

**City of Sachse
Guidelines and Criteria
for
Tax Abatement and Economic Development Incentives**

**Section 1
PURPOSE**

- (a) The City of Sachse is committed to the promotion and retention of high quality development within the City of Sachse and to better the quality of life for its citizens. These objectives can often be attained by the enhancement and expansion of the local economy. To meet these objectives, the City of Sachse will, on a case-by-case basis, consider providing tax abatements or other economic development incentives to aid in the stimulation of economic development in Sachse. The City of Sachse will give said consideration in accordance with this Guidelines and Criteria. Nothing herein shall imply or suggest that the City of Sachse is under any obligation to provide tax abatements or incentives to any applicant. All applicants shall be considered on a case-by-case basis.
- (b) According to the Property Redevelopment and Tax Abatement Act, codified in Chapter 312 of the Texas Tax Code, the City may only grant tax abatement on the increment in value added to a particular property by specific development proposal which meets the economic development goals and objectives of the City. The tax abatement may apply to the land, improvements, tangible personal property. Tax abatement may also be granted to the owners of leasehold interests in exempt and non-exempt property.
- (c) Participation in an abatement or incentive agreement does not eliminate the obligation to comply all applicable codes and ordinances of the City or other applicable governmental agency.

**Section 2
DEFINITIONS**

- (a) “**Abatement**” means the full or partial exemption from ad valorem taxes of certain eligible property in a Reinvestment Zone designated for economic development purposes.
- (b) “**Agreement**” means a contractual agreement between a property owner and/or lessee and an eligible jurisdiction for the purposes of tax abatement and/or economic development incentives.”
- (c) “**Base Year Value**” means the appraised value of the eligible property as certified by the Appraisal District as of January 1 of the year in which the tax abatement agreement is executed.”

- (d) “**City**” means the City of Sachse, Texas.
- (e) “**Economic Life**” means the number of years a property improvement or tangible personal property is expected to be in service.
- (f) “**Eligible Jurisdiction**” means the City of Sachse, Collin County, Dallas County, or other special taxing districts that assesses ad valorem taxes against property located within a proposed or existing reinvestment zone.
- (g) “**Expansion**” means the addition or enlargement of buildings, structures, fixed machinery, or equipment for purposes of increasing production capacity.
- (h) “**Facility**” means property improvements completed or in the process of construction which together comprise an integral whole.
- (i) “**Improvement**” means a building or structure or expansion or modernization of a building or structure.
- (j) “**Manufacturing Facility**” means buildings and structures including machinery and equipment, the primary purpose of which is or will be the manufacture of tangible goods or material or the processing of such goods or materials by physical or chemical change, including the assembly of goods and materials from multiple sources in order to create a finished or semi-finished product.
- (j) “**Modernization**” means the replacement and upgrading of existing facilities which increases the productivity 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 purpose of reconditioning, refurbishing, or repairing except as may be integral to or in direct connection with an existing expansion.
- (k) “**New Facility**” means a property previously undeveloped that is placed into service by means other than or in conjunction with expansion or modernization.
- (l) “**Other Basic Industry**” means buildings or structures including fixed machinery and equipment not elsewhere described. Furthermore, “**other basic industries**” are any industries, businesses or developments that the City Council deems appropriate and that are used for the sale or production of products or services which result in the creation of new permanent jobs and create new wealth in the City.
- (m) “**Project**” means any property improvement including expansions, modernization, and new facilities; but excluding any deferred maintenance.

- (n) **“Regional Distribution Center Facility”** means buildings and structures, including machinery and equipment, used primarily to receive, store, service, or distribute goods or materials owned by the facility operator where a majority of the revenues generated by activity at the facility are derived from outside Dallas County.
- (o) **“Regional Entertainment/Tourism Facility”** means buildings and structures, including 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 Sachse.
- (p) **“Retail Facility”** means buildings and structures including fixed machinery and equipment, used or to be used to provide retail sales and services.
- (q) **“Regional Service Facility”** means buildings and structures, including machinery and equipment, used or to be used to provide services from which a majority of revenues generated by activity at the facility are derived from outside of Sachse.
- (r) **“Reinvestment Zone”** means an area of the City designated by ordinance of the City County as a reinvestment zone for tax abatement purposes. It is the intent of the City to designate reinvestment zones on a case-by-case basis in order to maximize the potential incentives for eligible enterprises to locate or expand in the City.
- (s) **“Research Facility”** means buildings and structures including fixed machinery and equipment, used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.
- (t) **“Tangible Personal Property”** means personal property owned or leased by the applicant, excluding supplies and inventory, which is added to the land after the execution of a tax abatement agreement.”

SECTION 3 ABATEMENT AUTHORIZED

(a) **Eligible Facilities.** The following types of facilities may be eligible for abatement:

- Retail Facility,
- Manufacturing Facility,
- Research Facility,
- Regional Distribution Center Facility,
- Regional Service Facility,
- Regional Entertainment/Tourism Facility, or
- Other Basic Industry.

- (b) **Authorized Date.** A facility may be eligible for tax abatement if application is made prior to the commencement of construction, provided however that facility meets these Guidelines and Criteria.
- (c) **Creation of New Value.** Abatement may only be granted for the added appraised value of eligible property listed in an abatement agreement between the City of Sachse 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 for new facilities and improvements to existing facilities for purposes of modernization and expansion.
- (e) **Eligible Property.** Abatement may be granted for improvements and/or tangible personal property. Eligible property includes: the value of buildings, structures, fixed machinery and equipment, site improvements and related 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, furnishings or other forms of moveable personal property, vehicles, deferred maintenance investments, residential property and any property that is associated or connected with any illegal activity, property owned or used by the State of Texas, or its political subdivisions, or property owned by an organization which is owned, operated or directed by a political subdivision of the State of Texas.
- (g) **Leased Facilities.** The tax abatement agreement for eligible property that is leased may be executed both the lessor and the lessee. Tax abatement may not be provided for improvements that have already been leased, or are under lease by the applicant.
- (h) **Value and Term of Abatement.** Abatement shall be granted commencing with January 1 of the calendar year immediately following the issuance of a certificate of occupancy unless otherwise provided in the Agreement. The amount of value or percentage of value and the term of abatement for new eligible property shall be set forth in the agreement and determined as follows:
 - (1) The value of the abatement shall not exceed 700 percent of the investment by the business in eligible property described in Section 3(e), above, or such other value as permitted by law. The City Manager, or designated representative, shall work with the applicant to determine the amount and term of abatement.
 - (2) The amount of abatement shall not exceed one hundred percent (100%) of the value of eligible property in a single year, and the duration of an abatement shall not exceed 10 years or one-half (1/2) the economic life of the 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 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 years from the commencement of construction and be expected to create employment for not less than 10 persons associated with the production of goods and services at the authorized facility on a full-time permanent basis in the City of Sachse.

(2) For an expanded or modernized facility, be reasonably expected to invest not less than three hundred fifty thousand dollars (\$350,000) in the facility (including both eligible and ineligible property) within three years from the commencement of construction and be expected to create or retain employment for not less than 10 persons associated with the production of goods and services at the authorized facility on a full-time permanent basis in the City.

(3) For retail and regional entertainment/tourism facilities, be reasonably expected to invest not less than seven hundred fifty thousand dollars (\$750,000) in the facility (including both eligible and ineligible property) within three years from the commencement of construction and be expected to create employment for not less than 5 persons associated with the production of goods and services at the authorized facility on a full-time permanent basis in the City of Sachse.

(4) Two or more part-time, permanent employees totaling an average of not less than 40 hours per week may be considered as one full-time, permanent employee.

(5) Not be expected to solely and primarily have the effect of transferring employment from one part of the City of Sachse to another.

(j) **Taxability.** From the execution of the abatement agreement until the expiration of the agreement the taxes shall be payable as follows:

(1) Ineligible property shall be fully taxable,

(2) The base year value of existing eligible property shall be fully taxable, and

(3) The additional value of new eligible property shall be taxable in the manner described in Section 3(h), above.

(k) **Conflict of Interest:** Property that is in a reinvestment zone and that is owned or leased by a member of the City Council, the Planning and Zoning Commission of the City, or the members of the Sachse Economic Development Corporation Board of Directors shall be ineligible for property tax abatement.

Section 4 APPLICATION

- (a) Any present or potential property owner of taxable property in Sachse may request tax abatement by submitting a written application with the City Manager or the designated representative.
- (b) The completed application shall contain and be 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 that will be part of the facility;
 - (3) A map and property description;
 - (4) A time schedule for undertaking and completing the planned improvements;
 - (5) Such financial and other information as deemed appropriate by the City Manager for purposes of evaluating the application; and
 - (6) The name, address and phone number of the owner (and lessee or tenant, if applicable) of the real property, the contemplated improvements, any tangible personal property to be added and the type of legal entity if other than an individual.
- (c) The application will be reviewed by the City Manager, or the designated representative for completeness and compliance with the guidelines. The review shall be based upon a subjective evaluation of the completed application. Additional information may be requested as needed. The application may be distributed to appropriate City departments for internal review and comments.
- (d) After receipt of an application for tax abatement, the Sachse Economic Development Corporation and the City of Sachse, shall prepare a feasibility study setting out the impact of the proposed reinvestment zone and tax abatement. The feasibility study shall include, but not limited to, an estimate of the economic effect of the creation of the proposed reinvestment zone and the abatement of taxes, and the cost/benefit to the City and other affected jurisdictions. The Sachse Economic Development Corporation will then make a formal recommendation to the City of Sachse City Council.
- (e) A request for 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 the proposed expansion, modernization, or the new facility.

(f) Variance. A written request for variance to these guidelines may be made to the City Manager, or the designated representative. Such request shall include a complete description of the circumstances explaining why the applicant should be granted a variance. The approval of a request for a variance shall require a majority vote of the City Council and shall be reflected in the tax abatement approved thereby.

Section 5 PUBLIC HEARING

- (a) After approval of the application the City Council will conduct a public hearing to consider the establishment of a tax abatement reinvestment zone. Before the City may enter into a tax abatement agreement, the real property involved must be designated as a tax abatement reinvestment zone.
- (b) At the public hearing the City Council will determine whether or not the real property involved should be designated as a reinvestment zone, whether the project is feasible and practical, and whether the project would be a benefit to the City after expiration of the agreement. At the public hearing, the City staff, and/or the applicant may make a presentation after which interested persons may speak for or against the designation.
- (c) After the public hearing the City council will consider adoption of an ordinance designating the area described in the legal description of the proposed project as a tax abatement reinvestment zone. After designation of the tax abatement reinvestment zone, the tax abatement agreement will be executed. The tax abatement agreement and ordinance designating the zone may be approved at the same City Council meeting.
- (d) Neither a reinvestment zone nor an abatement agreement shall be authorized if it is determined that:
 - (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 is illegal.

Section 6
AGREEMENT

- (a) After approval, the City shall adopt a resolution and authorize the execution of an agreement with the owner of the facility and/or the lessee, which shall include the following:
1. General description of the project.
 2. Amount of tax abatement.
 3. Method for calculating the value of the abatement.
 4. Term of the abatement.
 5. Legal description of the property.
 6. Type, number, location and timetable of planned improvements.
 7. Any specific terms or conditions to be met by applicant.
 8. Annual certification that applicant is in compliance with the agreement.
 9. The number and type of jobs if applicable.
 10. Authority to terminate the agreement, if the applicant fails to comply with the agreement, and recapture of the abated taxes.
 11. Recapture of abated taxes in the event of a default or breach of the agreement.
 12. Grant the city access to inspect the property to determine compliance with the agreement.
- (b) The applicant must execute the tax abatement agreement prior to submission to the City Council for approval.

Section 7
RECAPTURE

The tax abatement agreement will provide for the recapture of abated taxes in the event the applicant breaches any of the terms and conditions of the agreement, suffers an event of bankruptcy or has delinquent ad valorem or sales taxes owed to the City or the State of Texas. If the applicant fails to cure such default after written notice of such default the city may terminate the agreement and require all taxes previously abated to be repaid with interest.

Section 8
ADMINISTRATION

- (a) The Chief Appraiser of the appraisal district in which the eligible property is located shall determine the appraised value of the eligible property located in the reinvestment zone. Each year, the company or individual receiving the tax abatement shall make application for exemption to the appraisal district, as may be required by the Texas Tax Code, and furnish the City and the Chief Appraiser with such information as may be necessary to determine the eligibility and continuation of abatement including the number of new and/or retained employees associated with the facility.

- (b) The agreement shall require that city employees and/or designated representatives shall have access to the property during the term of the abatement agreement to determine compliance with the terms and conditions of the abatement agreement.
- (c) Upon completion of construction, the City shall annually evaluate each facility receiving abatement to ensure compliance with the agreement.
- (d) All proprietary information submitted to the City in application for tax abatement and as may be required by the City for purposes of monitoring compliance of the terms and conditions of an abatement agreement shall be considered confidential as allowed by law.

Section 9 ASSIGNMENT

- (a) A tax abatement agreement may be transferred and assigned upon the approval by resolution of the City Council subject to the financial capacity of the assignee and further provided that the new owner shall assume in writing all terms and conditions under the abatement agreement.
- (b) No assignment shall be approved if the party to the existing tax abatement agreement, or the new owner or new lessee, have delinquent ad valorem or sales taxes due the City of Sachse or any affected taxing jurisdiction, or are liable for other obligations.

Section 10 OTHER ECONOMIC DEVELOPMENT INCENTIVES

- (a) **Economic Development Incentives.** The City may enter into an economic development incentive agreement as permitted by Section 380.001 of the Texas Local Government Code. An incentive may include but is not limited to:
 - (1) **Loans and Grants.** The City may provide subsidized loans or grants upon approval of the City Council.
 - (2) **Provide Personnel.** The City may provide personnel and services of the municipality upon approval of the City Council.
 - (3) **Waiver of Fees.** Permit application, utility tap, impact fees and similar fees may be waived upon approval of the City Council.
 - (4) **Infrastructure.** Extension, construction or reconstruction of infrastructure necessary for the development of a targeted enterprise may be made upon approval of the City Council.

(5) **Leased facilities.** Incentives may not be provided for improvements that have already been leased, or are under lease by the applicant

(b) The Sachse Economic Development Corporation may enter into a 4B economic development incentive agreement as permitted by the Development Corporation Act, Article 5190.6 TEX. REV. CIV. STAT. for the creation and retention of primary jobs that are required for the development of manufacturing and industrial facilities and for infrastructure suitable for new or expanded industrial business enterprises. Incentives may not be provided for improvements that have already been leased, or are under lease by the applicant.

(c) The applicant shall submit a written application requesting an incentive to the City Manager or designee, in the same manner as an application for tax abatement. The procedures for the review and granting tax abatement shall, to the extent applicable, govern an application for an economic development incentive. The City Manager shall review the application for completeness and forward the same to the City Council for consideration and approval of an agreement. Any agreement will include, but not be limited to, the following specific items:

1. General description of the project.
2. Amount and type of incentive.
3. Method for determining the amount of the incentive.
4. Term of the incentive.
5. Legal description of the property.
6. Type, number, location and timetable of planned improvements.
7. Any specific terms or conditions to be met by applicant.
8. Annual certification that applicant is in compliance with the agreement and/or audit.
9. The number and type of jobs if applicable.
10. Authority to terminate the agreement, if the applicant fails to comply with the agreement, and for recapture of the incentive.

(c) All proprietary information submitted to the city for application for an incentive or as may be required by the City for purposes of monitoring compliance by a company with the terms and conditions of an incentive agreement shall be considered confidential, as allowed by law.

Section 11 RENEWAL OF GUIDELINES

These guidelines are effective for a period of two (2) years following adoption; and must thereafter be renewed every two (2) years.