

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE HOPKINS COMMISSIONERS OF THE HOPKINS COUNTY COMMISSIONERS COURT, TEXAS APPROVING A TAX ABATEMEMNT POLICY**

**WHEREAS**, it is in the best interest of the Hopkins County Commissioners Court, Texas, to promote local economic growth and development and to stimulate business as well as provide additional opportunites for employment in the County. and,

**WHEREAS**, the Commissioners Court having reviewed the proposed Tax Abatement Policy., which is attached hereto as Exhibit "A," and determined that it is appropriate that it be approved as a program to promote local economic growth and development and to stimulate business as well as provide for additional opportunities for employment in the County and,

**WHEREAS**, upon full review and consideration of the agreement, and all matters attendant and related thereto, the Commissioners Court is of the opinion that the terms and conditions thereof should be approved.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSIONERS COURT HOPKINS COUNTY, TEXAS, THAT:

**SECTION 1.**

The Commissioners Court hereby approves the Tax Abatement Policy. A copy of which is attached as Exhibit "A".

The Commissioners Court authorizes the County Judge to execute this Policy.

This resolution shall become effective from and after its passage.

PASSED and APPROVED this the 18<sup>th</sup> day of January 2022

Robert Newsom, County Judge

ATTEST:

*Tracy Smith by Courtney Winstead*  
Tracy Smith, County Clerk





**City of Sulphur Springs  
Policy Statement,  
Criteria and Guidelines  
For Tax Abatements**

I. General Purpose and Objective

The City of Sulphur Springs is committed to fostering a broad based as well as long-term program of Community Economic Development. That program will only be successful if the local economy consistently develops in a manner which provides the ways and means for the community as a whole to improve. The City possesses various tools to enhance and encourage economic development.

Through these tools the City will work to enhance the competitiveness and expansion potential of the City of Sulphur Springs industrial community; to attracting and encouraging new industry and investment; to improving the City and its infrastructure which attracts and supports development; and, to expanding the tax base, employment opportunities, and the overall quality of life for its citizens.

To that end, the citizens of Sulphur Springs on January 19, 1991 approved a half cent economic development sales tax. The City of Sulphur Springs established the Sulphur Springs - Hopkins County Economic Development Corporations (EDC) to direct as approved by the City Council its Economic Development resources provided by the sales tax on economic development. As a result, the half cent sales tax is the primary funding source for all public economic development efforts and the City Council encourages the EDC to fund assistance to both existing businesses which seek to expand as well as new businesses looking to relocate to Sulphur Springs.

Upon a determination by the EDC that additional resources will serve to induce a specific economic development project, the EDC may request the City to assist the economic development efforts through its property tax abatement program. To provide ongoing assistance to existing businesses which seek to expand, the City may offer limited tax abatements as a manner of policy.

If in the opinion of the EDC, the abatement program as herein constituted is not sufficient in a specific instance to provide the necessary incentives to a prospective business and EDC resources are not otherwise sufficient to fund additional incentives, the EDC may request the City to assist with property tax abatements greater than those set forth in the then effective Property Tax Abatement Schedule. In such a case the City reserves the right to negotiate any and all available incentives with any applicant, when the City Council deems that the applicant proposes a substantial economic impact to the local community.

The City of Sulphur Springs offers a tax abatement program whereby tax abatements may be made available to industrial, manufacturing, and distribution centers, warehousing, and research facilities currently in Sulphur Springs or locating in Sulphur Springs. New facilities and structures as well as the expansion and modernization of existing facilities and structures, will be considered.

Evaluation of a tax abatement request will be based on the information provided in the tax abatement application along with the criteria as stated in this policy. The City of Sulphur Springs is under no obligation to provide tax abatements to any applicant.



## II. Criteria and Contractual Guidelines

- A. Property tax abatements will be given only to company operations engaged in manufacturing, distribution, warehousing, research and corporate offices. The City may also grant property tax abatements to non-profit industrial funds whose sole purpose is to provide economic development assistance to the overall community.
- B. Significant capital investment as well as job creation within the City of Sulphur Springs are the primary objectives of the abatement program.
  - 1. Abatements will be given on new investment in personal and/or real property which will have in the judgement of the Hopkins County Appraisal District an economic life (depreciation schedule) of at least 10 years, and which must total \$500,000 or more. Personal property with a useful life of less than ten years is not eligible for tax abatement.
  - 2. Each contract must directly tie creation of a specific number of jobs to the abatement. The company applying for abatement shall agree as a condition of receiving an abatement to create at least fifteen (15) new full time jobs which shall continue for at least ten (10) years.
  - 3. If for whatever reason the company fails to provide all the jobs as per the contract, the abatement for that year will be reduced by the percentage of those jobs not created. However, that number cannot fall below fifteen (15). (Example: If 20 jobs are promised and only 15 are created, the abatement for that specific year will be 75% of the abatement for that specific year. If only 14 are created the abatement becomes null and void.)
  - 4. Each year, to be given credit for that year, each job must be in place and filled for longer than 8 months of the immediately preceding 12-month period.
- C. In special situations where an industry must significantly retool to be competitive, the City will consider abatements for job retention. However, it must be demonstrated that the nature of production and/or operations have changed in the industry whereby those jobs to be retained must be in significant danger of being lost to Sulphur Springs.
- D. Before the City can consider a tax abatement, the Economic Development Corporation (EDC) must recommend the abatement per the EDC's official policy guidelines. In the course of making that recommendation, the EDC will perform its Due Diligence per its policy and forward all findings to the City with its recommendation.
- E. Before an abatement in excess of percentages stated in Schedule A can be given, the City Finance Department with the assistance of the EDC staff will provide for the City Council a cost benefit analysis of the proposed investment.
  - 1. Within the analysis, current operations as well as long-term infrastructure costs must be compared to direct and indirect economic benefits.
  - 2. Of great importance to businesses within Sulphur Springs is a stable property tax rate. The City of Sulphur Springs continues to work hard to provide excellent services with one of the lowest property tax rates in the state which in effect provides ongoing tax abatement to all existing businesses when compared to cities which have higher rates. One of the central purposes of the abatement programs is



to incubate growth in the property tax base. A part of the cost benefit analysis given on each abatement under consideration will include an ongoing report of the abatement program with specific analysis of the ongoing development of the base. It is important that the City of Sulphur Springs not cause a rise in property tax rates for all non-abated property as a direct consequence of its tax abatement program.

- F. The City of Sulphur Springs will consider granting property tax abatements to any existing business which meets the criteria within this policy at the rates as displayed in the Tax Investment Schedule (attached as Exhibit A).
- G. The City of Sulphur Springs shall not grant an abatement if its determined that:
  - 1. there would be a substantial adverse effect on the provision of government service or tax base.
  - 2. planned or potential use of the property would constitute a hazard to public safety, health or morals.
  - 3. the application is made by anyone who is now, or has been within the last two years (720 days) a member of the board of the EDC or City Council.
  - 4. approval of any such abatement would violate any state or federal law or regulation.
  - 5. there exists any other valid reason for denial deemed appropriate by the City.
- H. Additional abatement assistance may be considered, but only after the EDC has exhausted every other funding option available. At that point additional abatement assistance may be given to induce specific significant economic development as a part of an overall package. Because the City of Sulphur Springs maintains one of lowest property tax rates in the state, it is essential to protect the organization's ability to provide excellent service that packaged inducements minimize tax abatements while maximizing use of the economic development sales tax.
- H. All Procedural and Application material included in this policy will be provided by city staff and EDC accordingly.
- J. Each year, by December 31, the company receiving the Tax Abatement will submit to the EDC on forms provided by the EDC, certification of compliance with the terms of the Abatement Agreement. This certificate shall include a Texas Workforce Commission Unemployment Insurance Quarterly Tax Report, for the third quarter of the reporting year, reflecting the total employment (personal data may be omitted), to substantiate compliance with the contractual employment requirement. This document must be certified as to its validity by a local officer of the company and reviewed by the EDC for compliance.
- K. For any area outside the Enterprise Zone within the jurisdiction of the City of Sulphur Springs to be eligible for the tax abatement, it must meet the criteria for designation as a tax abatement reinvestment zone as set forth in the Property Redevelopment and Tax Abatement Act, Texas Tax Code Chapter 312. The City Council may adopt an ordinance designating a tax abatement reinvestment zone only after a public hearing has been held, notice of the public hearing has been published at least seven (7) days before the date of the hearing, and all other procedural requirements of Chapter 312 have been satisfied. Any designated tax abatement reinvestment zone shall expire five (5) years from date of designation and may be renewed for periods not to exceed five (5) years. The tax expiration of the designation does not affect an existing tax abatement agreement made in accordance



with this policy.

- L. No tax abatement agreement shall exceed a term of ten (10) years from the date of execution for real and personal property.
- M. Tax abatements may only be granted for the additional value of eligible property improvements made subsequent to and specified in an abatement agreement between the City and the property owner or lessee subject to such limitations as the City may require. The additional value must exceed any reduction in the fair market value of other property of the owner already on the tax role within the jurisdiction of the City. Value added to the tax rolls must come from actual capital expenditure. Any abatement agreement involving leased property, the lease must at a minimum exceed the length of the abatement.
- N. The City of Sulphur Springs shall retain the right to independently review and audit the related activities of tax abatement participants.
- O. The City of Sulphur Springs shall be responsible for enforcement of the terms of any tax abatement agreements authorized hereunder.
- P. Requests for Tax Abatements should be submitted 45 days prior to expected consideration by the City Council.
- Q. Tax abatements for properties owned by non-profit industrial funds may be granted for 100% of both the additional value of any property improvements as well as any appreciation of value of existing properties as listed in the tax abatement contract for a period not to exceed 10 years. If at any time the fund ceases to be non-profit or if any member or owner of the fund receives specific financial gains through possession or sale of the abated property (both real and personal) during the life of the abatement, the fund will refund the city any and all abated taxes resulting from the abatement agreement.
- R. Recapture of Abated Taxes Upon Default - If an applicant requests and receives tax abatement based on the purchase and maintenance of eligible personal property, the applicant will have to agree in the tax abatement contract, subject to the recapture of all abated taxes, to maintain the personal property on the property tax roll for not less than ten years. Personal property with a useful life of less than ten years is not eligible for tax abatement. Personal property on site prior to the effective date of the tax abatement is not eligible. Supplies and inventory are ineligible for tax abatement under this policy and State Law.
  - 1. In the event that the company or individual:
    - a. allows its ad valorem taxes owed the City to become delinquent and fails to timely and properly follow the legal procedures for their protest or contest, or
    - b. 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 company or individual whose Agreement is terminated shall repay, as liquidated damages, all taxes previously abated by virtue of the Agreement to the City within thirty (30) days of the termination
- S. Tax Abatements that are associated with equipment only situations. As an example where equipment is added or replaced in excess of the value of the existing equipment by \$500,000 dollars and no expansion of the real property or increase of employment, then the tax

abatement is limited to five (5) years regardless of the amount of additional value added. This requirement is in addition to those values and requirements in Exhibit A.

## TAX INVESTMENT SCHEDULE

### Exhibit A

<b>CAPITAL INVESTMENT</b>	<b>\$500,000</b>	<b>\$5,000,000</b>
Year 1	100%	100%
Year 2	80%	90%
Year 3	60%	80%
Year 4	40%	70%
Year 5	20%	60%
Year 6	0%	50%
Year 7		40%
Year 8		30%
Year 9		20%
Year 10		10%
Year 11		0%