

BAYTOWN REVITALIZATION INCENTIVE ZONE GUIDELINES SUMMARY

OBJECTIVES	Promote an increase in economic development. Promote the rehabilitation of affordable housing. Promote an increase in property values.												
PROGRAM 1: BASIC INCENTIVES	Waiver of construction permits fees. Waiver of impact fees.												
PROGRAM 2: TAX REFUND INCENTIVES	Refund of municipal ad valorem taxes based upon the following schedule: <table border="0" style="margin-left: 40px;"> <tr> <td>Year 1</td> <td>100%</td> </tr> <tr> <td>Year 2</td> <td>100%</td> </tr> <tr> <td>Year 3</td> <td>80%</td> </tr> <tr> <td>Year 4</td> <td>60%</td> </tr> <tr> <td>Year 5</td> <td>50%</td> </tr> <tr> <td>Year 6</td> <td>0%</td> </tr> </table> <p style="margin-left: 40px;">and based only upon the incremental value increase of the improvement as determined by HCAD.</p>	Year 1	100%	Year 2	100%	Year 3	80%	Year 4	60%	Year 5	50%	Year 6	0%
Year 1	100%												
Year 2	100%												
Year 3	80%												
Year 4	60%												
Year 5	50%												
Year 6	0%												
QUALIFYING STRUCTURES	All commercial and residential improvements within the Neighborhood Empowerment Zone.												
AUTHORIZED INVESTMENTS	New facilities. Expansions.												
SUBJECT TO TAX REFUND	Buildings and structures. Site improvements.												
NOT SUBJECT TO TAX REFUND	Land. Existing Improvements. Construction-in-progress. Personal property. Pipelines. Deferred maintenance. Property with an economic life less than fifteen (15) years.												
ECONOMIC CRITERIA FOR PROGRAM 1: EXISTING STRUCTURES	Minimum investment of 20% of the appraised value of the improvement value as determined by HCAD for both residential and commercial.												
ECONOMIC CRITERIA FOR PROGRAM 1: NEW STRUCTURES	Residential: Minimum investment of \$65,000. Commercial: Minimum investment of \$100,000.												
ECONOMIC CRITERIA FOR PROGRAM 2: EXISTING STRUCTURES	Residential: <ul style="list-style-type: none"> ➤ Minimum investment of 20% of the appraised value of the improvement value as determined by HCAD. ➤ Residential improvements must increase the appraised value of the improvements by \$20,000 or more within the first two tax years after completion of the improvement. Commercial: <ul style="list-style-type: none"> ➤ Minimum investment of 20% of the appraised value of the improvement value as determined by HCAD. ➤ Commercial improvements must increase the appraised value of the improvements by \$75,000 or more within the first two tax years after completion of the improvement. 												
ECONOMIC CRITERIA FOR PROGRAM 2: NEW STRUCTURES	Residential: <ul style="list-style-type: none"> ➤ Minimum investment of \$65,000. ➤ Minimum appraised value of \$65,000 within the first two tax years after completion of the improvement. ➤ Minimum investment of \$100,000. ➤ Minimum appraised value of \$100,000 within the first two tax years after completion of the improvement. 												

INCENTIVE POLICY FOR THE BAYTOWN REVITALIZATION INCENTIVE ZONE

SECTION 1 PURPOSE

It is the City of Baytown's goal to promote development within its Neighborhood Empowerment Zones in an effort to improve the local economy and enhance the quality of life for its citizens. Insofar as these goals are served by enhancing the value of the local tax base, rehabilitating affordable housing, and increasing economic opportunities, the City of Baytown will give consideration to providing the following incentives for development within Neighborhood Empowerment Zones.

SECTION 2 DEFINITIONS

- (a) "Abatement" means the full or partial refund of ad valorem taxes of certain improvements on eligible properties in a neighborhood enterprise zone designated for economic development purposes.
- (b) "Agreement" means a contractual agreement between a property owner and the City for the purposes of tax abatement refunds.
- (c) "Base Year Value" means the assessed value of eligible property on January 1st preceding the execution of the agreement or the sales price of the eligible property, if the property was conveyed subsequent to such January 1st, whichever is greater.
- (d) "Commercial Improvement" means an improvement that is not a residential improvement.
- (e) "Debt" means any delinquent sum of money levied, imposed or assessed by the City against any applicant or property of the applicant, including, but not limited to, those for ad valorem taxes on real or personal property located within the boundaries of the City. Such term does not include those delinquent sums subject to a valid installment agreement executed prior to the date of the submission of an NEZ incentive application and under which all payments are current.
- (f) "Deferred Maintenance" means improvement necessary for continued operations which do not improve productivity or alter the process technology.
- (g) "Economic Life" means the number of years a property improvement is expected to be in service.

- (h) “Eligible Improvements” means buildings, structures, and site improvements on eligible properties made subsequent to and listed in an NEZ incentive application and for which a certificate of occupancy or certificate of completion has been issued by the City’s chief building official. The term does not include pipelines, personal property, those improvements with an economic life of less than fifteen (15) years, or deferred maintenance improvements.
- (i) “Eligible Properties” means commercial or residential properties within a neighborhood empowerment zone.
- (j) “Existing Structure” means an improvement on real property to which HCAD has assigned or will assign a value regardless of any improvement, which is the subject of an NEZ incentive application.
- (k) “Expansion” means the addition of buildings and/or structures.
- (l) “Facility” means property improvements completed or in the process of construction which together comprise an integral whole.
- (m) “HCAD” means the Harris County Appraisal District or its successor agency.
- (n) “Modernization” means the replacement and upgrading of existing facilities which increases the productive input or output, updates the technology or substantially lowers the unit cost of the operation. 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 or repairing.
- (o) “Neighborhood Empowerment Zone” or “NEZ” means an area designated as such for the purpose of providing economic incentives, including a tax rebate, as authorized by the City of Baytown in accordance with Chapter 378 of the Texas Local Government Code.
- (p) “New Construction” means a property previously undeveloped which is placed into service by means other than an expansion or modernization.
- (q) “Owner” means an individual or entity in possession of title for land, building or structure or individual or entity who possesses a leasehold of ten or more years on land, building or structure.
- (r) “Real Property” means an area of land defined by legal description as being owned by the person applying for a tax abatement or permit/impact fee waivers, including any improvements thereto, which is to be improved and valued for property tax purposes, and which is included in the Neighborhood Empowerment Zone.
- (s) “Residential Improvement” means a structure associated with single-family detached, single-family attached, and two family duplex uses.

SECTION 3 PROGRAM POLICY

It is the policy of the City of Baytown that consideration will be provided in accordance with the guidelines, criteria and procedures outlined in this document. This policy applies to the owners of real property. Project consideration will include the potential impact of each project on the immediate and surrounding area.

(a) Program Eligibility.

- (1) Eligible Property. Neighborhood Empowerment Zone Incentives may be granted for both commercial and residential improvements within the Neighborhood Empowerment Zone, designated by the City Council of the City of Baytown, Texas.
- (2) Eligible Improvements. Neighborhood Empowerment Zone Incentives may only be granted for eligible improvements, which are built in accordance with all codes and ordinances of the City, and which are made subsequent to and listed in an NEZ incentive application, subject to such limitations as City Council may require.
- (3) Ineligible Improvements. Neighborhood Empowerment Zone Incentives shall not be granted for:
 - a. improvements to real property owned by a person who owes a debt to the City;
 - b. improvements to properties which have received assistance through the City's Owner-Occupied Housing Rehabilitation Program within five years of the commencement of the improvement for which an NEZ incentive is sought;
 - c. improvements that are subject to a Chapter 380 Economic Development Agreement with the City;
 - d. improvements to real property that is subject to a Tax Abatement Agreement with the City; and
 - e. improvements to properties which have received assistance through the City's Facade Program within five years of the commencement of the improvement for which an Program 2 NEZ incentive is sought; unless the value of the improvement qualifies for the Program 2 incentive with the amount paid by the City under such added to the base value.

(b) Program 1: Basic Incentive Program

(1) Economic Qualification for Program 1.

- a. Existing Structures. In order for an existing residential or commercial improvement to be eligible for the basic incentive program, the construction cost of the proposed improvement must equal or exceed 20% of appraised value of the existing improvements based upon the most recently certified value by the chief appraiser of HCAD.
- b. New Construction. In order for a new construction to be eligible for the basic incentive program, there must be a minimum investment of \$65,000 for a residential improvement or a minimum investment of \$100,000 for a commercial improvement.

(2) Economic Incentives for Program 1.

- a. Waiver of Certain Permit Fees. The following fees may be waived for eligible improvements in a neighborhood empowerment zone upon application of the property owner and approval by the Chief Building Official:
 1. building permit fees as enumerated in Section 2-595(2)(a) of the Code;
 2. building permit fees as enumerated in Section 2-595(2)(b) of the Code;
 3. electrical permit fees as enumerated in Section 2-595(2)(d) of the Code
 4. electrical permit fees as enumerated in Section 2-595(2)(e) of the Code;
 5. plumbing permit fees as enumerated in Section 2-595(2)(f) of the Code;
 6. plumbing permit fees as enumerated in Section 2-595(2)(g) of the Code;
 7. mechanical permit fees as enumerated in Section 2-595(2)(h) of the Code;
 8. miscellaneous permit fees as enumerated in Section 2-595(2)(i) of the Code; and
 9. plan review fees as enumerated in Section 2-595(2)(j) of the Code.
- b. Waiver of Impact Fees. Impact fees may be waived in accordance with Section 114-99(d) of the Code of Ordinances, Baytown, Texas, upon application of the property owner. The adoption of this incentive policy shall constitute the city's council's approval of such waiver subject to reversal as stated in such section.

(c) Program 2: Tax Refund Incentive Program.

(1) Economic Qualification for Program 2.

a. Existing Structures.

1. Residential. In order for an improvement to an existing residential improvement to be eligible for the tax refund incentive program,

- the construction cost of the proposed improvement must equal or exceed 20% of appraised value of the existing improvements based upon the most recently certified value by the chief appraiser of HCAD, and
- the eligible improvement must increase the appraised value of the existing improvements as determined by HCAD by at least \$20,000 within the first two tax years after completion of the improvements, as evidenced by a certificate of completion or certificate of occupancy issued by the Chief Building Official.

2. Commercial. In order for an improvement to an existing commercial structure to be eligible for the tax refund incentive program,

- the construction cost of the proposed improvement must equal or exceed 20% of appraised value of the existing improvements based upon the most recently certified value by the chief appraiser of HCAD, and
- the eligible improvement must increase the appraised value of the existing improvements as determined by HCAD by at least \$75,000 within the first two tax years after completion of the improvements, as evidenced by a certificate of completion or certificate of occupancy issued by the Chief Building Official.

b. New Construction.

1. Residential. In order for a new construction residential improvement to be eligible for the tax refund incentive program,

- there must be a minimum investment of \$65,000; and
- the eligible improvement must increase the appraised value of the existing improvements as determined by HCAD by at

least \$65,000 within the first two tax years after completion of the improvements, as evidenced by a certificate of completion or certificate of occupancy issued by the Chief Building Official.

2. Commercial. In order for new construction commercial improvement to be eligible for the tax refund incentive program,

- there must be a minimum investment of \$100,000 ; and
- the eligible improvement must increase the appraised value of the existing improvements as determined by HCAD by at least \$100,000 within the first two tax years after completion of the improvements, as evidenced by a certificate of completion or certificate of occupancy issued by the Chief Building Official.

(2) Value and Term of Refund. A refund may be issued effective with the January 1 valuation date specified in the tax refund agreement. One hundred percent (100%) of the value of new eligible properties shall be abated for the first two (2) years, followed by eighty percent (80%) abatement for the third year, sixty percent (60%) abatement for the fourth year and fifty percent (50%) for the fifth year. In no case shall the period of abatement exceed five (5) years.

If a modernization project includes facility replacement, the abated value shall be the value of the new unit(s) less the value of the old unit(s).

(3) Taxability. In order for a property owner to be entitled to a refund, the property owner must pay all ad valorem taxes due and owing to the City prior to the delinquency date and submit proof thereof along with a request for a rebate in the subsequent tax year. The refund shall be calculated as follows:

$$\begin{array}{r} \text{(HCAD Improvement Value for Current Year – HCAD Improvement Value for Base Year)} \\ \times \\ \text{Applicable Abatement Percentage} \\ \times \\ \text{City Tax Rate}/\$100 \text{ valuation} \end{array}$$

Late refund requests will not be considered.

SECTION 4 APPLICATION

- (a) Application Required. Any owner of taxable property in the NEZ may apply for neighborhood empowerment zone incentives by filing a written application therefor with the City of Baytown's Community Development Division.
- (b) Application Contents. The application shall consist of a completed application form requesting Program 1 and/or Program 2 incentives accompanied by the following:
- address and legal description of the real property; and
 - proof of ownership of the real property;
 - a general description of the new improvements to be undertaken for which any incentive is requested;
 - current assessed value of the improvements for which incentives are requested;
 - bid documents and construction estimates necessary to determine the construction cost of the proposed improvements;
 - a time schedule for undertaking and completing the proposed improvements.
- The application form may require such financial and other information as may be appropriate for evaluating the project.
- (c) Application Consideration. Upon receipt of a completed application, the City Manager of the City of Baytown or his designee shall consider the requested incentives and may request additional information as needed. Thereafter, the City Manager or his designee shall determine whether the application qualifies for incentives under the terms of these guidelines and criteria.
- (1) Program 1. If it is determined that an application qualifies for NEZ incentives for Program 1, the City Manager or his designee will issue a certification for Program 1, which will be honored at the City's permit counter to waive the fees subject to such program.
- (2) Program 2. If it is believed that the applicant may qualify for NEZ incentives for Program 2, the applicant shall sign a statement detailing the procedural processes necessary in order to obtain Program 2 tax refund incentives at the same time that the applicant receives the certification under Program 1. If the applicant ultimately meets the requirements for the incentives under Program 2, the applicant will be required to execute a NEZ Tax Refund Agreement with terms and conditions consistent with this policy, including:
- the base year value of improvements;
 - the percent of value to be abated each year;
 - the commencement date and the termination date of the agreement;
 - the proposed use of the facility/improvements;
 - the contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, administration and assignment; and
 - other provisions that may be appropriate or required.

The City Manager or his designee shall not grant Program 1 incentives if it finds that earthwork, site preparation, construction, alteration, or installation of improvements commenced prior to the submission of NEZ Program 1 incentive application .

SECTION 5 RECAPTURE

If the owner allows his/her ad valorem taxes owed to the City of Baytown to become delinquent during the term of the tax refund incentive agreement, the City may terminate the incentive agreement and all previously waived fees and taxes refunded, if any, shall become immediately due to the City. If not paid within thirty (30) days from the termination of the agreement, interest at a rate of 6% per annum calculated from the effective date of the agreement shall be assessed. If the City does not receive full payment within sixty (60) days of the termination of the agreement, a penalty may be added, equal to 15% of the total amount abated.

SECTION 6 ADMINISTRATION

- (a) Inspections. Designated representatives of the City of Baytown will have access to the real property and improvements thereon subject to a tax refund incentive agreement during the term of the agreement to inspect the facility to determine if the terms and conditions of the agreement are being met.
- (b) Form 1099. The Director of Finance shall issue a Form 1099 or other form as appropriate to any person receiving a tax refund incentive under an agreement with the City pursuant to the terms and conditions hereof.

SECTION 7 SUNSET PROVISION

This policy is effective on September 22, 2016, and will remain in force until Wednesday, September 21, 2018, at which time all incentives created pursuant to these provisions will be reviewed by the City to determine whether the goals have been achieved. Based on that review, the policy will be modified, renewed or eliminated.