

## *Collin County Policy Regarding Tax Abatements*

### **Purpose:**

Collin County is committed to the promotion of quality development in all parts of the County and to improving the quality of life for its citizens. In order to help meet these goals, Collin County will consider providing tax abatements to stimulate economic development. It is the policy for Collin County that such an incentive will be provided in accord with the procedures and criteria outlined in this document. **All applicants for tax abatements shall be considered on an individual basis.**

### **Scope:**

This policy shall apply to County tax abatements granted by the Collin County Commissioners Court anywhere within the County. If an applicant seeks a tax abatement for a project located in an unincorporated area of the County, the Commissioners Court must first designate a Reinvestment Zone pursuant to Section 312.401 of the Texas Tax Code.

These guidelines and criteria shall also apply to County tax abatements for projects located in municipally-designated Reinvestment Zones, which the County is authorized to enter into pursuant to Section 312.206 of the Texas Tax Code.

### **Criteria for Tax Abatement:**

Economic Qualifications In order for the owner of a property within a reinvestment zone to be eligible to receive a tax abatement, the owner must show that the planned project will:

- 1) be a major investment in the zone that will substantially increase the appraised value of property within the zone. **In general, increased value means a minimum of \$15 million in real and business personal property combined for cities of more than 50,000 in population according to the North Central Texas Council of Governments current year estimates. In cities with less than 50,000 in population according to the North Central Texas Council of Governments current year estimates, an increased value of \$1 million or more will be considered;**
- 2) contribute to the retention or expansion of primary and secondary employment within the County by creating new jobs. **In general, new jobs mean the creation of jobs to the county and not the relocation of jobs from one location of the county to another;**
- 3) meet the requirements of all zoning ordinances, building codes and other applicable County ordinances.

Creation of New Value Abatement may be granted only for the increased assessed value of eligible property and property improvements made subsequent to and listed in an abatement agreement between the County and the property owner and lessee (if required), subject to such limitations as the County may require.

County Burden In determining what level of tax abatement and other incentives will be provided to the applicant, the following criteria will be considered:

- 1) The types and cost of public improvements and services which will be required of the County;
- 2) The types and value of public improvements which will be made by the applicant;
- 3) The method or methods which will be available to recapture property tax revenue lost as a result of entering into a tax abatement agreement with the applicant if the applicant fails to fulfill its responsibilities under the agreement;
- 4) The amount of time necessary to complete the project and create the jobs which are to be provided by the applicant.

Agricultural Exemptions Denied No tax abatement shall be granted for any property unless and until full market value taxes have been paid for five years prior to the execution of a tax abatement agreement. Exceptions may be granted if it can be demonstrated that significant and sustained valuation increases can be achieved.

Owned/Leased Facilities If a leased facility is granted an abatement, the tax abatement agreement shall be signed by both the lessor and the lessee.

Value and Term of Abatement Abatement shall be granted effective January 1 of the year following the date of execution of the tax abatement agreement. The percentage of the increase abated shall be determined in each tax abatement agreement; however, no abatement shall exceed 50%. No tax abatement agreement shall exceed 10 years.

**Under limited circumstances will the County consider granting abatements for over 50%. These conditions will be considered on a case by case basis and will be given great scrutiny.**

**Application Procedures:**

All tax abatements must be approved by the sponsoring city before being submitted for approval to the Commissioners Court.

The Sponsoring City desiring that the County consider providing a tax abatement to encourage the location of a business or expanded business operations within the County limits shall be required to provide to the County:

- 1) A brief description of the proposed improvement or expansion along with the project's estimated cost, the type of business operation proposed, the number and types of jobs created, the expected source or applicants for such jobs, the projected date of beginning operation, the type and value of the tax abatement which are requested and the amount of abated taxes;
- 2) If specifically requested by the County, a plat showing the precise location of the property, all roadways within 200 feet of the site, and all existing zoning and land uses on the site and within 200 feet of the site;
- 3) A complete legal description of the property;

- 4) If specifically requested by the County, a plan which provides access to and inspection of the property and proposed improvements by County inspectors and officials to ensure that the improvements are made according to the requirements and conditions of the agreement;
- 5) A method to provide for the recovery of property tax revenues if the applicant fails to perform its obligations under the agreement;
- 6) **Certification or confirmation that the relocation or expansion has not been the result of “competition” between cities within Collin County.**
- 7) Any other information about the proposed project which may be required by the County.

The application will be reviewed by the County Administrator or his or her designee for completeness and accuracy, and comments will be received from the appropriate departments. Once this information is compiled, the application and review comments will be forwarded to members of the Commissioners Court. After the review by the members of the Commissioners Court, additional information may be requested of the applicant.

All requirements of Chapter 312 of the Texas Tax Code, known as the Property Redevelopment and Tax Abatement Act, shall be followed.

#### **Public Hearing and Approval:**

Prior to entering into any tax abatement agreement, the County may, at its option, hold a public hearing at which interested persons shall be entitled to speak for or against the approval of the tax abatement agreement.

#### **Agreement:**

If the Commissioners Court determines that it is in the best interest of the County to provide incentives to a particular applicant, a court order shall be adopted approving the terms and conditions of a tax abatement agreement with the applicant which will enumerate the types of incentives to be provided and the conditions which are applicable to them.

Subsequent to the agreement, applicant will be required to provide County with written annual certification in a form satisfactory to the County that the applicant is in compliance with all the terms and conditions of the agreement. This written certification shall include information on investments and job creation, as follows:

- 1) The annual compliance report must provide information on the Real Property investment and acquisition of Personal Property that has occurred during the annual reporting period. Applicant must submit the report by November 1<sup>st</sup> of each year during the term of the agreement. The County may require that the reports include information on capital expenditures, to include purchase order numbers, vendor names, and dollar amounts paid for all of the capital investments, actual costs, and book values. These reports must be prepared and administered in accordance with generally accepted accounting principals.

- 2) The annual compliance reports must provide current information on the full-time employment positions created and maintained under the agreement. Applicant must submit the reports by November 1<sup>st</sup> of each year during the term of the agreement.

**Assignment:**

Tax abatement agreements may be assigned to a new owner or lessee of the improvements with the written consent and court order authorizing the new assignment. Any new assignment shall provide that the assignee shall irrevocably and unconditionally assume all duties and obligations of the assignor as set out in the agreement. No assignment shall be approved if the assignor or assignee are indebted to the County for ad valorem taxes or other obligations.

**Default and Recapture:**

Should the County determine that an applicant is in default with regard to the items specified in the agreement, then the County may declare a default and may terminate the agreement. The County shall provide applicant or municipality with written notice of such default. If the agreement is terminated, then taxes will be due for the tax year during which termination occurred and shall accrue without abatement for all tax years thereafter.