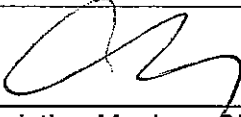




City of Phoenix

COMMUNITY AND ECONOMIC DEVELOPMENT DEPARTMENT		POLICY # C106
POLICY NAME	Government Property Lease Excise Tax (CBD and Redevelopment Areas)	Page 1 of 4
Approved by:	 Christine Mackay, CEDD Director	EFFECTIVE DATE November 16, 2022

I. PURPOSE

This policy defines the City of Phoenix's (City) goals and procedures when utilizing the economic development tool known as Government Property Lease Excise Tax (GPLET) for economic development purposes. Under state law, GPLET applies to the private use of government owned land throughout the city. This policy is specific to the utilization of this tool in the area located within both the City's designated Central Business District (CBD) and a "Redevelopment Area" (RDA), defined as a slum or blighted area declared by the Phoenix City Council pursuant to ARS Title 36, Chapter 12, Article 3.

II. BACKGROUND

GPLET is an economic development tool available to Arizona cities and counties to incentivize development or redevelopment in specific areas. The City has identified City Council-designated Redevelopment Areas as the primary area in which private landowners may apply for GPLET. The Redevelopment Area that also lies within a CBD allows for enhanced economic development benefits.

The Legislature created GPLET in 1996 at Arizona Revised Statutes sections 42-6201 through 46-6210. GPLET allows ownership of property to be transferred from a private entity to the City. Although government-owned property is not subject to property tax, GPLET imposes an excise tax from private entities that lease government-owned property or for properties located within both an RDA and CBD, that excise tax may be abated for up to eight years.

GPLET can help to solve the financial gap for workforce or attainable housing, infill development, and redevelopment challenges, which may include increased design

and development costs, entitlement processes, utility and infrastructure challenges and environmental issues, as well as land assemblage.

Utilization of GPLET can strategically encourage redevelopment; help address the housing crisis taking place in Phoenix and the rest of Arizona and the country today, create jobs, new capital investment and tax revenues; enhance property values and capitalize on existing public infrastructure investments; as well as generate excise taxes typically greater than the prior property taxes of the parcel while the property is being leased.

Projects assisted by GPLET help the City achieve its policy and plan goals including those in the Housing Phoenix Plan, the General Plan, and Redevelopment Area Plans to create a thriving, diverse, inclusive, equitable, sustainable, vibrant, and affordable community.

III. POLICY

The City utilizes GPLET to facilitate development and redevelopment of strategic and challenged areas of our community, as defined by our RDAs and CBD. Through the careful and considered use of this State-authorized tool, the City can assist with private development's financing, construction, and management of projects that implement and further our RDA plans and other established City policies and goals. These policies and goals include addressing the housing crisis that is currently being faced in Phoenix, revitalization of older properties located in our CBD and RDAs, implementation of the City's strategic economic development vision and downtown strategic vision, and enhanced investments in public infrastructure including public transportation, light rail and high-capacity transit, and other public investments.

Projects that will be considered for GPLET treatment must be located within both the City's single CBD and an RDA and advance the following goals, where applicable:

- A. Consistency with the Downtown Strategic Plan, Phoenix Housing Plan, the General Plan, Streets Transportation Masterplan, the Climate Action Plan, Planning & Development Codes, Ordinances and Policies, Transit Oriented Development and Walkable Urban Code;
- B. Promote dense urban mixed-use, urban retail, multi-modal and pedestrian-friendly development;
- C. Support high rise office development where supported by market conditions
- D. Create equitable and diverse development;
- E. Encourage redevelopment of older retail and other community amenities;
- F. Provide opportunity for retail and small business;
- G. Promote sustainability and climate/heat readiness;
- H. Include open space, public art, placemaking with community amenities;

- I. Encourage the creation of an Entertainment District;
- J. Create safe and thoughtful connections between new development and existing projects, neighborhoods, single-family residences, and businesses;
- K. Protect historic structures and neighborhoods;
- L. Provide for true ground-floor space activation with commercial, retail, restaurants and other types of publicly available space, where applicable;
- M. Create or maximizes public parking;
- N. Incorporate or create a minimum of 20% workforce or affordable housing, or deposit into the City's Affordable Housing Trust Fund or other City Benefits Fund 200% of property tax the City would otherwise collect from the completed project.

The Community and Economic Development Department (CEDD) shall update the City's existing GPLET application and the City's procedures for reviewing, and evaluating requests for the use of GPLET, and for bringing those requests forward to City Council for consideration. CEDD staff shall meet with the relevant City Council District as soon as possible following the submission of an application for the use of GPLET treatment. The updated procedures shall include the following minimum elements:

- A. Submittal and development parameters such as:
 - a. Site design, mix of uses, and connectivity and transition to adjacent communities.
 - b. Amenities for both private and public users.
 - c. Provides for true ground-floor space activation, where applicable.
 - d. General compliance with codes and plans.
 - e. Timeliness of development.
 - f. Inclusion of public benefits, including workforce or affordable housing.
- B. Review and evaluation steps.
- C. Engagement and outreach to the community and impacted taxing districts.
- D. Engagement with the Council Office in the district of the project prior to any application submittal.

If a proposed project includes a residential component, the City will seek a minimum of 20% of the units, in a proportional mix of unit types, for workforce housing. A "workforce housing unit" means a rental residential apartment unit that will be made available for lease exclusively to households that demonstrate current income of 80% to 120% of the Area Median Income Limits (AMI), and Affordable Housing is defined as those units at 80% or below of AMI, as published annually by the U.S. Department of Housing and Urban Development (HUD) for the Phoenix-Mesa-Chandler, AZ Metropolitan Statistical Area (MSA). Alternatively, the City may require a developer to make a payment in lieu of units to the City's Affordable Housing Trust Fund in the amount of 200% of the property tax the City would otherwise receive from the

completed project for the term of the GPLET lease or alternative Public Benefit Fund. Any payment in lieu of units will be made required prior to the execution of the lease. The selection between the contribution of workforce housing or a payment to a specific Fund is at the sole discretion of the City Council. Utilization of the Affordable Housing Trust Fund or an alternative Public Benefit Fund will be authorized through separate and individual actions of the City Council.

For the purpose of calculating rental rates, the monthly rent for a workforce housing unit may not exceed 30% of the Income Limit for the respective household size divided by 12, and will be adjusted annually based on changes to the MSA listed above.

Additionally, the City will require that the developer generate to the City and other taxing jurisdictions new revenue in the form of minimum tax payments (in the construction of the project, other transaction privilege taxes during the lease, and property taxes after the lease term), based on a third-party economic impact study. If the developer fails to generate these minimum tax payments, it will be required to make additional payments to the City to cover any shortfall.

Applicants will be required to engage in community meetings prior to projects progressing to City Council Subcommittee and Formal meetings. City staff shall also complete all required statutory processes and notices to taxing jurisdictions. Staff shall return to City Council for annual updates on this policy.

IV. COMPLIANCE

All Departments are subject to this policy as approved by Phoenix City Council on November 15, 2022. Approved projects shall enter into development agreements with the City which shall include negotiated terms and conditions including rental payments, verifiable public benefits, and audit provisions of the terms of the agreements as well as standard City terms and conditions. Development agreements, leases and other contracts must also comply with State statutes and City codes.

V. RESOURCES

- A. GPLET: ARS Title 42, Chapter 5, Article 5.
- B. RDA: ARS Title 36, Chapter 12, Article 3.
- C. CBD: ARS Title 42, Chapter 5, Article 5. 42-6209. A. 1. (c).