

**TAX ABATEMENT CRITERIA AND GUIDELINES FOR
CHILDRESS COUNTY, TEXAS**

Effective as of the ___ day of _____, 20__

SECTION I. General Purpose:

Childress County (the "County") is committed to the promotion of high quality economic development in the area and to an ongoing improvement in the quality of life for the citizens residing within the County. The County recognizes that these objectives are generally served by enhancement and expansion of the local economy. The County will, on a case by case basis, give consideration to providing tax abatement, as authorized by V.T.C.A., Tax Code, Chapter 312, as stimulation for economic development within the County. It is the policy of the County that said consideration will be provided in accordance with the guidelines and criteria herein set forth and in conformity with the Tax Code.

Nothing contained herein shall imply, suggest or be understood to mean that the County is under any obligation to provide tax abatement to any Applicant (as defined below) and attention is called to V.T.C.A., Tax Code, Section 312.002(d). With the above rights reserved all applications for tax abatement will be considered on a case by case basis.

SECTION II. Definitions:

Capitalized words or phrases used within these guidelines and criteria shall have the meanings set forth in Exhibit A.

SECTION III. Intent of Criteria and Guidelines:

The intent of these criteria and guidelines, as herein set forth, is to establish the minimum standards which an Applicant must meet in order for the County to consider tax abatement.

SECTION IV. Criteria and Guidelines for Tax Abatement:

A Facility will be eligible for tax abatement consideration provided such Facility meets the following guidelines and criteria:

1. To qualify for tax abatement, the Owner or Applicant must meet both of the following criteria:
 - a) the Project entails the Modernization/Renovation of Existing Facilities, Expansion of Existing Facilities or construction of a New Facility; and
 - b) the Project entails the production, manufacturing, or distribution of goods and services of which fifty percent (50%) or more are distributed outside of the County.
2. In addition to the aforementioned, the County will consider abatement only if the Owner or Applicant meets one of the following criteria:

- a) the Project consists of at least one of the following target industries:
 - i. Advanced Technologies and Manufacturing;
 - ii. Value-added Agricultural Production including Food Processing and Machinery;
 - iii. Research and Development;
 - iv. Medical Services;
 - v. Manufacturing;
 - vi. Warehouse/Distribution;
 - vii. Corporate Headquarters of a Regional/National Service Center;
 - viii. Information and Data Centers; or
 - ix. Wind-Energy Production;
- b) the Project is not included as a target industry, but has the potential of generating additional significant economic development opportunities for the County.

3. The Applicant must also meet one of the following criteria:

- a) the Project will add at least (i) \$500,000 in Improvements to Real Property, (ii) \$1 million in new personal property, or (iii) five (5) New Permanent Jobs if the Applicant is new to the County; or
- b) the Project will add at least (i) \$200,000 in Improvements to Real Property, (ii) \$500,000 in new personal property, or (iii) three (3) New Permanent Jobs if the facility is an Existing Facility.

4. New or Existing Facilities located in a County Reinvestment Zone or upon Real Property eligible for such status may be eligible for consideration for tax abatement status provided that all other criteria and guidelines are satisfied.

5. Improvements to Real Property must be eligible for tax abatement status.

6. The following items shall be ineligible for tax abatement status and shall be fully taxed:

- a) real property;
- b) inventories or supplies;
- c) tools;
- d) furnishings and other forms of movable personal property;
- e) vehicles;
- f) aircraft;
- g) housing;
- h) boats;
- i) hotel accommodations;
- j) motel accommodations;

- k) retail businesses; and
 - l) property owned by the State of Texas or any State agency.
7. In order for a Facility to qualify for abatement, the following conditions must apply:
- a) the Owner or leaseholder of Real Property must make eligible Improvements to Real Property; and
 - b) in the case of lessees, the leaseholder must have a lease commitment of at least five (5) years.
8. In County Reinvestment Zones, the amount and term of abatement shall be determined on a case by case basis, but in no event shall taxes be abated for a term in excess of ten (10) years. The amount of the taxable value of Improvements to be abated and the term of the abatement shall be determined by the County, except that a County Reinvestment Zone that is a state enterprise zone is designated for the same period as a state enterprise zone as provided by Chapter 2303, Government Code.

In enterprise zones, the governing body of each taxing jurisdiction may execute a written agreement with the Applicant or Owner of the property. The agreement may, but is not required to, contain terms that are identical to those contained in the Abatement Agreement with the County, and the only terms for the agreement that may vary are the those dealing with the portion of the property that is to be exempt from taxation under the agreement and the duration of the agreement.

9. No Property shall be eligible for tax abatement under these criteria and guidelines unless such property is located in a County Reinvestment Zone in accordance with V.T.C.A., Tax Code, Section 312.401 and the tax abatement application is filed with the County before construction begins.
10. Notwithstanding any of the requirements set forth in Section IV Subsection 3, the governing body of the County, upon the affirmative vote of three-fourths (3/4) of its members, may vary any of the above requirements when the Applicant demonstrates that variation is in the best interest of the County or to do so and will significantly enhance the economic development of the County. By way of example only and not by limitation, the governing body of the County may consider the following or similar terms in determining whether a variance shall be granted:
- a) that the increase in productivity of the Facility will be substantial and hence directly benefit the economy;
 - b) that the increase of goods or services produced by the Facility will be substantial and directly benefit the economy;

- c) that the employment maintained at the Facility will be increased;
- d) that the waiver will contribute and provide for the retention of existing jobs within the County; and/or
- e) any other evidence showing a direct economic benefit to the County.

11. Taxability

- a) Tax abatement shall be granted in accordance with the terms and provisions of an Abatement Agreement executed between the County and the Applicant or Owner of Real Property and/or Tangible Personal Property, which Abatement Agreement shall be in accord with the provisions of V.T.C.A., Tax Code, Section 312.402.
- b) All ineligible property, if otherwise taxable, shall be fully taxed.

12. The governing body of the County shall have total discretion as to whether tax abatement is to be granted. Such discretion, as herein retained, shall be exercised on a case by case basis. The adoption of these guidelines and criteria by the governing body of the County does not:

- a) limit the discretion of the governing body to decide whether to enter into a specific Abatement Agreement;
- b) limit the discretion of the governing body to delegate to its employees the authority to determine whether or not the governing body should consider a particular application or request for tax abatement; or
- c) create any property, contract, or other legal right in any person to have the governing body consider or grant a specific application or request for tax abatement.

13. The burden to demonstrate that an application for tax abatement should be granted shall be upon the Applicant. The County shall have full authority to request any additional information from the Applicant that the governing body of such County deems necessary to assist it in considering such application.

SECTION V. Criteria and Guidelines for Creation of a County Reinvestment Zone:

- 1. No Property shall be eligible for tax abatement through the County unless such property is located in an Enterprise Zone, in accordance with V.T.C.A., Tax Code, Section 312.4011, or a County Reinvestment Zone in accordance with V.T.C.A., Tax Code, Section 312.401. The County commissioners court, by order, if eligible to do so under V.T.C.A., Tax Code, Section 312.002 may

designate as a County Reinvestment Zone an area of the County that does not include area in the taxing jurisdiction of a municipality.

2. The governing body of the County, as required by Tax Code, Section 312.401, shall hold a public hearing on the designation of an area within its jurisdiction as a County Reinvestment Zone.
3. Notice of the hearing must be given in the same manner as provided under V.T.C.A., Tax Code, Section 312.201.
4. Property may be located both in a County Reinvestment Zone designated by the County under this subchapter and in a reinvestment zone designated by a municipality under V.T.C.A., Tax Code, Section 312 Subchapter B.
5. The designation of a County Reinvestment Zone expires five years after the date of the designation and may be renewed for periods not to exceed five years, except that a County Reinvestment Zone that is a state enterprise zone is designated for the same period as a state enterprise zone as provided by Chapter 2303, Government Code. The expiration of the designation does not affect an existing Abatement Agreement made in accordance with V.T.C.A., Tax Code, Section 312.402.
6. Designation of an area as an enterprise zone under the Texas Enterprise Zone Act, Chapter 2303, Subchapter C, Texas Government Code, constitutes designation of the area as a County Reinvestment Zone under V.T.C.A., Tax Code, Section 312 Subchapter C without further hearing or other procedural requirements other than those provided by the Texas Enterprise Zone Act, Chapter 2303, Subchapter C, Texas Government Code.

SECTION VI. Abatement Agreement:

1. An Abatement Agreement shall not exempt from taxation a portion of the value of the Facilities or Improvements for a period greater than ten (10) years.
2. An Abatement Agreement shall be subject to the rights of holders of outstanding bonds of the County.
3. Abatement Agreements made with multiple Owners must contain identical terms for the portion of the value of the property that is to be exempt and the duration of the exemption.
4. Property that is in a reinvestment zone owned or leased by a person who is a member of the governing body of the County is excluded from tax abatement.
5. Property that is subject to an Abatement Agreement when a person becomes a member of the governing body of the County does not cease to be eligible for

property tax abatement.

6. An Abatement Agreement shall:
 - a) provide access to and authorize inspection of the property by County employees to ensure that the improvements or repairs are made according to the conditions of the Abatement Agreement;
 - b) limit the uses of the property consistent with the general purpose of encouraging development or redevelopment of the zone during the period that property tax exemptions are in effect;
 - c) provide for recapturing property tax revenue lost as a result of the Abatement Agreement if the Owner fails to make the improvements or repairs as provided by the Abatement Agreement;
 - d) contain each term agreed to by the Owner of the property;
 - e) require the owner of the property to certify annually to the County that the Owner is in compliance with each applicable term of the Abatement Agreement;
 - f) provide that the governing body of the County may cancel or modify the Abatement Agreement if the Owner fails to comply with the Abatement Agreement;
 - g) establish and set forth the Base Year Value of the property for which tax abatement is sought;
 - h) provide that the taxes paid on the Base Year Value shall not be abated as a result of the execution of said Abatement Agreement;
 - i) provide for the exemption of Improvements in each year covered by the Abatement Agreement only to the extent the value of such Improvements for each such year exceeds the value for the year in which the Abatement Agreement is executed;
 - j) set forth the estimated value of all Improvements to Real Property;
 - k) clearly provide that tax abatement shall be granted only to the extent:
 - i. the Improvements to Real Property increase the value of the Real Property for the year in which the Abatement Agreement is executed; and
 - ii. the Tangible Personal Property or Improvements to Real Property

were not located on the Real Property prior to the execution of the Abatement Agreement;

- l) list the kind, number, and location of all proposed Improvements, including:
 - i. whether the Improvements are for a New Facility, Modernization/Renovation of Existing Facilities, or Expansion of Existing Facilities;
 - ii. the nature of the construction, proposed time table of completion, and a map or drawings of the Improvements above mentioned;
 - iii. the amount of investment and the commitment for the creation of New Permanent Jobs;
 - iv. any other information required by the County;
 - m) provide a legal description of the Real Property upon which Improvements are to be made;
 - n) provide contractual obligations in the event of default by Owner, violation of the terms or conditions by Owner, recapturing property tax revenue in the event Owner defaults or otherwise fails to make Improvements as provided in said Abatement Agreement and any other provision as may be required or authorized by State Law; and
 - o) meet any other statutory or regulatory requirements.
2. Not later than the seventh day before the County enters into an Abatement Agreement for tax abatement under V.T.C.A., Tax Code, Section 312.402; the governing body of such County or a designated officer or employee thereof shall deliver to the presiding officer of the governing body of each of the taxing units in which the property to be subject to the Abatement Agreement is located, a written notice that the County intends to enter into the Abatement Agreement. The notice must include a copy of the proposed Abatement Agreement and is presumed delivered when placed in the mail, postage paid and properly addressed to the appropriate presiding officer. A notice properly addressed and sent by registered or certified mail for which a return receipt is received by the sender is considered to have been delivered to the addressee.
 3. Failure to deliver the notice does not affect the validity of the Abatement Agreement.

SECTION VII. Application:

1. Any present Owner of taxable property located within the County may apply for tax abatement by filing an application with the governing body of the County.
2. The application shall consist of a completed application containing:
 - a) the name, contact information, and brief description of the Applicant;
 - b) a descriptive list of the kind, number and location of all proposed Improvements to Real Property or Existing Facility;
 - c) a map indicating the approximate location of proposed Improvements to Real Property or Existing Facilities;
 - d) a list of any and all Tangible Personal Property presently existing on the Real Property or located in an Existing Facility;
 - e) a proposed time schedule for completing the proposed Improvements;
 - f) a general description stating whether the proposed Improvements are in connection with:
 - i. the Modernization/Renovation of Existing Facilities;
 - ii. construction of a New Facility;
 - iii. the Expansion of Existing Facilities; or
 - iv. any combination of the above;
 - g) a statement of the additional value to the Real Property or Facility as a result of the proposed Improvements;
 - h) a statement of the assessed Base Year Value of the Real Property, Facility or Existing Facility;
 - i) information concerning the number of New Permanent Jobs created or the number of existing jobs retained as result of the Improvements; and
 - j) any other information which the County deems appropriate.
3. Information that is provided to the County in connection with an application or request for tax abatement and which describes the specific processes or business activity to be conducted or the equipment or other property to be located on the property for which tax abatement is sought is confidential and not subject to public disclosure until the Abatement Agreement is executed.
4. If the County determines that the property described is not within a current

County Reinvestment Zone, they shall so notify the Applicant and the application shall then be considered both as an application for the creation of a County Reinvestment Zone and a request for tax abatement to be effective after the zone is created.

5. An application or request for tax abatement submitted to the County under this chapter must be accompanied by an application fee of one thousand dollars and no/100 (\$1,000.00).
6. At the discretion of the County, the Applicant may be responsible for any third party fees or out-of-pocket expenses incurred by the County, including without limitation any legal, accounting, economist, appraiser fees.

SECTION VIII. Default Options

1. In the event that the Applicant or Owner has entered into an Abatement Agreement but has failed to make Improvements or is otherwise in default of any of the terms or conditions contained in the Abatement Agreement; then in such event the County shall give the Applicant or Owner sixty (60) days notice of such failure. The Applicant or Owner shall demonstrate to the satisfaction of the County above mentioned that the Applicant or Owner has commenced to cure such failure within the 60 days above mentioned. In the event the Applicant or Owner fails to demonstrate that he is taking affirmative action to cure his failure, the County shall have three options:
 - a) the County may renegotiate the Agreement with the Applicant or Owner, in which case the then-current guidelines and criteria shall apply to the new Agreement;
 - b) the County may determine that good cause exists to cancel the Agreement and all tax abatements shall terminate immediately; or
 - c) the County may terminate the Agreement and recapture taxes abated under Section IX below.
2. In any of the three above options, the County shall determine whether Applicant or Owner is in default of the Abatement Agreement and shall so notify all other local taxing authorities. Cancellation or termination of the Abatement Agreement by the County shall constitute simultaneous action to all Abatement Agreements between the County and Applicant.

SECTION IX. Recapture

1. In the event that a facility is completed and begins producing goods or services, but subsequently discontinues producing goods or services for any reason, excepting fire, explosion or other casualty or accident or natural disaster or other

event beyond the reasonable control of Applicant or Owner for a period of 180 days during the term of an Abatement Agreement, then in such event the Abatement Agreement shall terminate and all tax abatements shall likewise terminate. Taxes abated during the calendar year in which termination takes place shall be payable to the County within sixty (60) days of the date of termination. Taxes abated in years prior to the year of termination shall be payable to the County no later than twelve (12) months after the date of termination. The burden shall be upon the Applicant or Owner to prove to the satisfaction of the County that the discontinuance of producing goods or services was as a result of fire, explosion, or other casualty or accident of natural disaster or other event beyond the control of Applicant or Owner. In the event that Applicant or Owner meets this burden and the County is satisfied that the discontinuance of the production of goods or services was the result of events beyond the control of the Applicant or Owner, then such Applicant or Owner shall have a period of one (1) year, commencing upon written notification from the County to the Applicant or Owner, in which to resume the production of goods and services. In the event that the Applicant or Owner fails to resume the production of goods or services within one year, then the Abatement Agreement shall terminate and the Abatement of all taxes shall likewise terminate. Taxes abated during the calendar year in which termination takes place shall be payable to the County within sixty (60) days of the date of termination. Taxes abated in years prior to the year of termination shall be payable to the County no later than twelve (12) months after the date of termination.

2. In the event that the Applicant or Owner has entered into an Abatement Agreement to make Improvements to a facility but fails to undertake or complete such Improvements or fails to create all or a portion of the number of new jobs provided by the Abatement Agreement, then in such event the County shall give the Applicant or Owner sixty (60) days notice of such failure. The Applicant or Owner shall demonstrate to the satisfaction of the County that the Applicant or Owner has commenced to cure such failure within the 60 days above mentioned. In the event that the Applicant or Owner fails to demonstrate that he is taking affirmative action to cure his failure, then in such event the Abatement Agreement shall terminate and all tax abatements shall likewise terminate. Taxes abated during the calendar year in which termination takes place shall be payable to the County within 60 days of the date of termination. Taxes abated in years prior to the year of termination shall be payable to the County no later than twelve (12) months after the date of termination.
3. In the event that the County determines that the Applicant or Owner is in default of any of the terms or conditions contained in the Abatement Agreement, the County shall give the Applicant or Owner sixty (60) days written notice to cure such default. In the event such default is not cured to the satisfaction of the County within the sixty (60) days notice period, then the Abatement Agreement shall terminate and all tax abatements shall likewise terminate. Taxes abated during the calendar year in which termination takes place shall be payable to the

County within sixty (60) days of the date of termination. Taxes abated in years prior to the year of termination shall be payable to the County no later than twelve (12) months after the date of termination.

4. In the event that the Applicant or Owner allows ad valorem taxes owed to the County to become delinquent and fails to timely and properly follow the legal procedures for their protest or contest, then in such event this Abatement Agreement shall terminate and all tax abatements shall likewise terminate. Taxes abated during the calendar year in which termination takes place shall be payable to the County within sixty (60) days of the date of termination. Taxes abated in years prior to the year of termination shall be payable to the County no later than twelve (12) months after the date of termination.
5. In the event that the Applicant or Owner relocates the business for which tax abatement has been granted to a location outside of the designated County Reinvestment Zone, the Abatement Agreement shall terminate after sixty (60) days written notice by the County to the Owner or Applicant. Taxes abated during the calendar year in which termination takes place shall be payable to the County within sixty (60) days of the date of termination. Taxes abated in years prior to the year of termination shall be payable to the County no later than twelve (12) months after the date of termination.
6. The date of termination as that term is used in this Section IX shall, in every instance, be sixty (60) days after the day the County mails notice of default to the address shown in the Abatement Agreement to the Applicant or Owner. Should the default be cured by the Owner or Applicant within the 60 day notice period, the Owner or Applicant shall be responsible for so advising the County and obtaining a release from the notice of default from the County, failing in which, the abatement remains terminated and the abated taxes must be paid.
7. In the event that an Abatement Agreement is terminated for any reason what so ever and taxes are not paid within the time period herein specified, then in such event, the provisions of V.T.C.A., Tax Code, Section 33.01 will apply.

SECTION X. Miscellaneous:

1. Any notice required to be given by these criteria or guidelines shall be given in the following manner:
 - a) Owner or Applicant: the address appearing on the Abatement Agreement.
 - b) County: the address appearing on the Abatement Agreement.
2. The Chief Appraiser of the County Appraisal District shall annually assess the Real and Personal Property comprising the County Reinvestment Zone. Each year, the Applicant or Owner receiving tax abatement shall furnish the Chief

Appraiser with such information as may be necessary for the abatement. Once value has been established, the Chief Appraiser shall notify the County of the assessment amount.

3. Upon the completion of Improvements made to any type of Facility, a designated employee or employees of the County shall have access to the Facility to insure compliance with the Abatement Agreement.
4. An Abatement Agreement may be assigned to a new Owner but only after written consent has been obtained from the County.
5. These guidelines and criteria are effective upon the date of their adoption by the County and shall remain in force for two (2) years. At the end of the 2 year period these guidelines and criteria may be readopted, modified, amended or rewritten as the conditions may warrant.
6. In the event of a conflict between these guidelines and criteria and V.T.C.A., Tax Code, Chapter 312, the Tax Code shall prevail and these guidelines and criteria interpreted accordingly.
7. These guidelines and criteria may be amended or repealed by a vote of three-fourths (3/4) of the members of the governing body of the County during the 2 year term in which these guidelines and criteria are effective.

Exhibit A

1. **Abatement Agreement:** A contract between a property Owner or Applicant and the County for the abatement of taxes on qualified property located within a County Reinvestment Zone.
2. **Advanced Technologies and Manufacturing:** Advanced manufacturing which requires higher skills and results in higher wages and investment.
3. **Applicant:** Any party seeking the designation of a County Reinvestment Zone or to enter into an Abatement Agreement with the County.
4. **Base Year Value:** The assessed value of property eligible for tax abatement as of January 1 preceding the execution of an Abatement Agreement as herein defined.
5. **County:** Childress County, Texas.
6. **Existing Facility:** A Facility located in or on Real Property eligible for tax abatement as of the date of execution of the Abatement Agreement.
7. **Expansion of Existing Facilities:** The addition of buildings, structures, machinery or equipment to a Facility located in or on Real Property eligible for tax abatement as of the date of execution of the Abatement Agreement.
8. **Facility:** Any Improvement made to Real Property eligible for tax abatement, including the building or structure erected on such Real Property and/or any Tangible Personal Property to be located in or on such property.
9. **Information and Data Center:** Any Facility used to house computer systems and associated components, such as telecommunications and storage systems. The main purpose of the facility is running applications that handle the core business and operational data of organizations, off-site backups and other informational operations.
10. **Improvements to Real Property or Improvements:** The construction, addition to, structural upgrading of, replacement of, or completion of any Facility located upon or to be located upon Real Property, or any Tangible Personal Property placed in or on said Real Property.
11. **Manufacturing:** The production of goods or materials or the processing or change of goods or materials to a finished product.
12. **Medical Services:** Facilities such as hospitals, specialty hospitals and other like facilities that are classified under North American Industrial Classification System Code 622.

13. **Modernization/Renovation of Existing Facilities:** The replacement or upgrading of existing Facilities.
14. **New Facility:** The construction of a Facility on previously undeveloped Real Property eligible for tax abatement.
15. **New Permanent Job:** A new employment position created by a business that has provided employment to an employee of at least 1,820 hours annually and intended to be an employment position that exists during the life of the abatement.
16. **Owner:** The record title owner of Real Property or the legal owner of Tangible Personal Property. In the case of land leased from the County or buildings leased from a private party or tax exempt property, the lessee shall be deemed the Owner of such leased property together with all Improvements and Tangible Personal Property located thereon.
17. **Real Property:** Land located within the boundaries of a County Reinvestment Zone and upon which Improvements are to be made or fixtures placed.
18. **Project:** The enterprise or activity for which any Facility or Improvement is constructed to benefit.
19. **County Reinvestment Zone:** Real Property designated as a Reinvestment Zone under the provisions of V.T.C.A., Tax Code, Section 201 or Section 312.401.
20. **Research and Development:** Research or experimentation to improve or develop new goods and/or services or to improve or develop the production process for such goods and/or services.
21. **Tangible Personal Property:** Any Personal Property not otherwise defined herein and which is necessary for the proper operation of any type of Facility.
22. **Wind-Energy Production:** The conversion of wind into electricity or the transmission, alteration, or storage of such electricity.