

Legislation Text

File #: 2022-5061, **Version:** 1

Public Hearing: Valle Vista Community Improvement District

Issue/Request:

Public hearing to consider approval of the Valle Vista Community Improvement District which would impose a new 1% sales tax with a maximum duration of 27 years in order to fund rehabilitation and reconstruction work within the boundaries of the District.

Key Issues:

Approval of a new CID which would impose a 1% sales tax within the boundaries of the proposed CID to fund rehabilitation and redevelopment costs.

Background:

LS Valle Vista 2018, LLC, ("Developer"), an entity affiliated with Block & Company, Inc., has filed a Petition for the formation of a new CID over the Valle Vista Shopping Center located west of Highway 291 north between Chipman Road on the north and Columbus Street on the south, not including the northeast and southeast lots in the shopping center. The applicant gave a conceptual presentation to the City Council on this proposed CID on June 7, 2022, and the Council provided positive non-binding feedback. The CID would impose a new 1% sale tax on the commercial retail businesses in the CID area.

The Developer is proposing to undertake a renovation project of the shopping center that is expected to cost a total of about \$14.9 million. The CID is proposed to reimburse Developer for following rehabilitation and reconstruction work in the combined total of about \$3.9 million:

- Asphalt mill, paving and repair
- Parking area improvements
- Curb replacement
- Sidewalk replacement
- Landscaping improvements
- Building façade improvements
- Roof replacement
- Replace scuppers and downspouts
- Monuments signs
- Storefront glazing
- HVAC replacement
- Patios and pergolas
- Demolition costs
- Interior renovations and tenant finish work
- Exterior store renovations

This CID represents about a 26% incentive request, measured by the amount of reimbursement to Developer as a percentage of total project costs. This reimbursement request is within the range of similar shopping center rehabilitation projects for which the Council has approved CIDs in the past.

Developer estimates that the CID will generate about \$150,000 in sales tax revenues in the first year of the CID, and increasing each year due to sales growth. Developer estimates that this will generate about \$5.3 million in actual revenues during the 27-year life of the CID, which would have a net present value of about \$2.49 million over 27 years when calculated at the discount rate of 5.75%.

The sales tax would go into effect after the approval of a ballot measure in an election that will be conducted by the Jackson County Election Authority among the property owners in the CID area. The CID sales tax would be in addition to the other sales taxes already in effect in the shopping center area, which includes local sales taxes imposed by the City, County and Zoo District.

Impact/Analysis:

This CID would impose a new 1% sales tax that would be in addition to the existing sales taxes, which would create the following total sales tax rate in the CID area:

- 4.225% - State
- 2.250% - City *
- 1.250% - County
- 0.125% - Zoo District
- 1.000% - CID
- 8.850% - Total *

This request presents no direct impact to City general revenues. This will result in up to 27 years of an additional 1% sales tax in the shopping center to fund rehabilitation improvements in the CID area.

**The City's sales and use tax rate will go to 2.75% on October 1, 2022, for a combined total rate of 9.35%, due to the 0.5% City Public Safety sales and use tax that was approved in April 2022.*

Timeline:

Developer would conduct the sales tax election in 2022 and begin implementation of the rehabilitation project in 2022. The Developer has already requested and received demolition permits to begin the early preparations for the project.

Christine Bushyhead, Bushyhead Law firm
Mitch DiCarlo, Block & Company, Inc., Real Estate
David Bushek, Chief Counsel of Economic Development & Planning
Mark Dunning, Assistant City Manager

Committee Recommendation: Not applicable; Developer made a conceptual presentation directly to the City Council.