

GUIDELINES AND CRITERIA GOVERNING TAX ABATEMENT FOR REEVES COUNTY HOSPITAL DISTRICT

SECTION I. General Purpose:

Reeves County Hospital District is committed to the provision of health care services in the District and to an ongoing improvement in the quality of health care for the citizens residing within the District. The District recognizes that these objectives are generally served by enhancement and expansion of the local economy. The District will, on a case by case basis, give consideration to providing Tax Abatement, as authorized by Texas Tax Code, Chapter 312, as stimulation for economic development within the District. It is the policy of the District that said consideration will be provided in accordance with the guidelines and criteria herein set forth and in conformity with the Tax Code.

Nothing contained herein shall imply, suggest or be understood to mean that the District is under any obligation to provide Tax Abatement to any applicant and attention is called to Tax Code, Section 312.002(d). With the above rights reserved all applications for Tax Abatement will be considered on a case by case basis.

SECTION II. Definitions:

As used within these guidelines and criteria, the following words or phrases shall have the following meaning:

1. Base Year Value: The assessed value of property eligible for Tax Abatement as of January 1st preceding the execution of an Abatement Agreement as herein defined.
2. Expansion of Existing Facilities or Structures: The addition of buildings, structures, machinery or equipment to a Facility.
3. Existing Facility or Structure: A Facility located, as of the date of execution of the Tax Abatement Agreement, in or on Real Property eligible for Tax Abatement.
4. Facility: The Improvements made to Real Property eligible for Tax Abatement and including the building or structure erected on such Real Property and/or any Tangible Personal Property to be located in or on such property.
5. Improvements to Real Property or Improvements: The construction, addition to, structural upgrading of, replacement of, or completion of any Facility located upon, or to be located upon, Real Property, as herein defined, or any Tangible Personal Property placed in or on said Real Property.
6. Modernization/Renovation of Existing Facilities: The replacement or upgrading of existing facilities.

7. New Facility: The construction of a Facility on previously undeveloped real property eligible for Tax Abatement.
8. New Permanent Job: A new employment position created by a business that has provided employment to an employee of at least 1,820 hours annually and intended to be an employment position that exists during the life of the abatement.
9. Owner: The record title owner of Real Property or the legal owner of Tangible Personal Property. In the case of land leased from the District or buildings leased from a private party or tax exempt property, the lessee shall be deemed the owner of such leased property together with all Improvements and Tangible Personal Property located thereon.
10. Productive Life: The number of years a Facility is expected to be in service.
11. Real Property: Land on which Improvements are to be made or fixtures placed.
12. Reinvestment Zone: Real Property designated as a Reinvestment Zone under the provisions of Tax Code, Section 312.202.
13. Tangible Personal Property: Any Personal Property, not otherwise defined herein and which is necessary for the proper operation of any type of Facility.
14. Tax Abatement: To exempt from ad valorem taxation all or part of the value of certain Improvements placed on land located in a Reinvestment Zone designated for economic development purposes as of the date specified in the Tax Abatement Agreement for a period of time not to exceed ten (10) years.
15. Abatement Agreement: A contract between a property owner and the District for the abatement of taxes on qualified property located within the Reinvestment Zone.

SECTION III. Intent of Criteria and Guidelines:

The intent of the criteria and guidelines, as herein set forth, is to establish the minimum standards which an applicant for Tax Abatement must meet in order to be considered for such status by the District.

SECTION IV. Criteria and Guidelines for Tax Abatement:

No Property shall be eligible for Tax Abatement unless such property is located in a Reinvestment Zone designated as such by the Town of Pecos or Reeves County in accordance with Tax Code, Section 312.202. Any type of Facility will be eligible for Tax Abatement consideration provided such Facility meets the following guidelines and criteria:

1. To qualify for Tax Abatement, the company must meet **both** of the following criteria:

- a) The modernization or expansion of an Existing Facility **or** construction of a New Facility.
 - b) Production, manufacture or distribution of goods and services of which 50% or more are distributed outside of Reeves County.
2. In addition to the aforementioned, the District will consider abatement only if the company meets one of the following criteria:
- a) One of the following target industries: Industries deploying leading edge technology or significant economical impact.
 - b) The project is not included as a target industry, but has the potential of generating additional significant economic development opportunities to the District
3. The company must meet one of the following criteria:
- a) The project will add at least \$10,000,000.00 in real estate assessed valuation, or \$20,000,000.00 of personal property assessed valuation, or 5 new Full Time permanent jobs if the Facility is a new company to the District.
 - b) The project will add at least \$10,000,000.00 in real estate assessed valuation, or \$20,000,000.00 in personal property assessed valuation, or 5 new permanent Full Time jobs if the Facility is a modernization or expansion of an existing company that has operated in the District for five or more years.
4. New or existing facilities, of any type herein defined, located in a Reinvestment Zone or upon Real Property eligible for such status will be eligible for consideration for Tax Abatement status provided that all other criteria and guidelines are satisfied.
5. Improvements to Real Property are eligible for Tax Abatement status.
6. The following types of Property shall be ineligible for Tax Abatement status and shall be fully taxed.
- a) Real Property;
 - b) inventories or supplies;
 - c) tools;
 - d) furnishings and other forms of movable personal property;
 - e) vehicles;
 - f) aircraft;
 - g) housing;
 - h) boats;
 - i) hotel accommodations;
 - j) motel accommodations;
 - k) retail businesses;

- l) property owned by the State of Texas or any State agency; and,
- m) property owned or leased by a member of the Board of Directors of the District that did not have an active Tax Abatement in place before that individual became a member of the Board.

7. In order for a Facility to qualify for Tax Abatement, the following conditions must apply:
- a) The owner or leaseholder of real property must make eligible Improvements to the real property; and,
 - b) In the case of lessees, the leaseholder must have a lease commitment of at least five (5) years.

In Reinvestment Zones, the amount and term of abatement shall be determined on a case by case basis, however, in no event shall taxes be abated for a term in excess of ten (10) years. The amount of the taxable value of Improvements to be abated and the term of the abatement shall be determined by the District.

8. No property shall be eligible for Tax Abatement unless such property is located in a Reinvestment Zone in accordance with Tax Code, Section 312.202 and the Tax Abatement application is filed with the District before construction begins.
9. Notwithstanding any of the requirements set forth in Section IV, Subsection 3, the District, upon the affirmative vote of a three-fourths (3/4) of its Board, may vary any of the above requirements when variation is demonstrated by the applicant for Tax Abatement that variation is in the best interest of the District to do so and will enhance the availability of health care in the District. By way of example only and not by limitation, the District Board may consider the following or similar terms in determining whether a variance shall be granted:
- a) That the increase in productivity of the Facility will be substantial and hence directly benefit the economy.
 - b) That the increase of goods or services produced by the Facility will be substantial and directly benefit the economy.
 - c) That the employment maintained at the Facility will be increased.
 - d) That the waiver of the requirement will contribute and provide for the retention of existing jobs within the District.
 - e) That the applicant for Tax Abatement has demonstrated that if Tax Abatement is granted to the applicant's Facility even though the applicant's Facility will not employ additional personnel that nevertheless due to the existence of the Facility new jobs will be created as a direct result of the applicant's Facility in other facilities located within the District.

- f) Any other evidence tending to show a direct economic benefit to the District.
10. Taxability:
- a) The portion of the value of Improvements to be abated shall be abated in accordance with the terms and provisions of a Tax Abatement Agreement executed between the District and the owner of the Real Property and/or Tangible Personal Property, which agreement shall be in accord with the provisions of Tax Code, Section 312.205.
 - b) All ineligible property, if otherwise taxable as herein described, shall be fully taxed.
11. The District Board shall have total discretion as to whether Tax Abatement is to be granted. Such discretion, as herein retained, shall be exercised on a case by case basis. The adoption of these guidelines and criteria by the District Board does not:
- a) Limit the discretion of the Board to decide whether to enter into a specific Tax Abatement agreement;
 - b) Limit the discretion of the Board 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
 - c) Create any property, contract, or other legal right in any person to have the Board consider or grant a specific application or request for Tax Abatement.
12. The burden to demonstrate that an application for Tax Abatement should be granted shall be upon the applicant. The District shall have full authority to request any additional information from the applicant that the Board deems necessary to assist it in considering such application.
13. In order to receive a Tax Abatement from the District, the Owner/Applicant must agree to the following:
- a) Any employee health plan maintained by the Owner/Applicant (whether self-funded or commercial insurance) shall include as participating providers the Reeves County Hospital District and physicians whose medical practices are located within the District.
 - b) The Owner/Applicant will not establish or operate an employee health clinic in competition with the Reeves County Hospital District or the physicians whose medical practices are located within the District.
 - c) Upon reasonable request of the District, the Owner/Applicant will coordinate with the District periodic employee health activities to promote good health in the community.

SECTION V. Tax Abatement Agreement:

1. A Tax Abatement Agreement shall:
 - a) Establish and set forth the Base Year Value of the property for which Tax Abatement is sought.
 - b) Provide that the taxes paid on the Base Year Value shall not be abated as a result of the execution of said Tax Abatement Agreement.
 - c) Provide that ineligible property as subscribed in Section IV, Subsection 6, hereinabove shall be fully taxed.
 - d) Provide for the exemption of Improvements in each year covered by the agreement only to the extent the value of such Improvements for each such year exceeds the value for the year in which the agreement is executed.
 - e) Fully describe and list the kind, number and location of all of the Improvements to be made in or on the Real Property.
 - f) Set forth the estimated value of all Improvements to be made in or on the Real Property.
 - g) Clearly provide that Tax Abatement shall be granted only to the extent:
 1. The Improvements to Real Property increase the value of the Real Property for the year in which the Tax Abatement Agreement is executed; and
 2. That the Tangible Personal Property Improvements to Real Property were not located on the Real Property prior to the execution of the Tax Abatement Agreement.
 - h) Provide for the portion of the value of the Improvements to Real Property of Improvements to be abated. This determination is to be made consistent with the provisions of Section IV, Subsection 6, of these guidelines and criteria as hereinabove set forth.
 - i) Provide for the commencement date and the termination date. In no event shall said dates exceed a period of ten years.
 - j) Describe the type and proposed use of the Improvements to Real Property or Improvements including:
 1. The type of Facility.
 2. Whether the Improvements are for a new Facility, modernization of a Facility, or expansion of a Facility.

3. The nature of the construction, proposed timetable of completion, a map or drawings of the Improvements above mentioned.
 4. The amount of investment and the commitment for the creation of new jobs.
 5. A list containing the kind, number and location of all proposed Improvements.
 6. Any other information required by the District.
- k) Provide a legal description of the Real Property upon which Improvements are to be made.
 - l) Provide access to and authorize inspection of the Real Property or Improvements by employees of the District, who have executed a Tax Abatement Agreement with owner to insure Improvements are made according to the specifications and conditions of the Tax Abatement Agreement.
 - m) Provide for the limitation of the uses of the Real Property or Improvements consistent with the general purpose of encouraging development or redevelopment in the Reinvestment zone during the period covered by the Tax Abatement Agreement.
 - n) Provide the contractual obligations in the event of default by owner, violation of the terms or conditions by owner, recapturing property tax revenue in the event owner defaults or otherwise fails to make Improvements as provided in said Tax Abatement Agreement, and any other provision as may be required or authorized by State Law.
 - o) Contain each term agreed to by the owner of the property.
 - p) Require the owner of the property to certify annually to the District that the owner is in compliance with each applicable term of the agreement.
 - q) Provide that the District may cancel or modify the agreement if the property owner fails to comply with the agreement.
2. Not later than the seventh (7th) day before the District (as required by Tax Code, Section 312.2041 or Section 312.402) enters into an agreement for Tax Abatement under Tax Code, Section 312.204, the District Board or a designated officer or employee thereof shall deliver to the presiding officer of the governing body of each of the taxing units in which the property to be subject to the agreement is located, a written notice that the District intends to enter into the agreement. The notice must include a copy of the proposed Tax Abatement Agreement.
 3. A notice, as above described above in Subparagraph 2, is presumed delivered when placed in the mail, postage paid and properly addressed to the appropriate presiding officer. A notice properly addressed and sent by registered or certified mail for which a return receipt is received by the sender is considered to have been delivered to the addressee.
 4. Failure to deliver the notice does not affect the validity of the agreement.

SECTION VI. Application:

1. Any present owner of taxable property located within the District may apply for Tax Abatement by filing an application with the District.
2. The application shall consist of a completed application form accompanied by:
 - a) A general description of the Improvements to be undertaken.
 - b) A descriptive list of the Improvements for which Tax Abatement is requested.
 - c) A list of the kind, number and location of all proposed Improvements of the Real Property Facility or Existing Facility.
 - d) A map indicating the approximate location of Improvements on the Real Property Facility or Existing Facility together with the location of any or all Existing Facilities located on the Real Property or Facility.
 - e) A list of any and all Tangible Personal Property presently existing on the Real Property or located in an existing Facility.
 - f) A proposed time schedule for undertaking and completing the proposed Improvements.
 - g) A general description stating whether the proposed Improvements are in connection with:
 1. the modernization of a Facility;
 2. construction of a new Facility;
 3. expansion of a Facility; or
 4. any combination of the above.
 - h) A statement of the additional value to the Real Property or Facility as a result of the proposed Improvements.
 - i) A statement of the Base Year Value of the Real Property, Facility or Existing Facility.
 - j) Information concerning the number of new jobs, both full time and part time, that will be created or information concerning the number of existing jobs to be retained as result of the Improvements undertaken.
 - k) Any other information which the District deems appropriate for evaluating the financial capacity of the applicant and compatibility of the proposed Improvements with these guidelines and criteria.

- l) Information that is provided to the District in connection with an application or request for Tax Abatement and which describes the specific processes or business activity to be conducted or the equipment or other property to be located on the property for which Tax Abatement is sought is confidential and not subject to public disclosure until the Tax Abatement Agreement is executed. Information in the custody of the District after the agreement is executed is not confidential (Tax Code, Section 312.003).

SECTION VII. Recapture:

1. In the event that any type of Facility is completed and begins producing goods or services, but subsequently discontinues producing goods or services for any reason, excepting fire, explosion or other casualty or accident or natural disaster or other event beyond the reasonable control of applicant or owner for a period of 180 days during the term of a Tax Abatement Agreement, then in such event the Tax Abatement Agreement shall terminate and all abatement of taxes shall likewise terminate. Taxes abated during the calendar year in which termination takes place shall be payable to the District by no later than January 31st of the following year. Taxes abated in years prior to the year of termination shall be payable to the District within sixty (60) days of the date of termination. The burden shall be upon the applicant or owner to prove to the satisfaction of the District that the discontinuance of producing goods or services was as a result of fire, explosion, or other casualty or accident or natural disaster or other event beyond the control of applicant or owner. In the event that applicant or owner meets this burden and the District is satisfied that the discontinuance of the production of goods or services was the result of events beyond the control of the applicant or owner, then such applicant or owner shall have a period of one (1) year in which to resume the production of goods and services. In the event that the applicant or owner fails to resume the production of goods or services within one (1) year, then the Tax Abatement Agreement shall terminate and the Abatement of all taxes shall likewise terminate. Taxes abated during the calendar year in which termination takes place shall be payable to the District by no later than January 31st of the following year. Taxes abated in years prior to the year of termination shall be payable to the District within sixty (60) days of the date of termination. The one-year time period shall commence upon written notification from the District to the applicant or owner.
2. In the event that the applicant or owner has entered into a Tax Abatement Agreement to make Improvements to a Facility, but fails to undertake or complete such Improvements or fails to create all or a portion of the number of new jobs provided by the Tax Abatement Agreement, then in such event the District to whom the application for Tax Abatement was directed shall give the applicant or owner sixty (60) days notice of such failure. The applicant or owner shall demonstrate to the satisfaction of the District that the applicant or owner has commenced to cure such failure within the sixty (60) days above mentioned. In the event that the applicant or owner fails to demonstrate that applicant/owner is taking affirmative action to cure such failure, then in such event the Tax Abatement Agreement shall terminate and all abatement of taxes shall likewise terminate. Taxes abated during the calendar year in which termination takes place shall be payable to the District by no later

than January 31st of the following year. Taxes abated in years prior to the year of termination shall be payable to the District within sixty (60) days of the date of termination.

3. In the event that the District determines that the applicant or owner is in default of any of the terms or conditions contained in the Tax Abatement Agreement, then in such event the District shall give the applicant or owner sixty (60) days' written notice to cure such default. In the event such default is not cured to the satisfaction of the District within the sixty (60) day notice period, then the Tax Abatement Agreement shall terminate and all abatement of taxes shall likewise terminate. Taxes abated during the calendar year in which termination takes place shall be payable to the District by no later than January 31st of the following year. Taxes abated in years prior to the year of termination shall be payable to the District within sixty (60) days of the date of termination.
4. In the event that the applicant or owner allows ad valorem taxes on property ineligible for Tax Abatement owed to the District to become delinquent and fails to timely and properly follow the legal procedures for their protest or contest, then in such event the Tax Abatement Agreement shall terminate and all abatement of taxes shall likewise terminate. Taxes abated during the calendar year in which termination, under this subparagraph, takes place shall be payable to the District by no later than January 31st of the following year. Taxes abated in years prior to the year of termination shall be payable to the District within sixty (60) days of the date of termination.
5. In the event that the applicant or owner who has executed a Tax Abatement agreement with the District relocates the business for which Tax Abatement has been granted to a location outside of the designated Reinvestment Zone, then in such event the Tax Abatement Agreement shall terminate after sixty (60) days' written notice by the District to the Owner/Applicant. Taxes abated during the calendar year in which termination takes place shall be payable to the District by no later than January 31st of the following year. Taxes abated in years prior to the year of termination shall be payable to the District within sixty (60) days of the date of termination.
6. The date of termination as that term is used in this Subsection VII shall in every instance be the 60th day after the day the District sends notice of default, in the mail to the address shown in the Tax Abatement Agreement to the Applicant or Owner. Should the default be cured by the owner or Applicant within the sixty (60) day notice period, the Owner/Applicant shall be responsible for so advising the District and obtaining a release from the notice of default from the District, failing in which, the abatement remains terminated and the abated taxes must be paid.
7. In every case of termination set forth in Subparagraphs 1, 2, 3, 4 and 5 above, the District to which the application for Tax Abatement was directed shall determine whether default has occurred by Owner/Applicant in the terms and conditions of the Tax Abatement Agreement.

8. In the event that a Tax Abatement Agreement is terminated for any reason whatsoever and taxes are not paid within the time period herein specified, then in such event, the provisions of Tax Code, Section 33.01 will apply.

SECTION IX. Miscellaneous:

1. Any notice required to be given by these criteria or guidelines shall be given in the following manner:
 - a) To the owner or applicant: written notice shall be sent to the address appearing on the Tax Abatement Agreement.
 - b) To the District: written notice shall be sent to the address appearing on the Tax Abatement Agreement.
2. The Chief Appraiser of the Reeves County Appraisal District shall annually assess the Real and Personal Property comprising the Reinvestment Zone. Each year, the applicant or owner receiving Tax Abatement shall furnish the chief Appraiser with such information as may be necessary for the abatement. Once value has been established, the Chief Appraiser shall notify the District which levy taxes of the amount of assessment.
3. Upon the completion of Improvements made to any type of Facility as set forth in Section VII, Subparagraph 1 of these criteria and guidelines a designated employee or employees of the District having executed a Tax Abatement agreement with applicant or owner shall have access to the Facility to insure compliance with the Tax Abatement Agreement.
4. A Tax Abatement Agreement may be assigned to a new owner but only after written consent has been obtained from the District.
5. These guidelines and criteria are effective upon the date of their adoption by the District and shall remain in force for two (2) years. At the end of the two-year period these guidelines and criteria may be readopted, modified, amended or rewritten as the conditions may warrant.
6. The District shall determine whether or not it elects to become eligible to participate in Tax Abatement Agreements. In the event the District elects by resolution to become eligible to participate in Tax Abatement, then the District shall adopt these guidelines and criteria by resolution.
7. In the event of a conflict between these guidelines and criteria and Tax Code, Chapter 312, then in such event the Tax Code shall prevail and these guidelines and criteria interpreted accordingly.
8. The guidelines and criteria once adopted by the District may be amended or repealed by a vote of three-fourths (3/4) of the members of the District Board during the two-year term in which these guidelines and criteria are effective.

IN WITNESS WHEREOF, the undersigned with full authority of its board of directors and/or members, executes this Agreement on behalf of his or her respective entity, on the day and year first above written.

REEVES REGIONAL HEALTH

By: Pablo Carrasco

Pablo Carrasco, Board President

Date: 1/28/2025

Adopted by Board of Directors of Reeves County Hospital District on January 28, 2025.