

**Carson City
Agenda Report**

Date Submitted: February 8, 2011

Agenda Date Requested: February 17, 2011

To: Board of Supervisors

Time Requested: 5 min.

From: Office of Business Development

Subject Title: Action to adopt the policy to phase out the use of sales tax reimbursement incentive agreements. (Lee Plemel)

Staff Summary: The proposed policy would provide commercial property owners within a Redevelopment Area an opportunity to redevelop their existing vacant buildings by applying for a sales tax reimbursement within a certain period of time, after which the Redevelopment Authority would no longer offer such incentives.

Type of Action Requested: (check one)
 Resolution Ordinance
 Formal Action/Motion Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

Recommended Board Action: I move to adopt the policy to phase out the use of sales tax reimbursement incentive agreements.

Explanation for Recommended Board Action: See Staff Summary.

Applicable State, Code, Policy, Rule or Regulation: N/A

Fiscal Impact: N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: Not approve and refer back to staff for further additions and revisions.

Supporting Material: Staff Memo, Sales Tax Reimbursement Agreement Policy, and Draft Agreement

Prepared By: Eva Chwalisz, Management Assistant and Staff Summary

Reviewed By:

[Signature]

(Department Head)

Date: 2-9-11

[Signature]

(City Manager)

Date: 2/9/11

[Signature]

(District Attorney)

Date: 2/9/11

[Signature]

(Finance Director)

Date: 2/9/11

Board Action Taken:

Motion: _____

- 1) _____
- 2) _____

Aye/Nay

(Vote Recorded By)



Office of Business Development

108 East Proctor Street
Carson City, Nevada 89701

Date: February 2, 2011
To: Redevelopment Authority and Board of Supervisors
Meeting of February 17, 2011
From: Lee Plemel, Planning Director
Subject: Sales Tax Reimbursement Agreement Policy

The purpose of this item is to establish a policy regarding the future use of Sales Tax Reimbursement Agreements as part of the Redevelopment Agency incentive program. The Redevelopment Authority (Board of Supervisors) provided direction to staff to help establish a policy to phase out the use of such agreements in order to focus Redevelopment Agency funds towards more general infrastructure and broad-based programs and initiatives.

The proposed policy would allow existing property owners with vacant commercial properties within a Redevelopment Area to take advantage of the same incentive program that has been recently offered to other property owners (i.e. Southgate Shopping Center) to help fill existing vacancies. However, this incentive would only be offered for a limited time and then phased out.

The draft policy is attached, with the general parameters for new Sales Tax Reimbursement Agreements identified in Section 6.0, Procedures. The policy is summarized as follows:

1. New applications for Sales Tax Reimbursement Agreements would be accepted through May 20, 2011, after which no new applications would be accepted. (This deadline targets the June RACC meeting for agreements in Redevelopment Area #1.)
2. A property owner within a Redevelopment Area must have a minimum of 15,000 square feet of vacant commercial space at the time of approval of the agreement.
3. The Agreement would apply only to new retail sales that occur within the previously vacant space.
4. No sales tax would be reimbursed for restaurants or for businesses relocating from Lyon or Douglas Counties.
5. Vacant buildings would have to be occupied by July 1, 2012. New businesses added after that date will not receive sales tax reimbursement.

The Carson City General Fund currently receives 2.25% of the 7.475% local sales tax. A sales tax reimbursement agreement pays back a percentage of the City's General Fund portion of the sales tax collected. For example, an agreement for 50 percent reimbursement would pay back a total of

1.125% of the qualifying taxable sales to the property owner, with the other 1.125% going into the General Fund.

The Redevelopment Authority asked Redevelopment Agency staff to obtain feedback regarding the policy from the Redevelopment Authority Citizens Committee (RACC). The RACC reviewed the proposed policy on December 6, 2010, and January 3, 2011. The RACC took no action at either meeting on a recommendation to the Redevelopment Authority, but they took public comments and made individual comments regarding the policy. Generally, the RACC believed the policy warranted more discussion before being formally adopted.

Several comments, questions and concerns regarding the proposed policy were raised by the RACC and members of the public. The following RACC comments relate specifically to the provisions of the policy, followed by staff comments.

Issue 1: 15,000 square feet vacancy minimum (Policy 6.2). Some commented that the incentive should be open to all businesses with no minimum.

Staff response: While this minimum vacancy square footage is a relatively random number, we believe a minimum standard is appropriate so that the Redevelopment Agency and City Finance Department do not have to manage numerous small agreements. The purpose of the sales tax reimbursement program, as it has been used in the past, is to fill larger retail spaces that are generally more difficult to fill during this economic environment and have a larger impact on the City's sales tax revenues.

The proposed 15,000 square feet minimum is based on a sampling of existing vacancies within the Redevelopment Areas. Examples of retail centers with at least 15,000 square feet vacant include the former K-Mart building, the Carson Mall (former Gottschalk's), and two Carson Quail shopping center properties on South Carson Street.

Issue 2: No sales tax reimbursement for restaurants (Policy 6.4). Some commented that property owners should have the opportunity to receive the incentive for all businesses, including restaurants.

Staff response: This policy provision comes from the agreement that was previously approved by the Board of Supervisors for the Southgate Shopping Center. It is proposed in order to be consistent with the prior agreement and to offer the same terms and conditions consistent with established Redevelopment Authority and Board of Supervisors policy on the issue.

Issue 3: No sales tax reimbursement for businesses that relocate from Lyon or Douglas Counties (Policy 6.5). Some commented that property owners should have the opportunity to receive the incentive for all businesses, including businesses relocating from these surrounding counties, and that we should compete for businesses with these counties.

Staff response: This policy provision also comes from the agreement that was previously approved for the Southgate Shopping Center. It is proposed in order to be consistent with the prior agreement and offer the same terms and conditions consistent with established Redevelopment Authority and Board of Supervisors policy on the issue.