

Legislation Text

File #: BILL NO. 20-42, **Version:** 1

An Ordinance approving the Abatement Agreement for the Stanley Event Space Redevelopment Project.
(Note: First reading by Council on March 3, 2020.)

Issue/Request:

An Ordinance approving the Abatement Agreement for the Stanley Event Space Redevelopment Project.

Key Issues:

The proposed ordinance would approve the extension of the Land Clearance for Redevelopment Authority (LCRA) real property tax abatement as well as an increase in value of abatement from \$178,460 to a targeted amount of \$192,011 for The Stanley LCRA redevelopment project. The ordinance also would implement an Abatement Agreement which will require a payment in lieu of tax (PILOT) payment to achieve the targeted amount of real property tax abatement of \$192,011.

Proposed City Council Motion:

I move for adoption of an Ordinance approving the Abatement Agreement for The Stanley Event Space Redevelopment Project.

Background:

In October of 2012, the City Council approved Ordinance 7251 approving the Stanley Event Space LCRA redevelopment project and authorizing 100 (one-hundred) percent real property tax abatement for a 5 (five) year period on the incremental increase in value on the project. The estimated abatement over the five-year period based on project assumptions was valued at \$178,460.

In February of 2014, the Stanley Event Space presented information to the LCRA outlining actual costs for the redevelopment project, which were higher than anticipated, and requested the LCRA recommend adjusting the abatement period to allow for additional abatement for the project. At that time, the market value for the redevelopment project was not known, therefore the LCRA voted to authorize the issuance of the certificate of qualification for tax abatement as originally recommended by the LCRA and approved by the City Council for 100 percent abatement for five years, and continue to monitor the project. At that time the LCRA was open to revisiting the project as more data became available based on how Jackson County values the property over the next few years.

In August of 2014, Jackson County determined the market value of the property to be \$800,000 rather than the anticipated \$1.1M, therefore the estimated annual abatement amounts were less than anticipated. The Stanley Event Space requested a meeting with City staff to revisit the approved abatement at that time, however staff and the applicant agreed it would be premature to make assumptions on future property valuations for the coming years during the term of the abatement, and suggested the project be reviewed again closer to the end of the term of the abatement.

Based on actual assessment data over the five-year abatement period, the actual abatement realized is approximately \$128,200. The primary reason the actual abatement is less than the estimated abatement is a lesser market valuation after completion of the project. The original estimated market value was \$1.1M and the actual market value as

determined by the Jackson County Assessment Department was \$800,000, therefore the annual abatement increment was less than anticipated. Given the lower market valuation and higher than anticipated construction costs (many of which related to public infrastructure) the applicant is seeking to revisit the terms of the abatement and requesting additional years of abatement and an increase in value of the abatement.

NOTE: At the time the Stanley LCRA project was considered, the LCRA had not developed the LCRA project evaluation tool (spreadsheet) nor had the City adopted an economic development incentive policy to guide decision making and developing recommendations for consideration by the Mayor and City Council.

Process:

Prior to considering this specific LCRA project request, the Mayor and Council requested staff develop and prepare policy amendments to guide decision-making and utilization of the Land Clearance for Redevelopment Authority incentive tools. At the January 14, 2020 Council meeting, the Mayor and City Council unanimously adopted Bill No. 20-12 incorporating new LCRA policy language within the City's adopted Economic Development Incentive Policy, a copy of which is attached to this correspondence.

Pertinent sections from the amendments to the LCRA policy that apply to this request are found on page 4 of the LCRA policy which read:

"Duration of Certificate of Qualification: Starting in January 2020, the measurement of abatement for certificates of qualification shall be the "targeted amount approach," meaning that abatement shall last until a stated dollar amount of tax abatement has been achieved and thereafter the property shall return to the tax rolls as fully taxable property, with the property owner making a payment in lieu of taxes in the final year of abatement to achieve the exact amount of approved abatement."

"Amendments to Certificates of Qualification (prior to January 2020): For certificates of qualification approved prior to January 2020, the original applicant may request to amend the incentive to apply the measurement of abatement as set forth in the prior bullet for the remainder of the abatement term."

At the January 14, 2020 City Council meeting, the Stanley Event Space presented a conceptual economic development incentive request to the Mayor and Council, requesting the Mayor and Council allow the request to formally proceed through the LCRA process. The conceptual request made to the Mayor and Council for the extension and increase in abatement occurred for the following reasons:

1. The ordinance approving the LCRA redevelopment project and abatement contains a provision in Section 7 stating, "There shall be no opportunity for renewal of the incremental tax abatement period."
2. The LCRA statutes do not contain a defined process by which redevelopment projects may be reconsidered.
3. The request to extend the abatement period exceeds the adopted Economic Development Incentive Policy threshold of 50% overall abatement through the use of LCRA.

The Mayor and Council provided direction to staff and the applicant to formally present the request to the LCRA to develop a recommendation for the Mayor and Council consideration.

Mark Dunning, Assistant City Manager
David Bushek, Chief Counsel of Economic Development & Planning

Recommendation:

Staff recommends approval of the ordinance and abatement agreement

Committee Recommendation:

On January 22, 2020, the LCRA voted unanimously (5-0) to recommend to City Council for approval of the increase in the abatement value of \$192,011 and to extend the abatement period subject to a development agreement which requires a payment in lieu of tax (PILOT) to be paid to achieve the recommended abatement amount.