



## AGENDA ITEM SUMMARY

### District Impacted

- ☐ 1 = Anzolitto
- ☐ 2 = Woolard
- ☐ 3 = Boyd
- ☐ 4 = Cisneros
- ☐ 5 = Colvin
- ☒ X All

<b>AGENDA DATE</b>	<i>January 23, 2017</i>
<b>DESCRIPTION</b>	CONSIDER RESOLUTION NO. 2018-R06; A RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO AND MANAGE A CHAPTER 380 GRANT AGREEMENT BY AND BETWEEN THE CITY OF BOERNE, TEXAS AND HIGHLAND HOMES SAN ANTONIO, LLC.
<b>STAFF'S RECOMMENDED ACTION (be specific)</b>	Approve Resolution No. 2018-R06; A Resolution authorizing entering into a Chapter 380 agreement with Highland Homes San Antonio, LLC.
<b>CONTACT PERSON</b>	Sandy Mattick / Jeff Thompson
<b>SUMMARY</b>	<p>Highland Homes currently owns 91 undeveloped lots in the City of Boerne in The Ranches at Creekside. Highland Homes has requested that the City enter into a 380 Agreement to share 50% of the local sales/use tax that will be paid by Highland Homes to the City of Boerne as the lots have homes constructed on them.</p> <p>We have been approached by Doug Duffy, the tax accountant that handled the same request for Perry homes in December of 2017, regarding creating the same agreement with Highland Homes. The Chapter 380 Agreement proposed for Highland Homes is the same as the one approved by City Council for Perry Homes.</p> <p>Currently when Highland Homes builds a home they will pay state and local sales taxes to suppliers on "directly purchased building materials" such as lumber, trusses, doors, windows, brick, stone appliances, hardware, etc. Texas law requires suppliers to collect and remit local sales taxes where they have "places of business" and receive orders; not where they deliver or use the materials.</p> <p>Highland Homes is considering applying for a Texas Direct Payment Permit from the Comptroller's Office. This permit allows a Texas company to selectively self-assess and pay their own "use taxes" on purchases of taxable materials according to the location where the materials are "first used" as opposed to paying local sales taxes to suppliers according to the suppliers "place of business".</p> <p>The Comptroller requires each Direct Payment Permit holder to purchase at least \$800,000 of taxable items per year using their tax permit as well as maintain sophisticated accounting systems that can</p>

	<p>track the location for every taxable material used and report and pay taxes to the proper local taxing jurisdiction by filing monthly tax returns. In addition, Direct Payment Permit holders are subject to audits to ensure compliance with all sales/use tax compliance requirements.</p> <p>Highland Homes has an option to pay 8.25% in state and local sales tax to suppliers or pay 8.25% in state and local use tax to the cities where they build new homes, they are requesting to share in a portion of the new tax revenues with job-site cities since they will be paying for 100% of the cost of this approach.</p> <p>Based on the terms of the proposed 380 Agreement, no payment will be due to Highland Homes until the company self-assesses and pays local use taxes on behalf of the City of Boerne. Highland Homes will submit a Grant Request semi-annually and provide copies of tax returns filed with the State Comptroller.</p> <p>Attached is the estimated benefit provided by Highland Homes. The calculation is based on the 91 undeveloped lots currently owned in Boerne. These amounts will increase if new lots are acquired. The City should net about \$607.50 per home or \$55,283 over the 10-year term of the agreement. This number will escalate based on the cost of materials increases over the life of the agreement (see green shaded area on attached spreadsheet).</p> <p>If approved by City Council the city will gain over \$200,000 in new Use Tax from the two agreements over the span of time that the homes are constructed.</p>
<b>COST</b>	N/A
<b>SOURCE OF FUNDS</b>	Rebate 50% of new Use Tax collections
<b>ADDITIONAL INFORMATION</b>	Spreadsheet, Agreement

This summary is not meant to be all inclusive. Supporting documentation is attached.