

TAX ABATEMENT POLICY
FOR THE ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

I. Criteria and Guidelines Governing Tax Abatement.

A. Definitions.

1. “**Abatement**” means the full or partial exemption from ad valorem taxes of certain real property (including fixed-in-place machinery & equipment) in a tax abatement reinvestment zone designated by the City of Fate (“City”) for economic development purposes.

2. “**Agreement**” means a contractual agreement between a property owner and/or lessee and an Eligible Jurisdiction for the purposes of tax abatement.

3. “**Base year value**” means the assessed value of eligible property in the reinvestment zone on January 1st preceding the effective date of the tax abatement agreement, plus the agreed upon value of eligible property improvements made after January 1 but before the effective date of the agreement,

4. “**Deferred Maintenance**” means those improvements necessary for continued operation but which do not improve productivity or alter any process technology. Exterior improvements (e.g., painting, installing, repairing, removing or replacing a facade) to the exteriors of buildings, which are designed to improve visual appearance of property are not deferred maintenance.

5. “**Economic Life**” means the number of years a property improvement is expected to be in service in a reinvestment zone.

6. “**Eligible Jurisdiction**” means the District and any other taxing jurisdiction eligible to abate its taxes according to Texas law that levies ad valorem taxes upon and provides services to property located within a proposed or existing reinvestment zone.

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

B. Statement of Purpose.

The District is committed to the promotion of high quality development in all parts of the District, and an ongoing improvement of the quality of life of its citizens. These objectives may be served by the enhancement and expansion of the local economy. The District will consider, on a case-by-case basis granting property tax abatement as a stimulus for economic development in accordance with the criteria and guidelines established herein. Nothing herein shall imply or suggest that the District is under any obligation to provide tax abatement to any property owner,

that any property owner has a property right or interest in tax abatement, or that the District is precluded from considering other options which may be in the best interest of the District.

C. City Designation of Tax Abatement Reinvestment Zones.

The City will consider designating areas within the City limits or extraterritorial jurisdiction of the City as tax abatement reinvestment zones which meet one or more of the criteria for designation of a reinvestment zone under Section 312.202 of the Tax Code. The City's designation of an area within the District as a tax abatement reinvestment zone is a prerequisite to the District entering into a tax abatement agreement with the owner or lessee of the property in a particular area.

D. Abatement Authorized.

1. Eligible Facilities. Upon request, the District will consider granting tax abatement as hereinafter provided.

a. Creation of New Value. The District will consider granting tax abatement only for the additional value of eligible property improvements (including fixed machinery and equipment) made subsequent to, and specified in, an abatement agreement between the District and the property owner or lessee, subject to such limitations as the District may require.

b. New and Existing Facilities. The District will consider granting abatement for new facilities and for improvements to existing facilities for purposes of modernization and expansion.

c. Eligible Property. The District will consider granting abatement to the value of real property improvements (buildings, structures, fixed machinery and equipment, site improvements, related fixed improvements necessary to the operation and administration of the Facility), and personal property (excluding inventory or supplies).

d. Ineligible Property. The following types of property shall remain fully taxable and ineligible for tax abatement: land, supplies, inventory, Deferred Maintenance, and other property which has an Economic Life of less than two (2) years.

e. Owned/Leased Facilities. If a leased Facility is granted tax abatement, the agreement shall be executed with the lessor and the lessee.

2. Standards for Tax Abatement.

a. General Guidelines. The following general guidelines and criteria shall be applicable to all tax abatement agreements executed by the District:

(1) The base value of real property and personal property is never eligible for an abatement of property tax. The base value is the market value as specified by the Rockwall Central Appraisal District of the property on January 1 of the base year.

(2) Only increase in property value above the base value is eligible for tax abatement. The percentage and/ or duration of the abatement will be determined by the District based on the expected economic impact of the performances planned and proposed by the business. In no case, however, will the duration of the abatement exceed ten (10) years. Such determination of the percentage and duration is at the sole discretion of the Board.

b. Minimum Required Investment; Jobs Creation. A property owner requesting tax abatement shall agree as a condition of any tax abatement agreement ultimately approved by the Board to expend a certain minimum amount of funds on real or personal property improvements, or to provide a certain number of jobs.

As used herein, the creation of jobs refers to the creation of a job paying not less than \$10 per hour. To calculate the effective number of jobs created: (1) calculate the total annual payroll created (based on the number of employees you will hire at various annual salaries); (2) divide this annual payroll by \$20,640 (our calculated annual salary for a \$ 10/hr employee); and (3) round this figure to the nearest whole integer.

c. Additional or Enhancement Factors. In addition to the criteria listed in (b) above, the following factors, among others, shall be considered in determining whether to grant tax abatement, and if so, in what percentage of value to be abated and duration of abatement:

- (1) value of land and existing improvements, if any;
- (2) type and value of proposed improvements;
- (3) expected Economic Life of proposed improvements;
- (4) number of existing jobs to be retained by proposed improvements;
- (5) number, salary, and type of new jobs to be created by proposed improvements;
- (6) amount of local payroll to be created;
- (7) whether the new jobs to be created will be filled by persons residing or projected to reside within the District;
- (8) amount of taxes to be generated directly;
- (9) the financial capacity of the business to undertake and complete the proposed project;
- (10) other incentive programs for which the property owner has applied or is qualified for;
- (11) population growth that occurs directly as a result of new improvements;

- (12) the types and value of public improvements, if any, to be constructed and paid for by the property owner seeking abatement;
- (13) the extent to which the proposed improvements compete with existing businesses;
- (14) the positive or negative impact on the opportunities of existing businesses;
- (15) the attraction of other new businesses to the area;
- (16) current market conditions and growth potential for the business activity;
- (17) whether the project is environmentally compatible with the community (no appreciable negative impact on quality-of-life perceptions);
- (18) the project makes a substantial contribution to redevelopment efforts by enhancing either functional or visual characteristics, e.g., historical structures, traffic circulation, parking, facades, materials, signs;
- (19) the project is in an area which might not otherwise be developed because of constraints of topography, ownership patterns, site configuration, etc.;
- (20) the project can serve as a prototype and catalyst for other development of a higher standard;
- (21) the project improves the aesthetic appearance of the neighborhood, brings new jobs to the area, increases the availability of public parking, or increases the amount of green space (landscaping);
- (22) the project has high visibility, image impact, or is of a significantly higher level of development quality; and
- (23) any other factors the District finds helpful and relevant to accomplishing the District's objectives.

3. Property subject to Taxation. From the execution of a tax abatement agreement to the end of the effective abatement period under the agreement, taxes shall be payable as follows:

- a. the value of ineligible property shall be fully taxable;
- b. the base year value of existing eligible property as determined each year shall be fully taxable;
- c. the additional 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 additional value of new, eligible property shall be fully taxable at the end of the abatement period.

4. Tax Abatement Agreements

a. A tax abatement agreement may include, but not be limited to, the following provisions:

- (1) The kind, number, and location of all proposed improvements on the property;
- (2) The amount of investment, increase in appraised value and number of jobs to be added and/or retained;
- (3) A provision authorizing access to and inspection of the property by representatives of the District to ensure that the improvements are made according to the specifications and conditions of the agreement;
- (4) Limits for the uses of the property consistent with the general purpose of encouraging development or redevelopment of the zone during the period the property tax abatement is in effect;
- (5) A provision providing for recapture of property tax revenue lost as a result of the agreement if the owner of the property fails to make the improvements as provided by the agreement;
- (6) All other contractual terms agreed to by the owner of the property;
- (7) A requirement that the owner of the property annually certify to the governing body of each taxing unit that the owner is in compliance with each applicable term of the agreement;
- (8) A provision allowing the Board to cancel or modify the agreement if the owner fails to comply with the agreement;
- (9) The percentage of value to be abated each year; and
- (10) The commencement date and the termination date of abatement.

b. To be effective, a tax abatement agreement must be approved by the affirmative vote of a majority of the members of the Board at a scheduled meeting of the Board of Directors.

c. Nothing contained in this Policy shall prevent the District from clarifying, defining, or negotiating provisions of an agreement with a business.

5. Recapture of Abated Taxes Upon Default.

a. Unless otherwise agreed, in the event that the owner and/or lessee: (1) allows its ad valorem taxes owed the District to become delinquent and fails to timely and properly follow the legal procedures for their protest or contest, or (2) violates any of the terms and conditions of the abatement agreement, and fails to cure during the Cure Period hereinafter described, the

Agreement then may be terminated, and the owner and/or lessee whose agreement is terminated shall repay, as liquidated damages, all taxes previously abated by virtue of the agreement to the District within thirty (30) days of the termination.

b. Should the District determine that the owner and/or lessee is in default according to the terms and conditions of its agreement, the District shall notify the owner and/or lessee 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, or such other time period as set forth in an agreement (“Cure Period”), then the agreement may be terminated.

6. Administration.

a. The Chief Appraiser of the Rockwall County Appraisal District will annually determine an assessment of the real and personal property comprising the reinvestment zone. Each year, the owner and/or lessee receiving abatement shall furnish the Appraiser with such information as may be necessary for the abatement. Once value has been established, the Chief Appraiser will notify the District of the amount of the assessment.

b. A tax abatement agreement shall stipulate that designated representatives of the District will have access to the reinvestment zone 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 or operation of the Facility. All inspections will be made with one or more representatives of the owner and/or lessee and in accordance with its safety standards.

7. Assignment of Tax Abatement Agreements.

Unless otherwise agreed, abatement may be transferred and assigned by the holder to a new owner or lessee of the same Facility upon the approval of the Board, 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 District. No assignment or transfer shall be approved if the parties to the existing agreement, the new owner or new lessee, are liable to any jurisdiction for outstanding taxes or other obligations. Approval of assignments will not be unreasonably withheld.

8. Sunset Provision.

These tax abatement criteria and guidelines are effective upon the date of their adoption and will remain in force for two years, unless amended by three-quarters vote of the Board.

Part 2: If any provision of this order or the application of any provision to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of the order which can be given effect without the invalid provision or application, and to this end the provisions of this order are declared to be severable.

Part 3: This order shall take effect immediately from and after its passage, and it is accordingly so ordered.

Part 4: It is hereby officially found and determined that the meeting at which this order was passed was open to the public as required and that public notice of the time, place, and purpose of said meeting was given as required by the Open Meetings Act.

PASSED AND APPROVED ON JUNE 28, 2022.



Jill L. Thrasher, President

ATTEST:



Secretary

