

Legislation Text

File #: 2020-3805, **Version:** 1

Conceptual Economic Development Incentive Request - Land Clearance for Redevelopment Authority - Real Property Tax Abatement for Mine Remediation Costs; Streets of West Pryor project; Drake Development, applicant

Issue/Request:

This is a conceptual presentation pursuant to the City's Economic Development Incentive Policy for the request by Drake Development, developer of the Streets of West Pryor project, for real property tax abatement pursuant to the Land Clearance for Redevelopment Authority (LCRA Act) to provide compensation for mine remediation costs associated with the Vanguard Villas consisting of 84 residential units in the western-most lot in the Streets of West Pryor project. The mine remediation is necessary to make the property developable, presenting extraordinary redevelopment costs to this part of the overall project.

Key Issues:

Evaluation of a request for 50% real property tax abatement for 25 years to assist with extraordinary redevelopment costs associated with remediating the undermined areas to allow for residential townhome development to occur on the western-most lot of the project.

Proposed City Council Motion:

Motion to advance the proposal: I move to direct staff and the applicant to formally prepare the LCRA Redevelopment Plan to be presented to the LCRA for recommendation and formal consideration by the City Council.

Background:

The City Council approved Ordinance No. 8531 on January 8, 2019 which approved the rezoning and preliminary development plan for the Streets of West Pryor project. During January and February of 2019, the City Council also approved several other ordinances that provided an incentive package using a variety of incentive mechanisms associated with developing the areas of the project containing retail, restaurants, the grocery store and apartments. On the date of this presentation, two restaurants, the grocery store and some retail is open, and the first phase of the apartments is under construction.

The original preliminary development plan called for future single-family residential development in the western-most portion of the development. Developer is now proposing some changes to the preliminary development plan that would develop Lot 7B with 84 townhome units. Developer's request is to have the City approve an LCRA Redevelopment Plan that would provide 50% real property tax abatement for a period of 25 years as the mechanism to incentivize the undermine remediation costs for the project.

Developer proposes to own the entire villas development and lease the units to residents. This ownership structure would help to address one concern that the City would have regarding the liability associated with damage to property as a result of mine subsidence. With Developer ownership, Developer will be responsible

for curing and repairing any damage to property that results from mine subsidence.

Impact/Analysis:

This is a snapshot of the Developer's tax projections regarding the tax impacts in year 1 and for the life of the abatement period:

Year 1

\$127,364	Taxes generated in Year 1 for all taxing districts
\$22,291	City share of taxes in Year 1

Full 25-Year Period

\$3,828,932	Taxes generated for all taxing districts
\$670,145	City share of taxes over 25 years

Abated Taxes - Benefit to Developer

\$127,364	Abatement in Year 1
\$3,838,923	Total Abatement over 25 years

This is a calculation of the amount of the requested incentive as a proportion of the entire project costs:

\$30,462,000	Total Project Costs
\$2,080,000	Net Present Value of Tax Abatement
\$813,000	Value of Sales Tax Exemption to Developer
9.5%	Proportion of Incentive to Total Project Costs

Timeline:

Start: Construction could commence this year

Finish: Developer has not provided a completion date

Other Information/Unique Characteristics:

The mine remediation presents unique engineering issues. Developer has engaged a specialized engineering company for this work, and the City has also engaged a specialized engineer to evaluate and comment on Developer's proposed engineering for the remediation. This issue will be discussed more in the zoning hearing associated with the preliminary development plan for this project, which is scheduled for the February 23 Council meeting.

Jeff Haney, Haney Co. KC

Ralph Bellar, Lewis Rice Law Firm

Mark Dunning, Assistant City Manager

David Bushek, Chief Counsel of Economic Development & 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.