March 16, 2020

Mr. Fletcher McCusker  
Chair, Board of Directors  
Rio Nuevo District  
1703 E. Broadway Boulevard  
Tucson, Arizona 85719

Re: Request to Charge Government Property Lease Excise Tax (GPLET) Rent

Dear Mr. McCusker:

At the request of Pima County, the City of Tucson now charges recipients of GPLET incentive agreements a “GPLET Rent” in lieu of property taxes abated during the term of the agreements, which are typically eight years. Pima County requested this as a way to mitigate the fiscal impact on property tax levying jurisdictions from the removal of GPLET properties from the property tax rolls. Pima County’s combined property tax rate, for example, amounts to approximately 35 percent of the total property tax bills for downtown properties, and Tucson Unified School District’s property tax rate amounts to approximately 43 percent. Attached is a resolution adopted by Mayor and Council memorializing this policy, as well as the Mayor and Council Communication.

The City’s policy is to charge GPLET rent at an amount calculated at 10 percent of total property taxes abated each year of the 8-year term, as determined by the independent economic analysis that is already conducted for each agreement. GPLET rent is capped at no more than the current property taxes paid prior to execution of the GPLET lease. The City of Tucson will retain 10 percent of the GPLET rent and will transfer the remainder to the Pima County Treasurer, who in turn will distribute the GPLET rent to the applicable property tax levying jurisdictions, similar to the method by which the Treasurer distributes in-lieu excise taxes for GPLET agreements that do not include tax abatement.

While Pima County is generally supportive of GPLET incentive agreements and the long-term economic development benefits to our community, it is the County and TUSD that feel the greatest fiscal impact in the short term. Please ask the Rio Nuevo Board of Directors to
consider implementing a similar GPLET rent policy for Rio Nuevo GPLET incentive agreements that include abatement of excise taxes in lieu of property taxes.

Sincerely,

C. Huckelberry
C.H. Huckelberry
County Administrator

CHH/anc

Enclosures

c: The Honorable Chairman and Members, Pima County Board of Supervisors
Jan Lesher, Chief Deputy County Administrator
Dr. John Moffatt, Director, Economic Development Office
Nicole Fyffe, Executive Assistant to the County Administrator
ADOPTED BY THE
MAYOR AND COUNCIL

September 17, 2019

RESOLUTION NO. 23092

RELATING TO ECONOMIC DEVELOPMENT INCENTIVES; MODIFYING THE GOVERNMENT PROPERTY LEASE EXCISE TAX (GPLET) INCENTIVE PROGRAM.

WHEREAS, on December 15, 2015, the Mayor and Council directed staff to modify the GPLET Incentive Program to charge a nominal rent in lieu of abated property taxes;

WHEREAS, on January 23, 2019, the Mayor and Council directed staff to bring forward a resolution memorializing said modification and its parameters;

WHEREAS, this modification is incorporated into this Resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF TUCSON, ARIZONA, AS FOLLOWS:

SECTION 1. The following modifications are hereby made to the GPLET Incentive:

In instances where the City approves an abatement of GPLET taxes, a GPLET rent payment ("GPLET Rent") will be charged and distributed as follows:

- New GPLET Incentive Program participants shall pay GPLET Rent equal to 10 percent of the value of the total property taxes abated as determined by an independent economic analysis.
- The City shall retain 10 percent of the GPLET Rent to mitigate administrative expenses and staff time.
- The remaining 90 percent of the GPLET Rent shall be dispersed to Pima County for redistribution proportionately to all remaining property taxing {A0264060.DOCX/}
jurisdictions in the same or similar manner as provided in Arizona Revised Statutes (ARS) § 42-6205 to mitigate the fiscal impact on these jurisdictions caused by the removal of GPLET properties from the tax rolls.

- The GPLET Rent shall be capped at no more than the total annual property taxes assessed by the Pima County Assessor in the most recent tax statements prior to execution of the GPLET lease.

SECTION 2. The City Manager, or the Manager’s designee, is authorized to administer the approved modification, and the various City officers and employees are authorized and directed to perform all acts necessary or desirable to give effect to this Resolution.

PASSED, ADOPTED AND APPROVED by the Mayor and Council of the City of Tucson, Arizona this 17th day of September, 2019.

[Signature]
MAYOR

ATTEST:

[Signature]
CITY CLERK

APPROVED AS TO FORM:

[Signature]
CITY ATTORNEY

REVIEWED BY:

[Signature]
CITY MANAGER

RL: ct
8/30/19

{A0264060.DOCX/}
September 17, 2019

Subject: Adoption of Modification to the Government Property Lease Excise Tax (GPLET) Incentive Program (City Wide)

Issue – Adoption of a modification to the Government Property Lease Excise Tax (GPLET) incentive program, as directed by the Mayor and Council at the January 23, 2019 and December 15, 2015 Study Sessions.

City Manager’s Office Recommendation – Staff recommends approval of the attached resolution modifying the Government Property Lease Excise Tax (GPLET) Incentive Program.

Background On December 15, 2015, Mayor and Council provided direction to charge all GPLET incentive recipients a nominal rent (“GPLET Rent”) in-lieu of property taxes abated. This GPLET Rent is calculated at 10% of the total property taxes abated each year of the 8-year GPLET term, as determined by an independent economic analysis. The GPLET Rent is to be capped at no more than the current total taxes paid on the property.

As properties subject to GPLET abatement are removed from local property tax rolls, the fiscal impact of GPLET abatement is different for each taxing entity. The City is more reliant on sales tax than property tax. The City’s combined property tax rate typically amounts to less than 10% of the total taxes levied on properties in the Central Business District. Pima County’s combined property tax rate amounts to approximately 35% of the total tax, and Tucson Unified School District’s (TUSD) property tax rate is approximately 43% of the total tax levied.

At the January 23, 2019 Study Session, the Mayor and Council directed staff to bring forward a resolution memorializing the following modifications to the existing program:

- Charge a rent in an amount equal to 10% of the value of the GPLET incentive, as determined by an independent economic analysis, spread over eight years;

- Cap the GPLET Rent at no more than the current total property taxes paid as determined by the most recent Pima County assessment prior to execution of a GPLET lease; and

- City would retain 10% of this rent to cover staff costs associated with processing the incentive over the term of the agreement. The remaining 90% will be dispersed to Pima County for redistribution to all appropriate taxing entities.

Present Consideration – The attached resolution incorporates the modifications approved by the Mayor and Council at the January 23, 2019 and December 15, 2015 Study Sessions.
Plan Tucson Consideration – This item is related to the Elements of (1) Business Climate and Redevelopment & Revitalization. Specifically, this item is supported by the following policies:

- JW1 – Recognize and enhance the three interrelated building blocks of a strong economy: a high quality of life and vibrant urban environment, a skilled and talented workforce, and a diversified, high-wage job market.
- BC5 - Foster the success of commercial areas, including downtown; major corridors; and arts, entertainment, and business districts through targeted investment, incentives, and other revitalization strategies.
- RR1 – Redevelop and revitalize in areas with the greatest potential for long-term economic development by focusing public resources, tools, and incentives to catalyze private investment.
- RR2 – Focus private and public investments in Plan Tucson Building Blocks.
- RR4 – Build from existing assets of areas identified for redevelopment and revitalization.
- BC2 – Continue to develop and implement local strategies, services, and incentives to enhance Tucson’s business climate.

Financial Considerations – An independent financial and economic analysis shall be conducted to determine the value of each GPLET incentive. The applicant shall pay an annual GPLET rent in an amount equal to 10% of the value of the GPLET incentive, spread over eight years. The GPLET Rent will be capped at no more than the current property taxes paid on the subject property. The City shall retain 10% of these dollars to cover staff costs associated with processing the incentive over the term of the agreement. The remaining 90% will be dispersed to Pima County annually in June for redistribution to all appropriate taxing entities.

Legal Considerations – The attached resolution has been prepared by the City Attorney’s Office to incorporate the Mayor and Council direction as discussed above.

Respectfully submitted,

Michael J. Ortega, P.E.
City Manager

MJO/MC
Economic Initiatives

Attachment: Resolution

SEP17-19-308