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## Property tax set at zero seems to suit Stafford

■ City funded by other taxes hopes to erase debt, too

By **RENÉE C. LEE**  
HOUSTON CHRONICLE

**STAFFORD** — Property taxes seem like an unlikely topic for Sunday school class, but that was the case this week at Shelby Field's Methodist church in Missouri City.

The lesson moved into a discussion about Stafford, a small city in Fort Bend County that hasn't levied a property tax for 14 years.

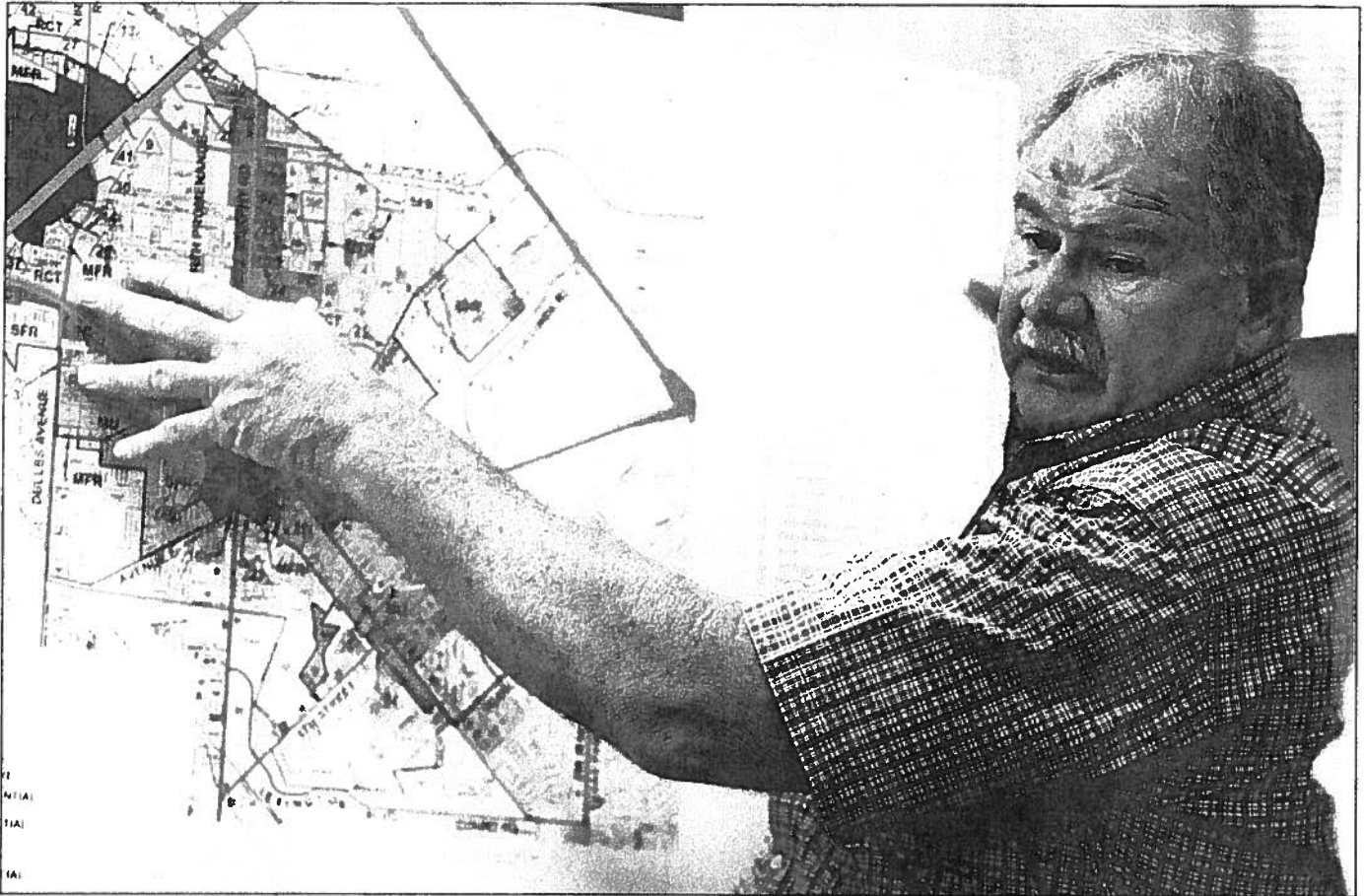
Field listened as others questioned how a community — called home by more than 20,000 people — could function without them.

"When you say zero property tax, people don't believe you," said Field, who has lived in Stafford for more

than two decades. "I still don't see how it works. I just reap the benefits. I don't have to understand it."

Stafford stopped levying property taxes in 1995, making it the largest of the less than a dozen cities in Texas to do so. It's the only Houston-area city to have eliminated property taxes, said Frank Sturzl, executive director of the Texas Municipal League.

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JULIO CORTEZ PHOTOS : CHRONICLE

**GROWTH:** Gene Bane, zoning administrator and director of building permits and nuisance abatement for Stafford, talks about the business park in the city during a meeting in Mayor Leonard Scarcella's office last week.

# STAFFORD: Residents, firms lured

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Residents still pay county and school taxes.

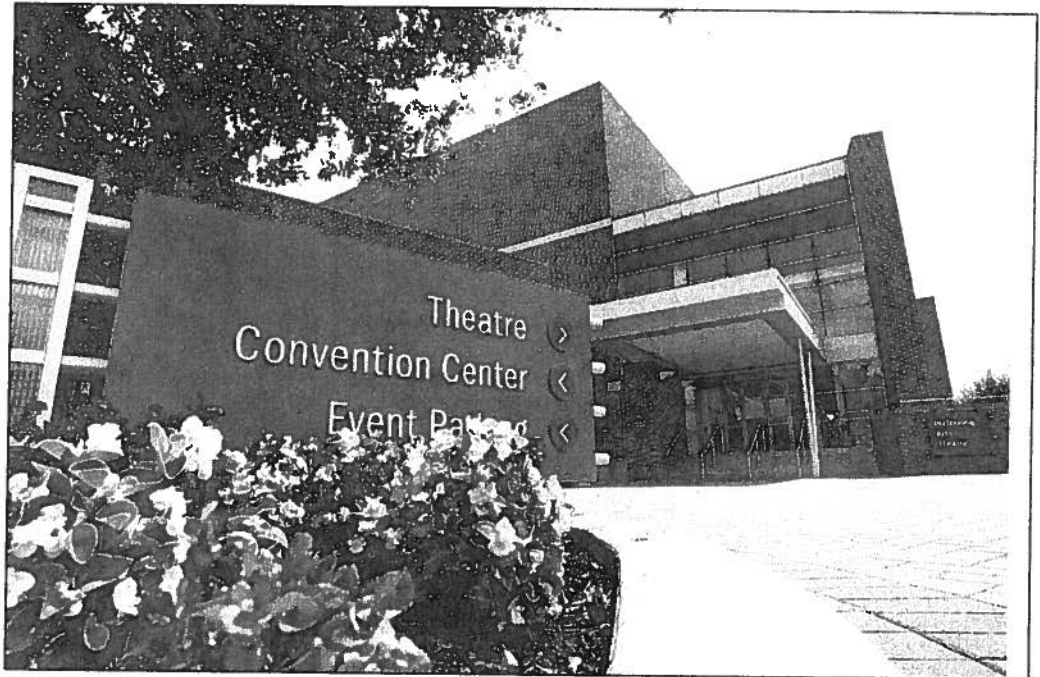
Skeptics originally had a field day predicting failure, but have since been silenced by the city's success.

"Not only does it work, but it is also a feasible and plausible approach with good benefits," said Mayor Leonard Scarcella, who has led the city for 39 years.

Relying on sales tax revenue alone, Stafford has managed to pay for city services, lower its debt, accumulate a reserve of about \$10 million, construct a new convention center and build a police and fire complex in the past six years.

At the same time, new residents and businesses have been lured in by the city's property tax policy.

Even today, while many cities across the country are slashing budgets and cutting services because of the recession, Stafford continues to grow. City officials are even optimistic about paying off the city's \$2 million bond debt by 2014.



**PAY AS YOU GROW:** The Stafford Centre performing arts theater and convention center was built in the past six years, along with a complex for the police and fire departments.

## Fortune's No. 36

The 7-square-mile city has gained national attention for its fiscal management. It's been pegged as a tax haven for senior citizens, a Shangri-La for property owners and was recently ranked by Fortune as No. 36 on the Fortune small business list for the best 100 places in the nation to live and launch.

People who own property in Stafford say not having city property taxes has translated into lower mortgage payments and extra money to reinvest in their businesses.

Karen and Willard Hamilton moved from Houston to a new Stafford subdivision four years ago because of the tax benefit. Karen said the savings enabled the couple to afford a bigger house.

"It's a tremendous benefit," she said. The couple save about \$60 a month on their mortgage payment.

Joe Rome, owner of Stafford Auto, a 39-year-old family business, said he sees about \$700 a year in tax savings, which can make a big difference during a recession.

The icing, though, is that city services haven't been affected, residents said.

Field said her trash is collected on time, and her neighbor Alice Rolston said police still check on her home when she's on vacation.

Sturzl believes most cities, if they had the opportunity and good fortune, would like to have followed Stafford's example. "Property taxes are the least popular tax on the planet," he said.

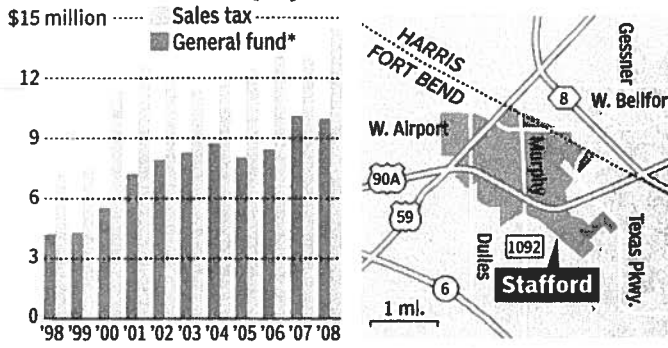
## Mix of commerce

Many cities without property taxes are enclave communities with exceptionally high sales taxes, he said. For example, Sunset Valley, west of Austin, has 500 people and several malls that attract shoppers from larger cities.

Stafford's success comes from a mix of retail, commercial, manufacturing, wholesale and service industries that bring in sales and franchise tax revenues. The once-agricultural community

## STILL GROWING

Growth of the city of Stafford's general fund balance and total sales tax receipts from 1998 to 2008:



Source: City of Stafford \* Fiscal year ending fund balance JAY CARR : CHRONICLE

now has three major business parks, an upscale shopping center and 20 hotels and motels. Its largest employer is Texas Instruments, with an estimated 1,500 employees, Scarcella said.

"That's one of the things we're proud of," Scarcella said. "We feel like we have one of the strongest, diverse economies per capita in the state."

Only 40 percent of the city's sales tax revenue comes from retail, while the rest

comes from other industries. The sales tax is 8.25 percent, and the city collects \$2 of every \$100 spent and uses it for city services, economic development and to pay debt.

In addition, Stafford collects franchise taxes and permit fees to fund its general fund operating budget, which has gone from \$6.4 million in 1995 to about \$14.8 million this year.

Stafford also benefits from being near major highways, a railroad and large cities. Dur-

ing the day, Stafford's population triples because it has more people working than living in the city.

## Sharp eye on budget

Many residents credit Scarcella for the city's prudent fiscal management. He was a law student when the city hired him to help establish its property tax system in 1965. He became mayor four years later and eventually helped to eliminate the tax system.

Councilman Cecil Willis says the mayor watches every penny. It's not unusual for a city employee to wear several hats or for council to debate the purchase of pencils and light bulbs, he said. The city also has adopted a pay-as-you-go philosophy for projects to avoid debt, he said.

"We're just living within our means like most families," Willis said. "We don't buy extravagant things, and the staff has bought into that and so have residents. It's a partnership."

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