



**LICENSE SURCHARGE
ANNUAL REPORT
FY 2014-2015**



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Curt Dougherty, District 2
Scott Roberson, District 3
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Chris Whiting, At-Large

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LICENSE SURCHARGE ANNUAL REVIEW COMMITTEE

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Roger Hershey, Chamber of Commerce
Bill Moore, ICED
Howard Penrod, Western Independence
Jim Pollard, Residential Home Builder
Joe Stevinson, Large Land Owner
J.R. Stewart, Commercial Builder

Table of Contents

Background	1
Assessments and Collections	1-3
Fund Balance	4
Projections	4
Construction Progress	4
Credits, Administrative Rulings and Waivers	5
Recommendation	6
Appendices	
A. License Surcharge Capital Improvements Plan	7
B. License Surcharge Location Maps	8-9

BACKGROUND

With the initial adoption of the Little Blue Valley Comprehensive Plan Amendment in 1999, the City Council investigated mechanisms to fund street infrastructure necessary to support future development. The Council studied a variety of mechanisms through which new streets and street improvements could be financed. A Citizens Advisory Committee (CAC) on Establishing an Excise Tax was created to make recommendations on a specific form of excise tax (referred to as a “License Surcharge”).

The Committee proposed a License Surcharge tax which led the City Council to endorse and place the issue before the voters in November of 2000. The measure passed and the City Council adopted *Article 18. New Construction License Surcharge*. Collection of the License Surcharge began on January 1, 2001.

As part of the *Article 18. New Construction License Surcharge* code provisions, the City Council created the License Surcharge Annual Review Committee, which is an eleven-member citizen committee that is appointed by the City Council and is responsible for reviewing key issues related to the License Surcharge each year. Some of the topics to be considered by the Committee include the applicable tax rates for the different land uses, impact of the License Surcharge on the Independence real estate market, the accounting of the License Surcharge fund, streets constructed with License Surcharge funds during that year, and the future street construction schedule.

ASSESSMENTS and COLLECTIONS

Table 1 below shows the original tax rate phasing schedule that was adopted by the City Council in 2001, based upon recommendation by the Citizens Advisory Committee (CAC).

Table 1. Original License Surcharge Rate Schedule

	Land Use Category	Residential/ Warehouse	Office/ Industrial	Commercial/ Retail
Original Rate Schedule	2001	\$550	\$200	\$750
	2002	\$550	\$200	\$750
	2003	\$1,000	\$300	\$1,400
	2004	\$1,300	\$400	\$1,525

Table 2 below shows the subsequent tax rate phasing schedule that was adopted by the City Council, based upon recommendations by the License Surcharge Annual Review Committee.

Table 2. Subsequent License Surcharge Rate Schedule

	Land Use Category	Residential/ Warehouse	Office/ Industrial	Commercial/ Retail
Subsequent Rate Schedule	2005	\$1,611	\$517	\$1,611
	2006	\$1,737	\$557	\$1,737
	2007	\$1,760	\$564	\$1,760
	2008	\$1,822	\$584	\$1,822
	2009	\$1,822	\$584	\$1,822
	2010	\$1,400	\$450	\$1,400
	2011	\$1,400	\$450	\$1,400
	2012	\$1,400	\$450	\$1,400
	2013	\$1,400	\$450	\$1,400
	2014	\$1,400	\$450	\$1,400
	2015	\$1,400	\$450	\$1,400

Table 2 shows that the License Surcharge rate has remain unchanged since 2010.

The License Surcharge is collected from building contractors based on the amount of traffic the structure will generate during the evening rush hour when traffic is the heaviest. The number of traffic trips generated is then multiplied by a tax rate depending on the type of land use.

Single Family example

P.M. Peak Trips X License Surcharge Rate = Amount Due
 1.01 \$1,400 \$1,414

Office Building example

Building Size ÷ 1,000 X Trip Rate X License Surcharge Rate = Amount Due
 10,000 1.37 \$450 \$6,165

Quality Restaurant example

Building Size ÷ 1,000 X Trip Rate X License Surcharge Rate = Amount Due
 10,000 6.14 \$1,400 \$85,960

Convenience Store w/ Pumps example

$$\begin{array}{rclcl} \text{Building Size} \div & 1,000 \text{ X} & \text{Trip Rate X} & \text{License Surcharge Rate} = & \text{Amount Due} \\ 5,000 & & 29.09 & \$1,400 & \$203,630 \end{array}$$

Credits are utilized in the calculation of the License Surcharge for certain projects based on criteria such as not-for-profit status, governmental agencies, certain redevelopment projects not sponsored by the public, and for properties that have previously generated traffic. The surcharge is assessed at the time the building permit is applied for. However, the assessment on Commercial projects may be collected at the time the permit is issued or just prior to receiving an occupancy permit.

Table 3 below summarizes the License Surcharge assessments that have been reported as collected from construction permits.

Table 3. License Surcharge Funds Collected by Fiscal Year since Inception

Land Use Category	Residential	Commercial	Office	Warehouse/ Industrial	Total
*Jan 01/ June 02	\$275,508	\$203,883	\$10,204	\$21,123	\$510,718
FY 02/03	\$267,742	\$449,000	\$103,593	\$4,080	\$824,415
FY03/04	\$463,649	\$608,760	\$29,036	\$1,872	\$1,103,317
FY04/05	\$581,800	\$341,239	\$9,356	\$15,866	\$948,261
FY05/06	\$323,602	\$190,034	\$19,546	\$9,773	\$542,955
FY06/07	\$276,006	\$781,123	\$114,381	\$0	\$1,171,510
FY07/08	\$246,862	\$680,504	\$109,916	\$6,568	\$1,043,850
FY 08/09	\$38,640	\$440,504	\$24,342	\$29,626	\$533,112
FY 09/10	\$98,427	\$434,234	\$10,350	\$5,137	\$548,148
FY 10/11	\$60,802	\$140,847	\$39,546	\$1,980	\$243,175
FY 11/12	\$70,726	\$229,654	\$13,585	\$0	\$313,965
FY 12/13	\$89,082	\$0	\$0	\$0	\$89,082
FY 13/14	\$190,652	\$0	\$0	\$0	\$190,652
FY 14/15	\$110,250	\$0	\$0	\$0	\$110,250
TOTAL	\$3,093,748	\$4,499,782	\$483,855	\$96,025	\$8,173,410

* The first "year" of the License Surcharge program was actually 18 months. All subsequent years are based on the fiscal year starting July 1st through June 30th or each year.

Table 3 shows a low level of development activity since Fiscal Year 2010/11 due to overall national economic downturn. The City Council adopted moratorium on the new construction License Surcharge for commercial, office, warehouse and industrial uses which started on October 1, 2012 and expired on October 31, 2014. The License Surcharge program has collected slightly under \$8.2 million since its inception.

FUND BALANCE

The Finance Department reported the License Surcharge undesignated fund balance for the fiscal year ending June 30, 2015 was \$559,728.74.

PROJECTIONS

The reported revenue of \$110,250 was collected for FY 14-15. Projected License Surcharge revenues have been revised based upon current economic conditions.

Table 4 projects the License Surcharge revenues anticipated for future fiscal years.

Table 4. Projected License Surcharge Revenues

Fiscal Year	Residential	Office	Commercial	Warehouse/ Industrial	TOTAL
FY 15-16	\$120,000	\$5,000	\$50,000	\$0	\$175,000
FY 16-17	\$200,000	\$0	\$100,000	\$0	\$300,000
FY 17-18	\$200,000	\$0	\$75,000	\$10,000	\$285,000
FY 18-19	\$200,000	\$0	\$75,000	\$25,000	\$300,000
FY 19-20	\$200,000	\$0	\$75,000	\$25,000	\$300,000
FY 20-21	\$200,000	\$5,000	\$75,000	\$25,000	\$305,000
FY 21-22	\$200,000	\$0	\$75,000	\$25,000	\$300,000
TOTAL	\$1,320,000	\$10,000	\$525,000	\$110,000	\$1,750,000

CONSTRUCTION PROGRESS ON PROJECTS FUNDED WITH LICENSE SURCHARGE REVENUES

A total of twelve (12) projects have been completed since the inception of the License Surcharge.

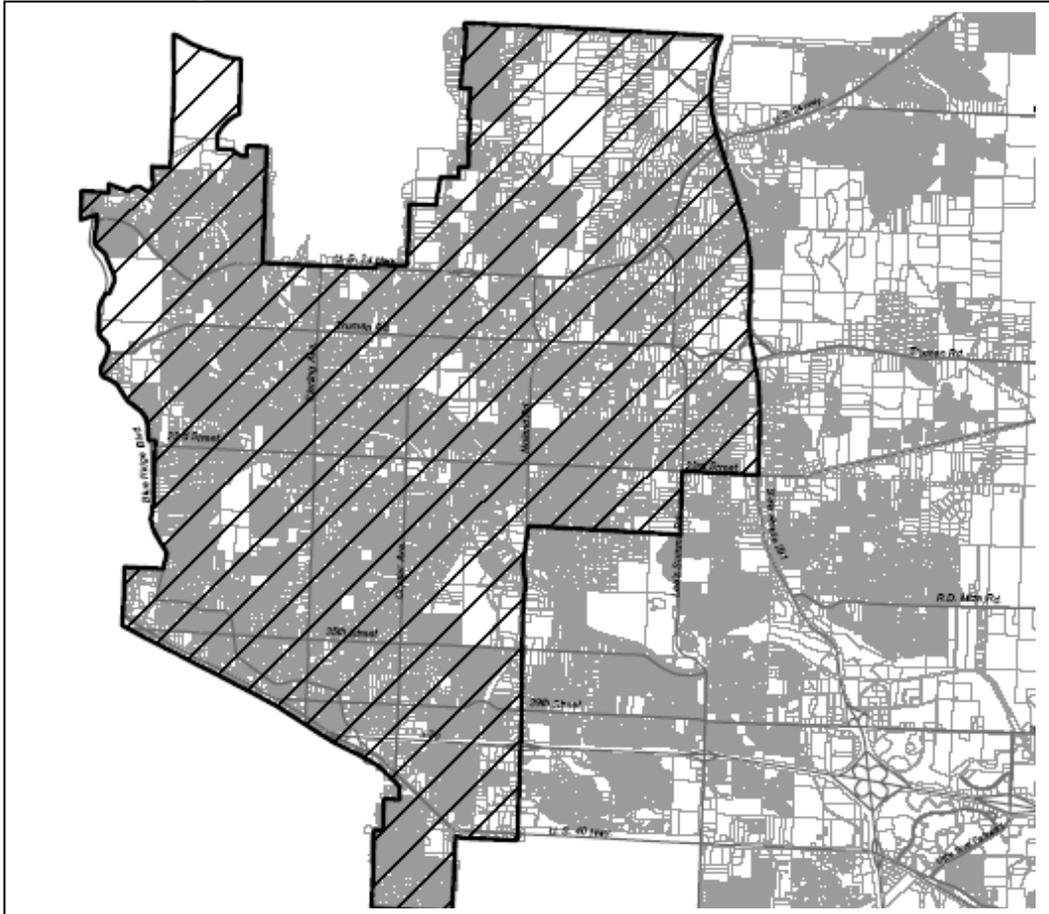
- *Hidden Valley Road (M-291 Hwy to R.D. Mize)* – Completed in 2006
- *R.D. Mize Road (Phase 1) (Hidden Valley Road to Little Blue Parkway)* – Completed in 2009
- *Crenshaw Road and Strode Road ROW Acquisition for APF Improvements* – Completed in 2007
- *Truman/Powell Intersection Improvements* – Completed in 2007
- *Strode Road Bridge over Burr Oak Creek* – Completed in 2008
- *Bundschu Road Railroad Crossing* – Completed in 2007
- *Holke Road Curve Correction* – Completed in 2009
- *Holke Road Culvert at Seminole* – Completed in 2009
- *R.D. Mize Road (Little Blue to Eureka)* – Completed in 2010
- *Strode Road (Hwy 7 Intersection)* – Completed in 2010
- *Little Blue Parkway* – Completed in 2013
- *39th Street bridge over the Little Blue River* – Completed in 2014

CREDITS, ADMINISTRATIVE RULINGS AND WAIVERS

Credits

Under *Article 18. New Construction License Surcharge* credits are utilized in the calculation of the License Surcharge for certain projects based on criteria such as: the user of the building is a not-for-profit organization, a governmental agency, and certain redevelopment projects not sponsored by the public. *Figure 1* identifies the area in which development is eligible for a one-hundred percent (100%) License Surcharge Fee credit.

Figure 1. Areas Eligible for Full Credit under Sec. 5.18.005



Appeals

There were no appeals during Fiscal Year 2014-15.

RECOMMENDATION

The License Surcharge Annual Review Committee recommends to make no change to the License Surcharge rate structure.

The License Surcharge program has been successfully used to fund or leverage other sources of funding to complete twelve (12) projects since its inception. The 39th Street Bridge project, which was completed in late 2014, is the most recent project to be completed.

The proposed Capital Project Program through 2022 is attached as *Appendix A* and maps identifying the location of each project are labeled at *Appendix B (a and b)*.

APPENDICES

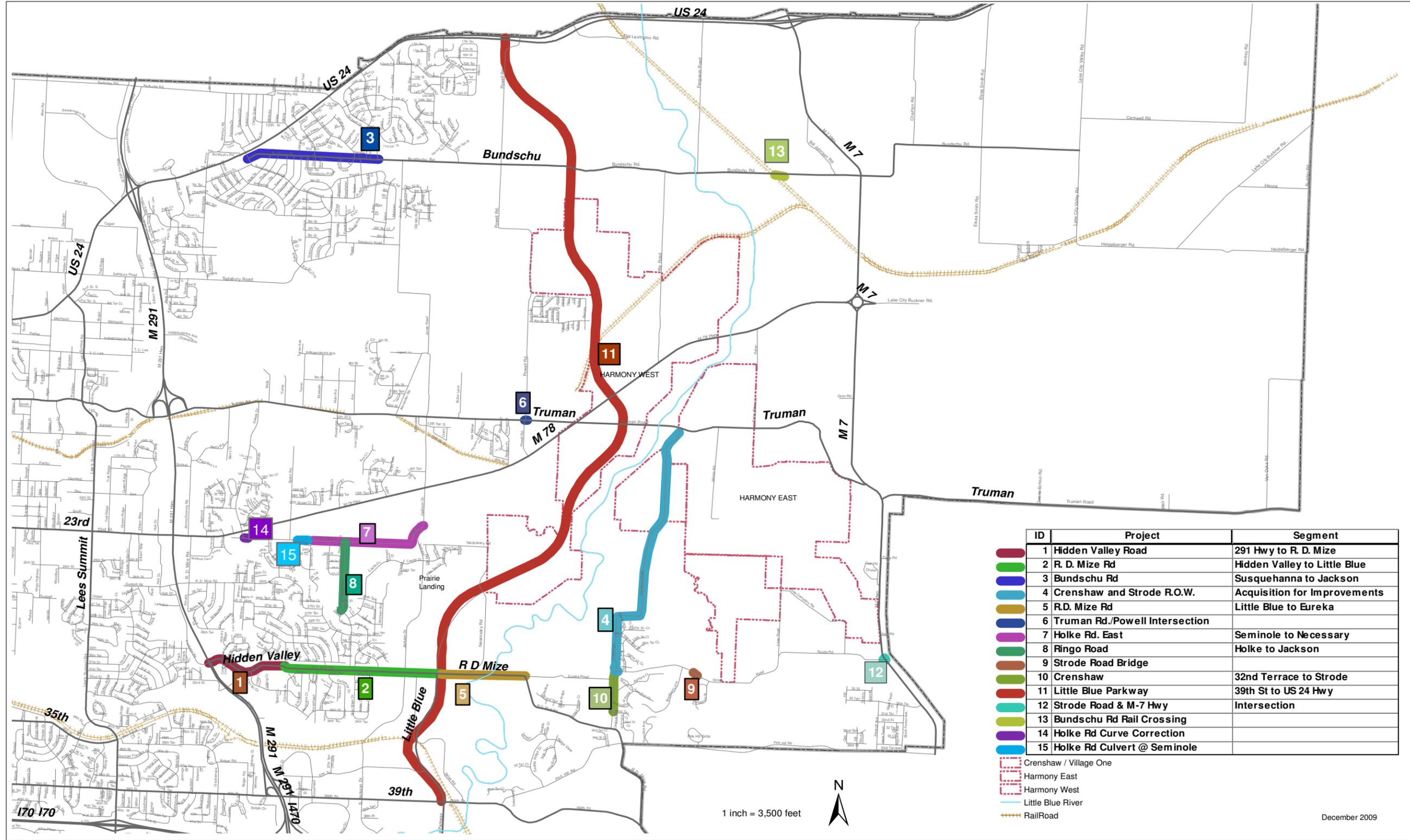
- A. Capital Improvement Program
- B. License Surcharge Location Maps (a. & b)

Appendix A – Capital Improvement Program

2015-2022 Capital Projects for License Surcharge Funds																
Project	Segment	Status	Length	Total Project Cost	Other Funding Sources	License Surcharge Funds	Appropriated as of 6/30/15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	After 2022	
1	Hidden Valley Road	291 Hwy. To R.D. Mize	Completed 2006	0.62 miles	\$2,491,000	\$1,040,000	\$1,451,000									
2	R.D. Mize Road (Phase 1)	Hidden Valley to Little Blue	Completed 2009	1.21 miles	\$3,000,000	\$2,160,000	\$840,000									
3	Bundschu Road	Susquehanna to Jackson		0.9 miles	\$2,350,000	\$0	\$2,350,000						\$2,350,000			
4	Crenshaw and Strode ROW	Acquisition for APF Improvements	Completed 2007		\$229,456	\$0	\$229,456									
5	R.D. Mize Road	Little Blue to Eureka	Completed 2010	0.61 miles	\$2,177,000	\$1,650,000	\$527,000									
6	Truman/Powell Intersection		Completed 2007		\$120,000	\$0	\$120,000									
7	Holke Road (East)	Seminole to Necessary Rd		0.68 miles	\$1,920,000	0 \$	1,920,000									
8	Ringo Road	Holke to Jackson		0.55 miles	\$1,839,200	\$0	\$1,839,200									
9	Strode Road Bridge		Completed 2008		\$1,300,000	\$600,000	\$700,000									
10	Crenshaw	32nd Terrace to Strode		0.33 miles	\$1,180,200	\$0	\$1,180,200									
11	Little Blue Parkway	39th Street to 24 Hwy.	Completed 2013	7 miles	\$50,000,000	\$48,200,000	\$1,800,000									
12	Strode Road & 7 Highway	Intersection	Completed 2010		\$150,000	\$0	\$150,000									
13	Bundschu Road Rail Crossing		Completed 2007		\$270,000	\$230,000	\$40,000									
	Match for Safety Improvements	To Be Identified			\$600,000		\$600,000									
14	Holke Road Curve Correction	Public Safety Match (\$100K in FY07/08)	Completed 2009		\$315,000	\$15,000	\$300,000									
15	Holke Road Culvert @ Seminole	Public Safety Match (\$100K in FY08/09)	Completed 2009		\$100,000		\$100,000									
16	Holke Road (West)	78 Hwy to Seminole		0.68 miles	\$2,270,000	\$0	\$2,270,000									
17	Bundschu Road	Jackson to Powell		0.85 miles	\$3,100,000	\$0	\$3,100,000									
18	Eureka Road	R.D. Mize to Crenshaw		0.68 miles	\$2,480,400	\$0	\$2,480,400									
19	Strode Road	Crenshaw to Bradford		0.48 miles	\$1,750,060	\$0	\$1,750,060									
20	Strode Road	Bradford to Lowe Road		0.91 miles	\$3,307,200	\$0	\$3,307,200									
21	Truman Road	Vista to Jones		1.18 miles	\$4,285,600	\$0	\$4,285,600									
22	Truman Road & M 78 Hwy	Between Jackson & LBP		0.59 miles	\$1,850,310	\$0	\$1,850,310									
23	39th Street Bridge	Little Blue River	Completed 2014	0.3 miles	\$3,890,000	\$2,800,000	\$921,172									
24	Jackson Drive	M-78 Hwy to Truman		0.65 miles	\$5,000,000		\$5,000,000									
				Totals:	\$95,975,426	\$56,695,000	\$39,111,598									
							Fiscal Year Appropriations	\$0	\$0	\$0	\$0	\$0	\$0	\$2,350,000	\$0	\$0
							Projected Revenues		\$175,000	\$300,000	\$285,000	\$300,000	\$300,000	\$305,000	\$300,000	
							Projected Available License Surcharge Funds		\$734,728	\$909,728	\$1,209,728	\$1,494,728	\$1,794,728	\$2,094,728	\$49,728	
							Ending Balance	\$559,728	\$734,728	\$909,728	\$1,209,728	\$1,494,728	\$1,794,728	-\$255,272	\$49,728	

License Surcharge Project Location Map

Appendix B (a)



License Surcharge Future Project Location Map

Appendix B (b)

