

DENTON POLICY FOR TAX ABATEMENT

I. GENERAL PURPOSE AND OBJECTIVES

The City of Denton (City) is committed to the promotion of high quality development in all parts of the city 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 will, on a case-by-case basis, give consideration to providing tax abatement as a stimulus for economic development in Denton. It is the policy of the City 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 is under any obligation to provide tax abatement to any applicant.

All applicants shall be considered on a case-by-case basis. Abatements will be considered only as inducements to generate development that otherwise would not occur. Abatements will not be considered if construction of a project already has begun.

Tax abatements, as described in this Policy, will be available for new and/or existing facilities and structures and for businesses wanting to locate, expand or modernize, existing or new facilities and structures, including, without limitation, basic industries, corporate office headquarters or distribution centers, except as this Policy may be limited for property described in Section 312.211(a) of the Texas Property Tax Code (Vernons Texas Civil Statutes Annotated, hereinafter referred to as "Tax Code.")

II. ECONOMIC DEVELOPMENT PARTNERSHIP BOARD

Requests for tax abatement shall be reviewed by the Economic Development Partnership Board ("Board"), the Board being comprised of two City Council members, two Chamber of Commerce Board members, two representatives from the top twenty taxpayers, and one representative from the University of North Texas.

The Board serves as a recommending body to the City Council regarding whether economic development incentives should be offered in each individual case. Its recommendation shall be based upon an evaluation of information submitted in the tax abatement application and any additional information requested by the Board or presented to the Board. The Tax Abatement Application shall be substantially in the form of Exhibit A of this Policy. All meetings of the Board shall be held in compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code.

III. VALUE OF INCENTIVES

The criteria outlined in the Application will be used by the Board in determining whether or not it is in the best interests of the City to recommend that tax abatement be offered to a particular project.

Specific considerations will include the degree to which the individual project furthers the goals and objectives of the community as described in the Denton Comprehensive Plan, as well as the relative impact on growth, employment, expansion of the tax base, economic development and human health and the environment. New, expanding and modernizing businesses may be considered for abatement if the minimum threshold, as described in Table 1 below, is met.

Once a determination has been made that tax abatement should be offered, the value and term of the abatement may be determined by referencing the following table:

TABLE 1: Establishes a framework for considering the length and percentage of abatement according to assessed real property value of improvements and of tangible personal property located on the real property.

VALUE OF STRUCTURE AND PERSONAL PROPERTY IN MILLION DOLLARS	YEARS OF ABATEMENT	PERCENTAGE OF ABATEMENT
100	10	25%
80	9	25%
65	8	25%
50	7	25%
35	6	25%
20	5	25%
15	4	25%
10	3	25%
5	2	25%

To qualify, companies must meet the minimum threshold of the Policy in the first 24 months from the execution of the agreement or as specified in the tax abatement agreement.

If upon initial application a project qualifies for tax abatement under the guidelines set forth in this Policy, the City may consider granting an additional 5% abatement for each one of the following factors provided, however, that the total tax abatement does not exceed 50% annually or continue for a period of more than ten years. No applicant may receive credit for more than five of the following factors:

- The project will occupy a building that has been vacant for at least two years;
- The project will create high-skilled, high-paying jobs as documented by the applicant; (A breakdown of number of jobs per job classification and entry level wage per classification will be used to determine eligibility);
- The project will involve a significant relationship with one of the two universities in

Denton;

- At least 25% of the new jobs created by the project will be filled by Denton residents;
- The project will provide knowledge-based jobs (at least 25 percent of jobs require college bachelors degree at entry level);
- The project will donate significant public art to the community. (To qualify, donation must be approved by Greater Denton Arts Council and City Council);
- The project will donate significant materials/equipment to the public schools (to qualify, donation must be approved by DISD and City Council);
- The project will create improvements to the Denton Central Business District;
- The project will result in the formation of a business park;
- The project is an international or national headquarters facility.
- The project is a medical manufacturing or research facility.
- The project incorporates significant environmentally sustainable practices to include: Leadership in Energy and Environmental Design (LEED) certification, recycling initiatives or the incorporation of clean technology.
- Renewable Energy will be generated, stored or utilized for the project on an ongoing basis.

The total tax abatement may not exceed 50% annually for ten years. All abatements are subject to final approval of the City Council. **Even though a project may meet the criteria as set forth in this Policy, an application may be denied at the discretion of the City.** Tax abatement shall not apply to any portion of the land value of the project. The thresholds as described in Table 1 are considered guidelines for establishing the Tax Abatement Agreement terms. However, the City may determine that a lower or higher percentage and/or a shorter or longer term of abatement may be more appropriate for an individual project. If the abatement is approved, the City may consider applying all or a portion of the abatement in the first year or during any shorter period within the term of the tax abatement agreement. For example, an approved abatement of 25 percent for four years may be applied as 100 percent abatement for one year.

When the City of Denton determines that incentives are required to retain existing businesses, which propose to improve or redevelop property within the City limits, the Denton City Council may consider these “special projects” on a case-by-case basis and reserve the right to waive the minimum threshold and/or exceed fifty percent (50%) in tax abatement. The City of Denton may also take into consideration as “special projects” the expansion/redevelopment of existing businesses that create new or additional professional jobs. New or existing businesses that incorporate environmentally sustainable practices or have a renewable energy component may also be considered “special projects.” Abatement hereunder will only apply to the increased valuation of the improvements over the appraised value of the property prior to such improvements as same is established by the Denton Central Appraisal District the year in which the tax abatement agreement is executed. The City may also consider other tax incentives authorized by law.

Professional jobs are defined as “occupations which require specialized and theoretical knowledge which is usually acquired through college training or through work experience and other training which provides comparable knowledge; a calling requiring specialized knowledge and often long and intensive academic preparation; requires some research, analysis, report writing and presentations. Special licensing, certification, or registration may be required to perform the job

task; the work of professional positions is creative, analytical, evaluative, or interpretive, and is characterized by personal responsibility to keep abreast of and exercise judgment and broad perspective in the application of an organized body of knowledge that is constantly studied to make new discoveries and interpretations or to improve the data, materials and methods; may involve some supervision and budgeting/planning.”

A business park is defined as a multi-building, multi-tenant, master planned complex of approximately one million square feet or more of under roof, constructed to house manufacturing, distribution, assembly, and office facilities.

Leadership in Energy and Environmental Design certification is a voluntary internationally recognized green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance across all the metrics that matter most: energy savings, water efficiency, CO₂ emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts. The certification levels consist of the following: Basic, Silver, Gold and Platinum and are weighted on a 100 point system. The LEED system measures: innovation in design; sustainable sites; water efficiency; energy and atmosphere; materials and resources; indoor environmental quality; and locations and linkages.

When the City determines that abandoned property may require additional incentives to promote economic development that generally satisfies the requirements of this Policy, the City may waive the minimum threshold and/or exceed fifty percent (50%) in tax abatement, or consider other tax incentives for special projects to redevelop abandoned buildings consistent with existing law. For the purpose of this Policy, an abandoned building is defined as a building that has been identified as being suitable for commercial or industrial development, has been vacant for a minimum of five years or has substantially declined in appraised value. Abatement would only be considered on the increased valuation of the improvements in each year covered by the tax abatement agreement over the value of the property for the year in which the tax abatement agreement is executed. The City may also consider other tax incentives authorized by law.

Preliminary Application

IV. PROCEDURAL GUIDELINES

Any person, organization or corporation desiring that the City consider providing tax abatement to encourage location or expansion of facilities within the limits of the jurisdictions shall be required to comply with the following procedural guidelines. **Nothing within these guidelines shall imply or suggest that the City is under any obligation to provide tax abatement to any applicant.**

- A. Applicant shall complete the attached "Application for Tax Abatement."
- B. A separate application is required for projects seeking LEED Certification.
- C. Applicant shall prepare a map or other documents providing the following:

- precise location of the property and all roadways within 500 feet of the site
 - existing uses and conditions of real property
 - proposed improvements and uses
 - any proposed changes in zoning
 - compatibility with the Denton Comprehensive Plan and applicable building codes and City ordinances.
- D. A complete legal description shall be provided. Applicant shall complete all forms and information detailed in the Application and submit all information to the City Manager, City of Denton, 215 E. McKinney, Denton, TX 76201.
- E. All information in the application package detailed above will be reviewed for completeness and accuracy. Additional information may be requested as needed.
- F. The application will be distributed to the appropriate City departments for internal review and comments. Additional information may be requested as needed.
- G. Copies of the complete application package and staff comments will be provided to the Board.
- H. Fiscal agents of the City will review the application for comments and recommendation. Additional information may be requested as needed.

Consideration of the Application

- I. The Board will consider the application at a regular or called meeting(s). Additional information may be requested as needed.
- J. The recommendation of the Board will be forwarded, with all relevant materials, to the City Council.
- K. If the City Council decides to grant a tax abatement, it shall call a public hearing to consider establishment of a tax reinvestment zone in accordance with Section 312.201 of the Tax Code. The reinvestment zone must meet one or more of the criteria of Section 312.202 of the Tax Code.
- L. The City Council shall hold a public hearing and determine whether the project is "feasible and practical and would be of benefit to the land to be included within the zone and City after the expiration of the tax abatement agreement in accordance with Section 312.201." Special consideration shall be given to policies noted in the Denton Comprehensive Plan when designating a tax reinvestment zone.
- M. The City Council may consider adoption of an ordinance designating the area described in the legal description of the proposed project as a commercial/industrial tax abatement zone.

- N. The City Council may consider adoption of an ordinance or resolution approving the terms and conditions of a contract between the City and the applicant governing the provision of the tax abatement and the commitments of the applicant, including all the terms required by Section 312.205 of the Tax Code and such other terms and conditions as the City Council may require. Should the commitments subsequently not be satisfied, the tax abatement shall be null and void (unless the tax abatement agreement provides for a recapture of the property tax revenue lost proportionate to a partial failure to meet the minimum thresholds set forth in the agreement) and all abated taxes shall be paid immediately to the City of Denton and all other taxing jurisdictions participating in the tax abatement agreement. Provisions to this effect shall be incorporated into the agreement.
- N. The City reserves the authority to enter into tax abatement agreements at differing percentages and/or terms as set forth in the guidelines of this Policy, consistent with the requirements of the Tax Code.

Any tax abatement agreement will address various issues, including but not limited to, the following:

1. General description of the project;
2. Amount of the tax abatement and percent of value to be abated each year;
3. Method of calculating the value of the abatement;
4. Duration of the abatement, including commencement date and termination date;
5. Legal description of the property;
6. Kind, number, location and timetable of planned improvements;
7. Specific terms and conditions to be met by applicant;
8. The proposed use of the facility and nature of construction;
9. Contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, administration and assignment.

Annual Evaluation

Upon completion of construction, the City Council shall receive from the City Manager an annual evaluation of each abatement to insure compliance with the agreement and to report possible violations of the agreement to the taxing entities. After new tax base numbers are received in July of each year, the City Manager and his staff will have ninety (90) days to review and prepare a breakdown of those figures.

Local Businesses and Historically Underutilized Businesses

Businesses receiving a tax abatement are asked to use diligent efforts to purchase all goods and services from Denton businesses whenever such goods and services are comparable in availability, quality and price.

The City of Denton also encourages the use, if applicable, of qualified contractors, subcontractors and suppliers who are historically underutilized businesses based on information provided by the General Services Commission pursuant to Chapter 2161 of the Government Code. In the selection of subcontractors, suppliers or other persons or organizations proposed for work on this Agreement, the OWNERS agree to consider this Policy and to use their reasonable and best efforts to select and employ such companies and persons for work on this Agreement.

Job Recruiting from Low-Moderate Income Census Tracts

Businesses receiving tax abatements are asked to endeavor to make available, or endeavor to cause lessees or assignees to make available, full-time or part-time employment with on-the-job training for Denton citizens. In this effort, the business, lessee or assignee is encouraged to recruit from the low-moderate income Census tracts as further defined in the Concentration of Low/Mod Income by Block Groups shown below.

DENTON, TEXAS
Concentration of Low/Moderate Income households by Block Groups

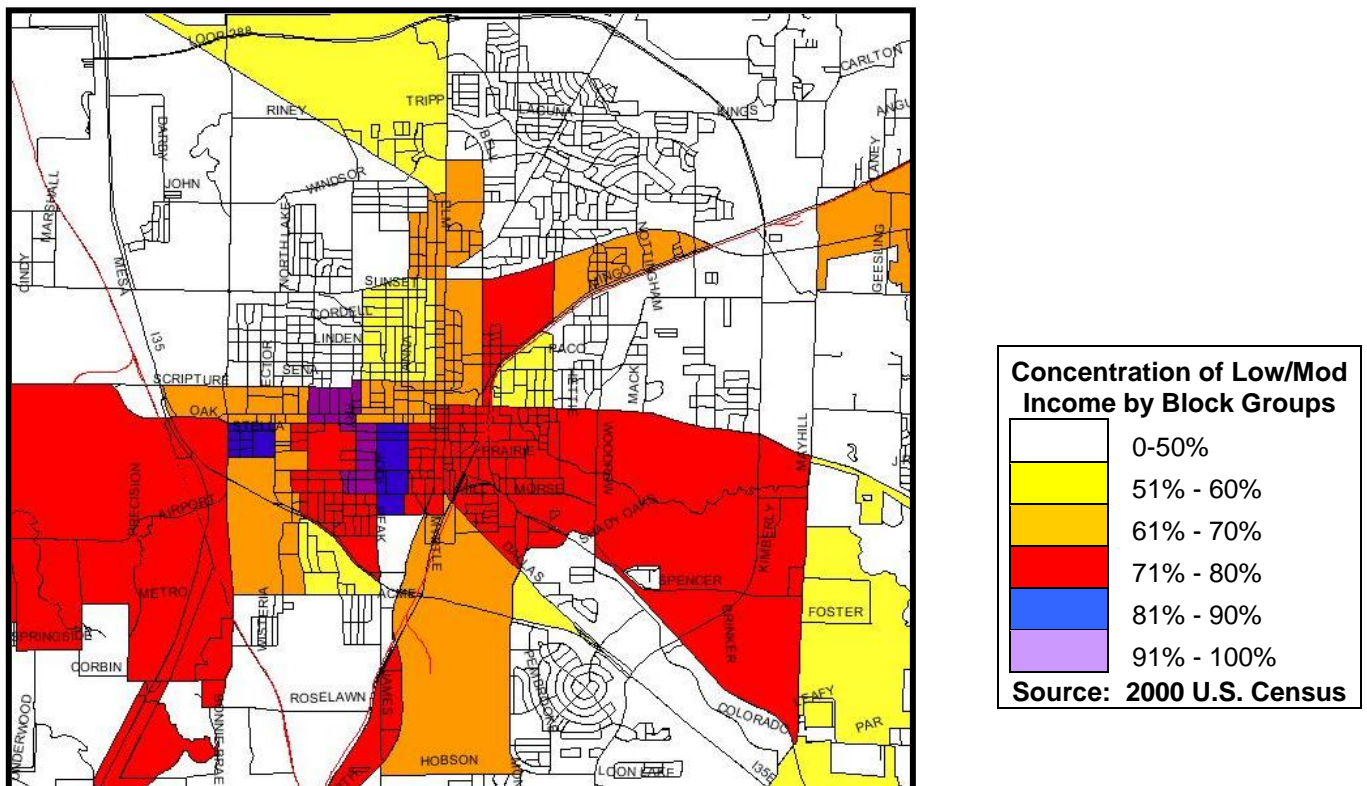


EXHIBIT A

The City of Denton

Tax Abatement Application

About the Application...

The Tax Abatement Application provides the City with specific information on the project. The information requested in the Application is designed to address the criteria developed within the City of Denton's Tax Abatement Policy. The information serves as the basis for fiscal analysis and overall project evaluation. This evaluation is provided to Council Members and serves as a source document during City Council deliberations.

The Application and the Agreement...

Specific information from the Application (such as value of new investment and employment commitments) is incorporated into the Abatement Agreement. In fact, the Application is an attachment to the Agreement. Since the agreement is a binding contract, it is important that each question on the application be answered in full and as realistically as possible. Simply put, the application is part of the process from start to finish so you'll want to make sure you're comfortable with the contents.

When Is The Application Final?

The answer to this question is very simple: When you tell us, "It's final." It is not uncommon for a property owner(s) to submit numerous Applications as drafts for informational and evaluative purposes only. As conversations continue, the property owner will submit a finalized version of the Application that includes all of the commitments agreed to during the discussions.

What about Confidentiality?

Section 312.003 of the Texas Tax Code makes confidential information provided to the City as a part of this application that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property. This information is not subject to public disclosure until the tax abatement agreement is executed. Section 522.131 of the Texas Government Code (Texas Public Information Act) makes confidential information which relates to economic development negotiations between the City and a business prospect that the City seeks to have locate, stay or expand in or near the territory of the City. The information must relate to a trade secret of the business prospect, commercial or financial information which the business prospect can demonstrate based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained or information about a financial or other incentive being offered to the business prospect by the City or by another person. Information about a financial or other incentive being offered to the business prospect is required to be disclosed when an agreement is made with a business prospect. The City is subject to disclosing most records and documents upon request under the Public Information Act. **Accordingly, please clearly indicate and mark any information you consider proprietary. This would include anything in your application which you consider a trade secret, commercial or financial information which you can demonstrate by specific factual evidence that would cause substantial competitive harm if disclosed, information which describes the specific processes or business activities to be conducted or the equipment or other property for which the tax abatement is sought, any financial or other incentive you may be seeking from the City or any other information you deem to be confidential under the law.**

Who is Authorized To Sign the Application?

Because the Application itself is non-binding, the person signing need not be the property owner or even an

individual duly authorized to sign on behalf of the property owner. However, if an Agreement is reached, the Application will be an attachment to the Agreement and its contents will be binding through the authorized signature required on the Agreement.

EXHIBIT A



City of Denton Tax Abatement Application

City of Denton
Department of Economic Development
Denton, Texas 76201
(940) 349-7776
(940) 349-8596 FAX
www.cityofdenton.com
Linda.Ratliff@cityofdenton.com

**APPLICATION FOR TAX ABATEMENT
CITY OF DENTON, TEXAS**

1. _____
Property Owner

Company or Project Name

Mailing Address

Telephone _____ Fax No. _____

Website _____

Contact Name _____

Title _____

Mailing Address _____

Telephone _____ Fax No. _____

Email Address _____

2. _____
Provide a chronology of plant openings, closing and relocations over the past 15 years.

3. _____
Provide a record of mergers and financial restructuring during the past 15 years.

4. _____
Will the occupants of the project be owner or lessee? If lessee, are occupancy commitments already existing?

5. _____
Is the project a relocation of existing facility or a new facility to expand operations? If relocation, give
current location.

6. If an existing Denton business, will project result in abandonment of existing facility? If so, the value of the existing facility will be subtracted from the value of the new facility to arrive at total project value.

7. Property Description.

- Attach a copy of the legal description detailing property's metes and bounds.
- Attach map of project including all roadways, land use and zoning within 500 feet of site.

8. Current Value. Attach copy of latest property tax statement from the Denton County Central Appraisal District (include both real and personal property).

9. Increased Value/Estimated Total Cost of Project.

Structures	\$	Site Development	\$
Personal Property	\$	Other Improvements	\$

10. Indicate percent of tax abatement and number of years requested.

Percent Requested	Years Requested
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List any other financial incentives this project will request/receive

Estimated Freeport Exemption	\$
Estimated Electric Utility Industrial Development Rider	\$
Estimated Water/Wastewater Infrastructure Assistance	\$

11. Give a brief description of the activities to be performed at this location, including a description of products to be produced and/or services to be provided.

12. Describe any off-site infrastructure requirements:

• Water

• Wastewater

• Streets

• Drainage

• Other

13. Project Operation Phase. Provide employment information for the number of years tax abatement is requested.

Employment Information	Existing Operation (if applicable)	At Project Start Date (mo/yr) ____/____	At Term of Abatement
A. Total number of permanent, full-time jobs			
B. Employees transferred from outside Denton			
C. Net permanent full-time jobs (A. minus B.)			
E. Total annual payroll for all permanent, full-time jobs (A.)			

F. Types of jobs created. List the job titles and number of positions in each category that will be employed at the facility. Provide average wage for each category.

G. Indicate the number of shifts the project will operate

H. Estimate annual utility usage for project:			
Electric	kWh	Water	gpd
Wastewater	gpd	Gas	mcf

14. Describe any other direct benefits to the City of Denton as a result of this project (e.g., sales tax revenue or project elements identified in Tax Abatement Policy, Section III).

15. Is property zoned appropriately? Yes No

Current zoning.

Zoning required for proposed project.

Anticipated variances.

16. Is property platted? Yes No

Will replatting be necessary Yes No

17. Discuss any environmental impacts created by the project.

A. List any permits for which applicant must apply. Applicant will be required to provide City with copies of all applications for environmental permits upon completion of application(s).

B. Provide record of compliance to all environmental regulations for the past five years.

18. Provide specific detail of any businesses/residents that will be displaced and assistance that will be available from the requesting company.

19. Provide description of any historically significant area included within the project's area as determined by the Historic preservation Officer. If any, give detail of how the historically significant area will be preserved.

20. Justification for Tax Abatement Request: Substantiate and more fully describe the justification for this request. Include the amount of the abatement requested and show how it will contribute to the financial viability of the project. Submit attachments if necessary.

21. List additional abatement factors to be considered for this project as outlined on pages 3 and 4 of the Tax Abatement Policy.

22. Financial Information: Attach a copy of the latest audited financial statement or, in the case of a new project, a business plan.

23. Does the project have an eligible environmentally sustainable or renewable energy component (if so, please identify type and provide a brief description)?

24. Applicants seeking LEED certification must complete the Green Building Application for Tax Abatement (Exhibit B of the policy).

This tax abatement application is submitted with the acknowledgement that additional certified financial information may be required.

Authorized Signature

Date: _____

EXHIBIT B



City of Denton Green Building Tax Abatement Application

City of Denton
Department of Economic Development
Denton, Texas 76201
(940) 349-7776
(940) 349-8596 FAX
www.cityofdenton.com

**GREEN BUILDING APPLICATION FOR TAX ABATEMENT
CITY OF DENTON, TEXAS**

1. _____
Property Owner

Company or Project Name

Mailing Address

Telephone _____ Fax No. _____

Website _____

Contact Name _____

Title _____

Mailing Address _____

Telephone _____ Fax No. _____

Email Address _____

2. _____
Project location address:

3. _____
Provide documentation that the project has been registered with the U.S. Green Building Council.

4. _____
Provide a description of the project (please include the building size, number of occupants and estimated budget).

6. _____
Attach a preliminary Leadership in Energy and Environmental Design (LEED) Scorecard illustrating how project will achieve the LEED certification.

Level of Certification: _____

Number of Points: _____

This Green Building Tax Abatement Application is submitted with the acknowledgement that additional information may be required.

Authorized Signature

Date: _____