

## Legislation Text

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**File #:** BILL NO. 21-111, **Version:** 1

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An Ordinance Approving the Southside Plaza Land Clearance for Redevelopment Authority Redevelopment Plan.

(Note: First read by Council on June 8, 2021. Passed by unanimous vote.)

Issue/Request:

An ordinance to approve the Southside Plaza LCRA Redevelopment Plan

Key Issues:

Tax abatement through the LCRA for shopping center rehabilitation and blight clearance.

Proposed City Council Motion:

I move for adoption of an Ordinance Approving the Southside Plaza Land Clearance for Redevelopment Authority Redevelopment Plan.

Background:

On June 9, 2020, the City Council approved Ordinance No. 8894 which approved the formation of the Southside Plaza Community Improvement District (the "CID") to provide a funding source to reimburse Brain Dev 3, LLC (the "Developer") for improvements to be made to the project in an effort to redevelop and revitalize the shopping center. The CID will impose an extra 1% sales tax on all retail sales in the shopping center, and the resulting sales tax revenue will be used as a source of reimbursement to Developer for qualified renovation costs.

After the CID approval, it was learned that the CID revenue projections were based on inaccurate data about prior taxable sales levels at the shopping center. The Developer originally expected that the 1% CID sales tax would provide sufficient funds to reimburse about \$1.44 million in eligible costs, and this was the maximum reimbursable amount. Instead, the revised revenue projections are that the CID can reimburse only about \$474,000 over the life of the CID, creating a gap of about \$966,000 as compared to the original CID incentive projections.

To remedy this gap in the reimbursement payments, the Developer is requesting that the City approve an LCRA Redevelopment Plan that would provide the following incentives:

(1) sales tax exemption on the purchase of construction materials that would generate an approximately \$63,000 savings during the construction period and

(2) real property tax abatement in the amount of 100% abatement for four years and then 50% abatement for the next 6 years, resulting in a net 70% abatement over a ten year period, which is projected to produce a savings of \$965,000 over the ten year period.

The Developer made a conceptual presentation to the City Council on April 20, 2021, and a majority of the City Council provided positive feedback for the Developer's request.

Impact/Analysis:

This Redevelopment Plan would achieve the amount of reimbursement originally authorized by the City Council through use of the CID. The Cooperative Agreement will be amended to reflect that the maximum amount of reimbursement as originally authorized in the Cooperative Agreement will be provided through three sources - the CID revenues, the sales tax exemption on construction materials and the real property tax abatement.

The Cost Benefit Analysis included in the meeting packet shows the impact of the tax abatement on the City and other real property taxing jurisdictions.

This request meets several of the LCRA Guidelines as set forth in the City's Economic Development Incentive Policy:

2. **Duration of Abatement:** Most favorable consideration will be given to projects where the abatement (a) lasts no longer than needed to provide the minimum amount of abatement to induce the company to undertake the project and (b) lasts no longer than 10 years.
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.
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.
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.
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.
8. **Company Equity:** Most favorable consideration will be given to projects where the at least 15% of the total project costs is funded from company equity rather than private bank loans.

Timeline:

Start: 2021

Finish: 2021-22

Other Information/Unique Characteristics:

This request is being made by the Developer to supplement the gap in reimbursement associated with the CID

that has already been approved by the City Council.

Mark Dunning, Assistant City Manager

David Bushek, Chief Counsel of Economic Development and Planning

Staff recommends approval of the Redevelopment Plan by this ordinance.

The LCRA Board of Commissioners adopted Resolution 2021-2 on May 26, 2021 which recommended approval of the Redevelopment Plan.