

**GUIDELINES & CRITERIA GOVERNING
TAX ABATEMENTS
BY THE CITY OF LAREDO
Effective February 19, 2019 through February 18, 2020**

1. GENERAL PROVISIONS

1.1 Purpose.

Chapter 312 of the Texas Tax Code allows, but does not obligate or require, the City to grant a tax abatement on the value added to a particular property on account of a specific development project that meets the eligibility requirements set forth in this policy. In order for the City to participate in tax abatement, the City is required to establish guidelines and criteria governing tax abatement agreements. This policy is intended to set forth those guidelines and criteria for persons or entities interested in receiving a tax abatement from this City.

1.2 Objective

The City of Laredo is committed to the promotion of high quality development in all parts of the City; and to an ongoing improvement in the quality of life for its citizens. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, the City of Laredo, will on a case-by-case, give consideration to providing tax abatement as stimulation for economic development in Laredo. It is the policy of the City of Laredo to make available tax abatement for both new facilities and for the expansion or modernization of existing buildings and structures. It is the policy of the City of Laredo that said consideration will be provided in accordance with the procedures and criteria outlined in this document. Nothing herein shall imply or suggest that the City of Laredo is under any obligation to provide tax abatement to any applicant.

1.3 General Eligibility Criteria.

A Tax Abatement can only be granted to persons or entities eligible for tax abatement pursuant to Section 312.204(a) of the Texas Tax Code, which persons or entities as of the effective date of this Policy are (i) the owner of taxable real property located in a tax abatement reinvestment zone; or (ii) the owner of a leasehold interest in tax-exempt real property located in a tax abatement reinvestment zone. A Tax Abatement will not be granted for any development in which a building permit has been filed or is obtaining a Tax Abatement under Neighborhood Empowerment Zone Program.

1.4 General Exclusions and Limitations

1.4.1 Leases of Real Property.

A person or entity seeking tax abatement on real property that is leased from a third party should be advised that, pursuant to state law, the City can only abate taxes on the increased value of the taxable leasehold interest in the real property, if any, and the increase in value of taxable improvements and tangible personal property located on the real property and subject to the leasehold interest, if any. Before applying for a Tax Abatement from the City, such persons or entities should seek professional and legal guidance, and may wish to consult with the appraisal district having jurisdiction over the

property in question, as to whether their development projects will result in a taxable leasehold interest in the property and, if so, the anticipated value of that leasehold interest.

2. DEFINITIONS

As used within these guidelines and criteria, the following words or phrases shall have the following meanings:

2.1 “Abatement” or “Tax Abatement” – The temporary, full or partial exemption from ad valorem taxes of certain Added Value to eligible taxable real and in some cases tangible personal property located in a Reinvestment Zone.

2.2 “Added Value” – The increase in the assessed value, as compared to base year value, of an eligible property as a result of expansion or modernization of an existing facility or construction of a new facility.

2.3 “Agreement” - A contractual agreement between a property owner and/or lessee and the City of Laredo for the purpose of tax abatement.

2.4 “Base Year Value” – The assessed value of eligible property as of the January 1 preceding the execution of an Agreement, as determined by the Webb County Appraisal District.

2.5 “Expansion” – The addition of buildings, structures, fixed machinery or equipment for the purposes of increasing capacity.

2.6 “Facility” – Property improvements completed or in the process of construction which together compromise an integral whole.

2.7 “Modernization” – The replacement and upgrading of existing facilities which increase the productive input or output, updates the technology or substantially lowers the unit cost of the operation, and extends the economic life of the facilities. Modernization may result from the construction, alteration, or installation of buildings, structures, fixed machinery or equipment. It shall not be for the purpose of reconditioning, refurbishing, repairing or completion of deferred maintenance.

2.8 “New Facility” – Property previously undeveloped which is placed into service by means other than or in conjunction with an expansion or modernization.

2.9 “Owner” – means the owner of a facility subject to abatement. If the Facility is constructed on a leased property, the owner shall be the party which owns the property subject to tax abatement. The other party to the lease shall join in the execution of agreement but shall not be obligated to assure performance of the party receiving abatement.

2.10 “Permanent full-time job” means a new employment position created by a business that provides a regular work schedule of at least 35 hours per week or 1820 hours of regular employment per year to a City of Laredo resident, meets Living Wage Requirement, Local Hire Requirement, and Employee Healthcare Benefits in Sections 3.7, 3.8, and 3.9 and maintains the employment position during the term of the abatement agreement.

3. ABATEMENT AUTHORIZED

3.1 Authorized Facilities

Abatement may be granted for New Facilities and improvements to existing facilities for the purpose of Modernization or Expansion.

3.2 Creation of New Value

Abatement may only be granted for the Added Value of eligible property improvements based on valuations as determined by the Webb County Appraisal District and subject to and listed in an abatement agreement between the City and the property owner and lessee, if required, subject to such limitations as said jurisdiction may require.

3.3 Eligible Property

Abatement may be extended to the Added Value of real and tangible personal property as noted in Section 3.6.

3.4 Ineligible Property

The following types of property shall be fully taxable and ineligible for abatement: land, intangible personal property, inventory and supplies.

3.5 TYPE OF INDUSTRIES:

In keeping with the broad based approach to economic development, agreements will not be restricted to any particular type of industry. Preference will, however, be given to manufacturing and any other type of industry which provides relatively higher wages.

Hospitality (Hotel, motels, inns, or such businesses that provides transitional or short-term lodging), Tourism (businesses that are involved in catering to pleasure travel) and Retail (businesses that sell consumers goods and/or services to earn a profit.) will only be considered if City Council determines that project will make a unique or unequalled contribution to the economy and project is expected to have at least 10 million in Added Value to real property and 10 New Permanent full-time jobs.

In keeping with obtaining the highest cost-benefit, Tax Abatements will be granted on the basis of (a) new jobs and (b) additional investments, for a maximum term of 5 years.

3.6 Period and Percentage of Abatement

Must meet both Jobs and Added Value to obtain Abatement.

New Permanent Full Time Jobs	Added Value in Real Property, as assessed by Webb County Appraisal District	Percent of Abatement	Term
50 to 100 jobs	\$1 million up to \$2.5 million	25%	5 years
101 to 150 jobs	over \$2.5 million up to \$5 million	50%	5 years
151 to 200 jobs	over \$5 million up to \$10 million	75%	5 years
Over 200 jobs	Over \$10 million	100%	5 years

New Permanent Full Time Jobs	Added Value in Real and Tangible Personal Property, as assessed by Webb County Appraisal District	Percent of Abatement	Term
Over 200 jobs	Over \$20 million	100%	5 years

In cases where,

1.) The required additional investment exceeds \$10 million and the above number of jobs is not expected to be met within the first year of occupancy; or

2.) This is a Hospitality, Tourism, and Retail development where City Council determined that project will make a unique or unequal contribution to the economy; an abatement may be allowed utilizing the following criteria, if Jobs and Added Value are met.

New Permanent Full Time Jobs	Added Value in Real Property, as assessed by Webb County Appraisal District	Percent of Abatement	Term
At least 10 jobs	Over \$10 million	100%	Year 1
		80%	Year 2
		60%	Year 3
		40%	Year 4
		20%	Year 5

3.7 Living Wage Requirement

In order to count as a permanent full-time job under this tax abatement program, the job should pay employees wages at a minimum level which is equal to two dollars (\$2.00) above the U.S. minimum wage in effect each year of the tax abatement term. Additional compensation, such as commissions and mileage, will be taken into consideration and will be included in the wages. However, overtime will not be considered.

3.8 Local Hire Requirement

Any company seeking a tax abatement must hire all employees residing in the City of Laredo or Webb County and must NOT relocate current employees from within the City or the County.

3.9 Employee Healthcare Benefits

The company seeking a tax abatement from the City must provide each full-time person employed in the project and his or her dependents with access to a Healthcare package, including a health insurance program that pays at least 50% of their health benefits.

3.10 Other General Guidelines

- (a.) They must be offered to local companies for the expansion of existing facilities as well as new facilities.
- (b.) They must be “performance based” to provide cost benefit advantages to Laredo and Webb County.
- (c.) They must not permit outside companies to unfairly compete with local companies in the same business in the local market: competing companies may be considered if 75% of their customers are outside Laredo/Webb County, or if any other measures are offered which are judged to make the companies compatible with Laredo interests.
- (d.) They must be negotiated quickly and in good faith by representatives of all concerned local entities.
- (e.) They must be contractual and fully and accurately disclosed to the public.
- (f.) The contracts must be effectively protected by cancellation, recalibration and “claw-back” provisions which would insure the return of the community’s funds if the companies default on their part of the agreement. There should however, be no levy of penalties above repayment of actual local costs.

3.11 Other Considerations

- (a.) Depending upon the applicant, tax abatement agreements may be negotiated with consideration of cost benefit, company’s financial statements or D&B rating, past business history, nature of the production process, environmental hazards, cost breakdown of the investment into land, building, equipment, probable project status at the end of 5 years, percent of hiring of local workers, and benefits to be paid to local workers.
- (b.) City Council reserves the right to vary the term and percent of abatement, on a case per case basis, where the applicant shows unique circumstances that meets the economic development goals and objectives of the City of Laredo.

3.12 Submission of Application

If a given development project qualifies for Tax Abatement pursuant to the eligibility criteria detailed in this Policy, an applicant for Tax Abatement must complete and submit a City of Laredo Tax Abatement Application. An Application can be obtained from and should be submitted to the City Manager or the Economic Development Department.

A non-refundable application fee of one thousand (\$1,000.00) dollars will be required to be submitted with the completed Tax Abatement application.