

Legislation Text

File #: BILL NO. 20-231, **Version:** 2

An Ordinance approving The Cedar Creek Land Clearance Redevelopment Act Redevelopment Plan.
(Note: First reading by Council on December 15, 2020.)

Issue/Request:

This is a request to approve the Cedar Creek LCRA Redevelopment Plan pursuant to the LCRA Act to provide sales and use tax exemption on construction materials for the renovation project that will be undertaken by the applicant at the Cedar Creek Shopping Center. This is a companion request to the Cedar Creek CID that has already been approved by the City Council.

Key Issues:

Sales and use tax exemption on construction materials that are used in the renovation project.

Proposed City Council Motion:

I move for adoption of an Ordinance Approving The Cedar Creek Land Clearance Redevelopment Act Redevelopment Plan.

Background:

The Redevelopment Project is proposed to be renovation and refurbishment of that portion of the Cedar Creek Shopping Center that is located within the geographic boundaries of the Redevelopment Area. The budget for this work is identical to the budget that was presented to the City Council for consideration and approval of the Cedar Creek CID., which includes a column for reimbursement by the Cedar Creek Community Improvement District (CID) which was approved by the City Council on September 29, 2020 through the adoption of Ordinance No. 8973.

Please see the Public Hearing agenda item for additional background, supporting materials and attachments.

Impact/Analysis:

The overall redevelopment project including land and financing costs is anticipated to cost about \$9.43 million. The project exclusive of land and permanent financing costs is about \$3.466,000. From these hard costs, Developer projects that the portion to be expended on the purchase of materials is about \$1,251,000. The sales and use taxes that the Developer would normally pay on the purchase of those materials is estimated to be about \$98,200. Therefore, the value of the requested sales and use tax exemption to Developer from the present request is projected to be about \$98,200, which is approximately 2.81% of the total projected costs (exclusive of land and permanent financing costs). The estimated sales and use tax impact to the City from this request is about \$10,300, which is about 10% of the total tax impact to all affected sales and use taxing jurisdictions.

All funding to undertake the project will come from private sources. Developer will receive reimbursement from the CID for a portion of the costs of the project according to the project budget set forth above. The

sales tax exemption that is requested through the LCRA incentive will serve to reduce the total project costs to Developer. Developer is not requesting real property tax exemption through this Redevelopment Plan.

Timeline:

The applicant plans to undertake this project in 2021.

Other Information/Unique Characteristics:

The City's ED Incentive Policy, as amended in January 2020, provides for a number of guidelines regarding the use of LCRA incentives. Many of these are applicable only to a request for real property tax abatement, which is not presented by this project. However, certain of the guidelines do apply to this request which uses only a sales and use tax exemption, including:

3. Blight Clearance and Public Benefits: Most favorable consideration will be given to projects that reduce or eliminate undesirable or blighted conditions on the targeted property.

This property will directly address the blighting conditions on the property.

4. Tax Stabilization: Most favorable consideration will be given to projects that immediately generate direct or indirect new tax revenues for the City and other taxing jurisdictions, accounting for sales taxes, personal property taxes, real property taxes, lodging and tourism taxes and franchise (gross receipts) taxes.

This project will enhance the value of the property and, assuming the County increases the valuation of the property following completion of the renovation work, will provide an immediate increase in real property tax revenues that are generated by the property.

6. Statement of Need ("But For Test"): Most favorable consideration will be given to projects where the company proves that (a) the project would not be undertaken without the requested LCRA incentive or (b) the project provides substantially enhanced features or amenities if the requested LCRA incentive is provided.

During the CID consideration process, Developer indicated that the project is unlikely to be undertaken without the requested CID and LCRA incentives.

7. Size of Project and Total Investment: a. Redevelopment - (1) For certificates of qualification, most favorable consideration will be given to projects that invest at least \$500,000 in total project costs. (2) For all other LCRA incentives, most favorable consideration will be given to projects that invest at least \$5 million in total project costs.

Developer is undertaking a project that is about \$9.43 million in total costs, and for the renovation work, or about \$3.5 million exclusive of land and permanent financing costs).

Curtis Peterson, Polsinelli Law Firm
David Bushek, Chief Counsel of Economic Development & Planning
Mark Dunning, Asst. City Manager

Staff recommends approval of the Redevelopment Plan by ordinance.

The LCRA Board of Commissioners unanimously recommended approval of the Redevelopment Plan.