

Legislation Text

File #: BILL NO. 23-054, **Version:** 1

An Ordinance approving the Ellis Glen Land Clearance for Redevelopment Authority (LCRA) Redevelopment Plan.

(First read by Council on March 14, 2023.)

Issue/Request:

This is an ordinance to approve the Ellis Glen LCRA Redevelopment Plan, which would provide sales and use tax exemption on construction materials and long-term tax abatement for the proposed development to be constructed by Ellis Glen, LLC (the “Developer”) which is located at 102-110 SW Market Street.

The proposed development provides for the design, development, and construction of a single three-story mixed-use building with the surface parking lot located to the rear of the building. The first floor of the building will be approximately 8,000 square feet of commercial office space. Floors two and three will be a mix of studio, one-and-two-bedroom apartments and approximately 24,000 square feet, respectively, along with all associated onsite and offsite sitework and infrastructure, including utilities, stormwater management, street/drive and parking improvements, and landscaping.

The LCRA Plan will establish public ownership during the construction of improvements for Developer to receive and use a sales tax exemption certificate for the purchase of construction materials that are used in the construction of the Project, and thereafter for a period of 25 years to facilitate real property tax abatement. Developer is requesting sales and use tax exemption on construction materials and real property tax abatement through the Land Clearance for Redevelopment Authority Act.

Key Issues:

Public hearing to consider the LCRA Redevelopment Plan for the Ellis Glen Project.

Background:

On September 20, 2022, Developer made a conceptual incentive request to the City Council for the requested incentive package and received positive non-binding feedback from the Council.

On October 4, 2022, the City Council passed Ordinance No. 9514 which approved a rezoning from District RP-2 to District CBD, and a preliminary development plan for the proposed project.

On February 22, 2023, the LCRA Plan was presented to the LCRA Board of Commissioners, and the Board then passed Resolution 2023-1 which recommended approval of the LCRA Plan.

A summary of the key data associated with Developer’s savings for the requested sales tax exemption on construction materials results set forth in the attachments to this meeting packet.

The abatement request as a portion of the total project budget is:

2.9% Sales Tax Exemption on Construction Materials

21.5% Real Property Tax Abatement / Public Improvements Assessment (net present value)

24.4% Total Requested Incentives

Impact/Analysis:

The benefit of the sales tax exemption to Developer is summarized as follows:

| Sales & Use Tax Savings Calculations | |
|---|-------------------|
| LS Sales Tax Savings | \$ 9,350 |
| LS Use Tax Savings | \$ 74,800 |
| LS Total Savings | \$ 84,150 |
| County Sales Tax Savings | \$ 4,250 |
| State Sales & Use Tax Savings | \$ 143,650 |
| Total Sales & Use Tax Savings | \$ 232,050 |

The real property tax abatement benefit to Developer is summarized as follows:

| Real Property Tax Abatement Benefit to Developer | |
|---|--------------------|
| Taxes Paid with Project and No Abatement | \$4,686,762 |
| PILOTs paid at 25% for 25 Years | \$1,171,691 |
| Value of Abatement at 75% for 25 Years | \$3,515,072 |

The benefit of the PILOTs payments to the taxing districts is:

| Benefit to Taxing Districts | |
|------------------------------------|--------------------|
| <u>Taxes without Project</u> | |
| All Districts | \$140,442 |
| City Portion | \$23,875 |
| <u>PILOTs with Project</u> | |
| All Districts | \$1,171,691 |
| City Portion | \$199,187 |
| Net Increase in Taxes | |
| All Districts | \$1,031,249 |
| City Portion | \$175,312 |

Timeline:

Construction of the project is expected to commence this year.

Pam Hatcher and Jennifer Meents, Ellis Glen, LLC
David Bushek, Chief Counsel of Economic Development and Planning
Ryan Elam, Assistant City Manager

The LCRA Board of Commissioners unanimously recommended approval of the LCRA Plan to the City Council.