

**CITY OF BEAUMONT
REINVESTMENT ZONE
TAX ABATEMENT POLICY**

PHILOSOPHY

Tax abatement is an economic development strategy to mitigate the substantial costs usually associated with the construction of a new or expansion of an existing facility that enhances the economic and/or social base of the community. Because property tax revenue is the means to provide vital community services, it is the position of City of Beaumont that tax abatement be utilized sparingly, and only after careful consideration of the economic impact on the community. Nothing herein shall imply or warrant that the City of Beaumont is under any obligation to provide tax abatement to any applicant.

ELIGIBILITY

This policy document provides criteria for eligibility and policy implementation as adopted by the City Council of the City of Beaumont, in accordance with Texas Tax Code, Chapter 312, otherwise known as the Property Redevelopment and Tax Abatement Act (Act), governing property tax abatement agreements within Reinvestment Zones. All applications will be considered on a case-by-case basis.

The following types of enterprises are eligible to apply for tax abatement.

- Industrial/Manufacturing - activities such as engaging in the mechanical or chemical transformation of materials or substances into new products; assembling component parts of manufactured products, if the new product is neither a structure nor other fixed improvement; and blending of materials, such as lubricating oils, plastic toxins or liquors. Other eligible activities include specialty resins and polymers, pharmaceuticals, medical devices and specialty foods.
- Distribution - activities described as the wholesale distribution of durable and/or nondurable goods, such as motor vehicles, furniture, lumber and other construction materials, professional and commercial equipment, electrical goods, hardware and plumbing and heating equipment, paper and paper products, apparel and groceries.
- Central administrative office services - examples include performing management, support services or telecommunication functions for related entities.
- Properties subject to a Texas Commission on Environmental Quality (TCEQ) Voluntary Cleanup Program Agreement.

Eligible property for which abatement may be granted includes non-residential real property and/or tangible personal property located on the real property other than that personal property that was located on the real property at any time before the abatement agreement is executed.

Abatement of taxes shall be the value of real or personal property located on the property for each year of the Tax Abatement Agreement only to the extent that the value for the year exceeds the value for the year in which the agreement was executed. Excluded from eligible personal property are inventory or supplies. Personal property with a useful life of less than ten years is also not eligible for tax abatement.

- A. The City of Beaumont herein (“Governmental Entity”) adopts these guidelines and criteria for tax abatement (“Policy”) for real property owners who propose a project (“Project”) to develop, redevelop and improve taxable qualifying real property (“Real Property”). The Governmental Entity is willing to provide a subsidy to a Real Property Owner in the form of a special exemption from certain taxes provided the Real Property Owner agrees to accept and abide by this Policy. If the Real Property owner leases said property to a third party, the Governmental Entity may require assurances that the conditions outlined in this policy for the Real Property Owner will be met.
- B. The abatement of ad valorem taxes on Real Property Improvements and Eligible Personal Property will be evaluated and determined according to the following formula and will be subject to the remaining terms of this policy.

PERCENT OF CREATED VALUE TO BE ABATED	CAPITAL COST OF THE PROJECT (OR)	NUMBER OF NEW FULL-TIME JOBS TO BE CREATED
	\$ 0 - \$ 500,000	Not Applicable
100% for 2 yrs. after project completion	\$ 500,001 - \$2,000,000	20-30
100% for 3 years	\$2,000,001 - \$3,500,000	31-40
100% for 4 years	\$3,500,001 - \$5,000,000	41-50
Individual Case Basis	\$5,000,001 or more	51 or more

A full-time equivalent employment position is one that provides at least 2,080 hours annually within the City’s taxing jurisdiction. The number of full-time equivalent employment positions is determined by adding the total number of hours worked and/or actual paid leave (such as vacation, sick leave, jury duty) of all employees, less overtime hours, and dividing that sum by 2,080. All existing jobs as well as those created must be maintained throughout the term of a tax abatement agreement.

- C. With respect to a Project with a minimum investment of \$5,000,001, each tax abatement request will be individually reviewed by the Governmental Entity and approved or declined based on the merits of the application. The percentage of taxes abated is one hundred percent abatement until Project Completion, not to exceed the first and second Tax Year. The percentage of taxes abated for the first through fifth Tax Years next following Project Completion shall be that percentage of abatement granted by the Governmental Entity at the time of the application.

The City Council may extend the abatement period longer than the periods stated above if warranted based on an analysis of the direct economic impact.

The period of time that the taxes are abated will be referred to as the “Abatement Period”. The “first Tax Year” is defined as the first full calendar year next following the commencement of construction of the Project.

**PROPERTIES SUBJECT TO
VOLUNTARY CLEANUP AGREEMENT**

Tax abatement may apply to properties that are subject to a Voluntary Cleanup Program Agreement as executed with the Texas Commission on Environmental Quality (TCEQ) in accordance with §361.601 et. seq. of the Health and Safety Code for the cleanup or removal of a hazardous substance or contaminant from the environment, as follows:

<u>Capital Expenditure</u>	<u>Abatement</u>	<u>Years</u>
Minimum of \$250,000	100%	1
	75%	2
	50%	3
	25%	4

Tax abatement for such properties shall not exceed four years and will take effect on January 1 of the year following the date the property owner receives a certificate of completion for the property. The City of Beaumont may cancel or modify the agreement if it determines that the use of the land is changed from the use specified in the certificate of completion, and the new use may result in an increased risk to human health or the environment.

- D. Prior to beginning the actual construction work or buying personal property for the Project proposed for tax abatement, the Real Property Owner requesting tax abatement within a lawfully created reinvestment zone must:
 - (1) Provide the Governmental Entity with (a) a description of the Project clearly defining and delineating the work to perform; (b) a statement agreeing to expend a designated amount (“Project Cost”) for the Project and, if the abatement is based on Required Jobs, a separate statement agreeing that the required minimum number of full-time jobs will be created (“Required Jobs”) and maintained during the term of the Contract; (c) an explanation as to how the Project will provide long term significant positive economic benefit to the community, the Governmental Entity and its taxpayers; (d) information as to what attempt will be made to utilize Jefferson County contractors and workers; and (e) information as to what attempt will be made to utilize Jefferson County minority contractors and workers.
 - (2) Furnish the Governmental Entity with a written statement that tax abatement will be a significant factor in determining whether the Project for the development, redevelopment or improvement of the Real Property will take place.

- (3) Agree to execute a Contract with the Governmental Entity containing the covenants and conditions required by the Governmental Entity.

E. Should the Governmental Entity agree to grant an abatement to the Real Property Owner after compliance with the procedure outlined above, then:

- (1) Subject to the terms and conditions of the contract, a stipulated percentage as set forth above of those particular ad valorem real property taxes (“Taxes”) which are generated by virtue of fair market value created (“Created Value”) solely due to the construction and completion of the Project on the real Property will be abated.
- (2) The Period of Construction (“Construction Period”) for the Project shall not go beyond the end of the second Tax Year. During the Construction Period the Real Property Owner must actually expend the Project Cost.
- (3) Within six months next following the end of the Construction Period, the Project must be operational; i.e., it must actively serve the purpose for which it is designed.
- (4) In the event the Project is either:
 - (a) Not complete at the Minimum Cost by the end of the Construction Period; or
 - (b) Is timely completed at the Minimum Cost but is not operational within six months next following the end of the Construction Period; or
 - (c) Is timely completed but the Required Jobs are not created or maintained as set forth in paragraph (B); or
 - (d) Is timely completed at the Minimum Cost, is operational within six months next following the end of the Construction Period and, if applicable, meets the job requirements, but its operations are discontinued for a continuous period of six months, then the Contract shall terminate with respect to the Project and so shall the abatement of Taxes for the Created Value of the Project. The Taxes otherwise abated with respect to the Project shall be paid to the Governmental Entity on the date specified by law, or, if such date has passed, then within sixty (60) days of the accelerated termination of the Abatement Period.
- (5) Employees and/or designated representatives of the Governmental Entity will have access to the Project during the term of the contract for inspection purposes so as to determine if the terms and conditions of the Contract are being met. All inspections will be made only after the giving of twenty-four (24) hours prior notice and will only be conducted in such a manner as to not unreasonably interfere with the construction and/or operation of the Project. All inspections will be made with one or more representatives of the Real Property Owner, and in accordance with its safety standards.

- (6) In the event that (a) The Real Property Owner allow its ad valorem taxes owed the Governmental Entity to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest; or (b) the Real Property Owner violates any of the terms and conditions of the Contract, and fails to cure during the Cure Period (as hereafter provided), then the Contract may be terminated by the Governmental Entity, and all taxes otherwise abated by virtue of the Contract will be recaptured and paid to the Governmental Entity by the Real Property Owner within sixty (60) days of the termination.
- (7) The term “Base Year Value” as used herein is the market value of all realty improvements of the Real Property Owner located within the taxing entity as of January 1 of the year a contract is executed less the abated value of all projects granted the Real Property Owner by the taxing entity for the “Base Year”. The term “Taxable Value” is determined by deducting the amount of any abatements granted for that Tax Year from the appraised market value of all realty improvements of the Real Property Owner located within that taxing entity. If on January 1st of any Tax Year all of the legally determined realty improvements owned by the Real Property Owner within the jurisdiction of the Governmental Entity is less than the legally determined Base Year Value and/or in the event that the Real Property Owner reduces their ad valorem taxes on personal property otherwise payable to the Governmental Entity by participating in a foreign trade zone or by having otherwise taxable property exempted pursuant to special legislation, e.g., the “Freeport Amendment” (“Special Treatment”), then the abatement otherwise available shall be reduced by one dollar for each dollar that the taxable value is less than the Base Year Value and, also, for each dollar of tax reduction attributable to Special Treatment; provided, however, that in no event shall the offset exceed the Created Value of the Project otherwise subject to the abatement of taxes.
- (8) Notwithstanding any other provision herein to the contrary in the event that the Governmental Entity adopting this Policy is required to adopt a tax rate which would subject the Entity to a tax rollback election under Section 26.07 of the Property Tax Code, and this increase is caused by requirements set forth by the State; mandated by the judiciary; expenses required to repair, rebuild or rehabilitate improvements which are damaged or destroyed; or due to a significant decline in value of a major industrial complex located in the jurisdiction of the Entity, then the Entity may allocate the taxable value necessary to reduce the actual rate below the rollback rate to the Owners of abated property based on the Owner’s prorate share of the total abated value for the current tax year.
- (9) Should the Governmental Entity determine that the Real Property Owner is in default in the terms and conditions of the Contract, then the Governmental Entity will notify the Real Property Owner at the address stated in the Contract of such claimed default, and if such is not cured within sixty (60) days from the date of such notice (“Cure Period”), the Contract may be terminated by the Governmental

Entity. Any notice of default shall be in writing and shall be given by personal delivery or by certified mail, return receipt requested. In the event the notice is affected by personal delivery, the date and hour of actual delivery shall be the time and date of such notice to the Business. Absent a postal strike or the stoppage of the mails, in the event of delivery of notice by registered or certified United States mail, the date and hour following 48 hours after the date and hour at which the sealed envelope containing the notice is deposited in the United States mail, properly addressed, and with postage prepaid, shall be the time and date of such notice to Real Property Owner.

- F. The Governmental Entity adopting this Policy shall have the final decision with respect to its interpretation and, also, as to whether the minimum standards set forth above have been met by the Real Property Owner.
- G. This Policy shall terminate on the second anniversary from the date of its adoption by the Governmental Entity.

APPLICATION

For additional information on tax abatement, contact the Community Development Department at (409) 880-3764. In determining how and with whom tax abatement will be utilized, the City will examine the potential return on the public's investment, including net jobs created, jobs retained, broadening of the tax base, expansion of the economic base and competitive impact upon existing industries and businesses. Approval is contingent upon final consideration and action by the Beaumont City Council. To the extent permitted by law, information provided by an applicant in connection with a request for tax abatement is confidential and not subject to public disclosure until the tax abatement agreement is executed.

Application for Tax Abatement
City of Beaumont

This application will become part of the Tax Abatement Agreements and any knowingly false representations will be grounds for the voiding of the agreement. An original copy of this request should be submitted to the Community Development Department, City of Beaumont, P. O. Box 3827, Beaumont, Texas 77704.

Part I – Applicant Information

Application Date _____

Company Name: _____

Address: _____

Telephone: _____

Current Number of Employees: _____

Annual Sales: _____

Employees in Taxing Jurisdiction: _____

Beaumont Address: _____

Years in Jefferson County: _____

Legal Counsel: _____

Address: _____

Telephone: _____

Corporation

Partnership

Proprietorship

Has the Applicant Company recently been cited or currently under investigation for any violations of Federal, State, and/or City laws, codes, or ordinances? () No () Yes

If yes, please provide detailed information on the nature and status of the violation(s) on a separate sheet of paper.

Is any interest in the project presently held by a member of the Beaumont City Council, Planning and Zoning Commission, or any City employee?

() No () Yes

Attach a description of the Applicant Company, including a brief history, corporate structure, and business plan and annual statement, if available.

Part II – Project Information

Location Address: _____

Legal Description: _____

Tax Acct. Numbers: _____

Attach statement fully explaining project, describe existing site and improvements, describe all proposed improvements and provide list of improvements and equipment for which abatement is requested. If available, provide a map showing location of existing and proposed improvements.

Section A – Economic Development

Type of Facility/abatement:

- Industrial _____
- Manufacturing _____
- Brown fields site _____
- Central Administrative office services _____
- Distribution _____
- Other _____

Describe product or service to be provided: _____

Part III – Economic Information

Construction Estimate:

Contractor: _____

Start Date: _____ Contract Amount: _____

Completion Date: _____ Peak Construction Jobs: _____

If Modernization:

Estimated current economic life of structure _____ years
 Added economic life from modernization _____ years

Permanent Job Creation/Retention:

Current employment _____ Jobs to be Retained: _____
 Full-time jobs created _____ at opening _____ 20 _____
 _____ at 3 years _____ 20 _____

(A full-time equivalent position is one that provides at least 2,080 hours annually within the City’s taxing jurisdiction.)

Provide information, if available, on

- (1) new employee needs; e. g. skilled vs. non-skilled, level of education, experience, etc.;
- (2) any training the company will provide to its new employees;
- (3) attach a list of new jobs to be created by job class with associated wage and salary ranges. Also, provide an average wage for hourly jobs and an average salary for management jobs;
- (4) attach a list of benefits provided to employees. Indicate if employees’ dependents have access to the company’s health plan;
- (5) attach a list describing the type of incentive and/or assistance you will be requesting from other City departments and/or utility companies;
- (6) describe any goodwill benefits your company will provide to the community.

ESTIMATED APPRAISED VALUE ON SITE	LAND	IMPROVEMENTS	PERSONAL PROPERTY (FURNITURE FIXTURES AND EQUIPMENT)
Value on January 1 proceeding abatement			
Estimated value of new abatable investment			
Estimated value of properties not subject to abatement (i. e. inventory, supplies)			
Estimated value of property subject to ad valorem tax at end of abatement			

* Please state the method used to determine the estimated value of proposed improvements (i. e. appraisal of plans and specs, etc.)

- (1) Provide the Governmental Entity with (a) a statement agreeing to expend a designated amount (“Project Cost”) for the Project and, if the abatement is based on Required Jobs, a separate statement agreeing that the required minimum number of full-time jobs will be created (“Required Jobs”) and maintained during the term of the Contract; (b) an explanation as to how the Project will provide a long term significant positive economic benefit to the community, the Governmental Entity and its taxpayers; (c) information as to what attempt will be made to utilize Beaumont contractors and workers; and (d) information as to what attempt will be made to utilize Beaumont or Jefferson County contractors and workers; and (e) information as to what attempt will be made to utilize Beaumont or Jefferson County minority contractors and workers.
- (2) Furnish the Governmental Entity with a written statement that tax abatement will be a significant factor in determining whether the Project for the development, redevelopment or improvement of the Real Property will take place.
- (3) Agree to execute a Contract with the Government Entity containing the covenants and conditions required by the Governmental Entity.

Company Representative to be Contacted:

Authorized Company Official:

Name: _____

Authorized Signature

Title: _____

Name and Title

Address: _____

Telephone: _____