

ORDINANCE NO. O-2017-4787

AN ORDINANCE AMENDING CHAPTER 38, SECTION 38-22, CODE OF ORDINANCES (2010 EDITION), CITY OF ROUND ROCK, TEXAS RE-ADOPTING GUIDELINES AND CRITERIA GOVERNING REINVESTMENT ZONES AND TAX ABATEMENT AGREEMENTS WITHIN THE CITY LIMITS OR EXTRATERRITORIAL JURISDICTION OF ROUND ROCK, TEXAS; PROVIDING A SAVINGS CLAUSE AND REPEALING CONFLICTING ORDINANCES AND RESOLUTIONS.

WHEREAS, the City of Round Rock must compete with other state and local governments across the nation currently offering tax abatements and other incentives to attract new industry and economic development; and

WHEREAS, new jobs and industries will benefit the local economy, strengthen the real estate market, and generate future tax revenue; and

WHEREAS, pursuant to Section 312.002 of the Tax Code, V.A.T.S., the city may not designate an area as a reinvestment zone and may not enter into a tax abatement agreement unless the City Council has established guidelines and criteria governing tax abatement agreements; and

WHEREAS, the City Council previously adopted such guidelines and criteria governing tax abatement agreements by Ordinance No. O-2015-2251; and

WHEREAS, the City Council wishes to re-adopt such guidelines and criteria;
Now Therefore

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ROUND ROCK, TEXAS THAT:

I.

Section 38-22 of the Code of Ordinances (2010 Edition) of the City of Round Rock, Texas is hereby readopted to read as follows:

38-22 Tax abatement guidelines and criteria governing reinvestment zones and tax abatement agreements.

(a) *Authorization of abatement.*

- (1) *Economic qualifications.* In order for the owner of property within a reinvestment zone to be eligible to receive a tax abatement, the owner must show that the planned project will benefit the city in some or all of the following six categories:
 - a. Primary and nonprimary jobs;
 - b. Improvements to real property and/or investment in personal property;
 - c. Sales tax;
 - d. Employee payroll;
 - e. Diversity in the economic base; and
 - f. Synergy for additional economic development and/or intangible benefits to the city.

The planned project will be awarded points in the aforesaid categories to determine whether or not it is eligible for consideration for an abatement and what level of abatement is available. The criteria for awarding points and the various levels of tax abatement available are shown in subsections (g), (h) and (i) of this section.

- (2) *Creation of new value.* Abatement may be granted for real property in each year covered by an agreement only to the extent its value for that year exceeds its value for the year in which the agreement is executed. Abatement may be granted for tangible personal property located on the real property in each year covered by the agreement other than tangible personal property that was located on the real property at any time before the period covered by the agreement with the city and other than inventory and supplies.
- (3) *Agricultural exemptions denied.* No tax abatement shall be granted for any real property unless and until full market value taxes have been paid for five years prior to the execution of a tax abatement agreement.
- (4) *Industrial districts.* No tax abatement shall be granted for any property included in an industrial district.
- (5) *Eligible property.* Tax abatement agreements may exempt from taxation a portion of the value of the real property and/or of tangible personal property located on the real property, or other property, as provided by V.T.C.A., Tax Code ch. 312.
- (6) *Owned/leased facilities.* If a leased facility is granted an abatement, the tax abatement agreement shall be signed by both the lessor and the lessee.

- (7) *Value and term of abatement.* Abatement shall be granted effective on January 1 of the year following the date of execution of the tax abatement agreement. The percentage of the increase abated shall be specified in each tax abatement agreement; however, no tax abatement agreement shall exceed ten years.
- (b) *Definitions.* The following words, terms and phrases, when used in this section, shall have the meanings ascribed to them in this subsection, except where the context clearly indicates a different meaning:
- Intangibles* means that a business will provide indirect but important benefits to the city, such as name recognition, tourism promotion, etc.
- Primary job* means a job that is available at a company for which a majority of the products or services of that company are ultimately exported to regional, statewide, national, or international markets infusing new dollars into the local economy.
- Synergism* means that a business will have a mutually advantageous compatibility with other businesses in the city.
- (c) *Public hearing and approval.*
- (1) Prior to entering into any tax abatement agreement, the city may, at its option, hold a public hearing at which interested persons shall be entitled to speak for or against the approval of the tax abatement agreement.
- (2) Before approving any tax abatement agreement, the city must find that the terms of the proposed agreement meet these guidelines and criteria and that:
- a. There will be no substantial adverse effect on the provision of city services or on its tax base; and
- b. The planned use of the property will not constitute a hazard to public safety, health, or welfare.
- (d) *Agreement.* In addition to the specific requirements of V.T.C.A., Tax Code § 312.205, the tax abatement agreement shall include the following:
- (1) An estimated increase to be abated and the current assessed value of property;
- (2) A percent of increase to be abated each year;
- (3) A commencement and expiration date of abatement;
- (4) A proposed use of improvement, nature of construction, time schedule, map, and property description; and
- (5) If the tax abatement is requested for a commercial or industrial project, the projected number of primary and nonprimary jobs created per year for the life of the tax abatement agreement.
- (e) *Assignment.* Tax abatement agreements may be assigned to a new owner or lessee of the improvements with the written consent of the city. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all duties and obligations of the assignor as set out in the agreement. No assignment shall be approved if the assignor or assignee are indebted to the city for ad valorem taxes or other obligations.

- (f) *Amendments to guidelines.* These guidelines and criteria are effective upon the date of the adoption of the ordinance from which they are derived and will remain in force for two years, at which time all reinvestment zones and tax abatement agreements created pursuant to its provisions will be reviewed by the city to determine whether the goals have been achieved.

- (g) *Criteria for eligibility for tax abatement for new business.*

	<i>Category</i>	<i>Points</i>	<i>Maximum Points</i>
(1)	Primary jobs Nonprimary jobs	1 point per 2 jobs 1 point per 3 jobs	n/a n/a
(2)	Improvements to real property Investment in personal property	1 point per \$100,000.00 of new improvements to real property 1 point per \$200,000.00 of new investment in personal property	n/a n/a
(3)	Projected sales tax	1 point per \$500,000.00 in annual taxable sales	n/a
(4)	Payroll	1 point per \$60,000.00 in annual payroll	n/a
(5)	Economic diversity	1 st business of its type 2 nd business of its type 3 rd business of its type	50 25 10
(6)	Synergism/intangibles	To be determined by city	200

- (h) *Criteria for eligibility for tax abatement for existing business.*

	<i>Category</i>	<i>Points</i>	<i>Maximum Points</i>
(1)	Existing primary jobs Existing nonprimary jobs New primary jobs New nonprimary jobs	1 point per 4 jobs 1 point per 6 jobs 1 point per 2 jobs 1 point per 3 jobs	n/a n/a n/a n/a
(2)	Improvements to real property Investment in personal property	1 point per \$100,000.00 of new improvements to real property 1 point per \$200,000.00 of new investment in personal property	n/a n/a
(3)	Additional projected sales tax	1 point per \$500,000.00 in additional annual taxable sales	n/a

(4)	Payroll	1 point per \$60,000.00 in additional annual payroll 1 point per \$120,000.00 in existing annual payroll	n/a n/a
(5)	Synergism/Intangibles	To be determined by city	200

(i) *Standard abatement offer.*

- (1) In order to receive an abatement, an applicant must score at least 175 points from the list of criteria.
- (2) The standard abatement offer is one percent of abatement for each point scored. An abatement of less than 300 percent will be spread over three years. An abatement of between 300 percent and 500 percent will be spread over at least five years. An abatement of more than 500 percent will be spread over a minimum of five years, but not more than ten years. The following are examples of typical abatement offers for the three levels of scores.

<i>Example 1: 175 points</i>		
	Year 1	100%
	Year 2	50%
	Year 3	25%
	Total	175%
<i>Example 2: 450 points</i>		
	Year 1	100%
	Year 2	100%
	Year 3	100%
	Year 4	75%
	Year 5	75%
	Total	450%
<i>Example 3: 650 points</i>		
	Year 1	100%
	Year 2	100%
	Year 3	100%
	Year 4	75%
	Year 5	75%
	Year 6	75%
	Year 7	75%
	Year 8	50%
	Total	650%

II.

A. All ordinances, parts of ordinances, or resolutions in conflict herewith are expressly repealed.

B. The invalidity of any section or provision of this ordinance shall not invalidate other sections or provisions thereof.

C. The City Council hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Ordinance was adopted was posted and that such meeting was open to the public as required by law at all times during which this Ordinance and the subject matter hereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

Alternative 1.

By motion duly made, seconded and passed with an affirmative vote of all the Council members present, the requirement for reading this ordinance on two separate days was dispensed with.

READ, PASSED, and ADOPTED on first reading this _____ day of _____, 2017.

Alternative 2.

READ and APPROVED on first reading this the _____ day of _____, 2017.

READ, APPROVED and ADOPTED on second reading this the _____ day of _____, 2017.

CRAIG MORGAN, Mayor
City of Round Rock, Texas

ATTEST:

SARA L. WHITE, City Clerk