



## COUNTY ADMINISTRATOR'S OFFICE

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C.H. HUCKELBERRY  
County Administrator

September 30, 2020

The Honorable Regina Romero, Mayor  
and Council Members  
City of Tucson  
255 W. Alameda  
Tucson, Arizona 85701

Re: **Renewal of Central Business District for Continuation of GPLET Tax Abatement Incentive for Redevelopment projects**

Dear Mayor and Council:

Pima County has been generally supportive of the City of Tucson and Rio Nuevo's Government Property Lease Excise Tax (GPLET) tax abatement incentive agreements, which Mayor and Council recently renewed. We recognize this is an important economic development tool that is beneficial for the long-term health of our community's tax base. However, the short-term fiscal impact to Pima County and Tucson Unified School District (TUSD) of abating property taxes for 8 years has been a concern. Currently, Pima County's combined property tax rate amounts to about 35 percent of the total property tax bills for downtown properties, and TUSDs property tax rate amounts to about 43 percent. Loss of these property taxes for 8 years has a much greater fiscal impact on the County and TUSD, than on the City and other smaller taxing districts. Another concern is oversight of the program to ensure projected economic benefits are in fact realized.

Regarding the fiscal impact to the County and TUSD, to the City's credit, Mayor and Council did agree last year to include a "GPLET rent" for GPLET agreements going forward, whereby 10 percent of the total property taxes abated for each of the 8 years will be paid to the City. The City will retain 10 percent and distribute the remainder 90 percent to the Pima County Treasurer who will in turn distribute it to the other impacted property tax levying jurisdictions. We appreciate this action by the Mayor and Council. We were recently notified that the first distribution of this GPLET rent should occur shortly, and have requested regular updates on the status of leases that include this GPLET rent provision. We have also requested that Rio Nuevo include this GPLET rent provision in their GPLET incentive agreements going forward.

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There should also be continuing oversight to ensure projected economic benefits for these redevelopment projects are realized. As Mayor and Council knows, one of the statutory requirements for approval of these GPLET incentive agreements is an economic study projecting that the redevelopment will result in a 100 percent increase in property valuation. This property valuation then becomes the basis for generating increased property tax revenues at the end of the 8-year tax abatement period. The County conducted an analysis in 2016 of four of these redevelopment projects after construction and after the Assessor had updated the property valuations to include the new improvements. The post-redevelopment property values for three of the four properties met or exceeded this requirement. However, one did not. The 2020 Assessor Values provided recently by City staff to Mayor and Council also reflected this problem, specifically for the Herbert Residential project. The limited property value, which is the value used to calculate property taxes, was never updated to include the new construction because of a procedural issue related to the timing of the prior owner's valuation appeal. The Assessor has stated his willingness to address this and requested the City appeal the limited value to begin the process. However, this appeal has not yet occurred. If the limited value it is not corrected by October 2021 when the tax abatement period ends, then the taxes collected going forward will be substantially lower than projected. The City should be repeating this analysis post construction for all GPLET incentive projects to ensure economic benefits are being achieved, and pursuing corrections when necessary.

We are aware of concerns that increased property valuations can result in increased property taxes and rent that may negatively impact existing low income residents. However, Mayor and Council have the opportunity to condition these agreements to mitigate this impact. In addition, through the ongoing City/County Housing Market Study, the City and County also have the opportunity to identify where these negative impacts are occurring and how to best mitigate if they are identified.

In short, the County supports your renewal of the Central Business District and the GPLET tax abatement incentives, with continued administrative oversight, as well as implementation of the GPLET rent sharing to the County, TUSD, and other impacted taxing districts.

Sincerely,



C.H. Huckelberry  
County Administrator

c: The Honorable Chair and Members, Pima County Board of Supervisors  
Michael Ortega, City Manager, City of Tucson  
Jan Leshar, Chief Deputy County Administrator  
Fletcher McCusker, Chair, Rio Nuevo District Board of Directors  
John Moffatt, Director, Economic Development Office  
Mike Czechowski, City of Tucson Project Manager Economic Initiatives  
Nicole Fyffe, Executive Assistant to the County Administrator