

Late Backup

12/11/2014

ITEM NO. 221

CHANGES INITIATED COUNCIL OFFICE

RESOLUTION NO.

WHEREAS, on June 12, 2014, Council adopted a resolution directing the City Manager to develop recommendations by August 30 for an economic development policy requiring that a company entering into a multi-year Chapter 380 agreement or public-private agreement for development on City property agrees that the company will not protest its property tax valuation for the period of the agreement; and

WHEREAS, on October 23, 2014, the City's Economic Development Department submitted a report to Council entitled "Property Tax Appeals: An Analysis of Property Tax Valuation Appeals as They Pertain to Incentivized Companies in the City of Austin" (the "Report"); and

WHEREAS, the Report analyzed the appeal behavior among incentivized companies that received incentives under a Chapter 380 agreement between 2005 and 2013 and made certain recommendations; and

WHEREAS, the Report indicates that four of the nine projects receiving tax-based incentive payments from the City of Austin have protested their property tax valuations at least once; and

WHEREAS, the companies that protested lowered their valuations between 7.9% and 31.5% in value; and

WHEREAS, companies that appealed property tax valuations also received lower incentive payments; however, the net loss to the City in property tax revenue was \$371,779 between 2007 and 2013; and

WHEREAS, City staff recommended codifying the current practice of prohibiting the property tax incentive option and property tax appeals to Chapter 380 and public-private agreements for projects located in TIF districts on City-owned land; and

WHEREAS, companies that succeed in lowering their property tax valuations change the assumptions upon which the financial soundness of the City investment was initially based and thus reduce the net benefits to the City; **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The city policy regarding property tax appeals and incentives is as follows:

- 1) Each multi-year Chapter 380 agreement shall include a provision stating any company that lowers its property tax valuation during the period of the agreement shall trigger a Council re-evaluation of that existing agreement, including a recalculation and probable elimination of incentives.
- 2) Each public-private agreement for development on City-owned property, not primarily occupied by a governmental entity, shall include a provision stating

that the company receiving the incentives shall not protest its property tax valuation for the period of the agreement.

- 3) The City will not offer a property tax incentive option to projects located in a tax increment finance district on City-owned property.
- 4) Each multi-year public-private agreement for a project where the City issues TIF debt for a development on City-owned property shall include a provision stating that the company receiving the incentives shall not protest its property tax valuation for the period of the agreement.

~~Typographical errors that result in incorrect property valuations are allowable circumstances under which a property tax challenge can be filed without triggering the above prohibition. All such cases shall come to City Council for review.~~

BE IT FURTHER RESOLVED:

The City Manager is directed to implement policies and practices to ensure that companies in violation of the above provisions will not receive — or will reimburse — incentives.

BE IT FURTHER RESOLVED:

The City Manager is directed to send updated policy documents (or links to same) in accordance with this policy to the City Council by February 1, 2014.

BE IT FURTHER RESOLVED:

The City Manager is directed to join Travis County's efforts to create a working group to analyze the appeal behavior of all commercial parcels and develop equitable recommendations.

BE IT FURTHER RESOLVED:

The requirements of this resolution apply to agreements entered into after the date this resolution is adopted.

ADOPTED: _____, 2014

ATTEST: _____

Jannette S. Goodall
City Clerk