Agenda Information Sheet
May 28, 2015

Agenda Item

Consider approval of a tax abatement agreement for 707 N. Washington Avenue, applicant Ginocchio Properties, LLC. (Director of Planning & Development)

Background & Summary of Request:

In February of 2002 the City Commission created a downtown empowerment zone in accordance with Chapter 378 of the Texas Local Government Code. Chapter 378 authorizes municipalities to create Neighborhood Empowerment Zones and provide tax abatement and other incentives to promote the creation of affordable housing, increase economic development and increase the quality of social services within the designated zone. The City of Marshall offers the following incentives, municipal tax abatement, expedited plan review/development support team assistance, and fee waivers for building permits, tap fees, drive-ways, etc.

The proposed project at 707 N Washington Avenue, commonly known as the Ginocchio Hotel will be a rehabilitation of a nationally recognized historic landmark. In order to qualify under the Neighborhood Empowerment Zone guidelines for rehabilitation projects, the property owner must invest a minimum of 30% of the base value of the property, which in this case equals $55,500. The property owner is proposing to invest $309,462 into the site during Phase I. Improvements planned for the first phase include new commercial kitchen, exterior paint, renovation of the first floor bathrooms, fencing, awnings, window rebuilds and other improvements associated with operating a restaurant and bar.

Ginocchio Properties, LLC is requesting the following:

1) five year municipal property tax abatement
2) expedited plan review/development support team assistance, and
3) building permit fee waiver.

If this agreement is approved, the City will abate the property taxes for five years at a 100% for each year and waive building permit and plan review fees; that will cost the city approximately $6,074.25 in property tax revenue and $1,630.00 in building permit fees, totaling $7,704.25 for incentives associated with this project. In addition, staff will also provide expedited plan review and development support; however those will be at nominal cost to the City.

Tax Abatement Agreement

This agreement by and between the City of Marshall, Texas and Ginocchio Properties, LLC.

WHEREAS, the City of Marshall, pursuant to the provisions of Chapter 378 of the Local Government Code of the State of Texas, known as the "Neighborhood Empowerment Zone" has designated an area as an empowerment zone, thereby making the area eligible as a reinvestment zone for tax abatement under Section 312.002 of the Tax Code; and

WHEREAS, Ginocchio Properties, LLC, is the owners of the land located within said reinvestment zone and described as 707 N. Washington Avenue, Lot 23-25 Pt 87 Mason OL NW, and being more specifically described in the attached Exhibit A, herein referred to as the "Property", which exhibit is incorporated herein by reference for all purposes; and

WHEREAS, the City desires to promote and encourage the development of the community and the expansion and growth of the Property;

NOW THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, the City of Marshall, Texas, a municipal corporation, acting by and through Lisa Agnor, City Manager, hereunto duly authorized (hereinafter the "City"), and Ginocchio Properties, LLC, (hereinafter the "Company") have this day entered into the following contract and agreement:

1. **Term.** This agreement shall be for a period of five years beginning January 1, 2016 and ending December 31, 2020.

2. **Exemption from Tax.** The City covenants and agrees to exempt from property tax the new improvements for 2015 to real property described herein for the years and at the specific percentages set forth below:

   (A) During the term of this agreement and beginning on January 1, 2016, the exemption will be based on the following percentages:
   (i) 2016 100 percent
   (ii) 2017 100 percent
   (iii)2018 100 percent
   (iv)2019 100 percent
   (v) 2020 100 percent

(B) The base value for purposes of abatement calculation shall be 2015 taxable value for the property described herein as of January 1, 2015.

3. **Proposed Improvements.** Company agrees to renovate the interior of the property to operate a restaurant and bar use, which includes updating electrical and plumbing to accommodate the installation of new kitchen and bar appliances. In addition, the Company agrees to make the following changes to the exterior of the building and site including new paint, awnings, rebuild existing windows, and add new fencing and other security measures, and cleanup existing storefronts.

4. **Access to Property.** The Company agrees to allow municipal employees of the City of Marshall to have access to the property to make inspections to ensure that the improvements are made according to the specifications and conditions of this agreement. The Company also agrees that the Harrison County Central Appraisal District shall have access to the property and that Harrison County Central Appraisal District appraisers shall be able to inspect the property on or before March 15 of each year to prepare annual appraisals and insure that the improvements have been made in accordance with the specifications and conditions of this agreement.

5. **Limitations on Use.** The Company agrees to limit the use of the property described herein as per the most currently adopted Zoning Ordinance of the City of Marshall.

6. **Additional Obligations.**

(A) The The Company shall comply with all relevant local, state and federal laws and regulations including but not limited to, all of the Codes of the City of Marshall, such as the Zoning Ordinance, Building Code, Plumbing Code, Electrical Code, Mechanical Code, and Fire Code.

(B) The Company and the City additionally agree that the tax abatement described in this Agreement shall at all times comply with the requirements of Texas law as set forth in Chapter 312 of the Texas Tax Code or other applicable law. The parties at all times agree to cooperate with each other assuring compliance with such laws. The City hereby represents to The Company it has all necessary authority and that it has complied in all respects with all requirements of state law necessary to enter into this Agreement. This Agreement may not be renewed. In the event that for any reason this Agreement, or any part thereof, is determined to be invalid or otherwise ineffective to grant the tax abatement described herein, the parties agree to take such curative action as may be necessary to bring the Agreement into compliance with the

applicable provisions of state law to the extent possible, and to achieve the intended tax abatement for the Company.

7. **Termination.** This Agreement may be terminated by the City, in whole, or from time to time, in part, upon determination by the City that the Company has failed to timely make all or part of the improvements agreed to in paragraph 3 of this agreement, refused to comply with any relevant local, state or federal laws and regulations including, but not limited to, all of the City of Marshall Codes such as the Zoning Ordinance, Building Code, Electrical Code, Mechanical Code, Plumbing Code, and Fire Code, or has otherwise failed to comply with this Agreement (such failure being hereafter referred to as "the Deficiency"). The City shall give the Company written notice of the Deficiency by delivering to the Company a written Notice of Proposed Termination informing the Company of the Deficiency. Notice of Proposed Termination shall be considered given when placed in the United States mail either by registered or certified mail, postage prepaid, and addressed to the Company at its address shown herein. The Company shall have ninety (90) days from the date on which said notice is given in which to cure the Deficiency. In the event the Company fails to cure the Deficiency within the 90 day period, this Agreement may be terminated, in whole or in part, by any of the City without further notice to the Company. In the event that this Agreement is terminated by the City, the taxes that would have been paid by the Company had not those taxes been reduced by this Agreement, plus interest at the rate provided for delinquent taxes in accordance with Section 33.01 of the Texas Tax Code, will be due within thirty (30) days of termination of this Agreement; provided, however, that the City, in its sole discretion, may terminate this Agreement as to only a portion of said taxes, in which case only said portion of taxes plus said interest on said portion shall be due within said time. The additional taxes and interest due upon termination become delinquent and incur penalties as provided by law for delinquent ad valorem property taxes if not paid by February 1st of the year following receipt by the Company of Notice of Termination of this Agreement. Termination by the City shall be in accordance with the established Tax Abatement Policy, the specific provisions of which are made a part of this Agreement.

8. **Annual Certification.** The Company agrees to certify annually to the City of Marshall that he is in compliance with the terms of this agreement.

9. **Cancellation or Modification.** The City of Marshall may cancel or modify this agreement if the Company fails to comply with the terms of this agreement.

10. **Binding Effect.** This agreement shall inure to the benefit of and be binding upon the City and the Company.

City of Marshall, Texas
A Municipal Corporation

Ginocchio Properties, LLC

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Lisa Agnor, City Manager

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Attest:

Attest:

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Debbie Manuel, Interim City Secretary

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