

## **Government Property Lease Excise Tax (GPLET) Policy Framework**

City of Tucson

Office of Economic Initiatives

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### **I. OVERVIEW**

Government Property Lease Excise Tax (GPLET) is governed by Arizona Revised Statutes A.R.S. §§ 42-6201 through [42-6210](#). Arizona state statute allows the City to take temporary ownership of real property, lease it back to the prior owner, and charge an Excise Tax in lieu of ad valorem property taxes, generally at a lesser cost than the applicable property tax. Owners of property located within the Central Business District (CBD) may be eligible for an abatement of the Excise Tax. This program was authorized by resolution of the Mayor and Council on June 5, 2012, specifically to facilitate new development, and the redevelopment of existing properties that would not otherwise occur, but for the financial incentive provided through use of the GPLET tool.

In alignment with the shared vision expressed by community stakeholders through an extensive engagement process, the City's goal and intent is to grant the GPLET 8-year abatement incentive to assist with the private development, financing, construction and management of urban and mixed-use development and redevelopment projects within the City of Tucson Central Business District. Projects will help the City achieve its vision of an equitable, vibrant, sustainable, inclusive, diverse, thriving, and affordable community.

### **II. ELIGIBILITY**

Eligible Projects will be those that capitalize on their prominent urban location and are consistent with Plan Tucson, and major Housing & Transportation planning efforts currently underway (P-Chip, MoveTucson, Climate Action Plan), as well as the Infill Incentive District. Successful projects shall:

- Promote equitable, sustainable, and diverse infill development.
- Support pedestrian-friendly & transit-oriented neighborhoods.
- Include public open space and safe connections between neighborhoods and businesses.
- Protect historic structures & neighborhoods.
- Provide design standards for sensitive transition between development and existing single-family residences.
- Execute a Community Benefits Agreement.
- Employ Local Contractors that respect Collective Bargaining Agreements and support

prevailing wage levels for their employees and subcontractors.

Successful projects may also demonstrate commitment to the following types of community benefits:

- Clean & Green (environmental sustainability).
- Legacy Business Retention.
- Mobility Enhancement and/or Parking Amenities.
- Partnerships to achieve Affordable and/or Workforce Housing.
- Public Enhancement (public art, open space, place-making, etc.).
- Small & Local Business Job Creation.

### **III. PROCESS**

This section identifies and describes the major steps in the GPLET process.

#### **A. Preliminary request**

Preliminary requests received by the Office of Economic Initiatives will be reviewed for completeness and alignment with the Eligibility Criteria. City staff may request clarification or further explanation of the request.

#### **B. Meeting with City staff**

Should City staff determine that a preliminary request is complete and generally in alignment with the Eligibility Criteria, an initial meeting with City staff will be conducted.

#### **C. Initial community engagement meeting**

The applicant shall conduct at least one community engagement meeting at a time and location to be determined in consultation with City staff. See Section IV.

#### **D. GPLET application**

After the initial community engagement meeting, a complete GPLET application may be submitted. See Section V.

#### **E. Internal GPLET review (and fee as warranted)**

GPLET applications will be reviewed by an inter-disciplinary City staff team representing the City Manager's Office, Legal, Economic Initiatives, Business Services, and Planning & Development Services. Applications denied will receive notice in writing. Applications accepted by the panel will pay an application fee of \$5,000 to the City. The City Manager may recommend waiver of the application fee where at least one of the following are true:

- Total capital investment is less than \$5M.
- Historic preservation or adaptive reuse are stated objectives.
- Property is owned or leased by a "Legacy Business" as defined by the City.

- F. Third-party economic analysis  
The City will commission an Independent Economic Impact Analysis of the project to determine the economic impact and to what degree the City will receive Direct Benefits from the project. Third-party financial review of the project's pro forma and developer financials to determine the project financing gap and to further advise the City regarding the project's eligibility.
- G. Negotiate terms and execute comfort letter  
Based on the results of the third-party economic analysis staff may negotiate business terms with the applicant and execute a comfort letter, stating the City's intent to participate in the proposed project, subject to Mayor & Council consideration, additional community stakeholder engagement if warranted, and compliance with applicable law.
- H. Initial Mayor & Council consideration  
City staff will present the GPLET application and comfort letter for Mayor & Council consideration at a public meeting and make a recommendation as to whether additional stakeholder engagement, as described in Section IV, is warranted. Mayor & Council may provide direction to proceed.
- I. Community stakeholder engagement  
As needed following the initial community engagement meeting, City staff may coordinate the formation of a small stakeholder group to engage with the applicant in order to facilitate the negotiation of a Community Benefits Agreement.
- J. Final Mayor & Council consideration  
Should Mayor & Council provide direction to proceed, staff will prepare an agreement formalizing the GPLET incentive in a development agreement and/or lease, and provide the final agreement(s) for Council consideration and approval. 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 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.
- K. Permitting and construction  
Upon final approval of GPLET agreement, applicant may proceed with development of the project as proposed. The GPLET lease agreement between the City and property owner is effective upon issuance of Certificate of Occupancy, and confirmation that the project was constructed in accordance with the terms of the agreement.
- L. Financial and community benefits audit  
Not less than 3 years from the effective date of the GPLET agreement, the City will cause to be completed a third party audit of financial and community benefits to ensure that the project has delivered as intended.

#### **IV. COMMUNITY ENGAGEMENT**

Neighborhood and community engagement will be part of the GPLET application review process, and may result in execution of a “Community Benefits Agreement” between the property owner and affected Neighborhood Associations and/or interest groups. Items or activities agreed upon between the developer and neighborhood interest groups may also be included in the GPLET lease agreement executed with the City.

The applicant shall conduct at least one community engagement meeting at a time and location to be determined in consultation with City staff. The applicant will provide written notification of such meeting to all owners of real property within 600 feet of the subject property. If property is within the boundary of a Registered Neighborhood Association, that Association will be notified. If directly adjacent to another Association, that Association will be notified as well. The City will provide mailing labels to the applicant for delivery of written notice via first-class mail. This meeting shall be conducted prior to any Mayor and Council consideration, and may be conducted concurrent with any neighborhood engagement processes required or encouraged as part of the Planning & Development Services Department entitlement process.

As needed following the initial community engagement meeting, City staff may coordinate the formation of a small stakeholder group to engage with the applicant in order to facilitate the negotiation of a Community Benefits Agreement. A group not to exceed 6 members would be selected in the following manner:

- Two residents living within the notification area.
- Two business or property owners selected by the Economic Initiatives Director.
- Two members selected by Mayor & Council, one of whom is selected by the Council Member whose Ward contains the largest portion of the proposed project.

#### **V. GPLET APPLICATION DETAILS**