

Economic Development Incentive Policy

SECTION 1: GENERAL PURPOSE

The City of Hallettsville is committed to the attraction and retention of businesses that improve the economic vitality and quality of life of the community. Success in economic development ensures that Hallettsville maintains a healthy tax base, creates quality employment opportunities, and supports a diverse economy.

The purpose of this policy is to establish standards and guidelines that will govern the granting of financial incentives to facilitate economic growth. The City encourages the use of incentives only as necessary to attract new business investment and retain or expand existing businesses.

This policy follows best practices for economic development incentive policies: specific enough to establish clear boundaries but flexible enough to allow discretion to serve the best interests of the City.

SECTION 2: AUTHORIZED INCENTIVE TYPES

The City may, at its discretion and following the application and approval process established herein, offer the following types of incentives to qualifying projects:

A. Sales Tax Rebates (Chapter 380 Agreements)

Under Chapter 380 of the Texas Local Government Code, the City may rebate all or a portion of City sales tax revenues generated by qualifying projects. Sales tax rebates are performance-based and paid only after sales tax revenue is collected by the City.

Eligible Recipients: - New businesses locating to Hallettsville - Existing businesses making substantial expansions - Businesses making significant capital investment

Terms: - Rebate amount: Up to 50% of City sales tax generated by the project - Duration: Typically, 5 years - Payment: Annual or semi-annual based on actual collections - Performance-based: No sales tax generated = no rebate paid

B. Property Tax Abatements (Chapter 312)

The City may offer property tax abatements for qualifying projects that meet minimum capital investment thresholds. Property tax abatements are governed by Chapter 312 of the Texas Tax Code and require separate abatement guidelines and agreements.

Abatement Guidelines for City of Hallettsville:

Minimum Capital Investment	Years of Abatement	Percentage of Abatement
\$5,000,000+	7 years	Up to 50%
\$2,000,000 - \$4,999,999	5 years	Up to 40%
\$1,000,000 - \$1,999,999	3 years	Up to 30%

Note: These are City guidelines. Property tax abatements may also be available from Lavaca County through separate applications and agreements.

Requirements: - Manufacturing, industrial, or significant commercial projects - Substantial capital investment in real and/or personal property - Job creation or retention - Positive net fiscal impact to City - Compliance with all City codes and regulations

C. Tax Increment Reinvestment Zone (TIRZ) Participation

For major projects requiring significant infrastructure investment, the City may consider creating or participating in a Tax Increment Reinvestment Zone pursuant to Chapter 311 of the Texas Tax Code. TIRZ applications will be evaluated on a case-by-case basis.

TIRZ Considerations: - Typically for projects requiring \$2,000,000+ in public infrastructure - Requires creation of reinvestment zone and board of directors - Captures increase in property values to fund improvements - Long-term commitment (typically 15-30 years) - Complex administration and financing

Availability: TIRZ is available upon application for qualifying major projects.

D. Fee Waivers and Reductions

The City may waive or reduce certain fees for qualifying economic development projects:

- Building permit fees – Plan Review & Inspection
- Development review fees
- Impact fees
- Utility connection & extension fees

Eligibility: Case-by-case basis for projects demonstrating significant economic impact.

E. Infrastructure Assistance

The City may participate in the cost of infrastructure improvements necessary to serve qualifying economic development projects:

- Water and sewer line extensions
- Roadway improvements providing access to project site
- Drainage improvements
- Utility infrastructure

Terms: Cost-sharing arrangements negotiated based on project scope and public benefit.

SECTION 3: ELIGIBILITY CRITERIA

To be eligible for incentives under this policy, a project must meet the following criteria:

A. Location Requirements

- Project must be located within Hallettsville city limits, OR

- Project must be located in the City’s extraterritorial jurisdiction (ETJ) with commitment to annex

B. Minimum Thresholds (At Least One Must Be Met)

For Sales Tax Rebates: - Minimum \$500,000 in new capital investment, AND - Create minimum 5 new full-time jobs within 24 months; OR - Minimum \$1,000,000 in capital investment if fewer jobs created

For Property Tax Abatements: - Minimum capital investment per schedule in Section 2B - Manufacturing, industrial, or major commercial project - Positive net fiscal impact

Full-Time Job Definition: - Minimum 30 hours per week - Position expected to last at minimum for the terms of the agreement - Benefits offered (health insurance preferred)

C. Business Standing Requirements

- Current on all City taxes and fees
- No outstanding code violations or liens
- Good standing with State of Texas
- Proper zoning or willingness to seek appropriate zoning
- Compliance with all applicable laws and regulations

D. Economic Impact Requirements

Projects must demonstrate: - Positive net fiscal benefit to the City - Increase to City tax base (property value and/or sales tax) - Project would not occur “but for” the incentive - Compatibility with City’s economic development goals

E. Ineligible Activities

The following are **NOT** eligible for City incentives: - Retail businesses under 25,000 square feet (unless addresses critical community need) - Adult-oriented businesses - Check cashing, payday loan, or title loan businesses - Businesses with record of code violations or tax delinquency - Relocation of existing Hallettsville businesses without substantial expansion - Projects that violate local, state, or federal laws

SECTION 4: EVALUATION CRITERIA

Applications will be evaluated based on the following factors:

A. Primary Factors

1. **Capital Investment:** Amount of real and personal property value added to tax roll
2. **Job Creation:** Number and quality of jobs created or retained
3. **Fiscal Impact:** Sales tax generation, property tax revenue, and overall fiscal benefit
4. **Strategic Value:** Alignment with City’s economic development goals

B. Additional Considerations

- Wages and benefits offered (preference for wages above county median)
- Industry type and diversification benefit

- Use of local suppliers and contractors
- Hiring of local residents
- Infrastructure requirements
- Impact on existing businesses
- Community engagement and investment
- Environmental considerations
- Catalyst potential for additional private investment

SECTION 5: APPLICATION AND APPROVAL PROCESS

A. Pre-Application Consultation (Strongly Encouraged)

Prospective applicants should contact: - **Hallettsville City Administrator:** Grace Ward - **Email:** cityadmin@cityofhallettsville.org - **Phone:** 361-798-3681 x 6 - **Address:** 101 N Main St., Hallettsville, TX 77964

Pre-application meetings help identify appropriate incentives and streamline the formal process.

B. Application Requirements

Applicants must submit completed application form including:

1. Company background and financial information
2. Project description and site plan
3. Detailed business plan with financial projections
4. Capital investment breakdown
5. Employment projections (positions, wages, benefits)
6. Project timeline and milestones
7. Economic impact analysis
8. Evidence of financial capacity
9. Description of community benefits
10. Any other information requested by City staff

C. Application Fee

- Projects under \$1M investment: \$250
- Projects \$1M to \$5M investment: \$500
- Projects over \$5M investment: \$1,000
- Fee may be waived by City Council for strategic projects

D. Review and Approval Timeline (Consecutively)

Step 1: Staff Review (30 days) - Completeness check - Preliminary evaluation - Due diligence verification - Coordination with EDC

Step 2: Legal Review (30 days) – Project eligibility verification – Development of preliminary Economic Development Incentive Agreement

Step 3: EDC Board Review (30 days) - Project presentation - Board recommendation

Step 4: City Council Action (30-60 days) - Formal presentation to Council - Public hearing - Council consideration and vote - If approved, authorization to negotiate agreement

Step 5: Agreement Execution (30 days) - Economic Development Incentive Agreement drafted - Final terms negotiated - Legal review - Execution by City and applicant

Total Timeline: Approximately 120-180 days from complete application to executed agreement

E. Approval Authority

- **City Council:** Final approval authority for all incentive agreements
 - **City Administrator:** Authority to negotiate terms within Council-approved parameters
 - **EDC Board:** Advisory recommendation to City Council
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SECTION 6: PERFORMANCE AGREEMENTS

All approved incentives shall be documented in a written Economic Development Incentive Agreement between the City and the recipient.

A. Required Provisions

Performance Agreements must include:

- 1. Specific Performance Metrics:**
 - Minimum capital investment amount and timeline
 - Job creation/retention numbers and timeline
 - Sales tax projections (if applicable)
 - Other measurable commitments
- 2. Incentive Terms:**
 - Type and amount of incentive
 - Payment schedule and triggers
 - Duration of agreement
 - Conditions for receiving benefits
- 3. Reporting Requirements:**
 - Annual compliance reports
 - Documentation of investment and jobs
 - Financial statements (if applicable)
 - Sales tax verification (if applicable)
- 4. Verification Rights:**
 - City right to inspect property
 - City right to audit relevant records
 - City right to verify employment data
 - Third-party verification if needed
- 5. Default and Remedies:**
 - Definition of default
 - 90-day cure period
 - Recapture/clawback provisions

- Force majeure exceptions
- 6. **Standard Provisions:**
 - Term and termination conditions
 - Assignment restrictions
 - Governing law and venue
 - Entire agreement clause

B. Performance Monitoring

- **Annual Reports:** Recipients must submit annual reports documenting performance
- **Verification:** City reserves right to verify all reported information
- **Site Visits:** City may conduct site visits to verify operations
- **Records Review:** City may review business records related to agreement performance
- **Certificate of Compliance:** Recipients must submit a certificate of compliance in accordance with their agreement requirements, form is provided

C. Non-Performance and Recapture

If recipient fails to meet performance obligations:

1. **Notice:** City provides written notice of default
2. **Cure Period:** Recipient has 90 days to cure default
3. **Recapture:** If not cured, proportional repayment of incentives received
4. **Repayment Terms:** Typically, 12 months from final default determination
5. **Force Majeure:** Good faith consideration of circumstances beyond recipient's control

Recapture: - Proportional to performance achieved vs. committed

SECTION 7: COORDINATION AND ADMINISTRATION

A. Coordination with Lavaca County

The City shall coordinate with Lavaca County to: - Maintain consistent evaluation standards - Share due diligence information - Present unified economic development approach - Maximize combined incentive impact - Avoid duplication or conflicts

B. Role of City of Hallettsville

The City of Hallettsville shall: - Serve as primary point of contact for prospects - Facilitate incentive applications - Monitor compliance with City agreements

C. Role of Hallettsville EDC

Market available industrial properties - Coordinate with City on application review - Administer EDC grant programs - Promote Hallettsville business opportunities

D. Program Administration

City Administrator Responsibilities: - Overall program administration - Staff coordination and review - Negotiation of agreements within Council parameters - Compliance monitoring - Annual reporting to Council

City Staff Support: - Application processing - Due diligence research - Economic impact analysis - Agreement drafting and management - Record keeping

Professional Services: City may retain consultants, attorneys, or other professionals to: - Evaluate complex applications - Conduct economic impact studies - Negotiate and draft agreements - Verify compliance

SECTION 8: TRANSPARENCY AND REPORTING

A. Public Information

- All incentive agreements are public records
- Agreements available for public inspection
- Council consideration of incentives in open meeting

B. State Reporting Requirements

Within 14 days of execution, amendment, or renewal of any Chapter 380 agreement, the City shall report the agreement to the Texas Comptroller of Public Accounts pursuant to Government Code § 403.0246.

Required Information: - Parties to agreement - Purpose and nature of incentive - Amount and duration - Performance requirements - Other information as required by Comptroller

C. Public Database

The City shall post a link on its website to the Texas Comptroller's Local Development Agreement Database containing all Chapter 380 and Chapter 381 agreements.

D. Annual Reporting

The City Administrator shall provide an annual report to City Council including: - Summary of active incentive agreements - Performance outcomes (jobs, investment, tax revenue) - Incentive costs and benefits - Return on investment analysis - Program effectiveness evaluation - Recommendations for policy updates

SECTION 9: DISCRETIONARY AUTHORITY

Important Notice:

This Resolution establishes guidelines and procedures, **NOT entitlements**.

The City Council retains complete discretion to: - Approve or deny any application regardless of meeting criteria - Modify incentive amounts, terms, or conditions - Waive or adjust criteria for

strategic projects - Require additional terms or performance measures - Decline to offer incentives even to qualified projects - Amend or terminate this policy at any time

Meeting the eligibility criteria does **NOT** guarantee approval of incentives. Each application is evaluated individually based on the overall benefit to the City of Hallettsville.