



LEE'S SUMMIT MISSOURI

License Tax Review Committee Annual Report for FY2023

March 21, 2023

EXECUTIVE SUMMARY

City staff presented the FY2022 update to the License Tax Review Committee on February 8, 2023. This report presents the discussion and recommendations from the Committee.

Current Status

- The License Tax is assessed for development or re-development activity that increase traffic
- The City must spend funds received on transportation projects
- The NW Main Street project is complete; the SE Browning Street project is under construction
- The License Tax Fund current balance was \$3.259 million as of June 30, 2022
- Maximum rate approved by voters in 1997 was \$2,116 per residential unit
- Current rates are: \$1,088 per Residential unit;
\$1,100 per trip for Manufacturing/Industrial; \$825 per trip for Commercial

Projections

- 837 residential building permits were issued in FY22; up from 758 units permitted in FY 21, and less than the peak of 1,498 units permitted in FY20
- 725,477 square feet of retail/office/industrial space was permitted in FY22; this was more than the 90,000 square feet and 533,000 square feet permitted in FY21 and FY20, respectively
- All categories for building permits are projected to show relatively flat growth rates through 2031, based on population growth forecasts
- Fund is projected to have a positive balance of \$3.737 million in FY 2031

Committee Guidance

- Projects funded by the License Tax should be limited to projects identified in the City's Thoroughfare Master Plan (TFMP)
- Projects should exclude site specific projects such as adding a turn lane or signal required by one developer or landowner to complete a project
- Projects that remove impediments to future commercial or industrial development are the preferred use of this fund
- The License Tax funds should continue to manage cash flow so that projects are funded on a pay as you go basis

Actions

- The Committee re-affirmed previous recommendations to use the license tax funds for the US 50 / M291 North Interchange improvements project
- The Committee recommended not changing the rates

Background

The license tax was adopted by voters in November 1997 and then adopted by Ordinance No. 4592 on March 17, 1998. The provisions of the license tax ordinance are found in Sections 28-175 through 28-183 of the City's Code of Ordinances. The tax is administered by City Staff subject to the oversight of the License Tax Committee. The ordinances established the Finance Director as the License Tax Administrator and designated the City Traffic Engineer and a Plans Examiner as part of the implementation team.

The license tax uses a formula based on the additional traffic created by development to calculate the tax for each project. The license tax helps to fund the expansion of the City's street system needed to support traffic generated by new development. Revenues collected by the License Tax can be spent on any road projects throughout the City.

Funding is not intended to benefit site specific improvements, but the overall street network in all areas of the community. The tax is paid when building permits are issued for residential construction or when the certificate of occupancy is issued for commercial and industrial development.

The tax has been used to fund road projects identified in the Thoroughfare Master Plan (TFMP). The master plan has been updated on a regular basis to adjust for changing development patterns, traffic conditions, and updated projections. The original projects proposed in 1997 were identified in the 1995 TFMP, and those projects were completed by 2011. The TFMP was updated in 2005 and 2017. TFMP updates, increasing License Tax fund balances, and increased traffic demands caused by new developments created a need to evaluate new projects to be funded from the License Tax program. New projects recommended by the License Tax Committee can be added as part of annual Capital Improvement Planning process so that projects can be vetted through the public hearing process at Planning Commission and funded through the City Council budgetary process. This was the process used to add SE Browning Street, NW Main Street, and US-50/M-291 North Interchange projects into the current Capital Improvement Plan. A detailed list of the projects funded using the License Tax is presented in Appendix A.

The current tax rates are shown in Table 1. The current rates are below the \$2,116.00 rate that was authorized by voters when the tax was adopted in 1997, so rate adjustments below that amount do not require voter approval. The current rates include a 3% rate increase adopted in 2007, a 5% rate increase in 2015 for all categories, a 10% rate increase on non-residential development in 2016, a 5% rate increase on non-residential development in 2018. City Council, based on a recommendation from the License Tax Committee, approved a 10% rate increase on non-residential development starting July 1, 2022 (fiscal year 2023). Starting the rate increases on July 1 coincides with the City's fiscal year and adopting an updated Fee Schedule as part of the City's annual budgeting process.

Table 1: License Tax Rates for 2021-2022 (FY22) and FY23

Land Use Category	FY 22 License Tax	FY23 (current) License Tax
Residential	\$1,088 per new trip	\$1,088 per new trip
Manufacturing / Industrial	\$1,000 per new trip	\$1,100 per new trip
Commercial	\$ 750 per new trip	\$ 825 per new trip

Other Administrative Changes

The City Council passed a series of ordinances re-organizing various boards, commissions and committees that are appointed by the Mayor and Council. Those organization changes did not change the License Tax Committee. However, several administrative rules will be applied to the License Tax Committee. These rules will be found in Chapter 2, Article V, Division 1 of the City’s Code of Ordinances.

Section 2-251 of the Ordinances establishes term limits that will apply to this committee. Members will be limited to 3 successive terms. Terms served prior to January 1, 2023 will not count towards the term limits. Currently, the License Tax ordinance sets each term at 2 years. However, this can be reviewed and amended to 3-year terms to match the terms of other appointed committees.

The appointment process to the License Tax Committee will follow Sections 2-251 and 2-257 of the Code of Ordinances. These rules call for people to submit an application to the mayor’s office requesting initial appointment. Those currently serving would also have to submit an application to be considered for re-appointment.

The other boards and commissions have 3-year terms. If the License Tax Committee would like to change the term currently in the License Tax ordinance, then the License Tax Review Committee should submit a formal recommendation to the City Council Rules Committee for consideration.

Current Status and Projections for Permitting Activity

The City issued 837 for residential living units in FY22, which was slightly more than 758 permits issued in FY21. FY22 had 358 living units permitted as part of multi-family projects and 479 single family living units permitted.

Going forward, projections are based on the population growth forecasts. So instead trying to differentiate among types of housing, and potential projects, City planning staff is basing future projections on population growth that would led to an increase demand for housing units. Based on this methodology, 500 to 600 residential permits were projected through 2031. This trend shows continued growth at a consistent rate through 2032. Figure 1 shows the building permit projections for residential units.

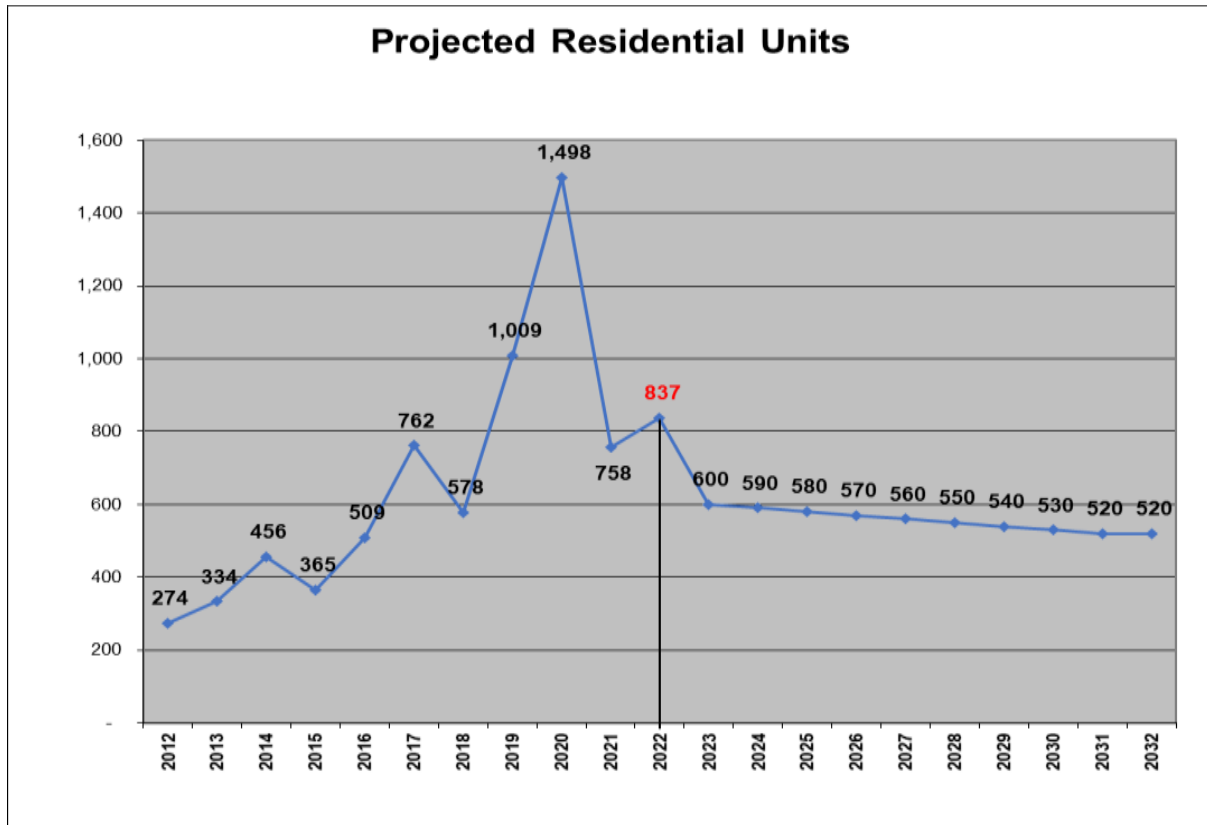


Figure 1: Projected Number of Residential Building Permits.

Commercial and industrial permitting is reported based on the square footage of buildings added to the City’s existing inventory. 725,457 square feet were permitted in 2022, which was the most permitted in the last ten years. Only 89,897 square feet were permitted in FY 2021. The total non-residential square footage permitted in FY2022 was composed of 604,494 square feet of commercial space and 120,953 square feet of industrial space.

The year-to-year volatility in non-residential permitting is typical. The annual building areas permitted fluctuates based on the timing of payments. The logistics center project currently under construction at NW Tudor Road and Main Street is projected to permit over 400,000 square feet of industrial space from one project in FY23. However, if construction is completed after June of 2023, the license tax revenue would be delayed until FY24. The City still receives the revenue, but the timing may change. Averages are generally used for planning and forecasting. The City permitted an average of 380,000 square feet of building over the past five years. Longer term, the projected average permitting is closer to 230,000 square feet per year. The project non-residential permitting is shown in Figure 2.

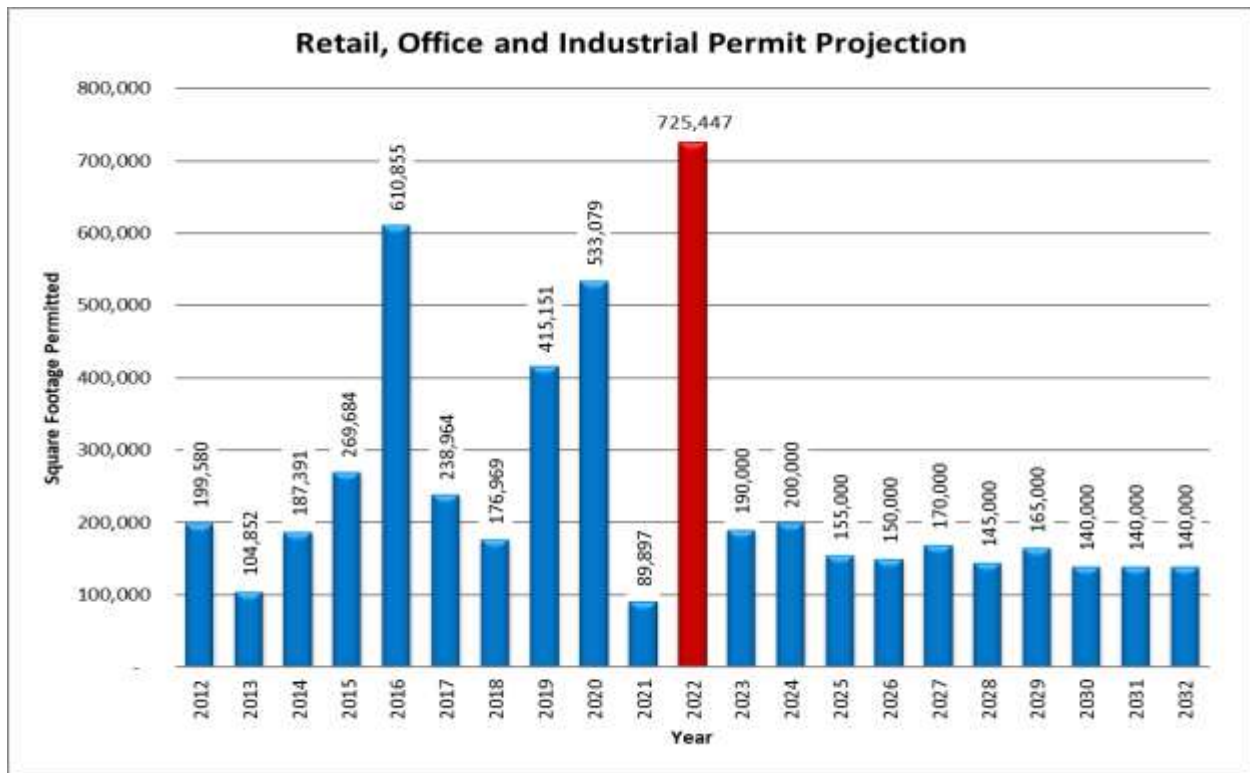


Figure 2: Projected Square Footage of Retail, Office and Industrial and Building Permits.

Current Status and Projections for License Tax Fund Balances

The excise tax from permits generated \$1,431,300 of revenue. Expenses in FY22 were mostly for the Main Street project. FY22 saw a net increase in the License Tax Cash balance of \$611,800 that yielded a year-end cash balance of \$8,628,600. Capital projects in the FY22 CIP had programmed \$6,207,000 through the end of FY22, leaving \$2,422,000 in the License Tax Fund to be programmed for project in the FY23-26 CIP.

\$6, 207,000 million of license tax funding is currently programmed in the FY22 Capital Improvement Plan (CIP) to construct SE Browning Street, NW Main Street, and the M-291 North Interchange projects. The current balance, less expected revenues, and less the programmed money would create a projected available fund balance of about \$2,422,000 million available for programming in FY2023-27. Detailed revenue tables can be found in Appendix B.

The License Tax Committee forwarded a recommendation to program \$6M into the FY22 CIP for the M-291 North and US50 Interchange project. That recommendation was approved by City Council and Planning Commission as part of the CIP. The City’s ability to show a committed source of local funds helped procure a \$9M state cost share grant for this project. Design work is underway. Right of way and easement acquisition will take place in 2023. Construction will start in 2024.

Analysis

Based on conversation with the Committee in previous years, there was not a strong desire to fund projects that correct transportation issues caused by existing development. The Committee expressed a desire to prioritize spending to remove impediments to future development. SE Browning Street, NW Main Street, and the M291 North – US 50 Interchange are such projects that address roadway infrastructure that needs to be improved to facilitate development in commercial / industrial areas.

These projects were consistent with the committee's guidance to use this funding source to help remove impediments to development in areas that would benefit multiple sites. The committee also expressed the desire to focus in areas in which development and re-development would help generate new license tax revenues for the City, increase property tax base values, and potentially help increase sales tax revenues.

The fund itself does not generate enough annual revenue to complete a project every year. The Committee does not want to issue bonds backed by the license tax, so several years of funds should be accumulated to pay cash for eligible projects identified in the TFMP. Based on current tax rates and current project funding schedules, the license tax fund is projected to maintain a positive fund balance, with the lowest balance in FY2027 or \$374,000.

CIP funding for the M-291 North Interchange project was spread out over 5 years in the CIP. Currently the License Tax Fund contributions are programmed over 6 years from FY22 through FY27.

Contributing \$6.0M in License Tax funds towards the M-291 North interchange project will not impact the City's general operating budget. Spreading the contribution of several years will cash flow the fund, so these options would support the Committee's guidance for not using debt financing as part of the License Tax Fund.

The excise tax rate changes since 1997 have been relatively low, so the real value of funds collected has been declining due to inflation. However, the combined License Tax, sales taxes dedicated to transportation, bond issues, and special assessment districts have been sufficient to improve the City's road networks in accordance with adopted goals and policies.

Consumer inflation is based on annual adjustments to the Consumer Price Index (CPI) published by the Department of Labor. Construction inflation is based on annual adjustment to the 1913 Construction Cost Index (CCI) published by Engineering News Record.

Inflation, based on the CPI, averaged 1.8% from 1997 through 2020. Thus far, the CPI has increased 10.0% in the Kansas City/Midwest region in 2021. The CCI has followed a similar pattern. The CCI averaged 3.1% from 1997 through 2020. The 2021 CCI is up 10.3% with the 3-year CCI averaging 5.0%.

The forecasts for 2022 indicate inflation to remain high. Recent construction bids solicited by the City have seen at least a ten percent increase in costs from last year, which is in with the industry forecasts and data. The Construction industry is expected to see inflation further increased due to passage of the

Infrastructure Investment and Jobs Act. The large amount of federal money pumped into the construction industry will consume large portions of the supply of labor, equipment and materials, so construction costs to the City are expected to increase significantly. The Infrastructure bill also greatly expanded the number of items subject to the Buy America requirements. This will potentially further aggravate supply chain issues, and will increase the cost of roadway projects.

Table 2 shows the historical license tax rates compared to values adjusted for inflation.

Table 2: Comparison of Actual License Tax Rates to Original 1998 Rate Adjusted for Consumer Price Inflation and Construction Cost Inflation

Year	Current Residential License Tax Rate	Residential Rates Adjusted for CPI	Residential Rates Adjusted for CCI	Max. Rate Allowed by 1997 Election
2024	\$1,088.00	\$1,435.00	\$1,336.00	\$2,116.00

The current License Tax for residential rates lags 25% below the CPI and 19% below the CCI. Looking ahead, the Excise Tax rates could be adjusted annually by matching the CCI for about ten years before the rates meet or exceed the maximum amount approved by voters in 1997. This inflation scenario is illustrated in Figure 3 on the following page. Appendix C presents detailed license tax rates adjusted for CPI data and CCI data.

Based on recent comments by the Committee, they desired to raise rates as one-time events in 2015, 2018 and 2020 in efforts to capture revenue associated with new non-residential development without adversely affecting development activity. As seen in Figures 1 and 2, development activity increased significantly, which would indicate the license tax rate increases did not have a negative impact on the overall development activity. Reduced rates in 2011 did not increase local development activity during the recession years. Based on those observations, City Staff's assessment is that (a) regional and national economies have a greater effect on development activity than the license tax rates, (b) small changes in those rates have not altered development activity, and (c) inflation could limit the City's ability to complete Capital Improvement projects over the next ten years.

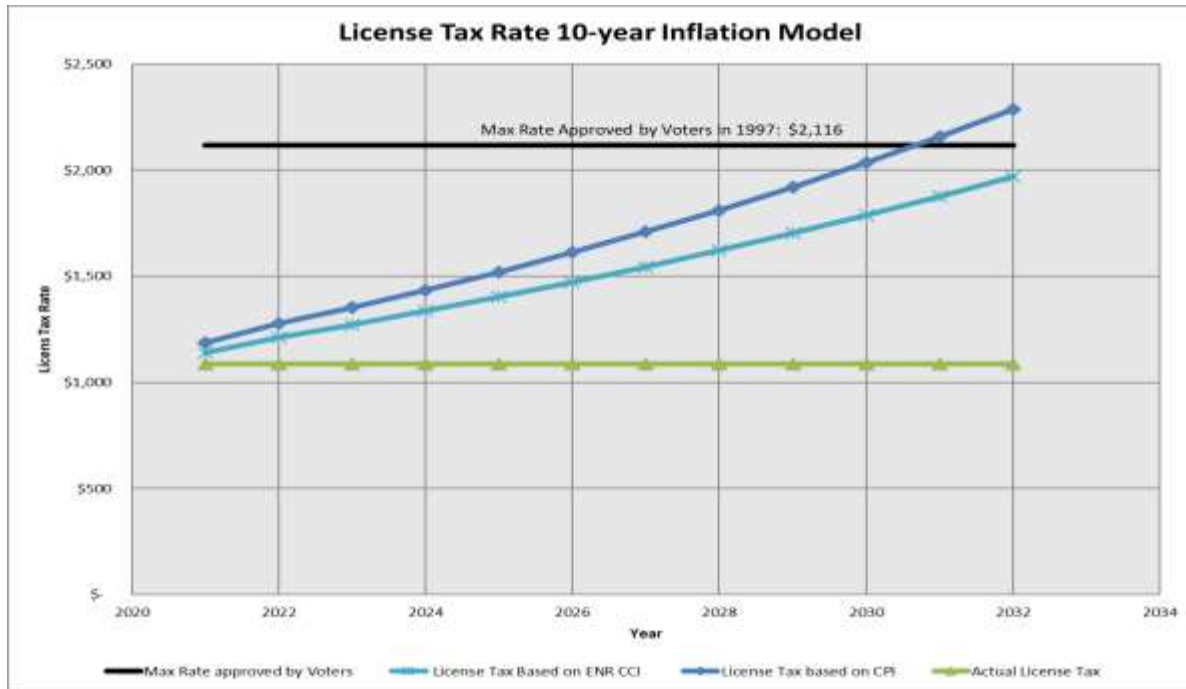


Figure 3: Future License Tax Rate Using a 5-year Average Inflation Rate

Lower Revenues per permit Due to Traffic Generation Standards

The nature of traffic has change from 1998 when the License Tax was first implemented. This has mostly been the result of changes in the volume of traffic at drive through windows, types of businesses using drive through windows, how people bank, etc. Many of the changes in banking have stemmed from the growth of online banking, so fewer people drive to the bank. Coffee and donut shop kiosks were rare in 1998, but now have become quite common, and popular. Sit down dining at fast food places is less frequent due to online ordering.

These changes in business types, business models, and consumer activity are regularly updated in the Institute of Traffic Engineers (ITE) Traffic Generation Manual. In 2023, the ITE manual has fewer trips generated by a single home than in 1998. As a result of fewer trips, residential units currently generate a lower license taxes per permit in 2023 when compared to 1998, as shown in Figure 4. There have been no changes in the residential permit fees since 1998.

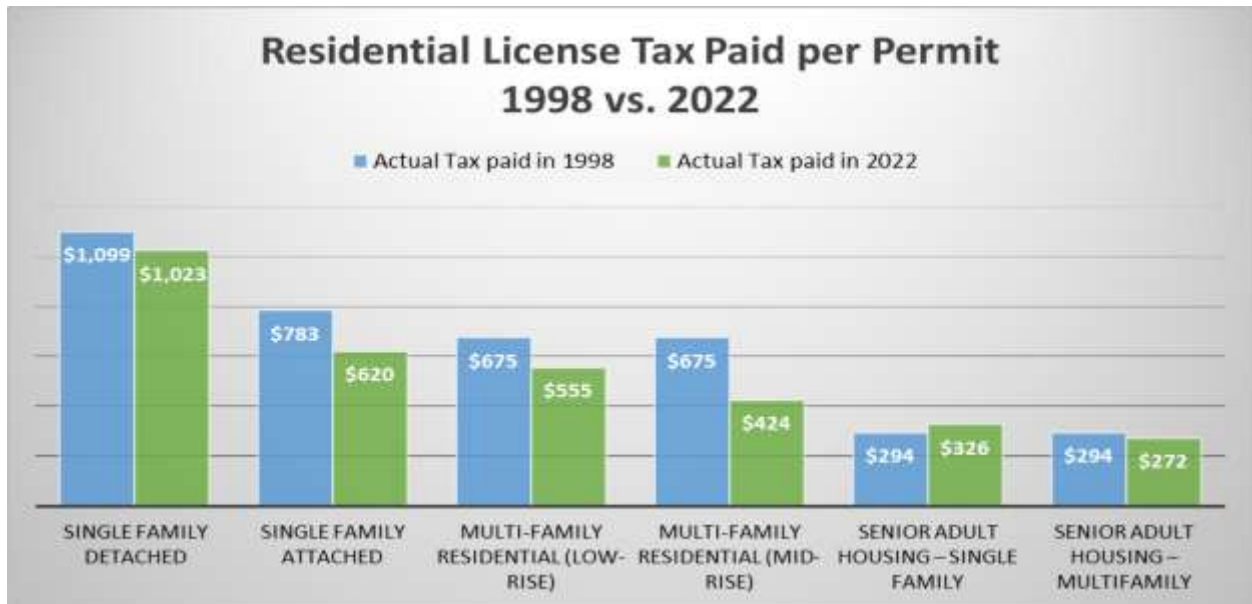


Figure 4: Less License Tax Paid Per Residential Permit in 2022 Compared to Initial License Tax in 1998

A similar pattern of lower fees per permit also shows in the industrial category. This lower cost per permit includes several increases in the industrial rate since 1998. This decline is shown in Figure 5.



Figure 5: Less License Tax Paid Per Industrial Permit in 2022 Compared to Initial License Tax in 1998

Commercial license tax per permit in 2023 is higher than the 1998 levels. This includes several increases in the commercial fees. The main changes have come from significant increases in the number of trips

generated by commercial activities. The ITE Manual also many types of businesses. As an example, banks were split into walk-in bank, drive through only bank, walk-in with drive through, etc. New types of commercial uses were added such as the “coffee/donut shop with drive through.” When looking at the commercial chart, it should be noted that some of the smaller businesses, such as the coffee shop or day care, generate a much larger license tax than the big box stores. These commercial comparisons are shown in Figure 6.

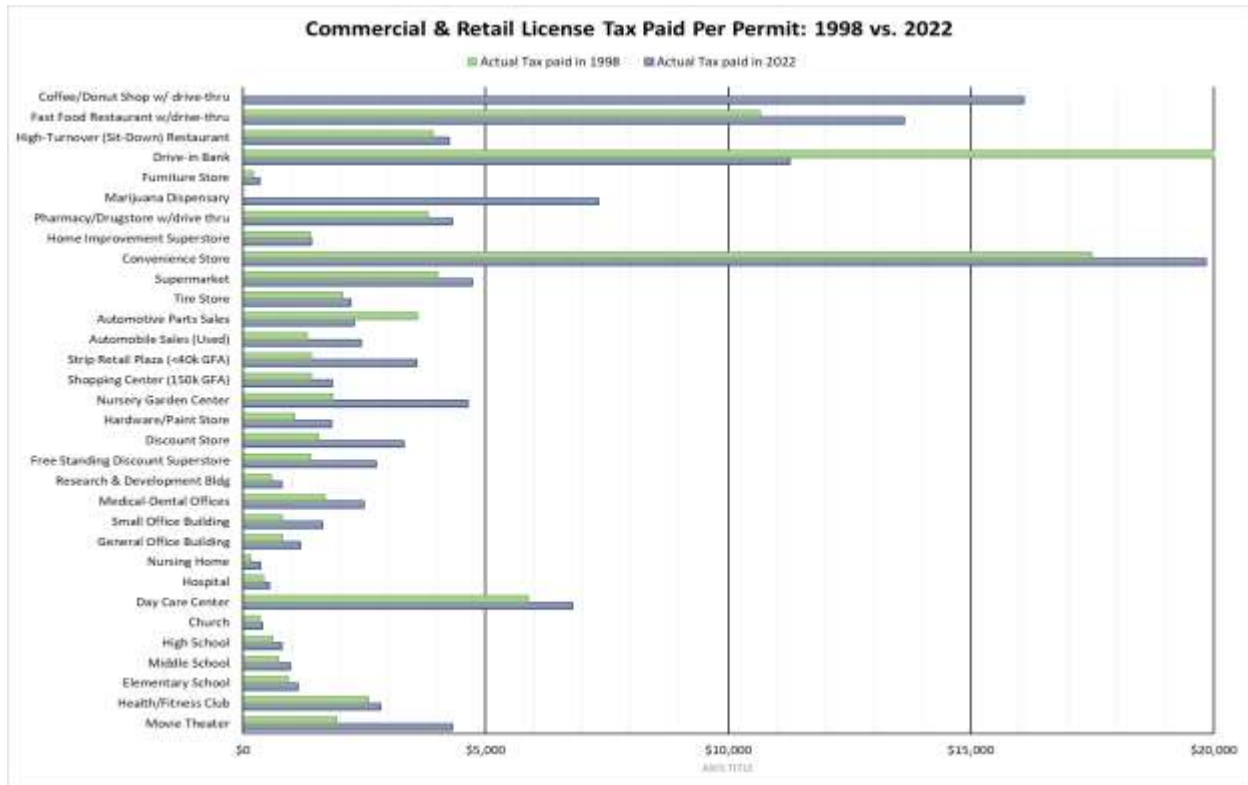


Figure 6: Commercial License Tax Showing Changes from 1998 to 2022

Status of Committee Recommendations from 2021Report

The Committee recommended using License Tax funds to support the SE Browning Street, NW Main Street and the US-50/M-291 North Interchange projects.

SE Browning street is under construction, and scheduled to be completed in Spring/Summer of 2023. The NW Main Street project is complete.

The interchange project is currently in design. Olsson and Associates was selected as the Engineer for this project through a joint selection process that included City staff and MoDOT staff. The City has entered into agreements with the Lee’s Summit R7 School District, Missouri State Highway Patrol, MoDOT, and the State cost share agreement. More recently, the City was awarded an additional \$6.4

million in grant money through the Surface Transportation Block Grant Program administered through the Federal Highway Administration. The Highway Patrol facility relocation is scheduled to begin in the summer/fall of 2023 depending on State funding for the work. At this time, the initial \$6 million programmed for this project by the License Tax Committee has been leveraged to obtain \$16 million in state and federal grants for this project.

The committee also recommended a 10% rate increase for non-residential categories. This recommendation was approved by City Council on March 15, 2022 as Ordinance No.9365. The increased rates became effective at the start of FY23 on July 1, 2022.

Summary of Committee Comments, Questions and Discussion for FY2022

The Committee's comments, discussion and action can be found in the meeting minutes attached to the Council packet as part of the presentation.

The Committee re-affirmed the following guidance for the License Tax Program:

- A. Projects eligible for license tax funding should be limited to projects identified in the City's Thoroughfare Master Plan (TFMP)
- B. License tax funding should be managed on a cash-flow basis, and not used for debt financing
- C. Projects should exclude site specific projects required by one developer or landowner to complete a project
- D. Projects funded from the license tax funds should be prioritized to support new roads that remove impediments to development for commercial, industrial, or manufacturing projects because they can generate new jobs, sales tax revenues, property tax revenues, and license tax revenues.
- E. The license tax committee members recommended no changes to current rates.

The Committee recommended no changes to the current rates.

The Committee discussed options to align the License Tax Committee terms with the 3-year terms within Sections 2-251 and 2-257, and to allow for more than two-terms. The License Tax Review Committee members currently serve two-year terms with no term limits. The Committee specifically requested that terms be extended from 2 to 3 years, and the number of consecutive terms be increased to 3 or 4 terms. The Committee would like to consider the facts that the License Tax Review Committee meets only once per year; the membership requires specific expertise related to real estate and building construction; in order to retain experienced members, can the number of consecutive terms be increased; the License Tax ordinances specifically identify the Public Works Director as a Committee member, who as a member of City Staff, is not subject to terms or appointments.

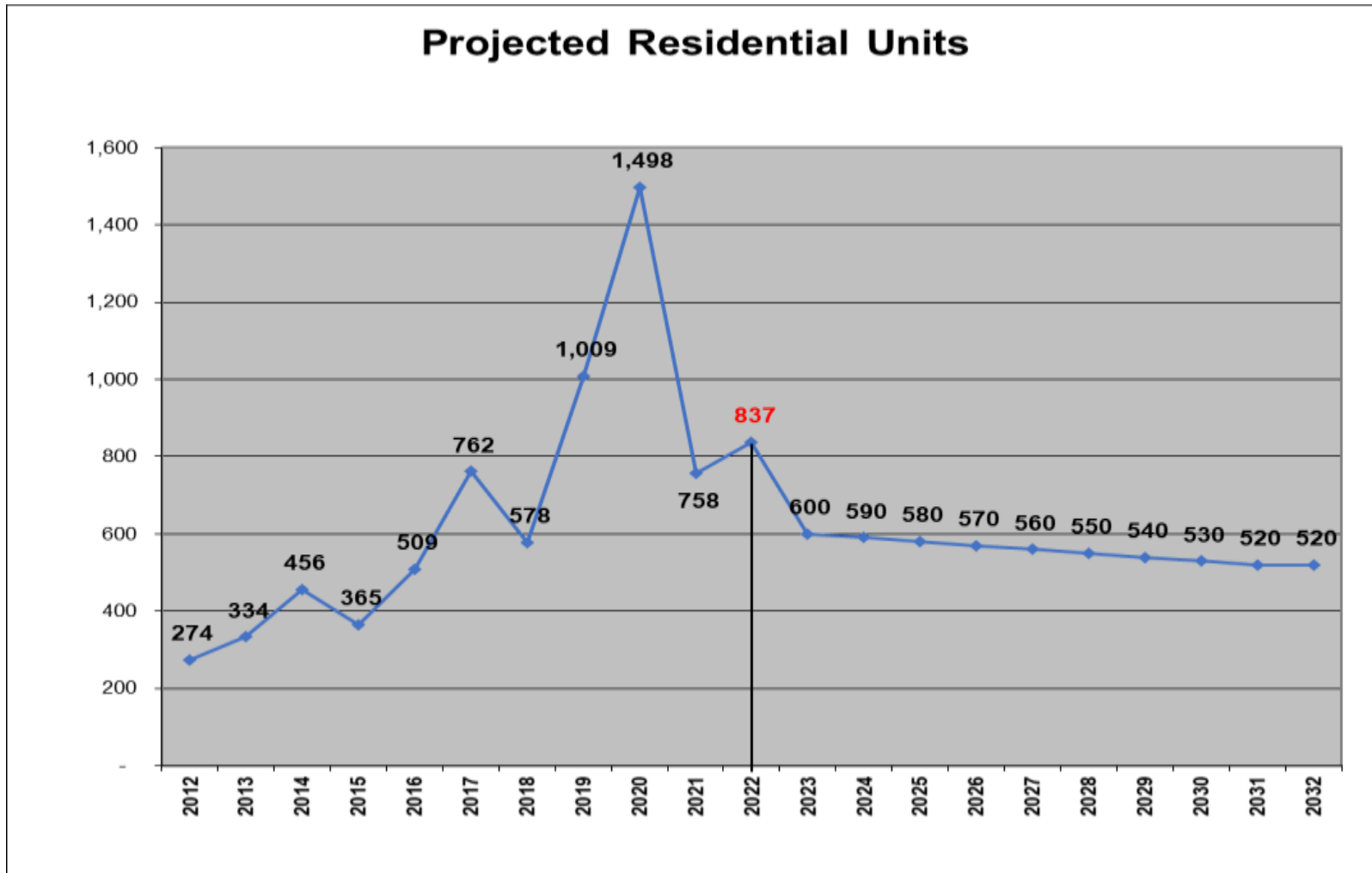
The Committee adopted a motion to direct staff, to review the terms and term limits in City Ordinances to de-conflict any issues with the License Tax Committee structure and appointments with Sections 2-251 and 2-257 of the Code of Ordinances adopted in December 2023. City Staff would work with the appropriate Council Committee as directed by the Mayor and Mayor Pro-tem.

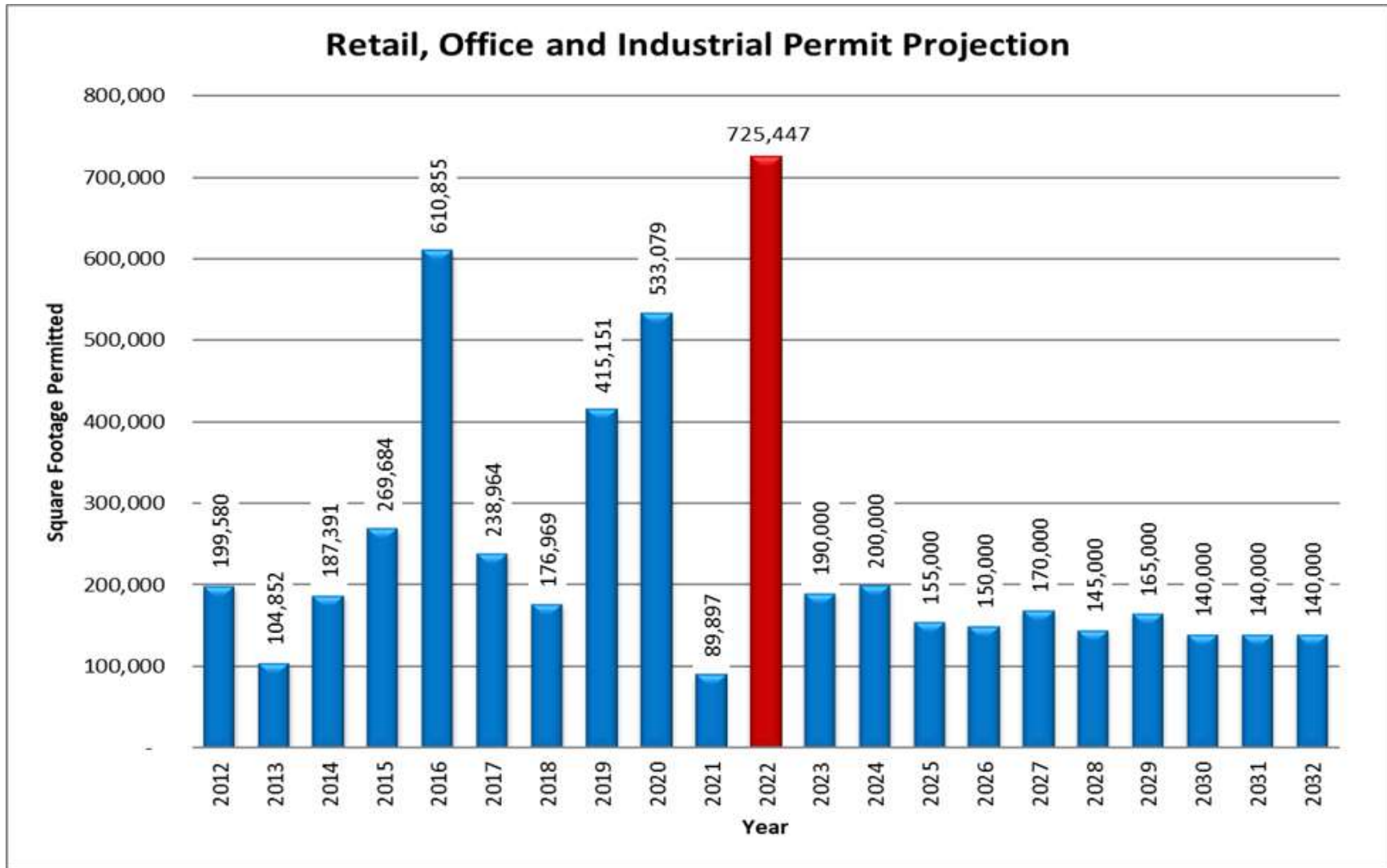
APPENDIX A to FY2022 LICENSE TAX REPORT: Transportation Project Completed as Part of the License Tax Program Adopted in 1998

Transportation Projects Completed with Use of License Tax Funds	
Blackwell Pkwy (Langsford to Colbern)	Pryor Rd (Longview to Chipman)
Chipman Rd (US 50 to M-291)	Scruggs Rd (M-291 to Blackwell)
Independence Ave (Tudor to Colbern)	Todd George Pkwy (McKee to Tudor)
Langsford Rd (Todd Geo. To Blackwell)	Ward Rd (M-150 to Scherer)
Longview Pkwy (Longview to 3 rd)	5 th Street (Grand to M-291)
Longview Rd (Sampson to Ward)	Woods Chapel Rd (1-470 to East City Limits)
NW Main Street (Chipman to Commerce)	
License Tax Projects Currently Underway	
SE Browning Street (Oldham to Hamblen) <ul style="list-style-type: none"> • Construction underway • Contractor is Amino Brothers • Construction cost: \$3.524 million • Construction about 65% complete • Estimated completion in Summer 2023 	US-50 and M-291 North Interchange <ul style="list-style-type: none"> • Design Contract Awarded • CIP total project funding = \$22.5 million • Excise tax amount = \$6.0 million • Construction estimated to occur in 2024-2026 (includes facilities relocations)

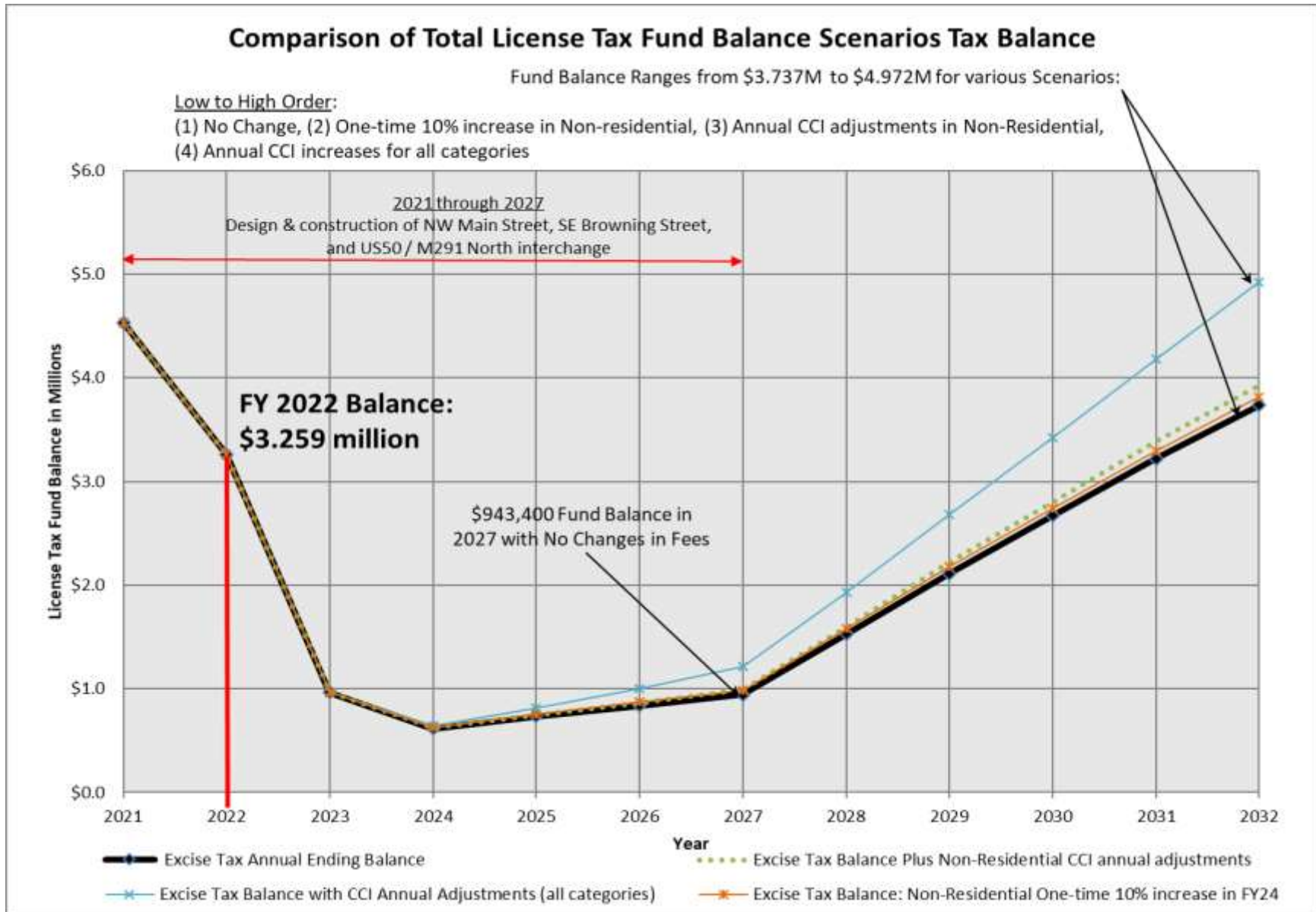
Note: The License Tax Committee recommended the Chipman Road Phase III project (from M-291 to Birchwood) be removed from the program so License Tax funds can be used for other projects in the Thoroughfare Master Plan. Chipman Road project will remain in the master plan, but funded from other sources in the future if the project is deemed necessary in context of the Thoroughfare Master Plan.

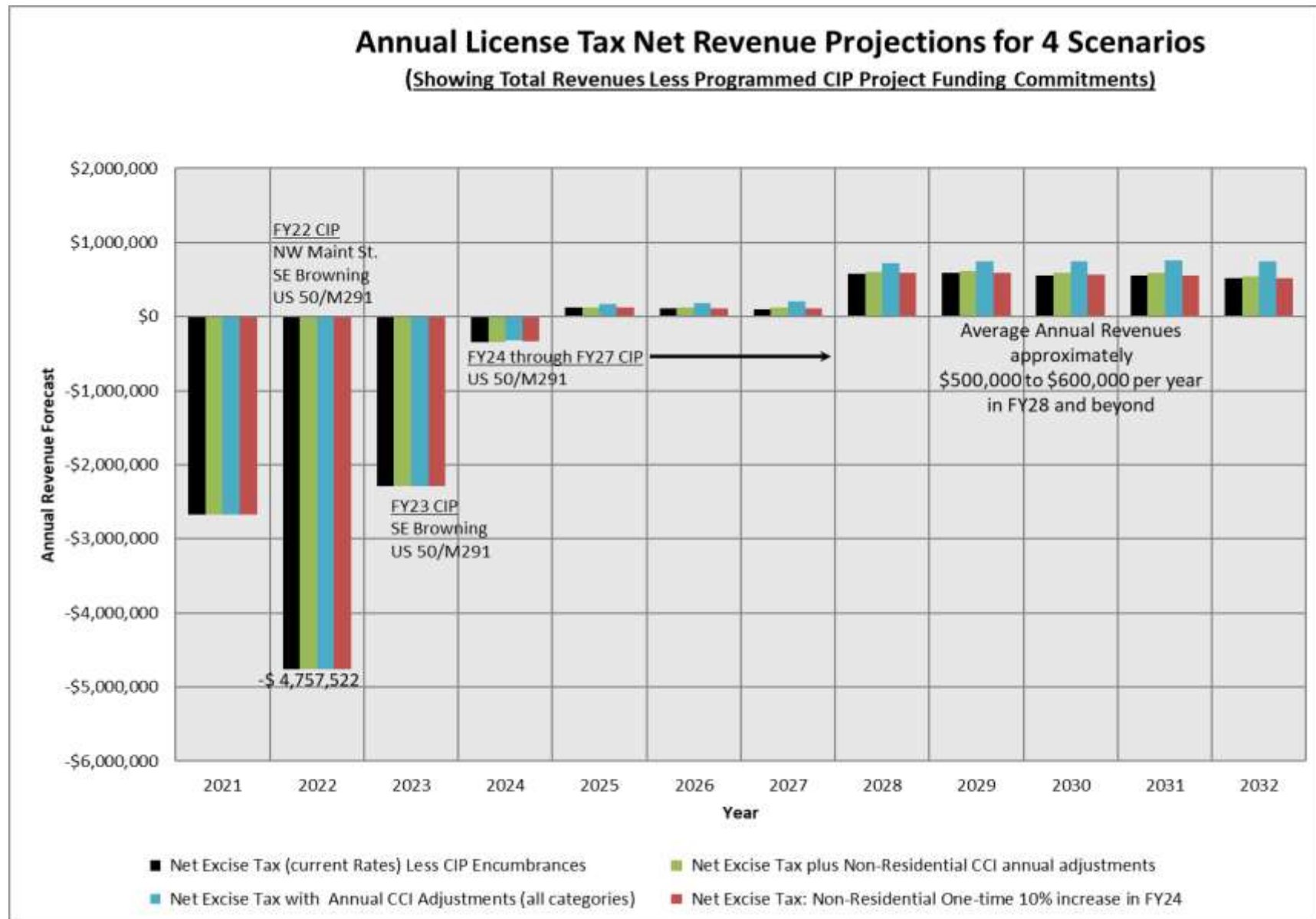
APPENDIX C to FY2022 LICENSE TAX REPORT: Projected Fund Balance, Annual Revenues, and Fees Compared to Other Agencies



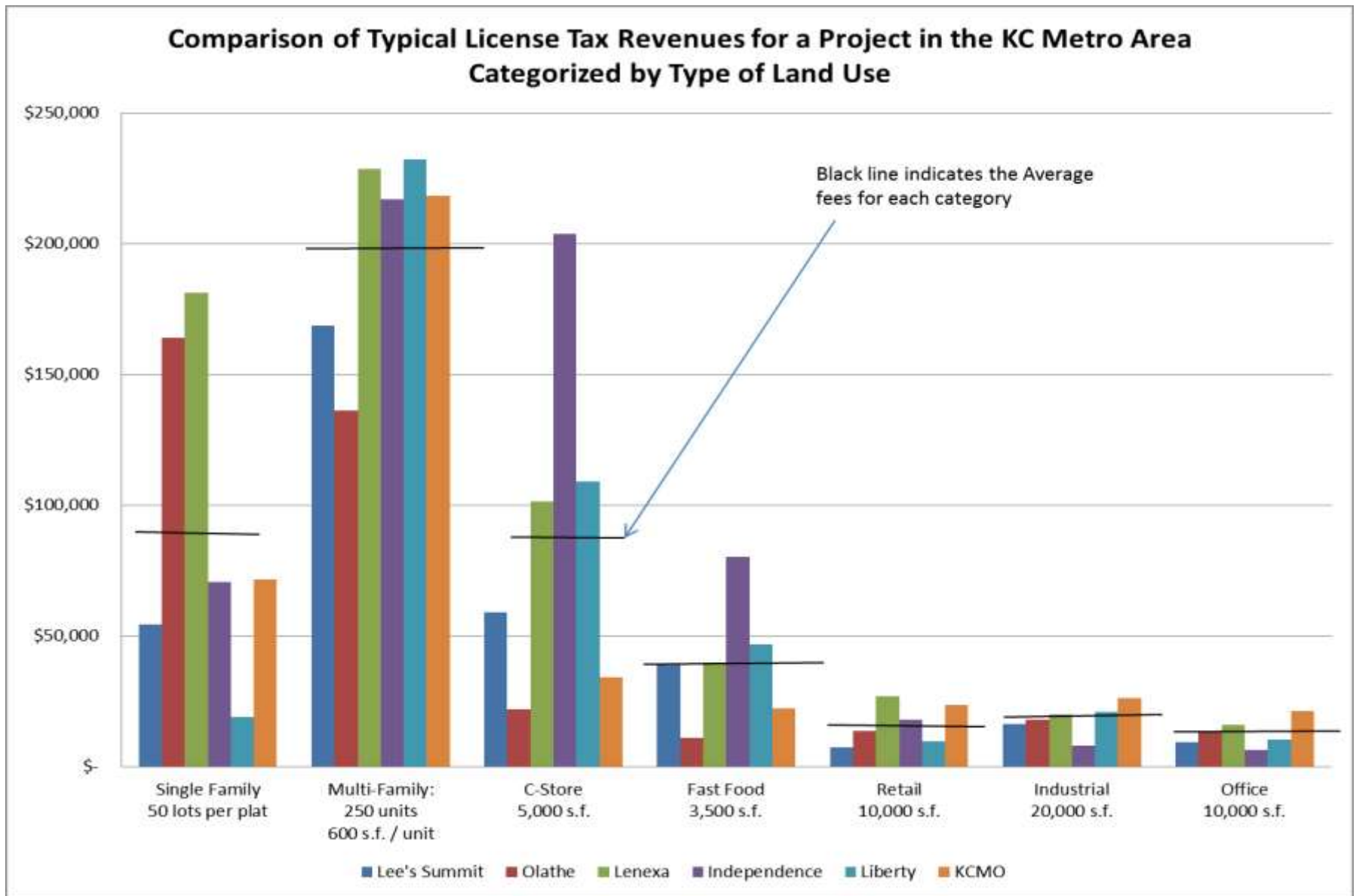


APPENDIX C to FY2022 LICENSE TAX REPORT: Projected Fund Balance, Annual Revenues, and Fees Compared to Other Agencies





APPENDIX C to FY2022 LICENSE TAX REPORT: Projected Fund Balance, Annual Revenues, and Fees Compared to Other Agencies





LEE'S SUMMIT MISSOURI

LICENSE TAX REVIEW COMMITTEE

Action Letter

February 8, 2023

3:00 pm

City Hall
Strother Conference Room
220 SE Green Street
Lee's Summit, MO 64063

Present at meeting:

Members: Chairman Felker, Glen Jones, Karl Blumenhorst, Cynda Rader, Michael Park
Staff Support: George Binger, Mike Weisenborn, Joshua Johnson, Bette Wordelman, Ryan Elam
(joined briefly then had to leave for another meeting)

1. Call to Order

Chairman Felker called the meeting to order at 3:00 p.m.

2. Roll Call

3. Approval of Agenda

A motion was made by Michael Park, seconded by Karl Blumenhorst, to approve the agenda.
The motion carried with a 5-0 vote.

4. Public Comments

None

5. Business

Annual Report for FY2022

Mr. Binger, Deputy Director of Public Works/City Engineer, introduced everyone present including City staff. This report is usually conducted in Nov./Dec. timeframe, however this year staff elected to move this back due to a no-tax increase bond initiative request set for the April 4, 2023 ballot. A Powerpoint was presented showing the Agenda for this meeting to include License Tax background and current status; annual report of revenue, permits and projects; April 4, 2023 No Tax Increase Bond Issue Project Review; Staff Recommendations; and Committee Discussion and Guidance.



Mr. Binger noted the changes which were approved to Boards and Commissions from the Dec. 12, 2022 City Council meeting. This committee was not affected, however, might consider per recommendations from the City's Law Department modifying term limits.

Background

This annual meeting is required by ordinance 4592, which was adopted in 1997 with several amendments to the fees. This tax is on new development activity when building permits are issued, based on the creation of additional traffic. There have been several amendments to the fee in years noted on the graph shown. In 2019, administrative cleanup in regards to how the trip generation is calculated was done. The fees are related to street improvements including but not limited to design, construction, reconstruction, repair and maintenance.

Discussion to Changes in the Committee

Mr. Binger discussed changes to consider to this committee such as term limits, eligibility, application process and staff can help initiate the process. Any changes would need to be made to the License Tax Ordinance, such as considering to modify term from two years to three years. Again, staff would be able to assist in this process.

Chairman Felker invited discussion on this matter. Mr. Blumenhorst asked what the goal behind this change was, and if this committee members are limited to three terms. Mr. Park noted this is to bring consistency to all Boards and Commissions, as well as many different considerations such as seeing more turn over, term limits, and that all members are residents. Mr. Park also noted more research needs to be done as to limitations, since this Board meets once per year and only has three citizen volunteers, as per the legal department. Ms. Rader agrees that new people are needed all the time and asked if people would need to cycle off this committee all at once. Chairman Felker answered all committee reappointments or additions to committees would need to be brought to Council at the same time.

A motion was made by Mr. Blumenhorst, seconded by Mr. Jones, that this Board would move to direct staff to review the License Tax Committee ordinances to develop recommended changes to better align appointments, structure and rules with ordinance 9538, seeking guidance to evaluate terms of 2 to 3 years, maintain experience of committee members, evaluate waiver or exceptions to term limits. The motion passed with a unanimous 5-0 voice vote.

Mr. Park would also like to examine expanding a couple of volunteer positions.

Presentation of FY2022 License Tax Report

Mr. Binger gave a summary, with Powerpoint slides, of the current tax rates for residential and non-residential development. Residential is \$1,088 per residential unit, manufacturing and industrial increased 10% last year to \$1,100 per new trip, and Commercial is \$825 per new trip. The current rates are below the \$2,116 rate that was authorized by voters when the tax was adopted in 1997, so rate adjustments below that amount do not require voter approval. A slide



showing residential building permits for this fiscal year 2022 was 837, which was quite lower than previous years, but multi-family housing units were permitted with many being large apartment complexes. Population growth has driven development of residential units in the past, as detailed in the Comprehensive Ignite plan. Mr. Johnson noted the reason the graph shows the forecast is flat, is due in part to the pandemic of 2021, however as things level out or current land area increases then the longer-range projections will increase a bit more. Non-residential for retail, office and industrial building permits are based on square footage permitted and for FY22 that was 725,447 sq. feet.

Mr. Binger then presented the annual net revenue projections. The large negative amount for FY22 is due in part to \$2M seed money for funds programmed for capital improvement projects such as Main St., Browning, and design fee on the M291/50 Highway North interchange. The balance of the fund is still positive, the City is able to spend this money due to staff compressing funds for the M291/50 Highway North project to be spread out over six years. The \$3.2M positive fund balance, as well as grant money for the M291/50 Highway North interchange project, helps in keeping the balance positive. Projections are based on the population growth forecasts. So instead trying to differentiate among types of housing, and potential projects, City planning staff is basing future projections on population growth that would led to an increase demand for housing units. Based on this methodology, 500 to 600 residential permits were projected through 2031. This trend shows continued growth at a consistent rate through 2032.

Chairman Felker asked for an explanation of the graph depicting net excise tax with annual Construction Cost Index adjustments to include all categories. Mr. Binger explained the graph's projections in all categories, the difference after 10 years is approximately \$1.2 M.

Mr. Jones inquired if the grant money for the M291/50 Highway North interchange was secured and approved. Mr. Park answered yes those federal and state funds were secured in December. The City showed a committed source of local funds to help procure a \$9M state cost share grant for this project. Design work is underway, Right of Way and easement acquisition will take place this year. Construction is projected to start in 2024. All in all totaling \$43 M in funds for this project.

Mr. Blumenhorst asked if other expense considerations might come up. Mr. Binger responded inflation would be the only other consideration which is depicted on the Inflation Chart. Mr. Jones noted if there were a change to fees, that should be on the commercial side. Mr. Johnson inquired what the construction cost index is on the depicted graphs, and Mr. Binger answered that is 4.2% on the construction cost index three year average.

The next graph that Mr. Binger presented shows declining revenue due to traffic generation changes. The Residential License Tax paid per permit for Single family detached in 1998 was \$1,099, and in 2022 was \$1,023. The nature of traffic has changed since the License Tax was first implemented, and has been the result of changes in volume of traffic at drive through windows, types of businesses with drive through windows, how people bank, coffee and donut



shop kiosks, etc. Mr. Blumenhorst inquired as to if the trip fees were changed, due to inflation, has there been any discussion. Mr. Park answered the fee, the trip rate, which would impact the fee, is not directly related to inflation. These changes in business types, business models, and consumer activity are regularly updated in the Institute of Traffic Engineers (ITE) Traffic Generation Manual. In 2023, the ITE manual has fewer trips generated by a single home than in 1998. A similar pattern of lower fees per permit also shows in the industrial category. This lower cost per permit includes several increases in the industrial rate since 1998. Commercial license tax per permit in 2023 is higher than the 1998 levels. This includes several increases in the commercial fees.

Based on graph observations, City Staff assessed that (a) regional and national economies have a greater effect on development activity than the license tax rates, (b) small changes in those rates have not altered development activity, and (c) inflation could limit the City's ability to complete Capital Improvement projects over the next ten years. Several capital projects that the City has on hold for in the future, as discussed in previous committee discussions as being pre-mature, were the South Outer Rd of 50 Hwy from Todd George Road which is a tract of undeveloped land. No Tax increase bond transportation project discussions that were not on the list, were mentioned, such as SE Hamblen Rd. south of Bailey to Thompson Road. This is an area of unimproved road and could be an Excise Tax project once funds become available.

Mr. Jones inquired about Pryor Road-Colbern/Bannister/95th to I-470 area. Mr. Park noted this location project is a part of the upcoming No Tax Increase Bond Initiative set for the April 4, 2023 ballot. Several projects listed on the ballot measure were discussed.

Mr. Blumenhorst inquired if the City will have to take on more financial burden on the M291/50 Highway North interchange cost. Mr. Park answered that interchange project is funded by a multitude of sources. Olsson and Associates was selected as the Engineer for this project through a joint selection process that included City staff and MoDOT staff. The City has entered into agreements with the Lee's Summit R7 School District, Missouri State Highway Patrol, MoDOT, and the State cost share agreement. More recently, the City was awarded an additional \$6.4 million in grant money through the Surface Transportation Block Grant Program administered through the Federal Highway Administration. The remainder of City contributions is to come from the 2017 CIP Sales Tax. There have been some deferments, due to funding gaps and environmental permitting issues, thus construction could now be set for summer 2024 to begin construction. City staff are also trying to get city projects out to bid before the Infrastructure Act, federal jobs are mentioned.

License Tax Committee Recommendations

Staff will submit the License Tax Review Committee Report to Council on March 21, 2023. The No Tax Increase Bond issue election is upcoming on April 4, 2023. Again, inflation is a significant factor adding about 4.2% to project budgets annually. Staff reiterates previous policy guidance that projects eligible for license tax funding should be limited to those identified in the City's Thoroughfare Master Plan (TFMP); should support economic activity among several sites and



not for sole benefit for single development, and cash flow projects. The Committee agrees with staff on these next steps. The Fiscal Year 2024-2028 CIP will have a public comment period from March 31 to April 30, then move on to the April Public Works Committee. Then City Council in April, on to Planning Commission in May. Then the City Council FY24 budget approval and adoption of the CIP in June.

6. Roundtable

No items discussed

7. Adjournment

Cynda Rader motioned to adjourn the meeting at 4:51 p.m. and Michael Park seconded.

