



CITY OF CORINTH

POLICY STATEMENT FOR TAX ABATEMENT

SECTION 1.

GENERAL PURPOSE AND OBJECTIVES

The City of Corinth is dedicated to achieving and sustaining the highest quality of development in all areas of the City; and to a continuous improvement in the quality of life for its citizens. These objectives are met, in part, by the enhancement and expansion of the local economy. Towards this end, the City of Corinth may elect, on a case-by-case basis, to give consideration to granting tax abatement as an economic development incentive in accordance with the Property Redevelopment and Tax Abatement Act, as codified in Chapter 312 of the *Texas Tax Code*, as amended (the "Act").

It shall be the policy of the City of Corinth to make tax abatement available for both new facilities, and for the expansion or modernization of existing facilities. It shall also be the policy of the City of Corinth that said consideration will only be provided in accordance with the procedures and criteria outlined in this Policy Statement for Tax Abatement ("Policy Statement"). Nothing herein shall imply, nor suggest that the City of Corinth is under any obligation or duty to grant tax abatement to any eligible applicant. The City of Corinth may elect to only grant a tax abatement on the increment in value added to a particular property by a specific development proposal meeting the economic development objectives and goals of the City.

All applicants shall be considered on a **case-by-case basis**, and the decision to approve or deny tax abatement shall be at the sole discretion of the City Council. Tax abatement agreements are made with the owners of real property (and/or lessees if required) to exempt from taxation all or a portion of the value of the real property, business personal property or both. The duration of a tax abatement may be for a period of time deemed

appropriate by the City Council, based on the economic life of the improvements, and consistent with the provisions of this Policy Statement, but in no case for more than ten (10) years in accordance with state law. Additionally, the City Council may impose terms and conditions in the tax abatement agreement to govern the provision of each specific tax abatement. The City Council shall review and evaluate this Policy Statement every two (2) years to ensure that the economic needs of the City of Corinth are being met in order to promote a strong and balanced local economy.

SECTION 2.

DEFINITIONS

Wherever used in this Policy Statement, the following terms shall have these meanings ascribed to them:

- A. AGREEMENT: shall mean a contractual agreement between a property owner and taxing authority for the purpose of tax abatement.
 - 1. In no event shall the duration of a tax abatement term exceed ten (10) years.
- B. BASE YEAR VALUE: shall mean the taxable value of eligible property at the time of the execution of the tax abatement agreement, plus the agreed upon value of eligible property made after January 1st, but before the execution of the tax abatement agreement.
- C. BUSINESS PERSONAL PROPERTY: shall mean tangible personal property other than inventory and supplies:
 - 1. that is subject to ad valorem taxation by the City;
 - 2. that is located on the property subject to a tax abatement agreement;
 - 3. that is owned or leased by the party or parties to the tax abatement agreement; **and**
 - 4. that was not located in the City prior to the effective date of the tax abatement agreement.
- D. DEFERRED MAINTENANCE: shall mean any improvements necessary for continued operations, which do not improve productivity or alter the process technology.
- E. ECONOMIC LIFE: shall mean the number of years a property improvement is expected to be in service in a facility.

- F. EXPANSION: shall mean the addition of buildings, structures, fixed machinery or equipment for the purposes of increasing production capacity or revenues.
- G. FACILITY: shall mean property improvements completed, or in the process of construction, which together comprise an integral whole.
- H. FULL-TIME JOB: shall mean
1. employment of at least 35 hours per week with full benefits, including at a minimum, health and disability insurance and retirement plan options;
 2. employment with an average (mean) hourly wage equal to, or above that calculated by the United States Bureau of Labor for the Dallas-Fort Worth-Arlington Metropolitan Statistical Area; and
 3. does not include seasonal employment.
- I. INVESTMENT: for the purposes of this Policy Statement, shall be defined as capital expenditures on property and/or equipment as provided in the Act.
- J. MODERNIZATION: shall mean the replacement and upgrading of existing facilities that increases the productive input or output; updates the technology; **and/or** substantially lowers the unit cost of operation, thereby extending the economic life of the facility. Modernization may result from the construction, alteration or installation of buildings, structures, fixed machinery or equipment.
1. Modernization shall not be for the purpose of reconditioning, refurbishing, repairing or the completion of deferred maintenance.
- K. NEW FACILITY: shall mean any property previously undeveloped which is placed into service by means other than expansion or modernization.
- L. REINVESTMENT ZONE: shall mean any area designated as such for the purpose of tax abatement as authorized by the Act.
- M. TAX ABATEMENT: shall mean the full, or the partial exemption of ad valorem taxes for eligible properties in a reinvestment zone designated as such for economic development purposes.
1. Tax abatement may be granted for the real property improvements and/or business personal property.

- N. VALUE: wherever used in this Policy Statement, shall mean value as determined by an appraisal prepared by the Denton County Appraisal District, unless otherwise specified.

SECTION 3.

MINIMUM STANDARDS FOR TAX ABATEMENT

To be considered for tax abatement, the proposed project must meet the requirements in Paragraphs A and B, and one or more of the following criteria as provided in below:

- A. The proposed project involves a minimum capital investment of Two Hundred and Fifty Thousand Dollars (\$250,000.00) as shown in Section 4; **and**
- B. The proposed project, pursuant to the Act, is located within a designated reinvestment zone; **and**
- C. The proposed project makes a substantial contribution to the City's redevelopment efforts or special area plans by enhancing functional or visual characteristics (e.g., architecture, landscape, parking, signage, streetscapes, et cetera); **or**
- D. The proposed project will have high visibility or image impact, or is of a significantly higher level of development quality; **or**
- E. The proposed project will serve as a catalyst or magnet to attract other high quality businesses or development; **or**
- F. The proposed project will not solely and primarily have the effect of transferring employment from one part of the City to another; **or**
- G. The cost of City services required to serve the proposed project will not exceed the amount of taxes generated if tax abatement is granted; **or**
- H. The proposed project is located within in an area which might not otherwise be developed because of constraints of topography, ownership patterns or site configuration; **or**
- I. The proposed project stimulates concentrations of employment and/or commercial activity; **or**
- J. The proposed project will be a benefit to existing business and not compete with existing businesses to the extent of being a detriment to the local economy as a whole.

SECTION 4.

TAX ABATEMENT AUTHORIZED

- A. CREATION OF NEW VALUE. A tax abatement may only be granted to the added value of eligible property improvements made subsequent to, and specified in a tax abatement agreement between the City and the property owner and lessee (if required) subject to any such terms and conditions as the City Council may require.
- B. ELIGIBLE FACILITIES. A tax abatement may be granted for new facilities, and for expansion or modernization of existing facilities.
1. The economic life of a facility or improvements shall exceed the life of the tax abatement agreement.
- C. LEASED FACILITIES. If a leased facility is granted a tax abatement, the tax abatement agreement shall be executed with the lessor and the lessee.
- D. ELIGIBLE PROPERTY. A tax abatement may be applied to improvements to real property **and/or** business personal property, excluding inventory and supplies, to the extent allowed by state law.
- E. INELIGIBLE PROPERTY. The following types of property shall generally be fully taxable, and ineligible for tax abatement:
1. deferred maintenance investments;
 2. furnishings and other forms of movable personal property;
 3. housing;
 4. inventory;
 5. land;
 6. supplies;
 7. vehicles;
 8. vessels;
 9. improvements to real property which have an economic life of less than fifteen (15) years;
 10. improvements for the generation or transmission of electrical energy not wholly consumed by a new facility or expansion;

11. any improvements including those to manufacture, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility; **and**
 12. any property owned or used by the State of Texas or any political subdivision of the State of Texas.
- F. MINIMUM CAPITAL INVESTMENT. In order to be considered eligible for a tax abatement, the minimum capital investment for any proposed project shall not be less than Two Hundred and Fifty Thousand Dollars (\$250,000.00).
- G. TAX ABATEMENT TERM. A tax abatement term shall be granted effective with the January 1st valuation date immediately following the date of execution of the tax abatement agreement.
- H. TAX ABATEMENT VALUE. The subjective criteria outlined in Section 3 of this Policy Statement will be used by the Board of Directors of the Corinth Economic Development Corporation in order to provide the City Council with a recommendation; and will be used by City Council to determine whether a tax abatement is in the best interests of the City. Specific considerations shall include the (i) degree to which a proposed project will further the City's economic development objectives and goals **and** (ii) the relative economic, physical and social impact of the proposed project on the City. Tax abatement may be granted for new facilities and for the expansion or modernization of existing facilities per Tables 4-A and 4-B. Once a determination has been made that a tax abatement should be granted, the eligible property and term of the tax abatement shall be guided by referencing Tables 4-A and 4-B; provided, however, that the aforesaid two tables **are not** controlling. The City Council shall have full power to determine the eligibility, the percentage and the length of tax abatements on a **case-by-case basis**, depending on the full circumstances. In addition:
1. a proposed project may be eligible for a bonus tax abatement of ten (10) percent providing that the proposed project will create and maintain a minimum of five (5) new full-time jobs; **and**
 2. the maximum percentage of a tax abatement granted under this Policy Statement shall not exceed sixty (60) percent, including a bonus tax abatement, except as specifically provided for in Paragraph I. below.
- I. SPECIAL NOTE. Nothing contained in this Policy Statement shall be construed to limit, or restrict the City Council in the exercise of its sole and absolute discretion in setting terms for tax abatement, or the

percentage of tax abatement in any particular application for tax abatement. The City Council may grant a tax abatement if the City Council deems that the tax abatement is in the best interests of the City because:

1. it will increase or preserve the City's tax base;
2. it will finance or improve the City's infrastructure;
3. it will provide, or help acquire or construct public facilities;
4. it will contribute to the redevelopment or renewal of distressed corridors;
5. it will contribute to the diversity and quality of the City's business community; and/or
6. it will provide quality employment opportunities within the City, and enhance the skills of existing employees so as to support their advancement into higher-paying positions.

TABLE 4-A.

CONSTRUCTION OF A NEW FACILITY

| <u>MINIMUM CAPITAL INVESTMENT</u> | <u>PERCENTAGE OF ABATED TAXES</u> | <u>TAX ABATEMENT TERM</u> |
|-----------------------------------|-----------------------------------|---------------------------|
| \$250,000 - \$499,000 | 25% | 1 year |
| \$500,000 - \$999,999 | 25% | 3 years |
| \$1,000,000 - \$4,999,999 | 25% | 5 years |
| \$5,000,000 - \$9,999,999 | 50% | 7 years |
| \$10,000,000 or greater | 50% | 10 years |

TABLE 4-B.

EXPANSION OR MODERNIZATION OF AN EXISTING FACILITY

| <u>MINIMUM CAPITAL INVESTMENT</u> | <u>PERCENTAGE OF ABATED TAXES</u> | <u>TAX ABATEMENT TERM</u> |
|-----------------------------------|-----------------------------------|---------------------------|
| \$250,000 - \$499,000 | 25% | 3 years |
| \$500,000 - \$999,999 | 50% | 3 years |
| \$1,000,000 - \$4,999,999 | 50% | 5 years |
| \$5,000,000 - \$9,999,999 | 50% | 7 years |
| \$10,000,000 or greater | 50% | 10 years |

SECTION 5.

PROCEDURAL GUIDELINES

Any individual or corporation desiring for the City to consider granting tax abatement to encourage location or expansion or modernization of operations within Corinth shall be required to comply with the following procedural guidelines:

A. PRELIMINARY APPLICATION STEPS.

1. the applicant shall complete the "Application for Tax Abatement Form" (said application form shall require such financial information and other information as deemed appropriate for evaluating the financial capacity and other factors of the applicant);
2. the applicant shall address all of the criteria outlined in Section 3 in letter format;
3. the applicant shall prepare a plat or survey showing the precise location of the property and all of the roadways within five hundred (500) feet of the site;
4. the applicant shall prepare a time schedule for undertaking and completing all the planned improvements;
5. the applicant shall provide a tax certificate verifying that there are no past due taxes on the applicant's property located within the proposed reinvestment zone;
6. the applicant shall provide a study of feasibility, prepared by a certified public accountant, that shall include, but certainly shall not be limited to, (i) an estimate of the economic effect of the abatement of taxes and (ii) the benefit to the City and the property to be covered by such tax abatement;
7. if metes and bounds describe the property, a complete a legal description shall be provided;
8. in the case of an expansion or a modernization, the applicant shall also include a statement of the facility's current property value, stated separately for the real property and business personal property; **and**
9. the applicant shall complete all of the forms and information detailed in items 1 through 8 above, and shall submit them along with a non-refundable filing fee in the amount of One Thousand Dollars (\$1,000.00) for new businesses; and in the amount of Two Hundred and Fifty Dollars

(\$250.00) for existing businesses, for associated administrative costs to the Executive Director of the Corinth Economic Development Corporation.

B. APPLICATION REVIEW STEPS.

1. the Executive Director of the Corinth Economic Development Corporation shall review all the information in the application package detailed in Paragraph A. above for completeness and accuracy within ten (10) working days (additional information may also be requested as needed);
2. the application package shall be distributed to the appropriate City departments for internal review and comments; and
3. the copies of the complete application package along with staff comments shall be provided to the Board of Directors of the Corinth Economic Development Corporation.

C. CONSIDERATION OF THE APPLICATION.

1. the Board of Directors of the Corinth Economic Development Corporation will then review and consider the application package along with all relevant materials at a regular or special session and provide a recommendation to the City Council (additional information may be requested as needed); and
2. the recommendation, with all relevant materials, from the Board of Directors of the Corinth Economic Development Corporation will be forwarded to the City Council for their review and consideration at a regular or special session.

D. PUBLIC HEARING AND APPROVAL.

1. no later than the seventh day before the date of the public hearing, the City shall give and publish notice of the public hearing in accordance with the Act;
2. the City Council may hold the public hearing and determine whether the proposed project is feasible and practical and would be of benefit to the land included in the reinvestment zone and to the municipality after the expiration of a tax abatement agreement;
3. the City Council may consider adopting an ordinance designating the area described in the legal description of the proposed project as a commercial or industrial reinvestment zone;

4. the City Council may consider adopting a resolution approving a tax abatement agreement between the City and the applicant governing the provision of the tax abatement within the reinvestment zone;
 5. no later than the seventh day before the date on which the City enters into a tax abatement agreement, the City shall deliver written notice in accordance with the Act, to the presiding officer of the governing body of each of the other taxing authorities in which the property subject to the tax abatement agreement is located; **and**
 6. the governing bodies of the appropriate taxing authorities may consider the ratification of, and participation in the tax abatement agreement between the City and the applicant.
- E. Information provided by applicants in the application package may be subject to release to the public pursuant to the Texas Public Information Act as codified in Chapter 552 of the *Texas Government Code*. However, certain information provided to the City in connection with an application under these Policies and Procedures may be confidential and not subject to public disclosure until the incentives agreement is executed. The City will respond to requests for disclosure as required by law, and will assert exceptions to disclosure as it deems relevant. The City will make reasonable attempts to notify applicants of the request so it may assert its own objections to the Attorney General.

SECTION 6.

MODIFICATION OF TAX ABATEMENT AGREEMENTS

Any requests by the applicant to modify the terms and conditions of a tax abatement agreement subsequent to City Council action shall be accompanied by the payment of a non-refundable, modification processing fee in the amount of Five Hundred Dollars (\$500.00) for associated administrative costs.

SECTION 7.

TAX ABATEMENT AGREEMENT

- A. A tax abatement agreement with the owner of the facility, and the lessee (if required), shall include, but shall not be limited to:

1. a general description of the project;
2. a legal description of the property;
3. the amount of the tax abatement and the percent of value to be abated each year;
4. the duration of the tax abatement;
5. the type, number, location and timetable of the planned improvements;
6. the proposed use of the facility and nature of construction;
7. any specific terms and conditions to be met by the applicant;
8. all the contractual obligations in the event of default, delinquent taxes, recapture, violation of terms and conditions and administration and assignment;
9. a provision that the tax abatement agreement shall include a "buy local" provision in which the recipient of tax abatement shall agree to give preference and priority to local suppliers, manufacturers and labor and contractors, except in situations where not reasonably possible to do so without accruing additional expenses, substantial inconvenience and/or sacrifice in operating efficiency (for the purpose of this provision, local shall be construed to be the City of Corinth);
10. a provision that allows for assignment of the tax abatement agreement with the prior written approval of the City Council (adoption by resolution) provided that: (i) all duties, liabilities, obligations and rights under the tax abatement agreement are assigned from the assignor to the assignee and (ii) the assignment document is in a form and contains content acceptable to the City Attorney; and
11. a provision that stipulates that the employees and/or designated representatives of the City shall have access to all of the improvements during the term of the tax abatement to inspect the facilities and improvements to determine whether the terms and conditions of the tax abatement agreement are being met (all such inspections shall be conducted in a manner as to not unreasonably interfere with the construction and/or operation of the facility, and all such inspections shall be made with one or more representatives of the property owner in accordance with his/her/its safety standards).

- B. The City Council shall have full power to impose any other terms and conditions in a tax abatement agreement that the City Council deems necessary to promote the purpose of this Policy Statement.
- C. The governing body of Denton County and other authorized taxing jurisdictions may also consider participation in the tax abatement agreement between the City and the applicant.

SECTION 8.

DENIAL OF TAX ABATEMENT

Neither a reinvestment zone nor a tax abatement agreement shall be authorized if it is determined:

- A. That there would be a substantial adverse impact on the provision of municipal service or to the tax base;
- B. That any construction has commenced with regard to a proposed project prior to the execution of a City Council authorized tax abatement agreement;
- C. That the planned or potential use of the property would constitute a hazard to public safety, morals or health;
- D. That the applicant has insufficient financial capacity;
- E. That violation of other codes, ordinances or regulations exists; **and/or**
- F. For any other reason deemed appropriate by the City Council.

SECTION 9.

TAXABILITY

From the execution of the tax abatement agreement until the end of the tax abatement period, taxes shall be payable as follows:

- A. The value of ineligible property provided in Section 3 above shall be fully taxable;
- B. The base year value of existing eligible property shall be fully taxable;
- C. The added value of new eligible property shall be taxed in the manner, and for the period provided for in the tax abatement agreement; **and**
- D. The added value of new eligible property shall be fully taxable at the end of the tax abatement term.

SECTION 10.

RECAPTURE

Should a project granted tax abatement cease to operate for any reason, except for a temporary basis due to fire, explosion, or other accident, casualty or natural disaster; or should any terms and conditions of the tax abatement agreement not be satisfied, including projected added value or the creation and retention of the number of new full-time jobs; or should the ad valorem taxes on any property owed to the City become delinquent, then in any such event, then the tax abatement agreement may be subject to termination, if the owner fails to cure the default after the City has sent written notice of said default. If the default is not cured in a timely fashion, then all the abated taxes shall be recaptured with accrued interest to the extent allowed by state law, and paid to the City in accordance with the following schedule:

- A. Taxes abated during the calendar year in which the termination occurs shall be payable to the City by January 31st of the following year; or
- B. Taxes abated for years prior to the year of termination shall be payable to the City within one hundred and eighty (180) calendar days from the date of termination; and
- C. City Council, at their absolute and sole discretion only, may elect to extend either deadline for the repayment of abated taxes. Furthermore, the City Council may also elect at their absolute and sole discretion only, to provide a formula for recapturing abated taxes.

SECTION 11.

ADMINISTRATION

- A. The owner of property subject to tax abatement shall certify annually to the Executive Director of the Corinth Economic Development Corporation by January 31st that said owner is compliant with each applicable term and condition of the tax abatement agreement. At a minimum, the certification shall include a statement that (i) the property improvements have been completed and (ii) the initial value of the property meets the requirement of the tax abatement agreement. Additionally, each tax abatement agreement shall define any further applicable terms subject to certification.

- B. The City shall have the right of entry to verify the annual certification. The individual or corporation for which the tax abatement was issued shall provide access to records, files and other information for such an inspection during normal business hours. Failure to allow the City entry will forfeit the tax abatement agreement, and cause repayment of all abated taxes and accrued interest to become due. If the City requests, the individual or corporation shall, at their own cost, audit the equipment or approved replacement equipment to assure the City that the equipment is still in good working order and that all equipment originally made part of the tax abatement is in good working condition.

SECTION 12.

SUNSET PROVISION

This Policy Statement shall be effective upon **DECEMBER 15, 2018**, and shall remain in full force until **SEPTEMBER 1, 2019**, at which time this Policy Statement shall expire, if not continued in effect by the Texas Legislature and renewed by the City Council in accordance with applicable law. Nothing contained herein shall affect the terms and conditions of tax abatement agreements that are entered into before, or during the applicable term of this Policy Statement.

SECTION 13.

RESERVATION OF RIGHTS

Nothing in this Policy Statement shall limit the authority of the City to examine each application for tax abatement before it on a case-by-case basis and to determine in its sole and absolute discretion whether or not a proposed project should be granted a tax abatement; and whether or not it complies with this Policy Statement; and whether or not the proposed abatement of taxes will inure to the long-term benefit of such taxing authority.

SECTION 14.

SEVERABILITY

Should any section, subsection, paragraph, sentence, phrase or word in this Policy Statement is held to be invalid, illegal or unconstitutional by a court of competent jurisdiction, the balance of this Policy Statement shall stand and shall remain enforceable.