



## CITY OF WACO

### GUIDELINES AND REAL POLICY STATEMENT

#### TAX ABATEMENT FOR REAL AND PERSONAL PROPERTY

##### I. GENERAL PURPOSE AND OBJECTIVES

Certain types of business investment which result in the creation of new jobs, new income and provide for positive economic growth and inner-city economic stabilization are beneficial to the city as a whole. This Tax Abatement Policy provides the general guidelines for all real and personal property tax abatement projects. Each applicant's project will be evaluated for potential tax abatement on a case-by-case basis and in accordance with this policy and state law.

This policy applies to real and personal property for the following types of operations:

Manufacturing, Distribution, Logistics, Warehouse, Assembly, Processing, Fabrication, Value Added Processing, Aviation/Aerospace, Research and Development, Advanced Technology, Information Technology, Information & Data Centers, Corporate and Regional Offices, Major Tourism Attractions, and similar facilities.

This Policy does not apply to companies that sell products and/or services to the final consumer such as:

Restaurants, Retail Stores, Malls, Hotels, Motels, Professional Services, and similar Facilities; unless those facilities are located in Traditional Commercial Corridors (TCC) and/or the City Core, as defined by the City of Waco

Projects located in Traditional Commercial Corridors, or the City Core will be evaluated for tax abatement eligibility on a case-by-case basis if they are deemed in compliance with the Comprehensive Plan and will provide a positive economic impact on the TCC and/or City Core areas.

Nothing in the policy shall be construed as an obligation by the City of Waco to approve any tax abatement application.

It is the policy of the City of Waco to give priority consideration for projects that:

- (a) Are located in Enterprise zones, designated areas, or TCC or the City Core;
- (b) Result in a development with little or no additional costs to the City;
- (c) Results in 100,000 square feet or more of newly constructed industrial facilities (at new or existing business locations);
- (d) Result in at least \$10,000,000 or more of new taxable appraised value to the tax rolls.
- (e) Result in 200 or more new jobs
- (f) Result in 5 or more new jobs in designated areas; or
- (g) Results in 2 or more jobs in TCC or the City Core.

It is further the policy of the City of Waco to encourage this use of disadvantaged business.

enterprises. For this reason, a final tax abatement contract may include specific goals and objectives relative to disadvantaged business enterprises, such as utilization of Waco-based firms, prospective employment commitments for Waco residents, and other specific criteria.

## **II. DEFINITIONS**

- A. "Abatement" means the full or partial exemption of ad valorem taxes on eligible real or personal property improvements in a reinvestment zone designated as such for economic development purposes.
- B. "Agreement" means a contractual agreement between a property owner and a taxing jurisdiction for the purpose of tax abatement.
- C. "Base Year Value" means the assessed value of either the applicant's real and/or personal property improvements located on the real property as of January 1 of the year of the execution of the agreement plus the agreed upon value of any property improvements made after January 1 of that year but before execution of the agreement.
- D. "City Core" means a geographic location that encompasses the Imagine Waco master plan area and some additional area within the Sanger Heights and University neighborhoods, as depicted in the map attached as Exhibit C, which have collectively been selected by the City Council to receive special consideration in order to encourage economic development.
- E. "Corporate / Regional Offices" means offices with more than 50 full time jobs based on site and meeting the salary and benefit requirements of the Waco McLennan County Economic Development Corporation.
- F. "Designated Area" means an Enterprise Zone or a specified region in the City of Waco that has been selected by the City Council to receive special consideration in order to encourage economic development in that region. The map found in Exhibit A identifies the current designated areas in the City of Waco.
- G. "Disadvantaged Business Enterprises" means a for-profit small business concern where socially and economically disadvantaged individuals own at least a 51% interest and also control management and daily business operations. African Americans, Hispanics, Native Americans, Asian-Pacific and Subcontinent Asian Americans, and women are presumed to be socially and economically disadvantaged.
- H. "Economic Life" means the number of the years a property improvement is expected to be in service in a facility; provided, however, in no event shall the number of years exceed the depreciation allowance specified in the Federal Internal Revenue Service Code.
- I. "Enterprise Zone" means an area that is defined by the most recent federal decennial census available at the time of designation, in which at least 20 percent of the residents have an income at or below 100 percent of the federal poverty level; or an area currently designated by the federal government as a renewal community, a federal empowerment zone, or a federal enterprise community; or an area located in a distressed county.
- J. "Expansion" means the addition of buildings, structures, fixed machinery, or equipment for the purpose of increasing production capacity.

- K. "Facility" means property improvements completed or in the process of construction which together comprise an integral whole.
- L. "Full-time job" means a job that requires a minimum of forty (40) hours of work per week; or eighty (80) hours of work per two weeks, receives benefits, and is hired to work full-time year-round (2080 hours per year).
- M. "Lease" means a relationship whereby the business applying for tax abatement has a contract for exclusive possession of either the real property on which improvements are to be made and/or of movable personal property to be used for the operation of the business for a defined period of time.
- N. "New facility" means a previously undeveloped property that is placed into service by means other than expansion or modernization.
- O. "Personal Property" means equipment and/or tools used, or bought for use in the operation of the business applying for tax abatement.
- P. "Real Property" means the area of land defined by legal description as being owned or leased by the business applying for a tax abatement, including any improvements thereto, which is to be improved and valued for property tax purposes, and which is to be included in the reinvestment zone.
- Q. "Reinvestment Zone" or Tax Abatement District is an area designated as such for the purpose of tax abatement as authorized by the City of Waco in accordance with State law. In order to receive tax abatement a business must be in a reinvestment zone.
  - 1. Enterprise Zones are automatically considered reinvestment zones.
  - 2. Reinvestment zones in designated areas are subject to less stringent criteria to qualify for tax abatement.
- R. "Traditional Commercial Corridors" means specified geographic locations in Waco that have been selected by the City Council to receive special consideration in order to encourage economic development in that location. The map found in Exhibit B identifies the current traditional commercial corridors in Waco.

### **III. ELIGIBILITY CRITERIA**

- A. Eligible Property: Tax abatement may only be granted to the owners of real property improvements, personal property improvements, and taxable leasehold interests in tax-exempt real property located in a reinvestment zone to the extent allowed by state law. Real property improvements include the construction of a new facility and the expansion/modernization of an existing facility.
- B. Ineligible Property: Any property that is not specifically identified in the tax abatement agreement will not receive tax abatement. Inventory, supplies, and/or office equipment are not eligible for tax abatement. Personal property that was located on the real property at any time before the execution of the abatement agreement will not be eligible for abatement.

- C. **Water/Sewer Refund Contracts:** An applicant that is granted tax abatement of eligible property will not be eligible for water or sewer refund contracts.
- D. **Abatement Periods:** Eligible real and/or personal property improvements may qualify for abatement periods lasting between 2 to 7 years. The economic life of the eligible property must exceed the abatement period.
- E. **Premium Opportunity Bonus:** An additional 10% abatement is available throughout the abatement period if the company creates at least 50 new full-time jobs two-thirds (66.7%) of the new employees (additional employees in the case of a qualifying expansion) live within the City of Waco. The eligibility of the Premium Opportunity Bonus shall be determined on a yearly basis. The Premium Opportunity Bonus will not be combined with the City Core Opportunity Bonus based on Waco residence unless the resulting percentage is less than 100% abatement.
- F. **City Core Opportunity Bonus:** An additional 10% abatement is available throughout the abatement period if the company creates at least 50 new full-time jobs and one-third (33.3%) of the new employees (additional employees in the case of a qualifying Expansion) live in the City Core. The eligibility of the Premium Opportunity Bonus shall be determined on a yearly basis. The City Core Opportunity Bonus will not be combined with the Premium Opportunity Bonus based on Waco Residency unless the resulting percentage is less than 100% abatement.
- G. **Exceptional Cases:** Where the applicant’s investment in real and/or personal property improvements substantially exceeds the eligibility thresholds, the City Council may consider terms and/or percentages that exceed these guidelines. However, the maximum period for any tax abatement agreement is limited to 10 years in accordance with state law.

**IV. ELIGIBILITY THRESHOLDS**

**A. Real Property Abatement**

- 1. **Real Property Improvements:**  
To qualify for real property tax abatement, the project must meet one more of the following minimum threshold eligibility requirements in regard to square footage of new construction, job creation, or the value of the improvements as valued by the McLennan County Appraisal District.

**New Construction**

Square Footage	Abatement	Years
500,000 SF or more	90, 90, 90, 90, 90, 80, 80%	7
499,999 SF to 250,000 SF	90, 90, 90, 90, 90, 65, 65%	7
249,999 SF to 100,000 SF	90, 90, 90, 90, 90%	5

**Creation of Full-time Jobs**

# of New Jobs	Abatement	Years
500 or more	90, 90, 90, 90, 90, 80, 80%	7
499 to 350	90, 90, 90, 90, 90, 65, 65%	7
349 to 200	90, 90, 90, 90, 90%	5

**Real Property Improvement Value**

\$ Value (per MCAD)	Abatement	Years
\$30,000,000 or more	90, 90, 90, 90, 90, 80, 80%	7
\$29,999,999 to \$20,000,000	90, 90, 90, 90, 90, 65, 65%	7
\$19,999,999 to \$10,000,000	90, 90, 90, 90, 90%	5

2. Real Property Improvements in a DESIGNATED AREA or TRADITIONAL COMMERCIAL CORRIDORS, OR CITY CORE:

To qualify for real property tax abatement in a designated area or TCC or City Core, the project must meet one or more of the following minimum threshold eligibility requirements in regard to square footage of the new construction, job creation or the value of new construction as valued by the McLennan County Appraisal District.

**New Structure/Expansion**

Square Footage	Abatement	Years
100,000 SF or more	90%	5
50,000 to 99,999	65%	5
10,000 to 49,999	40%	5
5,000 to 9,999	40%	2
0 to 4,999	0%	0
<b>TCC or City Core only</b>		
20,000 to 4,999	40%	2
<i>Larger SF will qualify as above</i>		

**Creation of Full-Time Jobs**

# of New Jobs	Abatement	Years
200 or more	90%	5
199 to 100	65%	5
99 to 50	40%	5
49 to 5	40%	2
4 to 0	0%	0
<b>TCC or City Core only</b>		
2 or more	40%	2
<i>More jobs will qualify as above</i>		

**Real Property Improvement Value**

\$ Value (per MCAD)	Abatement	Years
\$10,000,000 or more	90%	5
\$9,999,999 to \$5,000,000	65%	5
\$4,999,999 to \$1,000,000	40%	5
\$999,999 to \$500,000	40%	2
\$499,999 to \$0	0%	0
<b>TCC or City Core only</b>		
\$100,000 or more	40%	2
<i>Higher Value will qualify as above</i>		

**B. Personal Property Tax Abatement**

1. Personal Property Improvement:  
To qualify for personal property tax abatement (7 year maximum), the project must meet the following minimum threshold eligibility requirements in regard to the value of new construction as valued by the McLennan County Appraisal District and job creation.

**Property Value & Job Creation**

Value	# of New Jobs	Abatement	Years
\$45,000,000 or more	5	80, 70, 60, 50, 35, 15, 15%	7
\$30,000,000 to \$44,999,999	10	70, 60, 50, 40, 25, 15, 15%	7
\$20,000,000 to \$29,999,999	20	60, 50, 40, 30, 15, 10, 10%	7
\$15,000,000 to \$19,999,999	30	50, 40, 30, 20, 10, 10, 10%	7
\$10,000,000 to \$14,999,999	40	40, 30, 20, 15, 5, 5, 5%	7
\$8,000,000 to \$9,999,999	80	40, 30, 20, 15, 5, 5, 5%	7
\$6,000,000 to \$7,999,999	120	40, 30, 20, 15, 5, 5, 5%	7
4,000,000 to \$5,999,999	160	40, 30, 20, 15, 5, 5, 5%	7
\$2,000,000 to \$3,999,999	200	40, 30, 20, 15, 5, 5, 5%	7

2. Personal Property IN A DESIGNATED AREA or TCC OR CITY CORE. To qualify for personal property tax abatement (5 year maximum), the project must meet the following minimum threshold eligibility requirements in regard to job creation.

**Job Creation IN A DESIGNATED AREA:**

# of New Jobs	Abatement	Years
100 or more	40, 30, 20, 10, 5, 5, 5%	7
50 to 99	40, 30, 20, 10, 5, 5%	6
31 to 49	40, 30, 20, 10, 5%	5
16 to 30	40, 30, 20, 10%	4
5 to 15	40, 30%	2
Less than 5	0%	0
<b>TCC or City Core Only</b>		
2 or more	40, 30%	2
<i>More jobs will qualify as above</i>		

**C. Leasehold Interest Tax Abatement**

1. A taxable leasehold interest in tax-exempt property may receive tax abatement if it is located in a reinvestment zone.
2. The eligibility thresholds for tax abatement of a taxable leasehold interest in tax-exempt real property will be determined on a case-by-case basis.

**D. Fee-based Incentives**

Fee-based incentives may also be considered in lieu of or in addition to a tax abatement if the project presents extraordinary value to the City in terms of added tax value, increased employment opportunity, or enhanced quality of life amenities. Fee-based incentives may include the reduction or full waiver of building permit fees assessed by the City and/or development impact fees.

## V. APPLICATION PROCEDURE

### A. Application Submission

1. All documents received by the City of Waco (physically or electronically) may be subject to public disclosure under certain circumstances.
2. Applicants for tax abatement must submit a completed Application for Tax Abatement with the correct filing fee to the City of Waco Economic Development Office. Incomplete applications will not be considered.
3. There is no filing fee for projects located in TCC or City Core area. The filing fee for projects located in designated areas is \$500.00. The filing fee for projects located outside designated areas, or TCC or City Core area, is \$1,000.00. Applications will not be processed without the filing fee.
4. The City of Waco reserves the right to review/verify the applicant's financial statements and request additional information in determining the economic feasibility and long-term benefit of the overall project.
5. The City of Waco Economic Development Office will evaluate an application on the merit and value of the proposed project. Based on the outcome of the evaluation, the Economic Development Office may present the application to the City Council for consideration.

### B. City Council Consideration

1. All the projects brought to City Council for consideration will be presented at meetings conducted pursuant to the Open Meetings and Property Redevelopment and Tax Abatement Acts.
2. A public hearing must be held before the City of Waco City Council will approve a new reinvestment zone for tax abatement. If the subject property is in an existing reinvestment zone, no public hearing is necessary.
3. The City Council retains sole authority to approve or deny any tax abatement agreement and is under no obligation to approve any tax abatement agreement.

## VI. COMPLIANCE VERIFICATION

### A. Initial Inspection

1. Certificate of Compliance: After the initial requirements of the agreement have been completed (i.e. construction/installation of improvements), the Owner must submit an executed Certificate of Compliance to the City.
2. City Staff Inspection: After receipt of an executed Certificate of Compliance, city staff shall make an inspection to verify that all initial contract requirements are complete. Upon verification the City Manager will approve the Certificate of Compliance,

authorize the commencement of the tax abatement and notify the McLennan County Appraisal District.

**B. Annual Certification**

1. **Standard Annual Certification:** On or before January 31st of every year, the Owner must submit a statement which provides information about the project's achievement during the prior calendar year regarding the improvements and/or job creation covered by the tax abatement agreement. The following items must be included in the statement:
  - i. The added square footage and/or improvement value made;
  - ii. The value of the construction/installation (most recent value by the McLennan County Appraisal District);
  - iii. The total number of jobs created (full-time), to date;
  - iv. The amount of property taxes paid on the facility during the prior year; and
  - v. Any tax protests that have been filed regarding ad valorem taxes and a description of the reasons for the tax protest.
  
2. **Premium Opportunity or City Core Opportunity Bonus Certification:** If the Owner is pursuing the Premium Opportunity or City Core Opportunity Bonus, then on January 31st of every year, the following information must be submitted, in addition to the Standard Annual Certification:
  - i. Number of jobs created;
  - ii. Each employee's name or identification number;
  - iii. Each employee's home address;
  - iv. Each employee's job type or classification; and
  - v. Each employee's pay rate.

**C. City's Right to Inspect**

1. **Facilities and Records:** The City of Waco reserves the right to send representatives from the City and the McLennan County Appraisal District to inspect the facilities and records of the Owner during the term of the agreement to verify the accuracy of the information provided for the tax abatement.
  
2. **Compliance with other laws:** The City will hold and process any information that is received or viewed in accordance with all applicable United States laws and regulations.

**VII. RECAPTURE**

- A. **Appraisal Disputes:** If during the term of the agreement, an appraisal dispute results in the reduction of the appraised value of such improvements below the value indicated to the City, the City reserves the right to cancel/modify the agreement and/or require repayment of all incentives received under the agreement.

- B. Noncompliance: If the project does not meet its obligations under the Agreement, the Owner shall be responsible and obligated to repay to the City the incentives, including the value of in-kind incentives, received from the City. Repayment of incentives shall be made by the project within sixty (60) days demand by the City.

**VIII. PREVIOUS TAX ABATEMENT AGREEMENTS NOT AFFECTED**

These Guidelines and Policy Statement for Tax Abatement approved by the City of Waco City Council shall not affect any tax abatement previously approved by the City of Waco City Council.

**Exhibit A**  
**Map of Designated Areas**

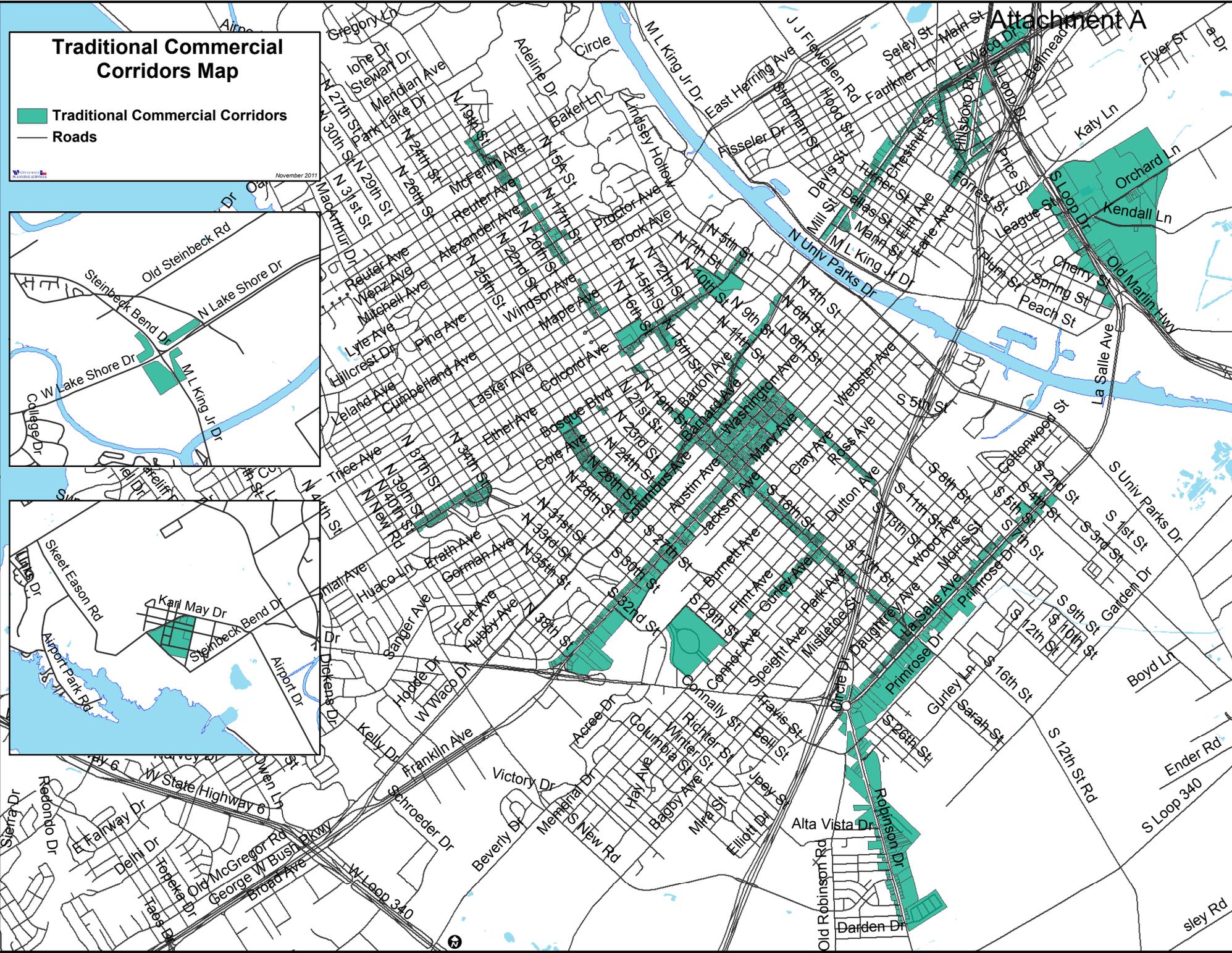
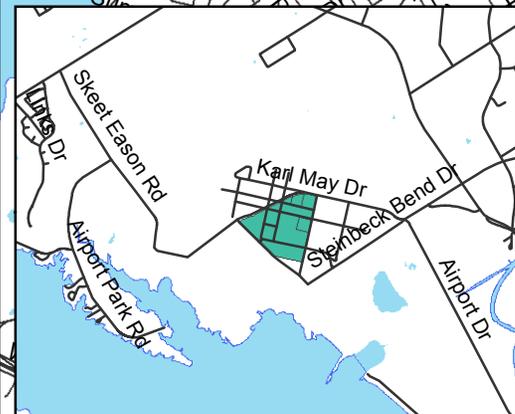


**Exhibit B**  
**Map of Traditional Commercial Corridors**

# Traditional Commercial Corridors Map

-  Traditional Commercial Corridors
-  Roads

November 2011



**Exhibit C**  
**Map of City Core**

# City Core

Addresses ~13,631

**Census Tracts**  
1,2,3,4,5,9,8,7,8,9,10,11,12,  
13,14,15,16,17,18,19,21

**Neighborhood's**  
Alta Vista, Austin Ave, Baylor, Book Oaks,  
Brookview, Carver, Dean Highland, Downtown,  
North Waco, North East Riverside, Oakwood,  
Sanger-Heights, University

**Council Districts**  
I, II, IV

Herring/Lyle Ave

Bus. 77

N/S 26th Street

La Salle Ave

**Legend**

- City Core
- Waco City Limits

