



**AGENDA
CITY OF HARRISONVILLE
ENHANCED ENTERPRISE ZONE BOARD
REGULAR MEETING
CITY HALL
JUNE 6, 2016
4:00 PM**

- I. Call to Order**
 - A. Present**
- II. Agenda Items**
 - A. EEZ Abatement Term Extension and Tax Abatement Request**

This meeting will be open to the public.

Posted on City Hall Bulletin Board this 2nd day of June, 2016

Kim Hubbard, City Clerk



TO: Enhanced Enterprise Zone Board
FROM: Jim Clarke,
DATE: June 2, 2016
SUBJECT: EEZ Abatement Term Extension and Tax Abatement Request

Type of Item: *Approval*

See attached memo.

A. Action Item (ID # 2214)

EEZ Abatement Term Extension and Tax Abatement Request

Attachments:

EEZ Board Meeting - Packet - 6-6-16 (PDF)



MEMORANDUM

TO ENHANCED ENTERPRISE ZONE BOARD

FROM JIM CLARKE - ECONOMIC DEVELOPMENT MANAGER

DATE JUNE 1, 2016

SUBJECT PROSPECTIVE BUSINESS REQUEST:

- 1) REAL PROPERTY TAX ABATEMENT REQUEST
- 2) TERM EXTENSION FROM 10 YEARS TO 20 YEARS

Type of Item: Action Item

Issue:

The prospect is presenting a request to the Enhanced Enterprise Zone Board for consideration of Real Property Tax Abatements through the Enhanced Enterprise Zone for their proposed project. Additionally, the prospect is requesting consideration to extend the Real Property Tax Abatement Term from the adopted Term of 10 years, to a Term of 20 years.

Background:

Project Lead Update: City staff was contacted in August 2015 by a Kansas City area commercial broker, inquiring of available acreage in Harrisonville for an industrial operator. Staff provided information on available sites. Site visits were achieved on two sites of interest. The prospect identified one site of strong interest and Harrisonville was Short-Listed, among other sites, including Kansas City, Missouri and Kansas sites.

After careful consideration, the prospective company has identified the Harrisonville site as their preferred site. The prospect's site search team has presented the Harrisonville site to their CEO and their Board of Directors.

The prospective company has also been working with the Missouri Department of Economic Development (DED) on this proposed project. Missouri Department of Economic Development provided the prospective company with an Incentives Proposal.

The prospect did consider use of the Chapter 100 Bonds Program, but company leadership has determined the Enhanced

Enterprise Zone Program may be a preferred fit for this proposed project.

Project Scope and Scale: The proposed project would be a production operation (manufacturing), in the plastics industry. The prospective company would invest \$28,675,000 (\$8,125,000 Real Estate - \$20,550,000 M&E). This project would create 77 new Full-Time employees, with a payroll of \$3,242,000, calculating to an average wage of approximately \$42,104. Cass County's average wage is \$30,588. The prospect would construct a 65,000 s.f. building.

Request:

Prospect Requesting Tax Abatement and Term Extension:

The prospective company is requesting the Enhanced Enterprise Zone Board consider granting them Real Property Tax Abatement, as their proposed project is eligible to receive, based on their NAICS (North American Industry Classification System) Code and the projected proposed project scale.

Additionally, the prospective company is requesting consideration for granting a Term of 20 years for this Real Property Tax Abatement, rather than the adopted Tax Abatement Term of 10 years. The Enhanced Enterprise Zone Board can make a recommendation for a 20 year Term for the Tax Abatement to the Board of Aldermen for consideration.

Decision: The prospect has reached a point they need to make a decision on a location and launching their project. Timing is critical, hence, the City's and affected taxing jurisdictions' responsiveness to their request is also critical.

Options:

The Enhanced Enterprise Zone Board may:

- Approve for recommendation, to the Board of Aldermen, the Tax Abatements as presented
- Modify the Tax Abatements outlined in the request and then approve if agreed to by the prospect
- Deny the request for Tax Abatements by the prospect on this proposed project, based on project assumptions and associated Tax Abatements request
- Approve, modify, or deny, for recommendation to the Board of Aldermen, the 20 year Tax Abatement Term request

Harrisonville Enhanced Enterprise Zone (EEZ) - Real Property Tax Calculations & Estimates

6-Jun-16

Project Assumptions

Capital Investment

Year 1:	\$17,495,000 (R.E. \$8,125,000 - M&E \$9,370,000)
Year 2:	\$ 4,780,000 (All M&E)
Year 3:	\$ 6,400,000 (All M&E)
	<u>\$28,675,000 Total New Capital Investment</u>

New Jobs

Year 1:	40
Year 2:	18
Year 3:	19
Tot. New Jobs	<u>77</u>

Tax Abatement Rate - Project Scale Eligibility

Year 1:	Add'l. Abatement: Investment 10% - Jobs 15%
Year 2:	Add'l. Abatement: Investment 10% - Jobs 20%
Year 3:	Add'l. Abatement: Investment 15% - Jobs 20%

Real Property Investment \$8,125,000

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Total</u>
Real Property Tax Estimate Due	\$179,564	\$179,564	\$179,564	\$179,564	\$179,564	\$179,564	\$179,564	\$179,564	\$179,564	\$179,564	\$1,795,640
Applied Tax Abatement Rate	65%	70%	70%	70%	70%	70%	70%	70%	70%	70%	
Estimated Real Property Tax Savings	\$116,717	\$125,695	\$125,695	\$125,695	\$125,695	\$125,695	\$125,695	\$125,695	\$125,695	\$125,695	\$1,247,972
Combined Real Property Taxes Due	\$62,847	\$53,869	\$53,869	\$53,869	\$53,869	\$53,869	\$53,869	\$53,869	\$53,869	\$53,869	\$547,668

Real Property Taxes Estimate Due to Affected Taxing Jurisdictions

School Districts (Harrisonville Millage)	\$46,202	\$39,602	\$39,602	\$39,602	\$39,602	\$39,602	\$39,602	\$39,602	\$39,602	\$39,602	\$402,620
Combined Other Taxing Jurisdictions	\$5,129	\$4,396	\$4,396	\$4,396	\$4,396	\$4,396	\$4,396	\$4,396	\$4,396	\$4,396	\$44,693
City	\$6,329	\$5,425	\$5,425	\$5,425	\$5,425	\$5,425	\$5,425	\$5,425	\$5,425	\$5,425	\$55,154
Surcharge	\$4,914	\$4,212									
State of Missouri	\$273	\$234									
	<u>\$62,847</u>	<u>\$53,869</u>									

Formula and Cacluation Varialbes for Real Property Tax Abatement

Commercial Assessment Rate of 32%
 Harrisonville Combined Millage Rate \$6.9063

Real Property Investment X Assessment Rate = Assessed Value

Assessed Value X Millage Rate (using combined millage rate for this calculation)/100 = Real Property Tax Due (Combined Affected Taxing Jurisdictions)
 \$8,125,000 X 32% = \$2,600,000 \$2,600,000 X \$6.9063 = 17,956,380/100 = **\$179,564 (Real Property Tax Due - Estimate)**

NOTE: The EEZ Tax Abatement applies only to Real Property Tax. The EEZ Tax Abatement does not apply to Personal Property Tax.

NOTE: In calculating potential additional incremental EEZ Tax Abatement Benefit - Total New Capital Investment is used - though the Tax Abatement applies to only the Real Property Tax.
 (Hence, the New Capital Investment in Machinery & Equipment is also used to calculate the Tax Abatement Rate applied to Real Property Tax)

NOTE: The Estimated Tax Abatement Rate (and the Estimated Tax Savings) may change, if Project Assumptions change or are not met

NOTE: The Additional Tax Abatement Rate is calculated on a cumulative basis, as the New Investment and New Jobs are tied to this same project, that is a three year build-out.

Harrisonville Enhanced Enterprise Zone (EEZ) - Real Property Tax Calculations & Estimates

6-Jun-16

Project Assumptions

Capital Investment

Year 1: \$17,495,000 (R.E. \$8,125,000 - M&E \$9,370,000)
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Real Property Investment \$8,125,000

	<u>Year 11</u>	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>	<u>Year 16</u>	<u>Year 17</u>	<u>Year 18</u>	<u>Year 19</u>	<u>Year 20</u>	<u>Yrs. 1-10</u>	<u>Total</u>
Real Property Tax Estimate Due	\$179,564	\$179,564	\$179,564	\$179,564	\$179,564	\$179,564	\$179,564	\$179,564	\$179,564	\$179,564	\$1,795,640	\$3,591,280
Applied Tax Abatement Rate	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	
Estimated Real Property Tax Savings	\$125,695	\$125,695	\$125,695	\$125,695	\$125,695	\$125,695	\$125,695	\$125,695	\$125,695	\$125,695	\$1,256,950	\$2,513,900
Combined Real Property Taxes Due	\$53,869	\$53,869	\$53,869	\$53,869	\$53,869	\$53,869	\$53,869	\$53,869	\$53,869	\$53,869	\$538,690	\$1,077,380

Real Property Taxes Estimate Due to Affected Taxing Jurisdictions

School Districts (Harrisonville Millage)	\$39,602	\$39,602	\$39,602	\$39,602	\$39,602	\$39,602	\$39,602	\$39,602	\$39,602	\$39,602	\$396,020	\$792,040
Combined Other Taxing Jurisdictions	\$4,396	\$4,396	\$4,396	\$4,396	\$4,396	\$4,396	\$4,396	\$4,396	\$4,396	\$4,396	\$43,960	\$87,920
City	\$5,425	\$5,425	\$5,425	\$5,425	\$5,425	\$5,425	\$5,425	\$5,425	\$5,425	\$5,425	\$54,250	\$108,500
Surcharge	\$4,212											
State of Missouri	\$234											
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Attachment: EEZ Board Meeting - Packet - 6-6-16 (2214 : EEZ Abatement Term Extension and Tax

HARRISONVILLE	
ENHANCED ENTERPRISE ZONE	
TIERED INCENTIVE SCHEDULE	
BASE QUALIFICATION REQUIREMENTS	ABATEMENT LEVEL / TERM
Minimum Requirements - As verified by Missouri DED: 2 New FT employees AND \$100,000 (minimum) capital investment	50% abatement / 10 years
Note: Upon qualification for minimum abatement, additional abatement is calculated according to additional FT Employees and/or additional Capital Investment.	
ADDITIONAL ABATEMENT INCREMENT BENEFITS	
Additional New Jobs Created Exceeding Minimum	
5+ NEW FT employees	5% additional abatement/10 Years
10+ NEW FT employees	7% additional abatement/10 years
15+ NEW FT employees	10% additional abatement/10 years
25+ NEW FT employees	15% additional abatement/10 years
50+ NEW FT employees	20% additional abatement/10 years
100+ NEW FT employees	25% additional abatement/10 years
250+ NEW FT employees	30% additional abatement/10 years
Additional Capital Investment Exceeding Minimum	
Capital investment exceeding \$5 million	5% additional abatement/10 years
Capital investment exceeding \$10 million	10% additional abatement/10 years
Capital investment exceeding \$25 million	15% additional abatement/10 years
Capital investment exceeding \$50 million	20% additional abatement/10 years
Capital investment exceeding \$75 million	30% additional abatement/10 years