

LS

License Tax Update for FY 2018

January 29, 2019

Agenda

- o License Tax Background
- o Summary of Report to License Tax Review Committee
- o Committee Comments
- o Committee Recommendations
- o Request for Council Guidance

License Committee Members

Composition of 5-member License Tax Review Committee as Established by Ordinance

- o Chair: Public Works Committee Chairman – Craig Faith
- o Two Citizens of Lee's Summit appointed by Mayor – Cynda Rader and Karl Blumenhorst
- o One local developer appointed by Mayor: Glen Jones
- o One City Staff Member: Dena Mezger, Dir. of Public Works

License Tax Background

- o City Ordinance 4592
 - o Sections 28-175 through 28-123 in Code of Ordinances
 - o Adopted March 17, 1998
 - o Amended 2007, 2015, 2016 and 2018
- o Tax paid by development activity
 - o Building permit, and/or
 - o Creates additional traffic / vehicle trips
- o Tax used for “streets and related improvements”

License Tax Background

- o License Tax Administrator: Director of Finance, or designee
- o Implementation Team:
 - o City Traffic Engineer, Codes/Plans Examiner
- o Annual Review Required by Ordinance
 - o Finance: Report revenues
 - o Planning: Report building permit activities
 - o Public Works: Report status of road construction projects
 - o Recommendations regarding rates
- o License Tax Committee “shall review Staff’s Annual Report and forward comments to the Council”

Excise Tax Project Status

Status of Projects Underway

SE Browning Street	<ul style="list-style-type: none"> • Funded in FY19 CIP; Consultant Selection Underway • Design and right of way acquisition in 2019 • Construct in 2020
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Projects Completed from Initial 1997 Program

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 3rd)	5 th Street (Grand to M-291)
Longview Rd (Sampson to Ward)	Woods Chapel Rd (1-470 to East City Limits)

Current Tax Rates

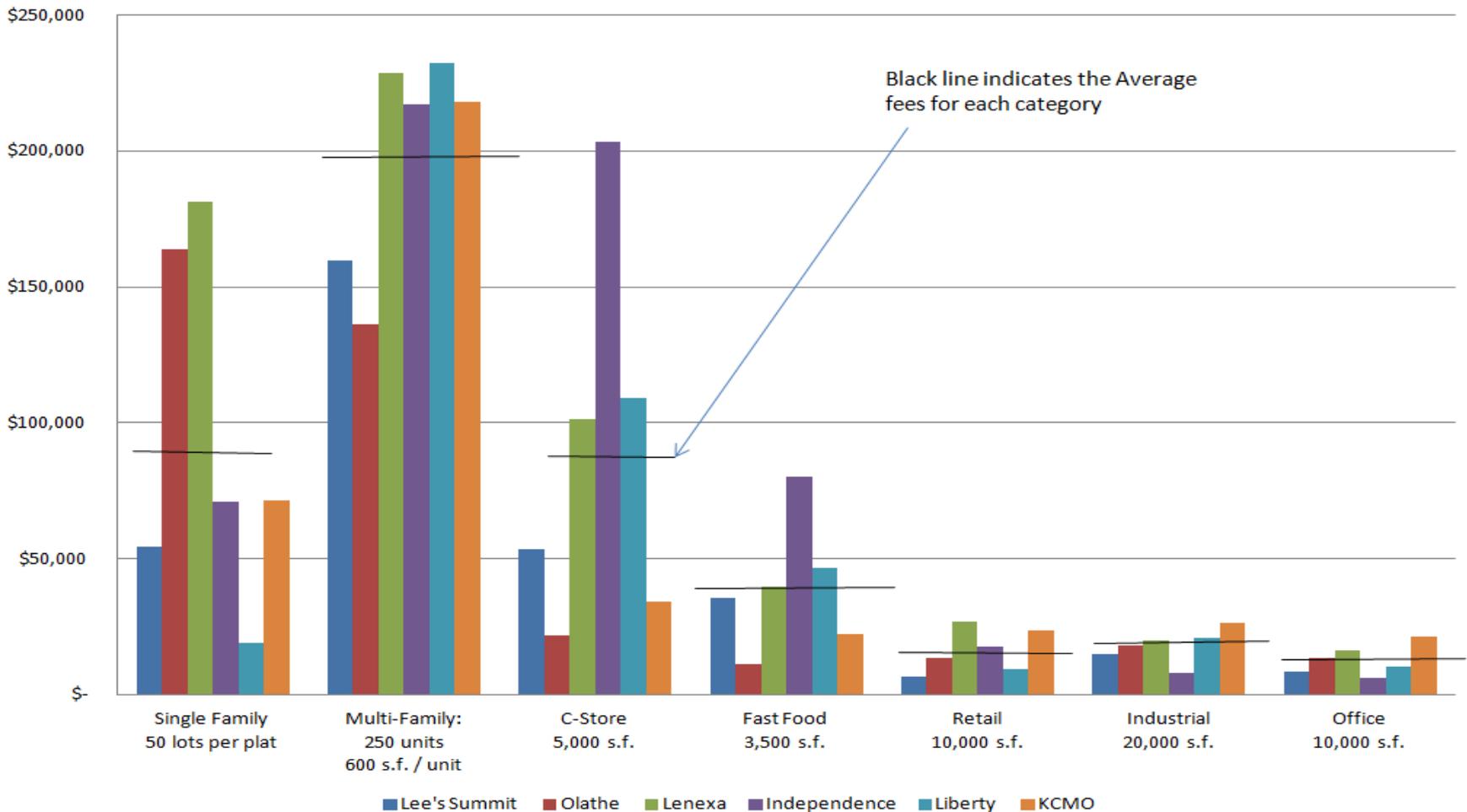
Land Use Category	License Tax Rate
Residential	\$1,088 per residential unit
Manufacturing / Industrial	\$1,000 per new trip
Commercial	\$ 750 per new trip

Notes regarding Rates:

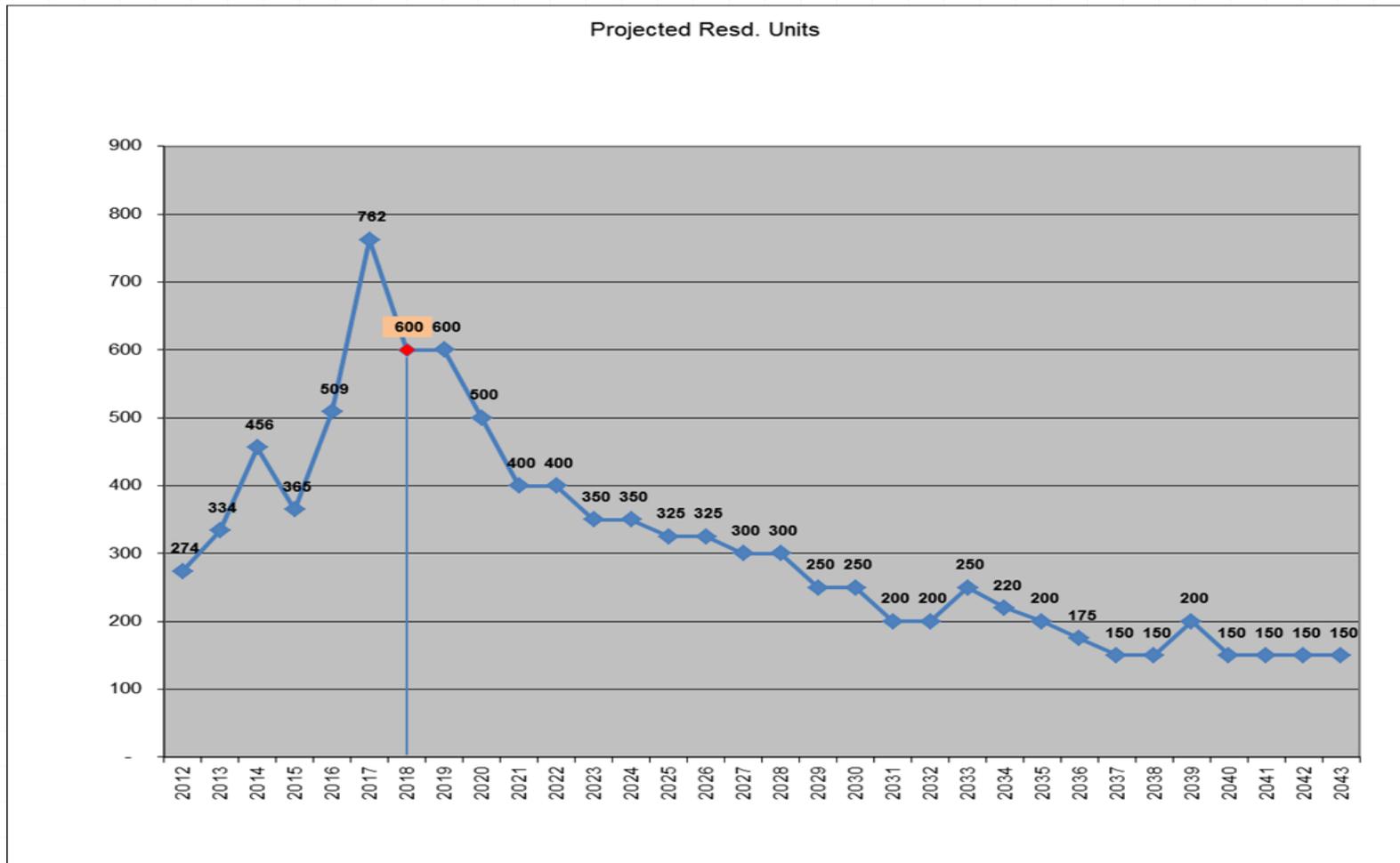
- o Maximum rate \$2,116 approved by voters in 1997
- o Relatively low compared to KC Metro area

Current Rates Comparison

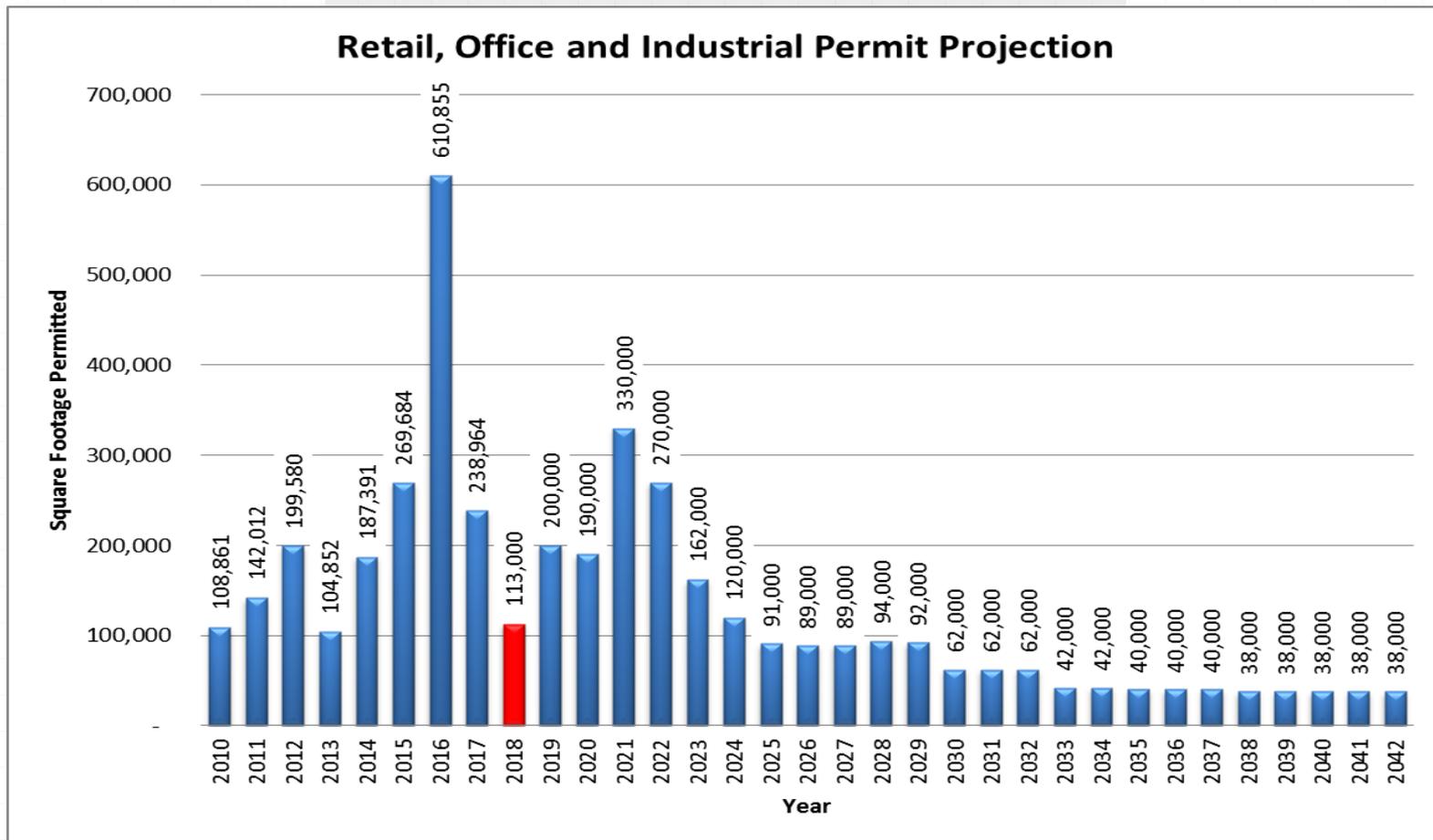
Comparison of Typical License Tax Revenues for a Project in the KC Metro Area
Categorized by Type of Land Use



Residential Building Permits



Retail, Office & Industrial Building Permits



Fund Balances

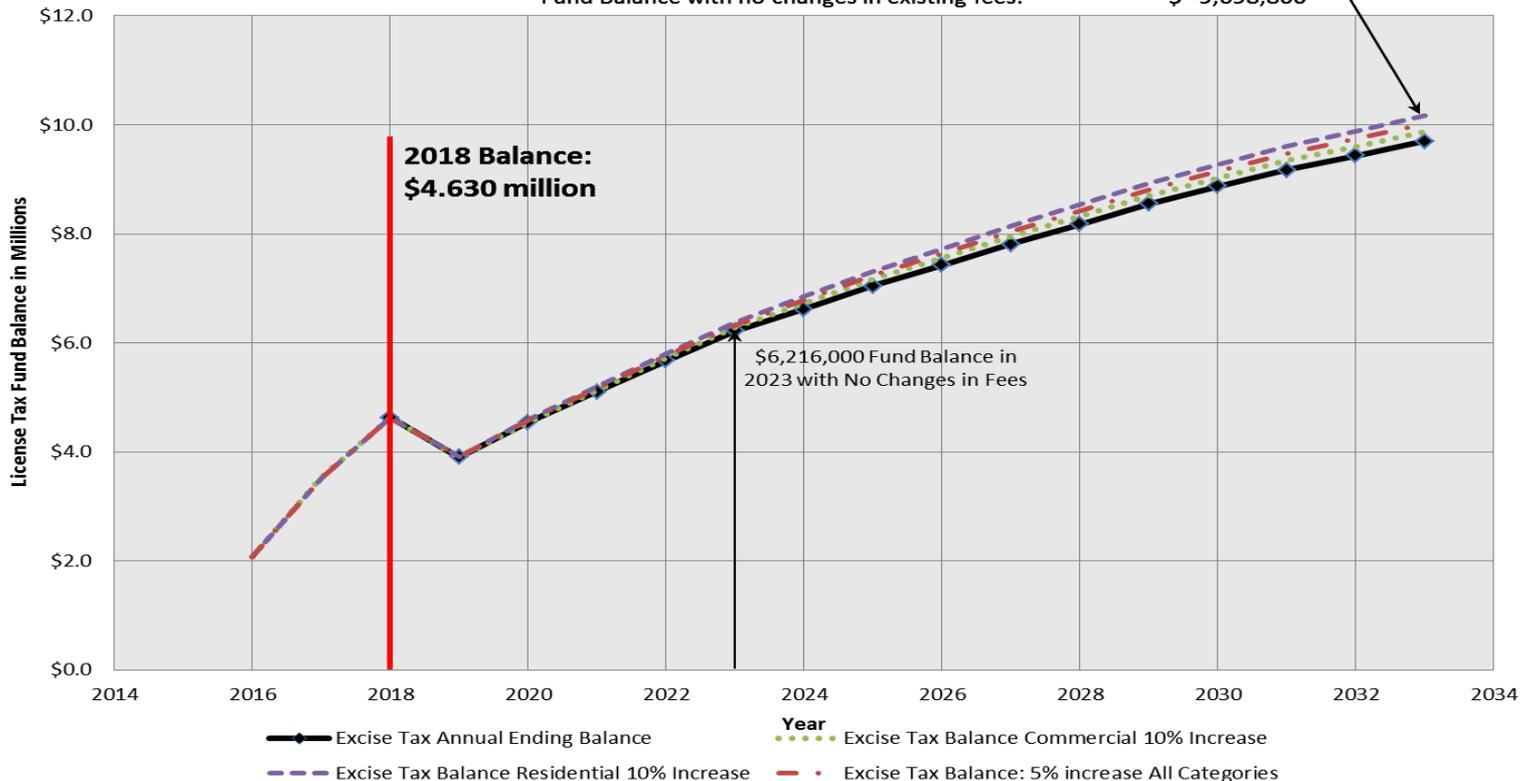
Year	Annual Revenue	Fund Balance
FY 2018	\$1,106,761	\$4.630 million
FY 2019	\$ 700,633	\$3.900 million*
FY 2020	\$ 639,125	\$4.539 million
FY 2021	\$ 593,112	\$5.103 million
FY 2022	\$ 568,335	\$5.671 million

*Note: FY19, and following, Fund Balances include a reduction for \$1.4M allocated to the SE Browning Street Project

License Tax Fund Balance Projections

Comparison of Total License Tax Fund Balance Scenarios Tax Balance

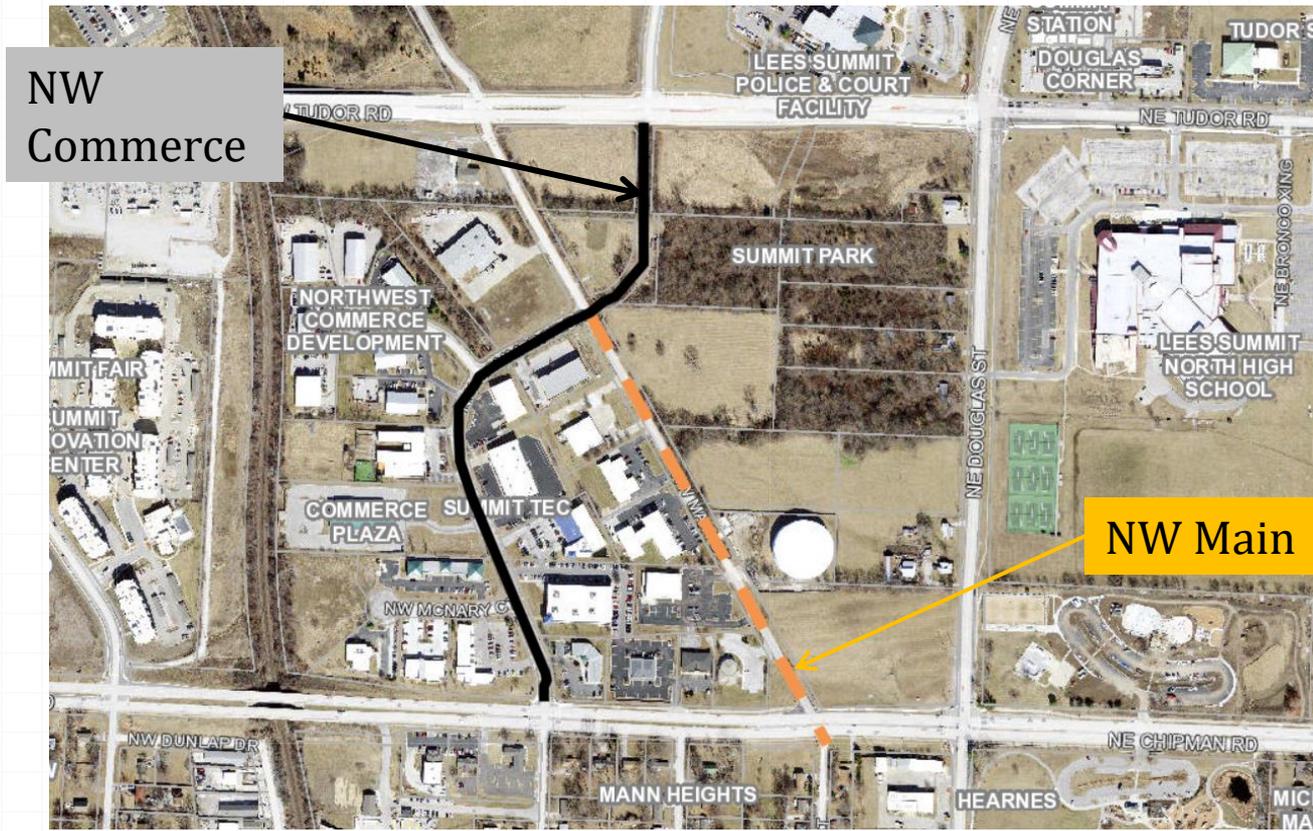
Fund Balance with 10% Residential Fee Increase in FY2020: \$10,162,200
 Fund Balance with 5% Across the Board Increase in FY2020: \$10,015,300
 Fund Balance with 10% Commercial Fee Increase in FY2020: \$ 9,871,700
 Fund Balance with no changes in existing fees: \$ 9,698,800



Ordinance Clarifications

- o “... requests a building permit for which a plat application was approved ... on or before December 31, 1997...”
- o “From April 1, 2010 through April 1, 2011, any building contractor that requests ...”
- o Section 28-179, Calculation of license tax, does not provide clear language to use the updated ITE Trip Generation Manual to calculate fees for many differing types of land uses

Recommended Project: NW Main Street



Approx. 1,525 feet; Commercial Collector; \$1.10 million

License Tax Review Committee Recommendations

1. Projects eligible for license tax funding should be limited to projects indentified in the City's Thoroughfare Master Plan.
2. Manage fund on cash-flow basis; no debt-financing
3. Committee moved and voted no changes to current rates
4. Committee moved and voted to add the construction of NW Main Street improvements extension to the FY19 CIP
5. Committee voted unanimously to update ordinance to clarify fee calculations and remove outdated sections

Request for Guidance

- o Comments on FY 2019 Recommendations
- o Re-affirm project selection criteria
- o Program projects to build (NW Main)
- o Proceed with administrative updates to ordinance
- o No change in rates