



MEMORANDUM

TO: Mayor and City Councilors

FROM: Rich Olson, City Manager

DATE: January 8, 2016

REF: Information for Discussion – Property Tax and Sales Tax Information for Tanglewood Pavilion

BACKGROUND:

Property Tax Analysis:

During the Finance Committee meeting held on January 7, 2016, Councilman Walton requested that City staff provide property and sales tax information for Tanglewood Pavilion, the Thompson Thrift development located on Halstead Boulevard Extended. Staff has researched the County tax records and has developed a spreadsheet, which you will find attached.

The property was purchased by Thompson Thrift from Conlon and Company. The development originally consisted of approximately 72 acres. This tract had an assessed value of \$3,600,500. (This amount reflects the value after the revaluation.) The original tract was subdivided and Thompson Thrift purchased approximately 25.47 acres. The Thompson Thrift property was subdivided into seven (7) parcels. The largest parcel is approximately 17.63 acres and is the location of the shopping center, which features TJ Maxx, Hobby Lobby, Ross Dress for Less as well as several smaller stores. The value of the land has been assessed at \$1,714,800 by Pasquotank County and the improvements (stores) have been assessed at \$10,628,600. The combined tax value is \$12,343,400. There are also six outparcels, which have been created. Only two of the outparcels currently have businesses located on them: the Zaxby's outparcel and the Sleepy's outparcel. When the land value of the outparcels is added to the improvements value, the total taxable value for all of the property Thompson Thrift has developed is \$15,510,300. Staff anticipates that once all tracts are developed, the total taxable value of all land and improvements will be approximately \$20,000,000.

Pursuant to Section 4 of the Business Investment Grant Agreement, Thompson Thrift is entitled to receive a grant from the City and County, which would reflect the amount of taxes paid on the property after development minus the pre-development tax liability. Under the agreement, the pre-development tax liability is \$14,326.68. A ratio will be applied to this dollar amount, which would reflect the share of this amount attributed to the City and County. Staff has determined that the base tax rate in 2013 would provide the City \$6,303.74 and the County would receive \$8,022.94.

Based on information provided on the tax cards for each parcel, the combined amount of property taxes to the City prior to development was \$6,303.74. After the improvements were made, the taxes to the City are \$99,263. The total anticipated property tax

increase is \$92,959.26. Pasquotank County will experience a similar increase in the amount of \$109,852.06.

Under the Business Investment Grant provided to Thompson Thrift, they would pay the City and County the total amount of property taxes due (City - \$99,263 and County - \$117,875 [projected]). In turn, the City and County would grant back to them \$92,959.26 and \$109,852.06 respectively. This grant would be made on an annual basis for a period of 15 years or until the total amount of grant funding reaches \$2.2 million. Considering this rate of repayment, staff's initial estimate that the grant would be fully satisfied in approximately 11 years is correct.

Sales Tax Analysis:

Councilman Walton also requested information concerning the total amount of sales tax generated by the Thompson Thrift project. Staff explained during the Finance Committee meeting that sales tax dollars generated by a specific business cannot be obtained from the North Carolina Department of Revenue. The only information the City receives is the aggregate amount of sales tax generated within Pasquotank County. Historically, this information lags 60 to 90 days behind. The information the City has received from Pasquotank County is for sales in the month of September. Please note that Hobby Lobby opened on August 21. TJ Maxx opened on September 27 and Ross Dress for Less did not open until October 10. All other businesses located in the Center opened after that date. The official grand opening of Tanglewood Pavilion occurred on October 22, 2015. Therefore, the only businesses for which sales taxes were reported in the September accounting is Hobby Lobby and three (3) days for TJ Maxx.

As mentioned above, the City has only received sales tax information for the month of September 2015. This information does reflect a sales tax increase of 8% year to date. However, this increase cannot be directly attributed to the Tanglewood Pavilion development. Year to date, the City has received \$1,623,260.63 in sales tax revenue.

Jobs Creation:

The primary purpose of the Business Investment Grant Program was to create jobs. City staff did discuss with store managers located in Tanglewood Pavilion their employment levels. Several stores were reluctant to provide specific details on the number of employees working for them. Staff has determined, however, that at least 281 persons are now employed in the shopping center. We cannot ascertain the breakdown of fulltime and part-time employees.

When Thompson Thrift initially proposed their development to the City and County, they provided information, which indicated 200 to 225 employees would be working at their center.

RCO/vdw

Parcel	Acreage	Land Assessed		Improvements Value	Business	City Taxes		County Taxes	
		Value	Value			2014	2015	2014	2015
56	72	\$3,600,500	-0-	N/A					
					Ross, Hobby				
					Lobby, TJ				
56-29	17.63	1,714,800	\$10,628,600	Maxx, etc.		\$22,143	\$78,997	\$27,363	\$93,809
56-44	1.1	210,000	895,600	Zaxby's		0	7,075	0	8,402
56-39	1.5	249,000	0	Vacant		0	1,593	0	1,892
56-40	1.26	226,000	0	Vacant		0	1,446	0	1,717
56-41	1.6	260,000	888,300	Sleepy's		0	7,349	0	8,727
56-42	1.16	216,000	0	Vacant		0	1,382	0	1,641
56-43	1.22	222,000	0	Vacant		0	1,421	0	1,687
Total for									
Thompson						22,143	99,263	27,363	117,875
Thrft	25.47	3,097,800	12,412,500						