



CITY OF FARMERS BRANCH COMPREHENSIVE POLICY STATEMENT ON LOCAL ECONOMIC DEVELOPMENT, TAX ABATEMENT AND BUSINESS INCENTIVES

A. Purpose

The City of Farmers Branch is committed to the promotion of quality development and expansion of its existing business base. The City Council desires to provide economic development incentives and to establish various programs to ensure the City remains competitive in the marketplace, encourages the increase and retention of quality jobs, encourages revenue streams from commercial, industrial, and manufacturing businesses that maintain or increase the taxable values of their business personal property, including inventories and acquire and install new machinery and equipment in the City. The City of Farmers Branch will, on a case by case basis, give consideration to providing economic incentives to individuals and businesses meeting these guidelines in accordance with the guidelines, criteria, and procedures set forth herein. Nothing herein shall imply that the City is under any obligation to provide any economic development. Nothing herein shall prohibit the City Council from waiving the criteria to further the objectives of this policy. The City may notwithstanding this policy provide economic development incentives and/or establish economic development programs on a case by case basis that promote economic development, create employment opportunities, increase sales tax and property tax revenue. In addition to the purposes set forth above, this policy statement and the economic development incentive programs described herein shall constitute a program providing for the promotion of state and local business and the stimulation of business and commercial activity in the City for purposes of Chapter 380 of the Texas Local Government Code, as amended (sometimes referred to hereafter as “Chapter 380”).

B. Inventory, Equipment and Personal Property Tax Incentive Conditions and Requirements

1. The City may consider an economic development incentive pursuant to Chapter 380 to provide grants equal to a percentage of the property taxes generated by a specific project in addition to, or in lieu of, tax abatement pursuant to Chapter 312 of the Tax Code.
2. Conditions and Requirements
 - a) Any request for personal property incentives shall be reviewed by the City Council to determine the total revenue stream to be generated by the business or individual, the proposed project, job creation, and the cost of providing municipal services for the project.

- b) An increase of at least of \$20,000,000 in taxable value above the current taxable value for personal property including machinery, inventory and equipment.
- c) The business or individual must own the building or have a new or renewal lease for a minimum term of at least ten (10) years.

C. Sale, Lease, or Exchange of City owned land

In some specific instances, the City of Farmers Branch has concluded that the sale and conveyance, lease, or trade of certain property through a negotiated process promotes quality development and expansion of the City's existing business tax base without the necessity of accepting written bids pursuant to a published notice. Therefore, the City does hereby adopt a policy and program as part of its economic development and business incentives that the City Council, upon receipt of a written recommendation from the City Manager and the Director of Economic Development, may sell or exchange land without competitive bidding and at or below market value pursuant to exceptions provided by Section 272.001 Texas Local Government Code. The City may consider providing economic development grants and incentives pursuant to Chapter 380 of the Texas Local Government Code to offset all or a portion of the purchase price of such land and improvements when such sale or exchange must be for fair market value.

The Director of Economic Development will provide an analysis of a clearly defined economic development program for any land parcel to be conveyed, leased, or traded pursuant to Section 272.001 Texas Local Government Code when an economic development incentive is to be provided. Such analysis would include the type and quality of development, alternative use of the property by the City, the increase in sales and property tax base and the creation of jobs as a result of the sale or exchange.

D. Real Property Tax Abatement, Real Property Tax Incentives, or Grants in Lieu Thereof: Conditions and Requirements

- 1. The City may consider tax abatement for real property pursuant to Chapter 312 of the Texas Tax Code or provide economic development incentives pursuant to Chapter 380 Texas Local Government Code to provide grants equivalent to a certain percentage of property taxes paid to the City.
- 2. Conditions and Requirements
 - a) Any request for tax abatement or real property tax incentive will be reviewed by the City Council to determine the total revenue expected to be generated by the business.
 - b) An objective scoring criteria will be utilized that assigns points based upon the following:
 - 1) Number of new jobs created (one point per 10 jobs)

- 2) Local annual payroll (one point per \$100,000 of payroll)
 - 3) Real property taxable value above the existing taxable value (one point per \$100,000 in taxable value over \$1,000,000)
 - 4) Local annual sales tax generated to the City (one point per \$1,000 increase in local sales tax receipts)
 - 5) Personal property taxable value above the existing taxable value (assign one point per \$100,000 increase in personal property taxable value over \$1,000,000)
- c) As a general rule, when a project achieves a point score of 150 according to the scoring scale, that project will be eligible for tax abatement or property tax incentive of up to thirty percent (30%) for a period of up to five years.
 - d) Special real property tax incentives may be negotiated for projects meeting a point score exceeding 500 on the scoring scale.
 - e) A business is not eligible to receive real property tax abatement or real property tax incentives, and personal property tax abatement or personal property tax incentive located on the same premises.
 - f) The real property tax incentive may be considered for relocation to the City or for an expansion of an existing business.
 - g) The real property tax incentive, or a grant pursuant to Chapter 380, or a combination of both, may be considered for projects located or to be located in areas of the City targeted for redevelopment or which will create high visibility for the business and the City such that the project is deemed to serve as a catalyst to draw other projects to the targeted or high visibility area.

E. Eminent Domain

The City of Farmers Branch, a Texas Home Rule City, has the power and authority pursuant to State Law and its City Charter to utilize the power of eminent domain to acquire property for public purposes for legally authorized municipal purposes the City Council considers advisable. The power of eminent domain may not be exercised by the City Council for economic development purposes but rather may be used to acquire property for streets, alleys, public works and similar type projects that are necessary to provide the necessary public infrastructure and/or municipal services to an economic development project.

F. Sales Tax Exemption

The sales tax exemption initiative creates a program under which the City of Farmers Branch would acquire by purchase business computers, work stations, servers, networking equipment, and other equipment as well as business furnishings by a business for an exemption from sales taxes. The City would grant a possessory interest in the equipment for a limited time, and the equipment would be located at the business premises during the term of use. The purchase and the possessory interest will be documented on a form approved by the City Attorney and the City Manager.

From time to time the Company will provide a list of equipment in which the business's possessory interest terminates; possession of all equipment will revert to the City of Farmers Branch at the end of the business's possessory interest. The City will determine whether to accept all or part of the equipment and furnishings to be utilized in their economic development program. The City may designate another organization to receive this equipment and furnishings.

Organizations designated by the City Council as recipients of the equipment and furniture would have to provide an economic development benefit in the area of education, minority businesses, or a not for profit organization that provides a public benefit.

In order to provide consideration and to satisfy the administrative cost of the program, the business will be required to compensate the City with an administrative fee of one percent of the cost of equipment at the time the purchase takes place.

G. Qualifications for Sales Tax Exemption program

A company that meets the minimum of 250-point criteria for a property tax incentive or tax abatement, and has a potential equipment and furnishings taxable value of at least \$10,000,000 that would be incorporated within a sales tax exemption program may be considered for the program.

H. Grant of Certain Sales Tax Receipts

The grant of certain sales tax receipts creates a program under which the City of Farmers Branch will consider providing incentives pursuant to Chapter 380 of the Texas Local Government Code equivalent to a certain portion of sales tax receipts from the City one percent (1%) local sales and use tax imposed by the City pursuant to Chapter 321 of the Texas Tax Code for sale of taxable items and services by the business. An applicant requesting a grant pursuant to this subsection would be required to demonstrate that an economic impact that will produce a substantial increase in the City's local sales and use tax.

I. New Home Purchase Incentives and major renovation incentives

The residential incentive initiative creates a program under which the City would offer an array of incentives to encourage the purchase of new homes or the renovations of existing homes in the City of Farmers Branch. The City may consider providing economic development

incentives pursuant to Chapter 380 Texas Local Government Code for the new home purchase or home renovation program.

On a case-by-case basis on contiguous and non-contiguous properties within the City, incentives may be considered economic development incentives for the home buyer, home owner, broker, or permit holder and could include grants of services or funds.

On a case by case basis the City will consider, for the tear down of an existing single family dwelling with the construction of a new single family dwelling on the same lot, property tax incentives not to exceed seven (7) years.

J. Relocation Incentives for employees of relocated companies

The relocation incentive creates a program under which the City would offer up to \$1,000 per employee of a newly relocated business in Farmers Branch that purchase a home in Farmers Branch. In addition to the foregoing, the City may provide a grant pursuant to Chapter 380, Texas Local Government Code, in the form of DART rail passes to be used by qualifying employees of the relocated business. The City may consider providing economic development incentives pursuant to Chapter 380 Texas Local Government Code to provide relocation incentives subject to the following conditions and requirements:

1. The employee would have to purchase a home for owner occupancy in Farmers Branch.
2. The employee would have to designate the home as their primary or secondary residence.
3. The maximum of \$1,000 would be restricted to relocated employees of a corporate headquarters.
4. The total grant amount per company is subject to approval by the City Council.

K. Water and Sewer Rebates

A water and sewer rebate incentive creates a program under which the City would offer water and sewer rebates to major manufacturing facilities that utilize in excess of 150,000,000 gallons of water annually. The City may consider providing economic development incentives pursuant to Chapter 380 Texas Local Government Code to provide water and sewer rebates or reduction in the cost of such services to a qualified business.

On a case-by-case basis, City staff will evaluate the cost/benefits under which the City would offer water and sewer rebates to manufacturing facilities. A recommendation may be made to the City Council to offer a percentile rebate to a particular business based on total water consumption and other relevant factors.

L. Redevelopment Incentives

As an incentive for development and redevelopment of substandard, blighted and economically underdeveloped property, the City may enter into economic development incentives agreements pursuant to Chapter 380 Texas Local Government Code that authorize the City Manager, on behalf of the City, to contract with a lending institution on terms satisfactory to the City whereby the City agrees to repurchase certain property initially purchased by the developer pursuant to a loan from the lending institution, which loan was not timely paid in full.

M. Hotel Motel Fund Incentives

The Convention and Visitors Bureau is committed to increasing the booking of room nights for the twelve Farmers Branch hotels by providing incentives to meeting planners, sports organizers, and directly to the hotels to incentivize group business. The City may consider providing economic development incentives pursuant to Chapter 380 Texas Local Government Code or may use Hotel Occupancy Tax receipts to provide grants when authorized by Chapter 321 of the Texas Tax Code.

The three programs are Big Bucks, a program that provides an incentive to meeting planners; the Transportation Fund, a program that provides incentives for the hotels to use in order to attract group business; and tournament bid fees, which encourage specific sports tournaments. All three programs are included in the Promotion of Tourism budget and are approved by the City Council each fiscal year.

N. Procedural Guidelines

1. A business must submit a written request for incentives to the Office of Economic Development, 13000 William Dodson Parkway, Farmers Branch, Texas on a form provided by the City.
2. If the business seeks an incentive for Inventory, Equipment and Personal property rebates, the business must provide the City an annual statement on or before February 1st of each year, providing the following:
 - a) The applicable percentages of requestor's taxable property in the City that represents the assessed value of the Freeport goods for each year the requestor seeks the incentive provided by this policy; and
 - b) The number of years remaining on the lease, if the building is leased and not owned.
3. If the business seeks Real Property Tax incentives, the business must submit the following information.
 - a) Tax Abatement Objective Scoring Criteria Worksheet.

- b) A letter from the company requesting the real property tax rebate and a description of the company's location or expansion plans.
4. If the applicant seeks an incentive for Sales Tax Exemption, the applicant must submit the following information:
- a) A letter outlining the projected capital expenditure on equipment and furnishings, the anticipated date(s) that the City would receive equipment and furnishings and include the company's intent to compensate the City with a 1% administrative cost.
 - b) Completion of the Objective Scoring Criteria Worksheet.
5. The City, upon a determination that the written request satisfies the conditions and requirements of this policy the City may in its discretion, enter into an incentive agreement with the business or individual pursuant to Chapter 380 of the Texas Local Government Code and/or a tax abatement agreement pursuant to Chapter 312 of the Texas Tax Code be for a period not to exceed ten (10) years. The applicant shall be required to enter into an agreement for the incentive or tax abatement, as the case may be, in a form prepared by and approved by the City Attorney. Such agreement shall contain such terms as may be required by the City, including but not limited to claw back or recapture of the incentive and or abated taxes, with interest in the event of an uncured breach or default by the business or individual under such agreement.
6. The City may require, if deemed necessary, an examination of the business or individual's appropriate books and records to verify the information provided by the applicant.

City Manager

Date

Director of Economic Development

Date