

Developer is requesting a Chapter 100 economic incentive in the form of sales tax exemption on construction materials. Developer’s budget summary is:

BUDGET SUMMARY	
Land Acquisition	\$ 3,560,000
Off-Site Improvements	
I-470 Off Ramp	\$ 463,333
Bowlin Road	\$ 1,021,833
Water Line Loop	\$ 163,520
Low Pressure Sewer Offsite to the South	\$ 90,000
Site Work - On Site	\$ 9,037,011
Building Improvements	\$ 62,892,409
Construction Carry	\$ 4,212,905
Legal, Development Fees and Closing Costs	\$ 1,937,650
Permits and Fees	\$ 927,795
Total Development Cost	\$ 84,306,456

A summary of the Developer’s savings for the requested sales tax exemption on construction materials is:

ESTIMATED SAVINGS - SALES TAX ON CONSTRUCTION MATERIALS		
Total Development Cost	\$	84,306,456
Percentage of Const. Materials		35%
Estimated \$ Amount of Const. Materials	\$	29,507,260
Estimated Sales Tax Rate		7.85%
Estimated Savings	\$	2,316,320

A summary of the Developer’s overall incentive request as a percentage of the total project costs is:

INCENTIVE REQUEST vs. TOTAL DEVELOPMENT COST		
Total Development Cost	\$	84,306,456
Estimated Savings on Sales Tax Exemption	\$	2,316,320
Total Incentive Request	\$	2,316,320
% of Incentive Request vs. Total Development Cost		2.75%

Developer has provided the following points as justification for the request:

1. A significant portion of the incentives would reimburse Developer for public infrastructure that will be

dedicated to the City after construction.

2. The public infrastructure will benefit not only the project site but the surrounding properties and the community, and not be constructed in the absence of this project.
3. The amount of incentives represent a small percentage of the total project cost, the Developer is investing significant funds in this development at Developer's risk.
4. The project will generate significant additional tax revenue for the City even with the incentives.
5. The increased cost of lumber (Developer presentation slides).

Impact/Analysis:

The sales and use tax exemption request is approximately 2.75% of the total project costs. The exemption would impact the City to the extent that the construction materials are purchased (1) within the City's boundaries or (2) outside of Missouri if the City's use tax is actually collected by the seller or reported as taxable by the buyer and remitted to the Department of Revenue.

The Developer's stated purpose of the request is to offset costs of public improvements which total about \$1.74 million, and to defray the higher cost of lumber. This is the first incentive request that the City has received which is based in part on the higher cost of lumber.

Timeline:

Developer has indicated that construction would commence this year, and has not provided a targeted completed date.

Other Information/Unique Characteristics:

The City has provided sales tax exemption on construction materials for apartments on several prior occasions. The attached chart provides further information about the City's use of this incentive tool.

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