

**CITY OF LINDALE
TAX ABATEMENT POLICY**

Tax Abatement Policy Principles

- a. A city, pursuant to state law, is authorized to offer abatement of city ad valorem taxes to industries and commercial enterprises within the city limits. The tax abatements are granted to real property owners who execute a tax abatement agreement with the city. The purpose of the tax abatement is to encourage the growth and establishment of industry and commercial enterprise in the city. Growth is measured both by increases in capital expenditure for buildings, machinery, and other capital goods and the increase in the workforce. The City's priority for tax abatement is to extend tax abatement to primary employers. A primary employer is one which forms the economic base of the community by generating a majority of sales outside of Smith County. In providing local jobs, the retention of existing jobs is recognized as more important than recruitment of new companies. Surveys in Texas have shown three-fourths of new jobs come from expansion of existing local companies. Abatement is given to provide significant, long term, positive economic impact to the community by using local contractors and the resident workforce to the maximum extent feasible and by developing, redeveloping and improving real estate within the City's limits. The City's goal in providing tax abatements is to create additional jobs within the City. Abatements, however, may be granted when the City is convinced that the abatement is needed to retain existing jobs which would otherwise be lost. Examples of uses eligible for abatements include manufacturing, distribution centers, corporate or regional office parks, and research facilities. Small companies have provided a significant source of new jobs within the City. Therefore, proposals by small entrepreneurs will be encouraged whenever the proposals comply with this policy.
- b. The City strives for efficiency in processing applications for tax abatement. It is understood that unduly long decision-making processes will discourage businesses that might otherwise be interested in moving to or expanding in the City.

Abatement Eligibility Criteria

- a. Tax abatement will be considered for the following facilities if such development will create substantial capital improvements within the City's limits or additional jobs:
 1. Manufacturing facilities
 2. Distribution facilities
 3. Corporate offices
 4. Research parks
 5. Major tourism attractions
- b. Successful applicants must be located within a reinvestment zone prior to the inception of the project.
- c. The project must provide for capital expenditures of at least one million dollars or an annual payroll increase of four hundred thousand dollars or the creation of twenty-five new permanent full-time jobs.
- d. When an investment improves existing property, the portion of the value of property eligible for abatement is:
 1. For real property, the value of real property which has increased in market value because of the development, re-development or improvements specified in the abatement contract.

2. For personal property, the market value of the personal property at the location, other than inventory or supplies, purchased with new capital identified in the tax abatement agreement contract. Personal property located at the site before the period covered by the agreement is not eligible for tax abatement.
3. If the investment meets the criteria set out in paragraph c., the property eligible for abatement may be personal, real or mixed.

Abatement Review

- a. The Mayor or his representative, in consultation with the Tyler Economic Development Council, will initially negotiate all tax abatement contracts. The proposed contracts will then be submitted to the Smith County Tax Abatement Committee for review. The recommendation of the Smith County Tax Abatement Committee will be submitted to all participating local governments, including the City Council.
- b. The Smith County Tax Abatement Committee is responsible for reviewing all applications for abatement, recommending action to be taken on the application by the City Council, and monitoring compliance with abatement contracts. Any deviations from the original abatement contract will be reported by the Committee to the City Council along with recommendations from the Committee. If recommended by the Committee, an abatement contract may be terminated by action of the City Council if the property owner fails to comply with the agreement. Notification of such termination for cause shall be in writing and shall be delivered to the property owner at its address of record. An abatement contract may also be voluntarily terminated where all parties agree through use of a termination agreement approved by the City Council.
- c. Committee members shall be appointed by the Smith County Judge and will include representatives who are active in promoting the economic health of the City and the other affected taxing jurisdictions. The Committee will include representatives from each of the taxing entities that will be asked to participate in a tax abatement contract.
- d. When considering abatement contracts, the City will consider any burdens which will be placed on existing infrastructure and basic services by the proposed project. The City may reject applications which place inordinate demands on public services or require inordinately large expenditures to improve or maintain local government infrastructure.
- e. Representatives of the taxing jurisdictions periodically review commitments made pursuant to this policy: this policy is reviewed every two years; all reinvestment zones are reviewed every five years; and tax abatement contracts are reviewed annually. This policy is separate from any policy concerned with enterprise zones and any obligations deriving from existing industrial development contracts.
- f. This policy shall be effective from May 17, 2017, through May 16, 2019. It is the intention of this City Council to review the policy prior to its expiration date and consider its renewal.

ADOPTED by the City Council of the City of Lindale on this 16th day of May, 2017.

By: _____


Jeff P. Daugherty, Mayor
City of Lindale