

**CITY OF KAUFMAN
ECONOMIC DEVELOPMENT INCENTIVES
POLICY STATEMENT**

***ADOPTED: JULY 10, 2000
RENEWED: JUNE 10, 2002
RENEWED: JUNE 14, 2004
RENEWED: JULY 17, 2006
AMENDED: FEBRUARY 11, 2008***

I. General Purpose and Objectives.

The City of Kaufman is committed to the promotion of high quality development in all parts of the City of Kaufman; 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, the City of Kaufman will, on a case-by-case basis, give consideration to providing tax abatement as stimulation for economic development in the City of Kaufman. It is the policy of the City of Kaufman that said consideration will be provided in accordance with the procedures and criteria outlined in this document. Nothing herein shall imply or suggest that the City of Kaufman is under any obligation to provide tax abatement to any applicant.

II. Joint Committee.

Any request for tax abatement shall be reviewed by the Joint Committee on Tax Abatement, said Committee being comprised of two (2) representatives from each of the following entities: City of Kaufman, Kaufman County, and Trinity Valley Community College. Current Texas regulations do not permit school district participation in tax abatement.

The Joint Committee on Tax Abatement serves as a recommending body to the three taxing entities regarding whether economic development incentives should be offered in each individual case. Their recommendation shall be based upon both an objective and subjective evaluation of the following criteria which each applicant will be requested to address in narrative format.

III. Definitions.

“Abatement” means the full or partial exemption from ad valorem taxes of the increase in value of certain real property in a reinvestment zone designated by City of Kaufman for economic development purposes. The current value of real property shall not be exempted, and shall include the real property, personal property and any fixed improvements as of the base year.

“Agreement” means a contractual agreement between a property owner or lessee (see V.6 on page 4) and City of Kaufman for the purposes of tax abatement.

“Base year value” means the assessed value of eligible property on January 1 preceding the execution of the agreement.

“Deferred maintenance” means improvement necessary for continued operations which do not improve productivity or alter the process technology.

“Expansion” means the addition of buildings, structures, or fixed machinery or equipment for purposes of increasing production capacity.

“Facility” means property improvements completed or in the process of construction which together comprise an integral whole.

“Manufacturing Facility” means buildings and structures, including fixed machinery and equipment, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.

“Modernization” means a complete or partial demolition of facilities and the complete or partial reconstruction or installation of a facility of similar or expanded production capacity. Modernization may result from the construction, alteration, or installation of buildings, structures, and fixed machinery and equipment or both.

“New Facility” means a property previously undeveloped which is placed into service by means other than or in conjunction with expansion or modernization.

“Existing Facility” means a facility or business that has been in operation for more than five years within the City or its ETJ, evidenced by property tax records.

IV. Criteria For Economic Development Incentives

A. New Projects and/or Expansion of existing business:

The following threshold criteria shall be used to determine the basis for Economic Development Incentives granted to new projects:

- 1.) The proposed project must provide for an investment of taxable assets within three (3) years from the commencement of construction.
- 2.) The project must meet all relevant zoning requirements.

- 3.) Generally to be eligible, a project must consist of an industrial, manufacturing, assembly, distribution, commercial, or warehouse use and related facilities. Retail is excluded.
- 4.) Employment Impact
How many jobs will be created?
What will the total annual payroll be?
- 5.) Fiscal Impact
 - How much real and personal property value will be added to the tax roll?
 - How much direct sales tax will be generated?
 - What infrastructure construction would be required?
 - The project must be at least \$500,000 that will be added to the tax rolls. (project includes both real and personal property)
 - How much potential in capital impact fees and other planning/permit/utility and/or other fees will be paid to the City?
- 6.) Community Impact
 - What type of pollutants, if any, will be created by the project?
 - How compatible is the project with the City's comprehensive plan?
 - Project can serve as a prototype and catalyst for other development of higher standard.
 - Must not have a primary affect of transferring jobs within the county.
 - Project has high visibility, image impact, or is of a significantly higher level of development.

In addition to the objective criteria, several additional subjective factors must be considered for evaluation.

- 1.) Is project sponsor a local company?
- 2.) What types and costs of public improvements and services (water/sewer main extensions, streets, alleys, etc.) will be required of the City? What types and values of public improvements, if any, will be made by the applicant?
- 3.) Does, or can, the project meet all relevant zoning, subdivision, and other legal requirements?
- 4.) Does the project provide particular benefit to an area of the City targeted for revitalization?
- 5.) Is project in an area which might not otherwise be developed because of constraints of topography, ownership patterns, site configuration, etc.?
- 6.) Will the project substantially increase the business opportunities of existing local suppliers and contractors?
- 7.) Will the project compete with similar existing businesses to the detriment of the local economy?
- 8.) How else will this project affect other existing businesses/industries?

- 9.) Does the project pose any negative environmental, operational, visual or other impacts (i.e., pollution, noise, traffic congestion, etc.?)
- 10.) What impact will the project have on other taxing entities?

V. Abatement Authorized

- 1.) Authorized Facility/Project. All types of facilities or projects will be eligible for abatement if they meet the criteria set forth in this policy.
- 2.) Creation of New Value Abatement may only be granted for the additional value resulting from improvements to eligible property made subsequent to and specified in an abatement agreement between the City of Kaufman and the property owner, subject to such limitations as City of Kaufman may require.
- 3.) New and Existing Facilities Abatement may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion.
- 4.) Eligible Property Abatement may be extended to the value of buildings, structures, fixed machinery and equipment and site improvements plus that office space necessary to the operation and administration of the facility.
- 5.) Ineligible Property. The following types of property shall be fully taxable and ineligible for abatement: land; inventories; supplies; tools; furnishings and other forms of moveable personal property; vehicles; vessels; aircraft; housing; hotel accommodations; deferred maintenance investments; property which has a useful life of less than 15 years; property owned or used by the State of Texas or its political subdivision or by an organization owned, operated or directed by a political subdivision of the State of Texas; and property owned or leased by a member of the City Council, a member of the City's Planning/Zoning Commission, and/or a member of the County Commissioner's Court.
- 6.) Owned/Leased Facilities. In order for a facility to qualify for abatement, the land and eligible property must be owned by the same individual or company or leased to a facility operator whose lease commitment is at least 15 years.
- 7.) Expansion of Existing Facility/Business. A facility or business that has been in operation for 5 years or more and meets the other requirements as set forth in this policy.
- 8.) Ineligible Projects. Expansion of utilities/system, oil wells and mineral reserves, and retail developments.

VI. Types of Incentives

It is the intent of the City of Kaufman to evaluate the offering of economic development incentives on a case by case basis. This individualized design of a total incentive package is intended to allow maximum flexibility in addressing the

unique concerns of each applicant while enabling the City to better respond to the changing needs of the community. Below are charts which reflect the percentage amount to be abated:

A - TABLES

For either new construction or expansion of existing business; *where the business owns the building they are working in.*

A-1: 500% over five year period or 550% over ten year period.

For a firm investing \$10 million and up in buildings, machinery, equipment and inventory AND adding 20 or more new full time jobs paying 10% above Kaufman's Average Manufacturing Wage. Firm must provide Health Insurance to all full time employees with at least 50% of the premium paid by employer. Firm must place no significant burden on water or sewer, nothing loud, smelly, hazy or toxic.

The Kaufman EDC board and staff recommends the council should be able to choose from Option A or Option B, on a case by case basis.

Year	<u>Option A</u>	<u>Option B</u>
1	100%	100%
2	100%	90%
3	100%	80%
4	100%	70%
5	100%	60%
6	-0-	50%
7	-0-	40%
8	-0-	30%
9	-0-	20%
10	<u>-0-</u>	<u>10%</u>
Total	500%	550%

For firms who invest less and provide fewer jobs, the EDC recommends the following:

A-2: 400% Abatement over four years or 450% over six year period.

Qualifications: Minimum of \$4,000,000 in new investment and 15 new jobs paying 10% above Kaufman’s Average Manufacturing Wage. Firm must provide Health Insurance to all full time employees with at least 50% of the premium paid by employer. Firm must place no significant burden on water or sewer, nothing loud, smelly, hazy or toxic.

Year	<u>Option A</u>	<u>Option B</u>
1	100%	100%
2	100%	90%
3	100%	80%
4	100%	70%
5	-0-	60%
6	<u>-0-</u>	<u>50%</u>
Total	400%	450%

A-3: 300% Abatement over five year period or 330% over six years.

Qualifications: Minimum of \$2,000,000 in new investment and 12 new jobs paying 10% above Kaufman’s Average Manufacturing Wage. Firm must provide Health Insurance to all full time employees with at least 50% of the premium paid by employer. Firm must place no significant burden on water or sewer, nothing loud, smelly, hazy or toxic.

Year	<u>Option A</u>	<u>Option B</u>
1	60%	80%
2	60%	70%
3	60%	60%
4	60%	50%
5	60%	40%
6	<u>-0-</u>	<u>30%</u>
Total	300%	330%

A-4: 200% Abatement over five years or 210% over six years.

Qualifications: Minimum of \$500,000 in new investment and 10 new jobs paying 10% above Kaufman's Average Manufacturing Wage. Firm must provide Health Insurance to all full time employees with at least 50% of the premium paid by employer. Firm must place no significant burden on water or sewer, nothing loud, smelly, hazy or toxic.

Year	<u>Option A</u>	<u>Option B</u>
1	40%	60%
2	40%	50%
3	40%	40%
4	40%	30%
5	40%	20%
6	<u>-0-</u>	<u>10%</u>
Total	200%	210%

B – TABLES (Firms who lease their building)

For new firms to Kaufman or existing businesses; *where the business LEASES THE BUILDING they are working in.*

Abatements are for machinery, equipment, furniture, etc.

B-1: 500% over five year period or 500% over ten year period.

For a firm investing \$10 million and up in, machinery, equipment and inventory AND adding 20 or more new full time jobs paying 10% above Kaufman's Average Manufacturing Wage. Firm must provide Health Insurance to all full time employees with at least 50% of the premium paid by employer. Firm must place no significant burden on water or sewer, nothing loud, smelly, hazy or toxic.

The Kaufman EDC board and staff recommends the council should be able to choose from Option A or Option B, on a case by case basis.

B-1 Table
 Continued:

Year	<u>Option A</u>	<u>Option B</u>
1	100%	50%
2	100%	50%
3	100%	50%
4	100%	50%
5	100%	50%
6	-0-	50%
7	-0-	50%
8	-0-	50%
9	-0-	50%
10	<u>-0-</u>	<u>50%</u>
Total	500%	500%

B-2: 400% Abatement over four years or 400% over eight year period.

Qualifications: Minimum of \$4,000,000 in new investment and 15 new jobs paying 10% above Kaufman's Average Manufacturing Wage. Firm must provide Health Insurance to all full time employees with at least 50% of the premium paid by employer. Firm must place no significant burden on water or sewer, nothing loud, smelly, hazy or toxic.

Year	<u>Option A</u>	<u>Option B</u>
1	100%	50%
2	100%	50%
3	100%	50%
4	100%	50%
5	-0-	50%
6	-0-	50%
7	-0-	50%
8	<u>-0-</u>	<u>50%</u>
Total	400%	400%

B-3: 300% Abatement over five year period or 300% over 10 years.

Qualifications: Minimum of \$2,000,000 in new investment and 12 new jobs paying 10% above Kaufman’s Average Manufacturing Wage. Firm must provide Health Insurance to all full time employees with at least 50% of the premium paid by employer. Firm must place no significant burden on water or sewer, nothing loud, smelly, hazy or toxic.

Year	<u>Option A</u>	<u>Option B</u>
1	60%	30%
2	60%	30%
3	60%	30%
4	60%	30%
5	60%	30%
6	-0-	30%
7	-0-	30%
8	-0-	30%
9	-0-	30%
10	<u>-0-</u>	<u>30%</u>
Total	300%	300%

B-4: 200% Abatement over five years or 200% over ten years.

Qualifications: Minimum of \$500,000 in new investment and 10 new jobs paying 10% above Kaufman’s Average Manufacturing Wage. Firm must provide Health Insurance to all full time employees with at least 50% of the premium paid by employer. Firm must place no significant burden on water or sewer, nothing loud, smelly, hazy or toxic.

Year	<u>Option A</u>	<u>Option B</u>
1	40%	20%
2	40%	20%
3	40%	20%
4	40%	20%
5	40%	20%
6	-0-	20%
7	-0-	20%
8	-0-	20%
9	-0-	20%
10	<u>-0-</u>	<u>20%</u>
Total	200%	200%

VII. Application Procedures

Any person applying for Economic Development Incentives will be required to comply with several application procedures. Once the application has been completed, the application will be forwarded to the joint committee on economic development incentives consisting of elected officials from each of the taxing entities.

VIII. Recapture

The City of Kaufman will have very specific performance standards that will be measured to ensure that the qualified applicant is adhering to the guidelines, as set forth, and the Economic Development Incentive Policy. In the event that the company or individual fails to keep current on ad-valorem or other taxes, or violate the terms and conditions of the abatement agreement in any fashion, the City of Kaufman will have the option along with the other taxing entities, to recoup any tax monies that were abated.

IX. Assignment

The abatement may be transferred and assigned by the holder to a new owner or lessee of the same facility upon approval of the City Council; subject to the financial capacity of the assignee and provided that all conditions and obligations in the abatement agreement are guaranteed by the execution of a new contractual agreement with the City of Kaufman.

X. Sunset Provisions

The guidelines and criteria are affective upon the date of their adoption and will remain in force for two (2) years, at which time all reinvestment zones and tax abatement contracts created pursuant to its provisions will be reviewed by the City Council of Kaufman to determine whether the goals of the abatement program have been achieved. Based upon that review, the guidelines and criteria may be modified, renewed or eliminated.

XI. Abatement Agreement Provisions

Every agreement for tax abatement incentives shall include the following provisions, which shall not be considered an exhaustive or all inclusive list. Additional terms specific to each application may be considered and incorporated thereto.

- Include a list of the kind, number, and location of all proposed improvements to the property;

- Provide access to and authorize inspection of the property by each taxing unit to ensure compliance with the agreement;
- Limit the use of the property consistent with each taxing unit's development goals;
- Provide for recapturing property tax revenues that are lost if the owner fails to make the improvements and/or create the required number of jobs as provided by the agreement;
- Include each term that was agreed upon with the property owner and require the owner to annually certify compliance with the terms of the agreement to each taxing unit; and
- Allow each taxing unit to cancel or modify the agreement at any time if the property owner fails to comply with the terms of the agreement.

XII. Report To State Comptroller.

For each reinvestment zone established and tax abatement agreement executed, the City shall deliver a report to the Texas Comptroller's Office describing the guidelines, criteria, the zone, terms of the agreement and any other information required by the Comptroller. Such reports are to be submitted by March 31st of the year following designation of a zone or execution of an abatement agreement.