## City of La Porte

# **BUSINESS. BY THE BAY!**

## ECONOMIC DEVELOPMENT INCENTIVES



## Local Incentives

#### Tax Abatements

The City of La Porte offers ad valorem tax abatements for new construction of the following qualifying facilities within the City's corporate limits:

- Regional Distribution/Service (up to 10%)
- Manufacturing/Other Basic Industry (up to 10%)
- Retail/Commercial Office/Regional Entertainment (up to 50%)

To be eligible to apply for an abatement, a company must meet the following criteria:

- Minimum Capital Investment: \$3 million
- Minimum Job Creation: 10
- Term of abatement: averaged over five (5) years

For further information about our tax abatement program, please contact **Scott D. Livingston** in the Economic Development Department at (281) 470-5016 or <a href="mailto:livingstons@laportetx.gov">livingstons@laportetx.gov</a>.

#### Industrial District Agreements

To attract a business into an area, a city may choose to encourage the business to locate in the city's Extraterritorial Jurisdiction ("ETJ"). If the business locates in the city's ETJ, the City Council may enter into an agreement not to annex the business property for a set period of time. The agreement may call for the business to pay the city an annual fee in lieu of taxes for the use of city facilities. The city may also provide certain contractual services (i.e. firefighting services) to the business during the non-annexation period.

#### Tax Increment Reinvestment Zone

Developers of business property within a defined area (i.e. business parks, service centers) may receive municipal financing assistance through the use of tax increment financing. The City Council may create a Tax Increment Reinvestment Zone (TIRZ) where construction of public improvements using tax increment funds is likely to result in significant commercial investment. The cost of improvements within the zone is repaid by the contribution of future tax revenues by each taxing unit that levies taxes on the affected properties. Once the city initiates tax increment financing, counties and school districts may also participate in the tax increment financing program.

#### Public Improvement Districts

A Public Improvement District ("PID") enables a commercial area to make improvements benefiting the area and spread the cost equally among all properties. Property owners are assessed based on benefit. These assessments may be used to pay the debt service on bonds or they may be used to pay for services directly if no bonds are issued. PID funds may be used to purchase real property in connection with improvements. Improvements include a wide variety of enhancements such as water and wastewater, streets, drainage, parking, landscaping, etc.

#### Foreign Trade Zone

The City of La Porte supports companies applying for this federal exemption from state and local ad valorem taxes on tangible personal property imported from outside the United States, and held in a Foreign Trade Zone (FTZ) for the purpose of storage, sale, exhibition, repackaging, assembly, distribution, sorting, grading, cleaning, mixing, display, manufacturing or processing and tangible personal property produced in the United States. Property must be held in a Foreign Trade Zone for exportation, either in its original form or as altered by any of the above processes. This program is managed by the Port of Houston Authority.

#### Freeport Exemption (La Porte ISD)

The Freeport Exemption exempts personal property consisting of inventory goods or ores, other than oil, natural gas and petroleum. Eligible property must be transported out of the state within 175 days of acquisition but may first be assembled, stored, manufactured, processed or fabricated locally. Currently, Freeport Exemptions are offered by the LPISD.

#### Municipal Grants-Chapter 380

The City Council of the City of La Porte may provide loans and grants of city funds as well as city employees and equipment to promote economic development projects within the city. Eligible projects involving significant investment may contract with the City to receive sales tax grants, franchise fee grants, water or sewer line extensions, building permit fee waivers and grants for capital recovery fees.

#### Chapter 313

The La Porte ISD may offer an incentive to new and expanding industries through a Chapter 313 Agreement, which offers a temporary limitation for school property tax purposes on the property's value. The school district may defer for 8 years the time before a new investment project goes onto the tax rolls at full value. The limitation on the taxable value of a project does not take effect until the third year of the project. A taxpayer may also make a separate application to the school district for a credit for taxes paid during the first two years on the value of property in excess of the limitation amount.

## Harris County Incentives

#### Tax Abatement

New projects the meet the following criteria qualify for Tax Abatement in Harris County: (1) Increase the tax roll value of new real property by at least \$1,000,000; (2) create at least 25 new full-time permanent positions at the project site; and (3) are competitively sited (i.e. Senior Management is actively evaluating jurisdictions in addition to Harris County and, but for the tax abatement, the project would not be constructed in Harris County); and (4) must be shown not to solely or primarily have the effect of transferring employment from one part of the County to another. Amount of the tax abatement is a standard 50 percent per year, up to ten years.

#### Leadership in Energy and Environmental Design (LEED®) Tax Abatement

If the owner of new commercial construction has registered with the U.S. Green Building Council ("USGBC") seeking LEED Certification, then the County Community Services Department ("CSD") may recommend approval of a partial tax abatement for the incremental investment associated with obtaining such certification. The Agreement shall be effective up to 10 years, at a percentage based upon the level of certification actually obtained after completion of construction. The minimum value increase requirement derived from the "Imputed LEED-Related Value Increment" to meet the eligibility test is \$100,000. Applicant must be registered with USGBC seeking LEED Certification, prior to submitting its application to the County.

## Additional Incentive for Locating New Project in HUD-Designated Low Income Target Area in the County

Construction of a new eligible facility in a "HUD-Designated Low-Income Target Area" within the County, as determined on the application date, may enable CSD to recommend that Commissioners Court approve an additional tax abatement up to 10%. A qualifying project must nevertheless meet the three basic requirements to for an economic development tax abatement: (1) creation of at least \$1 million in new tax roll value, (2) creation of at least 25 new permanent full-time jobs, and (3) competitive siting. A specific "Target Area Project Site Incentive" provision must be contained in the Agreement approved by Commissioners Court and cannot be added at a later date.

## Additional Incentive for Full-Time Permanent Job Creation for Residents of HUD-Designated Low Income Target Areas in the County

Construction of a new eligible facility resulting in creation of jobs for residents of "HUD-Designated Low-Income Target Areas" within the County, as determined on application date, may enable CSD to recommend that Commissioners Court approve an additional tax abatement up to 20 percent. A qualifying project must meet the three basic requirements to for an economic development tax abatement: (1) creation of at least \$1 million in new tax roll value, (2) creation of at least 25 new permanent full-time jobs, and (3) competitive siting.

### State of Texas Incentives

#### Texas Enterprise Fund

The Texas Enterprise Fund provides financial resources to help strengthen the state's economy. The Governor, Lieutenant Governor, and the Speaker of the House must unanimously agree to support the use of the Texas Enterprise Fund for each specific project. Projects that are considered must demonstrate a project's worthiness, maximize the benefit to the State of Texas and realize a significant rate of return of the public dollars being used for the project. Significant job creation and capital investment, above average wages generated, financial strength of the applicant, applicant's business history, analysis of the relevant business sector, and financial support from the local community and private sector will all be significant factors in approving the use of the Enterprise Fund.

## Texas Emerging Technology Fund

The Texas Emerging Technology Fund provides Texas with an unparalleled advantage in the research, development and commercialization of emerging technologies. The program works through partnerships between the state, institutions of higher education and private industry and is dedicated to three areas: Regional Centers of Innovation and Commercialization; matching grant funds for R&D projects that accelerate commercialization and that have demonstrated an ability to receive or have received federal grants or non-state grants; and assisting Texas public universities in attracting highly renowned research teams from universities and institutions in other states.

#### Skills Development Fund

The Skills Development Fund offers funding to train employees through customized job training programs provided by the state's community colleges. This fund is administered by the Texas Workforce Commission, is application driven and competitively based. The grants are provided to community colleges and technical schools as part of a partnership with companies and labor unions to provide training not currently available in the region. Average training grants per trainee are \$1,000.

#### Texas Enterprise Zone Program

The Texas Enterprise Zone Program allows local communities to partner with the State of Texas to promote job creation and capital investment in economically distressed areas. Companies may qualify for refunds of state sales tax paid on eligible items used at the qualified business site. The total amount of any refund is predicated on the investment amount and number of jobs created/retained at the qualified business site. In order to qualify, companies must commit that at least 25% of their new employees will meet economically disadvantaged or enterprise zone residence requirements - if the company is locating or expanding into one of the state's Enterprise Zones. If the company is not locating into one of the Enterprise Zones, then they must commit that at least 35% of their new employees will meet economically disadvantaged or enterprise zone residence requirements.

#### Manufacturing Sales Tax Exemption

Machinery and equipment that is used in the manufacturing, processing, fabricating or repairing of tangible personal property for ultimate sale, are exempt from state and local sales

tax. This incentive is also applicable for natural gas and electricity consumed by companies that use more than 50 percent of their utilities in the manufacturing, processing or fabricating of products for resale.

#### Tax Exempt Industrial Revenue Bonds

Tax Exempt Industrial Revenue Bonds are designed to provide tax-exempt financing to finance land and depreciable property for eligible industrial or manufacturing projects. The maximum bond amount is \$20 million (which can include certain capital and administrative costs). These bond issues must receive a reservation under the State's volume limitation ("volume cap") managed by the Texas Bond Review Board.

#### Texas Product Development Fund

The Texas Product Development Fund provides financing to aid in the development, production and commercialization of new or improved products within the state. Products appropriate for the fund are inventions, devices, techniques or processes that have advanced beyond the theoretical stage and are ready for immediate commercial application. Preference for funding will be given to the state's defined industry clusters within emerging technology fields, including: semiconductors; nanotechnology; biotechnology and biomedicine; renewable energy; agriculture and aerospace. Businesses with unencumbered assets that are available to collateralize loans are suited for further consideration of this fund.

#### Texas Small Business Fund

The Texas Small Business Fund provides financing to foster and stimulate the development of small and medium sized businesses in Texas. Special funding preferences will be given to emerging technologies including: semiconductors, nanotechnology, biotechnology and biomedicine, renewable energy and aerospace. Additional preference will apply to applicants that have acquired other sources of financing, have formed companies in Texas and are receiving assistance from designated state small business development centers or through the Small Business Innovation Research program (SBIR).

#### Pollution Control Property Tax Abatement

This incentive is available to companies with facilities, devices and equipment used to control air, water or land pollution. Companies wishing to apply for tax relief for their efforts in controlling pollution can apply for a tax credit from the Texas Commission on Environmental Quality (TCEQ).

#### Texas Economic Development Act

The Texas Economic Development Act is a mechanism for school districts to offer temporary property tax limits to companies undertaking a large-scale capital investment project in the community. Under current law, only the following project categories are eligible: manufacturing; research and development; clean coal projects; advanced clean energy projects; renewable energy electric generation; and nuclear electric power generation.

## **Key Contacts**



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