

Legislation Text

File #: 2022-4649, **Version:** 1

Conceptual Economic Development Incentive Request - Sales tax exemption on construction materials and real and personal property tax abatement pursuant to Chapter 100 for Zerega Pasta expansion, A. Zeregas Sons, Inc., applicant

Issue/Request:

This is a conceptual presentation pursuant to the City's Economic Development Incentive Policy for the request by Marks Nelson on behalf of A. Zeregas Sons, Inc., ("Zerega"), for an expansion of the existing Zerega Pasta industrial facility operated by Zerega at 200 NW Victoria Drive. The incentive request is sales tax exemption on construction materials and real property tax abatement for an approximately 160,000 square foot expansion of the company's industrial facility pursuant to Chapter 100 of the revised statutes of Missouri (Chapter 100).

Developer is requesting a Chapter 100 economic incentive in the form of (1) sales tax exemption on construction materials, (2) real property tax exemption and (3) personal property tax exemption for equipment to be used in the expansion. Developer's budget summary is:

\$12,000,000 New building construction
\$2,000,000 New rail line and rail switch
\$14,000,000 Total real estate investment

\$10,000,000 Manufacturing Line #6
\$7,000,000 Distribution & Manufacturing Equipment
\$10,000,000 Manufacturing Line #7
\$27,000,000 Total equipment investment

\$41,000,000 Total new investment

A summary of the Developer's benefit from the requested tax abatement is:

\$571,000 Sales & Use Tax Exemption
\$1,495,000 Personal Property Tax Exemption (NPV)
\$2,481,000 Real Property Tax Exemption (NPV)
\$4,547,000 Total Value of Incentives to Company

The total benefit of the requested incentive package as a proportion of the total project budget is:

1.4% Sales & Use Tax Exemption
3.6% Personal Property Tax Exemption
6.1% Real Property Tax Exemption

11.1% Total

Key Issues:

Evaluation of Zerega's request for:

- sales tax exemption on construction materials for 160,000 square foot expansion
- real property tax abatement in the amount of 75% for 10 years and
- personal property tax abatement in the amount of 75% for 10 years.

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.

Impact/Analysis:

The sales tax exemption request would have an impact on the City based on the loss of sales and use tax revenues in the projected amount of about \$155,000. The projected loss of property tax revenues to the City is about \$547,000 from real property taxes and about \$329,000 from personal property taxes. The projected revenues to the City over the abatement period is about \$261,000 for real property taxes and about \$130,000 from personal property taxes.

The expansion is projected to create 55 new jobs with an average annual salary ranging from about \$48,000 to about \$82,000.

Timeline:

Developer has indicated that construction of the new structure would commence this year, would be completed in 2024, and the first year of full valuation by the County would be 2025. The personal property is projected to be purchased in three tranches, in 2022, 2023 and 2025.

Other Information/Unique Characteristics:

The primary purpose of the request is business retention in the City.

David Bushek, Chief Counsel for Economic Development and Planning

Mark Dunning, Assistant City Manager