

RESOLUTION NO. 2012-08-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS, ADOPTING THE AMENDED CITY GUIDELINES AND CRITERIA REGARDING TAX ABATEMENTS; AND PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, the City has adopted a Comprehensive Policy Statement on Economic Development and Community Redevelopment Incentives; and

WHEREAS, the City of McKinney Policy Statement as amended represents the goals of the City's use of financial incentives for business; and

WHEREAS, the Texas Tax Code provides that guidelines and criteria regarding tax abatements are effective for two (2) years from the date they are adopted; and

WHEREAS, it is necessary that the City Council of the City of McKinney review its tax abatement guidelines and criteria in order to comply with the Tax Code.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS, THAT:

Section 1. The tax abatement guidelines and criteria as amended for the City of McKinney are hereby adopted.

Section 2. These guidelines and criteria are effective for two (2) years from the date of the adoption of this Resolution.

Section 3. This Resolution takes effect immediately upon its passage.

DULY PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS ON THE 21st DAY OF AUGUST, 2012.

CITY OF MCKINNEY, TEXAS

BRIAN LOUGHMILLER
Mayor

ATTEST:

SANDY HART, TRMC, MMC
City Secretary
BLANCA I. GARCIA
Assistant City Secretary

APPROVED AS TO FORM:

MARK S. HOUSER
City Attorney

CITY OF MCKINNEY
COMPREHENSIVE POLICY STATEMENT ON ECONOMIC DEVELOPMENT AND
COMMUNITY REDEVELOPMENT INCENTIVES
(Adopted 8/21/12)

I. General Purpose and Objectives

The City of McKinney 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. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, the City of McKinney will, on a case by case basis, give consideration to providing tax abatement as a stimulus for economic development in McKinney. It is the policy of the City of McKinney that said consideration will be provided in accordance with the procedures and criteria outlined in this document.

According to Texas law, Property Redevelopment and Tax Abatement Act, V.T.C.A., Tax Code, Chapter 312, the City of McKinney may grant a tax abatement on the increment in value added to a particular property by a specific development proposal which meets the economic goals and objectives of the City. The tax abatement shall not apply to any portion of the inventory or land value of the project. Tax abatement may be offered on improvements to real property owned by the applicant and/or on new personal property brought to the site by the applicant. Projects which are developed involving leased real or personal property shall be governed under special terms and conditions which may be set forth in the agreement governing each specific tax abatement.

Tax abatement will not be ordinarily considered for projects which would be developed without such incentives unless it can be demonstrated that higher development standards or other development and community goals will be achieved through the use of the abatement.

Nothing herein shall imply or suggest that the City of McKinney is under any obligation to provide tax abatement to any applicant. All applicants shall be considered on a case-by-case basis.

II. Criteria for Tax Abatement

Any request for tax abatement shall be reviewed by the Joint Committee on Tax Abatement. In the event that a meeting of the Joint Committee on Tax Abatement cannot be convened in the timeframe needed to submit an economic development proposal, the City Manager or his designee is authorized to draft a tax abatement proposal to the company requesting an incentive package, subject to later review and approval by the Joint Committee on Tax Abatement and the City Council. The Joint Committee on Tax Abatement shall be comprised of:

- Two elected officials from the City of McKinney, as appointed by the Mayor,
- Two elected officials from the McKinney Independent School District, as appointed by the President of the Board of Trustees, if the McKinney Independent School District currently participates in tax abatements,
- One elected official from Collin County, as appointed by the County Judge, if Collin County currently participates in tax abatements, and
- One elected official from the Collin County Community College Board of Trustees, as appointed by the President of the Board of Trustees, if the Collin County Community College currently participates in tax abatements.

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

Their recommendation shall be based upon a subjective evaluation of job creation, additional taxable value created, other incentives provided by the City of McKinney and the

McKinney Economic Development Corporation, length of time to recover value of all incentives provided through property taxes, and community impact. The applicant may be requested to address the following criteria in narrative format.

1. A breakdown of types and number of jobs along with total annual payroll in sufficient detail that wages per employee can be analyzed relative to existing average wage trends in the community.
2. A summary of real and personal property value added to the tax roll; direct sales tax generation from either purchases or sales by the applicant; community and applicant investment in infrastructure; projected annual facility generating budget; whether or not the applicant proposes new construction, rehab or reuse of existing buildings, or some combination. This information must be provided in sufficient detail to accommodate an analysis of the fiscal impact on the community.
3. Summarize relocated employees and where from along with projected employment from the local or regional labor market including any plans for enhancing local hired job skills and resultant wage earning capacity.
4. Describe project environmental impacts upon beginning operations to include air, noise, and water.

III. Value of Incentives

The subjective criteria outlined in Section II will be used by the Joint Committee on Tax Abatement in determining whether or not it is in the best interests of the affected taxing entities to recommend that tax abatement be offered to a particular applicant. Specific considerations will include the degree to which the individual project furthers the goals and objectives of the community, as well as the relative impact of the project.

Once a determination has been made that a tax abatement should be offered, the value and term of the abatement will be determined by referencing the following table:

Value of Structure, Payroll & Personal Property	Years of Abatement	Percent of Abatement
\$80,000,000	10	25%
70,000,000	9	25%
60,000,000	8	25%
50,000,000	7	25%
40,000,000	6	25%
30,000,000	5	25%
20,000,000	4	25%
10,000,000	3	25%
5,000,000	2	25%

An additional number of years of abatement or an increased percentage of abatement may be granted to a project, subject to negotiation with the City, if the applicant meets one (1) or more of the following criteria:

1. The applicant's average wages for full-time employees exceeds the norm of McKinney wages within similar industry classifications by twenty (20) percent;
2. The applicant's value of improvements to real property exceeds the norm of McKinney building values by twenty-five (25) percent;
3. The estimated value of personal property (furniture, fixtures, inventory and equipment, etc.) to be added to the tax roll exceeds by thirty-five (35) percent the per square foot value of the building;

4. The value of the land owned by the applicant is abnormally higher as compared to the value of the real property improvements with a threshold for such a land value being fifty (50) percent of the value of the real property improvements thereon;
5. The applicant is an existing business in the City of McKinney which is expanding its operations; for these expansions, the Joint Committee on Tax Abatement may also choose to consider an abatement based on threshold values of structure, payroll & personal property that are fifty (50) percent of the values listed in the chart above;
6. The applicant presents a plan consistent with that established by the Equal Employment Opportunity Commission for the hiring of local disadvantaged and underemployed persons in McKinney; and/or
7. The applicant meets certain unique circumstances as specified in the abatement agreement.
8. The applicant is located in or will locate in a state-designated enterprise zone within the City of McKinney and is designated by the State of Texas as an official enterprise zone project. Such applicants will be eligible for an additional five (5) percentage points of abatement over and above the abatement offered in the City's basic policy outlined above.
9. The proposed project uniquely and significantly contributes to economic development goals of the City of McKinney, and is expected to attract other significant economic development projects to the City.

On a case-by-case basis, the City Council and the Joint Committee may consider offering an alternate tax abatement percentage where a project significantly improves the tax base or supports or attracts other commercial/industrial projects.

Any tax abatement granted a project shall become effective on January 1 of the year following the issuance of a Certificate of Occupancy (CO) unless otherwise specified in the tax abatement agreement.

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

Preliminary Application Steps

- A. Applicant shall complete "Application for Tax Abatement" form.
- B. Applicant shall submit a cover letter describing the project, its expected benefits to the community, other impacts on the community, any incentives requested or approved by the McKinney Economic Development Corporation, and any additional information pertinent to the project.
- C. Applicant shall prepare a plat showing the precise location of the property, and all roadways within 500 feet of the site.
- D. If the property is described by metes and bounds, a complete legal description shall be provided.
- E. Applicant shall complete all forms and information detailed in items A through D above and submit them to the Assistant City Manager, City of McKinney, Post Office Box 517, McKinney, Texas 75069-0517.

Application Review Steps

- F. All information in the application package detailed above will be reviewed for

completeness and accuracy. Additional information may be requested as needed.

- G. The application will be distributed to the appropriate City departments for internal review and comments. Additional information may be requested as needed.
- H. Copies of the complete application package and staff comments will be provided to the Joint Committee on Tax Abatement.

Consideration of the Application

- I. The Joint Committee on Tax Abatement will consider the application at a regular or called meeting(s). Additional information may be requested as needed.
- J. The recommendation of the Joint Committee on Tax Abatement will be forwarded, with all relevant materials, to the chief administrative officer of each taxing entity.
- K. The City Council of McKinney may consider a resolution calling for a public hearing to consider establishment of a reinvestment zone.
- L. The City Council of McKinney may hold the public hearing and determine whether the project is “feasible and practical and would be of benefit to the land to be included in the zone and to the municipality.”
- M. The City Council of McKinney may consider adoption of an ordinance designating the area described in the legal description of the proposed project as a commercial/industrial reinvestment zone.
- N. The City Council of McKinney may consider adoption of a resolution approving the terms and conditions of a contract between the City and the applicant governing the provisions of the tax abatement.
- O. The governing bodies of the McKinney Independent School District, Collin County and Collin County Community College may consider ratification of and participation in the tax abatement agreement between the City of McKinney and the applicant.