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Title: Presentation: Conceptual Economic Development Incentive Request - Chapter 100 incentives for the TriStar Residential Project (The Montage); TriStar Properties, applicant.

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Attachments: 1. Developer Presentation Slides, 2. City Presentation Slides, 3. Developer Incentive Modeling, 4. Residential Incentives Chart, 5. Incentives Reimbursement Chart, 6. Ordinance 9430 - PDP & Rezoning, 7. Staff Letter For Ordinance 9430

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5/9/2023	1	City Council - Regular Session	received and filed	

Presentation: Conceptual Economic Development Incentive Request - Chapter 100 incentives for the TriStar Residential Project (The Montage); TriStar Properties, applicant.

Issue/Request:

This is a conceptual presentation pursuant to the City's Economic Development Incentive Policy for the request by TriStar Properties ("Developer"), as the developer of The Montage Residential Project consisting of 226 townhome and four-plex residential units located at Old 291 Highway approximately one-half mile north of Highway 150, for sales and use tax exemption on construction materials and fixed payments in lieu of taxes (PILOTs) starting at \$2,776 per door, along with a public improvement assessments payment to Developer, pursuant to Chapter 100 of the Revised Statutes of Missouri.

Key Issues:

Evaluation of a request for incentives in the form of sales and use tax exemption on construction materials and fixed PILOTs for up to 20 years starting at \$2,776 per door, with 35% of the PILOTs being paid to Developer as reimbursement for public improvement costs.

Proposed City Council Motion:

No motion requested as this is only a conceptual presentation. The Developer is seeking the City Council's feedback pursuant to the City's Economic Development Incentive Policy.

Background:

On June 7, 2022, the City Council approved Ordinance No. 9430 which approved a rezoning to the RP-4 District and a preliminary development plan for the TriStar residential project. The project is intended to consist entirely of rental townhome and four-plex units. At the time of rezoning approval, Developer had not requested incentives for the project. After receiving rezoning approval, Developer determined that the approved project was not financially feasible without assistance for the public improvements that serve the

development.

Developer then made an initial incentive request that uses the present fixed PILOTs structure proposing 50% assessments and 50% payments to the taxing districts. Based on discussions with City staff, Developer revised the structure to 35% assessments and 65% payments to the taxing districts to more closely match the expected actual costs of the public improvements. The targeted amount of public improvements to be funded with the incentives is about \$3.64 million.

Request

Developer is requesting a Chapter 100 economic incentive in the form of:

- (1) sales and use tax exemption on construction materials,
- (2) fixed PILOTs starting at \$2,774 per door for a period of up to 20 years, and
- (3) 35% of the PILOT being paid to Developer as a public improvement assessment for reimbursement of public improvements, up to a maximum amount of \$2,500,000 plus interest, with 65% of the PILOT passing through to the taxing districts on an annual basis.

Impact/Analysis:

Sales and Use Tax Exemption

The sales tax exemption request would have an impact on the City based on the loss of sales and use tax revenues. The preliminary calculation that the lost sales and use tax revenue for the City would be about \$28,000 from lost sales taxes and \$279,000 from lost use taxes, for a total impact to the City of about \$307,000.

Fixed PILOTs / Real Property Tax Abatement

Developer has proposed a fixed PILOTs of \$2,774 per unit in the first year of the project. The property is currently generating minimal real property taxes. City staff has also calculated the projected taxes for the project using the calculation methodologies as explained by Jackson County staff.

The real property tax calculations prepared by staff shows that the per unit taxes would be about \$3,102 per unit. This is effectively a 10.5% tax abatement request by Developer before the PILOT structure is applied, with a PILOT equal to 89.5% of the actual property taxes (according to City staff calculations) then split between the assessments (35% and the payments to the taxing districts (65%).

Benefit to Developer and Impact to City

The total benefit to the Developer and impact to the City is summarized in the attached page prepared by City staff.

Tax Projection Variables

There are variables that could impact the real property tax calculations:

- The County's valuation of the finished project might be higher or lower than we are projecting. We are using the methodology as explained to City staff by County Staff in the Assessment Department.
- If TriStar was not receiving an incentive package, the company might appeal the County valuation.
- The company might be successful with the appeal, meaning the actual taxes per unit would be lower than our projections.

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