

RESOLUTION NUMBER 4558

A RESOLUTION AMENDING RESOLUTION NUMBER 4425 FOR SALES TAX INCENTIVES FOR THE CITY OF VESTAVIA HILLS

WHEREAS, on September 12, 2011, the City Council of the City of Vestavia Hills adopted and approved Resolution Number 4232 to establish an Economic Development Incentive Policy for the City of Vestavia Hills; and

WHEREAS, on March 11, 2013, the City Council adopted and approved Resolution Number 4232 to amend Resolution Number 4425 to include additional incentives; and

WHEREAS, the City Manager has recommended amendments to the existing policy as written into the new policy detailed in "Exhibit A" which is attached and incorporated into this Resolution Number 4558 as though written fully therein; and

WHEREAS, the Mayor and City Council have reviewed the attached information and feel it is in the best public interest to adopt the additional incentives.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF VESTAVIA HILLS, ALABAMA, AS FOLLOWS:

1. Resolution Number 4225 is hereby amended so as to include the incentive policy detailed in the attached "Exhibit A"; and
2. The City Manager is hereby authorized to execute any and all documentation necessary in order to validate said Incentive Package as required by Alabama Law; and
3. This Resolution Number 4558 shall become effective immediately upon adoption.

ADOPTED and APPROVED this the 10th day of March, 2014.


Alberto C. Zaragoza, Jr.
Mayor

ATTESTED BY:


Rebecca Leavings
City Clerk

TEMPORARY SALES TAX REBATE PROGRAM

A portion of the City of Vestavia Hills' share of non-dedicated sales tax may be rebated, as provided herein, to qualifying businesses located within the corporate boundaries of the City of Vestavia Hills, Alabama provided the business demonstrates a financial need or gap that would otherwise preclude its entry into the City of Vestavia Hills or its ability to improve or expand its operating capacity as determined by review and approval of the Vestavia Hills City Council. **NOTE: The portion of the City's sales tax dedicated to Vestavia Schools and Capital Reserve are not included within the rebate program.**

Only businesses that in whole, or in majority part, provide sales of goods and/or services subject to general sales tax will be eligible to participate in the program. In addition, each business must also meet the eligibility criteria for its corresponding category as outlined below.

New Business: New retail businesses that locate within the City of Vestavia Hills may apply for a sales tax rebate from the City.

The rebate for new business **under this program** shall be in effect for a stated number of years determined by the City and shall not exceed a maximum amount of \$150,000 in any year. For a business to participate in the program as a new business, the business must meet each of the following criteria:

- The business must generate a minimum of \$50,000 in annual taxable sales.
- The business must not have been established at any other location within the city limits of the City of Vestavia Hills prior to January 1, 2013.
- In order to qualify as a new business, the application must be filed with the City Manager prior to the business receiving its initial license to do business within the City of Vestavia Hills, Alabama.
- Demonstrate a barrier to entry into the City of Vestavia Hills that is resolved as a result of the financial incentive provided through this program.

For Existing Businesses that are accepted into the program, a rebate will be calculated with consideration of a baseline figure calculated from the previous 12-months sales tax remittance. If a business was closed for part of the 12-months or has been in business less than 12-months, then the base rate of the months available will be used. The program is intended to base the rebate upon the growth in sales from the baseline figure in an attempt to remove any barrier to expanded operational capacity by the applying business.

Existing Business: Existing businesses currently located in the City of Vestavia Hills, Alabama, may also apply for a sales tax rebate from the City of Vestavia Hills. The rebate will apply only to the portion of taxable retail sales in excess of the business' preceding 12-month taxable sales.

The rebate for an existing business **under this program** shall be in effect for a stated number of years determined by the City and shall not exceed a maximum amount of \$150,000 in any year. In addition, to participate as an existing business, the business must meet at least **one** of the following criteria:

- The business must expand its interior floor space by at least 25% during the 12-month period following its application.
- The business must create at least 2 FTE jobs during the 12-month period following its application. To qualify through job creation, the job created must provide an average wage for a retail position in the City of Vestavia Hills.
- The business must make an investment of at least \$50,000 in streetscape or façade improvements during the 12-month period following its application.

AND

- Demonstrate a barrier to expanded operational capacity that is resolved as a result of the financial incentive provided through this program.

General:

The following provisions apply to rebate agreements for both new and existing business:

1. The determination by the City to rebate any amount to a business under this program shall be set forth in a written agreement by the City and the business.
2. The amounts to be paid by the City to a business under this program and such agreement shall:
 - a. Be payable solely from that amount of sales tax proceeds actually received by the City from the business (after deduction from such proceeds of the portion dedicated to City schools and the capital reserve program) and shall not constitute a general claim against the City;
 - b. Be payable on stated dates in arrears, without interest, upon submission of a written payment request by the business as provided in the written agreement.
3. The written agreements for rebate are subject to approval under the constitution and laws of the State of Alabama.

APPLICATION PROCESS OVERVIEW

Application packets can be downloaded from the City of Vestavia Hills' website, or can also be picked up in person at the City Manager's Office in the Vestavia Hills City Hall, 513 Montgomery Highway, Vestavia Hills, Alabama.

Instructions:

1. Complete and sign application.
2. Attach the following to the application:
 - a. A copy of business license from the City of Vestavia Hills showing the address of the business and certifying that business is located within the City of Vestavia Hills, Alabama.
 - b. A copy of the Alabama Sales Tax Permit.
 - c. If existing or relocating business, previous 12-months sales tax reports.
3. Contact the City Manager to schedule an application review appointment.
4. Application submitted to City Council for acceptance into the program. First year of the program begins on the first day of the month following acceptance into the program.
5. Rebate request forms with verifications attached must be received within 90 days of 12-month anniversary of acceptance into the program.

EXAMPLE OF A POTENTIAL SALES TAX REBATE COMPUTATION

Annual Retail Sales \$10,000,000
 Prior Year Annual Retail Sales \$0
 Sales for Rebate Computation \$10,000,000

SALES TAX:

| | | | |
|----------------------------|---------------------------|-----------|-----------|
| Total | 9% | \$900,000 | |
| State of Alabama | 4% | \$400,000 | |
| Jefferson County | 2% | \$200,000 | |
| City of Vestavia Hills | 3% | \$300,000 | |
| Schools | 30% of 1/12 th | | \$7,500 |
| Capital Reserve | 70% of 1/12 th | | \$17,500 |
| City (Eligible for Rebate) | 11/12 th | | \$275,000 |

| <u>Year</u> | <u>Rebate %</u> | <u>Rebate \$</u> | <u>Retained \$</u> |
|-------------|-----------------|------------------|--------------------|
| 1 | 50% | \$137,500 | \$137,500 |
| 2 | 40% | \$110,000 | \$165,000 |
| 3 | 30% | \$82,500 | \$192,500 |
| 4 | 20% | \$55,000 | \$220,000 |
| 5 | 10% | <u>\$27,500</u> | <u>\$247,500</u> |
| | | \$412,500 | \$962,500 |