

**Mayor's Office of  
Economic Development**

Andrew Busker  
*Staff Analyst*

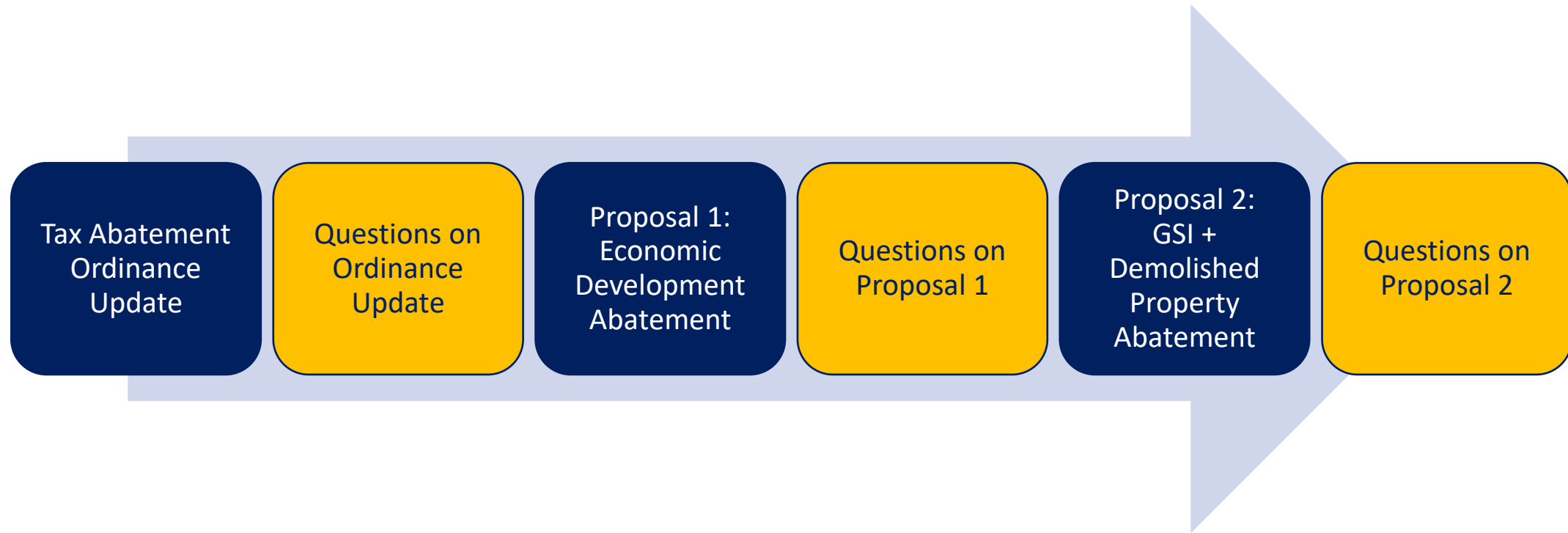
# Tax Abatement Program

## Economic Development Committee

July 17, 2024



# Presentation Outline



# Tax Abatement Ordinance

## Chapter 44 Article IV

- Ord. 2020-344 established our tax abatement program through May 19, 2024
  - Economic Development Abatement (Sec. 44-127)
  - Brownfield Development Abatement (Sec. 44-129)
  - LEED Tax Abatement (Sec. 44-131)
  - Green Stormwater Infrastructure (GSI) Abatement (Sec. 44-132)
  - Deteriorated/Demolished Property Abatement (Sec. 44-133)
- Reauthorization tentatively scheduled for August 14, 2024

# Proposed Changes to Tax Abatement Ordinance

Feedback We Received	Actions Taken by MOED	Considerations Not Acted Upon
<p><b>Increase the benefit of the GSI abatement</b></p>	<ul style="list-style-type: none"> <li>Increased the number years of maintenance included in the total eligible GSI cost</li> <li>Added financing interest specific to GSI improvements in the total eligible GSI cost</li> </ul>	<p>---</p>
<p><b>Reduce barriers to the GSI abatement and its application process</b></p>	<ul style="list-style-type: none"> <li>Decreased the GSI investment thresholds based on data provided by the Resilience and Sustainability Office</li> <li>Working with the Resilience and Sustainability Office to evaluate other incentives that may supplement the GSI abatement</li> </ul>	<p>---</p>
<p><b>Expand public notice requirements</b></p>	<ul style="list-style-type: none"> <li>Added tax abatement public notices to the City’s Public Notice Portal (<a href="https://www.houstontx.gov/public-notices.html">https://www.houstontx.gov/public-notices.html</a>)</li> <li>Broadened guidelines on posting in newspapers of general circulation</li> <li>Public notices regarding the tax abatement guidelines ordinance will follow the same public notice requirements as tax abatement agreements</li> </ul>	<ul style="list-style-type: none"> <li>Tax abatements are not considered “crucial for public safety, health, and welfare” to warrant translation into multiple languages (AP 2-11)</li> <li>MOED cannot include a copy of proposed agreements in public notices due to agreements holding proprietary and confidential information (TX Tax Code 312.003; TX Govt Code 552.131, 552.305)</li> </ul>

# Proposed Council Action Timeline



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# Economic Development Tax Abatement Proposal

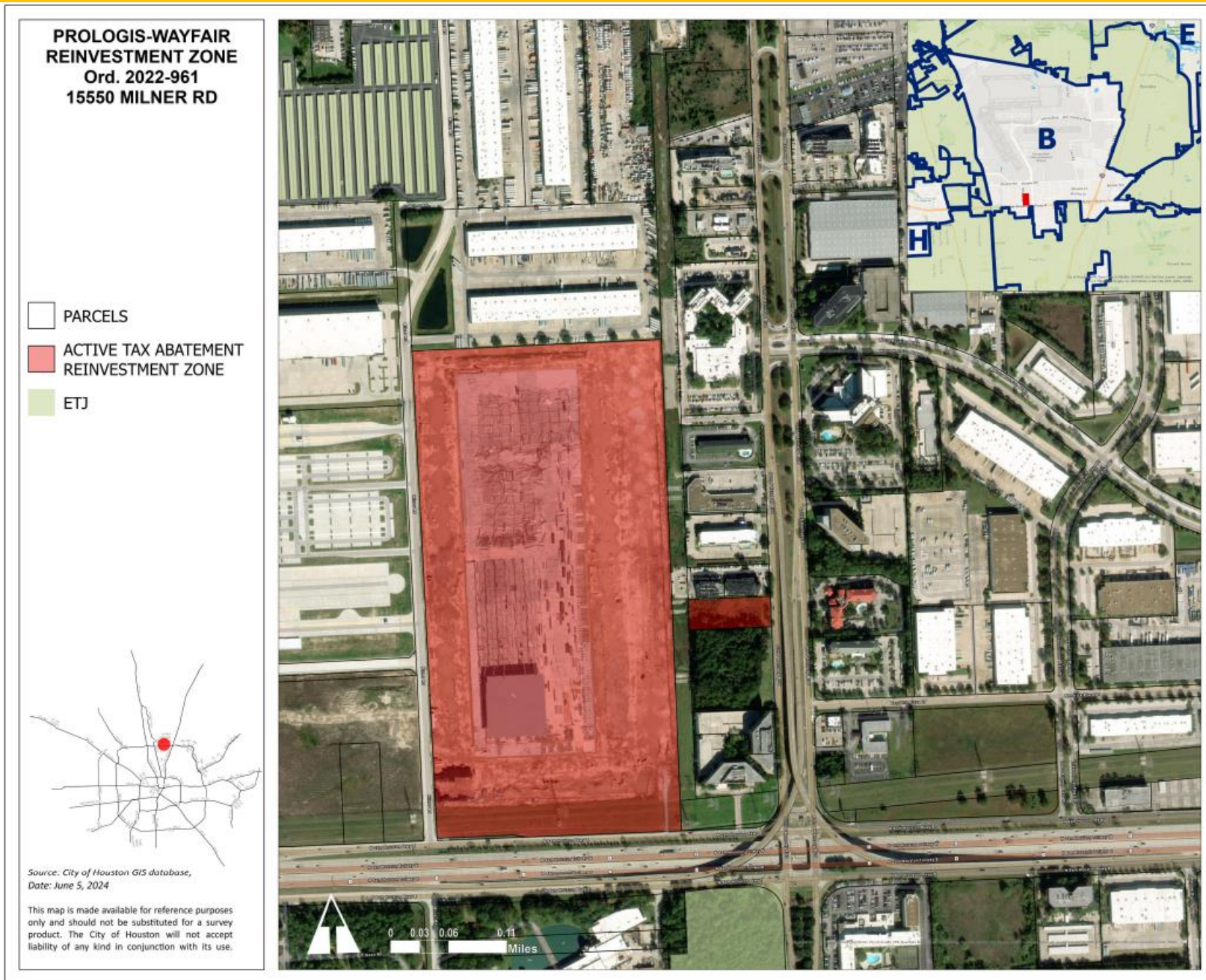
Integra Mission Critical, LLC  
15550 Milner Rd

# Economic Development Tax Abatement

## Chapter 44 Article IV Section 44-127

- Eligibility Criteria:
  - Provide an economic benefit to the City
  - Projected to increase property value by \$1M, or \$500K for deteriorated/demolished property or property in eligible census tract
  - Project will create, retain, or prevent the loss of permanent jobs
- Abatement up to 90% abatement on buildings, structures, fixed machinery & equipment, site improvements, office space and related fixed improvements, and/or tangible personal property
- Requires the company to provide community benefits as a condition of the abatement

# Active Tax Abatement Reinvestment Zone







### About the company

- Began in Houston
- Headquartered in Dallas
- Manufacturing in Dallas, Ohio, and Canada

### About their work

- Designs and engineers turnkey data centers
- Manufactures modular infrastructure units specifically for data centers
- Reduces data center construction times and supply chain challenges



PowerBlox units are modular power rooms that offer climate-controlled protection for infrastructure housed outside a free-standing data center

CoolingBlox units are packaged cooling units that deliver optimal temperature and humidity for peak performance and protection of IT infrastructure



# Tax Abatement Proposal

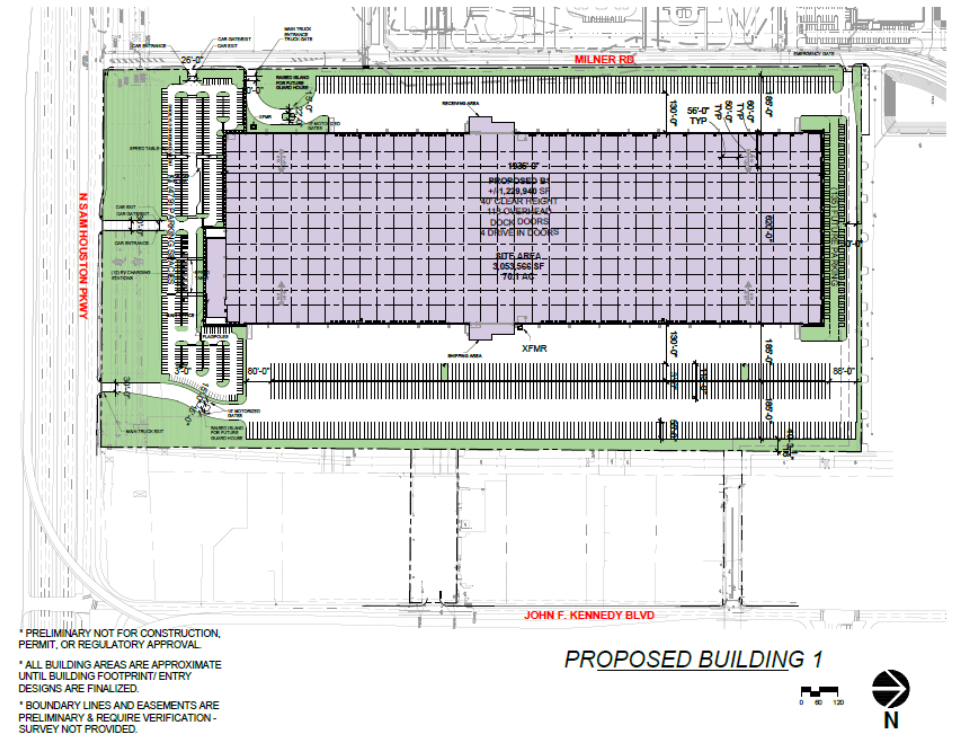
Integra Mission Critical, LLC  
15550 Milner Road

## Proposed Development

- Located in District B
- Current Site: 1.2M SF Industrial Shell
- Proposed: Manufacturing
- Investment: \$10M
- Improvements Begin: June 2024
- Estimated Completion: August 2024

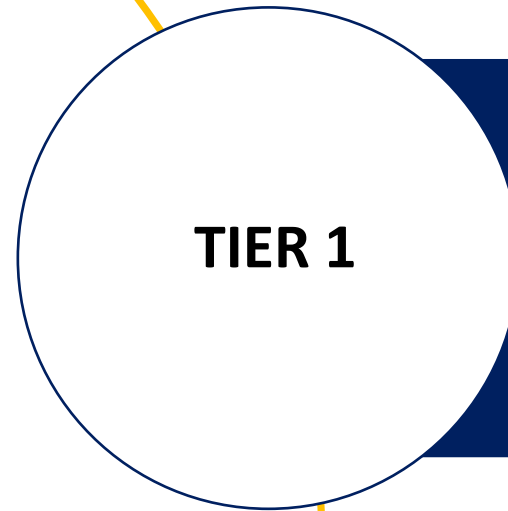
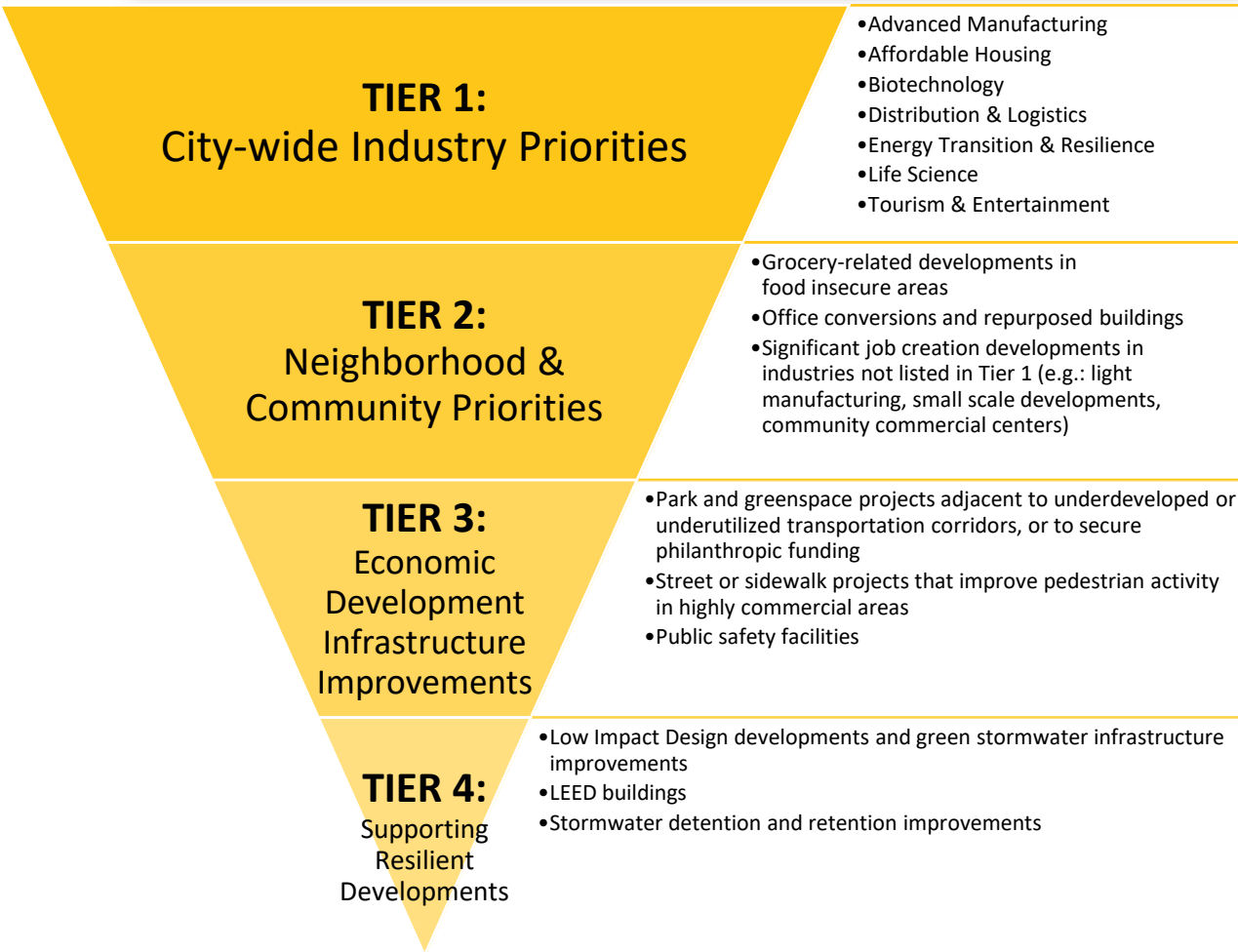
## Economic Benefits

- Located in Texas Enterprise Zone (high poverty designation)
- Creating 291 jobs after completion  
\$64,500 average annual salary
- Creating 500 jobs within 3 years of completion
- Committing to local hiring and job training

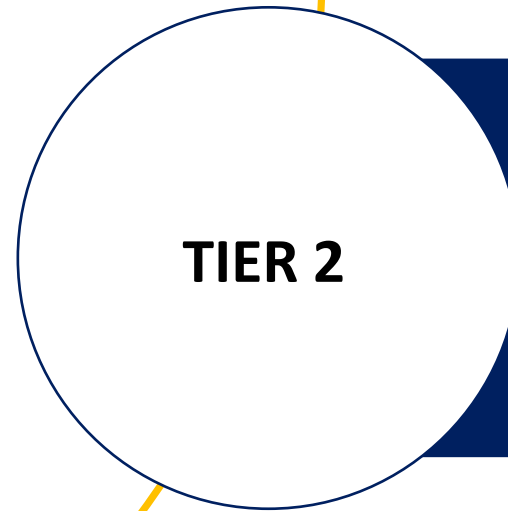


Location	Harrow, CAN	Akron, OH	Houston
Estimated First-Year Annual Wages	\$21M	\$19M	\$20M
Local Incentive (5-year NPV)	\$5M	\$3.2M	\$0
Incentive Impact on First-Year Wages	\$16M	\$16M	\$20M
Advantage over Houston	\$4M	\$4M	--

# Alignment with MOED Priorities



Project supports Houston's Advanced Manufacturing industry



Project generates significant mid-skill job creation in an under-resourced area

# Tax Abatement Proposal

Integra Mission Critical, LLC  
15550 Milner Road

**Effective Date**

- January 1, 2025

**Eligible Costs**

- Tenant Improvements: \$4.25M
- Machinery & Equipment: \$5.56M

**Abatement Projection**

- 1st Year Abatement: \$797,694
- Average Annual Abatement: \$864,861

**Abatement Term**

- \$4,007,000 or 10 years



NW Corner | Feb. 2023



SW Corner | Jun. 2024

# 10-Year Projection

INTEGRA MISSION CRITICAL, LLC - 15550 Milner Road

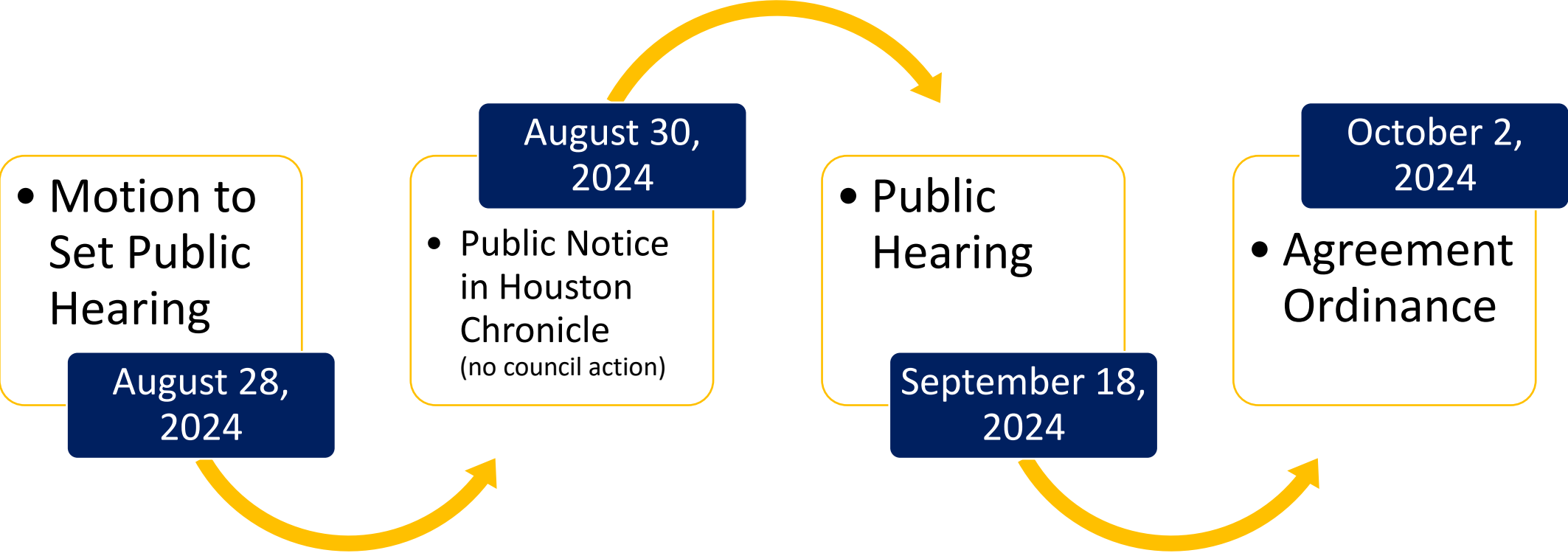
## PROPERTY TAX PROJECTION

<b>Building Investments (Including Land Improvements)</b>	\$ 4,253,060
<b>Machinery &amp; Equipment, Office Space, and Personal Property</b>	\$ 5,564,836
<b>Percentage of Investment Applied to Improvement</b>	70%
<b>COH Tax Rate (TY2024)</b>	0.0051919

	TAX YEAR	FISCAL YEAR	PROJECTED GROWTH	INTEGRA MISSION CRITICAL						
				BUILDING IMPROVEMENT ASSESSED VALUE	MACHINERY + EQUIPMENT ASSESSED VALUE	BUILDING IMPROVEMENT ABATEMENT (90%)	MACHINERY + EQUIPMENT ABATEMENT (90%)	TOTAL ANNUAL ABATEMENT VALUE	CUMULATIVE ABATEMENT VALUE	COH COLLECTED REVENUE
Base Value of Improvements	2023	2024		\$ 16,426,800.00		\$ -	\$ -	\$ -	\$ -	\$ 85,286.30
	2024	2025		\$ 161,512,090.00		\$ -	\$ -	\$ -	\$ -	\$ 838,554.62
First Year of Abatement	2025	2026	4%	\$ 181,573,104.04	\$ 5,564,836.00	\$ 771,680.79	\$ 26,002.86	\$ 797,683.65	\$ 797,683.65	\$ 173,917.82
	2026	2027	4%	\$ 188,836,028.20	\$ 5,193,846.93	\$ 805,618.32	\$ 24,269.34	\$ 829,887.67	\$ 1,627,571.32	\$ 177,496.04
	2027	2028	4%	\$ 196,389,469.33	\$ 4,822,857.87	\$ 840,913.36	\$ 22,535.82	\$ 863,449.18	\$ 2,491,020.50	\$ 181,225.10
	2028	2029	4%	\$ 204,245,048.10	\$ 4,451,868.80	\$ 877,620.21	\$ 20,802.29	\$ 898,422.50	\$ 3,389,443.00	\$ 185,111.02
	2029	2030	4%	\$ 212,414,850.03	\$ 4,080,879.73	\$ 915,795.32	\$ 19,068.77	\$ 934,864.09	\$ 4,324,307.08	\$ 189,160.09
	2030	2031	4%	\$ 220,911,444.03	\$ 3,709,890.67	\$ -	\$ -	\$ -	\$ 4,324,307.08	\$ 1,146,950.13
	2031	2032	4%	\$ 229,747,901.79	\$ 3,338,901.60	\$ -	\$ -	\$ -	\$ 4,324,307.08	\$ 1,192,828.13
	2032	2033	4%	\$ 238,937,817.86	\$ 2,967,912.53	\$ -	\$ -	\$ -	\$ 4,324,307.08	\$ 1,240,541.26
	2033	2034	4%	\$ 248,495,330.58	\$ 2,596,923.47	\$ -	\$ -	\$ -	\$ 4,324,307.08	\$ 1,290,162.91
	Final Year of Abatement	2034	2035	4%	\$ 258,435,143.80	\$ 2,225,934.40	\$ -	\$ -	\$ -	\$ 4,324,307.08
<b>Cumulative Values</b>						<b>\$ 4,211,628.00</b>	<b>\$ 112,679.08</b>	<b>\$ 4,324,307.08</b>	<b>\$ 4,324,307.08</b>	<b>\$ 8,043,002.85</b>

Estimated Tax Abatement Effective Date: Jan. 1, 2025

# Proposed Council Action Timeline\*



\*Pending reauthorization of Tax Abatement Ordinance

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Green Stormwater Infrastructure (GSI)  
+ Deteriorated/Demolished Property  
Tax Abatement Proposal

TPMS 3 DA, LLC & TPMS 4 DA, LLC  
1325 S. Dairy Ashford

# GSI Abatement

## Chapter 44 Article IV Section 44-132

- Eligibility Criteria:
  - A minimum of \$3M in total project costs (reducing to \$735,000\*)
  - A minimum of \$100,000 in GSI investments (reducing to \$35,000\*)
- Abatement for 100% of City taxable value up to the total GSI investment, or 10 years
  - Total GSI Costs eligible for tax abatement = GSI development costs – Conventional Stormwater Detention Costs + Calculated GSI Co-benefits
- May be a stand-alone abatement or combined with other abatements



# Deteriorated/Demolished Property Abatement

## Chapter 44 Article IV Section 44-133

- Eligibility Criteria:
  - Provide an economic benefit to the city
  - Projected increase in property value by the lesser of \$1M or 1.5x the value of the demolished improvements
- Abatement up to 90% for eligible demolition costs, or 10 years

# Tax Abatement Proposal

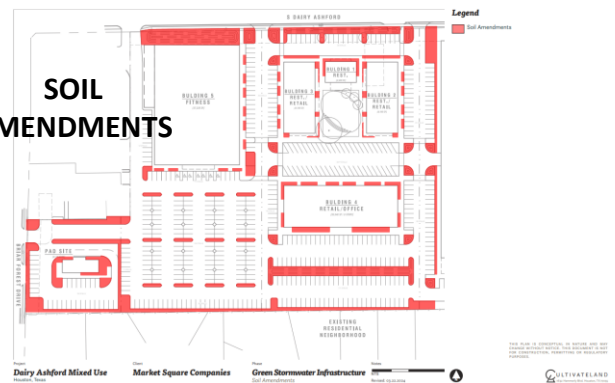
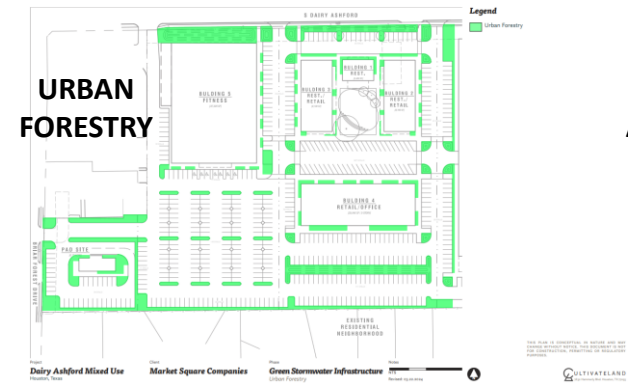
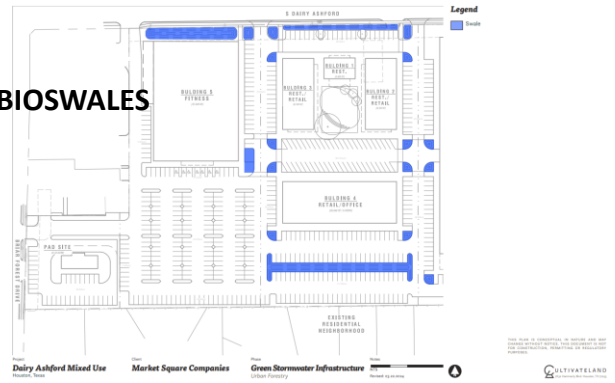
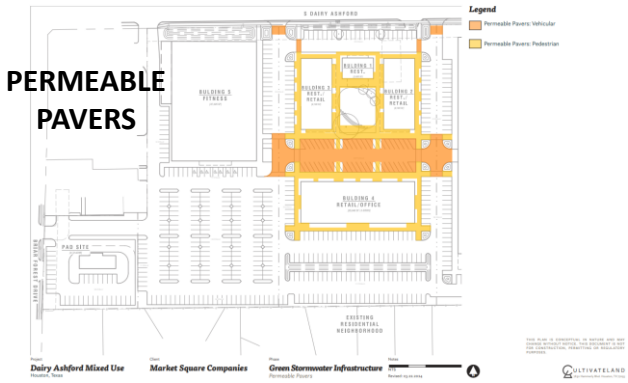
TPMS 3 DA, LLC & TPMS 4 DA, LLC  
1325 S. Dairy Ashford

## Proposed Development

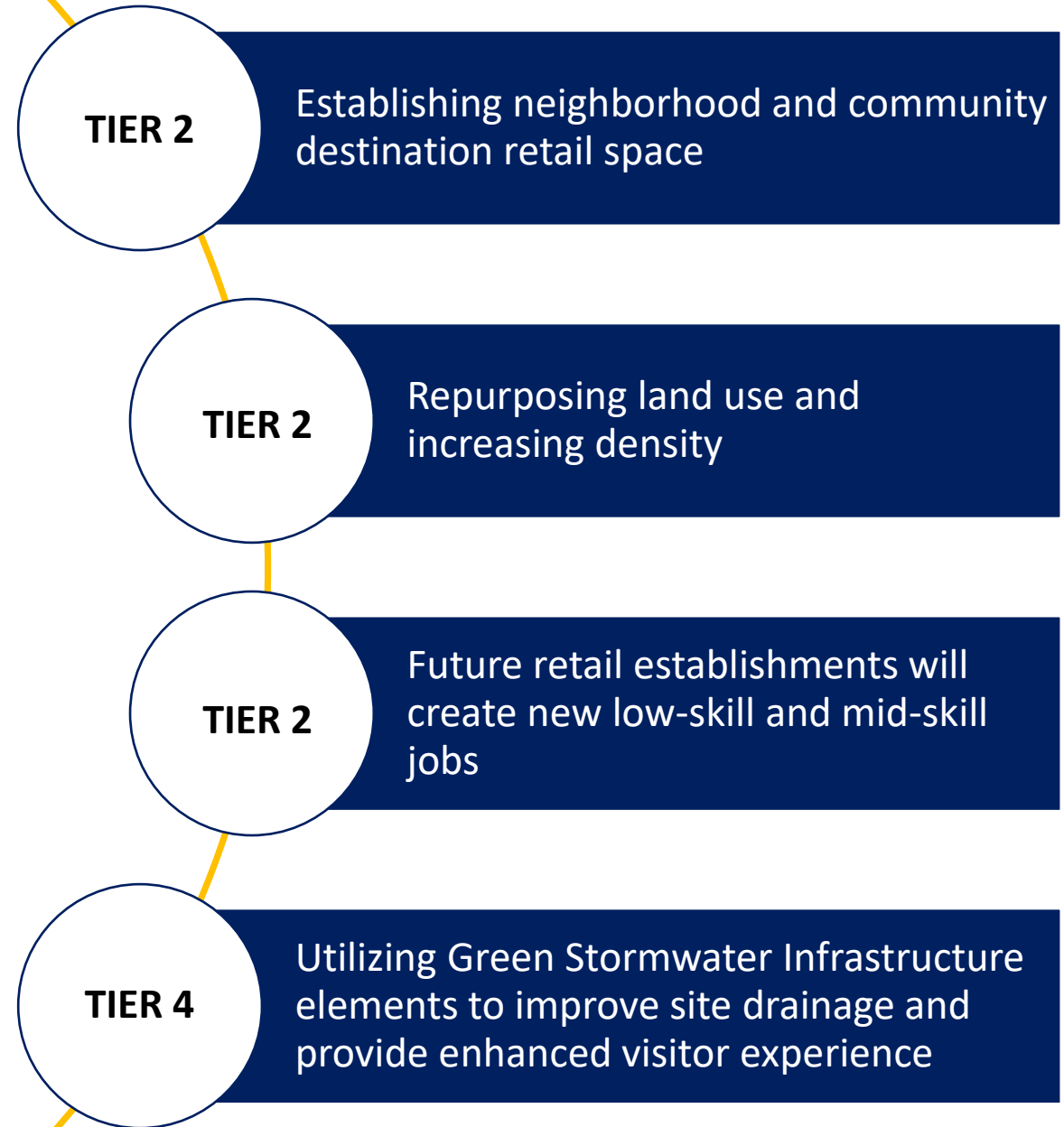
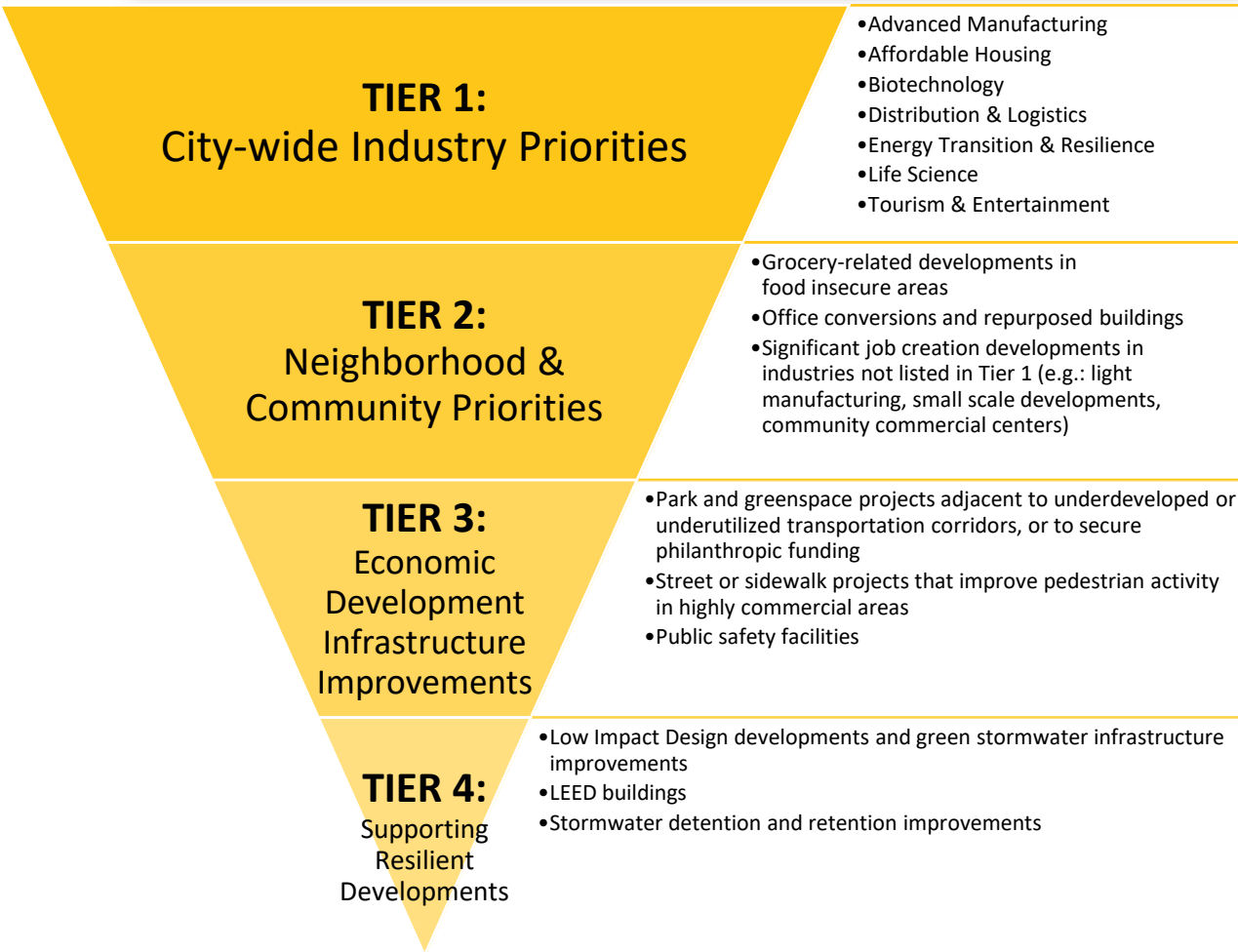
- Located in District G
- Current Site: 12.7-acre Vacant Office and Commercial Buildings
- Proposed: Mixed-Use Retail  
90,000 SF Class A retail, restaurants, office  
8.43-acre site
- Investment: \$28.3M  
Demolition Costs: \$3.9M  
GSI Investment: \$5.58M
- Demolition Start: Fall 2024
- Construction Start: Spring 2026
- Estimated Completion: Early 2027

## Economic Benefits

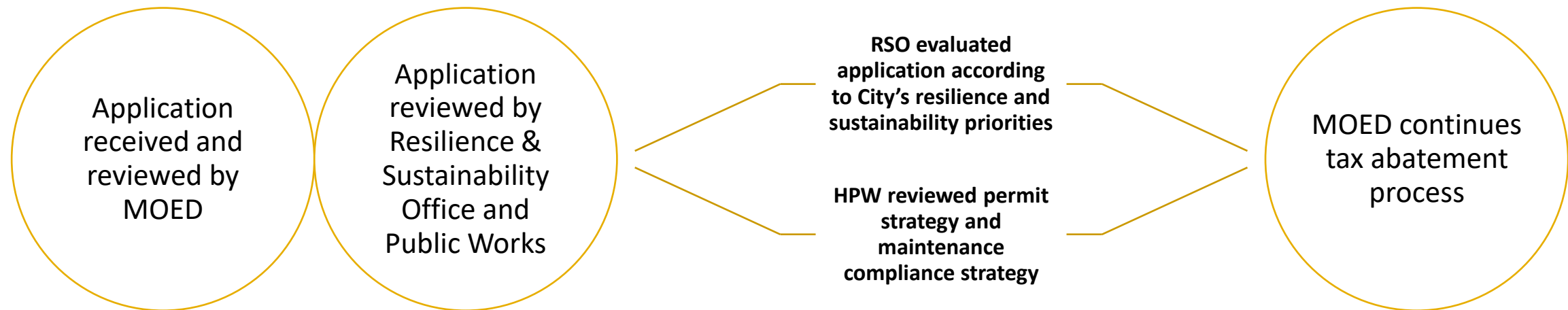
- Removal of underutilized office space
- Creation of community destination retail center
- Proposed future multifamily housing



# Alignment with MOED Priorities



# GSI Abatement Application Review Process



# Proposed Tax Abatement Reinvestment Zone

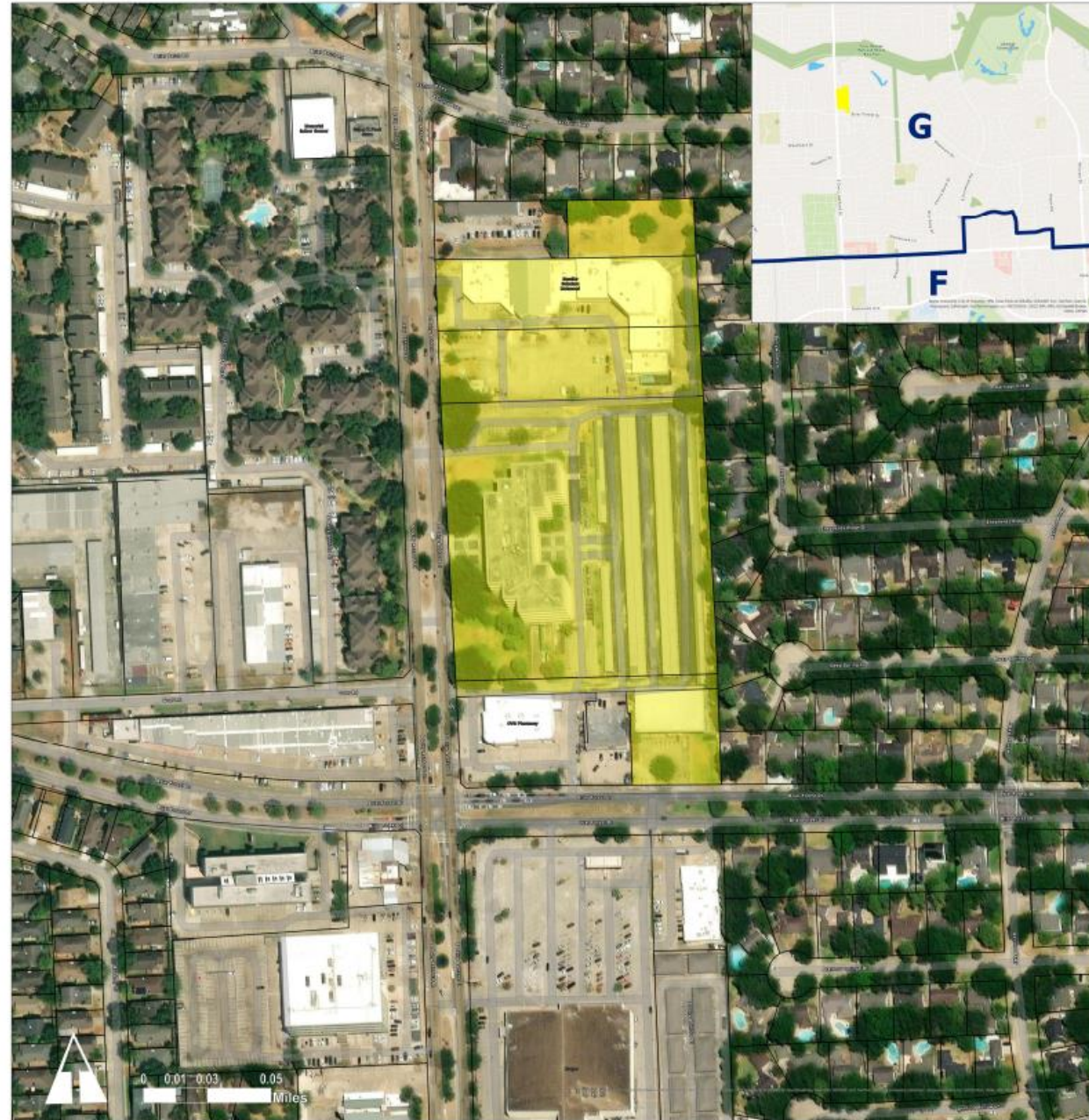
**PROPOSED  
DEMOLITION & GSI  
TAX ABATEMENTS  
TPMS 3 DA, LLC  
TPMS 4 DA, LLC  
1325 S. DAIRY ASHFORD**

- PARCELS
- PROPOSED TAX ABATEMENT REINVESTMENT ZONE



Source: City of Houston GIS database,  
Date: June 5, 2024

This map is made available for reference purposes only and should not be substituted for a survey product. The City of Houston will not accept liability of any kind in conjunction with its use.



# Tax Abatement Proposal

TPMS 3 DA, LLC & TPMS 4 DA, LLC  
1325 S. Dairy Ashford

## Estimated Effective Date

- January 1, 2028

## Eligible Costs

- Demolition: \$2.67M
- GSI Investment: \$3.07M

## Abatement Projection

- 1st Year Abatement: \$470,970
- Average Annual Abatement: \$540,146

## Abatement Term

- \$5,740,000 or 10 years



# 10-Year Projection

MIXED USE RETAIL DEVELOPMENT - 1325 S. Dairy Ashford

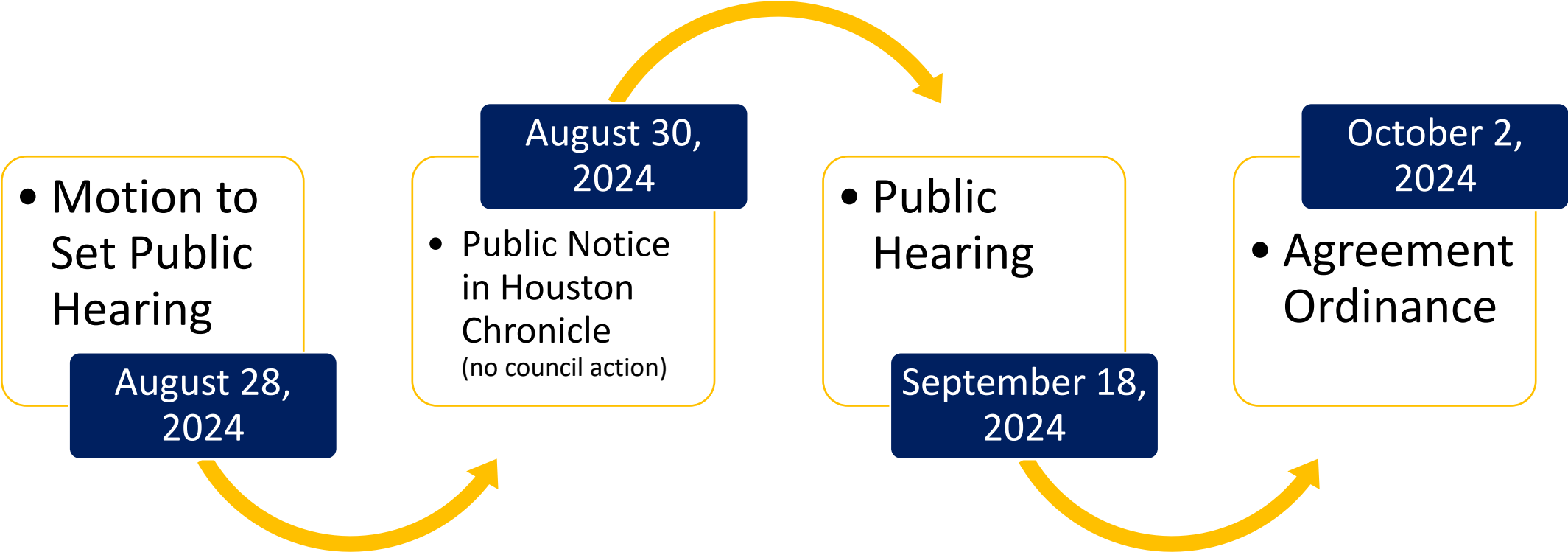
## PROPERTY TAX PROJECTION

<b>Building Improvements</b>	\$ 27,079,057
<b>Eligible Green Stormwater Infrastructure Improvements</b>	\$ 3,071,941
<b>Eligible Demolition Costs</b>	\$ 2,668,684
<b>Percentage of Investment Applied to Improvement</b>	80%
<b>TY24 COH Tax Rate</b>	0.0051919

	TAX YEAR	FISCAL YEAR	GROWTH	PROJECTED ASSESSED VALUE	GSI (100%) + DEMOLITION (90%) ABATEMENTS	CUMULATIVE ABATEMENT VALUE	COH COLLECTED REVENUE
Base Value of Improvements	2026	2027		\$ 10,586,021.00	0% \$ -	\$ -	\$ 54,961.56
First Year of Abatement	2028	2029	4%	\$ 90,712,424.00	100% \$ 470,969.83	\$ 470,969.83	\$ -
	2029	2030	4%	\$ 94,340,920.96	100% \$ 489,808.63	\$ 960,778.46	\$ -
	2030	2031	4%	\$ 98,114,557.80	100% \$ 509,400.97	\$ 1,470,179.43	\$ -
	2031	2032	4%	\$ 102,039,140.11	100% \$ 529,777.01	\$ 1,999,956.45	\$ -
	2032	2033	4%	\$ 106,120,705.71	100% \$ 550,968.09	\$ 2,550,924.54	\$ -
	2033	2034	4%	\$ 110,365,533.94	100% \$ 573,006.82	\$ 3,123,931.35	\$ -
	2034	2035	4%	\$ 114,780,155.30	90% \$ 536,334.38	\$ 3,660,265.73	\$ 59,592.71
	2035	2036	4%	\$ 119,371,361.51	90% \$ 557,787.75	\$ 4,218,053.49	\$ 61,976.42
	2036	2037	4%	\$ 124,146,215.97	90% \$ 580,099.26	\$ 4,798,152.75	\$ 64,455.47
Final Year of Abatement	2037	2038	4%	\$ 129,112,064.61	90% \$ 603,303.24	\$ 5,401,455.99	\$ 67,033.69
<b>Cumulative Values</b>					<b>\$ 5,401,455.99</b>	<b>\$ 5,401,455.99</b>	<b>\$ 308,019.86</b>

Estimated Tax Abatement Effective Date: Jan. 1, 2028

# Proposed Council Action Timeline\*



\*Pending reauthorization of Tax Abatement Ordinance