

## Legislation Text

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**File #:** 2023-5693, **Version:** 1

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Presentation: Conceptual Economic Development Incentive Request - Chapter 100 incentives for Lee's Summit Senior Apartments; Clover Communities Lee's Summit, LLC, applicant.

### Issue/Request:

This is a conceptual presentation pursuant to the City's Economic Development Incentive Policy for the request by Clover Communities Lee's Summit ("Developer"), as the developer of the Lee's Summit Senior Apartments consisting of 128 age-restricted (55+) residential units on approximately 6.8 acres of property located at 830-900 Douglas Street, for sales and use tax exemption on construction materials and fixed payments in lieu of taxes (PILOTs) starting at \$1,800 per unit 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 10 years starting at \$1,800 per door.

### 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:

#### **Request**

Developer is requesting a Chapter 100 economic incentive in the form of (1) sales and use tax exemption on construction materials and (2) fixed PILOTs starting at \$1,800 per unit for a period of 10 years.

The development is proposed to contain 128 age-restricted residential units.

### 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 \$9,114 from lost sales taxes and \$91,438 from lost use taxes, for a total impact to the City of about \$100,581.

#### **Fixed PILOTs / Real Property Tax Abatement**

Developer has proposed a fixed PILOTs of \$1,800 per unit in the first year of the project. The property is currently generating about \$1,000 annually in 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 \$2,091 per unit. This is effectively a 14% tax abatement request by Developer, with a 86% PILOT.

### **Benefit to Developer**

The total benefit to the Developer from the sales and use tax request is about \$386,000. This is about 1.7% 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 \$293,000 (net present value) over 10 years, which is about 1.3% of the total project costs.

The total benefit to Developer from both components of the incentive request is about 2.9% of total project costs.

### **Impact to City**

The total impact to the City is about \$167,000, which includes \$66,000 from the fixed PILOTs structure and \$101,000 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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