



LEE'S SUMMIT MISSOURI

LICENSE TAX REVIEW COMMITTEE

Action Letter

December 15, 2021

3:00 pm

City Hall
Council Committee Room
220 SE Green Street
Lee's Summit, MO 64063

Present at meeting:

Members: Chairman DeMoro, Glen Jones, Karl Blumenhorst, Cynda Rader, Michael Park

Staff Support: George Binger, Mike Weisenborn, Jennifer Thompson, Victoria Nelson, Lisa Azimi

A. Call to Order

Chairman DeMoro called the meeting to order at 3:05 p.m.

B. Roll Call

1. Approval of Agenda

A motion was made by Karl Blumenhorst, seconded by Glen Jones, to approve the agenda. The motion carried with a 4-0 vote, Michael Park absent until later in meeting.

2. Approval of December 3, 2020 Action Letter

A motion was made by Cynda Rader, seconded by Glen Jones, to approve the action letter dated December 3, 2020. The motion carried with a 4-0 vote, Michael Park absent until later in meeting.

3. Public Comments

None

4. Items for Discussion

Presentation of FY2021 License Tax Report

Mr. Binger, Deputy Director of Public Works/City Engineer, introduced everyone present including City Staff. A Powerpoint was presented showing the license tax background and current status. This annual meeting is required by ordinance, which was adopted in 1997 with



several amendments to the fees. In 2019 there was administrative cleanup in regards to how the trip generation is calculated. The tax is on new development activity when building permits are issued, based on the creation of additional traffic. This is a review of the annual report to discuss the planning perspective, give a public works status, then recommendations from the Committee regarding rates and potential projects.

A summary of the current tax rates for residential and non-residential was then given. The ordinance approved a rate of up to \$2,160 and the rate is well below that at \$1,088 per residential unit. The next slide presented was the building permits showing a steep peak the last couple of years, related to permits for multifamily housing units. In talking with the Planning staff this year since completion of the Comprehensive Ignite plan they were looking at the land use tied to population growth. The population growth will drive development of residential units. Even though the forecast is flat, there will be an additional 700 to 800 residential units permitted each year in the community. In the near term there are known projects that are coming in so staff feels very comfortable in the forecasts for FY22 and FY23 fiscal years. The forecast for 2024 or 2030 are based on projected population growth.

The retail, office, and industrial permits graph illustrates how the timing of permits can influence one particular year. The permitted square footage dropped down significantly in fiscal 2021. The big jump in FY22 is attributed to the logistic center near Tudor and Commerce, since it will be permitted that fiscal budget year. The overall amount of commercial, residential and industrial square footage permitted over several years should be close to the aggregate total forecast. The longer-range projections from 2024 to 2030 estimate about 150,000 to 200,000 square feet permitted each year based on the anticipated population growth.

Mr. Binger then presented the annual revenue estimates. The negative revenue numbers from 2021 to 2027 are reflective of when project expenses were programmed into the Capital Improvement Plan (CIP). Project expenses each year are expected to exceed the annual revenue per year, but the City is able to spend this money because of the \$7M positive balance 2021.

The next graph illustrated the actual balance of the fund showing this year's balance of \$4.5 M. That balance is trending down due to committing funding for capital projects. The graph from the FY20 report showed the fund balance could possibly go negative. However, the increase in permitting this year was more than forecasted so the License Tax fund should maintain a positive cash balance. When forecasting last year, staff compressed the M 291 North Interchange project, but based on the Committee's guidance funding for this project was spread out over 6 years, helping to keep the balance positive. The different lines are scenarios for possible changes to fees, with the top line representative if fees are changed in accordance with construction cost index. This illustrates there is not a small difference in overall revenues of about \$1M over ten years.

Mr. Binger then discussed the projects currently funded through the program including SE Browning Street, NW Main Street, and the US-50 & M-291 North Interchange. The status of each



project was given. SE Browning Street is still working right of way acquisition with the Union Pacific Railroad. NW Main Street has complete design and awarded a construction contract to VF Anderson, with construction startup planned for March of 2022. The 50 Highway M291 North Interchange was discussed at length. Michael Park shared that the RFQ is being drafted for engineering services. He mentioned the different funding resources: TIF revenues, excise tax, land sales, CIP sales tax, school district, Quick Trip. This project should be under construction in 2023.

Mr. Blumenhorst asked about the PRI ground north on 291. Mr. Park stated there will be conversations with City Council to discuss a financing model to contemplate various options on how to fund infrastructure and handle development. Mr. Blumenhorst also asked how many currently platted residential lots are available right now to develop. Mr. Weisenborn responded that several plats are ready to come on line, listing several different locations and their time frames of construction. Mr. Binger mentioned both the Strategic and Ignite Comprehensive Plan and the how they help staff focus on those goals of infrastructure, quality of life, strong neighborhoods and other plan elements that help staff guide the development of the infrastructure master plans. When talking about PRI land, the Comprehensive Plan gives guidance of how that should be developed. Staff is committed to the projects identified in the thoroughfare master plan and those projects fit well within the overall City master plan.

Mr. Binger then showed a graph of inflation over the next ten years. Inflation has had more of an impact on construction costs. In 2021 the bids are now up 10% for the year. Several contractors, after construction starts, are being hit with shipping surcharges so the City is seeing that cost impact.

Mr. Binger then opened it up to questions, thoughts and guidance moving forward. Mr. Blumenhorst asked how inflation has affected the city. Mr. Binger stated that this is the first year this has affected the City. There are fewer bidders due to workload and demand, labor shortage, and companies going out of business. Mr. Blumenhorst commented that the inflation factor at some point will slow down activity. Mr. Weisenborn, Project Manager, advised the committee that raising the license tax will not have an effect on development and a 10% increase will not have a significant impact on the overall prices. Mr. Binger then explained how staff looks at budgeting and forecasting looking back three to five years with different scenarios of increase in fees and upon analysis changing the rates will not hurt the program.

Mr. Blumenhorst commented he was okay with changing the commercial rate since it will create jobs, more income, and that is needed to have more homes developed.

Ms. Rader asked to know on the commercial side what is healthy for the city that works together with what is needed. Mr. Park added that Lee's Summit has had healthy commercial growth but is lacking in the industrial sector. Chairman DeMoro stated Lee's Summit is behind the rest of the metro area in warehousing and is hopeful that once the first building is built it will open up that demand in the city.



License Tax Committee Recommendations

After lengthy discussion the Committee agreed that it would make sense to raise the rates on commercial and leave residential rates alone for a while. They also agreed that it would be adequate to look at it each year to make any needed adjustments. The Committee asked for staff's recommendation. Mr. Binger recommended to start looking at the inflation year in, and year out and increase fees to 10% as a one-time catch up. This increase in non-residential is consistent with factoring in the last 4 years of inflation. This is also in alignment with hearing the conversation and rationale for the commercials generating jobs and income, as well as the desire to have affordable housing options in Lee's Summit. Staff has heard that commentary from different bodies and different venues, Planning Commission, City Council, etc. Mr. Park mentioned that holding back on the residential helps our CEDC with their intentions of lowering entry home price points. Mr. Jones commented that next year we'll have more knowledge.

Increasing the non-residential rates by 10% would result in the following fees for FY2023: \$1,100 for Mfr./Ind., \$825 for Commercial, Residential unchanged at \$1,088.

Mr. Jones made a motion, seconded by Mr. Blumenhorst, to recommend to the City Council increasing the License Tax rates 10% for FY2023 for manufacturing/industrial and commercial categories. The motion carried unanimously with a 5-0 vote.

5. Roundtable

No items discussed

6. Adjournment

Chairman DeMoro adjourned the meeting at 4:10 p.m.

*Ok to Publen.
GMB*

