



**VILLAGE OF SALADO  
GUIDELINES AND POLICY STATEMENT**

**TAX ABATEMENT FOR REAL AND PERSONAL  
PROPERTY**

**I. GENERAL PURPOSE AND OBJECTIVES**

The Village is committed to the promotion of high-quality commercial and industrial 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 granting property tax abatement 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 tax abatement to any applicant, or that any applicant has a property right nor interest in tax abatement, or that the Village is precluded from considering other options which may be in the best interest of the Village.

Certain types of business investment which result in the creation of new jobs, new income, and provide for positive economic growth and economic stabilization are beneficial to the Village as a whole. This Tax Abatement Policy provides the general guidelines for all real and personal property tax abatement projects. Each applicant's project will be evaluated for potential tax abatement on a case by case basis.

This policy applies to real and personal property for Category One and real property only for Category Two for the following types of operations:

**A. Category One**

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

**Category Two**

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

Nothing in the policy shall be construed as an obligation by the Village of Salado to approve any tax abatement application.

- B. It is the policy of the Village of Salado to give priority consideration to projects that:
1. are located in or substantially contribute to Enterprise zones, designated areas; redevelopment areas, or target areas;
  2. result in a development with little or no additional cost to the Village;
  3. result in at least 25,000 square feet of newly constructed facilities (at new or existing business locations);
  4. result in at least \$500,000 of new taxable appraised value to the tax rolls;
  5. result in at least 50 new, permanent jobs;
  6. result in at least 10 new, permanent jobs in Designated or Target Areas;
  7. Result in new minimum annual local sales tax of at least \$50,000 annually
  8. Result in new minimum annual hotel motel tax of at least \$100,000 annually; and
  9. result in a calculated direct payback of 5 or less years.
- C. It is further the policy of the Village of Salado to encourage the use of disadvantaged business enterprises. For this, and other reasons, a final tax abatement contract may include specific goals and objectives relative to disadvantaged business enterprises, such as utilization of Village-based firms, prospective employment commitments for Village residents, and other specific criteria.

## 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 tax abatement.
- C. "**Base Year Value**" means the assessed value of either the applicant's real and/or personal property improvements located on the real property as of January 1st of the year of the execution of the agreement plus the agreed upon value of any property improvements made after January 1 of that year but before execution of the agreement.
- D. "**Deferred Maintenance**" means those improvements necessary for continued operation but which do not improve productivity or alter any process technology. Exterior improvements (e.g., painting, installing, repairing, removing or replacing a facade) to the exteriors of buildings in a Redevelopment Area which are designed to improve visual appearance of property are not deferred maintenance.
- E. "**Designated Area**" means an Enterprise Zone or 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.

- F. **“Disadvantaged Business Enterprises”** means a for-profit small business concern where socially and economically disadvantaged individuals own at least a 51% interest and also control management and daily business operations. African Americans, Hispanics, Native Americans, Asian-Pacific and Subcontinent Asian Americans, and women are presumed to be socially and economically disadvantaged.
- G. **"Economic Life"** means the number of the years a property improvement is expected to be in service in a facility; provided, however, in no event shall the number of years exceed the depreciation allowance specified in the Federal Internal Revenue Service Code.
- H. **“Enterprise Zone”** means an area that is defined by the most recent federal decennial census available at the time of designation, in which at least 20 percent of the residents have an income at or below 100 percent of the federal poverty level; or an area currently designated by the federal government as a renewal community, a federal empowerment zone, or a federal enterprise community; or an area located in a distressed county.
- I. **"Expansion"** means the addition of buildings, structures, fixed machinery, or equipment for the purpose of increasing production capacity, addition of building square footage, or increasing convention or tourism facility event capacity.
- J. **"Facility"** means property improvements completed or in the process of construction which together comprise an integral whole.
- K. **“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).
- L. **"Lease"** means a relationship whereby the business applying for tax abatement 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.
- M. **"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.
- N. **"New facility"** means a previously undeveloped property that is placed into service by means other than, or in conjunction with Expansion or Modernization.

- O. **"Personal Property"** means equipment and/or tools used or bought for use in the operation of the Category One business applying for tax abatement.
- P. **"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.
- Q. **"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.
- R. **"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.
- S. **"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.
- T. **"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. DESIGNATION OF TAX ABATEMENT REINVESTMENT ZONES

The Village will consider designating areas within the Village limits as commercial-industrial tax abatement reinvestment zones which meet one or more of the criteria for designation of a reinvestment zone under Section 312.202 of the Tax Code, and where the property owner meets the minimum qualifications to qualify for a tax abatement under Sections I.A, I.B, and V.A of this Policy. Designation of an area as a tax abatement reinvestment zone is a prerequisite to entering into a tax abatement agreement with the owner of the property in a particular area.

- A. Property located within a Village created (and State-approved) Enterprise Zone is eligible for consideration for tax abatement agreements without the necessity of separate designation as a tax abatement reinvestment zone. Reinvestment zones in Designated Areas, Redevelopment Areas, and Target Areas are subject to less stringent criteria to qualify for tax abatement.

#### IV. ELIGIBILITY CRITERIA

- A. **Eligible Property:** Tax abatement may only be granted to the owners of real property improvements, personal property improvements, and taxable leasehold interests in tax- exempt real property located in a reinvestment zone to the extent allowed by state law. Real property improvements include the construction of a new facility and the expansion/modernization/redevelopment of an existing facility.
- B. **Ineligible Property:** Any property that is not specifically identified in the tax abatement agreement will not receive tax abatement. Inventory, supplies, deferred maintenance and/or office equipment, and property with a productive life of less than 10 years, are not eligible for tax abatement. Personal property that was located on the real property at any time before the execution of the abatement agreement will not be eligible for abatement. Any property that is in a Tax Increment Financing Zone or Public Improvement District will not be eligible for abatement.
- C. **Commencement of Construction:** The Village shall not establish a reinvestment zone for the purpose of Abatement if it finds that the request for the abatement was filed after the commencement of construction of a New Facility, or the Modernization, Redevelopment, or Expansion of an existing Facility.
- D. **Abatement Periods:** Eligible real personal property improvements may qualify for abatement periods lasting between 2 to 10 years. Eligible personal property improvements may qualify for abatement periods lasting between 2 to 7 years. The economic life of the eligible property must exceed the abatement period.
- E. **Premium Opportunity Bonus:** An additional 10% abatement is available throughout the abatement period if two-thirds (66.7%) of the newly created jobs are filled with employees who reside (additional employees in the case of a qualifying expansion) within the Village of Salado limits. The eligibility of the Premium Opportunity Bonus shall be determined on a yearly basis.
- F. **Exceptional Cases:** Where the project will substantially contribute to one or more of the following criteria, the Board of Aldermen may consider terms and/or percentages that exceed these guidelines. However, the maximum period for any tax abatement agreement is limited to 10 years in accordance with state law.
1. A 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

## V. STANDARDS FOR TAX ABATEMENT.

- A. **Minimum Standards:** The Village will consider tax abatement only on eligible facilities which meet at least two of the following criteria. As per Section VI, Eligibility Thresholds apply.
1. The project involves a minimum increase in property value of three hundred percent (300%) for construction of a new facility, or fifty percent (50%) for expansion of an existing facility, with an overall new investment of at least \$1 million in taxable assets.
  2. For eligible facilities in any reinvestment zone within the Redevelopment Area, the project must involve either a minimum increase in property value of one hundred and fifty percent (150%) for construction of a new facility, or twenty-five percent (25%) for expansion of an existing facility, with an overall new investment of at least \$500,000 in taxable assets.
  3. The project makes a substantial contribution to redevelopment efforts, special area plans, or strategic economic development programs by enhancing either functional or visual characteristics, e.g., historical structures, traffic circulation, parking facades, materials, signs.
  4. The project has high visibility, image impact, or is of a significantly higher level of development quality.
  5. The project is an area which might not otherwise be developed because of constraints of topography, ownership patterns, site configuration, etc.
  6. The project can serve as a prototype and catalyst for other development of a higher standard.
  7. The project stimulates desired concentrations of employment or commercial activity.
  8. The project generates greater employment than would otherwise be achieved, e.g., commercial/industrial versus manufacturing versus warehousing.
  9. For eligible facilities in any reinvestment zone within the Redevelopment Area, the project improves the aesthetic appearance of the neighborhood, brings new jobs to the Redevelopment Area, increases the availability of public parking, or increases the amount of green space (landscaping).

## VI. ELIGIBILITY THRESHOLDS

### A. Real Property Abatement

1. Real Property Improvements:

To qualify for real property tax abatement (10 year maximum), the project must meet one or more of the following minimum threshold eligibility requirements in regard to square footage of new construction, job creation, or the value of the improvements as valued by the Bell County Appraisal District. The highest threshold (New Construction, Creation of Full-Time Jobs, and Real Property Improvement Value), regardless of category shall apply.

Creation of Full-time Jobs (# jobs)	Real Property Improvement Value - New Construction (\$ Value per BCAD)	Real Property Improvement Value - Expansion/Modernization (\$ Value per BCAD)	Abatement %	Years
100 or more	\$10,000,000 or more	\$5,000,000 or more	80, 80, 80, 80, 80, 70, 70%	7
50-99	\$5,000,000 to \$9,999,999	\$2,500,000 to \$4,999,999	80, 80, 70, 70, 60, 60, 50%	7
10-49	\$1,000,000 to \$4,999,999	\$500,000 to \$2,499,999	80, 70, 60, 50, 40%	5
<b>BONUS: Any project in a Target or Designated Area may receive an additional 10% in abatement per year</b>				
<b>Redevelopment Area Only – Higher Values/Jobs Qualify as Above</b>				
5-9	\$500,000+	\$250,000+	90, 90, 80, 80, 70%	5

### B. Personal Property Abatement

1. Personal Property Improvement:

To qualify for personal property tax abatement (7 year maximum), the project must meet the following minimum threshold eligibility requirements in regard to the value of new construction as valued by the Bell County Appraisal District and job creation and must be classified as a **Category One** Target Industry.

Creation of Full-time Jobs (# jobs)	Personal Property Improvement Value - New Construction (\$ Value per BCAD)	Personal Property Improvement Value - Expansion/Modernization (\$ Value per BCAD)	Abatement %	Years
100 or more	\$10,000,000 or more	\$5,000,000 or more	60, 60, 60, 60, 50, 40, 30%	7
50-99	\$5,000,000 to \$9,999,999	\$2,500,000 to \$4,999,999	60, 60, 50, 50, 40, 40, 30%	7
10-49	\$1,000,000 to \$4,999,999	\$500,000 to \$2,499,999	60, 50, 40, 30, 20%	5

<b>BONUS: Any project in a Target or Designated Area may receive an additional 5% in abatement per year to the above Redevelopment Area Only – Higher Values/Jobs Qualify as Above</b>				
5-9	\$500,000+	\$250,000+	70, 70, 60, 60, 50%	5

† If a request for tax abatement is justified on the basis of the purchase and maintenance of eligible personal property or on the creation of jobs, the applicant must agree to maintain the personal property or jobs for a period of not less than twice the period for which tax abatement is granted. For example, if an applicant requests and receives 75% tax abatement for five years based on the purchase and maintenance of eligible personal property, the applicant must agree in the tax abatement agreement, subject to recapture of all abated taxes, to maintain the personal property on the property tax roll for not less than ten years.

† As used herein, the creation of jobs refers to the creation of a job paying not less than \$10 per hour, the approximate median salary for employees in Bell County. To qualify for a level of tax abatement, e.g., 25%, based on the creation of a specific number of jobs, you must commit to hiring the required effective number of employees by the end of year 2 of the agreement. To calculate the effective number of jobs created: (1) calculate the total annual payroll created (based on the number of employees you will hire at various annual salaries); (2) divide this annual payroll by \$20,800 (our calculated annual salary for a \$10/hr employee); and (3) round this figure to the nearest whole integer.

**C. Leasehold Interest Tax Abatement**

1. A taxable leasehold interest in tax-exempt property may receive tax abatement if it is located in a reinvestment zone.
2. The eligibility thresholds for tax abatement of a taxable leasehold interest in tax-exempt real property will be determined on a case-by-case basis.

c. Additional or Enhancement Factors. In addition to the minimum investment or job creation criteria listed in (2) above, the following factors, among others, shall be considered in determining whether to grant Tax Abatement, and if so, in what percentage of value to be abated and the duration:

- (1) amount of local sales taxes to be generated directly;
- (2) the costs, if any, to be incurred by the Village to provide facilities or services directly resulting from the new improvements;
- (3) population growth that occurs directly as a result of new improvements;
- (4) the types and value of public improvements, if any, to be constructed and paid for by the applicant seeking Abatement;
- (5) the attraction of other new businesses to the area;
- (6) the overall compatibility with the Village's zoning and subdivision regulations, and over-all comprehensive plan; and
- (7) the environmental compatibility of the project with the community (no appreciable negative impact on quality-of-life perceptions).



**Each Eligible Facility shall be reviewed on its merits utilizing the factors provided above. After such review, abatement may be denied entirely or may be granted to the extent deemed appropriate after full evaluation.**

## **VII. APPLICATION PROCESS**

### **A. Application Submission**

1. Applicants must submit a completed Application for Tax Abatement 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 I.A, I.B, and V.A above
  - 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 statement for a Modernization or Redevelopment project 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 signature by the owner(s) and the lessee(s) for an application involving leased property. Proof of ownership will be required by applicants operating a business in an owned facility or owners of a business facility. An applicant operating in a leased facility must apply jointly with the property owner. Copies of a lease agreement (financial terms may be whited out) and proof of ownership will be required.
  - 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.

## **VIII. 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. Notification of Public Hearing on designation of a Reinvestment Zone for the purpose of tax abatement:
- a. Publication in Village newspaper of record no later than seven days prior to hearing.
  - b. Written notice to presiding officers of each taxing entity no later than seven days prior to hearing.
  - c. Public posting no later than seven days prior to hearing.
- D. Simultaneous with Notification of Public Hearing on designation of a Reinvestment Zone, notice is sent to the presiding officers of each taxing entity, as to the Village's intent to consider entering into a Tax Abatement Agreement. The proposed abatement agreement will be included with the notice.
- E. Conduct a Public Hearing on designation of a reinvestment zone for the purpose of tax abatement. If the subject property is in an existing reinvestment zone, no public hearing is necessary.
- G. Adoption of Ordinance designating an area a reinvestment zone. Board of Aldermen considers a Resolution authorizing the Tax Abatement Agreement and authorizes the Mayor to execute the agreement.
1. All projects brought to the Board of Aldermen for consideration will be presented at meetings conducted pursuant to the Open Meetings and Property Redevelopment and Tax Abatement Acts.
  2. The Board of Aldermen retain sole authority to approve in whole or in part or deny any tax abatement agreement.

## **IX. TAX ABATEMENT AGREEMENTS**

- A. If approved, the Village shall formally pass a resolution authorizing an Agreement with the owner (and lessee, where applicable) of the Facility, which Agreement shall include, but not be limited to:
1. The kind, number, and location of all proposed improvements of the property;
  2. A provision for access to and authorize inspection of the property by municipal employees to ensure that the improvements or repairs are made according to the specifications and conditions of the Agreement;
  3. Limits for the uses of the property consistent with the general purpose of encouraging development or redevelopment of the zone during the period the property tax exemptions are in effect;
  4. Provide for recapturing property tax revenue lost as a result of the Agreement if the owner of the property fails to make the improvements or repairs as provided by the Agreement;
  5. Each term agreed to by the owner of the property;
  6. A requirement that the owner of the property annually certify to the governing body of each taxing unit that the owner is in compliance with each applicable term of the Agreement;
  7. Provide that the Board of Aldermen may cancel or modify the Agreement if the property fails to comply with the Agreement;
  8. Provide that the Improvements are made in accordance with project drawings, specifications, and/or information provided in the application and as approved by the Village, including a provision that any modifications must first receive the written approval the Village.
  9. A requirement that all applicable federal, state, and local codes must be met and all applicable permits must be obtained.
  10. The percentage of value to be abated each year; and
  11. The commencement date and the termination date of Abatement.
- B. To be effective, a tax abatement agreement must be approved by the affirmative vote of a majority of the members of the Board of Aldermen at a regularly scheduled meeting of the Board of Aldermen.
- C. Agreements shall normally be approved or disapproved within sixty (60) days from the date the applicant filed a properly completed application for tax abatement with the Village Administrator.

## **X. COMPLIANCE VERIFICATION**

### **A. Initial Inspection**

1. **Certificate of Compliance:** 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. **Village Staff Inspection:** After receipt of an executed Certificate of Compliance, Village staff shall make an inspection to verify that all initial contract requirements are complete. Upon verification the Village Administrator will approve the Certificate of Compliance, authorize the commencement of the tax abatement, and notify the Bell County Appraisal District.

### **B. Annual Certification**

1. **Standard Annual Certification:** On or before January 31<sup>st</sup> of every year, 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/or job creation covered by the tax abatement agreement. The following items must be included in the statement:
  - a. The added square footage and/or improvement value made;
  - b. The value of the construction/installation (most recent value by the Bell County Appraisal District);
  - c. The total number of jobs created (full-time), to date;
  - d. The amount of property taxes paid on the facility during the prior year; and
  - e. Any tax protests that have been filed regarding ad valorem taxes and a description of the reasons for the tax protest.
2. **Premium Opportunity Bonus Certification:** If the Owner is pursuing the Premium Opportunity Bonus, then on January 31<sup>st</sup> of every year, the following information must be submitted, in addition to the Standard Annual Certification:
  - a. Number of jobs created;
  - b. Each employee's name or identification number;
  - c. Each employee's home address;
  - d. Each employee's job type or classification; and
  - e. Each employee's pay rate.

3. Upon completion of construction, the designated representative of the Village shall annually evaluate each Facility receiving Abatement to insure compliance with the agreement, and a formal report shall then be made to the Village regarding the findings of the evaluation.

C. Village's Right to Inspect

1. Facilities and Records: The Village of Salado reserves the right to send representatives from the Village and the Bell County Appraisal District to inspect the facilities and records of the Owner during the term of the agreement to verify the accuracy of the information provided for the tax abatement.
2. Compliance with other laws: The Village will hold and process any information that is received or viewed in accordance with all applicable United States laws and regulations.

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 cure 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.

E. Administration.

1. The Chief Appraiser of the Bell County Appraisal District will annually determine an assessment of the real and personal property comprising the reinvestment zone. Each year, the company or individual receiving abatement shall furnish the Appraiser with such information as may be necessary for the Abatement. Once value has been established, the Chief Appraiser will notify the Village of the amount of the assessment.

## **XI. ASSIGNMENT OF TAX ABATEMENT AGREEMENTS.**

- A. Abatement 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 demonstration of the financial capacity of the assignee and provided that all conditions and obligations in

the Abatement 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.

**Exhibit “A”**

Map of Redevelopment Areas

**Exhibit “B”**

Map of Target Areas



## **Exhibit “C”**

Map of Designated Areas