

Legislation Details (With Text)

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Title: Consider A Resolution Authorizing The City Manager To Enter Into A Tax Incentive Agreement With ROMCO Equipment Company, LLC.

Sponsors:

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Attachments: 1. ROMCO - Carrollton Tax Abatement Resolution 05-03-16, 2. City of Carrollton - ROMCO Incentive Agreement 04-19-16, 3. ROMCO - Site Map 05-03-16

Date	Ver.	Action By	Action	Result
5/3/2016	1	City Council	approved	Pass

CC MEETING: May 3, 2016

DATE: April 26, 2016

TO: Leonard Martin, City Manager

FROM: Thomas Latchem, Director of Economic Development

Consider A **Resolution Authorizing The City Manager To Enter Into A Tax Incentive Agreement With ROMCO Equipment Company, LLC.**

BACKGROUND:

ROMCO Equipment Company is a family-owned construction, mining, and paving equipment distributor established in Texas in 1961. The company has grown to 11 locations in Texas with its corporate headquarters and operation hub located in Dallas. The Dallas headquarters employs 54 people with an annual payroll of \$5.6 million. The Company currently pays sales tax to the City of Dallas of over \$250,000 annually.

ROMCO's current headquarters facility is dated and has become very difficult for its customers to access due to the urbanization that has occurred around them. In order to accommodate ROMCO's rapidly growing operations in a new facility that provides easy access and visibility throughout the Metroplex, the company has requested a tax incentive equal to a portion of property taxes paid on a new 35,000 square foot 3-building complex with a capital investment of \$7 million to be located at 1519 West Belt Line Road in the Valwood Industrial Park.

ROMCO has been in preliminary discussions with City staff and, although the site is zoned light industrial, has agreed to upgrade their facility to provide a more aesthetically pleasing look facing Belt Line Road if the City can provide a partial offset to the additional cost of the estimated \$750,000 upgrade.

FINANCIAL IMPLICATIONS:

ROMCO has requested a grant equal to 75% of taxes paid on new real and business personal property for a 7-year period. This incentive will provide ROMCO with a grant of approximately \$31,000 annually for a 7-year total savings of approximately \$217,000. In addition, the Company has requested a 100% rebate (not to exceed \$30,000) of City permitting fees to be paid on the construction of the new facility. The total savings to the company of \$247,000 over a 7-year period will enable ROMCO to partially off-set the additional cost of \$750,000 to upgrade their new facility and offer them the encouragement they need to select a Carrollton location.

The return-on-investment to the City is significant since ROMCO will immediately begin to pay sales tax to the City of Carrollton of \$250,000 annually, which will pay back the City's tax rebate of \$217,000 (net present value of \$174,000) and the rebate of permit fees in the first year. Over the 7-year term of the incentive the Company will pay over \$1.75 million in new sales taxes to the City of Carrollton.

IMPACT ON COMMUNITY SUSTAINABILITY:

In accordance with the City of Carrollton's goal of enhancing and preserving the tax base through the attraction of quality employers, this project meets all criteria. Additionally, the upgraded buildings will present an upscale corporate look which will benefit both ROMCO and the residents of the City.

STAFF RECOMMENDATION/ACTION DESIRED:

Staff recommends that City Council authorize the City Manager to enter into an incentive agreement with ROMCO Equipment Company, LLC providing a grant equal to seventy-five percent (75%) of taxes paid on the assessed value of real and business personal property for a 7-year period and a 100% rebate for permit fees incurred on the construction of the new facility (not to exceed \$30,000).