

**Consider the approval of a tax abatement agreement with Centerline Technologies, LLC, and take appropriate action.**

(11-22:49)

11. August 21, 2023. Sharon Barnard with Victoria Economic Development Corporation provided information to the Court. Moved by Danny Garcia and seconded by Gary Burns, the Commissioners Court approved a tax abatement agreement between Victoria County, Texas and Centerline Technologies, LLC. Motion adopted.

AGREEMENT

This TAX ABATEMENT AGREEMENT (this “AGREEMENT”) is entered into by and between VICTORIA COUNTY, TEXAS, a political subdivision of the State of Texas (“COUNTY”), and CENTERLINE TECHNOLOGIES, LLC, a limited liability company organized under the laws of the State of Texas (“CENTERLINE TECHNOLOGIES”), doing business at 111 Elk Drive, Victoria, Texas 77904.

WITNESSETH:

WHEREAS, on November 14, 2022, the Commissioners' Court of Victoria County, Texas, re-adopted certain Guidelines and Criteria of Victoria County for Creation of Reinvestment Zones and for Granting Tax Abatement in Reinvestment Zones created in Victoria County, Texas, a copy of which is attached hereto and incorporated herein as Exhibit "A", herein referred to as the "POLICY STATEMENT";

WHEREAS, the POLICY STATEMENT declares the COUNTY'S election to participate in a tax abatement program and sets forth the guidelines and criteria governing all tax abatements to be entered into by the COUNTY as contemplated by the Property Redevelopment and Tax Abatement Act codified in Chapter 312, Vernon's Texas Tax Code, as amended, herein referred to as the “STATUTE”;

WHEREAS, on July 17, 2023, the Commissioners' Court of Victoria County, Texas passed Resolution No. 2023-0091 establishing the VICTORIA COUNTY REINVESTMENT ZONE #3 (the "REINVESTMENT ZONE") for commercial/industrial tax abatement, as authorized by the STATUTE;

WHEREAS, the REINVESTMENT ZONE is comprised of 78.492 acres in Victoria County,

Texas, which includes, without limitation, that certain 5-acre tract of land herein referred to as the PREMISES, described as:

Being a 5.0-acre tract of land situated in Victoria County, Texas out of the Jose Luis Carbajal Survey, Abstract No. 12, Victoria County, Texas, more fully described on Exhibit "B";

WHEREAS, the PREMISES is currently owned by WJB Development, LLC and leased to CENTERLINE TECHNOLOGIES for an initial term of five (5) years, commencing August 1, 2023, and terminating on August 2, 2028, and CENTERLINE TECHNOLOGIES will have the option to renew such term for consecutive renewal periods consisting of five (5) years, all in accordance with Ground Lease dated August 1, 2023 (the "LEASE");

WHEREAS, a New Facility comprised of 10,000 square foot metal building with 6,000 square foot front covering will be constructed and utilized for equipment storage and relocation/expansion of existing office located in Victoria, Texas, having a capital investment of at least \$574,000.00, herein referred to as the "IMPROVEMENTS";

WHEREAS, Section 2.6 of the POLICY STATEMENT provides that a third party owner who constructs a new facility for lease, the building owner may be eligible for phase-ins, and to calculate the applicable category for phase-in, the investment of both entities will be added and each shall be eligible to receive phase-in at the same rate as would have been available if one owner was accomplishing the entire project;

WHEREAS, the Base Year Value of the PREMISES is \$ 30,000.00. From and after the effective date of the LEASE, the LEASE and all improvements on the PREMISES will be added to the tax rolls based on their appraised value as determined by the Victoria County Appraisal District;

WHEREAS, the PREMISES does not include any property that is owned by a member of

their respective councils or boards, agencies, commissions, or other governmental bodies approving, or having responsibility for the approval of this AGREEMENT;

WHEREAS, on June 15, 2023, CENTERLINE TECHNOLOGIES submitted an application (the "APPLICATION") with the COUNTY requesting tax abatement under the guidelines and criteria established by the POLICY STATEMENT for the construction and operation of the IMPROVEMENTS described under Ground Leases between WJB DEVELOPMENT, LLC and CENTERLINE TECHNOLOGIES.

WHEREAS, CENTERLINE TECHNOLOGIES acknowledges, represents and warrants that the IMPROVEMENTS are reasonably expected to increase the appraised value of the PREMISES by at least \$574,000.00, and CENTERLINE TECHNOLOGIES will retain at least thirty (30) full-time permanent jobs within one year after start-up;

WHEREAS, the Commissioner's Court has found that construction of the contemplated IMPROVEMENTS, the contemplated use of the PREMISES, and all other terms and conditions of this AGREEMENT are consistent with encouraging development of the REINVESTMENT ZONE in accordance with the POLICY STATEMENT and all applicable law and will maintain and/or enhance the commercial/industrial economic and employment base of the COUNTY to the long term interests and benefit of the COUNTY in accordance with the STATUTE; and

WHEREAS, the Commissioner's Court has found that the terms of this AGREEMENT and the property subject to this AGREEMENT meet the guidelines and criteria established by, and are in compliance with, the POLICY STATEMENT and the STATUTE; that entering into this AGREEMENT would not have a substantial adverse effect on the provision of governmental service or tax base; that CENTERLINE TECHNOLOGIES has sufficient financial capacity for



the construction of the IMPROVEMENTS; and that the planned or potential use of the PREMISES would not constitute a hazard to public safety, health or morals or be in violation of other code or law.

NOW THEREFORE the parties hereto do mutually agree as follows:

1. IMPROVEMENTS with a capital investment of at least \$574,000.00 shall commence on or before November 1, 2023. Thereafter, construction of IMPROVEMENTS will be diligently pursued, all in accordance with applicable state and local laws and regulations, so as to substantially complete the same on or before March 1, 2024 (the "COMPLETION DATE"). The COMPLETION DATE may be extended as required in the event of "force majeure". For this purpose, "force majeure" shall mean any contingency or cause beyond the reasonable control of CENTERLINE TECHNOLOGIES including, without limitation, acts of God or the public enemy, war, riot, civil commotion, insurrection, governmental or de facto governmental action (unless caused by acts of omissions of CENTERLINE TECHNOLOGIES), fires, explosions or floods, and strikes.

2. From and after the COMPLETION DATE until expiration of this AGREEMENT, CENTERLINE TECHNOLOGIES shall keep the LEASE in full force and effect, timely comply with all of the tenant's obligations under the LEASE, and continuously operate and maintain the PREMISES for equipment storage and offices.

3. CENTERLINE TECHNOLOGIES shall retain and maintain at least thirty (30) full-time employment positions in connection with the operation and maintenance of the IMPROVEMENTS, commencing one year following the COMPLETION DATE and continuing through the duration of the ABATEMENT. Within thirty (30) days of the close of each calendar year during the term of this AGREEMENT commencing one year following the COMPLETION DATE, CENTERLINE TECHNOLOGIES will furnish to the COUNTY an affidavit, signed by an authorized official of CENTERLINE TECHNOLOGIES certifying that it's requirement to retain and maintain employment for thirty (30) local, full-time employment positions in connection with the operation and maintenance of the IMPROVEMENTS for the preceding calendar year has been satisfied.

4. The COUNTY, its agents and employees, shall have reasonable right of access to the PREMISES to inspect the IMPROVEMENTS in order to ensure that the construction of the IMPROVEMENTS are in accordance with the AGREEMENT and all applicable state and local laws and regulations or valid waiver thereof. After completion of the IMPROVEMENTS, the COUNTY shall have the continuing right to inspect the PREMISES to insure that the PREMISES are thereafter maintained and operated in accordance with this AGREEMENT during the abatement period.

5. For the year following the ABATEMENT PERIOD, the appraised value of the IMPROVEMENTS shall not be less than \$574,000.00;

6. Subject to completion of construction of the IMPROVEMENTS, creation of jobs required hereunder, and satisfaction of all of the other terms and conditions of this AGREEMENT, the POLICY STATEMENT, and STATUTE, the COUNTY agrees, for a term of four (4) consecutive years beginning January 1, 2025, (the "ABATEMENT PERIOD") to abate a portion of Victoria County Taxes and Road and Bridge Taxes on the value of IMPROVEMENTS qualifying as new Eligible Property for abatement in accordance with the terms of the terms of the POLICY STATEMENT and applicable law and the following phase-in schedule:

2025	90%
2026	80%
2027	60%
2028	40%

The taxable value of new Eligible Property is estimated to be \$574,000.00. For purposes of this Section, the term "taxable value" shall be that value assigned in good faith by the Victoria County Appraisal District for each year of the ABATEMENT PERIOD.

7. In the event that (i) the IMPROVEMENTS for which an abatement has been granted are not substantially completed in accordance with this AGREEMENT; (ii) within one year following completion of the IMPROVEMENTS and continuing for the duration of the AGREEMENT, local full-time employment positions in connection with the operation and maintenance of the IMPROVEMENTS, are less than thirty (30); (iii) CENTERLINE TECHNOLOGIES does not continuously operate and maintain the PREMISES for equipment storage and offices during the duration of the AGREEMENT; (iv) CENTERLINE TECHNOLOGIES is in default of any representation, obligation or agreement hereunder; (v) payment of ad valorem taxes owed to the COUNTY on the IMPROVEMENTS becomes delinquent and fails to timely and properly follow the legal procedures for their protest and/or contests; or (vi) there is a violation of Section 6 ("RECAPTURE") or any other provision of the POLICY STATEMENT, then this AGREEMENT shall be in default and the POLICY STATEMENT will govern and control. Notice shall be in writing and shall be delivered by personal delivery or certified mail to CENTERLINE TECHNOLOGIES at the address recited herein. Subject to any notice and cure periods which may be required under the POLICY STATEMENT, all taxes previously abated by virtue of this AGREEMENT and all other agreements (if any) will be recaptured (without the addition of penalty but with interest at the statutory rate for delinquent taxes as determined by Section 33.01 of the Property Tax Code of the State of Texas) will become a debt to the COUNTY and shall be due, owing and paid to the COUNTY within sixty (60) days of the termination. The parties acknowledge that actual damages in the event of default and termination would be speculative and difficult to determine. Accordingly, the COUNTY agrees that the damages set forth above are a fair estimate of damages that the COUNTY would incur in the event of a default and termination and as such the County agrees that it shall not be entitled to any damages or to any equitable relief (such as an injunction) in the event of a default or termination.



8. The proposed nature of construction, use, time schedule, map, improvement list and other terms contained in the APPLICATION are incorporated herein by reference to the extent they do not conflict with any of the express terms of this AGREEMENT.

9. The provisions, terms and conditions of the POLICY STATEMENT which is made a part of this AGREEMENT shall govern and prevail should a conflict arise between the text of this AGREEMENT and POLICY STATEMENT.

10. This AGREEMENT cannot be assigned by CENTERLINE TECHNOLOGIES unless written permission is first granted by the COUNTY, which permission shall be at the sole discretion of the COUNTY. The terms and conditions of this AGREEMENT are binding upon the successors and assigns of all parties hereto.

11. It is understood and agreed between the parties that CENTERLINE TECHNOLOGIES, in performing its obligations hereunder, is acting independently, and the COUNTY assumes no responsibilities or liabilities in accordance therewith to third parties and CENTERLINE TECHNOLOGIES agrees to indemnify and hold the COUNTY harmless therefrom.

12. Any notice required under this AGREEMENT must be given in writing sent by certified United States mail, postage prepaid, or by personal delivery.

Notice shall be addressed to the COUNTY as follows:

VICTORIA COUNTY COMMISSIONERS' COURT  
101 N BRIDGE STREET, ROOM 102  
VICTORIA, TEXAS 77901

Notice shall be addressed to CENTERLINE TECHNOLOGIES as follows:

CENTERLINE TECHNOLOGIES, LLC  
111 ELK DRIVE  
VICTORIA, TEXAS 77904

Each party may change its designated address by written notice to all parties as set forth above in this AGREEMENT. Notices shall be deemed to have been received as of three (3) days after mailing unless actual receipt is earlier.

13. CENTERLINE TECHNOLOGIES acknowledges and represents that it has all approvals required by applicable law and the full right, power and authority to enter into this AGREEMENT and WAYLAN BRANNAN III, its Managing Member, has authority to enter into this AGREEMENT on behalf of CENTERLINE TECHNOLOGIES.

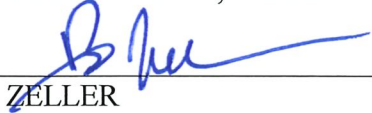
14. This AGREEMENT shall constitute a valid and binding agreement between the COUNTY and CENTERLINE TECHNOLOGIES, and their permitted successors and assigns, when executed in accordance herewith.

15. This AGREEMENT constitutes the entire agreement between the parties and no verbal or written representatives have been made a part of this AGREEMENT unless specifically set out herein.

16. This AGREEMENT is governed by the laws of the State of Texas and is performable in Victoria County, Texas.

WITNESS our hands this 21 day of August, 2023.

VICTORIA COUNTY, TEXAS

By:   
BEN ZELLER  
County Judge

CENTERLINE TECHNOLOGIES, LLC


By:   
Name: WAYLAN BRANNAN III  
Its: Managing Member

EXHIBIT "A"

GUIDELINES AND CRITERIA OF VICTORIA COUNTY  
FOR CREATION OF REINVESTMENT ZONES  
AND FOR GRANTING TAX ABATEMENT  
IN REINVESTMENT ZONES  
CREATED IN VICTORIA COUNTY, TEXAS



# **GUIDELINES AND CRITERIA**

## **Tax Abatement or Phase-In**

### **The City of Victoria and/or Victoria County Texas**

WHEREAS the Victoria County recognize that an active program of economic development is necessary to the economic welfare of the community and its citizens;

WHEREAS - Victoria County recognizes that abatement or phase-in of certain taxes can be an effective economic incentive to attract or retain businesses to the community;

WHEREAS the Texas Property Redevelopment and Tax Abatement Act provides that a taxing unit may not enter into a tax abatement agreement and the governing body of a municipality or county may not designate an area as a reinvestment zone unless the governing body has established guidelines and criteria governing tax abatement agreements by the taxing unit, and

WHEREAS the Texas Property Redevelopment and Tax Abatement Act further provides that the guidelines and criteria adopted by a city or county are effective for two years from the date adopted

NOW THEREFORE - Victoria County sets forth the guidelines and criteria for tax abatement or tax phase-in within -its respective jurisdictions as follows:

#### **Section 1**

#### **Definitions**

The following defined terms shall have the following definitions when capitalized herein:

**1.1 "Abatement"** means the full or partial exemption from ad valorem taxes of certain real property in a Reinvestment Zone designated by an Affected Jurisdiction for economic development purposes.

**1.2 "Affected Jurisdiction"** means Victoria County and any municipality or school district, the majority of which is located in Victoria County that levies ad valorem taxes upon and provides services to property located within the proposed or existing Reinvesting zone designated by Victoria County.

**1.3 "Agreement"** means written contractual agreement between a property owner and/or lessee and an Affected Jurisdiction for the purposes of tax abatement.

**1.4 "Base Year Value"** means the assessed value of eligible property January 1 preceding the execution of the Agreement plus (if applicable) the agreed upon value of eligible property improvements made after January 1 but before the execution of the Agreement.

**1.5 "Deferred Maintenance"** means improvements necessary for continued operations, which do not improve productivity or alter the process technology.

**1.6 "Distribution Center Facility"** means buildings and structures, including machinery and equipment, used or to be used primarily to receive, store, service or distribute goods or materials owned by the facility operator where a majority of the goods or services are distributed to points at least 25 miles from its location in Victoria County.

**1.7 "Expansion"** means the addition of buildings, structures, machinery or equipment for purposes of increasing production capacity.

**1.8 "Facility"** means property improvements completed or in the process of construction which together compromise an integral whole.

**1.9 "Initiating Governing Body"** shall be either the Victoria City Council or the Victoria County Commissioner's Court depending on whether Applicant's project is located in the City of Victoria or within Victoria County but outside the City of Victoria.

**1.10 "Manufacturing Facility"** means buildings and structures, including fixed in place machinery and equipment, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.

**1.11 "Modernization"** means the replacement and upgrading of existing facilities which increases the productive input or output, updates the technology or substantially lowers the unit cost of the operation. Modernization may result from the construction, alteration or installation of buildings, structures, fixed in place machinery or equipment. It shall not be for the purpose of reconditioning, refurbishing or repairing.

**1.12 "New Facility"** means a property previously undeveloped that is placed into service by means other than or in conjunction with expansion or modernization.

**1.13 "New Jobs"** means employees associated with the authorized facility on a full-time permanent basis in the City of Victoria or Victoria County within one year of production start-up. These jobs:

- a. Must be dependent upon the proposed project (i.e. the positions would not exist if the project is not completed) **AND**;
- b. Must NOT simply relocate current employees within the company without the employee's previous position being filled. (i.e. Company employment 1 year from start-up must be equal to or greater than the current employment listed on the application plus the number of new jobs.)

**1.14 "Other Basic Industry"** means buildings and structures including fixed machinery and equipment not elsewhere described, used or to be used for the production of



products or services which serve a market primarily outside the Victoria Metropolitan Statistical Area (VMSA) and result in the creation of new permanent jobs and create new tax base in the VMSA.

**1.15 "Phase In"** means the incremental increase of taxes over a period of four to eight years until full local taxation is reached, according to the schedule found in Section 2.8. It has been determined that this terminology more accurately reflects the practice of abatement for the City and County of Victoria, Texas.

**1.16 "Productive Life"** means the number of years a property improvement is expected to be in service.

**1.17 "Regional Service Facility"** means buildings and structures, including machinery and equipment, used or to be used to service goods where a majority of the goods being serviced are domiciled at least 25 miles from the facility's Victoria County location.

**1.18 "Reinvestment Zone"** is a specific parcel of property designated by the City or the County (as applicable) within which tax abatement can be granted.

**1.19 "Research Facility"** means buildings and structures, including fixed in-place machinery and equipment, used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.

## **Section 2** **Requirements For Phase-In**

**2.1 Authorized Facility.** A facility may be eligible for phase-in if it is located in a designated Reinvestment Zone and is a: Manufacturing Facility, Research Facility, Distribution Center or Regional Service Facility, or Other Basic Industry.

**2.2 Creation of New Value.** Phase-in may only be granted for the additional value of eligible property improvements made subsequent to and specified in a phase-in Agreement between the Affected Jurisdiction and the property owner or lessee, subject to such limitations as governing body may require.

**2.3 Employee Origin.** In order to be eligible for designation as a Reinvestment Zone and receive tax phase-in, the planned improvement must not be expected to solely or primarily have the effect of transferring employment from one part of Victoria County to another.

**2.4 Eligible Property.** Phase-in may be extended to the value of buildings, structures, fixed machinery and equipment, site improvements plus that office space and related fixed improvements necessary to the operation and administration of the facility.

**2.5 Ineligible Property.** The following types of property shall be fully taxable and ineligible for phase-in: land; inventories; supplies; tools; furnishings, and other forms of movable personal property; vehicles; vessels; aircraft; housing; hotel accommodation; retail facilities; Base Year Value investments; property to be rented or leased to third parties except as provided in Section 2.6; property owned or used by the State of Texas or its political subdivisions or by any organization owned, operated or directed by a political subdivision of the State of Texas; and property in a Reinvestment Zone that is owned or leased by a member of the governing body creating the Reinvestment Zone, or a member of the Victoria Planning Commission for a City-created Reinvestment Zone.

**2.6 Lease Facilities.** If a new facility is to be constructed by a third party owner for lease to an Applicant otherwise eligible for tax phase-in, then the building owner may also be eligible for phase-ins. To calculate the applicable category for phase-in, the investment of both entities will be added and each shall be eligible to receive phase-in at the same rate as would have been available if one owner was accomplishing the entire project.

**2.7 Economic Qualifications.** In order to be eligible to receive tax phase-in, the planned new facility or planned expansion to modernization of an existing facility must meet the following qualifications:

- a. Be reasonably expected to increase the appraised value of the property in the amount of not less than Five Hundred Thousand (\$500,000) dollars after construction is completed.
- b. For new construction projects expected to create less than ten (10) New Jobs, pay employees in New Jobs an aggregate base weekly wage equal to ten (10) times the average weekly wage across all sectors for Victoria County for the most recent calendar quarter reported by the Texas Workforce Commission as of the date of the application.
- c. Companies seeking to qualify for tax phase-in on the basis of job retention shall document that without the creation of a reinvestment zone and/or tax phase-in; the company will either reduce or cease operations.

**2.8 Maximum Available Abatements Per Year \***

Taxable Investment (Millions)	Year							
	1	2	3	4	5	6	7	8
Up to .50	---	---	---	---	---	---	---	---
.50 to 1.99	90	80	60	40	---	---	---	---
2.0 to 3.99	90	90	75	60	45	---	---	---
4.0 to 7.99	90	90	80	70	60	50	---	---
8.0 to 15.99	90	90	85	75	65	55	45	---
16.0 or more	90	90	85	80	75	65	55	45



\* Affected jurisdictions reserve the right to grant abatements less than the maximums stated above.

\* For Eligible Property investments in excess of \$100 million or 100 New Jobs, the Affected Jurisdictions reserve the right to grant Abatements up to the state maximum of 100% for 10 years.

**2.9 New and Existing Facilities.** Tax phase-in may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion.

**2.10 Transferability.** A tax abatement Agreement may only be assigned to a new owner or lessee of a facility with the written consent of the governmental entity that granted the abatement, which may be withheld at said governmental entity's discretion.

**2.11 Partially Eligible.** Partially eligible for phase-ins are modernization projects and manufacturing facilities, which are intended to replace existing equipment, or facilities when the existing equipment and facilities will be removed thus eliminating existing value from the tax rolls. In this event, the value of the existing facility and equipment shall be frozen at the time of the phase-in Agreement and shall remain frozen throughout the phase-in period. The eligible abatable value of the new project shall be the difference between the total new investment amount and the existing tax value of the equipment and/or facility to be removed.

**2.12 Taxability.** From the execution of the phase-in contract to the end of the Agreement period, taxes shall be payable as follows: (1) the value of ineligible property as provided in Section 2.5. shall be fully taxable; (2) the Base Year Value of existing eligible property as determined each year shall be fully taxable; and, (3) the additional value of new eligible and partially eligible property shall be taxable in the manner described in Section 2.8.

**2.13 Term of Phase-in.** The term shall be no longer than as set out in the schedule shown in paragraph 2.8 for each stated range of investment.

### **Section 3** **Application**

**3.1 Written Request.** Any present or potential owner of taxable property in an Affected Jurisdiction may request the creation of a Reinvestment Zone and tax phase-in by filing a written request with the Affected Jurisdictions and attaching a plat and metes and bounds description effectively describing said Reinvestment Zone.

**3.2 Contents of Application.** The application shall consist of a completed application form accompanied by: a general description of the proposed use and the general nature and extent of the modernization, expansion or new improvements to be undertaken; a descriptive list of the improvements which will be a part of the facility; a map and property description; and a time schedule for undertaking and completing the planned improvements. In the case of modernizing, 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. The application form shall also include such financial and other information necessary for the governing body to evaluate the financial capacity and other factors of the applicant.

**3.3 Filing the Application.** The initial application for the creation of a "Reinvestment Zone" and tax phase-in shall be made to Victoria's Mayor if the project is to locate within the incorporated territory of the City of Victoria. If the project is to be located within Victoria County but outside of the incorporated territory of the City of Victoria, then the initial application shall be made to the Victoria County Judge. Upon receipt of a completed application, the Mayor or County Judge, as applicable, shall notify in writing the presiding officer of the legislative body of each Affected Jurisdiction and provide each presiding officer with a copy of the application. The Mayor or County Judge as applicable shall then set a public hearing before the "Initiating Governing Body" to afford the Applicant an opportunity to request that a Reinvestment Zone be designated and to describe the project and request the tax phase-in. All interested parties will have the opportunity to publicly state why the phase-in should or should not be granted at this hearing. Notice of the Public Hearing shall be clearly identified on a governing body agenda and be timely posted as provided by law. After the Initiating Governing Body creates the Reinvestment Zone, the other Affected Jurisdictions may set their public meetings in the same manner as described above to grant or not grant the applied for abatement.

**3.4 Feasibility Study.** After receipt of an application for creation of a Reinvestment Zone and application for phase-in, Victoria Economic Development Corporation shall provide the Affected Jurisdictions a feasibility study setting out the impact of the proposed Reinvestment Zone and tax phase-in. The feasibility study shall include, but not be limited to, an estimate of the economic impact on each jurisdiction of the creation of the Zone and the abatement amount of taxes on the property to be included in the Zone.

**3.5 Timeliness.** The governing body shall not establish a Reinvestment Zone for the purpose of abatement if it finds that the request for the phase-in was filed after the commencement of construction, alteration, or installation of improvements related to a proposed modernization, expansion or new facility.

## **Section 4** **Public Hearing**

**4.1 No Obligation.** The adoption of these guidelines and criteria by the governing body of a taxing unit does not:

- a. limit the discretion of the governing body to decide whether to enter into a specific tax phase-in 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 phase-in; or

- c. create any property, contract, or other legal right in any person or entity to have the governing body considers or grant a specific application or request for tax phase-in.

**4.2 Adverse Effects.** Should any Affected Jurisdiction be able to make findings during its public hearing that the granting of abatement will have a substantial adverse effect on its bonds, tax revenue, service capacity or the provision of service, that finding shall be a reason for the governing body to deny any designation of the Reinvestment Zone, the granting of abatement, or both. Additionally, the Initiating Governing Body reserves the right to grant less than the abatement percentages shown in Section 2.8, or deny all phase-ins if the governing body, in its sole discretion, determines that Applicants' investment will not meet the community enhancement goals of said governing body.

**4.3 Additional Conditions to Approval.** Neither a Reinvestment Zone nor phase-in Agreement shall be authorized if it is determined that: (1) there would be a substantial adverse affect on the provision of government service or tax base; (2) the applicant has insufficient financial capacity; (3) planned or potential use of property would constitute a hazard to public safety, health or morals; or, (4) violation of other codes or law.

## **Section 5** **Agreement**

**5.1 Compliance with Guidelines and Criteria.** The Initiating Governing Body of a taxing unit may not enter into a Tax Phase-in Agreement unless it finds that the terms of the Agreement and the property subject to the Agreement meet these Guidelines and Criteria.

**5.2 Contents of Agreement.** After approval, the governing body shall formally pass a resolution and execute an Agreement with the Applicant, and if applicable, the owner of the facility which shall include: (1) estimated value to be abated and the Base Year Value; (2) percent of value to be abated each year as provided in Section 2.7; (3) the commencement date and the termination date of phase-in; (4) the proposed use of the facility; nature of construction, time schedule, map, property description and improvement list as provided in, Section 3.2; (5) contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, administration and assignment as provided in Sections 6 and 7, or other provisions that may be required for uniformity or State law. Such Agreement shall be executed within 60 days after the applicant has forwarded all necessary information and documentation to the governing body or at such later date as may be agreed between applicant and the governing body.



## Section 6 Recapture

**6.1 Discontinuation of Service.** In the event that the facility is completed and begins producing product or service, but subsequently discontinues producing product or service for any reason excepting fire, explosion or other casualty or accident or natural disaster for a period of one year during the phase-in period, then the phase-in Agreement shall terminate and so shall the abatement of the taxes for the current and any future calendar year during which the facility no longer produces. The taxes, which were to be abated for that calendar year, shall be paid to the Affected Jurisdictions within 60 days from the date of termination.

**6.2 Default and Cure.** Should the governing body determine that the company or individual is in default according to the terms and conditions of its Agreement, the governing body shall notify the company or individual in writing at the address stated in the Agreement, and if such is not cured within 60 days from the date of such notice ("Cure Period"), then the Agreement may be terminated.

**6.3 Termination of Agreement.** In the event that the company or individual (1) allows its unabated ad valorem taxes owed any of the Affected Jurisdictions to become delinquent and fails to properly follow the legal procedures for their protest and/or contest in a timely manner, or (2) violates any of the terms and conditions of the phase-in Agreement with any of the Affected Jurisdictions and fails to cure during the Cure Period, the Agreement then may be terminated by every Affected Jurisdiction and all taxes previously abated by virtue of every Agreement will be recaptured by each Affected Jurisdiction and shall be paid by Applicant to each Affected Jurisdiction within 60 days of the termination.

## Section 7 Administration

**7.1 Informed Appraisal.** The Chief Appraiser of the County shall 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 abatement, including changes in appraised value of property and verification of full-time equivalent positions as required by the Agreement. Once value has been established, the Chief Appraiser shall notify the Affected Jurisdictions that levies taxes on the amount of the assessment.

**7.2 Periodic Inspections.** The Agreement shall stipulate that employees and/or designated representatives of the Affected Jurisdictions will have access to the Reinvestment Zone during the term of the phase-in to inspect the facility to determine if the terms and conditions of the Agreement are being met. All inspections will be made only after the giving of twenty-four (24) hours prior notice and will only be conducted in such manner as to not unreasonably interfere

with the construction and/or operation of the facility. All inspections will be made with one or more representatives of the company or individual and in accordance with its safety standards.

**7.3 Annual Evaluation.** Upon completion of construction, the Affected Jurisdictions shall annually evaluate each facility and report possible violations to the contract and Agreement to the governing body and its attorney.

## **Section 8** **Sunset Provision**

**8.1 Biannual Review.** These Guidelines and Criteria are effective upon the date of their adoption and will remain in force for two years, at which time all Reinvestment Zones and tax phase-in contracts created pursuant to its provisions will be reviewed by the governing body to determine whether the goals have been achieved. Based on that review, the Guidelines and Criteria will be modified, renewed or eliminated providing that such actions shall not affect existing contracts.

**8.2 Industrial Districts.** These Guidelines and Criteria do not apply to Industrial District Contracts entered into in accordance with Chapter 42 of the Texas Local Government Code.

EXHIBIT "B"

LEGAL DESCRIPTION OF PREMISES

BEING five (5) acres (the "Property"), located in the southwestern corner of that certain tract of land containing approximately seventy-three (73) acres, more particularly described as:

Legal Description: 00120 J L Carbajal Abst 12 Tract 31, Acres 73.492

Address: 8718 Nursery Dr., Victoria, Texas 77904

Geo Id: 00120-00-47700