumed by a new facility or expansion; any improvements, including those to produce, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility; improvements to real property that have a productive life of less than 15 years; and property owned or used by the State of Texas or its political subdivisions or by any organization owned, operated or directed by a political subdivision of the State of Texas.

(g) **Owned/Leased Facilities:** If a leased facility is granted tax abatement, the Agreement shall be executed by both the lessor and the lessee.

(h) **Value and Term of Tax Abatement:**

- (1) Tax abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the Agreement. The abatement may be extended through an initial Agreement and a subsequent Agreement. If the period of construction exceeds one year, the facility shall be considered completed for purposes of abatement, and in no case shall the period of abatement, inclusive of construction and completion, exceed seven years.
- (2) In the event the Applicant plans the removal in whole or in part of existing improvements in connection with the construction of new eligible properties, tax abatement shall be reduced from the level provided for herein. The percentage to be abated shall be found as follows: ascertain the appraised value of the improvements to be removed as of January 1, immediately preceding the date of the application; subtract said appraised value from the amount of the eligible properties to be constructed; then divide the remainder by the said amount of eligible properties to be constructed to find the percentage of abatement of the value of such eligible

properties.

(i) **Minimum Employment Qualifications:** In order to be eligible for designation as a reinvestment zone and receive tax abatement of the planned improvement, for up to seven years, it must create full-time employment for at least ten (10) new people on a permanent basis, or, it must retain full-time employment for at least thirty (30) people on a permanent basis. "Full-time" employment shall mean forty (40) hours per week or equivalent. In addition, the owner/applicant must document and satisfactorily evidence that tax abatement is necessary to maintain its competitiveness on the local, state, national or world markets.

(j) **Economic Qualifications:** The planned improvement must not have the effect of transferring employment from one part of Galveston County to another. Additionally, the total expenditure for the construction of eligible property must exceed \$5,000,000.00 and abatement shall occur as follows:

- (1) In the event of a total expenditure for construction of eligible property exceeding \$25,000,000.00, the percentage of tax abated thereof shall be abated for a period of seven (7) years as follows:

Year 1-	0%
Year 2-	20%
Year 3-7	20%

- (2) In the event of a total expenditure for construction of eligible property in a sum between \$20,000,000.00 and \$25,000,000.00, the percentage of tax abated thereof shall be abated for a period of six (6) years as follow:

Year 1-	0%
Year 2-	20%
Year 3-6	20%

- (3) In the event of a total expenditure for construction of eligible property in a sum between \$15,000,000.00 and \$20,000,000.00, the percentage of tax abated thereof

shall be abated for a period of five (5) years as follows:

Year 1-	0%
Year 2-	20%
Year 3-5	20%

- (4) In the event of a total expenditure for construction of eligible property in a sum between \$10,000,000.00 and \$15,000,000.00, the percentage of tax abated thereof shall be abated for a period of four (4) years as follows:

Year 1-	0%
Year 2-	20%
Year 3-4	20%

- (5) In the event of a total expenditure for construction of eligible property in a sum between \$5,000,000.00 and \$10,000,000.00, the percentage of tax abated thereof shall be abated for a period of three (3) years or less as follows:

Year 1-	0%
Year 2- 3	20%

- (6) In the event expenditures are used to rehabilitate existing facilities in the 6th Street and Texas Avenue areas in the City of Texas City, or to build on property in these areas where unusable buildings were demolished, the value of the project shall be abated for a period not to exceed two (2) years, depending upon the size of the project and number of permanent jobs created. The tax abatement shall be for 50% for all qualifying years. The minimum required project value shall be \$250,000 in new value. None of the employment or investment requirements in this section will apply to rehabilitation economic development. The geographic areas shall be: Texas Avenue, from Bay Street to 14th Street; 6th Street North, from Texas Avenue to Nineteenth Avenue North; and FM 1765, from SH 146 to IH 45.

shall be abated for a period of five (5) years as follows:

Year 1-	0%
Year 2-	20%
Year 3-5	20%

- (4) In the event of a total expenditure for construction of eligible property in a sum between \$10,000,000.00 and \$15,000,000.00, the percentage of tax abated thereof shall be abated for a period of four (4) years as follows:

Year 1-	0%
Year 2-	20%
Year 3-4	20%

- (5) In the event of a total expenditure for construction of eligible property in a sum between \$5,000,000.00 and \$10,000,000.00, the percentage of tax abated thereof shall be abated for a period of three (3) years or less as follows:

Year 1-	0%
Year 2- 3	20%

- (6) In the event expenditures are used to rehabilitate existing facilities in the 6th Street and Texas Avenue areas in the City of Texas City, or to build on property in these areas where unusable buildings were demolished, the value of the project shall be abated for a period not to exceed two (2) years, depending upon the size of the project and number of permanent jobs created. The tax abatement shall be for 50% for all qualifying years. The minimum required project value shall be \$250,000 in new value. None of the employment or investment requirements in this section will apply to rehabilitation economic development. The geographic areas shall be: Texas Avenue, from Bay Street to 14th Street; 6th Street North, from Texas Avenue to Nineteenth Avenue North; and FM 1765, from SH 146 to IH 45.

(k) **Taxability:** From the execution of the abatement to the end of the Agreement period, taxes shall be payable as follows:

- (1) The value of ineligible property as provided in *Section II(f)* shall be fully taxable;
- (2) The base year value of existing eligible property as determined each year shall be fully taxable; and,
- (3) The additional value of the new eligible property shall be taxable in the manner described in *Section II(h)*.

(l) **Local Employment, Purchase, Wage and Residence Requirements:**

Hiring practices shall be as follows:

- (1) Exempt employees, as defined by Federal wage and hour laws, may be excluded from the employment wage requirements herein below.
- (2) Employment and wage rates, including benefits, shall be in accordance with those established in the Davis-Bacon Act. Apprentices registered with the U.S. Department of Labor, Bureau of Apprenticeship Training, shall receive wages for the particular craft as established by the Bureau of Apprenticeship Training.
- (3) "Buy Local" Provision. Each recipient of property tax abatement shall additionally agree to give preference and priority to local manufacturers, suppliers, contractors and labor, except where not reasonably possible to do so without added expense, substantial inconvenience, or sacrifice in operating efficiency. In any such exception cases involving purchases over \$10,000.00, a justification for such purchase shall be included in the annual report. Each recipient shall further acknowledge that it is a legal and moral obligation of persons receiving property tax abatements to favor local manufacturers, suppliers, contractors and labor, all other factors being equal. For the purposes of this provision, the term "local" as used to describe manufacturers, suppliers, contractors and labor shall include firms, businesses, and persons who reside in or maintain an office in Texas City or Galveston County, Texas. In the event of a breach of the buy-local provision, the percentage of abatement shall be proportionately

reduced equal to the amount the disqualified contract bears to the total construction cost for the project.

- (4) Local purchases/contracts shall also include office space, medical, dental, realtor, and other professional services, including, but not limited to, use of local financial institutions, accountants, attorneys, employment agencies, etc.
- (5) Prebid meetings must be held between owner and potential local bidders and suppliers of services and materials.

(m) **Incentive Abatements:** In addition to the possible 20% abatement offered as a result of “Economic Qualifications” provided for in subsection (j), the City may offer the following additional abatements:

(1) **New Facility/Structure:** If the facility is a “New Facility or Structure” (a property previously undeveloped which is placed into service by means other than or in conjunction with expansion or modernization), the City may award a further abatement, up and additional 70%, as may be negotiated by the City and Owner.

(2) **Safety Incentive:** If the Owner is an industrial entity that has achieved the Voluntary Protection Program safety certification issued by OSHA (commonly referred to as “VPP”), the Owner shall be entitled to an additional 20% abatement for years 2 through 7, provided the Owner maintains said VPP designation. Loss of the VPP designation for any part of a calendar year covered by the tax abatement shall cause loss (or resulting recapture) of this 20% abatement for that year.

(3) **Local Residency Incentive:** The Owner shall compile a list annually of the top 25 salaried employees (or top 25% of employees, whichever is less) who spend at least 50% of their time at the facility, including the Owner/Applicant's local chief executive officer/general manager. The Owner/Applicant shall be entitled to a further tax abatement of up to 20% depending on the percentage of these top 25 salaried employees who reside within the City limits of the City of Texas City. For example, if 15 of these employees live

in the City limits, the amount of further tax abatement percentage shall be 12% (15 out of 25 employees is 60%, 60% of the available 20% abatement= 12%).

(4) **Maximum Abatement:** In no instance shall the Owner/Applicant receive more than 100% abatement. In the event of a default, any percentage of recapture shall be deducted from the 100%, regardless if the Owner/Applicant qualified initially for more than 100% abatement.

For example, if the Owner/Applicant qualifies initially for 120% abatement, it shall only receive 100% abatement. If, during the term of the Agreement, the Owner/Applicant defaults and loses a portion of the abatement (e.g. loses 20% VPP certification abatement), the Owner/Applicant shall only be entitled to 80% abatement, even though initially the Owner/Applicant eligible was for "120%" abatement.

SECTION III

APPLICATION AND PUBLIC HEARING

(a) Any owner of taxable property located in Texas City may request the designation of a reinvestment zone and a tax abatement agreement by filing a written application with the Mayor of the City of Texas City through the City Secretary's office prior to initiating any work on the project. A non-refundable cashier's check in the sum of One thousand dollars (\$1,000.00) (application fee) must be submitted with the application, said sum to be used to offset administrative expenses of the City. If the application does not meet the provisions of the "**Guidelines and Criteria**", the City must, within seven (7) days of receipt, inform the Owner/Applicant of such denial. However, if within twelve (12) months of the denial of said application the Owner/Applicant's project complies with the provisions of "**Guidelines and Criteria**", the Owner/Applicant may request the City to reconsider its application pursuant to Section III. If an application is approved, at the time an agreement is executed, Owner/Applicant shall agree to pay City a one-time compliance oversight fee of five thousand dollars (\$5,000.00).

(b) The application shall be signed by the owner accompanied by:

(1) A general description of the proposed use and the general nature and extent of the

modernization, expansion or new improvements to be undertaken;

- (2) A descriptive list of the improvements which will be a part of the facility;
- (3) An estimate of the cost of the improvements;
- (4) An estimate of the number of employees during construction and thereafter to operate the facility;
- (5) A map and metes and bounds or other valid legal property description of the property proposed as a Reinvestment Zone;
- (6) A time schedule for undertaking and completing the planned improvements;
- (7) A list of tax exemptions currently in effect for the property that is already the subject of this agreement, as well as anticipated future exemptions;
- (8) Such financial and other information as required by the City to enable it to evaluate the financial capacity of the applicant; and

In the case of modernization, a statement of the assessed value of the facility, separately stated for real and personal property, shall be given for the tax year immediately preceding the application.

(c) Upon receipt of the application by the Mayor's Office, said application shall be forwarded to the City Commission for consideration. If the City decides to formally accept the application and consider entering into an Agreement with the applicant, the Commission shall schedule a date for a Public Hearing, allowing a minimum of seven (7) days notice. The purpose of this Public Hearing shall be to consider a Resolution to approve the City entering into a Tax Abatement Agreement with the applicant. The owner of the taxable property located in the area designated as a reinvestment zone shall exempt from taxation all of the increase in the value of the property over its value in the year in which the Agreement is executed, subject to the provisions of *Section II, Subsections (h) and (k)*. The City may not enter into a Tax Abatement Agreement unless it finds that the terms of the Agreement and the property subject to the Agreement meet the applicable provisions of these "**Guidelines and Criteria**".

Not later than the seventh (7th) day before the date on which the City enters into such an Agreement, the Mayor or his designee shall have delivered to the presiding officer of the governing body of each other taxing unit, in which the property to be subject to the agreement is located, a written notice that the City intends to enter into a Tax Abatement Agreement. This notice shall be accompanied by a copy of the proposed Agreement. Delivery of such notice may be by mail, postage paid and properly

addressed, and sent by certified mail with return receipt requested.

(d) An Ordinance designating an area as a Reinvestment Zone may not be adopted by the City until the City Commission has held a Public Hearing on the designation and has found:

- (1) That the improvements sought are feasible and practical;
- (2) That the improvements sought would be a benefit to the land to be included in the zone and to the City after the Agreement entered into with the Owner has expired;
- (3) That the area of the proposed Reinvestment Zone is reasonably likely, as a result of the designation, to contribute to the retention or expansion of primary employment or to attract major investment in the zone that would be a benefit to the property;
- (4) That the improvements sought would contribute to the economic development of the City; and
- (5) That the improvements sought would rehabilitate existing property.

At the hearing, interested persons shall be entitled to speak and present evidence for or against the designation.

Not later than the seventh (7th) day before the date of such hearing, notice of the hearing must be published in a newspaper having general circulation in Texas City; and, notice of said hearing shall be made by delivering in writing to the presiding officer of the governing body of each taxing unit, which includes in its boundaries real property that is to be included in the proposed Reinvestment Zone, a copy of the Notice of Public Hearing; the Notice of Public Hearing shall be placed in the mail, postage-paid, properly addressed, and sent by certified mail with return receipt requested.

(e) Designation of an area as an Enterprise Zone under the Texas Enterprise Zone Act, Chapter 2303, Texas Government Code, constitutes designation of the area as a Reinvestment Zone (§311.0031, Tax Code, V.T.C.A.) without further hearing or other procedural requirements other than those provided by the Texas Enterprise Zone Act.

(f) Feasibility. After receipt of an application for abatement, the City shall consider the feasibility and the impact of the proposed tax abatement. The study of feasibility shall include, but not be limited to, an estimate of the economic effect of the abatement of taxes and the benefit to the City of Texas City and the property to be covered by such abatement.

(g) The total duration of an abatement shall in no instance exceed the term of seven (7) years.

(h) Requests for variances from the provisions of *Subsections (i) and (k) of Section II* and from

addressed, and sent by certified mail with return receipt requested.

(d) An Ordinance designating an area as a Reinvestment Zone may not be adopted by the City until the City Commission has held a Public Hearing on the designation and has found:

- (1) That the improvements sought are feasible and practical;
- (2) That the improvements sought would be a benefit to the land to be included in the zone and to the City after the Agreement entered into with the Owner has expired;
- (3) That the area of the proposed Reinvestment Zone is reasonably likely, as a result of the designation, to contribute to the retention or expansion of primary employment or to attract major investment in the zone that would be a benefit to the property;
- (4) That the improvements sought would contribute to the economic development of the City; and
- (5) That the improvements sought would rehabilitate existing property.

At the hearing, interested persons shall be entitled to speak and present evidence for or against the designation.

Not later than the seventh (7th) day before the date of such hearing, notice of the hearing must be published in a newspaper having general circulation in Texas City; and, notice of said hearing shall be made by delivering in writing to the presiding officer of the governing body of each taxing unit, which includes in its boundaries real property that is to be included in the proposed Reinvestment Zone, a copy of the Notice of Public Hearing; the Notice of Public Hearing shall be placed in the mail, postage-paid, properly addressed, and sent by certified mail with return receipt requested.

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(f) Feasibility. After receipt of an application for abatement, the City shall consider the feasibility and the impact of the proposed tax abatement. The study of feasibility shall include, but not be limited to, an estimate of the economic effect of the abatement of taxes and the benefit to the City of Texas City and the property to be covered by such abatement.

(g) The total duration of an abatement shall in no instance exceed the term of seven (7) years.

(h) Requests for variances from the provisions of *Subsections (i) and (k) of Section II* and from

the ineligibility of *improvements for the transmission of electrical energy not wholly consumed by a new facility or expansion (found within Subsection (f) of Section II)*, may be made in written form to the Mayor provided, however, such requests shall include a complete explanation as to why the applicant should be granted a variance. A majority vote of the City Commission is required to approve a variance.

SECTION IV

OBJECTIONS TO THE ABATEMENT

Neither a Reinvestment Zone nor a Tax Abatement Agreement shall be authorized if it is determined that:

- (1) There would be a substantial adverse effect on the provision of government service or tax base;
- (2) The applicant has insufficient financial capacity;
- (3) Planned or potential use of the property would constitute a hazard to public safety, health or morals;
- (4) Violation of laws of the United States, State of Texas, or Ordinances of the City of Texas City would occur; or
- (5) The application for tax abatement was submitted after the commencement of construction, alteration, or installation of improvements related to the new facility or structure, and/or the modernization or expansion of an existing facility or structure; or
- (6) Pending litigation by applicant against the City of Texas City exists.
- (7) Owner/Applicant is delinquent in the payment of City of Texas City taxes.

SECTION V

AGREEMENT

After the Public Hearing, the City Commission may adopt a Resolution establishing that the proposed Agreement, filed with the Resolution, meets the applicable provisions of these "**Guidelines and Criteria**". The Resolution shall include authorization of the execution of the Agreement with the Owner and include provisions for:

- (1) The exemption from taxation of all the increases in value of the property, over its value in the year in which the Agreement was executed, for the period of time

provided in *Section II(h)*;

- (2) A listing of the kind, number, and location of all proposed improvements of the property;
- (3) Access to and inspection of the property by City employees (and/or the City's agents and representatives), to ensure that the improvements or repairs are made according to the specifications and conditions of the Agreement;
- (4) Limitations of the uses of the property consistent with the general purpose of encouraging developing or redevelopment of the zone during the period that the property tax exemptions are in effect;
- (5) The recapturing of property tax revenue lost as a result of the agreement if the owner of the property fails to make the improvements or repairs as provided by the Agreement or fulfill other appropriate covenants;
- (6) A map showing proposed improvements and uses in the Reinvestment Zone;
- (7) Total estimated cost of the improvements and employment estimates;
- (8) The commencement date and the termination date of the tax abatement;
- (9) The nature of the construction, time schedule, property description and improvements list as provided in the application in accordance with *Section III(b)*; and
- (10) A provision that the Agreement shall be effective when executed by all parties and upon the final passage of an Ordinance designating the Reinvestment Zone.

SECTION VI

RECAPTURE

(a) In the event that the facility is completed and begins producing product or service, but subsequently discontinues producing product or service for any reason exempting fire, explosion or other casualty or accident or natural disaster, for a period of one year during the abatement period, then the Agreement shall terminate and so shall the abatement of the taxes for the calendar year during which the facility no longer produces. The taxes otherwise abated for the calendar year shall be paid to the affected jurisdiction and other taxing agencies within sixty (60) days from the date of termination.

(b) Should the City of Texas City determine that the company or individual is in default according to the terms and conditions of its Agreement, the City shall notify the company or individual in writing at the address stated in the Agreement, and, if the default is not cured within sixty (60) days from

the date of notice ("Cure Period"), the Agreement may be terminated.

(c) In the event that the company or individual:

- (1) Allows its ad valorem taxes owed the City of Texas City or affected jurisdictions to become delinquent and fails to timely and properly follow the legal procedures for the company's or individual's protest and/or contest; or
- (2) Violates any of the terms and conditions of the Abatement Agreement and fails to cure any default with the Cure Period, the Agreement then may be terminated, and all taxes previously abated by virtue of the Agreement shall be recaptured and paid within sixty (60) days of the termination.

(d) Exemptions/Payment in Lieu of Taxes.

(i) As part of the application process, Owner/Applicant shall identify all current and anticipated tax exemptions for the property that is the subject of this agreement, including, but not limited to, Federal and State environmental ad valorem tax exemptions. The amount of any exemption(s) existing at the time of execution of this Agreement shall be added back into the original value of the property for the "new value" computation.

(ii) If any exemption results from the new construction that is the subject of this agreement, the Owner/Applicant agrees to decline that tax exemption during the period of this abatement. If, during the period of this abatement, any Federal or State law provides a new tax exemption for the property that is already the subject of this agreement, Owner/Applicant agrees to decline that tax exemption during the period of this abatement. If Owner/Applicant is unable to decline that tax exemption, Owner/Applicant agrees to pay the taxes, or payment in lieu of taxes, on the reduction of property tax revenue to the City that is the result of said exemption. Any payment in lieu of taxes shall be due on or before November 15 of the year in which the payment is due. At the end of the abatement period, Owner/Applicant further agrees to further decline said tax exemption or pay taxes or payment in lieu of taxes, for a further term that mirrors the term of the original abatement period.

SECTION VII

ADMINISTRATION

(a) Prior to the commencement of construction, the Owner/Applicant shall meet with Texas City officials to discuss the terms and conditions of the Abatement Agreement.

(b) During construction, the Owner/Applicant shall submit monthly reports to verify compliance with the Abatement Agreement. The reports shall be subject to third-party audits, which shall be conducted by the City at the Owner's/Applicant's expense.

(c) The City of Texas City shall evaluate each facility that receives an abatement to ensure compliance with the Agreement. The Owner/Applicant shall maintain appropriate records of the employees affected by this abatement, including, but not limited to, proof of employees' legal residence; proof of immigration-resident status, if applicable; or such other documentation that may be required to document compliance with the Agreement.

(d) Annual Evaluation and Reports. Upon completion of construction, the City of Texas City, individually or in conjunction with other affected jurisdictions, shall annually evaluate each Facility receiving abatement, to ensure compliance with the Agreement and report possible violations of the Agreement. The Owner shall certify to the City Commission of the City of Texas City on or before April 1 each year that the Owner is in compliance with each applicable term of the agreement. Additionally, during the first four years of the property tax abatement, Owner/Applicant shall provide to the City an annual report covering those items listed on Schedule I in order to document its efforts to acquire goods and services on a local basis. Such annual report shall be prepared on a calendar year basis and shall be submitted to the City no later than ninety (90) days following the end of each calendar year. The annual report shall be accompanied by an audit letter prepared by an independent accounting firm that has reviewed the report.

(e) The actual expiration date of the abatement shall be specified in the Tax Abatement Agreement to document the year in which collection of taxes shall commence.

(f) All requirements of the Abatement Agreement shall inure to Owner's/Applicant's contractors/subcontractors.

(g) A third-party audit of the Owner's/Applicant's compliance with the Abatement Agreement may be conducted at any time the City deems necessary at the Owner's/Applicant's expense.

(h) No extension to the period of tax abatement will be granted.

SECTION VIII

ASSIGNMENT

Tax abatement may be transferred and assigned by the holder to a new owner or lessee of the same facility upon the approval by Resolution of the City Commission, subject to the financial capacity of the assignee, and provided all conditions and obligations in the Tax Abatement Agreement are guaranteed by the execution of a new contractual agreement with the City of Texas City. No assignment or transfer shall be approved if the parties to the existing Agreement, the new owner or new lessee are liable to the City of Texas City or any affected jurisdiction or other taxing agency for outstanding taxes or other obligations. Assignment fees of 1% may be required, with a maximum of \$10,000.00, and approval shall not be unreasonably withheld.

SECTION IX

LEGAL NOTICE TO POTENTIAL APPLICANTS

The adoption of these "**Guidelines and Criteria**" by the governing body of a taxing unit does not:

- (a) Limit the discretion of the governing body to decide whether to enter into a specific Tax Abatement Agreement;
- (b) Limit the discretion of the governing body to delegate to its employee the authority to determine whether or not the governing body should consider a particular application or request for tax abatement; or
- (c) Create any property, contract, or other legal right in any person to have the governing body consider or grant a specific application or request for tax abatement.

SECTION X

SUNSET PROVISION

These "**Guidelines and Criteria**" are effective for two years from the date adopted. During that period, the "**Guidelines and Criteria**" may be amended or repealed only by a vote of three-fourths ($\frac{3}{4}$) of the members of the City Commission.

COMPANY REPRESENTATIVE TO BE CONTACTED (Please type or print):

Name: _____ Title: _____ Phone: _____

Address: _____
(Street or P. O. Box) (City) (State) (Zip)

Signature of Company Official

INSTRUCTIONS

Applicants and projects must meet the requirements established by the CITY OF TEXAS CITY, TEXAS TAX ABATEMENT PLAN.

The "**Guidelines and Criteria**", for example, set out regulations governing eligible facilities, eligible and ineligible improvements, terms and economic qualifications. Conformance with all sections, however, is required for eligibility.

APPLICANT INFORMATION

The taxing unit may consider applicant's financial capacity in determining whether to enter into an Abatement Agreement. Established companies for which public information is available, or the wholly owned businesses of such companies, should include with the application a copy of their latest annual report to stockholders. Other applicants and new companies should attach a statement showing when the company was established, business references (*name, contact, and telephone number of principal bank, accountant, and attorney*) and may be required to submit an audited financial statement and business plan.

PROJECT INFORMATION

Only facilities listed in *Section II* of the "**Guidelines and Criteria**" may receive abatement. Check the "**Guidelines and Criteria**" definitions in *Section I* to see if the project qualifies.

ECONOMIC INFORMATION

Permanent Employment Estimates - In estimating the permanent employment, include the total number of jobs retained or created at this site by your firm as well as known permanent jobs of service contractors required for operation.

Estimated Appraised Value on Site - The value January 1, preceding abatement, should be the value established by the Galveston Central Appraisal District. If the applicant must estimate value because the taxable value is not known or is combined with other properties under a single tax account, please so state. To qualify, the abated properties must be expected to result in an addition to the tax base after the period of abatement expires. Projections of value should be a "best estimate" based on taxability in Texas. The projection of project values not abated should include

ECONOMIC INFORMATION

Construction Estimates:

Start Date (Month/Year): ____/____/____
Completion Date (Month/Year): ____/____/____
(Number):

Construction Man Hours:
Peak Construction Jobs

IF MODERNIZATION:

Estimated Economic Life of Existing Plant is _____ years.
Added Economic Life From Modernization is _____ years.

Permanent Employment Estimates (FTE's):

Current Plant Employment: _____

Number of Plant Jobs: () Retained () Created

At Start/Opening: _____ in Year:

5 Years Into Operation: _____ in Year:

<u>Estimated Appraised Value on Site</u>	<u>Personal Property</u>	<u>Improve- ments</u>	<u>Land</u>
Value January 1 Preceding Abatement Agreement	_____	_____	_____
Estimated Value of Abated Properties After Abatement Expires	_____	_____	_____
Value Upon Completion of Project (Include Per- sonal Property and Project Improvements not Subject to Abatement)	_____	_____	_____

SCHEDULE I

"Buy Local" Annual Reports

The following information shall be reported to the Governmental Unit on a calendar-year basis during the first four years of the tax abatement program:

1. Dollar amount spent for materials* (local).
2. Dollar amount spent for materials* (total).
3. Dollar amount spent for labors** (local).
4. Dollar amount spent for labor** (total).
5. Number of jobs created in the construction project (local).
6. Number of jobs created in the construction project (total).
7. Number of jobs created on permanent basis (local).
8. Number of jobs created on permanent basis (total).

* "Materials" is defined to include all materials used in excavation, site improvement, demolition concrete, structural steel, fire proofing, piping, electrical, instruments, paintings and scaffolding, insulation, temporary construction facilities, supplies, equipment rental in construction, small tools and consumables. This term does not include major items of machinery and equipment not readily available locally.

** "Labor" is defined to include all labor in connection with the excavation, site improvement, demolition, concrete construction, structural steel, fire proofing, equipment placement, piping, electrical, instruments, painting and scaffolding, insulation, construction services, craft benefits, payroll burdens, and related labor expenses. This term does not include engineering services in connection with the project design.

The term "Local" as used to describe manufacturers, suppliers, contractors and labor shall include firms, businesses, and persons who reside in or maintain an office in Texas City or Galveston County.