

City of West Columbia, Texas

Tax Abatement Program

Section 1 - DEFINITIONS

Abatement means the full or partial exemption from ad valorem taxes of certain new improvements of real and/or personal property in a reinvestment or enterprise zone designated for economic development purposes.

Agriculture facility means buildings, structures and major earth structure improvements, including fixed machinery and equipment, the primary purpose of which is processing, refining, packaging, and distributing food and/or fiber products in commercially marketable quantities.

Agreement means a contractual agreement between a property owner and/or lessee and an eligible jurisdiction for the purpose of tax abatement.

Base Year Value means the assessed value of eligible property on 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.

Deferred Maintenance means improvements necessary for continued operations, which do not improve productivity or alter the process technology.

Economic life means the number of years a property improvement is expected to be in service in a facility. Provided, however, that in no circumstance shall the number of years exceed the depreciation allowance specified in the United States Internal Revenue Code.

Eligible Jurisdiction means City of West Columbia.

Expansion means the addition of buildings, structures, fixed machinery, equipment, and personal property for the purpose of increasing production capacity.

Facility means property improvements completed or in the process of construction which together comprise an integral whole.

Manufacturing Facility means building, structures, fixed machinery, equipment and personal property, 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.

Modernization means the upgrading of existing facilities, which increase the productive input or output, updates the technology or substantially lowers the unit cost of the operation, modernization may results from the construction, alternation, or installation of buildings, structures, fixed machinery, equipment and personal property. It shall not be for the purpose of reconditioning, refurbishing or repairing.

New Facility means a property previously undeveloped that is placed in service by means other than or in conjunction with expansions or modernization.

Other Basic Industry means building and structures including fixed machinery, equipment and personal property not elsewhere described, used or to be used for the production of products or services, from which a majority of revenues generated by the facility are derived from outside the City of West Columbia.

Regional Distribution Facility means building and structures including fixed machinery, equipment, and personal property used or to be used primarily to receive, store, service or distribute goods or materials owned by the facility, from which a majority of revenues generated activity at the facility are derived from outside the City of West Columbia.

Regional Entertainment/Tourism Facility means buildings and structures, including fixed machinery, equipment, and personal property used or to be used to provide entertainment and/or tourism related services, from which a majority of revenues generated by the activity at the facility are derived from outside the City of West Columbia.

Regional Service Facility means buildings and structures, including fixed machinery, equipment, and personal property used or to be used to provide a service, from which a majority of revenues generated by activity at the facility are derived from outside the City of West Columbia.

Reinvestment Zone. To be eligible for tax abatement, the applicant must enter into a written agreement with the City, wherein the Applicant agrees to make specified improvements or repairs to the property in conformity with the city's comprehensive plan, where applicable; and the property must be within a reinvestment zone designated by city ordinance as allowed under Section 312.202 of the Tax Code.

Research Facility means buildings and structures, including fixed machinery, equipment, and personal property used or to be used primarily for research and experimentation to improve or develop the production process.

Enterprise Zone means an area designated as such for purpose of tax abatement and other economic incentives.

New Machinery and Equipment and/or Personal Property means tangible machinery, equipment, or personal property that is securely placed or fastened and stationary within a building or structure or permanently resides in the reinvestment zone.

Commercial Office Facility means office buildings rented to non-retail users. These buildings are designed as garden, mid-rise or high-rise structures.

Retail Facility means space provided for the conducting and management of business, and the storing and selling of goods directly to the customer.

Housing means new housing designed to accommodate shelter for one to four families in separate units, new single or multi-family housing projects of new apartments.

Vehicles or Aircraft means any new vehicle (commercial trucking & similar vehicles based in West Columbia, Texas and rendered on Brazoria County Appraisal District Tax Rolls) or new aircraft (any aircraft production, parts production facilities or any other aviation related facility which lists West Columbia, Texas as its base and is rendered on Brazoria County Appraisal District Tax Rolls).

Section 2 - ABATEMENT AUTHORIZED

(A) Authorized Tax Abatement Categories. The following categories may be eligible for abatement:

- Manufacturing Facility
- Research Facility
- Agriculture Facility
- Regional Distribution Facility
- Regional Service Facility
- Regional Entertainment/Tourism Facility
- Commercial Office Facility
- Retail Facility
- New single family residential housing, multi-family housing projects, or apartments
- Other Basic Industry

(B) Authorized Date. A facility shall be eligible for tax abatement if it has applied for such abatement prior to the commencement of construction

(C) Creation of new Value. Abatement may only be granted for the additional value of eligible property improvement made subsequent to and listed in an abatement agreement between the City of West Columbia and the property owner and/or lessee, subject to such limitations as the City Council may require.

(D) New and Existing Facilities. Abatement may be granted to new facilities and improvements to existing facilities for purpose of modernization and expansion.

(E) Eligible Property. Abatement may be extended to the value of buildings, structures, fixed machinery, equipment, personal property, site improvements plus the office space and related fixed improvements necessary to the operation and administration of the facility. The economic life of the property, improvements and personal property must exceed the life of the abatement agreement.

(F) Ineligible Property. The following classes of property shall be fully taxable and ineligible for abatement:

- Land

- Inventories
- Supplies
- Deferred maintenance investments
- Property that is associated with any activity that is illegal under federal, state or local law
- Property owned or used by the State of Texas or its political subdivisions
- Property owned by any organization, which is owned, operated or directed by a political subdivision

(G) Leased Facilities. If an authorized facility eligible for tax abatement is leased, the agreement shall be executed with both the lessor and the lessee.

(H) Value and Term of Abatement. Abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the agreement. The value and term of abatement on new eligible property shall be determined in accordance with the following: The objective and premium criteria listed in (K) will be used to determine whether it is in the best interest of the City of West Columbia to provide tax abatement to a particular applicant. The total value of the tax abatement provided would depend upon the degree to which the specific project furthers the goals and objectives of the City of West Columbia, and the relative impact of the project. Tax abatement will be subject to the following guidelines:

- (1) When an applicant project meets the eligibility criteria specified in the economic qualification (K) and achieves a score of *at least 50 points*, that project may be granted tax abatement on new eligible improvements on real property. The length of time and the percentage of tax abatement will be determined according to the scoring scale found in SECTION 3: POINT CRITERIA.
- (2) When an applicant project meets the eligibility criteria in the economic qualification (K) and achieves a score of *at least 350 points*, that project may be granted tax abatement on both real and personal property. The length of time and the percentage of tax abatement will be determined according to the scoring scale found in SECTION 3: POINT CRITERIA.
- (3) In some special instances, projects that meet the economic qualification for tax abatement may be considered for premium points for tax abatement if they cannot meet the *50 point score*. These instances include:
 - (a) Projects that contribute significantly to specific economic development goals but which may be small scale.
 - (b) Small scale development, redevelopment or expansion projects in the city that make a significant impact on the area
 - (c) Retention of existing industry where companies are making a significant investment in new machinery and equipment in an effort to update their current technology which does not result in significant new construction to existing facility, but where

the new machinery and equipment will assist in maintaining or improving their competitive advantage in the market place, thus retaining current employment levels and/or additional employees while maintaining existing tax to the city.

- (4) Under this policy, the City of West Columbia will consider providing tax abatement for single family housing that will contribute to the economic goals of the city. To be eligible for abatement, the housing must be a minimum of \$50,000 in value. Furthermore, it is restricted to the length of time of only five years at the percentage terms of 75% - 50% - 35% - 25% - 10%.
- (I) Tax abatement formulas appropriate to the nature and scale of these projects may be negotiated if the percentage and term guidelines not adequately meet the objectives of the project.
- (J) The duration of an abatement agreement shall not exceed 10 years or one-half (1/2) the economic life of the eligible property, whichever is less. Further, under no circumstances shall the value of the abatement exceed 100 percent (100%) of the eligible property in a single year.
- (K) Economic Qualifications. In order to be eligible to receive tax abatement, the planned expansion or modernization of an existing enterprise or the planned new facility must meet the following qualifications:
- (1) Be reasonably expected to increase the appraised value of the property in the amount of not less than Fifty Thousand Dollars (\$50,000) after construction is completed or three years from the commencement of construction, whichever is less.
 - (2) Be expected to prevent the loss of employment or create employment for not less than one person associated with the production of goods, and services at the authorized facility on a full-time, permanent basis in the City of West Columbia. Two or more part-time, permanent employees totaling an average of not less than 40 hours per week may be considered as one full-time employee.
 - (3) Companies seeking to qualify for tax abatement on this basis of job retention shall document that without the creation of reinvestment zone and/or tax abatement; the company will either reduce or cease operations.
 - (4) Not be expected to solely or primarily have the effect of transferring employment from one part of the City of West Columbia to another.
 - (5) Companies must make every effort to use local resources (employees, materials, services, etc.)
- (L) Taxability. From the execution of the abatement agreement to the end of the agreement period, taxes shall be payable as follows:

- (1) The value of the ineligible property as provided in SECTION 2 (F), above, 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 new eligible property shall be taxable in accordance with the terms of the tax abatement agreement.
- (4) The additional value of new eligible property shall be taxable at the end of the Abatement period.

(M) Tax Abatement Review. The City Council will:

- (1) Review all abatement requests
- (2) Review all expanded Abatement Requests.
- (3) Perform evaluation annually of all approved Abatement Agreements for compliance with terms of agreement. Failure to comply with terms of agreement will result in the cancellation of the agreement and tax abatement benefit.

(N) Conflict of Interest. Property that is in a reinvestment zone and that is owned or leased by a member of the governing body of the City of West Columbia or its political subdivisions shall be excluded from the property tax abatement.

Section 3 - POINT CRITERIA

The following is an objective scoring scale designed to evaluate a number of specific components common to all applicants. Applicants are assigned points based upon comparable economic impact.

- A. How many *new* jobs will be created? (assign 50 points for the first job minimum requirement and 10 points for all additional ones.)
- B. How many *existing* jobs will be retained? (assign 50 points for the first job minimum requirement and 10 per job for all additional ones.)
- C. How much *new* local annual payroll will be created? (assign 10 points per \$25,000 of payroll)
- D. How much of existing payroll will be retained? (assign 10 points per \$25,000 of payroll)
- E. How much real property tax base valuation will be added? (assign 10 points per \$25,000 in real property up to 1 million and ½ point per \$25,000 above 1 million)
- F. How much personal property tax base valuation will be added? (assign 10 points per \$25,000 in personal property up to 1 million and ½ point per \$25,000 above 1 million)

POINTS	REAL PROPERTY Abatement per year	PERSONAL PROPERTY Abatement per year
50-149	75%-50%-35%-25%-10%	
150-199	75%-50%-50%-25%-10%	
200-249	75%-50%-50%-50%-10%	
250-299	75%-50%-50%-50%-50%	
300-349	75%-65%-50%-50%-50%	
350-399	75%-65%-65%-50%-50%	50%-35%-25%-15%-10%
400-449	75%-65%-65%-65%-50%	50%-50%-25%-15%-10%
450-499	75%-65%-65%-65%-65%	50%-50%-50%-15%-10%
500-600	75%-75%-75%-65%-65%	50%-50%-50%-50%-10%

Special tax abatement formulas may be negotiated for projects meeting the standard for tax abatement, which achieve a point score that exceeds 600 points. Projects *may* be granted a tax abatement on both new eligible real property improvements and personal property of up to 100% for a period of five (5) years.

In addition to the objective criteria for which specific point values can be assigned/subtracted, several additional considerations must be evaluated to obtain premium/penalty points of up to ten points per item listed below. The applicant is asked to respond in written narrative format to the items listed below:

- A. Is the project sponsor a local company?
- B. What types and values of public improvements, if any, will be made by the applicant?
- C. Will the occupants of the project be owners or lessees? If lessee, are occupancy commitments already existing?
- D. What positive impact will the project have on other taxing entities? (Schools in particular)
- E. Are the new jobs to be created likely to be filled from the City of West Columbia labor pool?
- F. Will the project substantially increase business opportunities for existing local suppliers and contractors? Please be specific.
- G. Will the project compete with existing businesses to the detriment of the local economy?
- H. Does the project pose any negative environmental, operational, visual or other impacts? (i.e. pollution, noise, traffic congestion, etc.)