



# Proposed Tax Abatement Guidelines November 2012



LOVE EL PASO.  
PLAN EL PASO.  
PLAN THE FUTURE. NOW.

[www.planelpaso.org](http://www.planelpaso.org)

Discussion and action on a Resolution to adopt the City of El Paso Guidelines and Criteria for Tax Abatement Assistance. (All Districts) [City Development Department – Mathew McElroy, Director, 915-541-4193.



# Background

- Per Chapter 312 of the Texas Tax Code municipalities must adopt Guidelines and Criteria in order to administer Tax Abatement agreements.
- Guidelines and criteria are effective for two years from the date of adoption.
- Tax abatements are an economic development tool which allows the City of El Paso to assist and encourage investment in certain types of real and personal property.



# Lincoln Institute

- “Incentives are unlikely to have a significant impact on a firm’s profitability since property taxes are a small part of the total costs for most businesses”
- “consider forgoing these often wasteful incentive programs in favor of other, more cost-effective policies”
- “avoid some of the pitfalls of business property tax incentives by setting objective criteria for the types of projects eligible”



# Feser Report

- “Location incentives are routinely overestimated as an economic development tool”
- “No amount of evidence about the limited effectiveness of incentives will dislodge intense belief in them as a development tool among some stakeholders.”
- Recommendation
  - “not exceedingly generous and therefore fiscally unsound”
  - “not considerably weaker than competitor cities”
  - “A key component of a good incentives mix is flexibility”



# Recent Headlines

*2 Dec 2012 | The New York Times | By LOUISE STORY*

## The Empty Promise of Tax Incentives

Lines Blur as Texas Gives Industries a Bonanza

As Companies Seek Tax Deals, Governments  
Pay High Price

Criteria	El Paso	Austin	San Antonio	Houston
<b>Req.</b>	Applies to business that locates within a specified Reinvestment Zone.	Firm must be located in Desired Development Zone. And must comply with current water quality regulations.	A company or project must meet and/or exceed all of the criteria.	Applicants must demonstrate that project will increase value of property by at least \$1 million.
<b>Tax abatement</b>	100% on Real and Personal Property Max. 10 years.	N/A	100% on Real/Personal Property max. 10 years. Tier 1: 100% (10 years) Tier 2: 75% (10 years) Tier 3: 50% (6 years)	Enhanced abatement of up to 90% and 10 years, considering: <ul style="list-style-type: none"> <li>• Targeted industry clusters</li> <li>• New or expanding bus. in neighborhoods targeted for revitalization.</li> </ul> Term & level of abatement negotiated.
<b>Target Industries</b>	<ul style="list-style-type: none"> <li>• Automotive</li> <li>• Homeland Security &amp; Defense</li> <li>• Clean Tech.</li> <li>• Life Sciences</li> <li>• High-Tech Electronics</li> </ul>	<ul style="list-style-type: none"> <li>• Adv. Manufac.</li> <li>• Multimedia Technology</li> <li>• Clean Energy &amp; Power Tech.</li> <li>• Life Science &amp; Bio Technology</li> <li>• Data Centers</li> </ul>	<ul style="list-style-type: none"> <li>• Agribusiness</li> <li>• Aviation/Aerospace</li> <li>• Biotechnology</li> <li>• Creative Services</li> <li>• Environmental Tech.</li> <li>• Finance</li> <li>• Info. Technology &amp; Cyber Security</li> <li>• Logistics &amp; Dist.</li> <li>• Manufacturing</li> <li>• Oil &amp; Gas Industry</li> <li>• Telecommunications</li> </ul>	<ul style="list-style-type: none"> <li>• Biotechnology</li> <li>• Info. technology</li> <li>• Aerospace</li> <li>• Energy</li> </ul>

Criteria	El Paso	Austin	San Antonio	Houston
<b>Capital Investment / Job creation</b>	Provide “added value” to a property in an amount of at least \$2.5million. Create employment at “sustainable wage” level	N/A	Abatement on projects that meet or exceed total capital investment of \$30 Mil or creates 500+ new jobs, min. 25% of New employees must be County residents.	Must create or retain 25+ jobs over a three-year period, invest 1 million, and be “competitively sited”; exceptions are made for R&D-related companies (5+ jobs and \$500,000 investment)
<b>Living Wage Req.</b>	N/A	N/A	Based on poverty level, family of four (U.S. Dept. of Health & Human Services) \$11.08	N/A
<b>Median Hourly Wage (Manuf.)</b>	N/A	N/A	\$13.97	N/A
<b>Median Hourly Wage (All industries)</b>	\$12.25 (80% employees paid at MCW)	N/A	\$13.76	N/A
<b>Benefits</b>	Provide company-paid Health insurance for FT empl. (50% of premium paid)	Info. Not available	Company must provide access to health care benefits for FT employees & dep.	Info. Not available
<b>Source</b>	City of El Paso, City Development Department www.elpasotexas.gov	City of Austin Economic Growth and Redevelopment Services office www.austintexas.co	City of San Antonio, International & Eco. Dev. Dep. www.sanantonio.gov/edd	Greater Houston Partnership Economic Development www.houston.org



# Eligibility Criteria

In order to be eligible for tax abatement incentives, a proposed project must meet all of the general and qualifying criteria in the City's Incentive Policy and;

1. Be located within a reinvestment zone.
2. Provide "Added Value" to a property in an amount of at least \$2.5 million unless the subject property's taxes are to be abated pursuant to the City's Infill Development Incentive Policy in which case the minimum property value is established by the provisions in that policy.



# Staff Recommendation

- Staff recommends approval of the Guidelines and Criteria.
- Approval of this resolution will allow for the City of El Paso to continue incentivizing investment in the El Paso area.
- Such investment is expected to result in the creation, retention and expansion of full-time jobs while strengthening the tax base of the City of El Paso.



Questions?

S E R V I C E   S O L U T I O N S   S U C C E S S

