



ECONOMIC DEVELOPMENT INCENTIVE POLICY

I. GENERAL PURPOSE AND OBJECTIVES

The Town of Flower Mound is committed to the attraction of high quality development in all parts of town to expand and diversify the tax base. Success in economic development ensures Flower Mound's long-term financial ability to provide quality services and infrastructure to provide for ongoing improvement in the quality of life for its residential and corporate citizens. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, the Town will, on a case-by-case basis, give consideration to providing financial incentives as a stimulus for economic development in Flower Mound. It is the policy of the Town that said consideration will be provided in accordance with the procedures and criteria outlined in this document. Nothing herein shall imply or suggest that the Town is under any obligation to provide financial incentives to any applicant.

Tax incentives, as described in this Policy, will be available for new and/or existing facilities and structures and for businesses wanting to locate, expand, or modernize existing or new facilities and structures, except as this Policy may be limited for property described in Section 312 of the Texas Property Tax Code, and programs utilizing Chapter 380 of the Texas Local Government Code.

II. METHODOLOGY

All applicants shall be considered and negotiated on a case-by-case basis. Incentives will be considered only as inducements to generate development that otherwise would not occur. Incentives will not be considered if a building permit for new construction has been issued, a purchase of an existing building has been executed, or a tenant lease has been executed.

III. CRITERIA

The information requested in the application pertaining to fiscal impact, community impact, and employment impact will be used to determine whether or not it is in the best interests of the Town to recommend that incentives be offered to a particular project. In order to determine economic benefit, a **Cost/Benefit Analysis** will be performed to determine the feasibility of the project. The primary method to determine whether an applicant meets minimum thresholds is through an estimate of appraisal district average value per square foot for proposed- type development.

Specific considerations will include the degree to which the individual project furthers the goals and objectives of the community as described in the Town of Flower Mound Master Plan, as well as the relative impact on growth, employment, expansion of the tax base, and economic development.

IV. AVAILABLE INCENTIVES

Tax Abatement for Real or Personal Property

The general policy of the Town of Flower Mound is that the primary incentive program offered for qualifying companies is tax abatement. New, expanding, and modernizing businesses may be considered for tax abatement if the minimum threshold, as described in Table 1 below, is met. Abatements may be granted for either real property improvements or business personal property, but not both unless the project exceeds \$30 million in taxable value. Once a determination has been made that tax abatement should be offered, the value and term of the abatement may be determined by referencing the following table:

TABLE 1: Establishes a framework for considering the length and percentage of abatement according to assessed real property value of improvements, not to include land value, and business personal property, exclusive of inventory.

| <u>Value of Real And Personal Property</u> | <u>Years of Abatement</u> | <u>Percentage of Abatement</u> |
|--|-------------------------------|------------------------------------|
| \$50 M+ | negotiable (max of 10 yrs) | negotiable (max of 75%) |
| \$40 M | 6-7 | 40% |
| \$30 M | 5 | 30% |
| \$20 M | 4 | 25% |
| \$10 M | 3 | 20% |

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

If upon initial application a project qualifies for tax abatement under the guidelines set forth in this Policy, the Town may consider granting an additional 5% - 20% abatement for each one of the following factors provided, however, that the total tax abatement does not exceed 75% annually or continue for a period of more than ten years.

- The project will create a minimum of 25 new full-time jobs

| <u>Jobs</u> | <u>Percentage</u> |
|-------------|-------------------|
| 250+ | 20% |
| 101-250 | 15% |
| 51-100 | 10% |
| 25 – 50 | 5% |

- The project will provide wages at an average annual salary of \$40,000 or more – 5%
- The project is a LEED-registered “green” development – 5%

Tax abatement shall not apply to any portion of the land value of the project. The thresholds as described in Table 1 are considered guidelines for establishing the tax abatement agreement terms. The Town will determine amount and term of abatement for each individual project, and nothing herein shall imply or suggest that the Town is under any obligation to provide financial incentives to any applicant.

Other Incentives

The general policy of the Town is that the primary incentive program offered for qualifying companies is tax abatement. If a project exceeds \$30 million or presents extraordinary value to the Town in terms of tax base, employment, or quality of life amenities, the Town would consider additional incentives such as building permit fee rebates and/or impact fee reductions.

These fee-based incentives may be considered in lieu of abatement if the real and personal property project value meets the values referenced in the following table:

| <u>Value of Real And Personal Property</u> | <u>Percentage Fee Reductions</u> |
|--|--------------------------------------|
| \$50 M+ | negotiable |
| \$40 M | 50% |
| \$30 M | 35% |
| \$20 M | 25% |
| \$10 M | 25% |

V. EXISTING BUSINESS RETENTION/EXPANSION

When the Town of Flower Mound determines that incentives are required to retain existing businesses, which propose to improve or redevelop property within the Town limits, the Flower Mound Town Council may consider tax abatement and/or other incentives. Tax abatement will only apply to the increased valuation of the improvements over the appraised value of the property prior to such improvements as established by the appraisal district the year in which the tax abatement agreement is executed. Once a determination has been made that incentives should be offered, the value and term may be determined by referencing the following table:

| <u>Value of Real And Personal Property</u> | <u>Years of Abatement</u> | <u>Percentage of Abatement and/or Fee Reductions</u> |
|--|-------------------------------|--|
| \$30 M+ | negotiable (max of 10 yrs) | negotiable |
| \$15 M | 5 | 50% |
| \$5 M | 3 | 25% |

VI. INCENTIVE RECONSIDERATION

An incentive provided for speculative development will not be reconsidered by the Town unless a tenant occupies more than 90% of the total square footage of the facility, will employ at least 250 full-time employees, and will maintain a personal property value, exclusive of inventory, over five million dollars.

VII. EXCEPTIONS

Tax abatements will not be considered within any Tax Increment Reinvestment Zone (TIRZ) created in the Town. The Town created TIRZ #1 in September 2005, and has dedicated one hundred percent (100%) of the increased ad valorem tax base toward the TIRZ #1 Fund to provide funds for specific projects as directed by the TIRZ #1 Board of Directors and approved by the Town Council. Providing ad valorem tax abatements would dilute the projected value of the Fund and limit the ability to carry out approved projects within the TIRZ District.

In order to encourage the retention and/or expansion of existing business, or attract businesses which satisfy a community goal or objective, or meet a special need of the community, Town Council may, on a case-by-case basis, recommend an incentive which may not specifically comply with the above-referenced values and terms contained within this Policy. **Additionally, the Town will not consider incentives for any residential portion of a designated mixed-use project.**

VIII. APPROVAL

All applicants are considered on a case-by-case basis and all financial incentives are subject to final approval of the Town Council. **Even though a project may meet the criteria as set forth in this Policy, an application may be denied at the discretion of the Town.**

IX. PERFORMANCE

All financial incentives provided to an applicant are **performance-based**. Should a project granted tax abatement not satisfy the terms of the agreement, the project will forego the full amount of abatement to be received for that given year. Incentives provided other than tax abatements will be paid in full, up front, and be reimbursed over a specific period of time if performance goals are met as determined by the agreement. If taxable ad valorem property value falls below the minimum threshold for any given year during the agreement, the Town will retain the annual rebate amount intended for the project.

X. ANNUAL EVALUATION

Upon completion of construction, the Town shall perform an annual evaluation of each incentive agreement to ensure compliance with the agreement. This report will be generated after new taxable values are received in July of each year.

XI. PROCEDURAL GUIDELINES

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

Completion of the Application

- A. Applicant shall complete the "Application for Economic Development Incentives." Included in the application shall be a statement regarding the applicant's desire for consideration of available incentives listed in the Policy for Economic Development Incentives.
- B. Applicant shall prepare a map or other documents providing the following:
 - precise location of the property and all roadways within 500 feet of the site
 - complete legal description
 - existing uses and conditions of real property
 - proposed improvements and uses
 - proposed site plan and elevations, if applicable
 - any proposed changes in zoning
 - compatibility with the Town of Flower Mound Master Plan, applicable building codes, and Town ordinances.
- C. Applicant shall provide current ad valorem tax value estimates of three similar size and type projects within the county, as referenced by the appraisal district.
- D. Applicant shall complete all forms and information detailed in the application and submit all information to the Director of Economic Development, Town of Flower Mound, 2121 Cross Timbers Road, Flower Mound, TX 75028.
- E. All information in the application package detailed above will be reviewed for completeness and accuracy. Additional information may be requested, as needed.

Consideration of the Application

- A. The Town Council will review the application during Closed Meeting at a regular or called meeting(s). Additional information may be requested, as needed.
- B. The recommendation of the Town Council will be forwarded to the Economic Development Director, who will provide a response to the applicant on behalf of the Town.
- C. If the Town Council wishes to formally consider a request for tax abatement, the Town shall call a public hearing to consider establishment of a tax reinvestment zone in accordance with Section 312.201 of the Tax Code. The reinvestment zone must meet one or more of the criteria of Section 312.202 of the Tax Code.
- D. For other financial incentive requests, the Town Council shall also hold a public hearing and determine whether the project is feasible, practical, and desirable and would be of benefit to the Town after the expiration of the incentive agreement.
- E. Once a public hearing is called to consider the request for incentives, the application shall be regarded as a matter of public record and will be available for inspection by the public.
- F. Projects receiving financial incentives will be required to seek site plan approval from both the Planning and Zoning Commission and Town Council.
- G. The Town reserves the authority to enter into incentives agreements at differing percentages and/or terms as set forth in the guidelines of this Policy.

Definitions

“Abatement” means the full or partial exemption of ad valorem taxes for eligible properties in a reinvestment zone designated as such for economic development purposes. Abatement may be granted for either the real property improvements or business personal property, but not both unless otherwise allowed in this policy.

“Average Annual Salary” means the summed annual salary of each full-time employee divided by the number of full-time employees.

“Base Year Value” means the taxable value of the applicant’s real property and business personal property (including inventory and supplies) located in a designated reinvestment zone on January 1 of the year of the execution of the agreement as determined by the Central Appraisal District.

“Job” means a permanent, full-time employment position that has provided or resulted in employment of at least 1,820 hours per position in a year. Part-time positions shall not be included in this definition.

“LEED” means the U.S. Green Building Council’s Leadership in Energy and Environmental Design program.

“Major Employer” means a company or entity that provides a minimum of 100 full-time jobs within the Flower Mound Town limits.

“Reinvestment Zone” is an area designated as such for the purpose of tax abatement as authorized by Subchapter B, Municipal Tax Abatement, Title 3, Local Taxation, Vernon’s Texas Codes Annotated.



Town of Flower Mound Incentive Application

Name of Applicant: _____ Date: _____

Contact Name: _____

Address: _____

Phone: _____ E-mail: _____

Project/Company Name: _____ Project Location: _____

Company's Primary Business: _____

Is Project located in TIRZ? _____

Please provide the following information based on the completed project at full operation. It will be assumed that the project is phased in equal annual increments unless indicated otherwise by the applicant. All values should be those shown on the appraisal district tax rolls. Please provide supporting documentation where appropriate.

1. Incentive Request and Level (%) of Request(s): _____
(Rank order of priority)

2. Necessity of Incentive Request *(Describe the competitive, financial, or other issues associated with this request)*: _____

3. Would this project be financially feasible without requested incentive? _____

4. Is the project a relocation or new facility expansion? If relocation, please state current location: _____

5. Is the project new construction or lease? _____

6. If the project is new construction, is it a shell building or build-to-suit? _____

7. If the project is a lease, will it occupy existing space or new construction? _____

8. Will the applicant of the project be owner and/or tenant? _____

9. Specific operations to be performed at proposed location, including a description of products to be produced or distributed, or services to be provided: _____

10. Projected date of occupancy: _____

11. Site acreage and current assessed value of land: _____
12. Estimated assessed land value after construction or purchase price of land: _____
13. Estimated assessed building value after construction: _____
14. Type of development and percentage of anticipated uses: _____
15. Number and square footage of proposed buildings: _____
16. Number of water meters and irrigation meters and their sizes (for new construction): _____

17. Estimated assessed value and description of business personal property: _____

18. Estimated value of end-of-year inventory and percentage subject to triple freeport exemption: _____

19. Number and average salary of permanent full-time employees: _____
20. Annual estimated retail sales and percentage subject to Town sales tax: _____
21. Annual estimated hotel sales subject to Town hotel occupancy tax: _____
22. Will Flower Mound be designated as a point of sale for construction or equipment purchases? _____
If so, what is the estimated project construction and equipment cost? _____
23. Is this anticipated to be a LEED's certified project? _____
24. Is the property zoned to accommodate proposed use? _____ If not, what zoning is required by
project? _____
25. Is the project consistent with the Town's Master Plan and applicable development codes and ordinances?

26. Other factors the applicant would like to have taken into consideration: _____

Required Attachments – Check all those attached with submitted application

- | | |
|--|--|
| <input type="checkbox"/> Site Map | <input type="checkbox"/> Elevations |
| <input type="checkbox"/> Site Plan | <input type="checkbox"/> Assessed value of three comparable size projects within the county or region. |
| <input type="checkbox"/> Legal Description | |

Applicant shall complete all forms and information detailed in the Application and submit all information to the Director of Economic Development, Town of Flower Mound, 2121 Cross Timbers Road, Flower Mound, TX 75028. For more information, please contact Economic Development at 972-874-6045.