

Legislation Text

File #: 2020-3806, **Version:** 1

Stag Field Conceptual Economic Development Incentive Request - Chapter 100 sales tax exemption on construction materials; Stag Commercial, applicant.

Issue/Request:

This is a conceptual presentation pursuant to the City's Economic Development Incentive Policy for the request by Stag Commercial ("Developer"), as the developer of the Stag's Field residential project proposed to be constructed at 1215 NW Bowlin Road, for sales tax exemption on construction materials pursuant to Chapter 100 of the revised statutes of Missouri to provide compensation for public improvement costs and development costs.

Key Issues:

Evaluation of a request for sales tax exemption on construction materials to facilitate the apartments portion of the Stag's Field residential development.

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 October 27, 2020, the City Council approved Ordinance No. 8996 which approved the Stag's Field residential development on an approximately 82 acre site consisting of a 356-unit apartment complex and 16 single-family units for a total of 372 residential units, along with associated public improvements. The City Council's vote on the ordinance was 5-4. The Corps of Engineers has rejected plans that would provide for gravity sewer service to the property. As a result, the property will need to be provided sanitary sewer service through a low pressure sewer system that will connect at the south portion of the property.

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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