

Legislation Text

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CC MEETING: October 18, 2016

DATE: October 11, 2016

TO: Leonard Martin, City Manager

FROM: Andrea Roy, Economic Development Manager

Consider A **Resolution Authorizing The City Manager To Enter Into A Tax Incentive Agreement With Lennox Industries, Inc.**

BACKGROUND:

Lennox Industries is a global leader in the residential and commercial heating, air conditioning, and refrigeration industry. It currently operates its research and development facility at 1600 Metrocrest Drive in Carrollton, employing about 300 people. The existing 150,000 square foot facility is owned by Lennox and has been in operation since 1977. Lennox's research and development team provides continuous innovation in the heating/cooling market through development of cutting edge technology that increases energy efficiency, ease of use, and consumer cost reduction. The company has been in business since 1895 and is currently headquartered in Richardson.

In order to accommodate Lennox's growing operations and remain competitive in the market, the company has requested a five-year business personal property tax grant equal to 50% of taxes paid on an estimated \$19 million to \$30 million investment of new machinery and equipment. This expansion will also consist of approximately \$6 million to \$10 million in building and site improvements, including a physical expansion onto the existing parking lot for additional warehouse space, new production space, and climate testing rooms, which are estimated to be completed by mid-2017. The expansion is estimated to create an additional 30 jobs over the next two years, with an average annual salary exceeding \$85,000.

FINANCIAL IMPLICATIONS:

Current Taxes: According to the Dallas Central Appraisal District, the current value of the real property at 1600 Metrocrest is approximately \$4.2 million, which generates approximately \$25,000 annually for the City. Additionally, Lennox currently pays about \$28,000 annually in business personal property taxes to the City. Therefore, the property taxes currently paid to the City by Lennox totals about \$53,000 per year.

Tax Incentive Requested: Lennox has requested a 5-year, 50% business personal property tax rebate on the new machinery and equipment. This incentive will provide Lennox with a total rebate of up to \$280,000, also providing the City with an equal amount of additional revenue (\$280,000). This savings will enable Lennox to move forward with its investment and expansion plans.

Any added value to the building as a result of the physical improvements to the facility will not be incentivized. Additionally, at the end of five years, the City will receive 100% of taxes owed on the new business personal

property, which is estimated to generate approximately \$30,000 annually to the City, when depreciation is considered. As a result of the project, the net benefit to the City over a ten-year period is \$1.5 million.

Lastly, Lennox Industries has also requested support from the City in its efforts to receive State of Texas Enterprise Zone Project Designation, which will essentially provide a state sales tax rebate to the company on the business personal property purchases it makes.

IMPACT ON COMMUNITY SUSTAINABILITY:

In accordance with the City of Carrollton's goal of enhancing and preserving the tax base through retention of quality employers, this project meets all criteria.

STAFF RECOMMENDATION/ACTION DESIRED:

Staff recommends that City Council authorize the City Manager to enter into an incentive agreement with Lennox Industries, Inc., providing a five (5) year, fifty percent (50%) tax rebate on the assessed value of new machinery and equipment.