

**GUIDELINES AND CRITERIA FOR JOHNSON COUNTY  
TAX ABATEMENT POLICY STATEMENT**

**I. GENERAL PURPOSE AND OBJECTIVES**

Johnson County is committed to the promotion of high quality development in all parts of the County, and to an ongoing improvement in the quality of life for its citizens. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, Johnson County will, on a case-by-case basis, give consideration to providing tax abatement as stimulation for economic development. It is the policy of Johnson County that said consideration will be provided in accordance with the procedures and criteria outlined in this document. Nothing herein shall imply or suggest that Johnson County is under any obligation to provide tax abatement to any applicant. All applications shall be considered on a case-by-case basis.

It is the intent of the Commissioners Court to consider approving and it may approve or deny any agreement adopted by an incorporated city. Further it is the intent of Johnson County that the County will not approve nor join in an abatement agreement that encourages an applicant to move from one Johnson County city to another unless such agreement is approved in writing by both such cities.

**II. DEFINITIONS**

- A. "Abatement" means the full or partial exemption for ad valorem taxes of eligible properties in a reinvestment zone designated as such for economic development purposes.
- B. "Agreement" means a contractual agreement between a property owner and a taxing jurisdiction for the purpose of tax abatement.
- C. "Base Year Value" means the assessed value of the applicant's property located in designated reinvestment zone on January 1 of the year of the execution of the agreement plus the agreed upon value of property improvements made after January 1 but before execution of the agreement.
- D. "Economic Life" means the number of years a property is expected to be in service in a facility.
- E. "Expansion" means the addition of buildings, structures, fixed machinery, or equipment for the purpose of increasing production capacity.
- F. "Facility" means property improvements completed or in the process of construction which together comprise an integral whole.
- G. "Modernization" means the replacement and upgrading of existing facilities which increases the productive input or output, updates the technology, or substantially lowers the unit cost of operation, and extends the economic life of the facility. 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, repairing, or completion of deferred maintenance.
- H. "New facility" means a property previously undeveloped, which is placed into service by means other than expansion or modernization.
- I. "Reinvestment Zone" is an area designated as such for the purpose of tax abatement as authorized by V.T.C.A. Tax §312.001 et seq.

- J. "Deferred Maintenance" means improvements necessary for continued operation of an existing facility, which do not improve the productivity of existing facilities or alter the process technology.

### III. HOW ABATEMENT IS AUTHORIZED

- A. Authorizing Body: Any request for tax abatement shall be reviewed by the commissioners Court of Johnson County. The Commissioners Court of Johnson County decides whether economic development incentives should be offered in each individual case. Their recommendation shall be based upon a subjective evaluation of the following criteria, which each applicant will be requested to address in narrative format:

#### EMPLOYMENT IMPACT

How many jobs will be brought to Johnson County?

What type of jobs will be created?

What will the total annual payroll be?

#### FISCAL IMPACT

How much real and personal property value will be added to the tax rolls?

What infrastructure construction would be required?

What is the projected total annual operating budget of this facility?

#### COMMUNITY IMPACT

What effect will the project have on the local housing market?

What environmental impact, if any, will be created by the project?

How compatible is the project with the County's comprehensive plan?

- B. Authorized Facilities: Tax abatement may be granted for new facilities and for expansion or modernization of existing facilities per the appropriate tables. The economic life of a facility or improvements must exceed the life of the abatement agreement.
- C. 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, but not to inventory or supplies. Abatement may only be granted for the additional value of eligible property listed in an abatement agreement between the County and the property owner and lessee (if required), subject to such limitations as Commissioners Court may require.
- D. Value of Abatement: The subjective criteria outlined in Section III. A. will be used by the Commissioners Court in determining whether or not it is in the best interests of the County to recommend that tax abatement be offered to a particular applicant. Specific considerations will include the degree to which the individual project furthers the goals and objectives of the community, as well as the relative impact of the project.

- E. Ineligible Property: The following types of property shall be fully taxable and ineligible for abatement: land; inventories; supplies; housing; deferred maintenance investments; property which has an economic life of less than (5) five years more than the period for which the property is abated; any property which can be expected to solely or primarily have the effect of transferring employment from one part of Johnson County to another unless such abatement is necessary to promote the retention of jobs in Johnson County which might otherwise be lost; any property that is owned or leased by a member of the Commissioners Court.

Tax abatement will be available for both new facilities and structures and for expansion or modernization of existing facilities and structures per the tables below.

Once a determination has been made that a tax abatement should be offered, the eligible property and term of the abatement will be guided by referencing the following tables:

NEW FACILITIES AND STRUCTURES TABLE

Percent of Value to be Abated	Capital Cost OR	New full Time Jobs Created	Maximum Years of Abatement
25%	\$ 1,000,000- 2,500,000	10-50	2
30%	\$2,500,001- 5,000,000	51-75	2
35%	\$5,000,001- 10,000,000	76-100	3
40%	\$10,000,001-20,000,000	101-125	5
45%	\$20,000,001-35,000,000	126-150	5
50%	\$35,000,001-50,000,000	151-175	7
55%	\$50,000,001-65,000,000	176-200	8
60%	\$65,000,001-80,000,000	201-225	9
75%	\$80,000,001- over	226- over	10

EXPANSION OR MODERNIZATION OF EXISTING FACILITIES AND STRUCTURES TABLE

Percent of Value to be Abated	Capital Cost OR	New full Time Jobs Created	Maximum Years of Abatement
35%	\$ 1,000,000- 2,500,000	10-50	2
40%	\$2,500,001- 5,000,000	51-75	3
45%	\$5,000,001- 10,000,000	76-100	4
50%	\$10,000,001-20,000,000	101-125	5
55%	\$20,000,001-35,000,000	126-150	6
60%	\$35,000,001-50,000,000	151-175	7
65%	\$50,000,001-65,000,000	176-200	8
70%	\$65,000,001-80,000,000	201-225	9
75%	\$80,000,001- over	226- over	10

In circumstances where a city grants abatement with a lower economic qualification or grants an abatement for a percentage of value or for duration different than those stated above, the Commissioners Court may agree to enter an abatement agreement consistent with the city agreement that differs from the standards stated above.

The Commissioner's Court will determine eligibility and length of abatement on a case-by-case basis.

**IV. PROCEDURAL GUIDELINES**

**A. Preliminary Application Steps**

1. Applicant shall complete the attached "Application for Tax Abatement". The application shall require such financial and other information as may be deemed appropriate for evaluating the financial capacity and other factors of the applicant.
2. Applicant shall address criteria questions outlined in Section III in letter format.
3. Applicant shall prepare a plat showing the precise location of the property and all roadways within 500 feet of the site.
4. If the property is described by metes and bounds, a complete legal description shall be provided.
5. In the case of a modernization or expansion, the applicant shall also include a statement of the facility's current property value, stated separately for real and personal property.
6. Applicant shall prepare a time schedule for undertaking and completing the planned improvements.
7. Applicant shall provide a tax certificate verifying that no taxes are past due on applicant's property located within the proposed reinvestment zone.
8. Applicant shall complete all forms and information detailed in items 1 through 7 above and submit them to the County Judge, Johnson County, Texas.

B. Application Review Steps

1. All information in the application package detailed above will be reviewed for completeness and accuracy. Additional information may be requested as needed.
2. The application will be distributed to the appropriate County department for internal review and comments.
3. Copies of the complete application package and staff comments will be provided to the Commissioners Court.

C. Consideration of the Application

1. The Commissioners Court will consider the application at a meeting duly convened under the Texas Open Meetings Act and V.T.C.A. Tax Code §312.003. Additional information may be requested as needed.
2. The Commissioners Court may consider an order calling a public hearing to consider establishment of a tax reinvestment zone if needed.
3. The Commissioners Court may hold the public hearing and determine whether the project is "feasible and practical and whether it would be of benefit for the land to be included in the zone".
4. Johnson County may consider adoption of an order designating the area described in the legal description of the proposed project as a commercial/industrial tax abatement zone.
5. The Commissioners Court may consider adoption of an order approving the terms and conditions of a contract between the County and the applicant governing the provision of the tax abatement within the reinvestment zone.
6. The governing body of Johnson County may consider ratification of and participation in the tax abatement agreement between Johnson County and the applicant.
7. Any tax abatement agreement will address various issues, including, but not limited to, the following:
  - a. General description of the project;
  - b. Amount of the tax abatement and percent of value to be abated each year;
  - c. Method for calculating the value of the abatement;
  - d. Duration of the abatement, including commencement date and termination date;
  - e. Legal description of the property;
  - f. Kind, number, location and timetable of planned improvements;
  - g. Specific terms and conditions to be met by applicant;
  - h. The proposed use of the facility and nature of construction; and
  - i. Contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, administration and assignment.

D. Effective Date

These guidelines and criteria herein shall be effective from the date of passage and remain effective for two (2) years from such date of adoption unless otherwise amended or repealed by a three-fourths (3/4ths) vote of the Commissioners Court.

#### **V. DENIAL OF ABATEMENT**

Neither a reinvestment zone nor abatement agreement shall be authorized if it is determined that;

- A. There would be a substantial adverse impact on the provision of government services or tax base;
- B. The applicant has insufficient financial capacity;
- C. Planned or potential use of the property would constitute a hazard to public safety or health;
- D. Violation of other codes or laws exist; or
- E. Any other reason deemed appropriate by the Commissioners Court.

#### **VI. TAXABILITY**

From the execution of the abatement agreement to the end of the agreement period, 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 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 abatement agreement; and
- D. The additional value of new eligible property shall be fully taxable at the end of the abatement period.

#### **VII. RECAPTURE**

- A. In the event that the facility is completed and begins producing product or service, but subsequently discontinues producing product or service for any reason excepting fire, explosion or other casualty or accident or natural disaster for a period of one year during the abatement period, then the agreement shall terminate automatically as of the 365<sup>th</sup> day of discontinuation and so shall the abatement of the taxes for the calendar year during which the facility no longer produces. The taxes otherwise abated for that calendar year shall be paid to the County within sixty days from the date of termination.
- B. Should the County determine that the company or individual is in default according to the terms and conditions of its agreement, the County shall notify the company or individual in writing at the address stated in the agreement, and if such is not cured within sixty (60) days from the date such notice is placed in the U.S. mail ("Cure Period"), then the agreement may be terminated.
- C. In the event that the company or individual, after exercising due diligence to pay taxes properly due, (1) allows its ad valorem taxes owed the County 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 cure within the Cure Period, 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.

- D. In circumstances where a city grants an Abatement with different Recapture provisions than those stated above, the Commissioners Court may agree to enter an abatement agreement consistent with the city agreement that differs from the recapture requirements contained in this policy.

## VIII. ADMINISTRATION

- A. Access to Facility: The Agreement shall stipulate that employees and/or designated representatives of the taxing authorities will have access to the facility during the term of the agreement to inspect the facility to determine if the terms and conditions of the agreement are being met. All inspections shall be conducted in a manner as to not unreasonably interfere with the construction and/or operation of the facility; provided however, the County may conduct "spot" inspections requiring no advance notification applicant. All inspections will be made with one or more representatives of the company or individual, and in accordance with its safety standards.
- B. Annual Evaluation: Upon completion of construction, the eligible authority individually or in conjunction with other affected authorities, shall annually evaluate each facility receiving abatement to ensure compliance with the agreement and report possible violations of the agreement.
- C. Transfer or Assignment: Tax abatements may be assigned to a new owner or lessee of the facility with the written consent of the Commissioners Court. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the assignor upon the same terms and conditions as set out in the agreement. Any assignment of a tax abatement agreement shall be to an entity that contemplates the same improvements or repairs to the property, except to the extent such improvements or repairs have been completed. No assignment shall be approved if the assignor or the assignee is indebted to the County for ad valorem taxes or other obligations.

**APPLICATION FOR TAX ABATEMENT**

**Johnson County, Texas**

This application should be filed with the County Judge's Office of Johnson County.

Property Owner \_\_\_\_\_

Mailing Address \_\_\_\_\_

Telephone Number \_\_\_\_\_

Property Owner's Representative \_\_\_\_\_

Mailing Address \_\_\_\_\_

Telephone Number \_\_\_\_\_

Property Address \_\_\_\_\_

Property Legal Description \_\_\_\_\_

(Provide Attachments if By Metes and Bounds)

Located within:

City: \_\_\_\_\_

If not within a municipality, address within County: \_\_\_\_\_

School District \_\_\_\_\_

Projected Occupancy Date of Project/Initiation of Operations: \_\_\_\_\_

Description of project: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

7. Narrative Response to Criteria Questions in Section III.

Upon receipt of this application, Johnson County shall require such financial and other information as may be deemed appropriate for evaluating the financial capacity and other factors of the applicant.