

RESOLUTION NO. 3012

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BAYTOWN, TEXAS, REPEALING RESOLUTION NO. 2389 ADOPTED BY THE CITY COUNCIL OF THE CITY OF BAYTOWN ON DECEMBER 10, 2015; ESTABLISHING INDUSTRIAL DISTRICT POLICIES APPLICABLE TO COMPANIES THAT DID NOT HAVE AN INDUSTRIAL DISTRICT AGREEMENT WITH THE CITY OF BAYTOWN IN EFFECT ON JUNE 26, 2025; AND PROVIDING FOR THE EFFECTIVE DATE THEREOF.

WHEREAS, orderly economic growth raises the standard of living and otherwise improves the quality of life for the community as a whole; and

WHEREAS, the Baytown area has a number of industrial establishments; and

WHEREAS, it is to the mutual advantage of industries and municipalities to cooperate whenever possible for the general advancement of the affected population; and

WHEREAS, it is generally recognized that industries within the City's Industrial Districts should compensate the City of Baytown recognizing their limited use of municipal services, but realizing that industries derive benefits, both direct and indirect, from municipal services; and

WHEREAS, the City Council, having previously created Industrial Districts, desires to continue with contractual arrangements with New Companies situated in the Industrial Districts in the City's extraterritorial jurisdiction, as provided for in the Texas Local Government Code, Section 42.044; and

WHEREAS, the industrial district policies included herein are designed to treat New and Existing Companies engaging in like industries equally, to impose uniformly and consistently contractual provisions on all New and Existing Companies engaging in like industries so as to generate equitable revenues and to set uniform standards and regulations, and to provide New Companies a limited immunity from annexation;

WHEREAS, the City Council may consider the industrial district policies included herein and any and all other factors when considering to enter into an agreement with a New Company; NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BAYTOWN, TEXAS:

Section 1: That the facts and matters set forth in the recitals of this Resolution are hereby found to be true and correct and are herein adopted by the City Council of the City of Baytown.

Section 2: That the City Council of the City of Baytown hereby repeals Resolution No. 2389 adopted by the City Council of the City of Baytown on December 10, 2015, and declares said resolution to be without force and effect.

Section 3: The following definitions apply to this policy, except where the context clearly indicates a different meaning:

ADDED VALUE means the fair market value as determined by the Harris Central Appraisal District or Chambers County Appraisal District, whichever is applicable, of all of the New Company's land and all other tangible property, real, personal or mixed, within the affected area on January 1 of each year in which an Industrial District Payment is due hereunder minus the Base Year Value.

BASE YEAR VALUE means the fair market value as determined by the Harris Central Appraisal District or Chambers County Appraisal District, whichever is applicable, of all of the New and Existing Company's land and all other tangible property, real, personal or mixed, within the Industrial District:

- (1) if there is no planned improvement during the contract term, the fair market value as determined by the Harris Central Appraisal District or Chambers County Appraisal District, whichever is applicable, of all of the New and Existing Company's land and all other tangible property, real, personal or mixed, within the Industrial District:
 - (a) on January 1, 2009, or
 - (b) on January 1, 2016, or
 - (c) on January 1, 2025, or
 - (d) as most recently certified by the chief appraiser of the appraisal district as of the date of the Industrial District Agreement,whichever is greater; or
- (2) if there is a Planned Improvement during the contract term at the time of the execution of the Industrial District Agreement, the greater of (1)(a) through (d) above plus an agreed upon value based upon the value of any Planned Improvements throughout the term of the Agreement.

EXPANSION means the addition of buildings, structures, or fixed-in-place machinery and equipment for purposes of increasing production capacity.

IMPROVEMENT means:

- (1) a building, structure, fixture, or fence erected on or affixed to land;
- (2) a transportable structure that is designed to be occupied for residential or business purposes, whether or not it is affixed to land, if the owner of the structure owns the land on which it is located, unless the structure is unoccupied and held for sale or normally is located at a particular place only temporarily; or
- (3) for purposes of an entity created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, the:
 - (a) subdivision of land by plat;
 - (b) installation of water, sewer, or drainage lines; or
 - (c) paving of undeveloped land.

INDUSTRIAL DISTRICT means that area in the City's extraterritorial jurisdiction designated by the City as an industrial district.

INDUSTRIAL DISTRICT AGREEMENT means the agreement incorporated herein in Section 7 or as applicable.

NEW COMPANY means a new or existing company that owns Real Property within an Industrial District of the City, which Real Property was not subject to an Industrial District Agreement with the City of Baytown prior to June 26, 2025.

LEASED FACILITY means: If a leased facility is granted a PILOT, then the Agreement shall be executed with both the lessor (property owner) and the lessee.

LIMITED PURPOSE ANNEXATION means: (LPA) allows a city to annex land for regulatory purposes (such as zoning and building codes) without fully incorporating the area into the city limits for general governmental services and taxation.

LOCAL OPTION SALES TAX refers to a sales and use tax authorized under the Texas Tax Code, which may be adopted by a city and/or other local taxing jurisdictions through voter approval. This tax is levied in addition to the State sales tax and may be dedicated to specific purposes, including but not limited to economic development (pursuant to Chapters 504 and 505 of the Texas Local Government Code), street maintenance, public safety, or property tax relief. For the purposes of this policy, any applicable Local Option Sales Tax shall be considered in evaluating the overall fiscal impact and public benefit of an Industrial District Agreement (IDA).

LOGISTICS means warehousing, distribution, logistics, storage and similar operations, including, but not limited to, those associated with North American Industry Classification System ("NAICS") Codes 493110, 493120, 493130, and 493190, whose value of Situs Inventory exceeds the value of the New and Existing Company's Real Property subject to the Industrial District Agreement.

NON-LOGISTICS means not Logistics, including manufacturing

MANUFACTURING means the process of producing finished goods from raw materials, components, or parts through various means such as mechanical, chemical, or biological processes. This process encompasses all stages of production, including:

Manufacturing (heavy) means the mechanical or chemical transformation, assembly, fabrication, packing or other industrial processing of products predominantly from extracted or raw materials, including, but not limited to uses that have potentially significant external effects due to the involvement of hazardous materials or commonly recognized offensive conditions such as the use of flammable, toxic, explosive, or radioactive materials. The term includes the incidental storage, sales, and distribution of such materials.

Manufacturing (light) means the mechanical or chemical transformation, predominately from previously prepared materials, of finished products or parts, including processing, fabrication,

assembly, treatment, and packaging of such products; and incidental storage, sales, and distribution of such products.

PAYMENT IN LIEU OF TAXATION (PILOT) means: a negotiated payment made by a property owner to the City in lieu of ad valorem property taxes. The amount, terms, and duration of the PILOT shall be established in accordance with this Agreement and applicable laws, ensuring a mutually beneficial arrangement that supports both public interests and private investment.

PROCUREMENT AND HANDLING OF RAW MATERIALS: Sourcing, receiving, and storing raw materials and components required for production.

PRODUCTION OPERATIONS:

Machining, cutting, shaping, or forming materials into parts.

Assembling parts into finished products.

Applying treatments such as coating, painting, or heat-treating.

Conducting quality control and testing to ensure products meet specified standards.

Utilization of Equipment and Labor: Employing machinery, tools, technology, and human labor in the production process to enhance efficiency and quality.

Management of Production Facilities: Operating and maintaining facilities where manufacturing activities take place, including factories, plants, and workshops.

Distribution and Logistics: Packaging, storing, and transporting finished goods to distributors, retailers, or end consumers.

PERSONAL PROPERTY means property that is not Real Property.("Personal Property" shall mean all tangible and intangible assets owned by a party, excluding real property. This includes, but is not limited to:

1. Machinery, equipment, tools, and vehicles.
2. Office furniture, fixtures, and supplies.
3. Inventory, goods, and products.
4. Computers, electronic devices, and accessories.
5. Raw materials and work-in-progress items.

PLANNED IMPROVEMENT means any taxable Real Property Improvement together with New Company's and Existing Personal Property within the affected area having an assessed value of more than \$5,000,000 but less than \$250,000,000. If the planned improvement is greater than \$250,000,000 the City may consider a Chapter 212 Agreement.

REAL PROPERTY means:

- (1) land;
- (2) an improvement;
- (3) a mine or quarry;
- (4) a mineral in place;
- (5) standing timber; or
- (6) an estate or interest, other than a mortgage or deed of trust creating a lien on property or an interest securing payment or performance of an obligation, in a property enumerated in Paragraphs (1) through (5) of this definition.

RESEARCH AND DEVELOPMENT FACILITY means buildings and structures, including fixed in-place machinery and equipment, used or to be used entirely for research or experimentation to improve or develop current technology in biomedicine, electronics, clean energy, or pre-commercial emerging industries.

STRATEGIC PARTNERSHIP AGREEMENT (SPA) means a contract between a city and a Municipal Utility District (MUD) that allows the city to extend its authority into the district without full annexation, where a SPA allows a city to collect sales and use tax from businesses in the MUD without fully annexing the district for all purposes. Allows for potential split in sales tax revenue between the MUD, City, and private business.

SITUS INVENTORY means the value of the Personal Property and inventory stored or held on or within the affected property not owned by the Property Owner as assessed by the applicable appraisal district in a given contract year.

Section 4: It is hereby provided that compensation shall be determined uniformly for each New Company - Non-Logistics, as follows:

New or Existing Company shall pay the City of Baytown an Industrial District payment on or before December 31st of each year during the term of this Agreement, such payment to be calculated on the basis of the below stated formulas:

Industrial District Payment	=	Base Value Industrial District Payment + Added Value Industrial District Payment
Base Value Industrial District Payment	=	Base Year Value x Industrial District Rate
Added Value Industrial District Payment*	=	Added Value x Industrial District Rate Rate x Added Value Discount

*If the formula used in calculating the Added Value Industrial District Payment produces a negative number, then the Added Value Industrial District Payment shall be \$0.00.

Council may provide New Company a discount on the Added Value Industrial District Payment Rate if the Added Value is as follows:

Added Value	Discount Rate
\$10m-\$50m	15%

\$50-\$100m

20%

Over \$100m

To be determined by Council

Section 5: It is hereby provided that compensation shall be determined uniformly for each New Company - Logistics, as follows:

New Company shall pay the City of Baytown an Industrial District payment on or before December 31st of each year during the term of this Agreement, such payment to be calculated on the basis of the below stated formulas:

Industrial District Payment	=	Base Value Industrial District Payment + Added Value Industrial District Payment
Base Value Industrial District Payment	=	Base Year Value x Industrial District Payment Rate +
		Situs Inventory x Industrial District Payment Rate
Added Value Industrial District Payment*	=	Added Value x Industrial District Rate x Added Value Industrial District Discount

*If the formula used in calculating the Added Value Industrial District Payment produces a negative number, then the Added Value Industrial District Payment shall be \$0.00.

Each New or Existing Company engaged in Logistics, who leases or otherwise provides space to another for storage of Personal Property, shall file an information report with the City stating the name and address of each person to whom the New or Existing Company leased or otherwise provided storage space on January 1 of each contract year.

Section 6: Each New or Existing Company must agree to give preference and priority to local manufacturers, supplies, contractors, and labor for the materials and labor for the construction of Planned Improvements, except where not reasonably possible to do so without added expense, substantial inconvenience, or sacrifice in operating efficiency. In any such exception cases involving purchases over \$10,000 a justification for such purchase shall be included in the annual report. Each such New or Existing Company shall further acknowledge that it is a legal and moral obligation of persons receiving entering into an Industrial District Agreement to favor local manufacturers, suppliers, contractors and labor, all other factors being equal. For the purposes of this provision, the term "local" as used to describe manufacturers, suppliers, contractors and labor shall include firms, businesses, and persons who reside in or maintain an office in Harris County or Chambers County. In the event of a breach of this buy-local provision, the Industrial District Payment shall be proportionately increased equal to the amount the disqualified contract bears to the total construction cost (materials and labor) for the Planned Improvement. In the event that New or Existing Company contracts the supply and construction of the Planned Improvement to an affiliate or other non-local contractor, New Company shall ensure compliance with this section by including in such contract a flow-through provision requiring such compliance.

Section 7: If a New or Existing Company executes an Industrial District Agreement with the City, the New Company's property within the area subject to the Industrial District Agreement should not be annexed by the City unless otherwise necessary to annex property owned by third parties within an Industrial District. In the event Texas Local Government Code Chapter

42 is repealed or amended limiting the authority of municipalities to create industrial districts, the New or Existing Company agrees to voluntary petition for annexation by the City and entering into an applicable economic development agreement equivalent to the terms of the IDA or City service agreement.

Section 8: New or Existing Company shall acknowledge and accept as part of the IDA the portions of the Property that are located in and subject to City certified service areas.

Section 9: This resolution shall take effect immediately from and after its passage by the City Council of the City of Baytown.

INTRODUCED, READ, AND PASSED by the affirmative vote of the City Council of the City of Baytown, this the 24th day of June, 2025.



CHARLES JOHNSON, Mayor

ATTEST:



ANGELA JACKSON, City Clerk



APPROVED AS TO FORM:



SCOTT LEMON, City Attorney