

TAX ABATEMENT



Policy Description:

The Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code, www.statutes.legis.state.tx.us/Docs/TX/pdf/TX.312.pdf, authorizes counties, cities and school districts to provide property tax abatement for limited periods of time as an inducement for the development or redevelopment of a property. The City of Corpus Christi (City) would like to establish certain areas for particular emphasis in offering enhanced temporary tax abatement for economic development such as the federally designated Renewal Community comprised of Census Tracts 1,3,4,5,7,10,11,13,35, and 50, Downtown, Corpus Christi (North) Beach, and Padre/Mustang Islands and any other catalyst area identified by the City Council. The City would like to provide enhanced temporary tax abatement for economic development by locally-owned enterprises building new facilities or engaged in modernization or expansion projects. *The City Council reserves the right to waive or modify this policy.*

Eligibility Criteria:

- Authorized Facilities. A Facility generally may be eligible for abatement in any area of the City if it is one of the following:

- Basic Industrial, Manufacturing or Service Facility
- Regional Distribution Center Facility
- Regional Telecommunications/Data Processing Center Facility
- Regional Visitor/Amusement Facility
- Petrochemical Facility

A Facility located in the Renewal Community, Downtown or Corpus Christi (North) Beach or other catalyst areas identified by the City Council additionally may be eligible if it is a Multi-Family Housing Facility, a Mixed-Use Facility, or if it includes retail facilities, hotel accommodations or any other facilities as determined by the City Council on a case-by-case basis. Abatement may be granted for a New Facility or for improvements to any of the above existing facilities for the purpose of Modernization or Expansion.

- Period of Abatement. Abatement may be granted effective with the January 1 valuation date immediately following the date of execution of the Agreement. Abatement may be allowed for a period of up to ten (10) years.

o Completion of Construction.

(1) The completion of construction will be deemed to occur upon the earliest of the following events:

A. When a certificate of occupancy is issued for the Facility (if the Facility is located within the City),

B. When commercial production of a product or provision of a service is achieved at the Facility,

C. When the architect or engineer supervising construction issues a certificate of substantial completion, or some similar instrument, or

D. Two (2) years after the date of the Agreement.

(2) The above determination may be made by the City offering the abatement, in its sole and absolute discretion, based upon the above criteria and such other factors as the jurisdiction may deem relevant. The determination of the completion of construction will be conclusive, and any judicial review of such determination must be governed by the substantial evidence rule.

o Abatement Percentage. Temporary property tax abatement may be authorized for the development of a New Facility or Expansion or Modernization that meets either qualification criteria of capital investment or a qualification criteria based upon a combination of the number of new jobs created plus average salary.

(1) The capital investment qualification criteria is as follows:

Added Value from Capital Investment	Abatement Level
\$2,000,000 to \$10,000,000	Level 1
\$10,000,001 to \$50,000,000	Level 2
\$50,000,001 to \$150,000,000	Level 3
\$150,000,001 to \$500,000,000	Level 4
Over \$500,000,000	Level 5

The qualification for abatement by capital investment shall be based upon the added value of Eligible Property as reflected on the tax rolls by the Nueces County Appraisal District.

(2) The combination of new jobs and salary criteria is as follows:

	Average Salary Up to \$50,000	Average Salary \$50,001 to \$70,000	Average Salary Over \$70,000
20 to 99 New Jobs	Level 1	Level 2	Level 3
100 to 199 New Jobs	Level 2	Level 3	Level 4
200 or more New Jobs	Level 3	Level 4	Level 5

Provided that, obtaining temporary tax abatement based solely on the creation of such new jobs shall be further conditioned on the requirement for the improvement or repair of property in order to meet the minimum requirements of the Act.

- (3) Any New Facility, Expansion, Modernization that is located within the Renewal Community, Downtown, Corpus Christi (North) Beach or Padre/Mustang Island and any other catalyst area identified by the City Council or that is a Locally-Owned Facility shall be increased by one level above the standards set forth above, with a minimum level of 3 for any such project. Further, if a Facility qualifies under both criteria, the Facility will be increased by one level above the higher level of qualification.
- (4) Any New Facility, Expansion, Modernization that will utilize the Leadership in Energy and Environmental Design (LEED) Green Building Rating System may be increased at least one level above the qualifying level for abatement.
- (5) Abatement for a small business facility providing Added Value of at least \$250,000 may be considered within the Renewal Community, Downtown, Corpus Christi (North) Beach or Padre/Mustang Island and any other catalyst area identified by the City Council or as a Locally-Owned Facility by the City Council on a case-by-case basis.
- (6) Upon compliance with the above criteria, the percentage of tax abated may be in accordance with the following schedule, with 100% abatement in each case during the construction period of up to two years:

Year	Level 1	Level 2	Level 3	Level 4	Level 5
Year 1*	100%	100%	100%	100%	100%
Year 2*	100%	100%	100%	100%	100%
Year 3	100%	100%	100%	100%	100%
Year 4	75%	100%	100%	100%	100%
Year 5	50%	75%	100%	100%	100%
Year 6	25%	50%	75%	100%	100%
Year 7		25%	50%	75%	100%
Year 8			25%	50%	75%
Year 9				25%	50%
Year 10					25%

*The period of construction may extend up to two years.

(7) The percentage of abatement provided each year under the Agreement shall be based upon the information provided as of January 1 of each year after the completion of construction; provided that, for a project that completes construction after June 30 the calculation date shall commence on January 1 of the second year after completion of construction.

A. For projects qualifying based on capital expenditures creating Added Value, the percentage shall be determined based on the Added Value established for that year (the actual amount of abatement may vary from year to year based upon property valuations and employment levels).

B. For projects qualifying based on the number of new jobs and average salary, the percentage shall be determined based on the employment information provided.

(8) During the period of construction of the Facility and extending until the first calculation date provided above, the Owner may receive an abatement percentage based upon the criteria set forth in the Owner's application for abatement approved by the governing body of the City. The construction period may last up to two years.

A. Economic Qualification. In order to be eligible for tax abatement, the planned improvement:

- (1) Must create no later than the January 1 following the completion of construction and maintain throughout the remainder of the term of the Agreement, the required number of permanent full-time jobs in the City of Corpus Christi; or
 - (2) Must be determined by the City Council not to adversely affect competition in the local market with established local businesses in a manner that exceeds the economic benefit of the project.
- Compliance Requirements.
- (1) Creation of New Value. Abatement may only be granted for the additional value of eligible property improvements made subject to and listed in an Agreement between the City and the property owner and ground lessor (if applicable), subject to such limitations as said jurisdiction may require. The economic life of the improvements must exceed the term of the Agreement.
 - (2) Eligible Property. Abatement may be extended to the value of the improvements to real property, including buildings, structures, fixed or movable machinery and equipment (excluding motor vehicles, vessels and aircraft), and site improvements, plus office space and related improvements necessary to the operation and administration of the Facility together with appreciation in land values for projects in the Renewal Community, Downtown or Corpus Christi (North) Beach and any other catalyst area identified by the City Council.
 - (3) Ineligible Property. The following types of property are fully taxable and ineligible for abatement: inventories; supplies; vehicles; vessels; aircraft; deferred maintenance; improvements for the transmission of electrical energy not wholly consumed by a New Facility, Modernization or Expansion; or improvements to real property which have an economic life of less than 15 years; unless any of the above types of property are specifically authorized by the City.
 - (4) Taxability. From the execution of the Agreement to the end of the abatement period, taxes will be payable as follows:
 - A. The value of Ineligible Property is fully taxable;
 - B. The Base Year Value of existing Eligible Property as determined each year is fully taxable;

C. The Added Value of new Eligible Property is taxable in the manner described above; and

D. The Added Value of new property not related to the “New Facility” is fully taxable.

(6) Environmental and Worker Safety Qualifications. In determining whether to grant a tax abatement, consideration will be given to compliance with all state and federal laws designed to protect human health, welfare, and the environment ("environmental laws") that are applicable to facilities in the State of Texas owned or operated by the owner of the facility or lessee, its parent, subsidiaries and, if a joint venture or partnership, to every member of the joint venture or partnership ("applicants"). Consideration may also be given to compliance with environmental and worker safety laws by applicants at other facilities within the United States.

(6) Tax Increment Reinvestment Zones (TIRZ). Projects located within a TIRZ must be evaluated to determine how any Tax Abatement will impact the zone and the zone’s financing plan.

How to Apply:

- Written Application. Any present or potential owner of taxable property may request tax abatement by filing a written application with the City Manager of the City, if such property is within the City limits.
- Contents of Application. The application shall consist of a completed application form accompanied by: a general description of the new improvements to be undertaken; a descriptive list of the improvements for which abatement is requested; a list of the kind, number and location of all proposed improvements of the property; a map and property description; and a time schedule for undertaking and completing the proposed improvements. In the case of a Modernization or Expansion project, a statement of the assessed value of the Facility, separately stated for real and personal property, must be given for the tax year immediately preceding the application. The application form may require such financial and other information as the City deems appropriate for evaluating the financial capacity of the City and other relevant factors of the applicant.

Please contact the City of Corpus Christi’s Economic Development Office at (361) 826-3850 to request the application or visit www.cctexas.com/economicdevelopment to download the application.

The City shall not grant any incentive unless the business submits a full and complete application and provides additional information as may be requested.

The accuracy of the information in the application is the sole responsibility of the applicant. Upon request, the applicant shall provide supporting documentation. Any misstatement of or error in fact may render an application null and void and may be cause for repeal of any ordinance adopted in reliance of said information.

If it is determined that the application meets these guidelines, a full and financial programmatic review will be conducted. This review may be done by City Staff, an outside agency or consultant and will ensure conformance with these guidelines.

An application fee is based on a sliding scale and can be viewed on pg. 90 in the fee schedule. The fee must be paid in the form of a check or money order and made payable to the City of Corpus Christi, Texas.

Additional Resources:

Development Services

www.cctexas.com/developmentservices

Corpus Christi Regional Economic Development Corporation

www.ccredc.com