

RESOLUTION R-2015-119

A RESOLUTION OF THE VILLAGE OF SALADO BOARD OF ALDERMEN ESTABLISHING AN ECONOMIC DEVELOPMENT INCENTIVE POLICY; PROVIDING ELIGIBILITY CRITERIA; PROVIDING CRITERIA FOR DETERMINING THE AMOUNT OF AN INCENTIVE; PROVIDING FOR AN APPLICATION PROCEDURE; ESTABLISHING TYPES OF INCENTIVES; PROVIDING FOR A COMPLIANCE PROCEDURE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Village of Salado desires to establish and provide for a policy under Chapter 380 of the Texas Local Government Code designed to promote economic development in the Village; and

WHEREAS, such a policy will benefit the citizens of the Village by creating new jobs and stimulating business and commercial activity in the Village; and

WHEREAS, the Board of Aldermen has determined that it is appropriate to establish criteria for the granting of economic incentives under the policy and a procedure for making application for such incentives;

WHEREAS, the Board of Aldermen has determined that is it appropriate to establish types of incentives that may be offered; and

WHEREAS, the Board of Aldermen has determined that it is appropriate to establish compliance procedures and provisions for recapture of incentives in the event of default.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF ALDERMEN OF THE VILLAGE OF SALADO, TEXAS, THAT:

Part 1: The Economic Development Incentive Policy be and is hereby adopted, and shall be effective upon passage.

PASSED AND APPROVED this, the 18th day of June 2015, by a vote of 4 (ayes) to 0 (nays) to 0 (abstentions) of the Board of Aldermen of Salado, Texas.

VILLAGE OF SALADO


Skip Blangett, Mayor

ATTEST:


Mary Ann Ray, Village Secretary

ECONOMIC DEVELOPMENT POLICY

I. GENERAL PURPOSE AND OBJECTIVES

The Village is committed to the promotion of high-quality commercial and business development in all areas of the Village and ongoing improvement of the quality of life of its citizens. These objectives may be served by the enhancement and expansion of the local economy. The Village will consider providing incentives as a stimulus for economic growth and economic stabilization. This will be accomplished in accordance with the criteria and guidelines established herein and in accordance with state law. Nothing herein shall imply or suggest that the Village is under any obligation to provide economic development incentives including tax abatement or reimbursement to any applicant, or that any applicant has a property right nor interest in economic development incentives including tax abatement or reimbursement, or that the Village is precluded from considering other options which may be in the best interest of the Village.

Goals of this policy are to expand retail sales and development, attract new tourism venues, create new jobs, expand capital investment, expand hotel/motel tax growth, and foster redevelopment in identified Targeted Industries. Each applicant's project will be evaluated for potential incentives on a case by case basis.

II. DEFINITIONS

- A. **"Abatement"** means the full or partial exemption of ad valorem taxes on eligible real or personal property improvements in a reinvestment zone designated as such for economic development purposes.
- B. **"Agreement"** means a contractual agreement between a property owner or lessee and the Village for the purpose of providing tax abatement or other incentives.
- C. **"Designated Area"** means a specified region in the Village of Salado that has been selected by the Board of Aldermen to receive special consideration in order to encourage economic development in that region. The map found in **Exhibit C** identifies the current Designated Areas in the Village of Salado.
- D. **"Expansion"** means the addition of buildings, structures, fixed machinery, or equipment for the purpose of increasing production capacity or increasing convention or tourism facility event capacity or entertainment facility capacity.
- E. **"Facility"** means property improvements completed or in the process of construction which together comprise an integral whole.

- F. **"Full-time Job"** means a job that requires a minimum of forty (40) hours of work per week; or eighty (80) hours of work per two weeks, receives benefits, and is hired to work full-time year-round (2080 hours per year).
- G. **"Lease"** means a relationship whereby the business applying for tax abatement or other incentives has a contract for exclusive possession of either the real property on which improvements are to be made and/or of movable personal property to be used for the operation of the business for a defined period of time.
- H. **"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, machinery or equipment, or both. Modernization in a Redevelopment Area includes painting of exterior walls, restoring, removing or installing a façade, adding balconies or decorative art, and related exterior improvements designed to visually improve the exterior of a building or block.
- I. **"New Facility"** means a previously undeveloped property that is placed into service by means other than, or in conjunction with, expansion and modernization.
- J. **"Personal Property"** means equipment and/or tools used or bought for use in the operation Category One business applying for tax abatement.
- K. **"Real Property"** means the area of land defined by legal description as being owned or leased by the business applying for a tax abatement, including buildings, structures, fixed (permanently attached) machinery and equipment, site improvements, related fixed improvements necessary to the operation and administration of the Facility, and valued for property tax purposes, and which are to be included in the Reinvestment Zone.
- L. **"Redevelopment"** means the removal and replacement, rehabilitation, or adaptive reuse of an existing structure or structures, or of land from which previous improvements have been removed including construction of residential, commercial, industrial, public, or other uses as well as provisions for streets, parks, and other public facilities.
- M. **"Redevelopment Area"** means specific geographic locations in Salado that have been selected by the Board of Aldermen to receive special consideration in order to encourage economic development in that location. The map found in **Exhibit A** identifies the current Redevelopment Areas in the Village of Salado.
- N. **"Reinvestment Zone"** or Tax Abatement District is an area designated as such for the purpose of tax abatement as authorized by the Village of Salado in accordance with State law.
- O. **"Target Area"** means specified geographic locations in Salado that have been selected by the Board of Aldermen to receive special consideration in order to encourage economic development in that location. The map found in **Exhibit B** identifies the current target areas in the Village of Salado.

III. ELIGIBILITY CRITERIA:

- A. Proposed developments or redevelopments must be in one or more of the following Target Industries:

Category One

Research & Development
Advanced Technology
Information Technology
Information & Data Center
Corporate and Regional Offices
Bioscience
Medical

Category Two

Major Tourism Attractions/Entertainment Venues
Major Retail Sales and Shopping Centers
Meeting / Event Space
Hotel, Motel, and Bed and Breakfast
Large, Mixed Use Developments

- B. Projects must be entirely within the corporate limits of the Village of Salado, or the proposed site must be contiguous with the Village limits and Applicant is willing to submit a petition for voluntary annexation prior to platting or issuance of a building permit, whichever occurs first.
- C. Project benefits must result in a calculated direct payback of 5 or less years unless the project is on the Top 20 Recruitment List.
- D. The Village shall not provide incentives if it finds that the request for the incentives were filed after the commencement of construction of a New Facility, or the Modernization, Redevelopment, or Expansion of an existing Facility.
- E. Eligible projects must meet at least two of the following criteria for an applicant to be considered eligible for incentives. Additional criteria for specific incentives are listed under the individual incentive type description. Nothing herein prevents the Village to provide higher incentive levels based on the individual case. Project criteria includes projects that:
1. are located in or substantially contribute to Designated Areas, Redevelopment Areas, or Target Areas;
 2. result in at least 25,000 square feet of newly constructed facilities (at new or existing business locations);
 3. result in at least \$500,000 of new taxable appraised value to the tax rolls;
 4. result in at least 50 new, permanent full time jobs;
 5. result in at least 10 new, permanent full time jobs in Redevelopment Areas; or
 6. Result in new minimum annual local sales tax of at least \$50,000 annually
 7. Result in new minimum annual hotel motel tax of at least \$100,000 annually; or in the case of a project to be located in a Redevelopment Area, a new minimum annual hotel motel tax of at least \$25,000.
 8. Meet two of the criteria established in Section III.F(1-4) herein.

- F. Projects which substantially contribute to one or more of the following criteria may be eligible for additional incentives exceeding minimum guidelines.
1. The redevelopment or rehabilitation of building has been vacant for at least two years.
 2. The project will create improvements in the Historic Downtown District
 3. Investment results in redevelopment or rehabilitation of an existing, declining building in a Redevelopment Area
 4. The investment will result in additional development in the surrounding area.

IV. TYPES OF ECONOMIC DEVELOPMENT INCENTIVES:

A. Chapter 380 Incentives:

1. **Expedited Plans Review and Permitting:** The Village of Salado will provide a single point of contact for development services. Expedited permitting and plans review will also be considered.
2. **Small Business Development Center:** The Regional Small Business Development Center provides counseling services for existing and start-up businesses including market research, financial analysis, and business plan development assistance.
3. **Hotel/Motel Tax:** The Village will consider entering into Tourism Marketing Agreements with qualified hotels, motels, and bed and breakfasts that offer meeting space accommodating groups of 25 or more persons and have 10 or more hotel rooms. Agreements will allow these facilities to reinvest a portion of the hotel/motel tax that is generated specifically by their facility to market their accommodations, meeting space, and other attractions. Agreements will specify that marketing plans must be approved by the Board of Aldermen. Hotel/motel thresholds and reimbursements are as follows:

Annual Amount of Hotel/Motel Tax Generated Above Base Year	Reimbursement Schedule
\$25,000-\$99,999 <i>Only applies in Redevelopment Area</i>	year 1 – 30% year 2 – 25% years 3 through 5 – 20% years 6 through 7 – 15%
\$100,000-\$274,999	year 1 – 40% year 2 - 35% year 3 - 30% year 4 - 25% years 5 through 7 - 20% years 8 through 10 - 15%,
\$275,000-\$500,000	year 1 - 70% year 2 - 65% year 3 - 55% year 4 - 50% years 5 through 7 - 45% years 8 through 10 – 40%,

4. **Development Fee Waivers:** The Village will consider reducing or waiving fees including building permit fees, inspection fees, site development permit fees, and platting, zoning, and land use application fees.
5. **Sales tax incentive grant:** Sales tax incentive reimbursements will be considered by the Village on a limited basis. Other entities charging sales tax are encouraged to participate.

Annual Amount of Sales Tax (Village only) Generated Above Base Year	Reimbursement Schedule
\$50,000-\$99,999	5 years at 15%
\$100,000-\$249,999	5 years at 25%
\$250,000+	5 years at 30%

6. **Land grant:** The Village of Salado owns tracts of land, right-of-way, and alleyways in various areas of Salado. Grants of land will be considered.

7. **Façade Improvement Grants.** Façade grants will be considered for properties located in a Strategic Investment Zone, Overlay District, I-35 Corridor, or on Main Street. The Village will consider making grants between \$1,000- \$7,000 on a 1:1 matching basis for the replacement of an existing façade with an eligible masonry product or to remove an existing façade to expose the original façade (if historic). Eligible masonry materials for a replacement façade under this subsection include brick and stone. In the Historic District, eligible materials will be approved based upon the original material used for the building's construction. Façade improvement costs eligible for reimbursement with a façade improvement grant include demolition costs (including labor), landfill costs, and material and construction (including labor) costs, but specifically exclude design costs.
8. **Landscaping and Irrigation grants:** Landscaping grants will be considered for properties located in a Strategic Investment Zone, Overlay District, I-35 Corridor, or on Main Street. Landscaping and irrigation grants will be considered only for properties that meet special overlay district requirements or exceed minimum ordinance standards. To be eligible for a landscape grant, the project must include irrigation. The Village will consider grants up to \$2,500 on a 1:1 matching basis for the installation of new or additional landscaping to an eligible property. Landscaping may include live plants and decorative hardscape such as pavers, arbors, art, etc. Landscaping improvement costs eligible for reimbursement with a landscaping improvement grant include ground preparation costs (including labor), materials (trees, shrubs, soil) and other decorative features.
9. **Sign Improvement Grants:** Sign improvement grants will be considered for properties located in a Strategic Investment Zone, Overlay District, I-35 Corridor or on Main Street. The Village will consider making grants of up to \$1,000 on a 1:1 matching basis for the installation of a new sign or replacement of a dilapidated sign. Only ground-mounted, monument type signs may be funded with a grant unless the sign contributes architecturally to the charm and brand of the Village, as determined in the sole discretion by the Village. Sign improvement costs eligible for reimbursement with a sign improvement grant include demolition costs (including labor), landfill costs, and material and construction (including labor) costs, but specifically exclude design costs.
10. **Historic Preservation Tax Credits:** Historic Preservation Tax Credits are available in the downtown area. The owner of a historic building can receive a federal income tax credit of 20% of the amount spent to rehabilitate a certified historic structure. There is also a 10% credit for older, non-historic buildings. Properties must be income-producing and must be rehabilitated according to standards set by the Secretary of the Interior.
11. **Public infrastructure:** The Village will consider partnering with developers on oversized sidewalks and trails if they are noted on the Village's Trails Master Plan.

12. **Asbestos/lead surveys and abatement:** The Village will consider a grant of up to \$1,000 on a 1:1 matching basis for owner-initiated asbestos survey of a building and up to \$1,000 on a 1:1 matching basis for asbestos abatement for a building on eligible property. Asbestos survey and abatement grant eligible costs include professional fees, labor costs, and replacement materials.
13. **Environmental Protection Agency Brownfield incentives:** The Village will coordinate with the EPA for grants for asbestos assessment surveys and Phase I environmental surveys. Qualified projects may be eligible for abatement grants and EPA Revolving Loan Funds. In addition, EPA Brownfield Tax Incentives allow environmental cleanup costs at eligible properties to be fully deductible in the year incurred, rather than capitalized and spread over a period of years.

B. Tax Abatement Incentives

1. **Property Tax Abatement:** The Village will consider granting tax abatement on the new value of real and personal property improvements including buildings, structures, fixed machinery and equipment, site improvements, related fixed improvements, and personal property (excluding inventory or supplies) with a productive life of ten years or more. See **Tax Abatement Guidelines and Policy Statement** for details.
2. Tax Abatement is granted by a separate Tax Abatement Agreement approved by the Village Board of Aldermen. The Chamber of Commerce Business Growth and Development Committee will assist applicants with the application process and will facilitate abatement agreements with other taxing authorities if they are sought.

C. Public Infrastructure Assistance

1. **Public Improvement District (PID):** A PID may be formed to provide public infrastructure or services such as health and sanitation, water and wastewater, public safety, etc. PIDs allow the Village to levy and collect special assessments on property within the Village. PIDs are subject to creation of a PID plan and market analysis. The Village will only consider TIFs for very large, mixed use developments. Generally, the Village will only consider PIDs if other incentives or funding mechanisms are requested and there is a minimum capital investment of \$15,000,000.
2. **Tax Increment Financing;** Tax increment financing is a tax reinvestment tool that allows local governments to fund public infrastructure improvements within a defined area. TIFs work by allowing taxing entities to repay the costs of public improvements to a designated area with the future tax revenues generated by increased property values. TIF financing

will be considered on Main Street, the I-35 Corridor, or for very large, special or mixed use projects only. TIF and PID financing may not be utilized in conjunction with one another for a project. Tax Increment Reinvestment Zone plans are required for analysis, and, generally, the Village will only consider TIFs if they include County participation and no other incentives or funding mechanisms are requested and there is a minimum capital investment of \$15,000,000.

V. RECRUITMENT

- A. The Chamber of Commerce Business Growth and Development Committee serves as the marketing, recruitment, evaluation, and recommendation arm for prospective Target Businesses. The Committee is comprised of the Chamber of Commerce President, two Chamber of Commerce Board of Directors, two retail representatives at large, a banker or financial advisor, a County representative, a Board of Aldermen representative, and the Village Administrator. The Committee will primarily focus its recruitment efforts on a *Top 20 Recruitment List* established, and amended from time to time, by the Committee. This policy does not prevent recruitment of other businesses in the listed Target Industries. A Recruitment Subcommittee will be established and prospective businesses will be encouraged to discuss their proposed projects with the Subcommittee early in the site selection and development stage process.

VI. APPLICATION PROCESS

- A. Application Submission
1. Applicants must submit a completed Application for Incentives to the Village of Salado Village Administrator's Office. Incomplete applications will not be considered. The complete application shall consist of the following detailed information:
 - a. Information that addresses Part III.E and Part III.F above and Part VI.A.1.d below
 - b. a map and property description;
 - c. a site plan and building elevations;
 - d. a time schedule for undertaking and completing the planned improvements;
 - e. a project for Modernization or Redevelopment requires a statement of the assessed value of the facility, separately stated for real and personal property, shall be given for the tax year immediately preceding the application;
 - f. a project for leased property requires signatures by the owner(s) and the lessee(s) on the application, proof of ownership for all applicants operating a business in a third-party owned facility, or third-party owners of a business facility and a joint application third-party property

- owner. Copies of a lease agreement (financial terms may be whited out) and proof of ownership will be required; and
- g. Any additional information requested by the Village

[†] All documents received by the Village of Salado (physically or electronically) may be subject to public disclosure under certain circumstances.

[†] The Village of Salado reserves the right to request/review/verify the applicant's financial statements and any additional information in determining the economic feasibility, the financial capacity, and long-term benefit of the overall project.

VII. PROCEDURE

- A. The Village of Salado Business Growth and Development Committee will evaluate an application to determine if the project meets the requirements for consideration under this policy as well as coordinate with the applicant:
 - Type of operation
 - Eligibility criteria
 - Minimum standards
 - Minimum thresholds
 - The merit and value of the proposed project

- B. The Salado Business Growth and Development Committee will forward their findings and recommendations to the Village Administrator. Based on the outcome of the evaluation, the Village Administrator may present the application to the Board of Aldermen for consideration.

- C. The Board of Aldermen will consider approving a Development Agreement and/or a Chapter 380 Agreement as applicable, and authorizing the Mayor to execute the agreement(s).
 - 1. All projects brought to the Board of Aldermen for consideration will be presented at meetings conducted pursuant to the Open Meetings Act.
 - 2. The Board of Aldermen retain sole authority to approve in whole or in part or deny any Incentive or Development Agreement.

- D. The following criteria will be considered in determining whether a business should be recruited, and if and at what level incentives may be offered to an applicant:
 - 1. Expansion of the local tax base/new capital investment;
 - 2. Creation of permanent jobs, including the number, type, and average wage of jobs to be created;
 - 3. New annual local sales tax to be directly generated; the project must generate a minimum of \$50,000 annually in direct local Village sales tax;

4. Result in new minimum annual hotel motel tax of at least \$100,000 annually, or in the case of a project to be located in a Redevelopment Area, a new minimum annual hotel motel tax of at least \$25,000.
5. Whether the project substantially contributes to or is located in a Redevelopment or Targeted Area or is a historic building;
6. Whether the project can serve as a prototype and catalyst for other development of a higher standard;
7. Whether the quality of architecture and site design improves the aesthetic appearance, including landscaping and public amenities which exceed the minimum requirements of the Village code;
8. Whether the project increases the amount of green space, public plazas, public parks or landscaping;
9. Impact on quality of life and quality of place;
10. The financial capacity of the applicant to undertake and complete the proposed project;
11. The extent to which the proposed project carries out the goals and objectives of the Village's Comprehensive Plan, Strategic Plan, and Master plans;
12. Extent to which local contractors and suppliers will be used during construction and business operation;
13. The types and value of public improvements, especially public parking and restrooms, to be constructed and paid for by the applicant;
14. Whether the project will attract other new business in the area;
15. Whether the project is environmentally compatible with the community or expands on eco-tourism;
16. The project has high visibility, and brand and image impact;
17. The project is an area which might not otherwise be developed because of constraints of topography, ownership patterns, site configuration, etc.; and
18. Any other factors that the Village determines to be relevant to accomplishing economic development objectives.

VIII. No Vested Right to Receive an Incentive

- A. Nothing herein shall imply or suggest that the Village is under any obligation to provide any incentive to any applicant, or that any applicant has a property right or interest in an incentive, or that the Village is precluded from considering other options which may be in the best interest of the Village. The award or denial of an incentive shall be at the discretion of the Village.
- B. The Village Board of Aldermen will annually appropriate funds for the administration of the incentive program and the granting of funds under the programs established by ordinance and this policy and are subject to the availability

of funds appropriated for that purpose in any given fiscal year. All applications are considered on an individual case-by-case basis.

IX.COMPLIANCE VERIFICATION

A. Initial Inspection

1. After the initial requirements of the agreement have been completed (i.e. construction/installation of improvements), the Owner must submit an executed Certificate of Compliance to the Village.
2. After receipt of an executed Certificate of Compliance, Village staff shall make an inspection to verify that all initial contract requirements are complete.

B. Annual Certification

1. Standard Annual Certification: On a date specified in the Development or Chapter 380 Agreement, the Owner must submit a statement to the Village which provides information about the project's achievement during the prior calendar year regarding the improvements and other agreement obligations.

C. Village's Right to Inspect

1. The Village of Salado reserves the right to send representatives from the Village to inspect the facilities and records of the Owner during the term of the agreement to verify the accuracy of the information provided.

D. Default

1. If during the term of the Agreement, the Village determines that the Applicant is not in compliance with the terms and conditions of the Agreement and fails to cure, and/or allows its ad valorem taxes owed the Village to become delinquent and fails to timely and properly follow the legal procedures for a protest or contest; and
2. If during the term of the agreement, the Village determines the Applicant is in default of the terms and conditions of the Agreement and the default is not cured pursuant to the Agreement, the Village reserves the right to cancel/modify the agreement and/or require repayment of all incentives including the value of in-kind incentives received under the agreement.

X. ASSIGNMENT OF DEVELOPMENT OR CHAPTER 380 AGREEMENTS.

- A. Incentives may be transferred and assigned by the holder to a new owner or lessee of the same Facility upon the approval by resolution of the Village subject to the financial capacity of the assignee and provided that all conditions and obligations in the Agreement are guaranteed by the execution of a new contractual Agreement with the Village. No assignment or transfer shall be approved if the parties to the existing Agreement, the new owner or new lessee, are liable to any jurisdiction for outstanding taxes or other obligations. Approval of assignments will not be unreasonably withheld.