

**INDUSTRIAL AND COMMERCIAL  
TAX REINVESTMENT  
PROCEDURES MANUAL  
AND  
APPLICATION**



**SHERMAN, TEXAS**

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## **GENERAL PURPOSE AND OBJECTIVES**

The City of Sherman is committed to the promotion of high quality development in all parts of the city and to an ongoing improvement in the quality of life for its citizens. As these objectives are generally served by the enhancement and expansion of the local economy, the City of Sherman will, on a case-by-case basis, give consideration to providing tax abatement as a stimulation for economic development in Sherman. It is the policy of the City of Sherman 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 City of Sherman is under any obligation to provide tax abatement to any applicant. All applicants shall be considered on a case-by-case basis.

## **DEFINITION OF TERMS**

**Act** – The Property Redevelopment and Tax Abatement Act, Texas Tax Code Ann. 312.001, et seq., as amended from time to time.

**Agreement** – A contractual agreement between a property owner and/or lessee and taxing entity for the purpose of tax abatement.

**Applicant** – An owner of real property located in a reinvestment zone who requests tax abatement in accordance with these guidelines.

**Base Year Value** – The assessed value of eligible property on January 1 preceding the execution of the agreement made after January 1 but before the execution of the agreement.

**Economic Life** – The number of years a property improvement is expected to be in service in a facility.

**Deferred Maintenance** – Improvements necessary for continued operations that do not improve productivity or alter the process technology.

**Depreciation** – reduction in the appraised and or taxable value (before abatement), of an asset with the passage of time.

**Expansion** – The addition or enlargement of buildings, structures, fixed machinery or equipment for the purposes of increasing production capacity.

**Facility** – Property improvements completed or in the process of construction which together comprise an integral whole.

**Modernization** – 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 machinery or equipment. It shall not be for the purpose of reconditioning, refurbishing or repairing.

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

**Reinvestment Zone** – An area designated in accordance with the Act by the City of Sherman, or if outside the city limits of Grayson County. Only property in a Reinvestment Zone is eligible for tax abatement.

**Total Facility** – All buildings and structures including fixed machinery and equipment at the site(s) where the “abatement facility” is located.

## **APPLICANT ELIGIBILITY**

A Facility may be eligible for abatement if it is located in a Reinvestment Zone and construction has not begun.

As provided in the Act, abatement may only be granted for the value of eligible property subsequent to and listed in an abatement agreement between the taxing entity and the property owner and lessee (if required), subject to such limitations as the taxing entity may require.

Abatement may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion.

Eligible Property – Abatement may be extended to the value of buildings, structures, machinery and equipment, site improvement plus that office space and related improvements necessary to the operation and administration of the facility.

Ineligible Property – The following types of property shall be fully taxable and ineligible for abatement: land; inventories; supplies; tools; furnishings and other forms of movable personal property; vehicles; vessels; aircraft; housing; hotel accommodations; deferred maintenance investments; projects such as LED lighting and ADA (Americans with Disabilities Act) improvements; 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.

Owned/Leased Facilities – If a leased facility is granted an abatement, the agreement shall be executed with the lessor and the lessee. Further constraints will be considered under any lease hold facility.

Value and Term of Abatement – Upon determination that a Tax Abatement should be offered to the applicant, the value and terms of the abatement to be considered will be up to ten (10) years and up to 100% abatement including the construction period as provided by Texas State Law. Abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the abatement agreement. However, if requested, a one-year deferral may be granted.

Required Investment – Generally, a project must include at least \$5,000,000 in investment to be considered for a tax abatement.

## **COMMITTEE**

Any request for tax abatement shall be reviewed by the Tax Reinvestment Committee, said committee being comprised of two elected officials from each of the tax entities involved.

The Tax Reinvestment Committee may consider requests for abatement for property not presently located in a Reinvestment Zone. In that case, the Tax Reinvestment Committee will also make a recommendation to the City of Sherman that a certain geographic area be designated a Reinvestment Zone.

The Tax Reinvestment Committee serves as a recommending body to the taxing entities regarding whether economic development incentives should be offered in each individual case.

## **CRITERIA**

### Employment Impact

How many jobs will be brought to Sherman?

What types of jobs will be created?

List the number of jobs by class that will be created and the wage range of each class of job.

What will the total annual payroll be? Include current and increase factors.

Expectation for jobs filled by transfers from other company locations vs. locally-filled jobs.

### Fiscal Impact

How much real and personal property will be added to the tax rolls, in square footage and in estimated value?

What is the economic life of the personal property?

What is the expected depreciation of the taxable value of the real and personal property?

How much direct sales tax will be generated for the City of Sherman during construction and after operations have commenced?

How will this project affect existing businesses and/or office facilities?

What infrastructure construction would be required?

What is the total annual operating budget of this facility projected to be? (For expansion, state current and projected increase.)

What is the estimated water use?

### Community Impact

What effect would the project have on the local housing market?

How compatible is the project with the City's Comprehensive Plan?

What environmental impact, if any, will be created by the project?

## **PROCEDURES**

Grayson County, Grayson College, Sherman Independent School District, and the City of Sherman have in place resolutions allowing them to participate in Tax Reinvestment Zones and tax abatement agreements.

Any person, partnership, organization, corporation or other entity desiring that the City of Sherman consider providing tax abatement to encourage location of operations within the city limits of Sherman shall be required to comply with the following procedural guidelines. Nothing within these guidelines shall imply or suggest that Sherman be under any obligation to provide a tax abatement in any amount of value to any applicant.

1. Preliminary Application Steps
  - A. Applicant shall submit an “Application for Tax Abatement.”
  - B. Applicant shall address all criteria questions outlined in Section II in narrative form.
  - C. Applicant shall prepare a survey map showing the precise location of the property, all roadways within five hundred (500) feet of the site, all existing land uses and zoning within five hundred (500) feet of the site, and the kind, number and location of all proposed improvements.
  - D. City may request applicant to provide substantiation of the economic feasibility of the overall project to assist in determining the long-term benefit to the City.
  - E. A complete legal description shall be provided.
  - F. Applicant shall complete all forms and information detailed in Items A through B above and submit them to the City of Sherman or the Sherman Economic Development Corporation (SEDCO).
2. All information in the application package detailed above will be reviewed for completeness and accuracy. Additional information may be required as needed.

Applicant may be asked to meet with representatives of the City and SEDCO to discuss the details of the application and prepare it for a presentation of proposal to the Tax Reinvestment Committee. These meetings are held in confidence.



3. Applicant presents a proposal to the Tax Reinvestment Committee. (This committee consists of two representatives from the following taxing entities: Grayson County, Sherman Independent School District, Grayson College, and the Sherman City Council.) The proposal will need to include the total capital investment, type of project, and number of expected jobs to be created. The Tax Reinvestment Committee will determine the percentage and duration of tax abatement, if any, they will propose to their respective boards and council. Again, these meetings are held in confidence.
4. The Tax Reinvestment Committee representatives will present the proposal under an identifying number to avoid disclosure of Applicant to: Grayson County Commissioners Court, Sherman Independent School District Board, Grayson College Board, and the Sherman City Council.

The representatives are responsible for requesting this item be placed on their respective agendas for discussion.

If the Applicant's facility is not in a Reinvestment Zone, the City of Sherman's representatives will propose an ordinance to the City Council, designating the Tax Reinvestment Zone and approving the terms of percentage and duration of tax abatement. If the Applicant is located outside the Sherman city limits, and is within Grayson County, the Tax Reinvestment Zone would be designated by Grayson County.

The governing bodies of the Sherman Independent School District, Grayson College, and Grayson County may consider participation in the tax abatement agreement between the City of Sherman and the Applicant.

## **LEGAL DOCUMENTATION PREPARATION**

The governing body eligible for initiating the designation of the Reinvestment Zone (City or County) will be responsible for drafting the proposed agreement pursuant to the approved Tax Abatement, as well as all collateral documentation.

All legal fees associated with the drafting of the document are to be paid by the applicant.

The legal document is to include the following:

1. Estimated value of expansion or new construction to be abated.
2. Percent of value to be abated each year.
3. Commencement date and the termination date of abatement.
4. Proposed use of the facility, nature of construction, time schedule, map, property description and improvements list as provided in the application.
5. Contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture and administration.

# **EXECUTION OF AGREEMENT**

## **TAX REINVESTMENT ZONE INDUSTRIAL AND COMMERCIAL APPLICATION**

### **SECTION I**

1. Property Owner: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_  
Telephone Numbers: \_\_\_\_\_
2. Property Owner's Representative: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_  
Telephone Numbers: \_\_\_\_\_
3. Physical Property Address: \_\_\_\_\_
4. Property Legal Description (include as an attachment with metes and bounds)
5. Property is located within: City of Sherman? \_\_\_\_\_  
Sherman I.S.D.? \_\_\_\_\_  
Grayson County? \_\_\_\_\_
6. Description of Project: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. Date of projected occupation of project/initiation of operations: \_\_\_\_\_
8. Narrative response to criteria questions in Section II of application? \_\_\_\_\_  
(Yes or No, and include attachment)

## SECTION II

### Employment Impact

How many jobs will be brought to Sherman?

What types of jobs will be created?

List the number of jobs that will be created and the wage range of each class of job.

What will the total annual payroll be? Include current and increase factors.

Expectation for jobs filled by transfers from other company locations vs. locally-filled jobs.

### Fiscal Impact

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