



City of Port Arthur Neighborhood Empowerment Zone Incentive Policy

General Purpose and Objectives

Chapter 378 of the Texas Local Government Code allows a municipality to create a Neighborhood Empowerment Zone (NEZ) when a "...municipality determines that the creation of the zone would promote:

- (1) the creation of affordable housing, including manufactured housing, in the zone;
- (2) an increase in economic development in the zone;
- (3) an increase in the quality of social services, education, or public safety provided to residents of the zone; or
- (4) the rehabilitation of affordable housing in the zone."

It is the City of Port Arthur's goal to promote development within its Neighborhood Empowerment Zones in an effort to improve the local economy and enhance the quality of life for its citizens. Insofar as these goals are served by enhancing the value of the local tax base and increasing economic opportunities, the City of Port Arthur will give consideration to providing the following incentives for development within Neighborhood Empowerment Zones.

As mandated by state law, the property tax abatement under this policy applies to the owners of real property. Nothing in the policy shall be constructed as an obligation by the City of Port Arthur to approve any tax abatement application.

Definitions:

- A. *Abatement or Tax Abatement*: full or partial exemption for ad valorem taxes of eligible properties in a reinvestment zone designated as such for economic development purposes.
- B. *Agreement*: a contractual agreement between a property owner and a taxing jurisdiction for the purpose of a tax abatement.
- C. *Base Year Value*: the assessed value of either the applicant's real property and improvements located in a designated reinvestment zone on January 1 of the year prior to the execution of the agreement plus the agreed upon value of any property improvements made after January 1 of that year but before the execution of the agreement, and/or the assessed value of any tangible personal property located on the owner's real property on January 1 of the year prior to the abatement period covered by the agreement.

- D. *Capital Investment*: only Real Property Improvements such as new facilities and structures, site improvements, facility expansion, and facility modernization. Capital Investment does NOT include land acquisition costs and/or any existing improvements, or personal property (such as machinery, equipment, and/or supplies and inventory).
- E. *Eligible Rehabilitation*: only physical improvements to Real Property Improvements. Eligible Rehabilitation does Not include personal property (such as furniture, appliances, equipment, and/or supplies).
- F. *Facility*: property improvements completed or in the process of construction which together comprise an integral whole.
- G. *Gross Floor Area*: measured by taking the outside dimensions of the building at each floor level, except that portion of the basement used only for utilities or storage, and any areas within the building used for off-street parking.
- H. *Incremental Value*: the amount of assessed value of the project that is in addition to the Base Year Value of applicant's real property at their prior location.
- I. *Neighborhood Empowerment Zone*: an area so designated for the purpose of providing economic incentives, including a tax abatement, as authorized by the City of Port Arthur in accordance with Texas Local Government Code Annotated Section 378 as amended.
- J. *New Construction*: a newly constructed habitable structure improvement requiring a permanent foundation. This excluded accessory structures such as sheds and incidental out buildings.
- K. *Primary Residence*: the residence that has a Homestead Exemption on file with Jefferson County Appraisal District.
- L. *Real Property*: land defined by legal description owned by the person 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 Neighborhood Empowerment Zone.
- M. *Reinvestment Zone*: an area designated as such by the City of Port Arthur in accordance with the Property Redevelopment and Tax Abatement Act codified in Chapter 312 of the Texas Tax Code, or an area designated as an enterprise zone pursuant to the Texas Enterprise Zone Act, codified in Chapter 2303 of the Texas Government Code.
- N. *Substantial Investment*: a project deemed as an eligible facility under this policy, that exceeds \$5,000,000 in capital investment.

Program Policy:

It is the policy of the City of Port Arthur that consideration will be provided in accordance with the guidelines, criteria and procedures outlined in this document. This policy applies to the owners of real property. Project consideration will include the potential impact of the reinvestment project on the immediate and surrounding area.

- A. **Authorized Facility:** Neighborhood Empowerment Zone Incentives may be granted within a Neighborhood Empowerment Zone for new construction or renovation of single-family uses for investments of \$50,000 or greater and may be granted for all other uses for investment of \$75,000 or greater.
- B. **Eligible Property:** Neighborhood Empowerment Zone Incentives may be granted for new construction or renovation of owner-occupied single-family homes, office, retail, hotel and meeting facilities, restaurant and multi-family residential facilities within a Neighborhood Empowerment Zone, designated by the City Council of the City of Port Arthur, Texas.

Ineligible Facilities or Projects:

- A. No incentives shall be granted for development resulting from the relocation of an eligible facility from one area of the city to within the Neighborhood Empowerment Zone, excepting projects considered "Substantial Investments," as defined herein.

Procedural Guidelines:

Any person, partnership, organization, corporation or other entity desiring that the City of Port Arthur consider providing Neighborhood Empowerment Zone incentives shall be required to comply with the following procedural guidelines. No representations made herein considered binding unless and until approved by the City Port Arthur City Council.

Preliminary Application:

Applicants shall submit a completed "Application for Neighborhood Empowerment Zone Development Incentives" form for consideration of Incentives to the Department of Development Services of the City of Port Arthur, 444 4th Street, Port Arthur, Texas 77640.

Consideration of the Application:

- A. The City Manager will consider requests for incentives in accordance with these policies, pursuant to Chapter 378 of the Texas Local Government Code. Additional information may be requested as needed.

- B. The City Council may authorize an agreement that outlines the terms and conditions between the City and the applicant and governs the provision of the incentives.

Inspection of the Project:

During the term of such agreement, the City of Port Arthur will have the right to inspect the project facility during regular business hours to ensure compliance with the agreement and accuracy of the owner certification.

Recapture:

If a project is not completed as specified, or if the terms of the incentive agreement are not met, the City has the right to cancel or amend the incentive agreement and all previously waived fees and abated taxes shall become due to the City and liens may be attached.

Effect of Sale, assignment or lease of property:

No incentive right may be sold or assigned without the approval of the City Council. Any sale, assignment or lease of the property may result in execution of the recapture provision, as outlined above.

Types of Incentives Available:

Building Permit Fee Waivers

The Building Construction Permit Fee Waiver Program affords property owners an exemption from planning and building fees associated with new construction or renovation and occupancy of eligible facilities within the target area.

Expedited Permit Reviews

In order to facilitate redevelopment within the Neighborhood Empowerment Zones, the Department of Development Services is committed to assisting applicants through the planning and permit review process as quickly as possible.

Lien Waivers

In order to render properties with Neighborhood Empowerment Zones more marketable, the Lien Waiver Program affords property owners a release of liens attached to properties as the result of demolitions or expenditures associated with cutting high grass. Release of such liens would only be allowed in conjunction with new construction or renovation of eligible facilities within the target area.

Construction Tax Abatement

The Construction Tax Abatement Program is an economic development tool designed to provide incentives for the new construction or renovation of single-family homes, office, retail, restaurant and multi-family residential facilities within a Neighborhood Empowerment Zone. The Construction Tax Abatement Program is intended to contribute to area development by attracting additional capital and human investment to the area as well as additional residents to support economic development activities within the area.

Value of Abatements: authorized facilities may be granted a municipal tax abatement on all or a portion of the increased taxable value of eligible property over the base year value for a period not to exceed three (3) years, except as outlined below.

Tax Abatement Program Guidelines:

The eligibility requirements are as follows:

Investment	Municipal Tax Abatement	Schedule
\$50,000 & up for residential uses and \$75,000 & up for all other uses	100%; or 100% of the incremental value for Substantial Investments relocating to the City.	1 st Year
\$50,000 & up for residential uses and \$75,000 & up for all other uses	100%; or 100% of the incremental value for Substantial Investments relocating to the City.	2 nd Year
\$50,000 & up for residential uses and \$75,000 & up for all other uses	100%; or 100% of the incremental value for Substantial Investments relocating to the City.	3 rd Year
\$5,000,000 or more for any eligible use	100% for new investments and the incremental value for Substantial Investments relocating to the City.	4 th Year
\$5,000,000 or more for any eligible use	100% for new investments and the incremental value for Substantial Investments relocating to the City.	5 th Year
\$5,000,000 or more for any eligible use	100% for new investments and the incremental value for Substantial Investments relocating to the City.	6 th Year
\$5,000,000 or more for any eligible use	100% for new investments and the incremental value for Substantial Investments relocating to the City.	7 th Year

Abatement Program Considerations:

- A. The final valuation determined by the Jefferson County Appraisal District will be used to determine the actual yearly tax abatement exemption.
- B. The tax abatement shall be granted only to the owner of the property.
- C. No tax abatement exemption shall be effective until the applicant has met all of the eligibility requirements contained in the guidelines and policies, state law, and City of Port Arthur codes.

- D. There shall be no retroactive tax abatement exemptions – all tax abatement exemptions become effective only on or after the date the City Council approves the tax abatement agreement.
- E. The applicant shall agree to hold the City of Port Arthur, its agents, employees and public officials harmless and pay all attorneys' fees that are generated by any dispute regarding the tax abatement agreement.
- F. Personal and or real property identified before the period covered by the abatement agreement will not be eligible for abatement.