

Legislation Text

File #: 2019-3036, **Version:** 1

Presentation and consideration of request to extend Land Clearance for Redevelopment Authority (LCRA) abatement - The Stanley Event Space, 25 SE 3rd Street; The Stanley Event Space, applicant.
(Note: This item was continued from October 15, 2019 per the applicant's request.)

Issue/Request:

Presentation and consideration of request to extend Land Clearance for Redevelopment Authority (LCRA) abatement - The Stanley Event Space, 25 SE 3rd Street; The Stanley Event Space, applicant.

Key Issues:

The Stanley Event Space will be providing a conceptual presentation to the Mayor and Council requesting a two-year extension on the LCRA abatement period for this LCRA redevelopment project. The approved LCRA abatement is scheduled to terminate at the end of 2019. City staff has directed the applicant to present this request in a conceptual manner (similar to a conceptual economic development incentive request) 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 purpose for the conceptual presentation/request is to receive Mayor and City Council feedback and direction before proceeding through a formal consideration through the LCRA and City Council. The applicant wishes to extend the abatement period for 2 years due to Jackson County valuing the improvements at a lesser market value than anticipated during the 5-year abatement period, and higher than anticipated redevelopment costs of the project.

Prior to considering this 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 7, 2020 Council meeting, the Mayor and City Council unanimously approved the second reading of Bill No. 20-12 related to LCRA policy amendments by vote of 8-0. Bill No. 20-12 is placed on the consent agenda for the January 14th meeting for adoption.

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

Proposed City Council Motion:

If wishing to formally consider a potential extension of the LCRA abatement: I move to direct the applicant and staff to formally prepare and process a request for extension of the LCRA abatement for the Stanley Event Space LCRA redevelopment project and waiving the restriction on renewal of the incremental tax abatement period as stated in Ordinance No. 7251.

If the desire is to not pursue the requested extension of the abatement period, no motion is necessary and staff will uphold the provision contained in Section 7 of Ordinance No. 7251.

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.

Now that the project is near the 5-year term of abatement, and based on actual data over the five-year abatement period, the actual abatement that has been realized is approximately \$128,000. 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 increase construction costs (many of which related to public infrastructure) the applicant is seeking to revisit the terms of the abatement and

requesting an additional two years of abatement to align with the intent of the original approval of the project.

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.

Timeline:

If directed to move forward with formal consideration, the LCRA may consider the request at their January 22, 2020 meeting and the Mayor and Council could consider the LCRA recommendation in February.

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