

## **EXHIBIT A**

### **The City of Cresson, Texas Tax Abatement Guidelines and Criteria**

#### **Section 1 Definitions**

“Abatement” means the full or partial exemption from ad valorem taxes of certain a portion of the appraised value of property in a reinvestment zone designated by the City for economic development purposes.

“Agreement” or “abatment agreement” means a contractual agreement for tax abatement between a property owner and/or lessee and an eligible jurisdiction for the purposes of tax abatement.

“Applicant” means any person, including business entities, who file an application in conformity with these guidelines seeking tax abatement from the City.

“Base year value” means the assessed value on the eligible property as of January 1 preceding the execution of the Agreement, plus any agreed-upon value of eligible property improvements made after January 1 but before the execution of the Agreement.

“City” means the City of Cresson.

“Deferred maintenance” means improvements necessary for continued operations, which do not improve productivity or alter the process technology.

“Eligible facilities” means one or more facilities used or to be used to produce goods or services from which a majority of revenues generated by activity at the facility are derived from outside the City.

“Eligible jurisdiction” means the City and any taxing authority having jurisdiction over land located within the proposed reinvestment zone and also located within the City that levies ad valorem taxes upon and provides services to property located within the proposed or existing reinvestment zone designated by the City.

“Expansion” means the addition of buildings, structures, fixed machinery, or equipment for purposes of increasing production capacity.

“Facility” means property improvements completed or in the process of construction, which, when complete, will comprise an integral whole capable of increasing the ad valorem property tax value of the land or leasehold estate and providing employment within the city. This definition further includes buildings and structures, including fixed machinery and equipment, the primary purpose of which is or will be (i) the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change, or (ii) the provision of services.

“Facility owner” means the owner of a facility constructed within a reinvestment zone, if different from the property owner.

“Ineligible facilities” means existing facilities which are intended to primarily provide goods or services to residents for existing businesses located in the City, including, but not limited to, restaurants and retail sales establishments.

“Modernization” means the upgrading of existing facilities, which increases the productive input or output, updates technology, or substantially lowers the unit cost of an operation. Modernization may result from the construction, alteration, or installation of buildings, structures, fixed machinery, equipment, or any combination thereof. It shall not be undertaken for the purposes of reconditioning, refurbishing, or repairing.

“New facility” means a property previously undeveloped that is placed into service by means other than or in conjunction with expansion or modernization.

“Productive life” means the number of years a property improvement is expected to be in service as a function and operational facility. The term includes useful life or economic life of a facility.

“Property owner” means the title owner to real property subject to any tax abatement agreement, or a lessee of the owner responsible for leasehold improvements to the real property.

“Reinvestment zone” means an area designated as such for the purposes of tax abatement as authorized by the Town in accordance with Chapter 312 of the Texas Tax Code, as amended.

## **Section 2**

### **Abatement Authorized for Development Goals**

1. **Eligible Facilities:** Upon application, eligible facilities as defined herein may be considered for tax abatement as hereinafter provided. An eligible facility must apply for tax abatement prior to the commencement of construction. Ineligible facilities shall not be considered for tax abatement pursuant to these guidelines and criteria.
2. **Creation of New Values:** Abatement may only be granted for the additional value of eligible property improvements made subsequent to and as specified in an abatement agreement between the City and the property owner or applicant, including a lessee, subject to such limitations as the City may require at its sole discretion.
3. **New and Existing Facilities:** Abatement may be granted for the additional value of eligible property improvements made subsequent to and specified in an abatement agreement between the City and the property owner or lessee, subject to such limitations as the City may require at its sole discretion.
4. **Eligible Property:** Abatement may be extended to the value of buildings, structures, fixed machinery and equipment, site improvements, and related fixed improvements necessary to the operation and administration of the facility.

5. **Ineligible Property:** The following types of property shall be fully taxable and ineligible for tax abatement:
- Land
  - Supplies
  - Inventory
  - Tools
  - Furnishings and other forms of movable personal property
  - Vehicles, vessels, or aircraft
  - Housing and residential property
  - Deferred maintenance investments
  - Property to be rented or leased except as provided in Section 2
  - Property which has a productive life of less than ten years, except spare parts associated with eligible facilities
  - Property that is associated with any activity that is illegal under federal, state, or local law
  - 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; or any other property for which abatement is not allowed by state law.
6. **Owned/Leased Facilities:** If a leased facility is permitted by state law to be granted abatement, the Abatement Agreement shall be applicable to the taxable value of the leased improvement, and shall be executed with both the lessor and the lessee, unless the lessee alone seeks tax abatement solely on the value of its leasehold interest in the improvements to the realty.
7. **Value and Term of the Abatement:** Abatement shall be granted effective with the execution of the Agreement. The value of the abatement will be determined based on the merits of the project, including, but not limited to, total capital investment value and added employment. Up to one hundred percent of the value of new eligible properties may be abated for a total term of abatement not to exceed ten (10) years. However, a project must provide an extraordinary economic benefit to the County to be considered for a one hundred percent (100%) abatement.
8. **Economic Qualifications:** In order to be eligible for designation as a reinvestment zone and receive tax abatement, the applicant must meet the following qualifications:
- a. Must be reasonably expected to have a minimum investment amount in the facility of five million dollars (\$5,000,000), including both eligible and ineligible property, within three (3) years from the commencement of construction; and
  - b. Must be reasonably expected to create employment for not less than ten (10) persons associated with the production of goods and services at the authorized facility on a full-time permanent basis in the City. The employment of these

persons must be accomplished by the completion of the third year of operations, based on the below schedule:

Year 1	50%
Year 2	25%
Year 3	25%

- c. The applicant must demonstrate sufficient experience in the industry relevant to the application, and sufficient financial capacity to perform the project as proposed.
  - d. Two or more part-time, permanent employees totaling an average of not less than forty (40) hours per week, may be considered as one (1) full-time, permanent employee.
  - e. Companies seeking to qualify for tax abatement on the basis of job retention shall document that without the creation of a reinvestment zone and/or tax abatement, the company will either reduce or cease operations.
  - f. An applicant that seeks only to solely and primarily have the effect of transferring employment from one part of the City to another part of the City shall not qualify for tax abatement on the basis of job creation.
9. Standards for Tax Abatement/Development Goals: The following factors, among others as may be determined to be relevant by the Cresson City Council, may be considered in determining whether to grant tax abatement:
- a. Value of existing improvements, if any;
  - b. Type and value of proposed improvements;
  - c. Productive life of proposed improvements;
  - d. Number of existing jobs to be retained by proposed improvements;
  - e. Number and type of new jobs to be created by proposed improvements;
  - f. Amount of local payroll to be created;
  - g. Whether the new jobs to be created will be filled by persons residing or projected to reside within the eligible jurisdiction;
  - h. The costs to be incurred by the City to provide infrastructure directly resulting from the proposed new improvements;

- i. The amount of ad valorem taxes to be paid to the City during the abatement period considering:
  - i. the existing values;
  - ii. the percentage of new value to be abated;
  - iii. the difference between current tax revenues being paid upon the relevant property and under the proposed Abatement Agreement.
  - iv. the length of the abatement period; and
  - v. the anticipated depreciated remaining taxable value of the improvements after expiration of the abatement period.
- j. The population growth of the City that occurs directly as a result of new improvements;
- k. The types and values of public improvements, if any, to be made by Applicant seeking abatement;
- l. Whether the proposed improvements compete with existing businesses to the detriment of the local economy or employment levels;
- m. The impact on the business opportunities of existing businesses;
- n. The potential for attraction of other new businesses to the area;
- o. The overall compatibility with the existing zoning ordinances or regulations and comprehensive economic planning for the area;
- p. Whether the project has provisions intended to protect the general health, safety and welfare of the City residents who may be impacted by the project, specifically whether the planned improvements include setbacks, visual screening, noise level limitations or other accommodations which might be reasonably expected of similar projects.
- q. Whether the project obtains all necessary permits from the applicable environmental agencies. Satisfactory evidence of compliance with any applicable state or federal regulations will be required.

Each eligible facility shall be reviewed on its merits utilizing the factors provided above. After such review, abatement may be denied entirely or may be granted to the extent deemed appropriate after full evaluation.

10. Construction in Progress. If a qualifying facility has not been placed in service within two (2) years after execution of the Abatement Agreement, the Applicant may apply for a one-year extension of the term of abatement, to be granted or denied in accordance with the Agreement. Said extension must be applied for prior to the expiration of the one-year anniversary of execution of the Abatement Agreement.
11. Denial of Abatement: Neither a reinvestment zone nor abatement agreement shall be authorized if it is determined that:
  - a. There would be substantial adverse effect on the provision of government services or tax base;
  - b. The applicant has insufficient financial capacity to perform the obligations of an abatement agreement;
  - c. Planned or potential use of the property would constitute a hazard to public health, safety or morals;
  - d. Violation of other codes or laws; or
  - e. Any other reason deemed appropriate by the Cresson City Council.
12. Taxability: From the execution of the Abatement Agreement to the end of the Agreement term, taxes shall be payable as follows:
  - a. The value of ineligible property as provided in Section 2 above shall be fully taxable; and
  - b. The base year value of existing eligible property as determined by the Chief Appraiser on January 1 of each year shall be fully taxable; and
  - c. The additional value of new eligible property shall be taxable in the manner and for the period provided for in the abatement agreement, subject to the terms set forth in Section 2.7; and
  - d. The residual, depreciated value of eligible property, as well as the additional value of new eligible property, shall be fully taxable at the end of the Agreement term.

### **Section 3 Application**

1. Any present or potential owner of taxable property in the City may request the creation of a reinvestment zone and tax abatement by filing a written application with the Mayor or the City Secretary.
2. The application shall consist of a written request for tax abatement, accompanied by:

- a. A general written description of the proposed use and the general nature and extent of the modernization, expansion, or new improvements to be undertaken.
  - b. A descriptive list of the improvements for which abatement is requested.
  - c. A map of the proposed abatement zone and a property description, including a legal description, County Appraisal District parcel identification number(s), a plat, a replat, or a proposed plat of the property.
  - d. A projected schedule for undertaking and completing the planned improvements.
  - e. A check payable to the City in the amount of \$250.00 for filing fees, as well as an agreement to pay such reasonable consulting and attorney fees as may be incurred by the City, at actual costs not to exceed \$7,500, in the examination of the application as well as the preparation and negotiation of any tax abatement agreement.
  - f. Certification from the applicable appraisal district verifying that no taxes are past due on the Applicant's property located in the proposed reinvestment zone.
  - g. Disclosure of any environmental permits required or additional environmental impacts.
  - h. In the case of modernization, a statement of the assessed value of the current facility, separately stated for real and personal property, shall be given for the tax year immediately preceding the Application.
  - i. The City may require such financial and other information as deemed appropriate for evaluating the financial capacity and other factors pertaining to the Applicant, or the anticipated impact to the City, to be attached to the Application.
3. The City shall give written notice of and hold public hearing(s) on the proposed abatement as required by the Tax Code.
4. Variance. Although variances are discouraged, exceptional circumstances may support a request for variance from the provisions of Section 2, in which case such request for a variance may be made in an application or other written form to the City Council. Such request shall include a complete application for tax abatement as well as a complete description of the circumstances which prompt the Applicant to request a variance. A variance may not be sought for the purposes of increasing the term and/or value of the abatement. To the full extent permitted by applicable law, the City Council shall have the authority to enter into an abatement agreement with terms and conditions that vary from the terms and conditions in these Guidelines, but only so long as the City Council determines, by a three-quarters (3/4) vote of the City Council, that such variance is in the best interests of the City. Any terms or conditions contained in an abatement Agreement

approved by the City Council that vary from the terms and conditions in these Guidelines shall automatically be deemed to have been granted an approved variance by the City Council, shall be binding and enforceable as agreed to in the Abatement Agreement, and shall control in the event of any inconsistency or conflict with these Guidelines. A variance granted to any applicant shall not be deemed a variance for any subsequent applicant.

5. Confidentiality. Information that is provided to the City in connection with an application or request for Tax Abatement and that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property for which Tax Abatement is sought may be deemed as confidential and not subject to public disclosure only if specifically identified by the Applicant as proprietary information and segregated from the remaining portions of the Application. The City agrees to use reasonable efforts to preserve the confidentiality of such information in accordance with the Texas Public Information Act. Once the Tax Abatement Agreement is executed, all attachments to the Abatement Agreement shall become public. All information in the custody of a taxing unit after the Agreement is executed is not confidential.

#### **Section 4 Agreement**

The Cresson City Council, after review, shall approve or deny an application for tax abatement, and if granted, shall execute an agreement with the Applicant or facility owner and/or Leasehold interest, which shall contain at minimum the following terms:

1. Estimated value to be abated and the base year value;
2. Percent of value to be abated each year as provided for in the City of Cresson Tax Abatement Guidelines and Criteria;
3. The commencement and termination dates of the abatement;
4. The proposed use of the facility, nature of the construction, time schedule for construction and commencement of operations, map, property description, and improvements as listed in the application for tax abatement;
5. Contractual obligations in the event of default, violation of terms and conditions, delinquent taxes, recapture, administration and assignment as provided for in the City of Cresson Tax Abatement Guidelines and Criteria or other provisions that may be required for conformity to state law; and
6. Amount of investment in and average number of jobs associated with the facility during the abatement.



On May 1st of each year that the Agreement shall be in effect, Applicant shall certify to the City Council of the City, and to the governing body of each taxing unit within the proposed reinvestment zone, that Applicant is in compliance with the Agreement executed pursuant to these Guidelines and Criteria.

## **Section 5 Recapture**

1. In the event that the company or individual:
  - a. Allows its ad valorem taxes owed to the City to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest; or
  - b. Violates any of the terms and conditions of the Abatement Agreement and fails to cure during the cure period; then,
  - c. The Agreement may be terminated and all taxes previously abated by virtue of the Agreement will be recaptured and paid within thirty (30) days of the termination.
2. Should the City Council of the City determine, in its sole discretion, that the company or individual is in default according to the terms and conditions of its agreement, the City shall notify the company or individual in writing at the address stated in the Agreement, and if such is not cured within thirty (30) days from the date of such notice (cure period) then the Agreement may be terminated.
3. In the event that the Applicant's facility is completed and begins producing products or services, but subsequently discontinues producing a product or service for any reason for a period of one (1) year during the abatement period, other than because of fire, explosion, or other casualty, accident, or natural disaster, then the Agreement shall terminate and so shall the abatement of the taxes for the calendar year during which the Applicant's facility no longer produces. The taxes otherwise abated for that calendar year shall be paid to the City within sixty (60) days from the date of termination.

## **Section 6 Administration**

1. The Chief Appraiser(s) of the property in which the facility is located will 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 the abatement, including the number of new or retained employees associated with the facility. Once value has been established, the Chief Appraiser will notify the eligible jurisdiction of the amount of the assessment.
2. The Agreement shall stipulate that employees and/or designated representatives of the City will have access to the Applicant's facilities within the reinvestment zone during the

term of the Abatement Agreement to inspect the facility to determine whether the company or individual is in compliance with the terms and conditions of the Abatement Agreement. All inspections will be made only after the giving of reasonable notice of not less than twenty-four (24) hours and will only be conducted in a 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 present, and in accordance with applicable safety standards.

3. Upon completion of construction, the designated representative of the City shall annually evaluate each facility receiving abatement to ensure compliance with the Agreement. The improvements shall be maintained in good repair, with any damaged assets repaired or replaced in a timely manner. A formal report shall be made to the City Council.
4. The City shall timely file, with the appropriate person, agency, department, or board of the State of Texas, all information required by the Tax Code.

#### **Section 7 Assignment**

1. An abatement agreement may be assigned by the holder to a new owner or lessee of the same facility only upon the written approval of the Cresson City Council, which consent shall not be unreasonably withheld. Such approval is subject to the financial capacity of the assignee and provided that all conditions and obligations in the Abatement Agreement are guaranteed by the execution of a new contractual Abatement Agreement with the City. No assignment or transfer shall be approved if the parties to the existing agreement, the new owner or new lessee, are liable to any eligible jurisdiction for outstanding taxes or other obligations.
2. An assignment shall not serve to extend the termination date of the Abatement Agreement with the original Applicant, facility owner, or property owner. An assignment may not alter venue provisions of the original agreement. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the assignor upon the same terms and conditions as set out in the Agreement. Any assignment of a tax abatement agreement shall be to an entity that contemplates the same improvements or repairs to the property, except to the extent such improvements or repairs have been completed. No assignment shall be approved if the assignor or the assignee are indebted to the County for ad valorem taxes or other obligations.

#### **Section 8 Venue**

The exclusive venue for any disputes arising under any abatement agreement shall be the courts of appropriate jurisdiction within Hood County, Texas, or as otherwise specified in the Abatement Agreement.

#### **Section 9**

### **Sunset Provision**

These guidelines and criteria are effective upon the date of their adoption and will remain in force for two (2) years unless amended by three-quarters (3/4) vote of the City Council of the City. Following the expiration of two (2) years, all reinvestment zones and tax abatement agreements created pursuant to these provisions will be reviewed to determine whether the goals have been achieved. Based on the review, the guidelines and criteria will be modified, renewed, or eliminated.

GUIDELINES ADOPTED on the \_\_\_\_ day of \_\_\_\_\_, 2025.

**City of Cresson**  
**APPLICATION FOR TAX ABATEMENT**

Name of Applicant: \_\_\_\_\_

\_\_\_\_\_ Date: / /

Address of Applicant: \_\_\_\_\_ E-mail: \_\_\_\_\_  
City/State/Zip: \_\_\_\_\_ Phone: \_\_\_\_\_

Name of Representative/Agent: \_\_\_\_\_

Representative/Agent E-Mail: \_\_\_\_\_ Phone: \_\_\_\_\_

Proposed Name for Reinvestment Zone: \_\_\_\_\_

1. Please state the approximate current ad valorem tax value of the real property within the proposed reinvestment zone: \$\_\_\_\_\_.
2. Please attach a map of the proposed Reinvestment Zone, JPG format, with sufficient detail to locate the reinvestment zone in relation to highways or county roads that will access the zone, with sufficient contrast to make publication in a newspaper generally legible at a scale of not more than ¼ page, and contain an "inset" map locating the proposed reinvestment zone within the county.
3. Please provide a description of the property or properties that will be located within the proposed reinvestment zone, by Parcel ID numbers utilized by the County Appraisal District, by metes and bounds, or by other legal description, including the acreage of each parcel.
4. Please provide a general description of the nature of the proposed project, the types of infrastructure that will be constructed or installed within the proposed reinvestment zone, and a statement as to what improvements will be subject to the abatement and any exclusions from abatement the Applicant expects to construct or install within the proposed reinvestment zone. Please state the Applicant's best estimate of the taxable value of all such improvements. \$\_\_\_\_\_.
5. Please state the number and duration of temporary jobs that will be generated by the proposed project, as well as the anticipated temporary payroll for the duration of the construction phase of the project.
6. State the number of permanent jobs that will be created by the proposed project, as well as the anticipated annual payroll for permanent jobs.

7. Please state the estimated tax revenues the City can expect to receive during each year of any requested abatement, and the method by which this revenue is calculated.
8. Please state the remaining useful life of the proposed project at the conclusion of the abatement period. Please attach a spreadsheet to your application with this calculation, showing the formula used in the calculation. This spreadsheet should show expected revenues to the City both during the requested abatement period, as well as for each subsequent year after the expiration of the abatement period for the duration of the expected useful life of the facilities constructed or installed within the proposed reinvestment zone.
9. Please provide a proposed schedule for undertaking and completing the planned improvements. This timeline should include an anticipated commencement of construction, commercial operations commencement date, and date of first payment of any ad valorem tax payment.
10. Please provide certification from the County Appraisal District that any property owned by the Applicant is current in ad valorem tax obligations.
11. Please attach a non-refundable application fee of \$250.00 to the completed application. By signing this application, the Applicant further consents to pay such reasonable consulting and attorney fees as may be incurred by the City, not to exceed \$7,500, in the examination of the application as well as the preparation and negotiation of any tax abatement agreement

Date:

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Authorized Representative or Agent