

Legislation Details (With Text)

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On agenda:	4/20/2021	Final action:	
Title:	Conceptual Economic Development Incentive Request - Land Clearance for Redevelopment Authority - Real Property Tax Abatement Request for Southside Shopping Center; Brain Dev 3, LLC, applicant		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. Developer Presentation.pdf, 2. Southside Retail Renderings, 3. LCRA Financial Data & Cost Benefit Analysis, 4. Ordinance 7472 (2014 LCRA blight declaration), 5. Ordinance 8894 (Approve CID Petition), 6. CID Petition, 7. Ordinance 8968 (CID Cooperative Agreement)		

Date	Ver.	Action By	Action	Result
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Conceptual Economic Development Incentive Request - Land Clearance for Redevelopment Authority - Real Property Tax Abatement Request for Southside Shopping Center; Brain Dev 3, LLC, applicant

Issue/Request:

This is a conceptual presentation pursuant to the City's Economic Development Incentive Policy for the request by Brain Dev 3, LLC ("Developer"), the owner of the Southside Shopping Center, for real property tax abatement pursuant to the Land Clearance for Redevelopment Authority (LCRA Act) to provide compensation for the redevelopment work to be undertaken by Developer at the Shopping Center.

Key Issues:

Evaluation of a request for real property tax abatement in the amount of 100% for 4 years and 50% for years 4-10, for an overall effective abatement rate of 70% for 10 years, to facilitate the renovation of the Southside Shopping Center.

Proposed City Council Motion:

No motion requested as this is only a conceptual presentation. The Developer is seeking the City Council's feedback pursuant to the City's Economic Development Incentive Policy.

Background:

The City Council approved Ordinance No. 8894 on June 9, 2020 which approved the Petition for establishment of the Southside Plaza Community Improvement District. On September 29, 2020, the City Council approved Ordinance No. 8968 which approved the Cooperative Agreement between the City, the District and the Developer regarding implementation of the CID for the renovation work to be funded by the CID.

The CID Cooperative Agreement provides for the maximum reimbursement in the amount of \$1,439,379, plus any Operating Costs, Costs of Formation, and the Maximum Reimbursement Interest (together, the "Maximum

Amount” as defined in the Cooperative Agreement), for the renovation work that will be undertaken by the Developer. After the CID and Cooperative Agreement were approved, it was discovered that the sales tax levels that were projected in the documents that accompanied the CID Petition and Cooperative Agreement and which formed the basis of the Maximum Amount, were substantially over-estimated based on inaccurate prior sales data. This inaccuracy resulted from confusion regarding the differences between prior sales levels and prior sales tax generation levels.

In order to address this inaccuracy, Developer has requested property tax abatement through the LCRA which is designed to achieve full reimbursement of the Maximum Amount. The requested level of property tax abatement is effectively 70% over 10 years, in the form of 100% abatement for years 1-4 and 50% abatement for years 5-10.

The scope of the renovation work to be undertaken by Developer is the same as when the CID Petition was approved by the City Council in June 2020 and when the Cooperative Agreement was approved in September 2020.

The Southside Shopping Center is already in an area that the City Council has declared to be blighted area through the passage of Ordinance No. 7472 which was approved on June 12, 2014.

Impact/Analysis:

This is a summary of the data associated with the actual expected CID reimbursement and the requested real property tax abatement:

\$1,439,375	Maximum CID Reimbursement under Cooperative Agreement
<u>\$473,898</u>	Corrected CID Reimbursement over 20 years
\$965,477	Gap to solve

10 years	Duration of Abatement
100% abatement	Years 1-4
70% abatement	Years 5-10
70% abatement	Overall 10 year request
\$964,533	Value of abatement over 10 years

20 years	Expected CID termination
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Timeline:

Start: Redevelopment work would commence this year

Finish: Developer would finish work this year of in 2022

Other Information/Unique Characteristics:

This abatement request is to solve revenue shortfalls compared to CID sales tax revenue projections. If the CID sales tax revenues were expected to produce the previously-projected amount, the Developer would not be pursuing this request.

Mark Dunning, Assistant City Manager

David Bushek, Chief Counsel of Economic Development and Planning

Recommendation:

Committee Recommendation: This is a conceptual presentation to the City Council. If the Council provides favorable feedback, the request will proceed to the LCRA Board of Commissioners for a review and recommendation back to the City Council at a later date.