



City of Azle

Tax Abatement Policy – Guidelines and Criteria

Section 1

GENERAL PURPOSE AND OBJECTIVES

The City of Azle is committed to the promotion of high quality development in all parts of the City, to enhancing the competitiveness and expansion of Azle's manufacturing industries, encouraging new manufacturing industry and investment, and to an ongoing improvement in the quality of life for its citizens. As these objectives are generally served by the enhancement and expansion of the local economy, the City of Azle will, on a case-by-case basis, give consideration to providing tax abatement on real property as stimulation for economic development in Azle for industrial, manufacturing, distribution, and service facilities. It is the policy of the City of Azle that said consideration will be provided in accordance with the procedures and criteria outlined in this document for both new facilities and structures, and for the expansion or modernization of existing facilities and structures. Nothing herein shall imply or suggest that the City of Azle is under any obligation to provide tax abatement to any applicant. All applicants shall be considered on a case-by-case basis.

Section 2

DEFINITIONS

- a) "Abatement" means the full or partial exemption from ad valorem taxes of certain improvements to real property in a reinvestment zone designated for economic development purposes.
- b) "Affected Jurisdiction" means the City of Azle or any governmental entity, special taxing district, or school district that levies ad valorem taxes upon and provides services to property located within the proposed or existing reinvestment zone designated by the City of Azle.
- c) "Agreement" means a written contractual agreement between a property owner and/or lessee and an eligible jurisdiction for the purposes of tax abatement.

- d) "Base Year Value" means the assessed value of eligible property on January 1 preceding the execution of the agreement plus (if applicable) the agreed upon value of eligible property improvements made after January 1 but before the execution of the agreement.
- e) "Construction in Progress" means facilities under construction and not producing revenue or income as of a particular assessment date.
- f) "Deferred Maintenance" means improvements necessary for continued operations which do not improve productivity or alter the process technology.
- g) "Economic Life" means the number of years a property improvement is expected to be in service in a facility.
- h) "Expansion" means the addition of buildings, structures, fixed machinery or equipment for purposes of increasing production capacity.
- i) "Facility" means property improvements completed or in the process of construction which together comprise an integral whole.
- j) "Initiating Governing Body" shall be the City of Azle.
- k) "Manufacturing Facility" means buildings, structures, fixed machinery or equipment, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.
- l) "Modernization" means the replacement and upgrading of existing facilities that increases the productive input or output, updates the technology, or substantially lowers the unit cost of the operation. Modernization may result from the construction, alteration, or installation of buildings, structures, fixed machinery or equipment. It shall not be for the purposes of reconditioning, refurbishing, or repairing.
- m) "New Facility" means a property previously undeveloped, which is placed in service by means other than or in conjunction with expansion or modernization.
- n) "Other Basic Industry" means buildings and structures including fixed machinery and equipment not elsewhere described, used or to be used for the production of products or services which serve a market primarily more than 15 miles outside of the City of Azle and result in the creation of new permanent jobs and create new tax base in the City of Azle.
- o) "Productive Life" means the number of years a property improvement is expected to be in service.

- p) “Regional Distribution Center Facility” means buildings and structures, including fixed machinery and equipment, used or to be used primarily to receive, store, service or distribute goods or materials owned by the facility operator, where a majority of the goods or services are distributed to points at least 15 miles from the facility’s location in the City of Azle.
- q) “Regional Entertainment/Tourism Facility” means buildings and structures, including fixed machinery and equipment, used or to be used to provide entertainment and/or tourism related services, from which a majority of revenues generated by activity at the facility are derived from outside Azle.
- r) “Regional Retail Facility” means buildings and structures, including fixed machinery and equipment, used or to be used to provide a service from which a majority of revenues generated by activity at the facility are derived from outside Tarrant or Parker County.
- s) “Regional Service Facility” means buildings and structures, including fixed machinery and equipment, used or to be used to service goods where a majority of the goods being serviced are domiciled at least 15 miles from the facility’s location in the City of Azle.
- t) “Reinvestment Zone – Municipally Designated” means any area, which lies within the taxing jurisdiction of the City of Azle and has been designated a reinvestment zone for tax abatement purposes. Only property in a Reinvestment Zone is eligible for tax abatement. Each Reinvestment Zone designated by the City Council shall be designated by ordinance.
- u) “Research Facility” means buildings and structures, including fixed machinery and equipment used or to be used primarily for research and experimentation to improve or develop new tangible goods or materials or to improve or develop the production process thereto.
- v) “Regional Health Care Facility” means buildings and structures, including fixed machinery and equipment, used or to be used to provide health care services, from which a majority or revenues generated by activity at the facility are derived from outside the City of Azle.
- w) “Total Facility” means all buildings and structures including fixed machinery and equipment at the site(s) where the “abatement facility” is located.

Section 3

ABATEMENT AUTHORIZED

- a) Authorized Facility. A facility may be eligible for abatement if it is a:
 - Regional Health Care Facility,

- Manufacturing Facility,
 - Research Facility,
 - Regional Distribution Center Facility,
 - Regional Service Facility,
 - Regional Entertainment/Tourism Facility,
 - Regional Retail Facility, or
 - Other Basic Industry.
- b) Authorized Date. A facility shall be eligible for tax abatement if it has applied for such abatement prior to the commencement of construction, provided that such facility meets the criteria granting tax abatement in reinvestment zones created in the City of Azle pursuant to the guidelines and criteria adopted by the City Council.
- c) Creation of New Value. Abatement may only be granted for the additional value of eligible property improvements made subsequent to and listed in an abatement agreement between the City of Azle and the property owner and/or lessee, subject to such limitations as the City Council may require.
- d) New and Existing Facilities. Abatement may be granted to new facilities and improvements to existing facilities for purposes of modernization and expansion.
- e) Eligible Property. Abatement may be extended to the value of buildings, structures, fixed machinery and equipment, site improvements, plus that office space and related fixed improvements necessary to the operation and administration of the facility.
- f) Ineligible Property. The following classes of property shall be fully taxable and ineligible for abatement:
- Land,
 - Inventories,
 - Supplies,
 - Tools,
 - Furnishings or other forms of movable personal property,
 - Vehicles, vessels, or aircraft,
 - Deferred maintenance investments,
 - Residential property or hotel accommodations,
 - Improvements for the transmission of electrical energy not wholly consumed by a new facility or expansion,
 - Any improvement, including those to produce, store, or distribute natural gas, fluids, or gases, which are not integral to the operation of the facility,
 - Property that is associated with any activity that is illegal under federal, state, or local law,
 - Property owned or used by the State of Texas or its political subdivisions,

- Property owned by any organization which is owned, operated, or directed by a political subdivision of the State of Texas.

1201

- g) Leased Facilities. If an authorized facility eligible for tax abatement is leased, the agreement shall be executed with both the lessor and the lessee.
- h) Value and Term of Abatement. Abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the agreement. The value and term of abatement on new eligible property shall be determined as follows:

Abatements shall be granted on a case-by-case basis depending on the level of investment to be made by the applicant as well as the feasibility study.

New Investment

<u>Minimum Investment</u>	<u>Value Up To</u>	<u>Term</u>
\$2 million – \$10 million	50%	5 years
Over \$10 million – \$25 million	75%	7 years
Over \$25 million	100%	10 years

Expanded or Modernized Facility

<u>Minimum Investment</u>	<u>Value Up To</u>	<u>Term</u>
\$1.5 million – \$5 million	50%	5 years
Over \$5 million – \$10 million	50%	7 years
Over \$10 million	50%	10 years

The City Council reserves the right to vary the term and percent of abatement where the applicant shows unique circumstances, upon a favorable vote of a super-majority vote by the members of the Council. Under no circumstances shall the value of the abatement exceed one-hundred percent (100%) of the value of the eligible property in a single year, and the duration of an abatement agreement shall not exceed ten (10) years or one-half (1/2) the economic life of the eligible property, whichever is less.

- i) Economic Qualification. In order to be eligible to receive tax abatement the applicant must meet the following qualifications.
- 1) For a new facility (with the exception of a regional retail or regional entertainment/tourism facility), be reasonably expected to invest not less than two million dollars (\$2,000,000) in the facility (including both eligible and ineligible property) within three (3) years from the commencement of construction and be expected to create employment for not less than twenty (20) persons associated with the production of goods and services at the authorized facility on a full-time

permanent basis in the City of Azle. The employment of these persons must be accomplished by the completion of the third year of operations based on the below schedule:

Year 1	50%
Year 2	25%
Year 3	25%

- 2) For an expanded or modernized facility (excluding regional retail facilities), be reasonably expected to invest no less than one million five hundred thousand dollars (\$1,500,000) in the facility (including both eligible and ineligible property) within three (3) years from the commencement of construction, and be expected to create or retain employment for not less than ten (10) persons associated with the production of goods and services at the authorized facility on a full-time, permanent basis in the City of Azle. The employment of these persons must be accomplished by the completion of the third year of operations based on the below schedule:

Year 1	50%
Year 2	25%
Year 3	25%

- 3) For regional retail and regional entertainment/tourism facilities, be reasonably expected to invest not less than two million dollars (\$2,000,000) in the facility (including both eligible and ineligible property) within three (3) years from the commencement of construction, and be expected to create or retain employment for not less than twenty (20) persons associated with the production of goods and services at the authorized facility on a full-time, permanent basis in the City of Azle. The employment of these persons must be accomplished by the completion of the third year of operations based on the below schedule:

Year 1	50%
Year 2	25%
Year 3	25%

- 4) Two or more part-time, permanent employees totaling an average of not less than forty (40) hours per week, may be considered as one (1) full-time, permanent employee.
- 5) Companies seeking to qualify for tax abatement on the basis of job retention shall document that without the creation of a reinvestment zone and/or tax abatement, the company will either reduce or cease operation.
- 6) Not be expected to solely and primarily have the effect of transferring employment from one part of the City of Azle to another.

- j) 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 3(f), above, shall be fully taxable,
 - 2) the base year value of existing eligible property as determined each year shall be fully taxable, and
 - 3) the additional value of the new eligible property shall be taxable in the manner described in Section 3(h), above.

Section 4

APPLICATION

- a) Any present or potential property owner of taxable property in Azle may request the creation of a reinvestment zone and tax abatement by filing a written request with the Council or its' designated representative.
- b) The application shall consist of a completed application form accompanied by the following:
 - 1) A general written description of the proposed use and the general nature and extent of the modernization, expansion, or new improvements to be undertaken.
 - 2) A descriptive list of the improvements and infrastructure construction that will be a part of the facility.
 - 3) A map and property description.
 - 4) A time schedule for undertaking and completing the planned improvements.
 - 5) An estimate of the number of new jobs expected to be created or retained, and the expected payroll associated with such jobs.
 - 6) An estimate of the amount of direct property and sales tax to be generated by the proposed project.
 - 7) Such financial and other information as deemed appropriate by the Council for purposes of evaluating the application.

- c) Upon receipt of a completed application, the Council, or its designated representative, shall notify, in writing, the presiding officer of the governing body or each affected jurisdiction. Before acting upon the application, the City Council shall through public hearing, afford the applicant, designated representatives of any affected taxing jurisdiction and the general public opportunity to show cause why the abatement should or should not be granted. Notice of public hearing shall be clearly identified on a City Council Agenda to be posted in accordance with local ordinance or Texas State Statutes.
- d) After receipt of an application for creation of a reinvestment zone and application for tax abatement, the City Council, or its designee, shall prepare a feasibility study setting out the impact of the proposed reinvestment zone and tax abatement. The feasibility study shall include, but not be limited to, an estimate of the economic effect of the creation of the zone and the abatement of taxes and the cost/benefit to the City.
- e) A request for a reinvestment zone for the purpose of tax abatement shall not be granted if the City Council finds that the request for abatement was filed after the commencement of construction, alteration, or installation of improvements related to a proposed expansion, modernization, or new facility authorized as eligible under these guidelines.
- f) Variance. Request for variance from provisions of these guidelines may be made in written form to the Mayor, or his/her designated representative, provided, however, that the term and value of abatement described in Section 3(h) above may not be increased. Such request shall include a complete description of the circumstances explaining why the applicant should be granted a variance. Approval of a request for variance requires a two-thirds (2/3) vote of the governing body.

Section 5

PUBLIC HEARING

- a) Should any affected jurisdiction be able to show cause in the public hearing why the grant of abatement will have a substantial adverse effect on its bonds, tax revenue, service capacity or the provision of services, that showing shall be reason for the City to deny any designation of the reinvestment zone, the grant abatement, or both.
- b) Neither a reinvestment zone nor an abatement agreement shall be authorized if it is determined:
 - 1) there would be a substantial adverse effect on the provision of government services 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, or,
- 4) planned or potential use of the property violates other codes or laws.

Section 6

AGREEMENT

- a) The City of Azle will draft the proposed agreement pursuant to the Tax Abatement.
- b) After approval, the City shall formally pass a resolution and execute an agreement with the owner of the facility and/or lessee, which shall include the following:
 - 1) Estimated value to be abated and the base year value.
 - 2) Percent of value to be abated each year as provided for in Section 3(h) above.
 - 3) The commencement and termination dates of the abatement.
 - 4) The proposed use of the facility, nature of the construction, time schedule for construction and commencement of operations, map, property description, and improvements as listed in the application under Section 4(b) above.
 - 5) Contractual obligations in the event of default, violation of terms and conditions, delinquent taxes, recapture, administration and assignment as provided for in Section 3(a), 3(h), 7, 8, and 9 or provisions that may be required for conformity to state law, and
 - 6) Amount of investment in, and average number of jobs associated with, the facility during the abatement period.
- c) Such agreement shall normally be executed within ninety (90) days after the applicant has forwarded all necessary information and documentation for evaluation of the application to the City of Azle.
- d) All legal fees associated with the drafting of the document are to be paid by the Applicant.

Section 7

RECAPTURE

- a) In the event that the facility is completed and begins producing goods and/or services, but subsequently discontinues such production for any reason excepting fire, explosion or other casualty or accident or natural disaster for a period of one (1) year during the abatement period, then the agreement shall terminate and so shall the abatement of taxes for the calendar year during which the facility no longer produces. The taxes otherwise abated for the calendar year shall be paid to the City within sixty (60) days from the date of termination.
- b) Should the City determine that the company or individual is in default according to the terms and conditions of the abatement agreement, the City shall notify the company or individual, in writing, at the address stated in the agreement, and if such non-compliance is not resolved within sixty (60) days from the date of such notice, then the agreement shall be terminated.
- c) In the event that the company or individual:
 - 1) Allows its ad valorem taxes owed the City or other affected jurisdictions 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 resolve such violations within sixty (60) days from the date of written notice of such violation(s),

The agreement then may be terminated and all taxes previously abated by virtue of the agreement will be recaptured and paid within sixty (60) days of the termination.

Section 8

ADMINISTRATION

- a) The Chief Appraiser of the County shall, as a normal consequence of his/her duties annually determine an assessment of the real and personal property comprising the reinvestment zone. Each year, the company or individual receiving abatement shall furnish the assessor with such information as may be necessary for the abatement, including the number of new or retained employees associated with the facility. Once the value has been established, the Chief Appraiser shall notify the affected jurisdictions that levy taxes of the amount of the assessment.

- b) The agreement shall stipulate that employees and/or designated representatives of the City will have to access to the reinvestment zone during the term of the abatement agreement to inspect the facility to determine if the company or individual is in compliance with the terms and conditions of the abatement agreement. All inspections will be made only after notification of not less than twenty-four (24) hours and will only be conducted in such a manner as not to unreasonably interfere with the construction and/or operation of the facility. All inspections will be made with one (1) or more representatives of the company or individual present in accordance with the company's safety standards.
- c) Upon completion of construction, the City shall annually evaluate each facility receiving an abatement to ensure compliance with this agreement and report possible violations to the City Council and City Attorney. Abatements approved under a previously authorized tax abatement policy will be monitored for compliance relative to the policy under which the abatement was approved.
- d) All proprietary information required by the City for purposes of monitoring compliance by a company with the terms and conditions of an abatement agreement shall be considered confidential.

Section 9

ASSIGNMENT

- a) Abatement may be transferred and assigned by the holder to a new owner or lessee of the same facility upon the approval by resolution of the City Council subject to the financial capacity of the assignee and provided that all conditions and obligations in the abatement agreement are guaranteed by the execution of a new contractual agreement with the City of Azle.
- b) The expiration date of the new contractual agreement shall not exceed the termination date of the abatement agreement with the original owner and/or lessee.
- c) No assignment or transfer shall be approved if the parties to the existing agreement, the new owner or lessee, are liable to the City of Azle or any affected taxing jurisdiction for outstanding taxes. Performance on other obligations to any affected taxing jurisdictions shall be considered.
- d) Approval of a transferred and assigned agreement shall not be unreasonably withheld.

Section 10

SEVERABILITY AND LIMITATION

In the event that any section, clause, sentence, paragraph or any part of these Guidelines and Criteria shall, for any reason, be adjudged by any court of competent jurisdiction to be invalid, such invalidity shall not affect, impair, or invalidate the remainder of these Guidelines and Criteria.