



## STAFF REPORT

**DATE:** May 2, 2017

**TO:** Ronald L. Olson, City Manager

**FROM:** Ray Shanaa, Exec. Director of Planning and Development Services

**SUBJECT:** RE-ADOPTION OF ELIGIBILITY, GUIDELINES AND CRITERIA FOR TAX ABATEMENTS

### **BACKGROUND AND FINDINGS:**

Enterprise and reinvestment zones are economic development tools which seek to encourage job creation and capital investment. The City of Killeen currently includes areas within enterprise zones according to the Economic Development and Tourism Division of the Governor's Office. The enterprise zone program allows a community to partner with the state to offer local and state tax and regulatory benefits to a new or an expanding business in the designated distressed areas. The governing body of a municipality by ordinance may designate an area as a reinvestment zone when such designation is likely to attract major investment in the zone. Tax abatement is one of the tax incentives available in an enterprise or reinvestment zone.

In order to offer tax abatement, the City is required to establish guidelines and criteria governing tax abatement (Tax Code §312.002). The Tax Code provides that the guidelines and criteria adopted are effective for two years from the date adopted. The current Guidelines and Criteria for Granting Tax Abatement in Reinvestment and Enterprise Zones were originally adopted by the City of Killeen in 1996. They were readopted every two years since then, but they have been modified to stay current with state law. There are no changes to the Guidelines and Criteria for this re-adoption. The re-adoption of the Guidelines and Criteria does not limit the City Council's discretion in determining whether to enter into other tax abatement, nor does it create any expectation of approval by an applicant.

### **THE ALTERNATIVES CONSIDERED:**

The alternative would be not readopting the Guidelines and Criteria.

### **CONFORMITY TO CITY POLICY:**

The re-adoption of the guidelines and criteria governing tax abatement conforms to city policy.

### **FINANCIAL IMPACT:**

**What is the amount of the expenditure in the current fiscal year? For future years?**

The re-adoption of Eligibility, Guidelines and Criteria for Tax Abatements will not have a direct impact on the City of Killeen fiscally. Individual cases wishing to pursue tax abatement opportunities will be presented to the City Council separately as appropriate.

**Is this a one-time or recurring expenditure?**

It is anticipated that tax abatement requests will be evaluated on a recurring basis.

**Is this expenditure budgeted?**

This expenditure is not budgeted as a line item.

**If not, where will the money come from?**

This is not applicable.

**Is there a sufficient amount in the budgeted line-item for this expenditure?**

This not applicable.

**RECOMMENDATION:**

Staff recommends that the City Council:

1. Elects to continue its eligibility under state law to participate in tax abatements; and
2. Re-adopts the attached Tax Abatement Guidelines and Criteria for use.

**DEPARTMENTAL CLEARANCES:**

Legal Department

**ATTACHED SUPPORTING DOCUMENTS:**

Tax Abatement Guidelines and Criteria