



September 9, 2004 City Council Meeting Agenda Item Submittal Request

Agenda Item #:

Department: Community Development

Resolution / Ordinance # 2004-15

Agenda Title: Consider Proposed New Tax Abatement Ordinance

1. INTRODUCTION/PURPOSE

The purpose of this item is to consider the new tax abatement ordinance.

2. DESCRIPTION/ JUSTIFICATION

Background

This ordinance was introduced during the August 24, 2004 regular Council meeting.

Issues and Analysis

In response to several suggestions from the Council, staff made the following changes:

- Appendix A, the incentives matrix, was changed to reflect a gradation of wages paid; starting at 100% and moving up to greater than 120%
- Appendix B, the target industry list was changed to provide tax abatement benefits to design-related industries (arts and crafts, software, film production, professional services, etc) and retail only in the Downtown Redevelopment Area.

Finally, in Section 3 of the ordinance, "of 3/4 of" was added in accordance with State law.

3. FINANCIAL/BUDGET

Not applicable

4. RECOMMENDATION

Any suggestions to improve the quality and effectiveness of the policies will be greatly appreciated.

Attached is the ordinance, appendix "A", "A-1", "B", and the draft Policies and Procedures.

Please let me know if you have any questions or concerns by calling me at 512-352-5990 x 16 or contact me via email at bob.vantil@ci.taylor.tx.us.

APPROVED FOR SUBMITTAL

DEPARTMENT HEAD: (ss) R.W. VAN TIL **DATE:** 8/30/04

CITY MANAGER: _____ **DATE:** _____

ORDINANCE NO.2004-15

AN ORDINANCE PERMITTING TAX ABATEMENT AGREEMENTS FOR THE CITY OF TAYLOR; PROVIDING A SAVINGS CLAUSE; AND PROVIDING A REPEALER CLAUSE.

WHEREAS, the City of Taylor, Texas, ("City") can provide tax abatement if an Ordinance allowing tax abatement is adopted by the Taylor City Council; and

WHEREAS, the City Council previously adopted a Tax Abatement Ordinance Number 2001-32, which term expired; and

WHEREAS, the City desires to adopt another Ordinance allowing tax abatement within the City;

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF TAYLOR, TEXAS:

Section 1.

All of the facts recited in the preamble to this Ordinance are hereby found by the City Council to be true and correct and are incorporated by reference herein and expressly made a part hereof, as if copied herein verbatim.

Section 2.

Tax abatements may be granted by the City under the following terms and conditions:

1. All tax abatement projects must be located within a reinvestment zone, enterprise zone, neighborhood empowerment zone, or meet criteria established for a historic preservation project.
2. Tax abatements shall not exceed ninety percent (90%) of the taxable value and shall not have a term greater than ten (10) years, save and except historical preservation tax abatements that shall meet the criteria required herein below.
3. Tax abatements granted by the City, shall be granted as provided in Appendix "A" and "A1", attached hereto and incorporated by reference herein. A tax abatement shall require a capital investment and may include the creation

of jobs, or an increase in the value of wages paid, or an increase in the number of employees residing within the City of Taylor, Texas, or are target industries that have been identified by the City in its economic development plans and as shown in Appendix "B".

4. Historic Preservation Tax Abatements are intended to provide incentives to allow for the renovation and restoration of historical structures. A Historical Preservation Tax Abatement shall not exceed twenty percent (20%) for up to three years. A Historic Preservation Tax Abatement shall not be granted for the purposes of providing routine maintenance and upkeep.
5. An owner of a structure requesting a Historical Preservation Tax Abatement must meet the criteria of a historic structure as established by the State of Texas or the US Department of the Interior National Parks Service and meet the preservation requirements determined on a case by case basis by the City. The City shall be entitled to verify the quality and scope of the restoration before granting any Historic Preservation Tax Abatement.
6. The City Manager or City Manager's designee shall determine and distribute application requirements, policies, and procedures, that can be amended throughout the term of this Ordinance, to determine the eligibility of any applicant for tax abatement ("Applicant").
7. Application requirements shall include, but shall not be limited to, the payment of the application fee determined throughout the term of this Ordinance, a financial impact analysis, and other matters necessary for tax abatement consideration by the City Council.
8. The City Manager or the City Manager's designee shall be entitled to request evidence, at any time, that the Applicant has complied with the application for tax abatement and other information necessary to determine the validity of a tax abatement granted by the City and that the tax abatement should continue.
9. The City and Applicant must execute a tax abatement agreement approved by the Taylor City Council prior to the grant of a tax abatement.
10. In the event of a default under a tax abatement agreement, the City shall be entitled to exercise all rights and

privileges provided under law and equity to terminate the tax abatement and to recoup tax previously abated by the City.

11. This Ordinance is not a contract or obligation on the City to grant tax abatement, but allows the City to grant a tax abatement based on criteria established in this Ordinance, the application requirements, policies, and procedures promulgated by the City Manager or the City Manager's designee, and a tax abatement agreement approved by the City Council on a case by case basis.

Section 3.

In accordance with state law, these guidelines are effective for two (2) years from the date adopted by the Taylor City Council, but may be amended or repealed by a vote of the City Council.

Section 4.

All ordinances or parts of ordinances inconsistent or in conflict herewith are, to the extent of such inconsistency or conflict, hereby repealed.

Section 5.

In the event any clause, phrase, provision, sentence, or part of this Ordinance or the application of the same to any person or circumstances shall for any reason be adjudged invalid or held unconstitutional by a court of competent jurisdiction, it shall not affect, impair, or invalidate this Ordinance as a whole or any part or provision hereof other than the part declared to be invalid or unconstitutional; and the City Council of the City of Taylor, Texas, declares that it would have passed each and every part of the same notwithstanding the omission of any such part thus declared to be invalid or unconstitutional, whether there be one or more parts.

Section 6.

In accordance with Article VIII, Section 1 of the City Charter, this Ordinance was introduced before the City Council of the City of Taylor, Texas, on the _____ day of _____, 2004.

PASSED, APPROVED and ADOPTED on this the _____ day of _____, 2004.

Donald R. Hill, Mayor

ATTEST:

Susan Brock, City Clerk

APPROVED AS TO FORM:

Ted W. Hejl, City Attorney

CERTIFICATE

THE STATE OF TEXAS
COUNTY OF WILLIAMSON

I, Susan Brock, being the current City Clerk of the City of Taylor, Texas, do hereby certify that the attached is a true and correct copy of Ordinance No. 2004-15, passed and approved by the City Council of the City of Taylor, Texas, on the _____ day of _____, 2004, and such Ordinance was duly introduced, passed, approved and adopted at meetings open to the public and notices of the meetings, giving the dates, places, and subject matter thereof, were posted as prescribed by Government Code Section 551.043.

Witness my hand and seal of office this the _____ day of _____, 2004.

Susan Brock
City Clerk

City of Taylor Tax Abatement Matrix

Appendix "A"

Capital Investment	\$1,000,000	\$2,000,000	20%	5 years
	\$2,000,000	\$5,000,000	40%	5 years
	\$5,000,000	\$10,000,000	60%	5 years
Major Investment	\$10,000,000	-	90%	10 years
Plus Option One or				
New or Retained Jobs	15	24	10%	10 years
	25	39	20%	10 years
	40	-	30%	10 years
Option Two or				
Target Industry			30%	10 years
Option Three or				
Wages Paid	Between 100% and 110% of the average weekly wages paid for this industry		10%	10 years
	Between 110 and 120% of the average weekly wages paid for this industry		20%	10 years
	Greater than 120% of the average weekly wages paid for this industry		30%	10 years
Option Four				
Residency Requirement	Between 25 and 50% of the newly created full-time employees locate to Taylor within 12 months of the issuance of the certificate of occupancy		15%	10 years
	Greater than 50% of the newly created full-time employees locate to Taylor within 12 months of the issuance of the certificate of occupancy		30%	10 years
Maximum Possible Tax Abatement			90%	10 years

City of Taylor Tax Abatement Matrix
Appendix "A"

Capital Investment	\$500,000	\$1,000,000	20%	5 years
	\$1,000,000	\$3,000,000	40%	5 years
	\$3,000,000	\$5,000,000	60%	10 years
Major Investment	\$5,000,000	-	90%	10 years
Plus Option One or				
New or Retained Jobs	10	14	10%	10 years
	15	19	20%	10 years
	20	24	30%	10 years
Option Two				
Target Industry			30%	10 years
Maximum Possible EZ/NEZ Tax Abatement				
			90%	10 years

Capital Investment	\$100,000	\$250,000	20%	5 years
	\$250,000	\$450,000	40%	5 years
	\$450,000	\$750,000	60%	10 years
Major Investment	\$750,000	-	90%	10 years
Plus Option One or				
New or Retained Jobs	5	-	30%	10 years
Option Two				
Target Industry			30%	10 years
Maximum Possible Downtown Tax Abatement				
			90%	10 years

Historic Preservation Tax Abatement			20%	3 years
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Appendix "A - 1"

Years of Tax Abatement	Percent of Tax Abatement									
	90	80	70	60	50	40	30	20	10	
10	9.00	8.00	7.00	6.00	5.00	4.00	3.00	2.00	1.00	
9	10.00	8.89	7.78	6.67	5.56	4.44	3.33	2.22	1.11	
8	11.25	10.00	8.75	7.50	6.25	5.00	3.75	2.50	1.25	
7	12.86	11.43	10.00	8.57	7.14	5.71	4.29	2.86	1.43	
6	15.00	13.33	11.67	10.00	8.33	6.67	5.00	3.33	1.67	
5	18.00	16.00	14.00	12.00	10.00	8.00	6.00	4.00	2.00	
4	22.50	20.00	17.50	15.00	12.50	10.00	7.50	5.00	2.50	
3	30.00	26.67	23.33	20.00	16.67	13.33	10.00	6.67	3.33	
2	45.00	40.00	35.00	30.00	25.00	20.00	15.00	10.00	5.00	
1	90.00	80.00	70.00	60.00	50.00	40.00	30.00	20.00	10.00	Annual percentage by which the original tax abatement is reduced
For Example #1: 90 percent tax abatement for 10 years										
Years	1	2	3	4	5	6	7	8	9	10
Percent	90.00	81.00	72.00	63.00	54.00	45.00	36.00	27.00	18.00	9.00
Divisor	9	9	9	9	9	9	9	9	9	9
For Example #2: 70 percent tax abatement for 5 years										
Years	1	2	3	4	5					
Percent	70.00	56.00	42.00	28.00	14.00	0.00				
Divisor	14	14	14	14	14					
For Example #3: 40 percent tax abatement for 3 years										
Years	1	2	3							
Percent	40.00	26.67	13.34	0.00						
Divisor	13.33	13.33	13.33							

**Tax Abatement Target Industry List
Appendix "B"**

General Projects and Projects in EZ and NEZ Areas			
Manufacturing		31 - 33	All types
Value Added Agriculture			Agricultural biotechnology, other R+D, finance, trade, manufacturing, etc found in other NAICS sectors
Logistics and Distribution		493	Warehousing and storage
Hospitality and Tourism		7211	Traveler Accommodation
		7221	Full Service Restaurants
Healthcare		621	Ambulatory Healthcare Services
		622	Hospitals
		623	Nursing and Residential Care Facilities
Projects in the Downtown Redevelopment Area			
Design (arts and crafts, software, film production, professional services)		711	Performing arts, spectator sports, and related industries
		512110	Film studios producing films
		541511	Software analysis and design services, custom computer
		511210	Software Publishers
		541	Professional, scientific, and technical services
Retail		443	Electronics and Appliance Stores
		444	Building Materials and Garden Equipment and Supplies Dealers
		445	Food and Beverage Stores
		446	Health and Personal Care Stores
		448	Clothing and Clothing Accessory Stores
		451	Sporting Goods, Hobby, Book, and Music Stores
		452	General Merchandise Stores
		453	Miscellaneous Store Retailers
		454	Nonstore Retailers