

ORDINANCE NO. O-2025-56

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TYLER, TEXAS, AMENDING CHAPTER 2 "FINANCE AND TAXATION", ARTICLE III, "TAX ABATEMENT POLICY" OF THE CODE OF ORDINANCES, CITY OF TYLER, TEXAS, RELATING TO TAX ABATEMENT; PROVIDING A SEVERABILITY CLAUSE; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, State law, at Texas Property Tax Code Section 312.002(a), states that a taxing unit may not enter into a tax abatement agreement, and the governing body of a taxing unit may not designate an area as a reinvestment zone, unless the governing body of the taxing unit has established guidelines and criteria governing tax abatement; and

WHEREAS the City of Tyler's guidelines and criteria for tax abatement are located in City Code Chapter 2, Article III., "Tax Abatement Policy"; and

WHEREAS Texas Property Tax Code Section 312.002(c) provides that guidelines and criteria for tax abatement are effective for two (2) years; and

WHEREAS, in accordance with Texas Property Tax Code Section 312.002(c), the Tyler Economic Development Council reviewed, and the Tyler City Council adopted, Ordinance No. 0-2025-24 on May 28, 2025; and

WHEREAS, the Tyler Economic Development Council is recommending additional amendments to the Tax Abatement Policy and recommends approval.

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF TYLER, TEXAS:

PART 1: That Tyler City Code Chapter 2, "Finance and Taxation", Article III., "Tax Abatement Policy", is hereby adopted and amended to read as follows:

ARTICLE III. TAX ABATEMENT POLICY

Sec. 2-30. Tax Abatement Policy Principles.

- a. A city, pursuant to State law, is authorized to offer abatement of City ad valorem taxes to industries and commercial enterprises within the City limits. The tax abatements are granted to real property owners who execute a tax abatement agreement with the City. The purpose of the tax abatement is to encourage the growth and establishment of industry and commercial enterprise in the City. Growth is measured both by increases in capital expenditure for buildings, machinery, and other capital goods and by the increase in the Tyler workforce. The City's priority for tax abatement is to extend tax abatement to

primary employers, as well as for business expansion, revitalization, and modernization. A primary employer is one that forms the economic base of the community by generating a majority of sales outside of Smith County. In providing tax abatement to primary employers for business expansion, revitalization, and modernization, the City recognizes the need for a multi-faceted approach that retains existing local jobs and attracts new businesses to the community. Surveys in Texas have shown that three-fourths of new jobs come from the expansion of existing local companies. Abatement is given to provide significant, long-term, positive economic impact to the community by using local contractors and the resident workforce to the maximum extent feasible and by developing, redeveloping, and improving real estate within the City limits. The City's goal in providing tax abatements is to create additional jobs within the City. Abatements, however, may be granted when the City is convinced that the abatement is needed to retain existing jobs which would otherwise be lost. Examples of uses eligible for abatements include manufacturing, distribution centers, corporate or regional office parks, and research facilities. Small companies have provided a significant source of new jobs within the City. Therefore, proposals by small entrepreneurs will be encouraged whenever the proposals comply with the policies of this chapter.

- b. The City strives for efficiency in processing applications for tax abatement. It is understood that unduly long decision-making processes will discourage businesses that might otherwise be interested in moving to or expanding in Tyler. (Ord. No. 0-98-21; 3/18/98) (Ord. No. 0-2000-74, 9/27/00) (Ord. No. 0-2002-33, 8/28/2002) (Ord. No. 0-2004-63, 8/25/04) (Ord. No. 0-2006-87; 10/11/06) (Ord. No. 0-2008-148; 11/19/08) (Ord. No. 0-2011-6, 1/12/2011) (Ord. No. 0-2013-7, 1/9/2013) (Ord. No. 0-2015-53; 5/13/2015) (Ord. No. 0-2017-43; 5/24/17) (Ord. No. 0-2019-51; 6/26/19) (Ord. No. 0-2022-34; 4/13/2022) (Ord. No. 0-2025-24; 5/28/2025) (Ord. No. 0-2025-56; 9/10/2025)

Sec. 2-31. Abatement Eligibility Criteria.

- a. Abatement is authorized, subject to approval of the City Council and execution of a lawful tax abatement agreement.
- b. Abatement is also authorized for property located within a municipal Reinvestment Zone when the municipality has entered into a tax abatement agreement with regard to a property located within the Zone. An agreement for such property must be in accordance with the terms of §312.206 of the Texas Property Tax Code.
- c. Authorized Facilities: Tax abatement may be granted for new facilities and for the expansion or modernization of existing facilities. The economic life of the facility or improvements must exceed the life of the abatement agreement.

- d. **Eligible Property:** Tax abatement may be granted for all or a portion of the value of the real property, all or a portion of the value of the tangible personal property located on the real property, or all or a portion of the value of both, up to the maximum percent of abatement as approved in the tax abatement agreement between the parties. Tangible personal property expressly does not include mobile personal property, such as a motor vehicle, that is not fixed to property located within a municipal Reinvestment Zone.
- e. **Eligible Applicant:** Tax abatement may be granted to the owner of taxable real property, the owner of tangible personal property or the owner of a leasehold interest in tax-exempt real property. In regard to a lessee of taxable real property, tax abatement may apply to all or a portion of the value of the fixtures, improvements, or other real property owned by the lessee and located on the property that is subject to the lease, all or a portion of the value of tangible personal property owned by the lessee and located on the real property that is the subject of the lease, or all or a portion of the value of both the fixtures, improvements, or other real property and the tangible personal property, up to the maximum percent of abatement as approved in the tax abatement agreement between the parties.
- f. **Value of Abatement:** Authorized facilities may be granted abatement on all or a portion of the increased taxable value of eligible property over the base year value for a period to be determined by the City Council. This abatement, if granted as to real property, is not with regard to the entire value of the property, but only to the extent that the value of the real property exceeds the value for the year in which the abatement is granted (i.e., Base Year).
- g. The project must provide for capital expenditures of at least one million dollars, or an annual payroll increase of four hundred thousand dollars or the creation of twenty-five new permanent full-time jobs.
- h. When an investment improves existing property, the portion of the value of property eligible for abatement is:
 - 1. For real property, the value of real property which has increased in market value because of the development, re-development or improvements specified in the abatement contract.
 - 2. For personal property, the market value of the personal property at the location, other than inventory or supplies, purchased with new capital identified in the tax abatement contract. Personal property located at the site before the period covered by the agreement is not eligible for tax abatement.
 - 3. If the investment meets the criteria set out in paragraph c., the property eligible for abatement may be personal, real, or mixed. (Ord. No. 0-98-21; 3/18/98) (Ord. No. 0-2000-74, 9/27/00) (Ord. No. 0-2002-33, 8/28/2002)

(Ord. No. 0-2004-63, 8/25/04) (Ord. No. 0-2006-87; 10/11/06) (Ord. No. 0-2008-148; 11/19/08) (Ord. No. 0-2011-6, 1/12/2011) (Ord. No. 0-2013-7, 1/9/2013) (Ord. No. 0-2015-53; 5/13/2015) (Ord. No. 0-2017-43; 5/24/17) (Ord. No. 0-2019-51; 6/26/19) (Ord. No. 0-2022-34; 4/13/2022) (Ord. No. 0-2025-24; 5/28/2025) (Ord. No. 0-2025-56; 9/10/2025)

Sec. 2-32. Abatement Review.

- a. The City Manager, in consultation with the Tyler Economic Development Council, will initially negotiate all tax abatement contract agreements. The proposed contracts will then be submitted to the Reinvestment Zone Committee for review. The Reinvestment Zone Committee's recommendation will be submitted to all participating local governments, including the City Council.
- b. A Reinvestment Zone Committee is responsible for reviewing all applications for abatement, recommending action to be taken on the application by the City Council, and monitoring compliance with abatement contracts. Any deviations from the original abatement contract will be reported by the committee to the City Council along with recommendations from the committee. If recommended by the committee, an abatement contract may be terminated by action of the City Council if the property owner fails to comply with the agreement. Notification of such termination for cause shall be in writing and shall be delivered to the property owner at its address of record. An abatement contract may also be voluntarily terminated where all parties agree through the use of a termination agreement approved by the City Council. Committee members shall be appointed by the City Manager and will include representatives who are active in promoting the economic health of the City and the other affected taxing jurisdictions. The committee will include representatives from each of the taxing entities that will be asked to participate in a tax abatement contract. Members do not have to be City residents.
- c. When considering abatement contracts, the City will consider any burdens that will be placed on existing infrastructure and basic services by the proposed project. The City may reject applications that place inordinate demands on public services or require inordinately large expenditures to improve or maintain local government infrastructure.
- d. Representatives of the taxing jurisdictions periodically review commitments made pursuant to this policy: this policy is reviewed every two years; all reinvestment zones are reviewed every five years; and tax abatement contracts are reviewed annually. This policy is separate from any policy concerned with enterprise zones and any obligations deriving from existing industrial development contracts. (Ord. No. 0-98-21; 3/18/98) (Ord. No. 0-2000-23, 4/5/00) (Ord. No. 0-2000-74, 9/27/00) (Ord. No. 0-2002-33, 8/28/2002) (Ord. No. 0-2004-63, 8/25/04) (Ord. No. 0-2006-87; 10/11/06) (Ord. No. 0-2008-148; 11/19/08) (Ord. No. 0-2011-6, 1/12/2011) (Ord. No. 0-2013-7, 1/9/2013) (Ord. No. 0-2015-53; 5/13/2015) (Ord. No. 0-2017-43; 5/24/17) (Ord. No. 0-2019-51; 6/26/19) (Ord. No. 0-2022-34; 4/13/2022) (Ord. No. 0-2025-24; 5/28/2025) (Ord. No. 0-2025-56 ; 9/10/2025)

Secs. 2-33 - 2-39 Reserved.

PART 2: That if any provision or any section of this ordinance shall be held to be void or unconstitutional, such holding shall in no way affect the validity of the remaining provisions or sections of this ordinance, which shall remain in full force and effect.

PART 3: This ordinance shall be effective on and after its date of passage and approval by the City Council.

PASSED AND APPROVED this 10th day of September, A. D., 2025.


DONALD P. WARREN, MAYOR OF THE
CITY OF TYLER, TEXAS

ATTEST:

APPROVED:


CASSANDRA BRAGER, CITY CLERK


DEBORAH G. PULLUM
CITY ATTORNEY

