

**Policy Statement
For
Tax Abatement**

City of Fairfield
Freestone County, Texas

Table of Contents

I.	General Purpose and Objectives	1
II.	Definition of Terms	1
III.	Applicant Eligibility	3
IV.	Criteria	4
V.	Procedures	5
VI.	Legal Documentation Preparation	6

I. General Purpose and Objectives

The City of Fairfield is committed to the promotion of high quality development in all parts of the City, to enhancing the competitiveness and expansion of Fairfield's manufacturing industries; encouraging new manufacturing industry and investment; and to an ongoing improvement in the quality of life for its citizens. As these objectives are generally served by the enhancement and expansion of the local economy, the City of Fairfield will, on a case-by-case basis, give consideration to providing tax abatement on real property as a stimulation for economic development in Fairfield for industrial, manufacturing, distribution and service facilities. It is the policy of the City of Fairfield 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 Fairfield is under any obligation to provide tax abatement to any applicant. All applicants shall be considered on a case-by-case basis.

II. Definitions

Abatement - means the full or partial exemption from ad valorem taxes of certain real property in a reinvestment zone designated by an affected jurisdiction for economic development purposes.

Act - means the Property Redevelopment and Tax Abatement Act, Texas Tax Code Ann. 312.001 et. Seq., as amended from time to time.

Affected Jurisdiction - means City of Fairfield or any governmental entity or school district, the majority of which is located in Fairfield, that levies ad valorem taxes upon and provides services to property located within the proposed or existing reinvestment zone designated by the City of Fairfield.

Agreement - means written contractual agreement between a property owner and/or lessees and an affected jurisdiction for the purposes of tax abatement.

Base Year Value - means the assessed value of eligible property January 1 preceding the execution of the agreement plus (if applicable) the agreed upon value of eligible property improvements made after January 1 but before the execution of the agreement.

Construction in Progress - means facilities under construction and not producing revenue or income as of a particular assessment date.

Deferred Maintenance - means improvements necessary for continued operation which do not improve productivity or later the process technology.

Distribution Center Facility - means buildings and structures, including machinery and equipment, used or to be used primarily to receive, store, service or distribute goods or materials owned by the facility operator where a majority of the goods or services are distributed to points at least 25 miles from its location in (Freestone County).

Economic Life - means the number of years a property improvement is expected to be in service in a facility.

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

Facility - means property improvements completed or in the process of construction which together compromise an integral whole.

Initiating Governing Body - shall be the City of Fairfield.

Manufacturing Facility - means buildings and structures, including fixed in place 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 the replacement and upgrading of existing facilities which increases the productive input or output, updates the technology or substantially lowers the unit cost of the operation. Modernization may result from the construction, alteration or installation of buildings, structures, fixed in place machinery or equipment. It shall not be for the purpose of reconditioning, refurbishing or repairing.

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

Other Basic Industry - means buildings and structures including fixed machinery and equipment not elsewhere described, used or to be used for or the production of products or services which serve a market primarily outside the City of Fairfield area and result in the creation of new permanent jobs and create new tax base in the City of Fairfield.

Productive Life - means the number of years a property improvement is expected to be in service.

Reinvestment Zone - means an area designated in accordance with the Act by the City of Fairfield. Only property in a Reinvestment Zone is eligible for tax abatement.

Research Facility - means buildings and structures, including machinery and equipment used or to be used primarily for research or experimentation to or develop new tangible goods or materials or to improve or develop the production processes thereto.

Regional Service Facility - means building and structures, including machinery and equipment, used or to be used to service goods where a majority of the goods being serviced are domiciled at least 25 miles from the facility's location in City of Fairfield.

Total Facility - means all buildings and structures including fixed machinery and equipment at the site(s) where the "abatement facility" is located.

III. Applicant Eligibility

A Facility may be eligible for abatement if it is located in a Reinvestment Zone and construction has not yet begun.

As provided in the Act, abatement may only be granted for the value of eligible real property subsequent to and listed in an abatement agreement between the City of Fairfield and the property owner and lessee (if required), subject to such limitations as the City of Fairfield may require.

Abatement may be granted for new facilities and improvement to existing facilities for purposes of modernization or expansion.

Eligible Property - Abatement may be extended to the value of buildings, structures, machinery and equipment, site improvement plus that office space and related improvements necessary to the operation and administration of the facility.

Ineligible Property - The following types of property shall be ineligible for abatement: land; supplies, tools; furnishings, and other forms of movable personal property; vehicles; vessels; aircraft; housing; hotel accommodation; deferred maintenance investments; improvements for the transmission of electrical energy not wholly consumed by a new facility or expansion; any improvement, including those to produce, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility; property owned or used by the State of Texas or its political subdivisions or by any organization owned, operated or directed by a political subdivision of the State of Texas.

Owned/Leased Facilities - If a leased facility is granted abatement, the agreement shall be executed with the lessor and the lessee. Further constraints will be considered under any leasehold facility.

Value and Term of Abatement - Upon determination that a Tax Abatement should be offered to the applicant, the value and terms of the abatement to be considered will be offered on a case-by-case basis. This policy allows up to five (5) years including the construction period, although Texas state law provides for up to ten (10) years. Abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the abatement agreement.

Value and Term of Agreement - Property taxes may be abated using the following guidelines when a minimum capital investment of \$3 million is made **or** when a minimum of 20 new full time jobs are created.

IV. Criteria

Any request for tax abatement shall be reviewed by the Fairfield Industrial Development Corporation.

The Fairfield Industrial Development Corporation may consider requests for abatement for real property not presently located in a Reinvestment Zone.

The Fairfield Industrial Development Corporation serves as a recommending body to the taxing entity regarding whether economic development incentives should be offered in each individual case.

The Fairfield Industrial Development Corporation's recommendation shall be based upon a subjective evaluation of the following criteria which each applicant will be requested to address in narrative format:

Employment Impact

Number of jobs created?

What types of jobs will be created?

What will the total annual payroll be? Include current and increase factors.

Fiscal Impact

How much real and personal property will be added to the tax rolls?

What is the economic life of the personal property?

How much direct sales tax will be generated?

How will this project affect existing businesses and/or office facilities?

What is the total annual operating budget of this facility projected to be? (For expansions, state current and projected increase.)

Community Impact

What effect would the project have on the local housing market?

How compatible is the project with the City's comprehensive plan?

What environmental impact, if any, will be created by the project?

V. Procedures

The City of Fairfield has in place a resolution allowing it to participate in Tax Reinvestment Zones and Tax Abatement agreements.

Any person, partnership, organization, corporation or other entity desiring that the City of Fairfield consider providing tax abatement to encourage location of operations within the city limits of Fairfield shall be required to comply with the following procedural guidelines. Nothing within these guidelines shall imply or suggest that the City of Fairfield is under any obligation to provide tax abatement in any amount of value to any applicant.

1. Preliminary Application Steps

- A. Applicant shall submit an “Application for Tax Abatement” and pay a filing fee of to be determined by the City to cover publication, notice costs and staff time to review and process.
 - B. Applicant shall address all criteria questions outlined in Section II in narrative form.
 - C. Applicant shall prepare a survey map showing the precise location of the property, all road ways within five hundred (500) feet of the site, all existing land uses and zoning (if applicable) within five hundred (500) feet of the site and the kind, number and location of all proposed improvements.
 - D. The City may request applicant to provide substantiation of economic feasibility of the overall project to assist in determining the long term benefit to the City.
 - E. A complete legal description shall be provided.
 - F. Applicant shall complete all forms and information detained in items A through E above and submit them to the Fairfield Industrial Development Corporation who will file said documents with the City of Fairfield.
2. All information in the application package detailed above will be reviewed for completeness and accuracy by the Fairfield Industrial Development Corporation and additional information may be requested as needed.
 3. Applicant will meet with City and the Industrial Development Corporation to discuss the details of their application. These meetings are held in confidence.
 4. The application will include the total capital investment, type of project and number of expected jobs to be created and anticipated payroll.
 5. The Fairfield Industrial Development Corporation will work with members of the Fairfield City Council to determine the percentage and the duration of tax abatement (if any) that will be propose to the full council.

6. The Fairfield Industrial Development Corporation representative will present proposals under an identifying number to avoid disclosure of Applicant.
7. If the Applicant's facility is in the City's jurisdiction and is not in a Reinvestment Zone, the Fairfield Industrial Development Corporation will recommend to the City Council of the City of Fairfield an ordinance designating the Tax Reinvestment Zone as well as providing for approval of the terms for a percentage and duration of tax abatement.
8. The governing bodies of the Fairfield Independent School District, the Fairfield Memorial Hospital District and Freestone County may consider participation in the tax abatement agreement between the City of Fairfield and the Applicant.

The entities granting any tax abatement to an applicant, reserve the right to enter the Applicant's facility and inspect such premises and/or to review employment records to ensure the Applicant's obligations are being met.

VI. Legal Documentation Preparation

The City of Fairfield will draft the proposed agreement pursuant to the approved Tax Abatement, as well as all collateral documentation.

All legal fees associated with the drafting of the document is to be paid by the Applicant.

The legal document is to include the following:

1. Estimated value of expansion or new construction to be abated.
2. Percent of value to be abated each year.
3. Commencement date and the termination date of abatement.
4. Proposed use of the facility, nature of construction, time schedule, map, property description and improvements list as provided in application.
5. Contractual obligation in the event of default, violation of terms or conditions, delinquent taxes, recapture and administration.