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## CITY OF PORT LAVACA

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**WORKSHOP:** SEPTEMBER 25, 2023

**AGENDA ITEM** \_\_

**DATE:** 09.24.2023

**TO:** HONORABLE MAYOR AND CITY COUNCIL MEMBERS

**FROM:** JODY WEAVER, INTERIM CITY MANAGER

**SUBJECT:** POTENTIAL ECONOMIC DEVELOPMENT TOOLS TO INCENTIVIZE HOME BUILDERS AND DEVELOPERS

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We have had inquiries from a few home builders about incentives that the City can offer to encourage builders to build particularly **SPEC** homes in Port Lavaca. In other words, to begin building a home without having a buyer first – taking a risk that the completed house may sit unsold for some time. The Economic Development Committee has discussed the following ideas and I wanted to have a conversation with the full Council. Again, this is a workshop setting, so no action will be taken – just a sharing of ideas.

- One idea is if the builder will purchase a significant portion of his building supplies from local vendors, the City will agree to reimburse (all or a portion) of the City's 1.5% sales tax. So, let's say they purchase \$50,000 worth of materials locally and produce sales receipts as documentation of paying \$750.00 of sales tax. We would reimburse them this amount or some percentage of this.
- In our 380 agreement with Eric Ho, we waive all permit fees when Eric Ho is the builder. In these cases, Derrick does the plan review and inspections, so it is not costing us directly. We could consider offering the same to other builders building a spec home.
- One builder has proposed the idea of providing a City property tax credit to the home builder of a spec home over the time of construction and until the home is sold and then possibly also to the home buyer for an additional 1 to 2 years. A \$300,000 home would be \$2,342/year in city property taxes.

If Council is interested in incentivizing "spec" homes, we need to define what a spec home is.

Is there a sales price range? – or just as long as they start the project without a home buyer, it qualifies. If we offer a tax break to the home buyer is it for just first time home buyers? First time home buyers in Port Lavaca? Or a price range stipulation?

Also do we want to offer similar incentives to those building rental property?

For your information, I have attached a copy of a Real Estate Trend Indicator report for Port Lavaca for 2023. It's interesting to note that the most units sell within 1 or 2 months of being listed, which tells us there is a need.

In addition to infill lots within the City (vacant lots or lots where homes have been or will be demolished in established subdivisions) there is Jade Bay, Claret Crossing and Redfish Retreat.

- Jade Bay: Currently there are 7 spec houses that are in the foundation stage in Jade Bay (they have not chosen a material supplier yet) I have been told that there are only 2 lots left for sale in that subdivision.
- Claret Crossing: 34 lots platted for duplex units (approx. 50 ft width); 36 lots for single family homes (approx. 85'-95' width) Since we already pay 90% of the collected city property tax to the developer. I don't know that any tax incentive would be available for us to offer in this Subdivision.
- Redfish Retreat: (See exhibits under previous agenda item) We get calls often from people that have bought lots in Phase 3 where the infrastructure is not complete. Perhaps, incentives should wait until the subdivision is completed.