

**CITY OF ARLINGTON, TEXAS**  
**Policy Statement for Tax Abatement**

**I.**

**General Purpose and Objectives**

- A. The City of Arlington is committed to the promotion of high quality development in all parts of the City and to an ongoing improvement in the quality of life for its citizens. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, the City of Arlington will, on a case-by-case basis, give consideration to providing tax abatement as stimulation for economic development in Arlington. It is the policy of the City of Arlington that said consideration will be provided in accordance with the guidelines and criteria outlined in this document. Nothing herein shall imply or suggest that the City of Arlington is under any obligation to provide tax abatement to any applicant. All applicants shall be considered on a case-by-case basis, and the decision to approve or deny tax abatement shall be at the discretion of the City Council. Tax abatement agreements are made with the owners of real property to exempt from taxation a portion of the value of the real property and/or of tangible personal property. The duration of an abatement may be for a period of time determined appropriate by the City Council, based on the economic life of the improvements and consistent with the provisions of this policy, but in no case for more than 10 years in accordance with state law. Special terms and conditions may be set in the agreement governing each specific tax abatement.
- B. The City Council has designated certain areas of the City as Tax Increment Reinvestment Zones (“TIRZ”). The City of Arlington will not consider a tax abatement on property located within the boundaries of a TIRZ.

**II.**

**Definitions**

- A. “Abatement” means the full or partial exemption of ad valorem taxes for eligible properties in a reinvestment zone designated as such for economic development purposes. Abatement may be granted for either the real property improvements or business personal property but not both unless otherwise allowed in this policy.
- B. “Act of God” means an act occasioned exclusively by violence of nature and in no sense attributable to human action.
- C. “Agreement” means a contractual agreement between a property owner and a taxing authority for the purpose of tax abatement. In no event shall the duration of an abatement term exceed ten (10) years.
- D. “Base Year Value” means the taxable value of the applicant’s real property and/or business personal property, including inventory and supplies, located in the

designated reinvestment zone as determined by Tarrant Appraisal District as of the date designated in the agreement.

- E. “Added Taxable Value” means the value above the base year value of real property improvements and/or business personal property as appraised by the Tarrant Appraisal District. The abatement may be granted for either the real property improvements or business personal property, or both.
- F. “Economic Life” means the number of years a property qualifies for depreciation under the Internal Revenue Service Code (Section 168) Modified Accelerated Cost Recovery System.
- G. “Expansion” means the addition of buildings, structures, fixed machinery, or equipment for the purpose of increasing production capacity or revenues.
- H. “Facility” means property improvements completed or in the process of construction which together comprise an integral whole.
- I. “Job” means a permanent, full-time employment position that has provided or will result in employment of at least 1,820 hours per position in a year. Part-time positions shall not be included in this definition unless otherwise negotiated in the terms of the agreement.
- J. “Modernization” means the replacement and upgrading of existing facilities which increase the productive input or output, updates the technology, or substantially lowers the unit cost of operation, and extends the economic life of the facility. Modernization may result from the construction, alteration, or installation of buildings, structures, fixed machinery, or equipment. It shall not be for the purpose of renovation, reconditioning, refurbishing, repairing, or completion of deferred maintenance, except in enterprise zones.
- K. “New facility” means a property previously undeveloped which is placed into service by means other than expansion or modernization.
- L. “Reconstruction” means to replace or rebuild a portion or all of a facility that has been damaged by Act of God when the damage from the Act of God has resulted in at least a 60% reduction in value of the facility as compared to the value immediately prior to the Act of God as finally determined by Tarrant Appraisal District. The facility owner shall have the burden to prove the required decrease in value to the satisfaction of the City Manager or his designee prior to consideration by the City Council of a tax abatement application for a Reconstruction project.
- M. “Reinvestment Zone” is an area designated as such for the purpose of tax abatement as authorized by Subchapter B, Municipal Tax Abatement, Title 3, Local Taxation, Vernon’s Texas Codes Annotated.

- N. “Supply and Service Expenses” are discretionary expenses incurred during the normal maintenance and operation activities of a business.
- O. “Target Industry” is an industry identified as a target industry in the City’s Policy Statement for Tax Abatement and Exhibits thereto, as amended from time to time.
- P. “Value,” when used in this Policy, shall mean value as determined by an appraisal prepared by Tarrant Appraisal District, unless otherwise specified. If a facility is damaged by an Act of God and an appraisal of the damaged facility is not available from Tarrant Appraisal District when needed in order to comply with the duty established in Section II.K. of this Tax Abatement Policy, “decrease in value” may be determined by an independent appraiser agreed upon by the City and either the owner of a facility or applicant for a tax abatement. The term “value added” means increase in appraised value.

**III.**  
**Abatement Authorized**

- A. Eligible Facilities: Tax abatement may be granted for new facilities, expansion, modernization or reconstruction of existing facilities. The economic life of a facility, and/or eligible property must exceed the duration of the abatement.
- B. Eligible Property: An applicant may apply for abatement on the real property improvements and/or business personal property eligible for abatement in accordance with this Policy.
- C. Criteria and Abatement Guidelines: Tax abatement may be granted for eligible facilities on all or a portion of the increased taxable value of eligible property over the Base Year Value. The percentage of taxes abated and the duration of the abatement, or any other limitation or condition included in this Policy and not required by state or federal law, may vary from these guidelines based on a determination by the City Council that granting tax abatement for a particular project is consistent with the economic development objectives of the City of Arlington.

Any person, organization or corporation may request tax abatement by filing an Application for Incentives as described in Section IV.

- 1. The City Council may grant tax abatement if the City Council finds that the abatement is in the public interest because it will facilitate at least one of the following objectives:
  - a. Increase or preserve tax base
  - b. Finance or improve public infrastructure

- c. Provide quality employment opportunities in the City, or upgrade the skills of existing employees so as to support their advancement to higher-paying jobs
  - d. Provide or help acquire or construct public facilities
  - e. Contribute to the redevelopment or renewal of distressed areas
  - f. Contribute to the diversity and quality of Arlington's business community
2. Additional Criteria: The following additional criteria will be considered in determining the value and duration of the tax abatement:
- a. Degree to which the project meets the objectives of the City's Economic Development Strategic Plan and other goals of the City's Comprehensive Plan.
  - b. Degree to which the project makes a substantial contribution to redevelopment efforts or special area plans by enhancing either functional or visual characteristics, e.g. historical structures and façades, traffic circulations, parking, materials and urban design.
  - c. Number and types of jobs to be created or retained as a result of the project.
  - d. Sales taxes, hotels taxes or other incomes that would be generated by the project to the benefit of local taxing authorities.
  - e. Offsite infrastructure investment to be made by applicant as a result of the project.
  - f. Degree to which the project minimizes investment by the taxing authorities in order to serve the project.
  - g. The utilization of Arlington Contractors and/or Certified Minority/Women Owned Contractors, Suppliers and Service providers for the project's construction, Supply and Service Expenses.
3. Bonus Levels

Additional levels of abatement will be considered for applicants based upon a project's employment numbers, industry type, and wages. In no event may the abatement (including bonuses) granted to an applicant exceed 90%.

The following describes the conditions to be met to qualify annually for a bonus percentage.

### **Bonus Category and Conditions**

#### Bonus Category: Wages

The median wage of persons employed at the site of the project in the City of Arlington exceed the Tarrant County's median wage

- (1) The Median Wage for Tarrant County will be determined by the Median Earnings for Workers as reported by the most recent release of the American Community Survey available at the time the Application for Incentives is submitted to the City.
- (2) A facility attempting to qualify for additional levels of abatement under this provision will determine their median wage by considering the gross annual income of the jobs in the facility when ranked by gross annual income for each year of the agreement in which they wish to qualify. Demonstrating that the value described in item (2) exceeds the value described in item (1) will satisfy qualification for additional abatement under this provision.

#### Bonus Category: Target Industry

Primary NAICS code of the firm must pertain to one of the City's target industries, as defined in the City's Economic Development Strategic Plan. A sampling of such NAICS codes are provided in **Exhibit "A"** of this Policy, attached and made a part of this policy for all purposes.

#### Bonus Category: Jobs Created/Retained

Jobs created/retained must be permanent, full-time employment positions that have provided or will result in employment of at least 1,820 hours per position in a year. Part-time positions shall not be included in this definition unless otherwise negotiated in the terms of the agreement.

## **IV. Procedural Guidelines**

- A. Any person, organization or corporation may request tax abatement by filing a written application with the City of Arlington Office of Economic Development.

1. An Application for Incentives form must be completed and signed by an officer of the company with corporate signature authority. The Application must be submitted to the City of Arlington Office of Economic Development prior to application for a building permit or issuance of a certificate of occupancy, whichever occurs first, for the project to which the incentive application pertains. The legal entity requesting the tax abatement must be properly formed prior to making an application.
  2. The Application of Incentives and the requirements of the applicant are detailed in Exhibit “B” to this Policy, attached and made a part of this Policy for all purposes.
- B. Upon receipt of a completed application, copies of the application shall be distributed to the appropriate City departments for internal review and comments. Additional information may be requested as needed to determine applicant’s eligibility for tax abatement according to this Policy.

## V.

### **Consideration of Application and Authorization of Agreement**

- A. An applicant’s request may be first considered by a Council Committee designated to consider such matters. However, the City Council of the City of Arlington shall have final decision-making authority on a tax abatement request. When either the City Council or the Committee considers a tax abatement request, it shall consider the feasibility and impact of the proposed tax abatement by making an estimate of the economic effect of the abatement of taxes and the benefit to the property to be covered by the abatement and to the taxing authorities involved.

The application shall require such financial and other information as may be deemed appropriate for evaluating the financial capacity of the applicant. This analysis may include an economic feasibility study which requires data such as:

- A detailed list of estimated improvement costs
  - A description of the methods of financing
  - All estimated costs and the time when related costs or monetary obligations are to be incurred
  - Historical financial statements and statements of revenues
  - Expenses, net income and cash flow for the first five years of the project which have been audited, reviewed or compiled by a certified public accountant
- B. The authorization of a tax abatement is not considered finalized until all items have been presented to and approved by the City Council in accordance with Tex. Tax Code Ann. Sec. 312.201, as amended from time to time.

- C. Any tax abatement agreement will address various issues, including, but not limited to, the following:
1. General description of the project;
  2. The percent of value to be abated each year;
  3. Method for calculating the value of the abatement including the base year value;
  4. Duration of the abatement, including commencement date and termination date;
  5. Legal description of the property;
  6. Kind, number, location and timetable of planned improvements;
  7. Specific terms and conditions to be met by applicant;
  8. The proposed use of the facility and nature of construction; and
  9. Contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, administration and assignment.
  10. Operating or capital leases, if any.
- D. The terms of a tax abatement shall be negotiated on a case-by-case basis. Provisions for administration, termination and recapture shall be detailed in the agreement.

**VI.**  
**Denial of Abatement**

- A. All eligible applications for tax abatement shall be considered on a case-by-case basis, and the decision to approve or deny tax abatement shall be made at the discretion of the City Council in accordance with the City of Arlington Policy Statement for Tax Abatement.
- B. Nothing herein shall imply or suggest that the City of Arlington is under any obligation or duty to provide tax abatement to any eligible applicant, or that any applicant has an entitlement to tax abatement except as may be determined on a case-by-case basis by the City Council.

**VII.**  
**Taxability**

From the execution of the abatement agreement to the end of the agreement period, taxes shall be payable as follows:

- A. The value of ineligible property shall be fully taxable;
- B. The base year value property shall be fully taxable;
- C. The additional value of eligible property shall be taxed in the manner and for the period provided for in the abatement agreement; and
- D. The additional value of eligible property shall be fully taxable at the end of the abatement period, and in subsequent tax years.

(Adopted 10/16/18)

## **Exhibit “A”**

This represents a sampling of the target industries as identified in the economic development strategic plan. Additional NAICS codes may be considered for bonus levels.

TARGET INDUSTRY SECTORS ELIGIBLE FOR BONUS ABATEMENT LEVEL	
<b>AEROSPACE</b>	
<b>NAICS CODE</b>	<b>DESCRIPTION</b>
<b>334</b>	<b>Computer/Electronic Product Manufacturing</b>
334511	Search, Detection, Navigation, Guidance, Aeronautical and Nautical System/Instrument Manufacturing
<b>336</b>	<b>Transportation Equipment Manufacturing</b>
336411	Aircraft Manufacturing
336412	Aircraft Engine and Engine Parts Manufacturing
336413	Other Aircraft Parts and Auxiliary Equipment Manufacturing
336414	Guided Missile and Space Vehicle Manufacturing
336415	Guided Missile and Space Vehicle Propulsion Unit and Equipment Manufacturing
336419	Other Guided Missile and Space Vehicle Parts and Equipment Manufacturing
<b>541</b>	<b>Professional, Scientific, &amp; Technical Services</b>
541712	R&D in the Physical, Engineering, and Life Sciences (except Biotech)
<b>AUTOMOTIVE</b>	
<b>336</b>	<b>Transportation Equipment Manufacturing</b>
3361	Motor Vehicle Manufacturing
3362	Motor Vehicle Body and Trailer Manufacturing
3363	Motor Vehicle parts Manufacturing
<b>PROFESSIONAL &amp; BUSINESS SERVICES</b>	
<b>511</b>	<b>Publishing Industries (except Internet)</b>
5112	Software Publishers
<b>522</b>	<b>Credit Intermediation and Related Activities</b>
5222	Nondepository Credit Intermediation
5223	Credit Intermediation Activities
<b>541</b>	<b>Professional, Scientific, &amp; Technical Services</b>
5415	Computer Systems Design and Related Services
5416	Management, Scientific, and Technical Consulting Services
<b>551</b>	<b>Management of Companies and Enterprises</b>
5511	Management of Companies/Enterprises
<b>561</b>	<b>Administrative and Support Services</b>
5611	Office Administrative Services
<b>MEDICAL DEVICES</b>	
<b>334</b>	<b>Computer and Electronic Product Manufacturing</b>
334510	Electromedical/Electrotherapeutic Apparatus Manufacturing
334517	Irradiation Apparatus Manufacturing
<b>339</b>	<b>Miscellaneous Manufacturing</b>
339112	Surgical and Medical Instrument Manufacturing
339113	Surgical Appliance and Supplies Manufacturing
339114	Dental Equipment and Supplies Manufacturing
339115	Ophthalmic Goods Manufacturing
<b>INDUSTRIAL MACHINERY</b>	
<b>333</b>	<b>Machinery Manufacturing</b>
333220	Plastics and Rubber Industrial Machinery Manufacturing
333294	Food Product Machinery Manufacturing
333295	Semiconductor Machinery Manufacturing
333298	All Other Industrial Machinery Manufacturing
<b>541</b>	<b>Professional, Scientific and Technical Services</b>
541330	Engineering Services

**Exhibit "B"**



APPLICATION FOR INCENTIVES

1. Beneficiary of Incentives \_\_\_\_\_  
Property Owner \_\_\_\_, Business Owner \_\_\_\_, Leaseholder \_\_\_\_ (check all that apply)  
Mailing address \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Cell Phone \_\_\_\_\_ Email \_\_\_\_\_

2. Contact Information \_\_\_\_\_  
Title \_\_\_\_\_  
Mailing address \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Cell Phone \_\_\_\_\_ Email \_\_\_\_\_  
Relationship to Beneficiary: Same as above \_\_\_\_, Authorized Representative \_\_\_\_

3. Property address \_\_\_\_\_

4. Property legal description (metes & bounds) \_\_\_\_\_

Please check type of application you are submitting: Standard  Tax Investment Financing

5. Attach a **complete** description of the project including:  
A. Method of financing  
B. Primary business activity at this site  
C. Complete description of all land uses  
D. Time schedule for completion of improvements  
E. NAICS Industry Code  
F. Descriptive list of improvements  
1. Size \_\_\_\_\_ sq. ft.  
2. Cost of construction \$ \_\_\_\_\_  
3. Value of Personal Property  
a. Inventory \$ \_\_\_\_\_  
What percent is eligible for Freeport Exemption (exported from Texas within 175 days) \_\_\_\_ %  
b. Equipment, machinery, furnishings, etc. \$ \_\_\_\_\_  
G. What taxable sales will be generated at this location \$ \_\_\_\_\_ per year

6. These documents **must** be submitted prior to the City staff's review of the application:  
• Property tax statement from the County Tax Office and/or Tax Certificate  
• Plat/map of project location  
• Drawings/Photographs to illustrate the project

7. Level of abatement requested \_\_\_\_\_% \_\_\_\_\_ Years on \_\_\_\_\_ Real Property or \_\_\_\_\_ Business Personal Property

8. Describe, in detail, all other incentives sought from the City- other economic incentives, fee waivers, fast-track plans review, etc.

9. Estimated taxable value of property improvements: Real \_\_\_\_\_ Personal \_\_\_\_\_  
*Estimated taxable value is the value of the improvements on January 1 of the year after the improvements are made.*



10. Job Creation & Retention:

Number of Full Time Equivalent Jobs	Avg. Annual, Monthly or Hourly Wage	Benefits Provided	# of Positions Created	# of Positions Retained
Executive				
Professional				
Managerial				
Administrative				
General Labor				
Other				
Total				

11. Infrastructure improvements/modifications sought:

12. Will application be made to Tarrant County? \_\_\_\_Yes \_\_\_\_No

*If yes, please contact Tarrant County Administrator's Office (817-884-2643) for separate application*

13. On an attachment, describe why incentives are necessary for the success of this project and, how the improvements will benefit the property at the conclusion of the incentives (Include any documentation necessary to substantiate your request and if any other locations are under consideration).

14. I am authorized to sign this application for incentives and to certify through my signature below that the business for whom I am authorized to sign, or a branch, division, or department of the business, does not and will not knowingly employ an undocumented worker. If, after receiving an incentive or a "public subsidy" as defined in Government Code § 2264.001(3), the business or a branch, division, or department of the business, is convicted of a violation under 8 U.S.C. § 1324a(f), the business shall repay the amount of the incentive or the public subsidy with interest, at the rate and according to the other terms provided by an agreement required under Government Code § 2264.053, not later than the 120th day after the date the City notifies the business of the violation.

I certify that the information contained herein is true and correct.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title (Must be signed by a corporate officer with signature authority)

\_\_\_\_\_  
Date

This application must be completed and returned for consideration prior to the submission of an application for a building permit or the issuance of a certificate of occupancy, whichever comes first. Upon receipt of this application, the City of Arlington shall require such financial and other information as may be deemed appropriate for evaluating the financial capacity and other factors of the applicant.

An electronic copy of this application is available. For more information, please call (817) 459-6155

Completed requests should be submitted to:

*Office of Economic Development*

*City of Arlington, M/S 03-0310*

*P.O. Box 90231 Arlington, TX 76004-0231*