

## Legislation Text

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**File #:** 2022-5216, **Version:** 1

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Presentation: Conceptual Economic Development Incentive Request - Chapter 100 incentives for the Town Centre Industrial Project; Ward Development, applicant.

Issue/Request:

This is a conceptual presentation pursuant to the City's Economic Development Incentive Policy for the request by Ward Development ("Developer"), as the developer of an approximately 250,000 square foot industrial project to be constructed in one building on approximately 22 acres of property located at the southwest corner of NE Independence Avenue and Ne Town Centre Boulevard, for sales tax exemption on construction materials and real property tax abatement through Chapter 100 of the Revised Statutes of Missouri.

Key Issues:

Evaluation of a request for sales and use tax exemption on construction materials and real property tax abatement in the amount of 78% for the first 10 years and 50% for the second ten 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.

Background:

Developer is requesting a Chapter 100 economic incentive in the form of (1) sales and use tax exemption on construction materials and (2) real property tax exemption in the effective amount of 78% for years 1-10 and 50% for years 11-20.

The attached modeling provides the Developer's data for the calculation of the benefits to Developer and impacts to the taxing districts. The attached analysis from City staff provides a summary of the request, the benefit to the Developer and the impact to the City.

The abatement request as a portion of the total project budget is:

1.7%	Sales Tax Exemption on Construction Materials
<u>17.3%</u>	Real Property Tax Abatement / Public Improvements Assessment (net present value)
<b>19.0%</b>	<b>Total Requested Incentives</b>

**Public Improvements Assessment:**

3% of the requested real property tax abatement during years 1-10 is in the form of a Public Improvements Assessment, which is imposed upon the tenants and paid to the Developer which results in effective abatement for the taxing districts, to reimburse Developer for the approximately \$68,000 in costs associated

with an 8" water line improvement that will be constructed by Developer and which will have a regional benefit through looping the water system in the area. The net present value of the Public Improvements Assessment is projected to cover 100% of the Developer's public improvement costs.

Impact/Analysis:

The sales tax exemption request would have an impact on the City based on the loss of sales and use tax revenues. The net impact to the City from this component of the request is about \$71,000.

Developer has calculated the effective tax abatement over the 20-year period results in about \$5.12 million in abated taxes. The City's portion of the real property tax revenues is historically about 17% of this amount, which would be about \$870,000 in abated City real property taxes over 20 years. Developer's calculation of the tax benefits to the City is about \$690,000 over 20 years.

Timeline:

Developer has not indicated when construction would begin promptly after incentive and zoning approvals.

Other Information/Unique Characteristics:

Data has been collected for tax abatements provided for similar large-scale industrial projects on the Missouri side of the Kansas City metro area from 2015 through 2020. This data is included in the attached materials, and a summary of this data is:

- The average abatement duration is 19 years.
- The average abatement during years 1-10 exceeds 90%.
- The average abatement during years 11-20 is roughly 50% with some notable exceptions, and some projects incorporate an annual decline during this period.
- Some incentive packages include a fixed PILOT per square foot (Belton, Kansas City, Raymore); this has been incorporated into the abatement percentage calculation to create uniform data.

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