

## ECONOMIC DEVELOPMENT

The City has been actively engaged in economic development planning and implementation in collaboration with regional entities. Increasing commercial activity will be crucial to enhance and diversify the City's revenue stream. Continued planning and implementation of infrastructure, fire protection, and other similar services will provide a strong foundation for business relocation, retention and expansion. Attaining a diversified economic base includes.....

### TAX ABATEMENT

The authority to enter into tax abatement agreements is found in the Property Redevelopment and Tax Abatement Act located in chapter 312 of the Texas Tax Code. This chapter authorizes property taxing entities, excluding school districts, to limit the property taxes assessed on real property or tangible personal property located on real property due to the repairs or improvements to the property. Only property located within a reinvestment zone is eligible for a tax abatement agreement. Accordingly, a tax abatement agreement is an agreement limiting the increase in the value of the property taxes due to improvements or repairs to real property. Such agreements are limited to ten (10) years in length.

Who may enter into a tax abatement agreement?

Those entities which levy ad valorem taxes, excluding school districts, are authorized to execute tax abatement agreements. Nonetheless, only a city can initiate the process to enter into a tax abatement agreement within the city limits of the city. The county or the city may initiate the process for tax abatement agreements within the extraterritorial jurisdiction of a city. Further, only the county may initiate the tax abatement process outside the city limits or ETJ of a city.

What are the required steps to establish a tax abatement agreement? There are essentially seven (7) steps which must be undertaken to enter into a tax abatement agreement.

- 1) The taxing unit must pass "a resolution stating that the taxing unit elects to become eligible to participate in tax abatement."
- 2) The taxing unit must establish guidelines and criteria governing tax abatement agreements.
- 3) The taxing unit must deliver in writing to the presiding officer of the governing body of each taxing unit that includes in its boundaries real property that is to be included in the proposed reinvestment zone notice of the public hearing designating a reinvestment zone. This notice must be delivered not later than the seventh (7th) day before the date of the public hearing.
- 4) The taxing unit must publish in a newspaper of general circulation with the city notice of the public hearing designating a reinvestment zone. This notice must be published not later than the seventh (7th) day before the date of the public hearing.

- 5) Following a public hearing, a city may designate an area within the taxing jurisdiction or ETJ of the municipality as a tax abatement reinvestment zone. The city must designate the reinvestment zone by ordinance.
- 6) At least seven (7) days before the date on which a city enters into a tax abatement agreement, the city must deliver to the presiding officer of the governing body of each other taxing unit in which the property subject to the agreement is located a written notice that the city intends to enter into a tax abatement agreement. The notice must include a copy of the proposed agreement. Nonetheless, failure to deliver the notice does not affect the validity of any agreement.
- 7) Enter into a tax abatement agreement with the owner or lessee of real property located within the reinvestment zone. The agreement must be approved by the affirmative vote of a majority of the members of the governing body of the municipality or other taxing unit at a regularly scheduled meeting of the governing body.

**Commercial:** With the possible growth challenges with commercialism within Falfurrias, this tool will provide the City to spur commercial activity.

If a business provides proprietary information in connection with an application or request for tax abatement, is the proprietary information considered public information? Certain information provided to a taxing unit in connection with a tax abatement application may be considered confidential and not subject to public disclosure until the tax abatement agreement is executed. Nonetheless, the information must describe the specific processes or business activities to be conducted or the equipment or other property which will be brought onto the property. Information in the custody of a taxing unit is not confidential once the agreement is executed.

**Residential:** With the possible growth challenges with commercialism within Falfurrias, this tool will provide the City to spur residential activity. This includes improvements to residential property and new construction.