



MEMORANDUM

Planning & Engineering Department

Date: April 2, 2013
Subject: Impact of Fireworks Sales
To: Kenneth Williams, City Manager
From: Brian LaBorde, AICP, CNUa, Assistant City Manager
Chance Sparks, AICP, CNUa, Director of Planning

THIS MEMO CONTAINS INFORMATION NOT OPEN TO PUBLIC OR SUBJECT TO OPEN RECORDS REQUESTS. THIS DATA SHALL ONLY BE USED FOR ECONOMIC FORECASTING AND INTERNAL AUDIT (TEXAS TAX CODE 321.3022(c). VIOLATION IS PUNISHABLE BY SIX (6) MONTHS IN JAIL AND A \$1,000 FINE (TEXAS GOVERNMENT CODE 552.352).

Portions of this memo may be redacted consistent with the aforementioned confidentiality requirements.

This memo is in response to inquiries regarding the impact of American Fireworks and Big Tex Trailers on the Buda economy. It discusses sales tax revenue, property tax revenue, contribution of a fireworks show and future development of the property. In the context of annexation, staff notes that Big Tex Trailers will be able to continue use following annexation, while American Fireworks would cease operations.

Sales Tax Revenue

Sales tax is collected on most fireworks sales. However, trailer sales are covered by the motor vehicle sales tax exemption. As a result, most sales activity at Big Tex Trailers does not produce as much local sales tax. In reviewing confidential sales tax reports, staff has found that a ½ percent sales tax nets [REDACTED] annually from American Fireworks. For Big Tex Trailers, staff has found that a ½ percent sales tax nets [REDACTED] annually. Due to ESD #8's existing ½ percent sales tax, the Buda EDC will collect ½ percent, and

the City of Buda will collect only ½ percent rather than its usual 1 percent. This is due to the State restriction capping overall sales tax at 8.25 percent.

Property Tax Revenue

Property tax impact of the property is a two-part analysis. The “real property” portion of the calculation is based upon Hays Central Appraisal District’s 2012 assessed value for Property ID R15578, owned by Keller Family Investments, Ltd. The 2012 assessed value is \$543,820, which taxed at Buda’s current 0.2713 per \$100 valuation tax rate results in \$1,475 payable to the City. The second portion of the calculation is based upon “personal property,” which refers to business inventory present on the property. The personal property portion relates to Big Tex Trailers. Their inventory in 2012 was valued at \$560,162, which taxed at Buda’s current 0.2713 per \$100 valuation tax rate results in \$1,520 payable to the City. The grand total property tax impact is \$2,995.

Fireworks Show Contribution

American Fireworks proposes a \$20,000 donation toward professional fireworks shows annually. The City currently has a contract with Liberty Pyrotechnics in the amount of \$14,195 annually, renewable for up to three years. This is the third and final year to exercise this option. In June 2010, the City paid American Fireworks \$5,500 for a professional fireworks show. The City received a large number of complaints regarding the 2010 Independence Day fireworks show.

Future Development of the Property

The subject property is currently encumbered by a former landfill on nearly seven acres of the total 12.972 acres. The presence of a landfill presents a number of development challenges, including requirements for remediation/encapsulation, soil stability and presence of off-gassing. In 2005, PBS&J was enlisted to develop a Report of Subsurface Activities Over MSW Landfill WWC No. 10891117 as it pertained to the right-of-way expansion and realignment of Loop 4 (Main Street), located on/near the subject site. This particular report revealed landfill content consisting primarily of construction-related waste and some instances of automobile waste (vehicle parts and tires), though conditions may vary within the subject property.

While major portions of the properties in that area contained spoil pits that later became landfills, the Keller property was not completely affected (about 6 acres is available for use of the 12.9 acres). Just the 6 acres alone could be significantly redeveloped. In addition, real estate developers specializing in brownfield redevelopment are negotiating with property owners affected by this landfill for potential purchase and development. There are a number of techniques available that substantially increase the ability to develop the affected property. Examples of techniques include perma-cap, passive gas venting, dynamic compaction and removal remediation, each of which has varying levels of land use options once completed. Likewise, all of these techniques could be used within a single property depending on the desired redevelopment scenario.