

It's real.**MEMORANDUM**

To: Mayor Don Keil and Seguin City Council
Douglas G. Faseler, City Manager

From: Kyle Kramm, Main Street & CVB Director/HPO

Through: Rick Cortes, Assistant City Manager

Subject: Downtown Tax Abatement Policy

Date: January 4, 2019

Recently City Council took action to dissolve the City of Seguin Tax Abatement Review Committee in an effort to streamline the business recruitment process. This committee was involved in the review of all downtown tax abatement applications, and as such, the ordinance for downtown tax abatement agreements needed to be amended.

The Seguin Main Street Advisory Board and staff took the opportunity to discuss additional changes to the downtown tax abatement ordinance and research other communities' preservation tax abatement policies. The Board approved several changes to the ordinance at the December MSAB meeting. The changes include the removal of the Tax Abatement Review Committee from the approval process. Some of the other changes included clarifying that the abatement application is due prior to the project beginning, the addition of rehabilitations to the applicable projects and that the property will be taxed at the pre-rehabilitation level at the completion of the project. The latter change is to reflect that larger projects can take multiple years and assists in clarifying what year's appraisal value to use for the abatement.

The largest change to the ordinance is new minimum investment levels to qualify for the abatement. Currently an investment of \$2000 would allow a property owner to take advantage of the abatement program. Based on examples from other communities and encouraging the use of this incentive as a tool for large rehabilitation projects, the Main Street Advisory Board recommends a minimum investment of 15% of the appraised value of the property to qualify for the five-year abatement and a minimum investment of 40% to qualify for the ten-year abatement.

For example, if a building is valued at \$100,000 the year the project began, the owner must invest a minimum of \$15,000 to qualify for the five-year abatement or \$40,000 for

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the ten-year abatement. Once the project is completed, the property would continue to be taxed at a \$100,000 valuation for the five to ten-year period.

Using the scenario of a \$100,000 building with a \$15,000 investment and the 2019 City of Seguin tax rate of \$.5412/\$100 valuation, the property owner would save up to \$81.18 per year and continue to pay \$541.20 in city taxes each year assuming there is no change in the City of Seguin's tax rate.

Please find attached the draft of the amended ordinance and a summary of other communities' preservation tax abatement programs.

The Seguin Main Street Advisory Board and staff respectfully request your approval.