

## Legislation Text

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**File #:** 2021-4458, **Version:** 1

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Conceptual Economic Development Incentive Request - Chapter 100 sales tax exemption on construction materials and real property tax abatement for industrial project, Scannell Properties applicant.

Issue/Request:

This is a conceptual presentation pursuant to the City's Economic Development Incentive Policy for the request by Scannell Properties ("Developer"), as the developer of a 783,000 square foot industrial project to be constructed on approximately 79 acres of property located north of Tudor Road which is bisected by Main Street, for sales tax exemption on construction materials and real property tax abatement pursuant to Chapter 100 of the revised statutes of Missouri (Chapter 100).

Key Issues:

Evaluation of a request for sales tax exemption on construction materials and real property tax abatement in the amount of 95% for the first ten years and 75% 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 tax exemption on construction materials and (2) real property tax exemption in the effective amount of 95% for years 1-10 and 75% for years 11-20.

A summary of the Developer's savings for the requested sales tax exemption on construction materials is:

ESTIMATED CONSTRUCTION BUDGET	\$50,634,601
EST. % OF CONSTRUCTION BUDGET THAT IS MATERIALS COST	40%
ESTIMATED CONSTRUCTION MATERIALS	\$20,253,840
SALES TAX RATE	7.850%
ESTIMATED SALES TAX EXEMPTION SAVINGS	<b>\$1,589,926</b>

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

- 3.1% Sales Tax Exemption on Construction Materials
- 18.8% Real Property Tax Abatement / Public Improvements Assessment
- 21.9% Total Requested Incentives**

**Public Improvements Assessment:**

20% 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 a portion of the \$6.6 million costs associated with relocating Main Street and the water line in that street. 25% of the abatement during years 11-20 is for the Public Improvements Assessment. Developer has estimated that the Main Street relocation (including water line relocation) will cost \$6.6 million. The net present value of the Public Improvements Assessment covers about 37% (\$2,447,000) of the Main Street relocation costs.

A summary of the Developer’s overall abatement request is:

SUMMARY	
SALES TAX SAVINGS	
ESTIMATED SALES TAX EXEMPTION SAVINGS:	\$1,589,926
PUBLIC INFRASTRUCTURE REIMBURSEMENT	
ESTIMATED REIMBURSEMENT WITH ADDITIONAL REN	\$2,446,682 (NPV)
PROPERTY TAXES/PILOTS TO TAXING JURISDICTIONS	
TOTAL ADDITIONAL PROPERTY TAX REVENUE FOR TAXING JURISDICTIONS:	\$1,721,324 (NPV)
PROPERTY TAX ABATEMENT TO ATTRACT BUSINESSES TO LEE'S SUMMIT	
YEARS 1 - 10	75.00%
YEARS 11 - 20	50.00%

Impact/Analysis:

The sales tax exemption request would have an impact on the City based on the loss of use tax revenues. Developer has not quantified where the construction materials would be purchased, so we do not have the ability to evaluate the impact to the City from this portion of the request. We could run the calculations if we know where the materials will be purchased.

Developer has calculated the effective tax abatement over the 20-year period results in about \$18,201,000 in abated taxes (\$13,236,000 abatement and \$4,965,000 for Public Improvements Assessment). The City’s portion of the real property tax revenues is historically about 17% of this amount, which would be \$3,095,000 in abated City real property taxes over 20 years.

Timeline:

Developer has indicated that construction on Building A (431,460 sqft) would start in 2022 and Buildings B (113,400 sqft) and C (238,140 sqft) would start in 2022 or 2023.

Other Information/Unique Characteristics:

This is the first time that the City has received a request for a large-scale industrial project. 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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