FY27 Proposed Amendments

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September 16, 2026
Economic Development Committee

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Presented By:

Chief Development Officer
Gwendolyn Tillotson-Bell

2 Year Renewal Tax Abatement

- Chapter 312 of the Texas Tax Code requires a municipality to adopt tax abatement guidelines and renew every 2 years
- Ord. 2024-624 established our tax abatement program as defined in Chapter 44 Article IV Code of Ordinances and remained active through August 28, 2026
- On August 19, 2026, presented the tax abatement guidelines to the Economic Development Committee and informed our request to approve the current guidelines before termination date AND to engage councilmembers to request comments and proposed amendments for approval within short term

City Council Chapter 44 Conditional Approval

- On August 26, 2026, City Council approved Ordinance 2026-0734 to renew the COH’s Tax Abatement Guidelines with condition

- Condition required direct engagement with councilmembers to discuss and consider proposed amendments to the guidelines

Actions Taken After August 26 Council Vote

Aug. 31st – Sept. 8th

Met with 10 CMs for input

Sept. 2nd – Sept. 9th

Series of meetings with legal team

Sept. 10th

Completed final review of legal and policy analyses

Sept. 11th

Drafted MOED recommendations for proposed amendments

Sept. 15th

Submitted slide deck to CMs for their review

Tax Abatement Evaluation Matrix

	Investment	Job Creation	Competitive Industry	Innovative Solution	Equitable Benefits	Quality of Life	Community Benefits	Layered Investment	City Development Priority
Criteria:	Development results in substantial long term investment ($MM) within Houston city's limits.	Development results in substantial creation of new, permenant jobs within Houston city's	The company represents one of Houston's top 10 industry cluster?	The project grew from cutting edge research, an innovative product, service, or process technology, or is an emerging industry?	The project encourages development for Houstonians living within the city's prioritized cluster of high poverty and/or low educational attainment.	The project increases quality of life (QoL) for Houstonians beyond industry	The project aligns with City of Houston policy priorities and mayoral initiatives.	The project utilizes recently completed large scale city, county, state, or federal investments?	The project aligns with the city's development priorities.
Tier I	The development will invest over 50	The development will create over 120	Company represents a top 5 industry cluster within the MSA.	The development includes a new, innovative process or exists as a top emerging industry.	(1) Company locates within areas of high poverty; AND (2) Provides workforce development training within area.	Project will result in more than 3 quality of life enhancements.	Developer commits to 7 or more community benefits.	Project leverages/complements at least 3 recently completed large scale, public infrastructure or public improvement investment (city, county, state, federal)	The project aligns with 7 or more of the city's development priorities.
Point Range	45	45	21 - 40	40	40	20	50	20	30
Tier II	The development will invest between 6 and 50	The development will create between 61 and 120	Company represents a bottom 5 industry cluster within the MSA.	The development DOES NOT include a new, innovative process or exists as a top emerging industry.	(1) Company locates within area of high poverty; OR (2) provides low/mid-skill workforce development training within area.	Project will result in 1-3 quality of life enhancements.	Developer commits to 4-6 community benefits.	Project leverages/complements at least 2 recently completed large scale, public infrastructure or public improvement investment (city, county, state, federal)	The project aligns with 4-6 of the city's development priorities
Point Range	16 - 30	16 - 30	1 - 20	0	16 - 30	1 - #	21 - 40	10	11 - 20
Tier III	The development will invest between 0.5 and 5	The development will create between 5 and 60			(1) Company locates within area of low poverty; AND (2) Locates anywhere within prioritized area		Developer commits to 1-3 community benefits.	Project leverages/complements at least 1 recently completed large scale, public infrastructure or public improvement investment (city, county, state, federal)	The project aligns with 1-3 of the city's development priorities.
Point Range	1 - 15	1 - 15			1 - 15		1 - 20	5	1 - 10
Score:	0	0	0	0	#N/A	20	0	0	0
Score Justification:									
Notes:			Source: 2000-2015 Clustermapping data comparing National Employment Share (NES), Change in NES, Location Quotient (LQ), and Change in LQ.	Emerging industries are HIGH employment growth, low location quotient, ranked by growth, and possess long-term economic implication (2010-2015, top 10).	Prioritized areas for the City include: low-performing TIRZs, Complete Communities, opportunity zones, and Innovation Corridor. **"Area of low poverty"** means a Census tract with a poverty level that does not exceed the City, based on most recent ACS 5-year data.		Mayoral initiatives receive 2x points. Score may exceed tier range with commitment to mayoral initiatives.	Three years or less has the highest economic risk; therefore the highest value is assigned to the project to reward catalytic impact	Enhanced city development priorities receive 2x points. Score may exceed tier range with commitment to enhanced city development priorities.

Alignment with MOED Priorities

TIER 1:
City-wide Industry Priorities

- Advanced Manufacturing
- Affordable Housing
- Biotechnology
- Distribution & Logistics
- Energy Transition & Resilience
- Life Science
- Tourism & Entertainment

TIER 2:
Neighborhood & Community Priorities

- Grocery-related developments in food insecure areas
- Office conversions and repurposed buildings
- Significant job creation developments in industries not listed in Tier 1 (e.g.: light manufacturing, small scale developments, community commercial centers)

TIER 3:
Economic Development Infrastructure Improvements

- Park and greenspace projects adjacent to underdeveloped or underutilized transportation corridors, or to secure philanthropic funding
- Street or sidewalk projects that improve pedestrian activity in highly commercial areas
- Public safety facilities

TIER 4:
Supporting Resilient Developments

- Low Impact Design developments and green stormwater infrastructure improvements
- LEED buildings
- Stormwater detention and retention improvements

TIER 1 — Investment in advanced manufacturing

TIER 2 — Significant job creation in an underserved community

OTHER — Required to provide a local incentive in accordance with the Texas Enterprise Fund

FY27 Proposed Amendments

Detailed amendment matrix • Part 1 of 7

CM Salinas

Establish a minimum wage floor tied to the City of Houston’s municipal wage

1

LOW

LEGAL POSITION

Not specified in matrix

MOED POLICY POSITION

Not specified in matrix

MOED RECOMMENDATION/ACTION

Add as a requirement in the Community Benefits Section 44-120(c)(4). for permanent full-time and part-time employees including contract employees.

CM Salinas

Require minimum wage as prevailing wage for construction workers

2

LOW

LEGAL POSITION

- Cannot regulate or interfere with collective bargaining agreements

MOED POLICY POSITION

Not specified in matrix

MOED RECOMMENDATION/ACTION

Add as a requirement in the Community Benefits Section 44-120 (c)(5).

CM Salinas

Require workers’ compensation for construction workers

3

MODERATE

LEGAL POSITION

- Legally defensible but uncertain under Texas law
- No express bar under TWCA
- Statutory language may support this
- Principal risk is implied conflict preemption

MOED POLICY POSITION

Require applicants submit attestation confirming it will require all contractors and subcontractors to meet COH’s minimum insurance requirements and provide evidence of COI/valid coverage as part of the compliance package.

MOED RECOMMENDATION/ACTION

Add to Section 44-123(b):

LEGAL CODING LOW = low/no risk stated • MODERATE = risk/conditions stated • HIGH = significant legal barrier stated • — = not specified

FY27 Proposed Amendments

Detailed amendment matrix • Part 2 of 7

CM Salinas

Require health insurance benefits for project employees and eligible dependents

4

HIGH

LEGAL POSITION

The City neither prescribes plan terms nor regulates insurance; it verifies only that coverage is offered . This criterion is subject to and does not displace or duplicate any applicable federal or state program health requirement.

MOED POLICY POSITION

Require applicants to provide evidence of health insurance benefits for permanent employees and their eligible dependents. Failure to do so would render the submission incomplete without any further action.

MOED RECOMMENDATION

Add to Section 44-123(b): Abatement Application Excluding from application package will result in "Incomplete " status and application will not advance

CM Salinas

Exclusion of contractors with substantiated wage theft or OSHA violations

5

LOW

LEGAL POSITION

The recipient agrees not to work with any contractors with OSHA violations. This does not displace applicable federal/state laws or licensing.

MOED POLICY POSITION

Not specified in matrix

MOED RECOMMENDATION

Incorporate into actual agreement – violation would be cause for termination and recapture.

CM Salinas

Strengthen apprentice program utilization

6

LOW

LEGAL POSITION

- No express preemption
- Apprenticeship encouraged

MOED POLICY POSITION

Support the role of construction companies to provide job specific training necessary for skill development

MOED RECOMMENDATION

Adjust the abatement percentage on a 1:1 basis for any first-year shortfall below 15%, unless the company shows that no relevant apprenticeship program exists.

LEGAL CODING LOW = low/no risk stated • MODERATE = risk/conditions stated • HIGH = significant legal barrier stated • — = not specified

FY27 Proposed Amendments

Detailed amendment matrix • Part 3 of 7

CM Salinas — Strengthen audits and inspections of payroll, safety, and benefit records

7

LOW

LEGAL POSITION	MOED POLICY POSITION	MOED RECOMMENDATION/ACTION
Not specified in matrix	Not specified in matrix	No change recommended as current requirements in Section 44-128 and Section 6 (i) of the legal form of agreement demonstrate this request.

CM Salinas — Add child-care subsidies for employees as an eligible community benefit

8

LOW

LEGAL POSITION	MOED POLICY POSITION	MOED RECOMMENDATION/ACTION
Lowest preemption challenge risk	Not specified in matrix	Add to the Table 44-1 (Sec.44-120) menu of optional community benefits

CM Thomas — Generally strengthen ability to revitalize and restore blighted underutilized commercial development

20

LOW

LEGAL POSITION	MOED POLICY POSITION	MOED RECOMMENDATION
Not specified in matrix	Not specified in matrix	Recommend adding the draft amendment for Infill Development Abatement to encourage retail by removing job creation

FY27 Proposed Amendments

Detailed amendment matrix • Part 4 of 7

CM Flickinger — Generally strengthen ability to attract retail development that will increase sales tax revenue

10

LOW

LEGAL POSITION
Not specified in matrix

MOED POLICY POSITION
Not specified in matrix

MOED RECOMMENDATION
Recommend adding the draft amendment for Infill Development Abatement to encourage retail by removing job creation

CM Huffman — Require a letter of support from the Super Neighborhood

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LOW

LEGAL POSITION
No legal implications

MOED POLICY POSITION
Support community engagement when neighborhood is most impacted

MOED RECOMMENDATION
Require developer to engage community through SN if active or various channels including council district office, TIRZ, Management District or SN for projects seeking Infill Tax Abatement

CM Huffman — Require a presentation to the Super Neighborhood board

12

LOW

LEGAL POSITION
No legal implications

MOED POLICY POSITION
As applicable for active SNs

MOED RECOMMENDATION
Not specified in matrix

LEGAL CODING LOW = low/no risk stated • MODERATE = risk/conditions stated • HIGH = significant legal barrier stated • — = not specified

FY27 Proposed Amendments

Detailed amendment matrix • Part 5 of 7

CM Martinez

Generally strengthen incentives for start-ups, incubators, small businesses

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LOW

LEGAL POSITION

Not specified in matrix

MOED POLICY POSITION

Not specified in matrix

MOED RECOMMENDATION

Addition of the Infill Development Abatement to require dedicated square footage for local start ups, entrepreneurs and small businesses as a community benefit.

CM Ramirez

Add language at the end of the first sentence in Preamble Sec. 44-120(a) stating: “without increasing the tax burden on residents.”

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HIGH

LEGAL POSITION

- Vagueness/enforceability
- Chapter 312 preemption low risk
- Equal and uniform taxation
- Impairment of contracts/retroactivity
- Could become “illegality hook” for taxpayer to enjoin future abatement

MOED POLICY POSITION

Not specified in matrix

MOED RECOMMENDATION

No action as advised by Legal.

CM Ramirez

Require MOED to conduct an analysis of whether the project would not have happened but for the abatement

15

LOW

LEGAL POSITION

No legal implications

MOED POLICY POSITION

Not specified in matrix

MOED RECOMMENDATION

Add additional questions and request official statement from executive of the abatement relevance to locate or expand in Houston as part of the application.

LEGAL CODING LOW = low/no risk stated • MODERATE = risk/conditions stated • HIGH = significant legal barrier stated • — = not specified

FY27 Proposed Amendments

Detailed amendment matrix • Part 6 of 7

CM Ramirez

Require MOED to include methodology and criteria for recommendation or calculation of the proposed amount and duration of the tax abatement

16

LOW

LEGAL POSITION

No legal implications

MOED POLICY POSITION

Not specified in matrix

MOED RECOMMENDATION

No changes proposed; abatement projections and terms are estimated before the effective date, and the actual abatement is determined in real time based on the project's taxable value.

CM Ramirez

Require at least 50% of the jobs created should come from residents, previously unemployed for at least 30 days, currently employed workers moving into higher paying jobs, and workers moving into the Houston metro area to take the job

17

HIGH

LEGAL POSITION

- Constitutional exposure more concrete
- Exceeds the authority the TX Property Redevelopment and Tax Abatement Act grants municipalities

MOED POLICY POSITION

Not specified in matrix

MOED RECOMMENDATION

No changes proposed: TX Gov Code 2302, TEZ Program, address employment for economically disadvantaged hiring including previously unemployed individuals

CM Ramirez

Establish additional preference for small businesses (as defined by the Small Business Administration) and businesses that will not compete directly with other local businesses

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MODERATE

LEGAL POSITION

- Superfluous
- Unconstitutional delegation of authority to feds
- Vague and arbitrary
- Dormant Commerce Clause challenge
- Conflict with limitation in TX Constitution
- Equal and uniform taxation challenge

MOED POLICY POSITION

Not specified in matrix

MOED RECOMMENDATION

Amendment not recommended as inconsistent with Chapter 312 and as advised by legal.

LEGAL CODING LOW = low/no risk stated • MODERATE = risk/conditions stated • HIGH = significant legal barrier stated • — = not specified

FY27 Proposed Amendments

Detailed amendment matrix • Part 7 of 7

CM Panzarella

LOW

Modify apprenticeship requirements to scale with the size of the construction project

19

LEGAL POSITION

Not specified in matrix

MOED POLICY POSITION

Support the role of construction companies to provide job specific training necessary for skill development

MOED RECOMMENDATION

Adjust the abatement percentage on a 1:1 basis for any first-year shortfall below 15%, unless the company shows that no relevant apprenticeship program exists.

LEGAL CODING   LOW = low/no risk stated • MODERATE = risk/conditions stated • HIGH = significant legal barrier stated • — = not specified

Letter of Support

Greater Houston Partnership

GREATER HOUSTON
PARTNERSHIP

September 15, 2026

Mrs. Gwendolyn Tillotson-Bell
Chief Economic Development Officer
City of Houston – Office of the Mayor
901 Bagby St., Houston Texas, 77002

RE: Letter of Support – Tax Abetment Ordinance Amendments

Mrs. Tillotson-Bell,

After reviewing the proposed amendments to Sec. 44-120 – 44.138 of the City Code of Ordinances, I write on behalf of the Greater Houston Partnership, representing the business community and leading institutions across the 12-county greater Houston region, to express our support for the Mayor's Office of Economic Development's (MOED) recommended approach to the proposed amendments.

The City's tax abatement program serves as a critical economic development tool that helps Houston compete for new investment, support business expansion, and encourage redevelopment where additional incentives can help move projects forward. Maintaining an effective program remains important as Houston competes for projects that can expand the tax base, generate economic activity, and support long-term growth.

As the City considers changes to the program, it should ensure that new requirements do not unintentionally make the program overly burdensome or diminish its competitiveness as an economic development incentive. Houston's tax abatement program should remain a practical and effective option for attracting investment to our region.

MOED's recommended approach advances community priorities while preserving the flexibility and competitiveness of the City's existing tax abatement program. It strengthens community-benefit standards, improves accountability and application requirements, expands opportunities to encourage infill development, and avoids provisions that could unnecessarily limit the program's effectiveness or create legal concerns.

The Partnership supports MOED's recommended approach and encourages the Mayor and City Council to approve these recommendations.

Sincerely,

S. Craig Rhodes

Craig Rhodes
Senior Vice President, Economic Development
Greater Houston Partnership

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