



**PORT OF BEAUMONT NAVIGATION DISTRICT  
OF JEFFERSON COUNTY, TEXAS  
2021 UNIFORM TAX ABATEMENT GUIDELINES AND CRITERIA**

**NOTE: THIS POLICY APPLIES TO  
AGREEMENT(S) WITH PORT OF BEAUMONT ONLY**

**Businesses applying for tax abatement with the Port are advised that any agreement with the Port applies only to taxes assessed by the Port, and an abatement agreement with any other taxing entity must be negotiated with those respective entities. In addition, once an abatement agreement is made, the business is responsible for applying each year with the Jefferson County Appraisal District for implementation of any abatement.**

**SPECIAL PROVISION OF THE  
JEFFERSON COUNTY APPRAISAL DISTRICT**

The final determination of value to be abated is vested with the Jefferson County Appraisal District (“JCAD”), an agency autonomous from Port of Beaumont Navigation District of Jefferson County, Texas (the "Port"). The Procedures used by JCAD are attached as **Exhibit “A”** and incorporated and adopted in this Abatement Policy for all purposes.

**SECTION I  
STATEMENT OF PURPOSE**

(a) The Port Commission adopts this tax abatement policy to provide incentives to the owner of real property who proposes a project to develop, redevelop or improve eligible facilities (as herein defined). The incentives will consist of a limited special exemption from certain taxes provided that the Owner of the Property agrees to accept and abide by this Policy and provided that the real property is located in a lawfully created Reinvestment or Enterprise Zone.

(b) This policy is intended to improve the quality of life in economically depressed areas by stimulating business development, job creation and retention.

**SECTION II  
DEFINITIONS**

(a) **“Abatement”** means the full or partial exemption from ad valorem taxes of certain real property values and/or tangible personal property values in a reinvestment or enterprise zone designated by the Port for economic development purposes.

(b) **“Agreement”** means a contractual agreement between a property owner and/or lessee and the Port.

(c) **“Base Year”** means the calendar year in which the abatement agreement is signed.

(d) **“Base Year Value”** means the taxable value of eligible industrial realty improvements of the owner within Jefferson County on January 1 preceding the execution of the abatement agreement and which property is owned by the owner, co-owner and/or its parent companies, subsidiaries, partner or joint ventures or any entity exercising legal control over the owner or subject to control by the owner. Owner will attach as Exhibit “F” a list of Affiliates. Affiliates are defined as those properties which are co-owned or which are parent companies, partnerships, joint-ventures or other entities in Jefferson County over which the Owner herein exercises legal control.

(e) **“Bulk Buys”** include but are not limited to material which is purchased in the early phase of the project. This material includes commodity and special order items that may have long lead times due to fabrication timeframe or by the significant size of the order(s). The county recognizes "Bulk Buys" historically represent a significant percentage of the material purchase for a project.

(f) **“Deferred Maintenance”** means improvements necessary for continued operation which do not improve productivity, or alter the process technology, reduce pollution or conserve resources.

(g) **“Eligible Facilities”** means new, expanded or modernized buildings and structures, tangible personal property as defined in the Texas Tax Code, including fixed machinery and equipment, which is reasonably likely as a result of granting abatement to contribute to the retention or expansion of primary employment or to attract major investment in the reinvestment or enterprise zone that would be a benefit to the property and that would contribute to the economic development within the Port. Eligible facilities may include, but shall not be limited to, industrial buildings and warehouses. Eligible facilities may also include facilities designed to serve a regional population greater than the Port for medical, scientific, recreational or other purposes.

(h) **“Eligible Property”** means realty improvements, the on-site buildings, structures, fixed machinery and equipment, storage tanks, process units (including all integral components necessary for operations), site improvements, and infrastructure included in the Project, and the permanent office space and related fixed improvements necessary to the operation and administration of the Project, as defined in the Tax Code, but does not include personal property.

(i) **“Expansion”** means the addition of buildings, structures, machinery, tangible personal property, equipment or payroll for purposes of increasing production capacity.

(j) **“Field Buys”** include but are not limited to the procurement of material that is conducted by the project procurement team which is typically located on site throughout the duration of the project.

(k) **“Facility”** means property improvements completed or in the process of construction which together comprise an integral whole.

(l) **“Modernization”** means a complete or partial demolition of facilities and the complete or partial reconstruction or installation of a facility of similar or expanded production capacity. Modernization may result from the construction, alteration, or installation of buildings, structures, machinery, equipment, pollution control devices or resource conservation equipment.

(m) **“New Facility”** means a property previously undeveloped which is placed into service by means other than or in conjunction with expansion or modernization.

(n) **“Productive Life”** means the number of years a property improvement is expected to be in service in a facility.

### **SECTION III ABATEMENT AUTHORIZED**

(a) **Eligible Facilities.** Upon application, Eligible Facilities shall be considered for tax abatement as hereinafter provided.

(b) **Creation of New Value.** Abatement may only be granted for the additional value of eligible facilities made subsequent to and specified in an abatement agreement between the Port and the property owner or lessee, subject to such limitations as the Port may require.

(c) **New and Existing Facilities.** Abatement may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion.

(d) **Eligible Property.** Abatement may be extended to the value of buildings, structures, fixed machinery and equipment, site improvements, and related fixed improvements necessary to the operation and administration of the facility.

(e) **Ineligible Property.** The following types of property shall be fully taxable and ineligible for tax abatement: land, supplies, inventory, deferred maintenance, property to be rented or leased (except as provided in Section III(f)), property which has a productive life of less than ten years, or any other property for which abatement is not allowed by state law.

(f) **Owned/Leased Facilities.** If a leased facility is granted abatement, both the owner/lessor and the lessee shall be parties to the Agreement with the Port.

(g) **Economic Qualification.** In order for an Eligible Facility to receive tax abatement the planned improvement:

- (1) Must create with an increased appraised ad valorem tax value based upon the Jefferson County Appraisal District’s assessment of the eligible property.
- (2) Must prevent the loss of payroll or retain, increase or create payroll on a permanent basis in Jefferson County (the “County”).
- (3) Must not have the effect of displacing workers or transferring employment from one part of the County to another.
- (4) Must demonstrate by an independent economic impact analysis that the local economic benefit will be in excess of the amount of anticipated foregone tax revenues resulting from the abatement.

### **SECTION IV FACTORS CONSIDERED BY PORT IN CONSIDERING ABATEMENT REQUEST**

(a) **Standards For Tax Abatement.** The following factors shall be considered in determining whether to grant tax abatements for an Eligible Facility, and if so, the percentage of value to be abated and the duration of the tax abatement:

- (1) Existing improvements, if any;
- (2) Type and value of proposed improvements;
- (3) Productive life of proposed improvements;
- (4) Number of existing jobs to be retained by proposed improvements;
- (5) Number and types of new jobs to be created by proposed improvements;
- (6) The extent to which new jobs to be created will be filled by persons who are economically disadvantaged, including residents of a Reinvestment or Enterprise Zone;
- (7) The extent to which local labor or local subcontractors will be used in the construction phase of the project;
- (8) Amount of local taxes to be generated directly;
- (9) Amount the property tax base valuation will be increased during term of abatement and after abatement;
- (10) The amount of economic impact the Eligible Facility will provide to the local community;
- (11) The costs to be incurred by the Port to provide facilities or services directly resulting from the new improvements;
- (12) The amount of ad valorem taxes to be paid to the Port during the abatement period considering (a) the existing values; (b) the percentage of new value abated; (c) the abatement period; and (d) the value after expiration of the abatement period;
- (13) The population growth of the County projected to occur directly as a result of new improvements;
- (14) The types and values of public improvements, if any, to be made by applicant seeking abatement;
- (15) Whether the proposed improvements compete with existing businesses to the detriment of the local economy;
- (16) The impact on the business opportunities of existing businesses;
- (17) The attraction of other new businesses to the area as a result of the project;
- (18) The overall compatibility with the zoning ordinances and comprehensive plan for the area;
- (19) Whether the project is environmentally compatible with no negative impact on quality of life perceptions.

Each application for tax abatement shall be reviewed on its merits utilizing the factors provided above. After such review, abatement may be denied entirely or may be granted to the extent deemed appropriate after full evaluation.

(b) **Local Employment.** For purposes of evaluating Section IV(a)(7), Local labor is defined as those laborers or skilled craftsmen who reside in a nine county region comprised of Jefferson, Orange, Hardin, Jasper, Newton, Liberty, Tyler and Chambers Counties, as well as the Bolivar Peninsula area of Galveston County. Local vendors and suppliers shall include only those located or having a principal office in Jefferson County. Local Subcontractors shall include only those located or having a principal office in Jefferson County.

Each recipient of property tax abatement shall additionally agree to give preference and priority to local manufacturers, suppliers, vendors, contractors and labor, except where not reasonably possible to do so without significant added expense, substantial inconvenience, or sacrifice in operating efficiency. In any such exception, cases involving purchases over \$10,000.00, a justification for such purchase shall be included in the annual report. Each recipient shall further acknowledge that there is a legal and moral obligation of persons receiving property tax abatement to favor local manufacturers, suppliers, contractors and labor, all other factors being equal. In the event of a breach of the “buy-local” provision, the percentage of abatement shall be proportionately reduced in an amount equal to the amount the disqualified agreement bears to the total construction cost for the project.

(c) **Bid Information.** Each recipient of a property tax abatement must also provide bidding information to local contractors, manufacturers and labor to allow them to have sufficient information and time to submit their bids and pre-bid meetings must be held between the owner and potential local bidders and suppliers of services and materials. In this regard, each recipient of an abatement will provide sufficient notice and information regarding the project to qualified contractors and suppliers to enable them to submit bids in the early procurement processes for materials, including but not limited to Bulk Buys.

(d) **Historically Underutilized Businesses/Disadvantaged Business Enterprises.** The project will encourage and promote the utilization of Historically Underutilized Businesses (HUBs) (also known as Disadvantaged Business Enterprises, or DBEs) by the general contractor by ensuring a good faith effort is made to give HUB vendors and contractors an opportunity to bid on all contracts.

- (1) A Historically Underutilized Business (HUB) is a business owned or controlled by Socially and Economically Disadvantaged Individuals as defined by all applicable federal or state laws and local policies, including Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Asian-Indian Americans, women and individuals with disabilities.

A HUB is one that is at least 51 percent owned or controlled by one or more women or Socially and Economically Disadvantaged Individuals or, in the case of a publicly owned business, one that at least 51 percent of the stock of which is controlled by one or more women or Socially and Economically Disadvantaged Individuals.

A business that has been certified as a HUB/DBE by an agency of the federal government or the State of Texas is presumed to be a HUB/DBE for purposes of this policy.

Only a HUB/DBE with its principal office in Jefferson, Hardin or Orange counties will be recognized as a HUB/DBE for purposes of this policy.

- (2) The Port will require that each abatement agreement between itself and any individual or entity seeking the abatement of ad valorem taxes contain a provision requiring the owner, on at least a quarterly basis, and at owner’s cost, to allow the

full examination by Port or its designated representative(s) of all documents necessary for Port to assure that best efforts have been used by owner to utilize local labor, subcontractors, vendors, suppliers and HUB's/DBE's. The Port will also require that such contracts contain provisions binding the engineering/construction firms utilized as general contractors on the project to the terms of an Agreement.

(e) **Denial of Abatement.** Neither a reinvestment nor enterprise zone nor abatement agreement shall be authorized if it is determined that:

- (1) There would be a substantial adverse affect on the provision of government service or tax base;
- (2) The applicant has insufficient financial capacity;
- (3) Planned or potential use of the property would constitute a hazard to public safety, health or morals;
- (4) The project would cause a violation of state or federal laws; or
- (5) For any other reason deemed appropriate by the Port including the pendency of litigation between the individual or entity requesting the creation of the reinvestment or enterprise zone and the Port.

(f) **"Taxability."** From the execution of the abatement agreement to the end of the agreement period, taxes shall be payable as follows:

- (1) The value of ineligible property as provided in Section III(e) shall be fully taxable; and
- (2) The base year value of existing eligible property as determined each year shall be fully taxable.

## **SECTION V APPLICATION PROCESS**

(a) Any present or potential owner of taxable property in the Port may request a tax abatement by filing a written request with the Port Commission.

(b) The application shall consist of a completed application form which shall provide detailed information on the items described in Section IV hereof; a map and property description; a time schedule for undertaking and completing the planned improvements. In the case of modernization, a statement of the assessed value of the facility separately stated for real and personal property shall be given for the tax year immediately preceding the application. The application form may require such financial and other information as may be deemed appropriate for evaluating the financial capacity and other factors of the applicant. The Port shall also require an application fee in the amount of \$1,000.00 to be submitted with the application. If the application is granted and an abatement agreement is entered into by and between the applicant and the Port, such application fee will be refunded to applicant.

(c) Prior to the adoption of a resolution designating a reinvestment zone or application for designation of an enterprise zone, the lead taxing entity initiating the tax abatement shall: (1) give written notice to the presiding officer of the governing body of each taxing unit in which the

property to be subject to the agreement is located not later than the seventh (7<sup>th</sup>) day before the public hearing; and (2) publish notice of a public hearing in a newspaper of general circulation within such taxing jurisdiction not later than the seventh (7<sup>th</sup>) day before the public hearing. Before acting upon the application, the Port shall, through public hearing, afford the applicant and the designated representative of any governing body referenced herein above opportunity to show cause why the abatement should or should not be granted.

(d) The Port shall make every reasonable effort to by resolution either approve or disapprove the application for tax abatement within forty-five (45) days after receipt of the application. The Port shall notify the applicant of approval or disapproval.

(e) Information that is provided to the Port in connection with an application or request for tax abatement and that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property for which an abatement agreement is requested is confidential and not subject to public disclosure pursuant to the Texas Public Information Act until the abatement agreement is executed. That information in the possession of a taxing unit after the abatement agreement is executed is not confidential and is subject to disclosure.

## **SECTION VI AGREEMENT**

(a) The Port shall formally pass a resolution and execute an Agreement with the owner of the facility (and lessee, if applicable) which shall include the following terms and such additional terms and conditions as deemed in the best interest of the Port:

- (1) Estimated value to be abated and the base year value;
- (2) Percent of value to be abated each year;
- (3) The commencement date and the termination date of abatement;
- (4) The proposed use of the facility, nature of construction, time schedule, map, property description and improvement;
- (5) Contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, or assignment;
- (6) Provision for access to and authorization for inspection of the property by Port employees to ensure that the improvements or repairs are made according to the specifications and conditions of the agreement;
- (7) Limitations on the uses of the property consistent with the general purpose of encouraging development or redevelopment of the zone during the period that property tax exemptions are in effect;
- (8) Provision for recapturing property tax revenue lost as a result of the agreement if the owner of the property fails to make the improvements or repairs as provided by the agreement;
- (9) Provision that all permanent jobs be registered with the Texas Workforce Commission and that all contractors be encouraged to seek qualified workers through the Texas Workforce Commission;
- (10) Contain each and every term agreed to by the owner of the property;



- (11) Requirement that the owner or lessee of the property certify annually to the governing body of each taxing unit that the owner or lessee is in compliance with each applicable term of the agreement; and
- (12) All terms required by Texas Tax Code §312.205, as amended.

Such agreement shall normally be executed within sixty (60) days after the applicant has forwarded all necessary information and documentation to the Port.

## **SECTION VII RECAPTURE**

(a) In the event that the company or individual (1) allows its ad valorem taxes owed the Port to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest; or (2) violates any of the terms and conditions of the abatement agreement; and fails to cure during the cure period, the agreement then may be terminated and all taxes previously abated by virtue of the Agreement will be recaptured and paid within thirty (30) days of the termination.

(b) Should the Port determine that the company or individual is in default according to the terms and conditions of its agreement, the Port shall notify the company or individual of such default in writing at the address stated in the agreement; and if such is not cured within thirty (30) days from the date of such notice (“Cure Period”), then the Agreement may be terminated. Alternatively, County may, as a penalty for default or non-compliance with the provisions of the Agreement, reduce the term of the abatement period and/or the annual percentage abatements available thereunder.

(c) Payment in Lieu of Taxes: If, during the period of this abatement, any Federal or State law provides an additional tax exemption for the property that is already the subject of this agreement, Applicant agrees to decline the tax exemption during the period of this abatement. If Applicant is unable to decline that tax exemption, Applicant agrees to pay the taxes, or payment in lieu of taxes, on the reduction of property tax revenue to the County that is the result of said exemption. Any payment in lieu of taxes shall be done on or before November 15 of the year in which payment is due.

(d) By this, it is understood and agreed that if the party granted this abatement avails itself to a Foreign Trade Zone exemption, the abated value subject to this contract will be reduced dollar for dollar and taxed.

(e) It is understood and agreed by the owner that, if at any time during the abatement, the owner prevails in an action to contest the taxable value of the property of owner that is the subject of the abatement for Unequal Appraisal or revision thereof pursuant to Section 42.26, Texas Tax Code, the County shall reduce the amount of abatement dollar for dollar for each dollar that the taxable value is reduced as a result of that contest.

## **SECTION VIII ADMINISTRATION**

(a) The Chief Appraiser of the Jefferson County Appraisal District will annually determine an assessment of the real and personal property subject to each abatement agreement. Each year, the company or individual receiving abatement shall furnish the appraiser with such information as may be necessary to determine compliance with the abatement agreement. Once value has been established, the Chief Appraiser will notify the Port of the amount of the assessment.

(b) The abatement agreement shall stipulate that employees and/or designated representatives of the Port will have access to the Facility during the term of the abatement to inspect the Facility to determine if the terms and conditions of the Agreement are being met. All inspections will be made only after the giving of twenty-four (24) hours prior notice and will only be conducted in such manner as to not unreasonably interfere with the construction and/or operation of the Facility. All inspections will be made with one or more representative of the company or individual and in accordance with its safety standards.

(c) Upon completion of construction, the designated representative of the Port shall annually evaluate each facility receiving abatement to insure compliance with the agreement, and a formal report shall be made to the Port.

(d) During the course of construction of the Facilities, owner and its general contractor shall, on at least a quarterly basis, meet with designated Port representatives to assure compliance with the terms of the Agreement. Owner shall be responsible to Port for the payment of costs associated with such monitoring. In the event it is determined that owner or its contractors have failed to comply with the terms of the Agreement, then Port may terminate the Agreement or, in Port's discretion, reduce the duration or annual percentages of such abatement.

(e) The Port shall timely file all information required by the Tax Code with appropriate State Board offices and/or agencies.

(f) All requirements of the Abatement Agreement shall apply to applicant's contractors/subcontractors and applicant shall ensure that they abide by the terms of the Agreement.

#### **SECTION IX ASSIGNMENT: TRANSFER OF AGREEMENT**

Abatement may be transferred and assigned in whole or in part by the holder to a new owner or lessee of the same facility upon the approval by resolution of the Port Commission, subject to the financial capacity of the assignee and provided that all conditions and obligations in the Agreement are assumed.

No assignment or transfer shall be approved if the parties to the Agreement, the new owner or new lessee are liable to any jurisdiction for outstanding taxes or other obligations. Approval shall not be unreasonably withheld. As a condition of transfer, an assignment fee of 1% may be required, with the maximum fee being \$10,000.00.

#### **SECTION X SUNSET PROVISION**

These guidelines and criteria are effective upon the date of their adoption and will remain in force for two years, unless amended by three-quarters of the Port Commission at which time all reinvestment and enterprise zones and tax abatement agreements created pursuant to these provisions will be reviewed to determine whether the goals have been achieved. Based on that review, the guidelines and criteria may be modified, renewed or eliminated.

## **SECTION XI DISCRETION OF THE PORT**

The adoption of these guidelines and criteria by the Port does not:

- (1) Limit the discretion of the Port to decide whether to enter into an Agreement;
- (2) Limit the discretion of the Port to delegate to its employees the authority to determine whether or not the Port should consider a particular application or request for tax abatement; or
- (3) Create any property right, contract, or other legal rights in any person or entity to have the Port consider or to grant a specific application or request for tax abatement.

**QUESTIONS TO BE ANSWERED IN ORDER TO DEVELOP  
AN APPLICATION AND ECONOMIC IMPACT STATEMENT  
FOR VALUE ADDED TAX ABATEMENTS IN PORT OF BEAUMONT  
NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS**

**General:**

The Port will provide a representative to assist in preparation and presentation of all documents and to guide them through the abatement process.

**Opening Paragraph:**

The application should include a summary statement about the company and its operations. This information can come from an annual report, corporate 10K or other document provided by the company. (Please include these documents with this questionnaire.)

**Economic Impact Analysis:**

The application must include the attachment of an independently prepared economic impact analysis of the proposed facility as it impacts the local economy.

**Maps and Plats:**

Provide maps, plats, and drawings necessary to establish the location of the improvements and their relationships to the boundaries of cities, ETJ's, and reinvestment or enterprise zone boundaries.

**Application Fee:**

An application fee in the amount of \$1,000.00 to be submitted with the application. If the application is granted and an abatement agreement is entered into by and between the applicant and the Port, such application fee will be refunded to applicant if an abatement is granted.

**Questions to be Answered:**

(1) Is your project within a city limit? \_\_\_\_\_ Name of City \_\_\_\_\_

(2) Is your project within an ETJ? \_\_\_\_\_ Name of City \_\_\_\_\_

(3) Is your project within an Enterprise or Reinvestment Zone? \_\_\_\_\_ Which? \_\_\_\_\_

(4) Will you own the realty or lease the realty? \_\_\_\_\_

(5) Present Appraisal District value of land and any EXISTING improvements owned by the OWNER (Answer this question based on Appraisal District records for the specific site you select.).

Cost of Land (If you are purchasing): \$ \_\_\_\_\_

Number of Acres: \_\_\_\_\_ or Square Feet: \_\_\_\_\_

(6) Type and value of proposed improvements: \_\_\_\_\_

Type of construction: \_\_\_\_\_  
(Tiltwall, Build-Out of Existing Facility, Etc.)  
Value of Construction: \_\_\_\_\_  
Value of Equipment: \_\_\_\_\_  
Value of Personal Property: \_\_\_\_\_  
Value of Pollution Control Devices: \_\_\_\_\_

(7) Productive life of proposed improvements: \_\_\_\_\_ years, or term of initial lease: \_\_\_\_\_

(8) Number of existing jobs to be retained by proposed improvements: \_\_\_\_\_  
(Answer only if the location is already in or near Jefferson County and now employs Jefferson County residents.)

(9) Number and types of new jobs to be created by proposed improvements: \_\_\_\_\_

(10) Amount of Annual local payroll to be created: \_\_\_\_\_.

(11) What percentage and type of jobs to be created will Jefferson County residents have the opportunity to fill? \_\_\_\_\_.

(12) Amount property tax base valuation will be increased:  
During term of abatement: \_\_\_\_\_  
After term of abatement: \_\_\_\_\_

(13) The costs to be incurred by local government to provide facilities or services directly resulting from the new improvements: \_\_\_\_\_  
(Explain any costs for development or depletion of infrastructure the city is being asked to absorb, if any.)

(14) The amount of ad valorem taxes to be paid to the Port during the abatement period considering: (a) the existing values; (b) the percentage of new value abated; (c) the abatement period; and (d) the value after expiration of the abatement period.  
\_\_\_\_\_

(15) The population growth of the County that will occur directly as a result of new improvements: \_\_\_\_\_  
(If you relocate to Jefferson County, how many of your employees do you anticipate to relocate?)

(16) The types and values of public improvements, if any, to be made by applicant seeking abatement:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(List any facilities from which the public might benefit.)

(17) Whether the proposed improvements compete with existing businesses to the detriment of the local economy: \_\_\_\_\_

(18) The impact on the business opportunities of existing businesses:

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(Are there possibilities for local businesses to become suppliers? Any new retail opportunities?)

(19) The attraction of other new businesses to the area:

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(Will any of your suppliers, customers, parent, or sister companies relocate because of your relocation?)

(20) The overall compatibility with the zoning ordinances and comprehensive plan for the area: \_\_\_\_\_

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(21) Describe, including the estimated value, all pollution control devices and other improvements for which you intend to seek TCEQ exemption from taxation:

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**NOTE: Failure to accurately disclose exempted property may result in a total default under the Abatement Agreement, resulting in recapture of previously abated taxes and forfeiture of future abatement.**

## EXHIBIT “A”

### **JEFFERSON COUNTY APPRAISAL DISTRICT PROCEDURE FOR CALCULATING ABATEMENTS**

#### Purpose

The purpose of this procedure is to clarify the method used in calculating the tax abatement under the attached Agreement. This requires calculation of the current market Value, Base Year Value, and taxable Value as these terms are defined below. By deducting the abatable value from the current market Value the Taxable Value may be determined. However, in accordance with the Port of Beaumont Navigation District of Jefferson County, Texas Uniform Tax Abatement Policy, the Real Property Owner’s Current Taxable Value shall not be less than the Base Year Value in order for a project to receive the full amount of abatement.

#### Calculation of “Current Market Value”

“Current Market Value” is determined by calculating for that Tax Year the market value of all industrial realty improvements of a property owner that comprise the “Base year Value” or each taxing entity.

#### Calculation of “Base Year Value”

“Base Year Value” for each taxing entity executing an abatement agreement is the market value of all industrial realty improvements of a property owner located within that entity for the tax period defined as the “Base Year” less the abated value of all projects granted by that entity for the “Base year.” “Base year” is defined as the calendar year in which the abatement agreement is executed (signed).

#### Calculation of “Taxable Value”

“Taxable Value” for each taxing entity is determined by deducting from the appraised market value of all industrial realty improvements of a property owner the amount of any applicable abatements granted for that Tax Year.

#### Calculation of Value Potentially Eligible for Abatement

The following procedures are followed for each project for which a tax abatement agreement has been executed and for each taxing entity granting the abatement.

1. The project base value, if applicable, is subtracted from the current year project value, and the percentage of abatement to be granted is then applied to the net amount determine the project value subject to abatement.

2. The Base Year Value is subtracted from the current Market Value. If the difference is greater than zero (0), then the remaining value is the value potentially eligible for abatement to the extent that it does not exceed the project value subject to abatement.

If the difference is zero (0) or less, then the project is not eligible for an abatement for that Tax Year.

#### Calculation of Abated Value

Each project that remains potentially eligible for abatement is then tested for each taxing entity granting the abatement on an individual basis in chronological order based on the date the agreement was executed.

1. For the project being tested, the Base year Value plus the value potentially eligible for abatement for all other projects is subtracted from the Current Market Value. If the difference is greater than zero (0), then the remaining value is the value of the project to be abated to the extent that it does not exceed the project value subject to abatement for that year.

If the difference is zero (0) or less, then the project is not eligible for an abatement for that Tax Year.

If a subsequent project being tested is determined to be ineligible for the full value potentially eligible for abatement calculated previously after performing the calculation stated above, then the test process must be redone for all prior projects using the actual value subject to abatement for the subsequent project to determine if there is any effect on the abatement for each project and each taxing entity for that Tax Year.