

ORDINANCES & RESOLUTIONS

ORDINANCE NO. 18-16
ADOPTING GUIDELINES
AND
CRITERIA GOVERNING TAX ABATEMENT
AGREEMENTS

Elizabeth Huff,
Assistant Director of Economic Development

TEXAS

SUGAR LAND

Sweet ♦ Real ♦ Refined



Renewal of Guidelines and Criteria for Tax Abatements

Elizabeth Huff, Assistant Director of Economic Development

Guidelines & Criteria

- Required prior to designating a Reinvestment Zone or entering into a Tax Abatement
- Required to be renewed every 2 years per State statute
- Last adopted May 3, 2016 with strengthened provisions including:
 - Increased minimum capital investment requirements to a stronger tiered-structure
 - Changed the targeted industry list
 - Added reinvestment zone steps to help applicants better understand the process
- Recommending a re-adoption of existing guidelines.

Minimum Qualifications

- **Real & Personal Property Abatements:**
 - Currently require a minimum cumulative value of \$4 million added to the tax rolls
 - Percent abatement is guided by a tiered structure

Cumulative Value of Improvements and Personal Property	Abatement Duration	Annual Percent of Abatement
\$4,000,000 - \$20,000,000	Up to 10 years	Up to 35%
\$20,000,001- \$40,000,000	Up to 10 years	Up to 55%
\$40,000,001 - \$75,000,000	Up to 10 years	Up to 75%
\$75,000,001 and Greater	Up to 10 years	Up to 100%

- **Additional abatements can occur upon achieved LEED Certification**

Other Factors to Consider

- Type/Value/Productive life of property
- Number of jobs created or retained
- Amount of local payroll created
- Amount of local sales tax generated
- Increase in tax base during and after abatement
- Amount applicant proposes to spend on public infrastructure improvements
- Value of existing improvements, personal property and investment

Application & Process

- **Written application filed and staff makes a recommendation to City Council EDC**
- **Tax abatement recommendation is reviewed with City Council**
- **Reinvestment zone created with approval of City Council after two readings**
- **Tax abatement agreements must be approved by the City Council**

Summary of Existing Program

- **11 Active Tax Abatements in 2017**

	Minimum Required Value per agreement	Certified CAD Value	Percent of Required Value
Real & Personal Property	\$164,490,000	\$216,938,690	132%

- **FBISD benefits as school district taxes are not abated**
- **City receives full value on inventory, which is not subject to a tax abatement (\$61.6M value in inventory for 11 abated companies in 2017)**

Recommendation

- **Approve Resolution No. 18-16 Adopting Guidelines & Criteria for Tax Abatements in the City of Sugar Land**
 - **If needed, changes within the next two years can be permitted by State law**
 - **This would require a $\frac{3}{4}$ vote of the City Council**



QUESTIONS?