

ORDINANCE NO. 23-37

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF GRANBURY, TEXAS, ADOPTING GENERAL TAX ABATEMENT GUIDELINES AND CRITERIA, HEREIN REFERRED TO AS A GENERAL TAX ABATEMENT POLICY, UNDER CHAPTER 312 TEXAS TAX CODE TO ENTER INTO TAX ABATEMENT AGREEMENTS WITH ELIGIBLE ENTITIES FOR ECONOMIC DEVELOPMENT PURPOSES.

WHEREAS, the City Council of the City of Granbury has the authority pursuant to the Property Redevelopment and Tax Abatement Act, Chapter 312, Texas Tax Code, to adopt a tax abatement policy and enter into tax abatement agreements with eligible entities; and

WHEREAS, the City Council finds that property tax abatement within certain guidelines and criteria will attract, expand, and retain desirable commercial enterprises in the City of Granbury with the result that existing jobs and investment will remain in the City and new jobs will be created in the City; and

WHEREAS, tax abatement provides a valuable economic tool for use by the County and others interested in supporting and creating jobs in Hood County; and

WHEREAS, the City Council finds that a tax abatement policy is in the public interest and will contribute to the economic development of the City; and

WHEREAS, pursuant to Section 312.002, Texas Tax Code, the City Council may not enter into a tax abatement agreement unless the City Council establishes guidelines and criteria, hereinafter referred to as a General Tax Abatement Policy, governing tax abatement agreements and, by resolution, elects to become eligible to participate in tax abatement.

NOW, THEREFORE BE IT ORDAINED THAT: the City Council of the City of Granbury, Texas duly convened and acting in its capacity as the governing body of the City, hereby elects to become eligible to participate in tax abatement and hereby adopts the following General Tax Abatement Policy for tax abatement agreements.

PASSED AND APPROVED on this 16th day of May 2023.



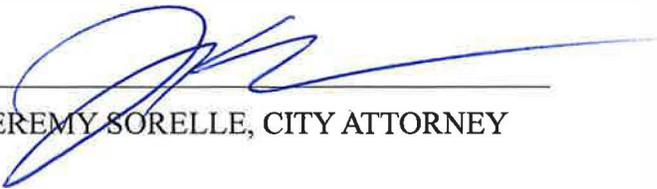

JIM JARRATT, MAYOR

ATTEST:



CARLA WALKER, CITY SECRETARY

APPROVED AS TO FORM AND LEGALITY:



JEREMY SORELLE, CITY ATTORNEY



General Tax Abatement Policy

Effective May 16, 2023, through May 16, 2025

1. GENERAL PROVISIONS.

1.1. Purpose

Chapter 312 of the Texas Tax Code allows, but does not obligate or require, the City to grant a Tax Abatement on the value added to a particular property on account of a specific development project that meets the eligibility requirements set forth in this Policy. In order for the City to participate in Tax Abatement, the City is required to establish guidelines and criteria governing Tax Abatement Agreements. This Policy is intended to set forth those guidelines and criteria for persons or entities interested in receiving a Tax Abatement from the City. This Policy expires on May 16, 2025.

1.2. General Eligibility Criteria

A Tax Abatement can only be granted to persons or entities eligible for Tax Abatement pursuant to Section 312.204(a) of the Texas Tax Code, which persons or entities as of the effective date of this Policy must be (i) the owner of taxable real property located in a Tax Abatement reinvestment zone; or (ii) the owner of a leasehold interest in real property located in a Tax Abatement reinvestment zone. Although the City will consider all applications for Tax Abatement that meet the eligibility requirements set forth in the associated Policy, it is especially interested in supporting projects that are expected to produce a meaningful impact on the City and its economy and that result in one or more of the following:

- Growth of business activity, employment, or investment in one of the City's identified Target Industries and Target Developments;
- Creation of jobs above the City Annual Average Salary;
- Significant Investment;
- Growth of business activity, employment, or investment in specified zones;
- Retention and/or expansion of an Existing Businesses; and
- Recruitment or Expansion of Technology Companies

1.3. General Exclusions and Limitations

1.3.1. Lessees of Real Property

A person or entity seeking Tax Abatement on real property that is leased from a third party should be advised that, pursuant to state law, unless the real property owner is also a party to a Tax Abatement Agreement, the City can only abate taxes on the increased value of the taxable leasehold interest in the real property, if any, and the increase in value of taxable improvements and Business Personal Property located on the real property and subject to the leasehold interest, if any. Before applying for a Tax Abatement from the City, such persons or entities should seek professional and legal guidance, and may wish to consult with the appraisal district having jurisdiction over the property in question as to whether their development projects will result in a taxable leasehold interest in the property and, if so, the anticipated value of that leasehold interest.

1.3.2. Property Located in Historic Neighborhood Investment Zone (“HNIZs”) and Neighborhood Empowerment Zones (“NEZs”)

The City Council has designated certain distressed areas of the City needing economic development and expanded public services as HNIZs and NEZs. Notwithstanding anything that may be interpreted to the contrary, this Policy does not apply to property located in a HNIZ or NEZ. A person or entity seeking Tax Abatement on property owned or leased in a NEZ should refer to the Neighborhood Empowerment Zone Tax Abatement Policy, adopted by the City Council pursuant to Ordinance No. 07-234, July 5, 2007, as may be amended or readopted. See Exhibit D for HNIZ-NEZ Map.

1.3.3. Property Located in Tax Increment Reinvestment Zones (“TIFs”)

The City Council has designated certain areas of the City as TIFs. This Policy does apply to property located in a TIF. However, a person or entity seeking Tax Abatement on property owned or leased in a TIF should be advised that state law requires a TIF’s board of directors and the governing bodies of all taxing jurisdictions contributing tax increment revenue to a TIF to approve a City Tax Abatement Agreement on property located in that TIF before the Agreement can take effect. See Exhibit B for TIRZ Map.

1.3.4. Property Located in Enterprise Zones

The State of Texas has designated certain areas of the City with high unemployment as enterprise zones. Various economic development incentives are available to owners of property located in enterprise zones (Exhibit C). In accordance with state law, all property located within an enterprise zone is automatically designated as a Tax Abatement Reinvestment Zone. However, the City typically designates individual Tax Abatement Reinvestment Zone overlays when it wishes to grant Tax Abatements on property located in an Enterprise Zone.

2. DEFINITIONS

Capitalized terms used in this Policy but not defined elsewhere shall have the following meanings:

Abatement or Tax Abatement-A full or partial exemption from ad valorem taxes on eligible taxable real property and Business Personal Property located in a Reinvestment Zone for a specified period on the difference between (i) the amount of increase in the appraised value (as reflected on the most recent certified tax roll of the appropriate appraisal district) and (ii) the appraised value (as reflected on the certified tax roll of the appropriate county appraisal district for the year in which the Tax Abatement Agreement was executed).

Abatement Benefit Term-The period of time specified in a Tax Abatement Agreement, but not to exceed ten (10) years, that the recipient of a Tax Abatement may receive the Abatement.

Abatement Compliance Term-The period of time specified in a Tax Abatement Agreement during which the recipient of a Tax Abatement must comply with the provisions and conditions of the Tax Abatement Agreement and file an annual report with the City which outlines and documents the extent of the recipient's compliance with such provisions and conditions.

Business Personal Property-Any taxable tangible personal property other than inventory and supplies that (i) is subject to ad valorem taxation by the City; (ii) is located on the property subject to Abatement; (iii) is owned or leased by the party to the Tax Abatement Agreement; and (iv) was not located in the City prior to the effective date of the Tax Abatement Agreement.

Capital Investment-Expenditures for real property improvements such as, without limitation, new facilities and structures, site improvements, infrastructure improvements, facility expansion, facility modernization, and utility installation. Capital Investment does NOT include land acquisition costs or the cost or value of any improvements existing on the property prior to the City Council's authorization of execution of a Tax Abatement Agreement.

Historic District-A geographic area within the City, also referenced as Downtown, as defined in the City Comprehensive Plan.

Comprehensive Plan-The City of Granbury's official guide for making decisions about growth and development. The Plan is a summary of the goals, objectives, policies, strategies, programs, and projects that will enable the city to achieve its mission of focusing on the future, working together to build strong neighborhoods, develop a sound economy, and provide a safe community.

Existing Business-A business that was operating within the corporate limits of the City prior to the effective date of this Policy.

Investment-The aggregate of Capital Investment and Personal Property Investment.

Mixed-Use Development Project-A development project in which a facility or facilities will be constructed or renovated such that (i) at least twenty percent (20%) of the total gross floor area will be used as residential space and (ii) at least ten percent (10%) of the total gross floor area will be used for office, restaurant, entertainment and/or retail sales and service space. In the event that all or any portion of the residential space is rental (i.e., apartments), there must be at least fifty (50) units.

Personal Property Investment-The value of Business Personal Property installed on a development site by a date certain, as determined solely by the appraisal district having jurisdiction over the development site.

Reinvestment Zone-An area designated by the City as a Tax Abatement reinvestment zone in accordance with Chapter 312 of the Texas Tax Code.

Salary-A cash payment or remuneration made to a full-time employee, including paid time off, commissions, and non-discretionary bonuses. A Salary does not include any benefits, such as health insurance or retirement contributions by the employer, reimbursements for employee expenses, or any discretionary bonuses.

Target Industry-A business providing services and products in the sectors specifically identified in Exhibit A.

Target Development-A development identified in Exhibit A.

Tax Abatement Agreement-A written Agreement that the recipient of a Tax Abatement must enter into with the City that outlines the specific terms and conditions pertaining to and governing the Tax Abatement.

Modernization-Modernization means the replacement and upgrading of existing facilities which increases the productive input or output, updates the technology, or substantially lowers the cost of operation, and extends the economic life of the facility. Modernization may result from the construction of, 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.

Technology Company-A company working in an industry with a high concentrations of workers in STEM (Science, Technology, Engineering, and Mathematics) occupations, including, but not limited to, design, prototype development and testing, preliminary manufacturing, and product marketing.

3. ELIGIBILITY CRITERIA FOR GENERAL PROJECTS.

Unless a project meets one of the other minimum eligibility criteria set forth in this Policy, in order to be considered for Tax Abatement, a project must commit to a minimum Investment of at least \$2 million and creation of 20 new full-time jobs at or above the City Annual Average

Salary. The table below establishes the maximum percent (%) of Abatement that may be available to general projects based on minimum Investment and Employment. Eligible projects/facilities include manufacturing, distribution centers and warehousing, aviation and aviation related facilities, energy services, headquarters: international-national-regional, research parks and facilities, data centers. Abatement may be extended to new buildings, structures, site improvements and Business Personal Property as well expansion or modernization of existing facilities and structures.

In general, the City of Granbury will consider the following lengths of time for Tax Abatements for General projects that are not otherwise covered in other sections:

| Maximum Abatement Term | \$Capital Investment, Jobs, Percent (%) Abatement |
|-------------------------------|--|
| 3.0 - 5.0 years | Less than \$5 Million, minimum 20 jobs, 30% |
| 5.01 - 7.0 years | Less than \$10 Million, minimum 30 jobs, 50% |
| 7.01 - 8.0 years | Less than \$30 million and, minimum 30 jobs, 70% |
| 9.0 - 10.0 years | \$30.01 Million Invested, minimum 50 jobs, 90% |

4. ELIGIBILITY REQUIREMENTS FOR TARGET INDUSTRY PROJECTS.

The City is particularly interested in developing certain Target Industries and Target Developments (each defined herein as a “Target Industry” or “Target Development”), whose presence the City has determined especially will help strengthen and diversify the City’s economy. Those Target Industries and Developments are attached in Exhibit A. In order to be considered for Tax Abatement, a Target Industry project must commit to a minimum Investment of at least \$1.0 million and creation of 10 new full-time jobs or full-time job equivalents within 18 months of operation at or above the City Annual Average Salary. Except for the job creation requirement for Industrial and Office Spec or Shell Buildings, Target Developments must meet the minimum General Criteria.

5. ELIGIBILITY REQUIREMENTS FOR EXISTING BUSINESS RETENTION AND EXPANSION (BRE) PROJECTS.

The City wants to support the Existing Business Retention and Expansion (BRE) in the City limits. In order to be considered for Tax Abatement, an Existing Business Retention or Expansion (BRE) project must involve the expansion or modernization of existing facilities and commit to a minimum Investment of at least \$1 million and creation and/or retention of at least 10 full-time jobs at or above the City Annual Average Salary.

6. ELIGIBILITY REQUIREMENTS FOR TECHNOLOGY COMPANY PROJECTS.

The City wishes to encourage and promote the development of technology businesses. In order to be considered for Tax Abatement, a Technology Company project must employ at least 5 individuals. Incentives delivered to a Technology Company may include abatement that equals one of the following:

- Up to 50% of net new real property taxes on owned or leased facilities for 3 to 5 years; or
- Up to 50% of net new Business Personal Property taxes for up to 3 to 5 years.

7. TAX ABATEMENT CALCULATION.

7.1. Improvements Required.

All Tax Abatement Agreements shall require the recipient to construct or cause construction of specific improvements on the real property that is subject to the Abatement. Failure to construct these specific improvements at the minimum Capital Investment expenditure and by the deadline established in the Tax Abatement Agreement will constitute an event of default and give the City the right to terminate the Tax Abatement Agreement.

7.2. Percentage and Amount.

Although this Policy establishes the maximum percentage of Abatement that may be available for a particular type of project, the specific amount of a particular Tax Abatement shall be negotiated on a case-by-case basis and may be less or more than the maximum available percentage specified in this Policy, based, without limitation, on the review criteria. The calculation of Tax Abatement for any project that meets the requirements of this Policy shall be negotiated on a case-by-case basis and governed solely by the terms and conditions of the Tax Abatement Agreement.

TAX ABATEMENT IMPLEMENTATION

7.3. Term.

Although this Policy establishes the maximum term of Abatement that may be available to certain types of projects, the actual term of a Tax Abatement shall be negotiated on a case-by-case basis and may be less than the maximum available term specified in this Policy, based on the review criteria.

7.4. Compliance.

The City will review and determine the recipient's compliance with the terms and conditions of the Tax Abatement Agreement in each year of the Abatement Compliance Term. The first year of the Abatement Compliance Term shall be either the calendar year in which the recipient achieved all Investment required by the Tax Abatement Agreement or the following calendar year, as negotiated and set forth in the Tax Abatement Agreement. Tax Abatements will be provided for the tax years comprising the Abatement Benefit Term, with the first such tax year occurring in the year following the first year of the Abatement Compliance Term. In other words, the degree to which the recipient meets the commitments set forth in the Tax Abatement Agreement will determine the percentage of taxes abated for the following tax year. The City will continue to review and determine the recipient's compliance with the terms and conditions of the Tax Abatement Agreement for each subsequent calendar year, which findings shall govern the percentage of taxes abated for the following tax year, until expiration of the Tax Abatement Agreement.

8. TAX ABATEMENT APPLICATION PROCEDURES

Each Tax Abatement application shall be processed in accordance with the following standards and procedures:

8.1. Submission of Granbury Incentives Application

If a given development project qualifies for Tax Abatement pursuant to the eligibility criteria detailed in of this Policy, an applicant for Tax Abatement must complete and submit a City of Granbury Application for Economic Incentives online (with required attachments) (the "**Application**"). The Application for Economic Incentives is available from the City or Granbury Economic Development Website and also can be obtained from and must be submitted to the City of Granbury's Economic Development Department. In order to be complete, the Application must include documentation that there are no delinquent property taxes due for the property on which the development project is to occur. In addition, projects that include, in whole or in part, the renovation of one or more existing structures shall provide, as part of the applicant's Tax Abatement Application, a detailed description and the estimated costs of the renovations contemplated.

8.2. Application Fee

Upon submission of the Application, an applicant must also pay an Incentives Application Fee. The amount of this fee is in the City's Master Fee Schedule and at this time is \$500 ("**Application Fee**") and is due and payable to the City of Granbury.

8.3. Application Review and Evaluation

The Economic Development Department will review an Application for accuracy and completeness and complete an economic impact analysis of the project. Once complete, the Economic Development Department will evaluate an Application based on guidelines established by this Policy as well as criteria and procedures noted in the Incentives Application. The link attached here details the abatement process: [Step-by-Step Abatement Process \(texas.gov\)](#).

8.4. Consideration by the City Council

The City Council retains sole authority to approve or deny any Tax Abatement Agreement and is under no obligation to approve any Application or Tax Abatement Agreement.

9. GENERAL POLICIES AND REQUIREMENTS

Notwithstanding anything that may be interpreted to the contrary herein, the following general terms and conditions shall govern this Policy:

- 9.1. A Tax Abatement shall not be granted for any development project in which land has been purchased, or a building permit application has been filed with the City's Building Department. In addition, the City will not abate taxes on the value of real or Business Personal Property for any period of time prior to the year of execution of a Tax Abatement Agreement with the City.
- 9.2. The applicant for a Tax Abatement must provide evidence to the City that demonstrates that a Tax Abatement is necessary for the financial viability of the development project proposed.
- 9.3. The City will not abate taxes levied on the following: land, inventory, supplies, or the existing tax base.
- 9.4. The owner of real property and/or Business Personal Property for which a Tax Abatement has been granted shall properly maintain the property to assure the long-term economic viability of the project.
- 9.5. If the recipient of a Tax Abatement breaches any of the terms or conditions of the Tax Abatement Agreement and fails to cure such breach in accordance with the Tax Abatement Agreement, the City shall have the right to terminate the Tax Abatement Agreement. In this event, the recipient will be required to pay the City any property taxes that were abated pursuant to the Tax Abatement Agreement prior to its termination.

9.6. As part of the consideration under all Tax Abatement Agreements, the City shall have, without limitation, the right to (i) review and verify the applicant's financial statements and records related to the development project and the Abatement in each year during the term of the Tax Abatement Agreement prior to the granting of a Tax Abatement in any given year and (ii) conduct an on-site inspection of the development project in each year during the term of the Tax Abatement to verify compliance with the terms and conditions of the Tax Abatement Agreement. Any incidents of non-compliance will be reported to all taxing units with jurisdiction over the real property subject to Abatement.

9.7. The recipient of a Tax Abatement may sell, assign, transfer, or otherwise convey any of its rights under a Tax Abatement Agreement to an affiliate of the recipient, as defined in the Tax Abatement Agreement, or as security to a lender of the recipient, provided that the City, the assignor, and the assignee each execute a document acceptable to the City that outlines the roles and responsibilities of the parties in that event. Otherwise, a recipient of a Tax Abatement may not sell, assign, transfer or otherwise convey its rights under a Tax Abatement Agreement unless specifically approved by the City Council. A sale, assignment, lease, transfer or conveyance of the real property that is subject to the Abatement and which is not permitted by the Tax Abatement Agreement shall constitute a breach of the Tax Abatement Agreement and may result in termination of the Tax Abatement Agreement and recapture of any taxes abated after the date on which the breach occurred. For additional information about this Tax Abatement Policy, contact the City of Granbury Economic Development Department using the information below:



Lance LaCour

llacour@granbury.org

116 W Bridge St. Granbury, TX 76048

O: 682-205-1749 | M: 817-776-6673

<https://www.granbury.org/846/Economic-Development>

<https://www.linkedin.com/company/granbury-economic-development>

Exhibit "A"

Target Industries and Target Developments

Target Industries

Proposed (From Target Industry Study Not Yet Published)

1. Air Transport Industry Support Activities

- Aircraft maintenance and repair services (MROs) – (NAICS 45810200)
 - Aircraft servicing and repairing (non-factory) - (NAICS 45810202)
- Aerospace product and parts manufacturing (NAICS 336400)
 - Avionics - Aircraft parts & auxiliary manufacturing (NAICS 336413)

2. Job Shop Manufacturer (NAICS 332710)

This industry comprises establishments known as machine or Job Shops primarily engaged in machining metal and plastic parts and parts of other composite materials on a job or order basis. Generally, machine shop jobs are custom and low volume using machine tools, such as lathes (including computer numerically controlled); automatic screw machines; and machines for boring, grinding, and milling. Computer technology plays a vital role in this industry as well as highly skilled graphic design. These custom products are usually made for automotive, aircraft, and industrial machines.

3. Destination Tourism, Recreation

- Destination Tourism & Recreation (NAICS 713990)

4. Customer Solutions – NAICS 561990

Customer Solutions representatives serve as subject matter experts on their relevant systems, software, and other products. They qualify customer needs and identify opportunities to deliver business outcomes and develop innovative solutions in collaboration with a direct field, product, industry-focused, and digital service design teams in a pre-sales environment. Very specialized in customer service care and technical support.

5. Health Care & Social Assistance – NAICS 62

Sector includes hospital-related activities, physician offices, and other medical services (NAICS 6221 – General Medical & Surgical Hospitals) including but not limited to:

- Health & wellness
- Medical specialties
- Senior clinics
- Fitness & Outpatient therapy
- Surgical facilities

As well as Retirement Communities and Assisted Living Facilities as noted in these NAICS sectors:

- 6233 – Continuing Care Retirement Communities & Assisted Living Facilities for the Elderly
- 6231 – Nursing Care Facilities

Target Developments

- Business Parks and Office Parks
- Industrial and Office Shell or Spec Buildings
- Planned commercial, or mixed-use development, including regional retail, hospitality, and entertainment/recreation.

Exhibit "B"

Tax Increment Investment Zones Map (TIRZ)

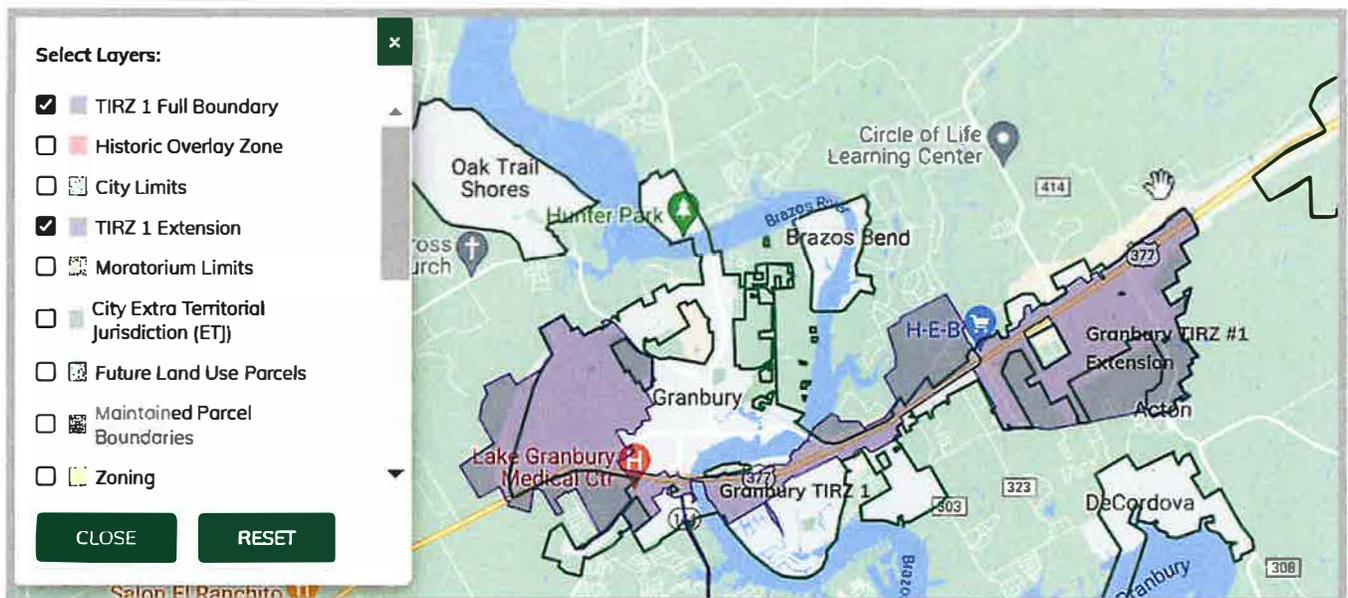


Exhibit "C"

Texas Enterprise Zones Map Granbury

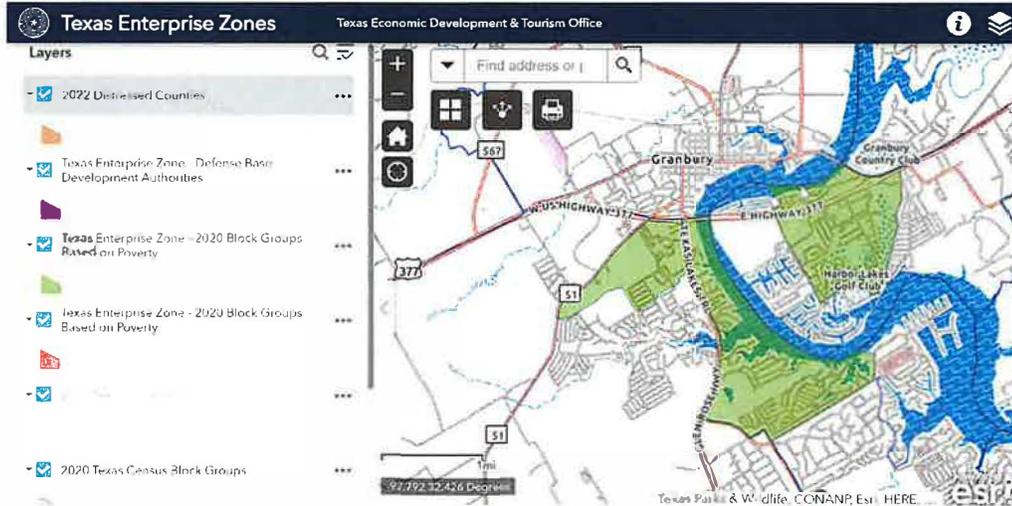


Exhibit D

Historic Neighborhood Investment Zone and Neighborhood Empowerment Zone

