



STAFF REPORT

DATE: 5 June, 2018

TO: Ronald L. Olson, City Manager

FROM: Ray Shanaa, Exec. Director of Planning and Development Services

SUBJECT: Tax Abatement Application Approval For 1302 Harris Killeen-PJY Investments, LLC

BACKGROUND AND FINDINGS:

The North Killeen Tax Abatement Guidelines and Criteria were initially adopted by City Council on September 22, 2015, and the policy will be considered for re-adoption at the June 12, 2018 City Council meeting. The tax abatement policy for the North Killeen Revitalization Area establishes a two-step process for approval of tax abatement: 1- City Council approval of the application; and 2- City Council approval of an agreement establishing the terms for abatement. The policy also establishes the following criteria to be considered when determining the amount of abatement in the North Killeen Revitalization Area:

North Killeen Revitalization Area

Category I. Objective Criterion - - Dollar Value of Improvements

<i>\$25,000 - \$74,999</i>	<i>3 points</i>
<i>\$75,000 - \$149,999</i>	<i>6 points</i>
<i>> \$150,000</i>	<i>9 points</i>

Category II. Objective Criterion - - Number of Jobs Created or Retained (that would not otherwise be created or retained.)

<i>1 - 5 jobs</i>	<i>3 points</i>
<i>> 5 jobs</i>	<i>6 points</i>

Category III. Subjective Criterion - - Positive Impact on Community

<i>No significant Positive Impact</i>	<i>0 points</i>
<i>Desirable Positive Impact</i>	<i>6 points</i>
<i>Exceptional Positive Impact</i>	<i>9 points</i>

<i>SCHEDULE</i>		
<i>Sum of</i>	<i>Years of</i>	<i>% Abatement</i>
<i>Points</i>	<i>Abatement</i>	
<i><6</i>	<i>-</i>	<i>-</i>
<i>6 - 9</i>	<i>5</i>	<i>50%</i>
<i>10 - 17</i>	<i>5</i>	<i>75%</i>
<i>> 17</i>	<i>5</i>	<i>100%</i>

The City received an application for tax abatement from 1302 Harris Killeen-PJY Investments, LLC located at 1302 Harris Avenue on March 23, 2018. The Secretary of the State of Texas has Mr. Paul J. Yazbeck as the registered agent of record. The property is a multifamily residential property with forty-six (46) units and a management office within six (6) buildings. The project is anticipated to meet the North Killeen tax abatement criteria by creating or retaining at least two (2) jobs; investing at least \$197,971; and having a desirable positive impact on the North Killeen Revitalization Area. In addition to the renovation, the applicant intends to install a small pocket park or community garden on the vacant one acre portion of the property. This area cannot be built on due to it being partially in a flood area. Mr. Yazbeck is requesting 100% tax abatement for any increase in the assessed value for a period of five (5) years.

Based on the information above, the applicant has scored the following points:

Nine (9) points for investing more than \$197,971
 Three (3) points for retaining two (2) jobs
 Nine (9) points for exceptional positive impact

The total number of points for this project is twenty-one (21) which makes the applicant eligible for 100% abatement of increased property tax.

THE ALTERNATIVES CONSIDERED:

The current North Killeen guidelines and criteria for tax abatement allow for the City to enter into tax abatement agreements for eligible properties in North Killeen. This renovation project will contribute to the retention or expansion of employment and attract investment that would be a benefit to the property and contribute to the economic vitality of North Killeen.

ALTERNATIVE 1: Approve the application for tax abatement without changes.

ALTERNATIVE 2: Disapprove the tax abatement application.

CONFORMITY TO CITY POLICY:

Approval of the application for tax abatement of 1302 Harris Avenue conforms to city policy.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

Based on information from the Bell County Tax Appraisal District, the assessed value of the real property was \$614,880 in 2017 with a City of Killeen tax rate of 0.7498. Based on a total investment of \$197,971 plus the installation of a pocket park or community garden, anticipated improvements could increase the value of real property to \$1,100,000. The total annual abatement could potentially be \$3,637.13 for year one with a projected abatement of \$18,187.15 for a period of five (5) years. The percentage of abatement, ultimately approved by City Council, can only be applied to the increase value and not to the base value of the property.

Is this a one-time or recurring expenditure?

This is not applicable

Is this expenditure budgeted?

This is not applicable

If not, where will the money come from?

This is not applicable

Is there a sufficient amount in the budgeted line-item for this expenditure?

This is not applicable

RECOMMENDATION:

Staff recommends that the City Council approve a resolution approving the application for North Killeen tax abatement for 1302 Harris Killeen-PJY Investments, LLC located at 1302 Harris Avenue and authorize the City Manager to execute the agreement in compliance with all applicable laws.

DEPARTMENTAL CLEARANCES:

This item has been reviewed by the Legal Department.

ATTACHED SUPPORTING DOCUMENTS:

Guidelines and Criteria
Agreement