

## COUNTY OF WEBB

### NEIGHBORHOOD EMPOWERMENT ZONE (NEZ), NUMBER ONE, TAX ABATEMENT POLICY AND BASIC INCENTIVES

#### **I. 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.

The County of Webb, by adopting the following NEZ Tax Abatement Policy and Basic Incentives, will promote rehabilitation of single family homes, multi-unit housing and economic development in Neighborhood Empowerment Zones. For each NEZ, the County Commissioners Court may approve additional terms and incentives as permitted by Chapter 378 of the Texas Local Government Code or by Webb County resolution. However, any tax abatement awarded before the expiration of a NEZ shall carry its full term according to its tax abatement agreement approved by the County Commissioners Court.

As mandated by state law, the property tax abatement under this policy applies to the owners of real property. All applications shall go through administrative review and approval will be granted by County Commissioners Court.

#### **II. DEFINITIONS**

*"Abatement or Tax Abatement"* means a temporary partial exemption from County of Webb ad valorem taxes on eligible real property located in a NEZ for a specified period on the difference between (i) the amount of increase in the appraised value (as reflected on the certified tax roll of the appropriate county appraisal district) resulting from improvements begun after the execution of a written Tax Abatement Agreement and (ii) the appraised value of such real estate prior to execution of a written Tax Abatement Agreement (as reflected on the most recent certified tax roll of the appropriate county appraisal district for January 1 prior to the date on which the Tax Abatement Agreement was executed).

*"Affordable Units"* means affordable to persons earning less than 80% Area Median Family Income (AMFI) as defined by U.S. Department of Housing and Urban Development (HUD) for single family housing and under 60% AMFI as defined by HUD for rental and multi-family.

*"Base Value"* is the value of the real property, excluding land, as determined by the Webb County Tax Appraisal District, as of January 1 prior to the execution of the contract.

*"Building Code"* the Laredo City Code adopted code pursuant to the International Building Code.

*"Capital Investment"* includes 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).

"County of Webb Tax Abatement Policy Statement" means the policy adopted by Webb County Commissioners Court.

"Commercial/Industrial Development Project" is a development project which proposes to construct or rehabilitate commercial/industrial facilities on property that is (or meets the requirements to be) zoned commercial, industrial or mixed use as defined by the City of Laredo Zoning Ordinance. The building must be enclosed with walls, roof, windows, and stub outs.

"Eligible Rehabilitation" includes only physical improvements to real property. Eligible Rehabilitation does NOT include personal property (such as furniture, appliances, equipment, and/or supplies).

"Energy Star Program" an international standard for energy efficient consumer products originated in the United States of America

"Gross Floor Area" is 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.

"Mixed-Use Development Project" is a development project which proposes to construct or rehabilitate mixed-use facilities in which residential uses constitute 20 percent or more of the total gross floor area, and office, eating and entertainment, and/or retail sales and service uses constitute 10 percent or more of the total gross floor area and is on property that is (or meets the requirements to be) zoned mixed-use as described by the City of Laredo Zoning Ordinance.

"Multifamily Development Project" is a development project which proposes to construct or rehabilitate multi-family residential living units on property that is (or meets the requirements to be) zoned multi family or mixed use as defined by the City of Laredo Zoning Ordinance.

"New Construction" is a newly constructed improvement requiring a permanent foundation. This excludes accessory structures such as sheds and incidental out buildings.

"Primary Residence" is the residence that has a Homestead Exemption on file with Webb County Appraisal District.

"Project" means a "Residential Project", "Commercial/Industrial Development Project", "Community Facility Development Project", "Mixed-Use Development Project"; or a "Multifamily Development Project."

"Reinvestment Zone" is an area designated as such by the City of Laredo 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 2253 of the Texas Government Code.

### **III. COUNTY PROPERTY TAX ABATEMENTS**

#### **A. RESIDENTIAL PROPERTIES LOCATED IN A NEZ- FULL 100% ABATEMENT FOR 5 YEARS**

1. For residential property, a homeowner shall be eligible to apply for a 5-year tax abatement by meeting the following:
  - a. Property is owner-occupied and is the primary residence of the homeowner prior to the

- final NEZ designation. Homeowner shall provide proof of ownership by a warranty deed, affidavit of heirship, or a probated will, and shall show proof of primary residence by homestead exemption; and
- b. Property is rehabilitated after NEZ designation and County Commissioners' Court approval of the tax abatement;
  - c. Homeowner must perform Eligible Rehabilitation on the property after NEZ designation equal to or in excess of 20% of the Base Value of the property; and
  - d. Property is not in a tax-delinquent status when the abatement application is submitted;
  - e. Property is in conformance with the City of Laredo Zoning Ordinance.
2. For investor owned single family property, an investor shall be eligible to apply for a 5 year tax abatement by meeting the following:
    - a. Property is constructed or rehabilitated after NEZ designation and County Commissioners' Court approval of the tax abatement;
    - b. For rehabilitated property, Eligible Rehabilitation costs on the property shall be equal to or in excess of 20% of the Base Value of the property;
    - c. Property is not in a tax-delinquent status when the abatement application is submitted; and
    - d. Property is in conformance with the City of Laredo Zoning Ordinance.

**B. RESIDENTIAL UNITS AND MULTI-FAMILY DEVELOPMENT PROJECTS LOCATED IN A NEZ**

1. 100% Abatement for 5 Years:

Abatements for multi-family development projects are for 5 years. The applicant may apply with the Webb County Economic Development Department for such abatement.

In order to be eligible for a property tax abatement upon completion, a newly constructed or rehabilitated multifamily development project in a NEZ must satisfy the following:

- a. For a multi-family development project constructed after NEZ designation, the project must provide at least four (4) residential living units OR have a minimum Capital Investment of \$100,000; or
- b. For a rehabilitation project, the property must be rehabilitated after NEZ designation. Eligible Rehabilitation costs on the property shall be at least 20% of the Base Value of the property. Such Eligible Rehabilitation costs must come from the rehabilitation of at least four (4) residential living units or a minimum Capital Investment of \$75,000.
- c. The applicant must have been approved and under a Tax Abatement Agreement under the NEZ program sponsored by the City of Laredo.

2. 100% Abatement of City Ad Valorem taxes up to 10 years:

If an applicant applies for a tax abatement agreement with a term of more than 10 Years, this section shall apply.

Abatements for multi-family development projects for up to 10 years. The applicant may apply with the Webb County Economic Development Department for such abatement.

Years 1 through 5 of the Tax Abatement Agreement refer to B1

### Years 6 through 10 of the Tax Abatement Agreement

Multi-family projects shall be eligible for a 100% abatement of Webb County ad valorem taxes for years six through ten of the Tax Abatement Agreement upon the satisfaction of the following:

1. For a multi-family development project constructed after NEZ designation, the project must provide at least four (4) residential living units OR have an additional minimum Capital Investment of \$140,000 since the original application; or
2. For a rehabilitation project, the property must be rehabilitated after NEZ designation. Eligible Rehabilitation costs on the property shall be at least 20% of the Base Value of the property. Such Eligible Rehabilitation costs must come from the rehabilitation of at least four (4) residential living units or a minimum Capital Investment of \$75,000 since the original application.
3. The applicant must have been approved and under a Tax Abatement Agreement under the NEZ program sponsored by the City of Laredo.

### **C. COMMERCIAL AND INDUSTRIAL PROJECTS LOCATED IN A NEZ**

#### 1. Abatement of Webb County Ad Valorem taxes for 5 years

Abatements for Completed Commercial and/or Industrial Projects for up to 5 years are subject to County Commissioners Court approval. The applicant may apply with Economic Development Department for such abatement.

In order to be eligible for a property tax abatement, a newly constructed or rehabilitated commercial and/or industrial project in a NEZ must satisfy the following:

- a. A commercial and/or industrial project constructed after NEZ designation must have a minimum Capital Investment of \$100,000; or
- b. For a rehabilitation project, it must be rehabilitated after NEZ designation. Eligible Rehabilitation costs on the property shall be at least 20% of the Base Value of the property, or \$75,000, whichever is greater.
- c. The applicant must have been approved and under a Tax Abatement Agreement under the NEZ program sponsored by the City of Laredo.

#### 2. 100% Abatement of Webb County Ad Valorem taxes for 10 years:

If an applicant applies for a tax abatement agreement with a term of more than five years, this section shall apply.

Abatements agreements for a Commercial, Industrial and Community Facilities Development projects for up to 10 years are subject to County Commissioners' Court approval. The applicant may apply with the Economic Development Department for such abatements.

#### Years 1 through 5 of the Tax Abatement Agreement section C.1 applies

Commercial, Industrial and Community Facilities Development projects shall be eligible for 100% abatement of City ad valorem taxes for the first five years of the Tax Abatement Agreement upon the satisfaction of the following:

- a. A commercial, industrial or a community facilities development project constructed after NEZ designation must have a minimum Capital Investment of \$140,000; or

- b. For a rehabilitation project, it must be rehabilitated after NEZ designation. Eligible property, or \$75,000, whichever is greater.
- c. The applicant must have been approved and under a Tax Abatement Agreement under the NEZ program sponsored by the City of Laredo.

Years 6 through 10 of the Tax Abatement Agreement:

Commercial, Industrial and Community Facilities Development projects shall be eligible for 100% abatement of Webb County ad valorem taxes for years six through ten of the Tax Abatement Agreement upon the satisfaction of the following:

- a. A commercial, industrial or a community facilities development project constructed after NEZ designation must have an additional minimum Capital Investment of \$140,000 since the original application and must meet the requirements of subsection (c) below; or
- b. For a rehabilitation project, it must be rehabilitated after NEZ designation. Eligible Rehabilitation costs on the property shall be at least 20% of the Base Value of the property, or \$75,000, whichever is greater and meet the requirements of subsection (c) below.
- c. The applicant must have been approved and under a Tax Abatement Agreement under the NEZ program sponsored by the City of Laredo.

**D. MIXED-USE DEVELOPMENT PROJECTS LOCATED IN A NEZ**

1. 100% Abatement of Webb County Ad Valorem taxes for 5 years

Abatements for Mixed-Use Development Projects for up to 5 years are subject to County Commissioners' Court approval. The applicant may apply with the Economic Development Department for such abatement.

In order to be eligible for a property tax abatement, upon completion, a newly constructed or rehabilitated mixed-use development project in a NEZ must satisfy the following:

- a. Residential uses in the project constitute 20 percent or more of the total Gross Floor Area of the project; and
- b. Office, eating and entertainment, and/or retail sales and service uses in the project constitute 10 percent or more of the total Gross Floor Area of the project; and
  - (1) A mixed-use development project constructed after NEZ designation must have a minimum Capital Investment of \$100,000; or
  - (2) For a rehabilitation project, it must be rehabilitated after NEZ designation. Eligible Rehabilitation costs on the property shall be at least 20% of the Base Value of the property, or \$75,000, whichever is greater.
  - (3) The applicant must have been approved and under a Tax Abatement Agreement under the NEZ program sponsored by the City of Laredo.

2. 100% Abatement of City Ad Valorem taxes up to 10 years:

Rehabilitation costs on the property shall be at least 20% of the Base Value of the

If an applicant applies for a tax abatement agreement with a term of more than five years, this section shall apply.

Abatements agreements for a Mixed Use Development projects for up to 10 years are subject to County Commissioners' Court approval. The applicant may apply with the Economic Development Department.

Years 6 through 10 of the 100% Tax Abatement Agreement:

Mixed Use Development projects shall be eligible for 100% abatement of Webb County taxes for years six through ten of the Tax Abatement Agreement upon the satisfaction of the following:

- a. Residential uses in the project constitute 20 percent or more of the total Gross Floor Area of the project; and
- b. Office, eating and entertainment, and/or retail sales and service uses in the project constitute 10 percent or more of the total Gross Floor Area of the project;
- c. A new mixed-use development project constructed after NEZ designation must have an additional minimum Capital Investment of \$140,000 since the original application; or for a rehabilitation project, it must be rehabilitated after NEZ designation. Eligible Rehabilitation costs on the property shall be at least 20% of the Base Value of the property, or \$75,000, whichever is greater; and
- d. The applicant must have been approved and under a Tax Abatement Agreement under the NEZ program sponsored by the City of Laredo.

**E. ABATEMENT GUIDELINES**

1. A tax abatement shall not be granted for any development project in which a City of Laredo building permit application, excluding grading and/or demolition, has been filed with the Building Development Services Department. In addition, the County will not abate taxes on the value of real or personal property for any period of time prior to the year of execution of a Tax Abatement Agreement with the County.
2. Tax Abatements for a new construction project will automatically terminate 6 months after County Commissioners' Court approval of the tax abatement if a building permit has not been pulled and a foundation has not been poured. Construction must be completed and a certificate of occupancy permit must be issued for the property.
3. Tax Abatement for a rehabilitation will not take effect until the project is complete, as per the information submitted on the application.
4. In order to be eligible to apply for a tax abatement, the property owner/developer must:
  - a. Not be delinquent in paying property taxes for any property owned by the owner/developer and;
  - b. Not have any City of Laredo or County of Webb liens filed against any property owned by the applicant property owner/developer. "Liens" include, but are not limited to, weed liens, demolition liens, board-up/open structure liens and paving liens.
5. Projects to be constructed on property to be purchased under a contract for deed are not eligible for tax abatements.
6. Once a NEZ property owner in the NEZ satisfies the criteria set forth in Sections II I A1. 2. And applies for an abatement, a property owner may enter into a tax abatement agreement with the County of Webb. The tax abatement agreement shall automatically terminate if the property subject to the tax abatement agreement is in violation of the City of Laredo's Building Code, Zoning Ordinances and the owner is convicted of such violation.
7. A tax abatement granted under the criteria set forth in Section III can only be granted once for a property in a NEZ for a maximum term of as specified in the agreement. If a property on which tax is being abated is sold, the County may assign the tax abatement agreement for the remaining

term once the new owner submits an application so long as the new owner complies with all of the terms of the tax abatement agreement. A property owner/developer of a multifamily development, commercial, industrial, community facilities and mixed-use development project in the NEZ who desires a tax abatement under Sections III. A, B, C or D must:

- a. Satisfy the criteria set forth in Sections III A, B, C, or D, as applicable, and mixed use development projects shall be eligible for 100% abatement of Webb County
  - b. File an application with the Webb County Economic Development Department, as applicable; and
  - c. The property owner must enter into a tax abatement agreement with the County of Webb in addition to the other terms of agreement, the tax abatement agreement shall provide that the agreement shall automatically terminate if the owner receives one conviction of a violation of the City of Laredo's Building Code regarding the property subject to the abatement agreement during the term of the tax abatement agreement; and
  - d. If a property in the NEZ on which tax is being abated is sold, the new owner may enter into a tax abatement agreement on the property for the remaining term.
8. If the terms of the tax abatement agreement are not met, the Webb County Commissioners' Court has the right to cancel or amend the abatement agreement. In the event of cancellation, the recapture of all property tax revenue lost.
  9. The terms of the agreement shall include the right for the County of Webb to: (1) review and verify the applicant's property ownership (2) conduct an on-site inspection of the project in each year during the life of the abatement to verify compliance with the terms of the tax abatement agreement (3) in conflict of City of Laredo zoning ordinance. Upon review and/or onsite inspection, the County of Webb will immediately terminate the agreement if the Project contains any business ineligible for NEZ incentives as per section VI.
  10. Upon completion of construction of the facilities, the County of Webb shall no less than annually evaluate each project receiving abatement to insure compliance with the terms of the agreement. Any incidents of non-compliance will be reported to the Webb County Commissioners' Court. On or before February 1st of every year during the life of the agreement, any individual or entity receiving a tax abatement from the County of Webb must provide information and documentation which details the property owner's compliance with the terms of the respective agreement and shall certify that the owner is in compliance with each applicable term of the agreement. Failure to report this information and to provide the required certification by the above deadline shall result in cancellation of agreement and any taxes abated in the prior year being due and payable.
  11. If a property in the NEZ on which tax is being abated is sold, the new owner may enter into a tax abatement agreement on the property for the remaining term, as long as the use of the premises does not change or violate the businesses that are not allowed by the NEZ. Any sale, assignment or lease of the property which is not permitted in the tax abatement agreement results in automatic cancellation of the agreement and recapture of any taxes abated after the date on which an unspecified assignment occurred.

#### **F. APPLICATION FEE**

1. The non-refundable application fee for residential tax abatements is \$100.
2. The application fee for multi-family, commercial, industrial, community facilities and mixed-use development projects governed under Sections III.B., C. and D., is one half of one percent (0.5%) of the proposed Project's Capital Investment, with a \$150 minimum not to exceed \$500. The Application Fee shall not be credited or refunded to any party for any reason.

#### **IV. FEE WAIVERS**

##### **A. ELIGIBLE RECIPIENTS/PROPERTIES**

1. For NEZ applicants, the following City of Laredo fee waivers including, but not limited to, are reviewed, may be granted on a case-by-case-basis and recognized by the County of Webb:
  - a. Building Permit fees
  - b. Plan Review fees
  - c. Plumbing fees
  - d. Electrical fees
  - e. Mechanical fees
  - f. Fire fees
  - g. Right-of-way (curb and street cut) fees
  - h. Floodplain fees
  - i. Water permit fees
  - j. Sprinkler System permit fees
  - k. Plat application fees
  - l. Demolition fees
  - m. Zoning application fees

#### **V. PROCEDURAL STEPS**

##### **A. APPLICATION AND REVIEW OF SUBMISSION FOR ALL NEZ TAX ABATEMENTS AND FEE WAIVERS**

1. The applicant for NEZ incentives under Sections III, IV., and V. must complete and submit a copy of the City of Laredo "Application for NEZ Incentives" and pay the appropriate application fee to the City Building Development Services Department, as applicable.
2. NEZ benefits will continue for certified projects as stated in the agreement.
3. The Webb County Economic Development Department will review the application for accuracy and completeness. A complete application must include proof that:
  - a. The Project is located in a NEZ;
4. Webb County Economic Development Department will evaluate a completed and certified application based on:
  - a. The project's increase in the value of the tax base.
  - b. Costs to the City (such as infrastructure participation, etc.).
  - c. Percent of construction contracts committed to(i) Laredo based firms
  - d. Other items which the County and the applicant may negotiate.
5. If criteria and guidelines are met, the Webb County Economic Development Department will submit to the County Commissioners' Court approval of the agreement.
6. Consideration by the Webb County Commissioner's Court:
  - a. The County Commissioner's Court retains sole authority to approve or deny any tax abatement agreement. All applications shall go through administrative review and approval. All Tax Abatement Agreements will be approved only upon County Commissioners' Court approval.

## **B. APPLICATION EXECUTION AND AGREEMENT**

1. Property Tax Abatement for Residential Properties and Multi-family Development Projects:
  - a. Upon Commissioners' Court approval, the County Judge shall execute a tax abatement agreement with the applicant.
  - b. All tax abatements approved by the Commissioners' Court will become effective on January 1 of the year following the year in which a Certificate of Occupancy (CO) is issued for the qualifying development project (unless otherwise specified in the tax abatement agreement). Unless otherwise specified in the agreement, taxes levied during the construction of the project shall be due and payable.
2. Property Tax Abatement for Commercial, Industrial, and Mixed-Use Development Projects:
  - a. Upon Commissioners' Court approval, the County Judge shall execute a tax abatement agreement with the applicant.
3. Once an applicant's eligibility is approved by County Commissioners' Court, the Economic Development Department will inform appropriate departments administering the incentives, if any.

## **VI. INELIGIBLE PROJECTS**

For the project to be considered for NEZ Incentives, the project must comply with City of Laredo zoning laws. The following Projects or Businesses shall not be eligible for any incentives under the County of Webb's Neighborhood Empowerment Zone (NEZ) Tax Abatement Policy and Basic Incentives:

1. Sexually Oriented Businesses
2. Non-residential mobile structures
3. Tattoo Parlors
4. Slot Machine Businesses / *maquinita(s)*
5. Herverias, Religious paraphernalia
6. Blood Bank
8. Drive-through businesses that serve alcohol
9. Mobile and Industrial Homes Sales
10. Check Cashing Stores
11. Taxi Stands
12. Chemical Oriented Business
13. Non-confirming uses