

## Legislation Text

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**File #:** 2023-5691, **Version:** 1

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Presentation: Conceptual Economic Development Incentive Request - Chapter 100 incentives for the Lakewood Business Park 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 approximately 400,000 square feet of industrial space to be constructed in eight (8) buildings on approximately 31 acres of property located near the southwest quadrant of I-470 and NE Strother Road extending NE Maguire Boulevard to NE Hagen Road, 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 95% for the first 10 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 and use 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.

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>11.0%</u>	Real Property Tax Abatement / Public Improvements Assessment (net present value)
<b>12.7%</b>	<b>Total Requested Incentives</b>

**Public Improvements Assessment:**

20% of the requested real property tax abatement during years 1-10 and 25% of the requested real property tax abatement during years 11-20 is in the form of a Public Improvements Assessment (PIA), which is imposed upon the tenants and paid to the Developer which results in effective abatement for the taxing districts. The

PIA is intended to reimburse Developer for approximately \$323,000 in costs associated with an 8" sanitary sewer main improvement that will be constructed by Developer and which will have a regional benefit providing sanitary sewer access to airport property. The PIA is also intended to reimburse Developer for approximately \$2,550,000 in costs associated with the extension of NE Maguire Boulevard to NE Hagan Road and additional public roadways and utilities necessary to serve the site. The net present value of the Public Improvements Assessment is projected to cover 36% 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 \$222,000.

Developer has calculated the effective tax abatement over the 29-year period results in about \$16.6 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 \$2.82 million in abated City real property taxes over 20 years. Developer's calculation of the tax benefits to the City from the PILOTs and estimated excise tax payments is about \$1.26 million over 29 years.

Timeline:

Developer has indicated construction would begin promptly on building 1 after incentive and zoning approvals. Building construction is anticipated to be phased with construction starting:

- Building 1 2023
- Building 8 2025
- Building 2 2027
- Building 3 2027
- Building 4 2029
- Building 5 2029
- Building 6 2030
- Building 7 2030

Each building is anticipated to take approximately 2 years to construct.

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 2023. This table was updated on July 3, 2023. 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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