



AGENDA ITEM SUMMARY FORM

PROPOSED MEETING DATE: April 17, 2024
PREPARED BY: Scott Dunlop, Director
DEPARTMENT: Development Services

AGENDA ITEM DESCRIPTION:

Consideration, discussion, and possible action on an ordinance of the City of Manor, Texas establishing an exemption from ad valorem taxes for qualifying childcare facility properties, providing a severability clause, providing savings, effective date and open meetings clauses, and providing for related matters.

BACKGROUND/SUMMARY:

Approved by Texas voters in November 2023, Proposition 2 allows an entity, like cities, to exempt childcare facilities from ad valorem taxes. The program is managed through the Texas Comptroller's Office and a County Appraisal District.

The draft ordinance exempts qualifying persons from 100% of the city's ad valorem tax if:

1. The real property the person owns and operates as a qualified childcare facility; or
2. The portion of the real property that the person owns and leases to a person who uses the property to operate a qualifying childcare facility.

Under Section 11.36 of the State's Tax Code, a qualified childcare facility is one that:

1. The owner or operator of which participates in the Texas Workforce Commission's Texas Rising Star Program as described in Section 2308.3155, Government Code, for that facility; and
2. At which at least 20 percent of the total number of children enrolled at the facility receive subsidized child-care services provided through the child-care program administered by the Texas Workforce Commission

A qualifying property is one that is:

1. Used exclusively to provide developmental and educational services for children attending the child-care facility; and
 - a. Incidental uses on the property are permitted, so long as they benefit the children or the staff and faculty of the facility
2. Reasonably necessary for the operation of the child-care facility

Properties that also claim a Homestead exemption are not eligible for this childcare tax exemption

For qualified childcare facilities that lease space, the property owner must demonstrate to the Comptroller the lease/rent reduction provided to the qualified childcare facility in the amount that is at least equal to the tax reduction:

A person who claims an exemption under Subsection (b)(2) must include with the application for the exemption an affidavit certifying to the chief appraiser for the appraisal district that appraises the property that is the subject of the application that:

1. the person has provided to the child-care facility to which the property is leased a disclosure document stating the amount by which the taxes on the property are reduced as a result of the exemption and the method the person will implement to ensure that the rent charged for the lease of the property fully reflects that reduction;
2. the rent charged for the lease of the property reflects the reduction in the amount of taxes on the property resulting from the exemption through a monthly or annual credit against the rent; and
3. the person does not charge rent for the lease of the property in an amount that exceeds:
 - a. for property that consists of space in a commercial property, the rent charged by the person to other tenants of the commercial property for similar space; or
 - b. for property other than property described by Paragraph (A), the average rent charged for comparable rental property.

LEGAL REVIEW: Yes, Veronica Rivera, Assistant City Attorney
FISCAL IMPACT: Yes, reduction of ad valorem taxes
PRESENTATION: No
ATTACHMENTS: Yes

- Draft Ordinance No. 739

STAFF RECOMMENDATION:

The City Staff recommends that the City Council approve Ordinance No.739 of the City of Manor, Texas establishing an exemption from ad valorem taxes for qualifying childcare facility properties, providing a severability clause, providing savings, effective date and open meetings clauses, and providing for related matters.

PLANNING & ZONING COMMISSION: **Recommend Approval** **Disapproval** **None**
