

A RESOLUTION OF THE CHAMBERS COUNTY COMMISSIONERS COURT OF ANAHUAC, TEXAS, ELECTING TO BECOME ELIGIBLE TO PARTICIPATE IN TAX ABATEMENT PURSUANT TO THE TEXAS PROPERTY REDEVELOPMENT AND TAX ABATEMENT ACT, CHAPTER 312; ADOPTING GUIDELINES AND CRITERIA FOR GRANTING TAX ABATEMENTS IN A REINVESTMENT ZONE CREATED IN CHAMBERS COUNTY; ADOPTING SUCH GUIDELINES AND CRITERIA; AND PROVIDING FOR THE EFFECTIVE DATE THEREOF.

WHEREAS, the creation and retention of job opportunities that bring new wealth is the highest civic priority; and

WHEREAS, new jobs and investment will benefit the area economy, provide needed opportunities, strengthen the real estate market, and generate tax revenue to support local services; and

WHEREAS, Chambers County must compete with other national and international localities currently offering tax inducements to attract jobs and investments; and

WHEREAS, any Incentives offered in Chambers County would be strictly limited in application to those new and existing industries that bring new capital investment to the community; and

WHEREAS, tax Incentives should not be used to attract those industries that have demonstrated a lack of commitment to protecting the environment, but should be used to encourage projects designed to protect the environment, provide adequate buffer zones, and holistically protect the safety and quality of life of Chambers County residents; and

WHEREAS, the Abatement of property taxes, when offered to attract primary jobs in industries which bring in money from outside a community instead of merely recirculating dollars within a community, has been shown to be an effective method of enhancing and diversifying an area's economy; and

WHEREAS, the Chambers County Commissioners Court contracts with the Baytown West Chambers County Economic Development Foundation ("EDF") and considers the EDF to be the designated entity for the provision of professional services for qualifying Applicants seeking County assistance in this regard; and

WHEREAS, effective September 1, 1987, Texas law, pursuant to Chapter 312 of the Texas Tax Code, as amended, requires any eligible taxing jurisdiction to establish guidelines and criteria as to eligibility for tax Abatement Agreements prior to granting of any future tax Abatement, said guidelines and criteria to be

unchanged for a two-year period unless amended by a three-quarters (3/4) vote of Commissioners Court; and

WHEREAS, to assure a common, coordinated effort to promote our communities' economic development, any such guidelines and criteria should be adopted only through the cooperation of affected municipalities, taxing jurisdictions, and Chambers County;

WHEREAS, these guidelines and criteria do not: (1) limit the discretion of Chambers County to decide whether to enter into a specific Abatement or Incentives agreement; (2) limit the discretion of Chambers County to delegate to its employees or to the EDF the authority to determine whether or not the governing body should consider a particular application or request for Abatement or other Incentives; or (3) create any property, contract, or other legal right in any applicant to have the governing body consider or grant a specific application or request for tax Abatement or Incentives.

WHEREAS, the attached guidelines, last amended and approved by the Commissioners Court on April 26, 2022, have been reviewed by the Commissioners Court, and it has been determined that progress towards the goals herein stated has been made; NOW THEREFORE

BE IT RESOLVED BY THE CHAMBERS COUNTY COMMISSIONERS COURT OF CHAMBERS COUNTY, TEXAS:

Section 1: That the findings of the Chambers County Commissioners Court contained in the recitals of this resolution are hereby approved and adopted.

Section 2: That the Chambers County Commissioners Court elects to remain eligible to participate in tax abatement pursuant to the Texas Property Redevelopment and Tax Abatement Act, Chapter 312.

Section 3: That the Chambers County Commissioners Court hereby adopts the Guidelines and Criteria for granting tax abatements in a reinvestment zone, which are attached hereto and incorporated herein for all intents and purposes.

Section 4: This resolution shall take effect immediately from and after its passage by the Chambers County Commissioners Court of the Chambers County, Texas.

INTRODUCED, READ, and PASSED, by the affirmative vote of the Chambers County Commissioners Court of Chambers County, Texas this the 23rd day of April 2024.

DocuSigned by:

Jimmy Sylvia

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JIMMY SYLVIA, County Judge

ATTEST:

DocuSigned by:

Heather H. Hawthorne

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HEATHER HAWTHORNE, County Clerk

04/23/24

GUIDELINES AND CRITERIA FOR TAX ABATEMENT IN CHAMBERS COUNTY, TX

ADMONITORY PROVISIONS

The final determination of value to be abated is vested with the Chambers County Appraisal District(“CCAD”), an agency autonomous from Chambers County.

Tax Abatement and Incentives provided by the County are subject to an economic impact analysis to be conducted by the EDF. Applicants scoring well will be encouraged to apply for Incentives. First priority for providing Incentives to any applicant is given to projects that are located within areas of economic interest to Chambers County and that conform to Chambers County’s overall Economic Development Program objectives.

Applicants applying for tax Abatement with Chambers County are advised that any Agreement with Chambers County applies only to taxes assessed by Chambers County. Any Abatement or Incentive Agreement with other taxing entities must be negotiated directly with such entities. In addition, each applicant receiving tax Abatement retains the responsibility for annually applying to the CCAD for recognition and implementation of their Abatement Agreement. To keep the Abatement active, the applicant must file all appropriate forms with CCAD. The Abatement will terminate if the applicant fails to provide the appropriate forms annually to the CCAD.

**SECTION 1
DEFINITIONS**

- a.) **“Abatement”** means the full or partial exemption from ad valorem taxes of the increase in value of certain real property in a reinvestment zone designated for economic development purposes.
- b.) **“Agreement”** means a contractual Agreement between a property owner and an Eligible Jurisdiction for the purposes of tax Abatement or Incentives.
- c.) **“Applicant”** means the entity applying for Abatement or Incentives and, if successful, will be party to an Incentive or Abatement Agreement.
- d.) **“Base Year Value”** means the assessed value of eligible property January 1 preceding the execution of the Agreement plus the agreed upon value of eligible property improvements made after January 1, but before the execution of the Agreement.
- e.) **“Community Impact Program”** means the economic development program intended to foster public-private investment in infrastructure, comprehensive literacy programs, promotion of the arts, public health, and an array of targeted civic elements which supports economic and community development.

- f.) **“Community Impact Program Contribution”** means for Economic Development Program Abatement or Incentives Agreements effectuated under Chapter 312 of the Texas Tax Code and Chapter 381 of the Local Government Code, an amount equal to 5.0% of the derived tax savings for each tax year as set forth in the Abatement Agreement.
- g.) **“Competitively Sited Project”** means a project where the applicant has completed an evaluation of competing locations, outside of Chambers County, for expansion, relocation, or new operations, including identification of specific sites in those locations.
- h.) **“Deferred Maintenance”** means improvements necessary for continued operations, which do not improve productivity or alter the process technology.
- i.) **“Distribution Center Facility”** means buildings and structures, including fixed-in-place machinery and equipment, used or to be used primarily to receive, store, service or distribute goods or materials.
- j.) **“Economic Life”** means the number of years a property improvement is expected to be in service in a facility.
- k.) **“Eligible Jurisdiction”** means Chambers County and any municipality, school district, college district, or special purpose district that levies ad valorem taxes upon property located within the proposed or existing reinvestment zone.
- l.) **“Expansion”** means the addition of buildings, structures, or fixed machinery or equipment for purposes of increasing production capacity.
- m.) **“Facility”** means property improvements completed or in the process of construction which together comprise an integral whole.
- n.) **“Incentive”** means a payment or concession to stimulate greater taxable value, capital investment, and economic impact.
- o.) **“Manufacturing Facility”** means buildings and structures, including fixed machinery and equipment, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.
- p.) **“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, of fixed machinery or equipment. It shall not be for the purpose of reconditioning, refurbishing, or repairing.

- q.) **“New Facility”** means a property previously undeveloped, which is placed into service, by means other than or in conjunction with expansion or modernization.
- r.) **“Other Basic Industry”** means buildings and structures including fixed machinery and equipment not elsewhere described, used or to be used for the production or products or services and which result in the creation of new permanent jobs and new wealth.
- s.) **“Personal Property”** means personal property, as designated by the CCAD, which includes, but is not limited to, any tangible thing (including gasses, steams, and other non-solid-state things) that can be removed from real property without destroying or changing such real property. Personal Property also includes, for example, any machinery or equipment that may be bolted to the floor but has a shorter life than the building and is used in the primary line of business.
- t.) **“Productive Life”** means the number of years a property improvement is expected to be in service in a Facility.
- u.) **“Real Property”** means real property improvements, as designated by the CCAD, which includes, but is not limited to, any buildings, buildings built on skids, portable buildings, parking areas, and fences attached to land.
- v.) **“Regional Entertainment and Recreation Facility”** means buildings and structures, including fixed machinery and equipment, used or to be used to provide entertainment through the admission of the general public.
- w.) **“Research Facility”** means building structures, including fixed machinery and equipment, used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes of such goods or materials.
- x.) **“Service Facility”** means buildings and structures, including fixed machinery and equipment, used or to be used to service goods.
- y.) **“Situs Inventory”** means the assessed value of personal property and inventory not owned by the lessor that is located on the property subject to taxation.
- z.) **“Spec Building”** means a new building constructed to create an enclosed area of a commercial Facility, which would be used by a business that would normally qualify for Abatement or Incentives, built without an occupying tenant at the time the construction has started or is complete.

SECTION 2 ABATEMENT AUTHORIZED

- a.) **Authorized Facility.** A facility may be eligible for Abatement or Incentives if it is one of the qualifying business types specified in Section 1 – Definitions or any other facility or real property not excluded by Section 2-(e).
- b.) **Creation of New Value.** Abatement may only be granted for the additional value over the Base Year Value resulting from eligible property improvements made subsequent to and specified in an Abatement Agreement between Chambers County and the property owner subject to such limitations as the County may require.
- c.) **New and Existing Facilities.** Abatement may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion. For Spec Buildings, 100% Abatement may be granted for one (1) year.
- d.) **Eligible Property.** Abatement may be extended to the value of buildings, structures, fixed machinery and equipment, site improvements plus that office space and related fixed improvements necessary to the operation and administration of the Facility.
- e.) **Ineligible Property.** The following types of property shall be fully taxable and ineligible for tax Abatement : land; inventories; supplies; tools; furnishings and other forms of movable personal property; vehicles; watercraft; aircraft; housing; deferred maintenance investments; any improvements, including those to produce, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility; property which has an economic life of less than 10 years; property owned or used by the State of Texas or its political subdivisions or by any organization owned, operated or directed by a political subdivision of the State of Texas.
- f.) **Owned/Leased Facilities.** In order for a facility to qualify for tax Abatement, the land and eligible property must be owned and operated by the same individual or company or be leased to a facility operator whose lease term is at least 10 years. If a leased Facility is granted Abatement or Incentives, the Agreement may be executed with the lessor and/or the lessee.
- g.) **Offer, Execution, Value, and Term of Agreement.** Abatement or Incentives shall be granted effective with the January 1 valuation date immediately following the date of execution of the Agreement, or as agreed to by Chambers County. The value of new eligible properties shall be abated according to the approved Agreement between applicant and Chambers County. Chambers County, in its sole discretion, shall determine the amount of any Abatement or Incentive. The term of any Abatement may not exceed ten (10) years. The Abatement or Incentives may be extended through an initial Agreement and a

subsequent Agreement amendment as may be required to comply with state law and county policies.

Special Terms and Conditions Regarding Industries With Significant Investment: For large investment industries, in the event that Commissioners Court finds that a project (i) is significantly impactful to the County, and (ii) has the potential to exceed an aggregate investment of \$1 billion, the Commissioners Court may deviate from certain requirements of these guidelines and criteria, so long as the deviations uphold the spirit and intent of the guidelines and the goals of County's Economic Development Program.

1. **Offer** – During the initial negotiations with a prospect, a tentative offer for Abatement or Incentives may be made on behalf of Chambers County. This initial offer will expire after 90 days. Applicants can extend this, if needed, by providing written justification for the extension within the 90-day period.
 2. **Execution** – Once approved by Chambers County Commissioners Court, the Agreement must be fully executed within 90 days, unless otherwise agreed to by Chambers County.
- h.) **Community Impact Program and Contribution.** For Abatement and Incentives Agreements and all applicable Economic Development Program Agreements that result in ad valorem tax savings, the Community Impact Program and Community Impact Program Contribution ("CIPC") will apply. The CIPC, as mutually calculated, will be submitted to the County 30 days after the execution of the Agreement.
- i.) **Economic Qualification.** In order to be eligible for designation as a reinvestment zone and receive tax Abatement, the proposed improvement:
- (1) Must be reasonably expected to increase the taxable ad valorem value of property in the amount of at least \$1,000,000 or more based on the CCAD appraisal after the period of Abatement has expired;
 - (2) For projects located within a special district or areas within a limited purpose annexation that has the ability to provide Abatement or negotiate Incentives, the County will require similar elemental participation to that of a city or town from that district or entity when considering any Abatement or Incentives, particularly with respect to stipulated values.
 - (3) In the case of Distribution Centers, warehouse operations, and Spec Buildings managing Situs Inventory, minimum annual inventory estimates over term will be considered an essential stipulation in Abatement Agreements.

- (4) Must be reasonably expected to prevent the loss of employment and to directly create or prevent the loss of permanent full-time employment for at least five (5) people and the owner must agree to exercise its best efforts to ensure those new employees are residents of Chambers County.
- (5) Must not be expected to have the effect of transferring employment solely or primarily from one part of Chambers County to another; and
- (6) If a new Facility must be necessary because capacity cannot be provided efficiently utilizing existing improved property when reasonable allowance is made for necessary improvements.

Further, If the applicant receives Incentives or Abatement, and all things being equal, preferential treatment shall be given to hiring operators and construction workers residing in Chambers County, not only in the construction phase, but also during operations thereafter. When possible, the applicant agrees to hire Chambers County citizens first in positions for which a citizen may be qualified.

- j.) **Taxability.** For tax years beginning on or after the execution of the Abatement Agreement to the end of the Agreement period, taxes shall be payable as follows;
 - (1) the value of ineligible property as provided in Section 2(e) shall be fully taxable;
 - (2) the Base Year Value of existing eligible property shall be fully taxable; and
 - (3) the value of Eligible Property shall be taxable in the manner described in Section 2(g).

SECTION 3 APPLICATION

- a.) **Filing of Application.** Working through the EDF, any present or potential owner of taxable property in Chambers County may request the creation of a reinvestment zone and associated Abatement by filing a written request with the County Judge of Chambers County if the property is located outside of the taxing jurisdiction of a municipality. A non-refundable application fee of \$1,000.00, made payable to Chambers County, must be provided with the application.
- b.) **Content of Application.** The application shall consist of a completed application form accompanied by: a general description of the new improvements to be undertaken; a general descriptive list of the improvements for which an Abatement is requested; a list of the kind, number and location of all proposed improvements of the property; a map and/or aerial 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 modernization, a statement of the assessed value of the facility, separately stated for real and personal property shall be given for the tax year immediately preceding the application. The application form may require such financial and other information as the municipality or County deems appropriate for evaluating the financial capacity and other factors of the applicant.
- c.) **Notice to Eligible Jurisdiction.** Upon receipt and approval of an application, Chambers County shall notify in writing the presiding officer of the governing body of each Eligible Jurisdiction.
 - d.) **Abatement Inapplicable to Prior Projects.** Chambers County shall not establish a reinvestment zone or enter into an Abatement Agreement if it finds that the request for the Abatement was approved by Commissioner's Court after the construction, discernable alteration, or installation of improvements began as related to a proposed modernization, expansion, or new facility.
 - e.) **Variance.** Requests for variance from the provisions of Subsections (a), (e) and (g) of Section 2 must be made in written form. Such requests shall include a complete description of the circumstances explaining why the applicant should be granted a variance.

**SECTION 4
PUBLIC HEARING AND APPROVAL**

- a.) **Public Hearing for Designation of Reinvestment Zone.** An Order designating a reinvestment zone may not be adopted until the Commissioners Court has held a public hearing at which interested persons are entitled to speak and present evidence for or against the designation. Notice of the hearing shall be published at least seven (7) days prior to the hearing on the County website and in a newspaper having general circulation in the Eligible Jurisdiction. The presiding officers of other Eligible Jurisdictions shall be notified in writing at least (7) days prior to the hearing.
- b.) **Findings Required for Agreement.** In order to enter into an Abatement or Incentives Agreement, the Eligible Jurisdiction must find that the terms of the proposed Agreement and the subject property meet these guidelines and criteria and that:
 - (1) there will be no substantial adverse effect on the provision of the jurisdiction's service or tax base; and
 - (2) the planned use of the property will not constitute a hazard to public safety, health, or morals.

SECTION 5 AGREEMENT

- a.) **Contents of Agreement.** The Eligible Jurisdiction shall formally approve and execute an Agreement with the owner, lessor and/or lessee of the facility upon meeting the requirements set forth in Section 312.207, Chapter 312, of the Texas Property Redevelopment and Tax Abatement Act. The Agreement shall include, at minimum, the:
- (1) estimated value to be abated and the Base Year Value;
 - (2) percent of value to be abated each year as provided in Section 2(g);
 - (3) commencement date and the termination date of Abatement;
 - (4) proposed use of the facility; nature of construction, time schedule, map, property description and improvement list as provided in Section 3(b);
 - (5) contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, administration, and assignment as provided in Sections 2(a), 2(f), 2(g), 6, 7, 8, and 9, or other provisions that may be required for uniformity or by state law; and
 - (6) amount of investment and average number of jobs involved.

Such Agreement shall normally be executed within 90 days after the applicant has forwarded all necessary information and documentation to the County. Upon execution of this Agreement, it becomes the responsibility of the applicant to file with the County the necessary reports annually certifying employment and investment level as stated in the executed contract.

SECTION 6 RECAPTURE

The Abatement or Incentives Agreement shall contain provisions for recapture of taxes abated in the event that 1) the improvements for which Abatement was granted are not completed in accordance with Agreement, 2) the owner and/or lessee allows ad valorem taxes owed the Eligible Jurisdictions granting Abatement to become delinquent and fails to timely and properly follow the legal procedures for protest and/or contest of such taxes, 3) the owner and/or lessee discontinues operating or using the property as required by the Agreement, or 4) the owner and/or lessee breaches any of the terms or conditions of the Agreement.

SECTION 7 ADMINISTRATION

- a.) **Appraisal and Assessment.** The Chief Appraiser of the County shall annually determine an appraisal of the real and personal property comprising the reinvestment zone. Each year, the company or individual receiving Abatement shall furnish the assessor with such information as may be necessary for the Abatement. Once value has been established, the Chief Appraiser shall notify the affected jurisdictions, which levy taxes of the amount of the assessment.
- b.) **Access to Property.** The Agreement shall stipulate that employees and/or designated representatives of the contracting Eligible Jurisdiction shall have access to the subject property during the term of the Abatement to inspect the facility to determine if the terms and conditions of the Agreement are being met. All inspections will be made only upon 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 facility.
- c.) **Annual Evaluations.** Upon completion of construction, the jurisdiction creating the reinvestment zone shall annually evaluate each facility receiving Abatement to ensure compliance with the Agreement and report possible violations of the Agreement to the Eligible Jurisdictions.

SECTION 8 ASSIGNMENT

An Abatement or Incentive Agreement may not be assigned unless written consent is first granted by the Eligible Jurisdiction that has entered into the Agreement, which consent shall be at the sole discretion of such Eligible Jurisdiction. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the assignor upon the same terms and conditions as set out in the Agreement. Any assignment of an Abatement Agreement shall be to an entity that contemplates the same improvements to, and operation of the property as the assignor, except to the extent such improvements have been completed. No assignment shall be approved by an Eligible Jurisdiction if the assignor or the assignee is indebted to the Eligible Jurisdiction for ad valorem taxes or other obligations.

SECTION 9 SUNSET PROVISIONS

- a.) These guidelines and criteria are effective upon the date of their adoption and will remain in force for two years, at which time all reinvestment zones and Abatement and Incentives Agreements created pursuant to its provisions will be reviewed by the County or its designated representative, the EDF, to determine

whether the goals have been achieved. Based on that review, the guidelines and criteria will be modified, renewed, or eliminated.

- b.) This policy applies to Abatement under the provisions of Chapter 312 Property Redevelopment and Tax Abatement Act, Texas Tax Code and is effective upon the date of adoption and will remain in force for two (2) years, unless amended by three-quarters (3/4) vote of the Commissioners Court of Chambers County as so provided for in the Tax Code.
- c.) This policy is effective on this **23rd day of April 2024** and supersedes any previous Abatement policy. It will remain in effect until changed by court order.