STATE OF TEXAS

DEAF SMITH COUNTY HOSPITAL DISTRICT

TAX ABATEMENT GUIDELINES AND CRITERIA

Deaf Smith County Hospital District (the "District") is committed to the promotion of quality development in all parts of Deaf Smith County and to improving the quality of life for its citizens. In order to help meet these goals, the District will consider providing Tax Abatements to stimulate economic development. It is the policy of the District that such an incentive will be provided in accord with the guidelines and criteria outlined in this document. All applicants for Tax Abatements shall be considered on an individual basis.

In order to be eligible for designation as a Reinvestment Zone and receive Tax Abatement, the planned improvement:

1. must be an Eligible Facility;

2. must add at least Five Hundred Thousand Dollars ($500,000.00) to the tax roll of eligible property;

3. must be reasonably expected to have an increase in positive net economic benefit to Deaf Smith County of at least One Million Dollars ($1,000,000.00) over the life of the Abatement, computed to include (but not limited to) new sustaining payroll and/or capital improvement; and

4. must not be expected to solely or primarily have the effect of transferring employment from one part of Deaf Smith County to another.

In addition to the criteria set forth above, the Deaf Smith County Hospital District Board of Directors (the "Board") reserves the right to negotiate a Tax Abatement Agreement in order to compete favorably with other communities.

Only that increase in the fair market value of the property directly resultant from the development, redevelopment, and improvement specified in the Agreement will be eligible for Abatement and then only to the extent that such increase exceeds any reduction in the fair market value of the other property of the applicant located within the jurisdiction creating the reinvestment zone.

All Tax Abatement Agreements will be no longer than allowed by law.

It is the goal of the District to grant Tax Abatements on the same terms and conditions as the other taxing units having jurisdiction of the property. However, nothing herein shall limit the discretion of the Board to consider, adopt, modify, or decline any Tax Abatement request.

This policy is effective as of the _27th_day of _February , 2020, and shall at all times be kept current with regard to the needs of Deaf Smith County and reflective of the

official views of the Board and shall be reviewed every two (2) years.

The adoption of these guidelines and criteria by the Board does not:

1. limit the discretion of the governing body to decide whether to enter into a specific Tax Abatement Agreement;

2. 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 Abatement; or

3. create any property, contract, or other legal rights in any person to have the governing body consider or grant a specific application or request for Tax Abatement,

SECTION I. DEFINITIONS

A. **"Abatement" or "Tax Abatement"** means the full or partial exemption from ad valorem taxes of certain property in a reinvestment zone designated for economic development purposes.

B. **"Agreement" or "Abatement Agreement"** means a contractual Agreement between a property owner and/or lessee and the District.

C. **"Base Year Value"** means the assessed value on the eligible property as of January 1 preceding the execution of the Agreement,

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

E. "Eligible Facilities" means new, expanded, or modernized buildings and structures, including fixed machinery and equipment, which is reasonably likely as a result of granting the Abatement to contribute to the retention or expansion of primary employment or to attract major investment in the reinvestment zone that would be a benefit to the property and that would contribute to the economic development of Deaf Smith County, but does not include facilities which are intended to be primarily to provide goods or services to residents for existing businesses located in Deaf Smith County such as, but not limited to, restaurants and retail sales establishments, Eligible facilities may include, but shall not be limited to a(n):

- aquaculture/agriculture facility;
- distribution center facility;
- manufacturing facility;
- office building;
- regional entertainment/tourism facility;
- research service facility;
- regional service facility;

- historic building in a designated area;
- wind energy facility; or
- other basic industrial facility.

F. **"Expansion"** means the addition of building structures, machinery, equipment, or payroll for purposes of increasing production capacity,

G. **"Facility"** means property improvement(s) completed or in the process of construction which together comprise an interregional whole.

H. **"Modernization"** means a complete or partial demolition of facilities and the complete or partial reconstruction or installation of a facility of similar or expanded production capacity. Modernization may result from the construction, alteration, or installation of buildings, structures, machinery, or equipment,

I. **"New Facility"** means a property previously undeveloped which is placed into service by means other than or in conjunction with Expansion or Modernization,

J. **"Productive Life"** means the number of years property improvement(s) is/are expected to be in service in a facility.

SECTION II. ABATEMENT AUTHORIZED

A. **Eligible Facilities.** Upon application, Eligible Facilities shall be considered for Tax Abatement as hereinafter provided.

B. **Creation of New Values.** Abatement may only be granted for the additional value of eligible property improvement(s) made subsequent to and specified in an Abatement Agreement between the District and the property owner or lessee, subject to such limitations as the District may require.

C. **New and Existing Facilities.** Abatement may be granted for the additional value of eligible property improvement(s) made subsequent to and specified in an Abatement Agreement between the District and the property owner or lessee, subject to such limitations as the District may require,

D. **Eligible Property.** Abatement may be extended to the value of new, expanded, or modernized buildings, structures, fixed machinery and equipment, site improvements, and related fixed improvements necessary to the operation and administration of the facility, and all other real and tangible personal property permitted by Chapter 312 of the Texas Tax Code,

E. **Ineligible Property.** The following types of property shall be fully taxable and ineligible for Tax Abatement: land; animals; inventories, supplies; tools; furnishings; vehicles; vessels; aircraft; deferred maintenance investments; housing and property to be rented or leased, except as provided in Section II(F); property owned or used by the State of Texas,

F, **Owned/Leased Facilities.** If a leased facility is granted Abatement, the Agreement shall be executed with the lessor and the lessee, If the land is leased, but the facility constructed or installed thereon is owned by the lessee, the lessee shall execute the Agreement.

G. **Economic Qualifications.** In order to be eligible for designation as a reinvestment zone and receive Tax Abatement, the planned improvement:

(1) must be an Eligible Facility;

(2) must add at least Five Hundred Thousand Dollars ($500,000.00) to the tax roll of eligible property;

(3) must be reasonably expected to have an increase in positive net economic benefit to Deaf Smith County of at least One Million Dollars ($1,000,000,00) over the life of the Abatement, computed to include (but not limited to) new sustaining payroll and/or capital improvement. The creation of (number and type) of new jobs will also factor into the decision to grant an Abatement; and

(4) must not be expected to solely or primarily have the effect of transferring employment from one part of Deaf Smith County to another.

H. **Standards for Tax Abatement.** The following factors, among others, will be considered in determining whether to grant Tax Abatement:

(1) value of existing improvements, if any;

(2) type and value of proposed improvements;

(3) productive life of proposed improvements;

(4) number of existing jobs to be retained by proposed improvements;

(5) number and type of new jobs to be created by proposed improvements;

(6) amount of local payroll to be created;

(7) whether the new jobs to be created will be filled by persons residing or projected to reside within the affected taxing jurisdiction;

(8) amount by which property tax base valuation will be increased during the term of Abatement and after Abatement, which shall include a definitive commitment that such valuation shall not, in any case, be less than Five Hundred Thousand Dollars ($500,000.00);

(9) expenses to be incurred in providing facilities directly resulting from the new improvements;

(10) the amount of ad valorem taxes to be paid to the District during the Abatement period considering (a) the existing values, (b) the percentage of new value abated, (c) the Abatement period, and (d) the value after expiration of the Abatement period;

(11) the population growth of Deaf Smith County that occurs directly as a result of new improvements;

(12) the types and values of public improvements, if any, to be made by applicant seeking Abatement;

(13) whether the proposed improvements compete with existing businesses to the detriment of the local economy;

(14) the impact on the business opportunities of existing business;

(15) the attraction of other new businesses to the area;

(16) the overall compatibility with the zoning ordinances and comprehensive plan for the area; and

(17) whether the project obtains all necessary permits from the applicable environmental agencies.

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.

I. **Denial of Abatement.** An Abatement Agreement shall not be authorized if it is determined that:

(1) there would be substantial adverse effect on the provision of government services or tax base;

(2) the applicant has insufficient financial capacity;

(3) it would result in violation of other codes or laws; or

(4) any other reason deemed appropriate by the District.

J. **Taxability.** From the execution of the Abatement to the end of the Agreement period, taxes shall be payable as follows:

(1) the value of ineligible property as provided in Section II(E) 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 property shall be fully taxable at the end of the Abatement period.

SECTION III. APPLICATION

A. Any present or potential owner of taxable property in the District may request Tax Abatement by filing a written application with the Board.

B. The application shall consist of a general description of the new improvements to be undertaken; a descriptive list of the improvements for which an Abatement is requested; a list of the kind, number and location of all proposed improvements of a property; a map and property description; and a time schedule for undertaking and completing the proposed improvements. In the case of modernization, 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 Board may require such financial and other information as deemed appropriate for evaluating the financial capacity and other factors pertaining to the applicant, to be attached to the application. The completed application must be accompanied by the payment of a non-refundable application fee for administrative costs and legal fees associated with the processing of the Tax Abatement request. All checks in payment of the administrative fee shall be made payable to the District. The fee for Abatement requests shall be One Thousand and No/100 Dollars ($1,000.00).

C. The District shall give notice as provided by the Tax Code, including, but not limited to, written notice to the presiding officer of the governing body of each taxing unit in which the property to be subject to the Agreement is located, not later than seven (7) days before acting upon the application.

D. The application process described in Section III(A) hereof shall be followed regardless of whether a particular reinvestment zone is created by Deaf Smith County or a taxing entity within Deaf Smith County, No other notice or hearing shall be required except compliance with the open meetings act, unless the Board deems them necessary in a particular case.

SECTION IV. AGREEMENT

A. After approval, the Board shall formally pass a resolution and execute an Agreement with the owner of the facility and lessee as required which shall:

(1) include a list of the kind, number and location of all proposed improvements to the property;

(2) provide access to and authorize inspection of the property by the taxing unit to ensure compliance with the Agreement;

(3) limit the use of the property consistent with the taxing unit's development goals;

(4) provide for recapturing property tax revenues that are lost if the owner fails to make improvements as provided by the Agreement;

(5) include each term that was agreed upon with the property owner and require the owner to annually certify compliance with the terms of the Agreement to each taxing unit; and

(6) allow the taxing unit to cancel or modify the Agreement at any time if the property owner fails to comply with the terms of the Agreement.

SECTION V. RECAPTURE

A. In the event that the applicant or its assignee (1) allows its ad valorem taxes owed to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest; or (2) violates any of the terms and conditions of the Abatement Agreement and fails to cure during the cure period, the Agreement then 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.

B. Should the District determine that the applicant or its assignee is in default according to the terms and conditions of its Agreement, the District shall notify the company or individual in writing at the address stated in the Agreement, and if such is not cured within the time set forth in such notice (the "Cure Period"), then the Agreement may be terminated.

SECTION VI. ADMINISTRATION

A. The Chief Appraiser of the Deaf Smith County Appraisal District 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. Once value has been established, the Chief Appraiser will notify the Board of the amount of the assessment.

B. The District may execute a contract with any other jurisdiction(s) to inspect the facility to determine if the terms and conditions of the Abatement Agreement are being met. The Abatement Agreement shall stipulate that employees and/or designated representatives of the District will have access to the reinvestment zone during the term of the Abatement 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.

C. Upon completion of construction, a designated representative of the District shall annually evaluate each facility receiving Abatement to ensure compliance with the Agreement and shall formally report such evaluations to the Board.

SECTION VII. ASSIGNMENT

The Abatement Agreement may be transferred and assigned by the holder to a new owner or lessee of the same facility either upon the approval by resolution of the Board, or in accordance with the terms of an existing Tax Abatement Agreement. No assignment or transfer shall be approved if the parties to the existing Agreement, the new owner, or new lessee are liable to any jurisdiction for outstanding taxes or other obligations. Approval shall not be unreasonably delayed or withheld; Notice shall be given to the Board at least twenty (20) days in advance of any transfer or assignment.

SECTION VIII. SUNSET PROVISION

These Guidelines and Criteria are effective upon the date of their adoption and shall supersede and replace any and all prior guidelines and criteria for Tax Abatement in the District. These Guidelines and Criteria shall remain in force for two (2) years, unless amended by three-quarters vote of the Board, at which time 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 such review, the Guidelines and Criteria will be modified, renewed or eliminated; provided, however, no modification or elimination of the Guidelines and Criteria shall affect Tax Abatement Agreements that have been previously approved until the parties thereto shall agree to amend such Agreements.

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Adopted on this the 23 day of July, 2026.

Deaf Smith County Hospital District

Kevin Bunch, Board President

Chris Woodard, Vice President

Carla Purcella, Secretary

Tanner Black, Board Member

Tim Laws, Board Member

Robert de la Cruz, Board Member

Troyce Sturgess, Board Member