

**Hopkins County
Policy Statement,
Criteria and Guidelines
For Tax Abatements**



I. General Purpose and Objective

Hopkins County 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 County possesses various tools to enhance and encourage economic development.

Through these tools the County will work to enhance the competitiveness and expansion potential of the industrial community; to attracting and encouraging new industry and investment; to improving the County 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 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 County to assist the economic development efforts through its property tax abatement program. To provide ongoing assistance to existing businesses which seek to expand, the County 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 County to assist with property tax abatements greater than those set forth in the then effective Property Tax Abatement Schedule. In such a case the County reserves the right to negotiate any and all available incentives with any applicant, when the County deems that the applicant proposes a substantial economic impact to the local community.

Hopkins County 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/Hopkins County or locating in Sulphur Springs/Hopkins County. 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. Hopkins County 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 County 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 Hopkins County 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 County 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 County 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 County with its recommendation.
- E. Before an abatement in excess of percentages stated in Schedule A can be given, the County Finance Department with the assistance of the EDC staff will provide for the County Commissioners Court 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. Hopkins County 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 Hopkins County not cause a rise in property tax rates for all non-abated property as a direct consequence of its tax abatement program.
- F. Hopkins County 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. Hopkins County shall not grant an abatement if it is 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, City Council or County Commissioner Court.
 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 County.
- 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 Hopkins County 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 County 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 Hopkins County 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 County Commissioner's Court 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 County and the property owner or lessee subject to such limitations as the County 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 County. 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. Hopkins County shall retain the right to independently review and audit the related activities of tax abatement participants.
- O. Hopkins County 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 County Commissioner's Court.
- 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 County 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 County 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 County 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

CAPITAL INVESTMENT	\$500,000	\$5,000,000	\$10,000,000
	and 15 jobs	or 100 jobs	or 250 jobs
Year 1	100%	100%	100%
Year 2	100%	100%	100%
Year 3	100%	100%	100%
Year 4	100%	100%	100%
Year 5	100%	100%	100%
Year 6	0%	100%	100%
Year 7		100%	100%
Year 8		0%	100%
Year 9			100%
Year 10			100%
Year 11			0%