

Exhibit A

Neighborhood Empowerment Zone No. 2

R2016-09-37

City of Hillsboro, Texas

Outlets of Hillsboro

Section 1: Boundary

The boundary of Neighborhood Empowerment Zone No. 2 is the property occupied by the Outlet Shops of Hillsboro, also known as “NEZ-2 Outlets of Hillsboro “.

Section 2: Finding and Purposes

It is the finding of the Hillsboro City Council that the Neighborhood Empowerment Zone program is beneficial to the health, safety, and welfare of the citizens of Hillsboro. Neighborhood Empowerment Zone No. 2 is established for the following purposes in keeping with Chapter 378 of the Local Government Code:

1. Promote the creation and rehabilitation of affordable housing
2. Promote an increase in economic development and an increase in the quality of social services and public safety.
3. Increase the public health, safety, and welfare of the citizens of Hillsboro.

Section 3: Incentives

The following incentives are offered for qualifying properties in Neighborhood Empowerment Zone No.

2. For the purposes of Neighborhood Empowerment Zone No. 2, a store is considered to be a separate property. Each separate store in the Outlet Shops of Hillsboro will be eligible to participate in these incentives. To qualify for these incentives, a property must have a minimum of \$20,000 in improvements made to the structure and/or the premises, or equipment must be installed on the premises that has a value of a minimum of \$20,000. The value of the improvements must be documented on the building permit application or in the case of equipment installed on the premises by a sales receipt. If alterations are made to shelving, partitions, or other interior finishes that do not require a building permit from the City of Hillsboro, the value of this work can be documented by providing copies of invoices from contractors and/or sales receipts for materials purchased.

1. Property tax will be abated on the value of the improvement to the property whereby ad valorem taxes will not be levied on fifty (50) percent of the value of the improvement each year for a period of five years. The value of the improvement will be based on the change in the assessed value of the property as determined by the Hill County Appraisal District.
2. City of Hillsboro sales tax (1.00% of the 8.25% of sales tax rate) will be refunded on purchases of building materials from stores in Neighborhood Empowerment Zone No. 2. Receipts showing sales tax paid on building materials, the address of the job, and the date on which the sale was made, which must be on or prior to the date the permit expired or the date the Certificate of Occupancy was issued, must be submitted. To be eligible for this incentive, the receipt must be

submitted within six months of the date the permit expired, within six months of the date of the final inspection, or within six months of the date the Certificate of Occupancy was issued, whichever comes first. This incentive does not apply to State of Texas sales tax or Hill County sales tax.

3. All zoning fees, subdivision fees, and other fees related to property development will be waived.
4. All permit fees will be waived for any and all components of building construction including but not necessarily limited to foundations, plumbing, framing, electrical, roofing, HVAC, fire safety systems, signs, etc. for new construction and for remodeling or additions to existing buildings. This waiver covers permit fees only. Inspection fees and plan review fees are not waived.
5. Water meter fees, water tap fees, and sewer tap fees are waived.
6. The City of Hillsboro will release existing liens filed on real property by the City of Hillsboro.
7. For Existing Businesses in the Outlet Shops of Hillsboro:

If an improvement of \$20,000.00 or more is made in the form of improvements to the space the store occupies, and with new furniture and fixtures, a sales tax rebate will be offered under the following conditions:

- A. The sales tax paid each month for the twelve full months preceding the date the project is complete that is revenue in support of the City of Hillsboro's General Fund will be used to establish a baseline for sales tax paid. Only a small portion of the sales tax that is paid is revenue in support of the City of Hillsboro's General Fund. An 8.25 percent sales tax is paid in the city limits of Hillsboro. Of the 8.25 percent sales tax, 6.25 percent goes to the State of Texas, 0.5 percent goes to Hill County, and 1.5 percent goes to the City of Hillsboro. Of the City of Hillsboro's 1.5 percent, three-eighths of a percent is required by local ordinance to support the Hillsboro Economic Development Corporation, one-eighth of a percent is required by local ordinance to support the sales tax for property tax reduction that was approved by the voters of Hillsboro in May 2, 1992 election, and one percent is revenue that supports the City of Hillsboro's General Fund. A sales tax rebate on the portion of the sales tax that supports the City of Hillsboro's General Fund, or 1 percent of the total 8.25 percent sales tax rate, will be made to the store each year for three years in the following increments each year:

Year One: 75 percent of the increase in sales tax paid by the store in year one above the baseline.

Year Two: 50 percent of the increase in sales tax paid by the store in year two above the baseline.

Year Three: 25 percent of the increase in sales tax paid by the store in year three above the baseline.

- B. Documentation of the value of improvements to the building will be based on the values reported to the City of Hillsboro and stated on building permits. Documentation of the value of new furniture and fixtures will be based on sales receipts for the purchase of the furniture and fixtures.
- C. The date the project is completed is the date the final inspection is made by the City of Hillsboro Building Official.

- D. The sales tax rebate will be made semi-annually in August for the period January through June and in February for the period July through December. If a project completion date falls at a time other than the beginning of one of these periods, the payment during that partial period will be based on the sales tax paid since the completion date of the project. The baseline for that partial period will be adjusted to coincide with the date of completion of the project.

8. For New Businesses in the Outlet Shops of Hillsboro:

If an improvement of \$100,000.00 or more is made in the form of improvements to the space the store occupies, and with new furniture and fixtures, a sales tax rebate will be offered under the following conditions:

- A. A rebate will be provided on the portion of the sales tax that is revenue in support of the City of Hillsboro's General Fund. Only a small portion of the sales tax that is paid is revenue in support of the City of Hillsboro's General Fund. An 8.25 percent sales tax is paid in the city limits of Hillsboro. Of the 8.25 percent sales tax, 6.25 percent goes to the State of Texas, 0.5 percent goes to Hill County, and 1.5 percent goes to the City of Hillsboro. Of the City of Hillsboro's 1.5 percent, three-eighths of a percent is required by local ordinance to support the Hillsboro Economic Development Corporation, one-eighth of a percent is required by local ordinance to support the sales tax for property, tax reduction that was approved by the voters of Hillsboro in May 2, 1992 election, and one percent is revenue that supports the City of Hillsboro's General Fund. The sales tax rebate will be on the portion of the sales tax that supports the City of Hillsboro's General Fund, or 1 percent of the total 8.25 percent sales tax rate, in the following increments each year for three years:

Year One: 75 percent of the sales tax paid by the store that supports the City of Hillsboro's General Fund in year one.

Year Two: 50 percent of the sales tax paid by the store that supports the City of Hillsboro's General Fund in year two.

Year Three: 25 percent of the sales tax paid by the store that supports the City of Hillsboro's General Fund in year three.

- B. Documentation of the value of improvements to the building will be based on the values reported to the City of Hillsboro and stated on building permits. Documentation of the value of new furniture and fixtures will be based on sales receipts for the purchase of the furniture and fixtures. Documentation of the increase in inventory will be based on sales receipts for the purchase of the new inventory.
- C. The date the project is completed is the date the Certificate of Occupancy is issued by the City of Hillsboro.
- D. The sales tax rebate will be made semi-annually in August for the period January through June and in February for the period July through December. If a project completion date falls at a time other than the beginning of one of these periods, the payment during that partial period will be based on the sales tax paid since the completion date of the project.

Section 4. Application

A person who has a project that qualifies for these incentives must complete an application and submit the application to the City of Hillsboro. The project will not be eligible for the incentives if an application is not filed. The application must be filed prior to the time the final inspection is made, prior to the time the Certificate of Occupancy is issued, or prior to the time the permit expires, whichever comes first.

Section 5. Permit Applications Still Necessary

Applications must be filed for all permits, zoning requests, subdivisions, and other building construction or property development. Permit fees are waived, but the permit process is not waived.