Legislation Details (With Text)

File #:	BILL NO. 22-153	**Name:**	
Type:	Ordinance	**Status:**	Passed
File created:	7/26/2022	**In control:**	City Council - Regular Session
On agenda:	8/9/2022	**Final action:**	8/16/2022
Title:	An Ordinance approving the Lee's Summit Industrial Land Clearance for Redevelopment Authority (LCRA) Redevelopment Plan. (Note: First read by City Council on August 9, 2022. Passed by unanimous vote.)		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. Ordinance, 2. Exhibit B to Ordinance: LCRA Redevelopment Plan		

Date	Ver.	Action By	Action	Result
8/16/2022	1	City Council - Regular Session	adopted and numbered	Pass
8/9/2022	1	City Council - Regular Session	advanced to second reading	Pass

An Ordinance approving the Lee's Summit Industrial Land Clearance for Redevelopment Authority (LCRA) Redevelopment Plan.
(Note: First read by City Council on August 9, 2022. Passed by unanimous vote.)

Issue/Request:
This is an ordinance that would approve the Lee's Summit Industrial LCRA Redevelopment Plan, which would provide sales and use tax exemption on construction materials and long-term tax abatement for the proposed industrial development to be constructed by LS Industrial, LLC (the "Developer"). The proposed development is an approximately 595,000 square foot industrial project to be constructed in two buildings on approximately 50 acres of property located east of Highway 291 and south of Bailey Road. Developer is requesting sales and use tax exemption on construction materials and real property tax abatement through the Land Clearance for Redevelopment Authority Act. (This property was previously planned to be "The Grove" project by a prior developer.)

Key Issues:
Ordinance to approve the LCRA Redevelopment Plan for the LS Industrial Project.

Motion:
I move for adoption of An Ordinance Approving the Lee's Summit Industrial Land Clearance for Redevelopment Authority (LCRA) Redevelopment Plan

Background:
On June 7, 2022, Developer made a conceptual incentive request to the City Council for the requested incentive package and received positive non-binding feedback form the Council.

On June 21, 2022, the City Council passed Ordinance No. 9433 which approved a rezoning from District PMIX to District PI, and a preliminary development plan for the proposed industrial project.

On July 20, 2022, the LCRA Plan was presented to the LCRA Board of Commissioners, and the Board then passed Resolution 2022-3 which recommended approval of the LCRA Plan.

A summary of the key data associated with Developer's savings for the requested sales tax exemption on construction materials results is:

Est. Construction Budget	$	46,569,400
Est. Materials Percentage		40.00%
Est. Materials Cost	$	18,627,760
Total Sales and Use Tax Rate		8.35%
Est. Sales and Use Tax Savings	**$**	**1,127,678**

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

2.4% Sales Tax Exemption on Construction Materials
18% Real Property Tax Abatement / Public Improvements Assessment (net present value)
20.4% Total Requested Incentives

Public Improvements Assessment:
25% of the requested real property tax abatement during years 1-10, and then 12% of the abatement during years 11-20, 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 about $1.72 million in costs associated with road, water and sewer improvements that will be constructed by Developer and which will have a regional benefit. The net present value of the Public Improvements Assessment is projected to cover 100% of the Developer's public improvement costs.

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

SUMMARY	
SALES TAX SAVINGS	
ESTIMATED SALES TAX EXEMPTION SAVINGS:	$1,127,678
PUBLIC INFRASTRUCTURE REIMBURSEMENT	
ESTIMATED REIMBURSEMENT WITH PUBLIC INFRASTRUCTURE ASSESSMENTS:	$1,721,480 (NPV)
PROPERTY TAXES/PILOTS TO TAXING JURISDICTIONS	
TOTAL ADDITIONAL PROPERTY TAX REVENUE FOR TAXING JURISDICTIONS:	$2,429,609 (NPV)
PROPERTY TAX ABATEMENT TO ATTRACT TENANTS	
YEARS 1 - 10	75.00%
YEARS 11 - 20	50.00%

Impact/Analysis:
The sales and use tax exemption request would have an impact on the City based on the loss of sales and use

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tax revenues. Developer has calculated the impact to the City:

Lee's Summit Sales Tax Savings	$	40,981
Lee's Summit Use Tax Savings	$	215,151
Total Lee's Summit Sales and Use Tax	**$**	**256,132**
County Sales Tax Savings	$	76,840
State Sales and Use Tax Savings	$	787,023
Stadium Sales Tax Savings	$	7,684
Lee's Summit % of Total Savings		**22.71%**

Developer has calculated the effective tax abatement over the 20-year period results in about $15.4 million in abated taxes ($12.3 million in abatement and $3.1 million for public improvement reimbursement). The City's portion of the real property tax revenues is historically about 17% of this amount, which would be about **$2.6 million in abated City real property taxes over 20 years**. Developer's calculation of the tax benefits to the City is about $1.4 million over 20 years ($1.1 million in PILOTs over 20 years and $375,000 through excise tax payment at construction).

Timeline:
Construction of the project is expected to commence this year.

Curt Petersen, Polsinelli Law Firm
Mark Dunning, Assistant City Manager
David Bushek, Chief Counsel of Economic Development and Planning

The LCRA Board of Commissioners approved a resolution that recommended approval of the LCRA Plan to the City Council.