

Legislation Details (With Text)

File #: 2022-4999 **Name:**

Type: Presentation **Status:** Presented

File created: 6/14/2022 **In control:** City Council - Regular Session

On agenda: 7/12/2022 **Final action:** 7/12/2022

Title: Conceptual Economic Development Incentive Request - (1) Sales Tax Exemption on Construction Materials and Real Property Tax Abatement for Raintree Village Retirement Community, Scenic Development, LLC applicant and (2) Community Improvement District for Arborwalk Development, Christie Development Associates, LLC, applicant

Sponsors:

Indexes:

Code sections:

Attachments: 1. Applicant Presentation, 2. Map of Raintree Lake Village TDD Improvements, 3. History of Residential Incentives (July 2022)

Date	Ver.	Action By	Action	Result
7/12/2022	1	City Council - Regular Session	presented	

..Title

Conceptual Economic Development Incentive Request - (1) Sales Tax Exemption on Construction Materials and Real Property Tax Abatement for Raintree Village Retirement Community, Scenic Development, LLC applicant and (2) Community Improvement District for Arborwalk Development, Christie Development Associates, LLC, applicant

Issue/Request:

This is a conceptual presentation pursuant to the City's Economic Development Incentive Policy for two separate requests in connection with the Arborwalk development which is proposed north of Highway 150 and west of Ward Road:

(1) Sales and Use Tax Exemption on construction materials and real property tax abatement in the amount of 50% abatement for 10 years, requested by Scenic Development, LLC (“Scenic Development”);

(2) formation of a Community Improvement District by Christie Development Associates, LLC (“Christie Development”) to fund traffic improvement and stormwater improvements that would serve the new development and also fund previously-completed improvements around the existing Raintree Lake Village development that is located at the southeast quadrant of Ward and Highway 150.

Key Issues:

Evaluation of incentive requests for the retirement community and commercial development in the proposed Arborwalk Development.

Proposed City Council Motion:

No motion requested as this is only a conceptual presentation. The companies are seeking the City Council's feedback pursuant to the City's Economic Development Incentive Policy.

Background:

Two components of the Arborwalk Development are being presented to the Council. One incentive request is related exclusively to the Scenic Development Retirement Community and one request is related to the remainder of the mixed-use project.

Arborwalk Development

On June 21, 2022, the City Council continued the public hearing for Application #PL2022-119 - Preliminary Development Plan - Raintree Village, 1501 SW Arborwalk Boulevard; Scenic Development, LLC, applicant, to a date certain of July 12, 2022. This public hearing is placed after this conceptual economic development incentive request. Scenic Development is seeking an incentive request for the proposed project through Chapter 100, to provide sales tax exemption on construction materials and real property tax abatement in the amount of 50% abatement for 10 years.

Christie Development is also planning an approximate 24-acre Mixed-Use Development that would include about 250,000 square feet of residential, office and commercial construction (not including Raintree Village by Scenic Development as noted above). The total estimated project costs are about \$65 million. Christie Development is making an incentive request to form a community improvement district (CID) over the commercial retail development and impose a one-cent sales tax for the purpose of generating revenues to reimburse developer for transportation and stormwater improvements.

Raintree Lake Village TDD / Prior Road Costs

On October 19, 2005, the Jackson County Circuit Court approved the formation of the Raintree Lake Village Transportation Development District (TDD), which is generally located on the Raintree Lake Village commercial development that is located at the southeast quadrant of Ward Road and Highway 150. The TDD imposes a 1-cent sales tax that reimburses the development for the eligible road improvements. The TDD Sales Tax became effective on November 1, 2005, and is scheduled to expire on September 30, 2029. The TDD funds certain road improvements around the Raintree Lake Village at the same location.

Christie Development indicates that about \$2.3 million of the original road costs remain unreimbursed. As a result, Christie Development is requesting that the remaining unreimbursed balance of the TDD costs be included as reimbursable costs of the proposed new CID. This would be possible if the proposed CID includes the rights-of-way where the TDD improvements are located around the Raintree Lake Village commercial area.

On April 22, 2021, the City entered into a Purchase Agreement with Raintree Investors, LLC, and the TDD under which the City eventually purchased the property located at 801 SW Highway 150, which is the planned location for new Fire Station #5. The Real Estate Agreement includes this provision:

“22. TDD Expansion. The Purchaser acknowledges and agrees that it is the intent of the Seller to request approval from the Purchaser for the expansion of the TDD to include additional property. After Closing, and provided that the City Council approves a resolution of support as set forth below in this

Section, the Purchaser agrees to collaborate with the Seller in an effort to expand the boundaries of the existing TDD to include property located on the west side of Ward Road both north and south of 150 Highway. Purchaser acknowledges that it is not opposed to considering the extension of the TDD to assist with development of the west side of Ward Road both north and south of 150 Highway, provided the Seller obtains approval of all property owners within the existing TDD boundaries and within the TDD expansion area and execution of the requisite TDD expansion documents in accordance with the TDD Statute. Neither the Purchaser, nor any representative thereof, including, without limitation the staff, the current Mayor and/or the City Council can make future commitments as to the approval or full support of the potential TDD expansion until such time as a formal request has been prepared and presented for consideration. If authorized by the City Council by resolution, this cooperation shall take the form of the City filing a favorable response in a circuit court proceeding instituted by Seller or the TDD for the expansion of the TDD.”

Under this provision, the prior composition of the City Council signaled the intent to consider expansion of the existing TDD. If the current Council adopts a resolution of support, then City staff would support expansion of the TDD. In discussions with City staff about this incentive request, Christie Development initially proposed the formation of a new TDD. However, Christie Development also indicated that it would like to pursue stormwater costs as a reimbursable project cost which are not eligible under a TDD unless they are associated with road construction. As a result, Christie Development is now pursuing a CID to fund the new costs and the prior costs which are being repaid by the existing TDD.

Impact/Analysis:

1. Scenic Development Retirement Community

Here is the key data associated with the incentive request by Scenic Development:

Type of incentive -

- (1) Sales and use tax exemption on construction materials and
- (2) Real property tax abatement of 50% for 10 years

Value of Requested Incentives -

Sales and use tax exemption: \$1,400,000
Property tax abatement (NPV): \$2,100,000

Total Projected Value of Incentives: \$3,500,000

Total Project Costs: \$48,200,000

Incentive as Percentage of Total Project Costs: 7.26%

Impact to City (NPV) -

Sales & use tax exemption: Not provided (company has not indicated where materials will be purchased)

Real Property Tax Abatement (NPV): \$357,000

Company's Projected Rate of Return without incentives: 6.89%

Company's Projected Rate of Return with incentives: 8.11%

This is the second time that a company has requested tax abatement for a residential project that is not located in a blighted area. The Griffin Riley project was the first.

2. CID

Here is the key data associated with the incentive request by Christie Development:

Type of incentive:

1% sales tax through a CID

Projected Reimbursement:

\$750,000 new costs

\$2,300,000 prior TDD costs

\$3,050,000 total

Projected Value of Incentives: \$3,050,000

Total Project Costs: \$65,000,000 at full build-out

Incentive as Percentage of Total Project Costs: 4.7%*

* A substantial portion of the CID reimbursement will be for costs previously incurred for the Raintree Lake Village project and are not constructed for the new Arborwalk Development.

Both Requests Combined

Total Projected Value of Incentives: \$6,550,000

Total Project Costs: \$113,300,000

Incentive as Percentage of Total Project Costs: 5.79%

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David Bushek, Chief Counsel of Economic Development and Planning