

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. City staff has preliminarily calculated that the lost sales and use tax revenue for the City would be about \$37,000 from lost sales taxes and \$376,000 from lost use taxes, for a total impact to the City of about \$413,000.

Fixed PILOTs / Real Property Tax Abatement

Developer has proposed a fixed PILOTs of \$1,350 per unit in the first year of the project. The property is currently generating nominal 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 \$2,500 per unit. This is effectively a 46% tax abatement request by Developer, with a 54% PILOT.

Benefit to Developer

The total benefit to the Developer from the sales and use tax request is about \$1,672,000. This is about 2.5% of the total project costs.

The total benefit to Developer from the fixed PILOTs, assuming that the County values the property as explained by County staff, would be about \$4.9 million over 10 years which has a net present value of \$3.2 million at an 8.5% discount rate (the current prime rate). This is about 4.7% of the total project costs.

The total benefit to Developer from both components of the incentive request is about 7.1% of total project costs.

Impact to City

The total impact to the City is about \$1.24 million, which includes \$826,000 from the fixed PILOTs structure and \$413,000 from the sales and use tax exemption.

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 the company 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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