



CITY OF WACO

RESIDENTIAL TAX ABATEMENT GUIDELINES AND POLICY STATEMENT

I. GENERAL PURPOSE AND OBJECTIVES

The City of Waco is committed to the promotion of high quality residential development and the ongoing improvements in the quality of life for its citizens in conjunction with improved housing options, opportunities, and conditions. The Property Redevelopment and Tax Abatement Act allows a municipality to create a Reinvestment Zone (RTA1) if the improvements sought are feasible and practical and would be a benefit to the land in the zone and to the City after the term of the tax abatement agreement has expired.

Reinvestment in the RTA1 through residential development will provide incentives needed to further revitalize existing neighborhoods and create opportunities for new ones within the central city. Additionally, these additional incentives are fully warranted over and beyond those generally provided throughout the city. Staff feels that the proposed tax abatements will create stimulus for further economic development in the RZ.

This policy will be considered, in accordance with state law, on a case-by-case basis in evaluating residential projects for potential tax abatement. This policy applies to the owners of real residential property in the RTA1. Nothing in the policy shall be construed as an obligation by the City of Waco to approve any tax abatement application.

The proposed tax abatement strategy will be used as one of several methods to revitalize neighborhoods, increase homeownership and provide quality housing in our central city neighborhoods.

II. DEFINITIONS

- A. "Abatement" means the full or partial exemption of ad valorem taxes for eligible residential real property improvements in a reinvestment zone designated as such for economic development purposes.
- B. "Agreement" means a contractual agreement between a property owner and a taxing jurisdiction for the purpose of tax abatement.
- C. "Base Year Value" means the assessed value of the applicant's real property and improvements on January 1 of the year of the execution of the agreement plus the agreed upon value of any property improvements made after January 1 but before execution of the agreement. For example, if the agreement is signed June 1, 2016, then the base year value will be what the assessed value of the Property was on January 1, 2016, plus an agreed upon value for all improvements made to the Property between January 1 and June 1, 2016.
- D. "Real Property" means the area of land defined by legal description as being owned by an applicant for a tax abatement, including any improvements thereto, which is to be improved and valued for property tax purposes, and which is to be included in the reinvestment zone.
- F. "Reinvestment Zone" or Tax Abatement District is the area designated as such for the purpose of tax abatement by the City of Waco in accordance with Chapter § 312 of the Texas Tax Code, as amended. In order to receive tax abatement the residential property must be in a reinvestment zone.

III. ABATEMENT AUTHORIZED

The tax abatements will be on 100% of the increased taxable value, due to at least \$30,000 in improvements, expansion or modernization of existing single family residences and at least \$ 90,000, for new houses (sales price or appraised value), over the base year value for a period of seven (7) years. Applicant must provide city with satisfactory written evidence of total costs of improvements eligible for the tax abatement including a detailed construction budget of all items to be abated and any other documentation deemed necessary by the city staff. **In year eight, homeowner will be responsible for 100 % of the total taxable value.**

IV. REQUIREMENTS

To be eligible for the tax abatement:

- The applicant must own the property that is the subject of the tax abatement (“the Property”) and either occupy the property as his/her primary residence or sell the property to a person who will occupy the property as his/her primary residence. Proof of ownership can be by a warranty deed, affidavit of heirship, a probated will,

or other acceptable legal documentation as determined by the City of Waco's legal department. Proof of primary residence will be by homestead exemption.

- The Property cannot be in a tax-delinquent status.
- New Constructed homes must either sell (arms length) or appraise for a minimum of \$90,000
- The Property may only be used for a single-family residence. Duplexes, apartments, and other multi-family structures do not qualify for the tax abatement.
- The Applicant cannot have any City of Waco liens filed against any property owned by the applicant property owner/developer, including but not limited to weed liens, demolition liens, board-up/open structure liens and paving liens, unless the liens were placed on the property prior to the purchase by the current owner.
- The abatement will be granted only for new residential improvements constructed after the execution of the Tax Abatement agreement.
- The Property's base year value cannot exceed \$200,000
- The property must be in conformance with the City of Waco zoning ordinance.
- The residential improvements must meet the neighborhood compatibility design standards and inspected by city staff at completion of improvements for full compliance with costs and design criteria.
- The property has not previously received a tax abatement.
- Applicant must apply, obtain approval from City Council and execute Tax Abatement agreement **before** any building permits are issued for the subject property and **before** any improvements are made to the subject property.
- If the original owner is building a homestead to sell to a primary homeowner he/she must request assignment of the tax abatement agreement to the new primary homeowner. The City Council must then approve the assignment of the agreement.
- Applicant will have one year to complete the terms of the agreement. If applicant fails to complete the terms within one year, the recapture provisions shall apply. **Extension of the one-year requirement must be requested at least 30 days in writing before the expiration date of the agreement.**

V. NEIGHBORHOOD COMPATIBILITY DESIGN STANDARDS*

It is important that the construction and rehabilitation of houses be compatible with the existing architectural character of the area. Only through the achievement of architectural compatibility will these houses have a long term, positive impact that will lead to the stabilization and revitalization of the neighborhood. The following design standards are recommended in order to achieve neighborhood compatibility:

1. *Building relationships and scale.* A compatible massing of proposed buildings and appropriate scale in relation to adjacent structures shall be accomplished through one or more of the following:
 - The use of materials that is consistent with the predominant building materials of adjacent structures.
 - The maintenance of continuity in major architectural elements such as rooflines or length of walls reflecting the residential scale of adjacent structures.

- Building heights of structures that are limited to the same approximate height as existing adjacent structures.
 - Roofs and pitches that are similar or complementary to extant structures in the neighborhood. A minimum pitch of 6/12 is recommended on the primary roof of each house.
 - The use of a pier and beam or raised slab foundation.
 - The use of elements or details that are sympathetic to architectural features or style of structures on neighboring properties. For example, porches that are a minimum of 8 feet in depth and porch columns with dimensions of at least 6" x 6".
2. *Open space.* Usable open space shall be provided on at least 25 percent of each lot occupied by a residential use.
- Structures should have the same setbacks as adjacent existing buildings.
 - The distance between structures should be approximately the same as that of adjacent structures.
3. *Automobile and pedestrian access.* Provision shall be made for ingress, egress, and off-street parking which will be compatible with the residential character of adjacent development, and will conform to the visual character of the residential streetscape, where appropriate, as follows:
- Provide off-street parking for each new house.
 - Where a lot abuts a public alley, vehicular access should be provided at the rear of a lot if a majority of the houses on the block use alley access.
 - All off-street parking areas containing more than two spaces shall be located to the rear of the front building line or lines.
 - Sidewalks should be constructed and/or repaired where sidewalks exist on an adjoining property.

**Note: These recommended design standards will be implemented through plan review by staff.*

VI. PROCEDURAL GUIDELINE

Any person, partnership, organization, corporation or other entity desiring that the City of Waco consider providing real residential property tax abatement shall be required to comply with the following procedural guidelines. Nothing within these guidelines shall imply or suggest that the City of Waco is under any obligation to provide tax abatement in any amount or value to any applicant. Further, no representations made herein are binding unless and until approved by the City of Waco City Council.

A. Preliminary Application Steps

1. Applicant located in RTA1 shall submit a City of Waco Application for real property tax abatement with a filing fee of

\$150.00. An application will not be processed without the total amount of the filing fee being paid in advance.

2. Applicant shall provide a survey/plat map showing the precise location of the property and shall provide a complete legal description of the real property.
3. All information in the application package will be reviewed for completeness and accuracy. Additional information may be requested as needed.
4. Every application will need to be reviewed by staff to determine if the plans are compatible with the neighborhood and to ensure that all other requirements are met.
5. Copies of the complete application package and staff comments will be provided to the City Council.

B. Consideration of the Application

1. The City Council will consider the application at meetings conducted pursuant to the Open Meetings and Property Redevelopment and Tax Abatement Acts. Additional information may be requested as needed.
2. The City Council shall consider approval of the terms and conditions of an agreement between the City and the applicant, which governs the administration of the tax abatement.
3. The governing bodies of Waco Independent School District, Midway Independent School District, LaVega Independent School District, Connally Independent School District, McLennan Community College and McLennan County and all other applicable taxing units may consider offering and entering into a tax abatement agreement with the applicant. However, the City's action in offering and entering into a tax abatement agreement with applicant does not guarantee that any of the above-mentioned taxing entities will enter into a tax abatement agreement with applicant also.

VII. CERTIFICATION AND REVIEW

Beginning on or before December 31st of the year, which establishes "Base Year Value" for the agreement, the owner will submit a current MCAD statement that provides an appraisal valuation of the property. After construction is complete, the owner shall provide satisfactory written evidence of the actual costs and value of the improvements (actual costs, appraisal or sales price) along with a current MCAD appraisal (when available). Newly constructed homes must either sell or appraise for a minimum of \$ 90,000 and rehabilitated homes must certify a minimum of \$ 30,000 actual costs for the improvements.

The property owner will be required to certify annually in writing that it is compliance with the agreement. After the construction is completed, City staff will inspect the project to ensure that it meets all of the requirements in the agreement, and then inform MCAD as to whether the property meets the abatement requirements.

VIII. RECAPTURE

If a project is not completed as specified, or if the terms of the tax abatement agreement are not met, the City has the right to cancel or amend the abatement agreement. If the agreement is cancelled, a pro-rated portion of the abated taxes, based on the percentage of noncompliance, shall become due to the City. Taxes will become due upon sixty (60) days demand by the City.

IX. INSPECTION AND FINANCIAL VERIFICATION

The City of Waco reserves the right to review and verify the applicant's financial statements prior to granting a tax abatement and to review the property during the term of the abatement. The City of Waco also reserves the right for representatives from the City and the McLennan County Appraisal District to inspect the property of the applicant during the term of the abatement to verify the accuracy of information provided in the tax abatement agreement. Provisions to this effect shall be incorporated into the agreement.

Exhibit A

Residential Tax Abatement Reinvestment Zone – RTA1 Map

