



**LICENSE SURCHARGE
ANNUAL REPORT
FY 2015-2016**



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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
	2016	\$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

Two-Family example

P.M. Peak Trips X License Surcharge Rate = Amount Due
 0.54 \$1,400 \$756/unit

Multi-Family example

P.M. Peak Trips X License Surcharge Rate = Amount Due
 0.62 \$1,400 \$868/unit

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

Building Size ÷ 1,000 X Trip Rate X License Surcharge Rate = Amount Due
 5,000 29.09 \$1,400 \$203,630

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 a certificate of 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
FY15/16	\$91,112	\$137,096	\$0	\$0	\$228,208
TOTAL	\$3,184,860	\$4,636,878	\$483,855	\$96,025	\$8,401,618

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 still shows a low level of development activity than what occurred with the inception of the License Surcharge, however, funds collected in FY 15-16 are the highest the City has seen in four years. The License Surcharge program has collected slightly over \$8.4 million since its inception.

FUND BALANCE

The Finance Department reported the License Surcharge undesignated fund balance for the fiscal year ending June 30, 2016 was \$875,995.07.

PROJECTIONS

The reported revenue of \$228,208 was collected for FY 15-16. 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 16-17	\$175,000	\$0	\$125,000	\$0	\$300,000
FY 17-18	\$175,000	\$0	\$125,000	\$0	\$300,000
FY 18-19	\$175,000	\$10,000	\$100,000	\$10,000	\$295,000
FY 19-20	\$175,000	\$10,000	\$100,000	\$10,000	\$295,000
FY 20-21	\$200,000	\$10,000	\$100,000	\$10,000	\$320,000
FY 21-22	\$200,000	\$10,000	\$100,000	\$10,000	\$320,000
FY 22-23	\$200,000	\$10,000	\$100,000	\$10,000	\$320,000
TOTAL	\$1,300,000	\$50,000	\$750,000	\$50,000	\$1,870,000

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.

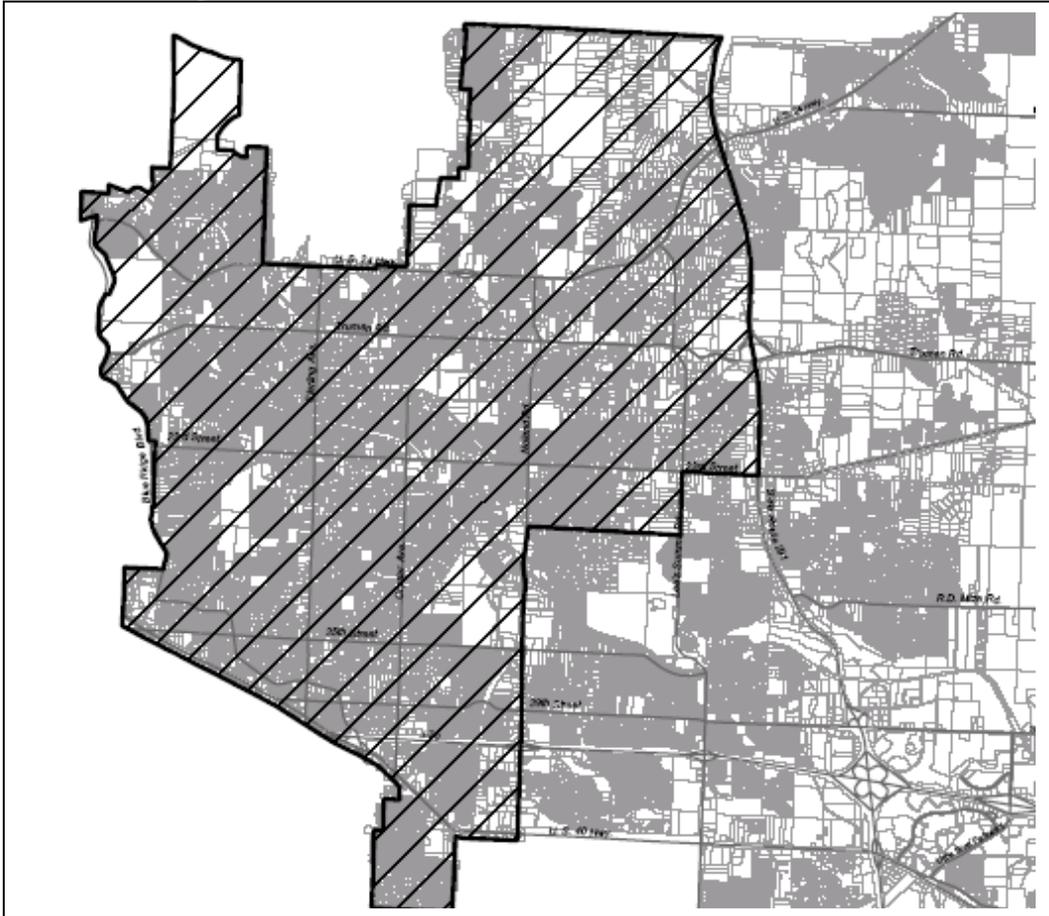
- *Hidden Valley Road (M-291 Hwy to R.D. Mize)* – Completed in 2006
- *R.D. Mize Road (Phase 1) (Hidden Valley Road to Little Blue Parkway)* – Completed in 2009
- *Crenshaw Road and Strode Road ROW Acquisition for APF Improvements* – Completed in 2007
- *Truman/Powell Intersection Improvements* – Completed 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 2015-16.

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 2023 is attached as *Appendix A* and maps identifying the location of each completed project *Appendix B(a)* and future project *Appendix B(b)*.

APPENDICES

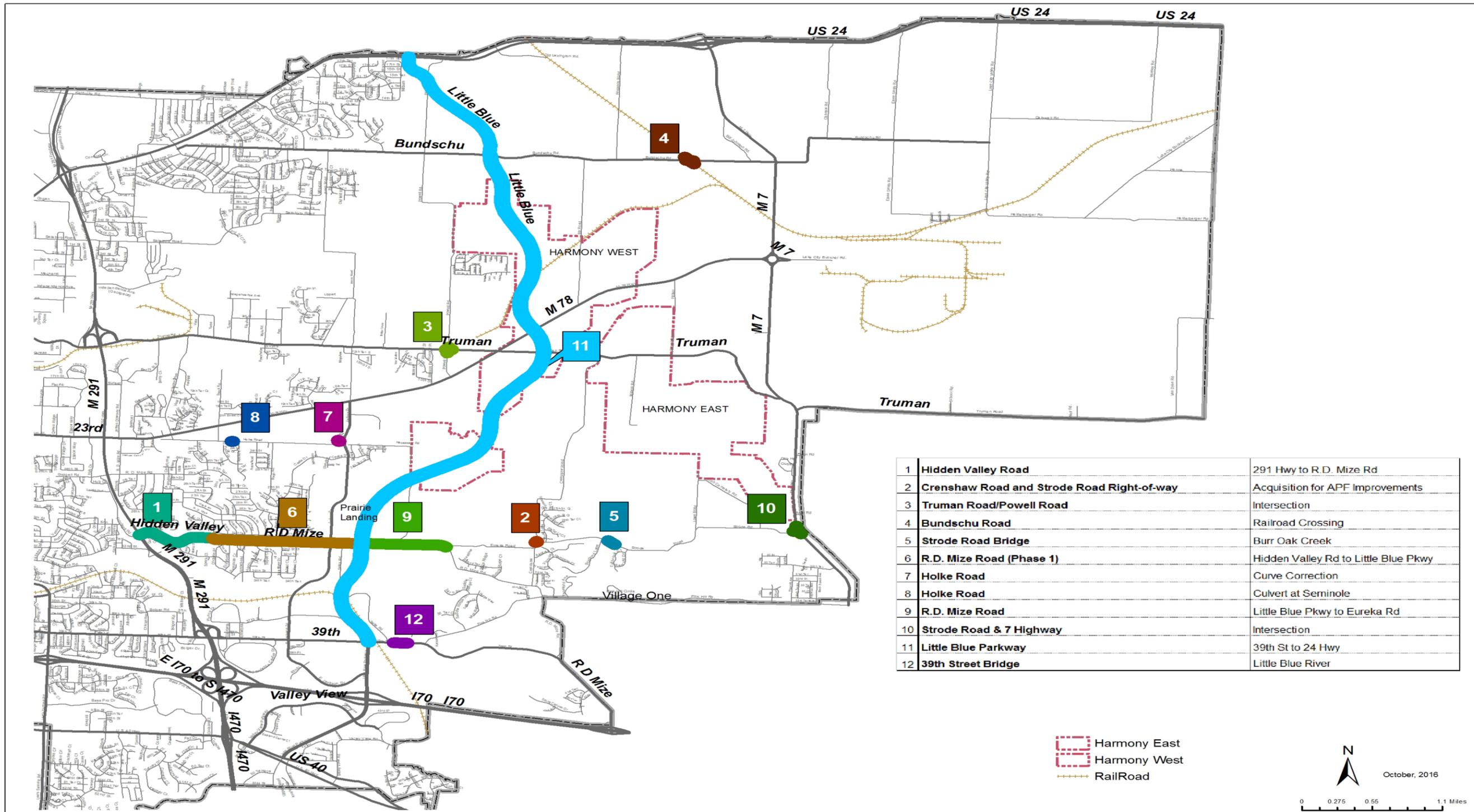
- A. Capital Improvement Program
- B. License Surcharge Location Maps (a & b)

Appendix A – Capital Improvement Program

Capital Projects for License Surcharge Funds																	
Completed Projects		Segment	Status	Length	Total Project Cost	Other Funding Sources	License Surcharge Funds										
1	Hidden Valley Road	291 Hwy to R.D. Mize Rd	Completed 2006	0.62 miles	\$2,491,000	\$1,040,000	\$1,451,000										
2	Crenshaw Road and Strode Road Right-of-way	Acquisition for APF Improvements	Completed 2007		\$229,456	\$0	\$229,456										
3	Truman Road/Powell Road	Intersection	Completed 2007		\$120,000	\$0	\$120,000										
4	Bundschu Road	Railroad Crossing	Completed 2007		\$270,000	\$230,000	\$40,000										
5	Strode Road Bridge	Burr Oak Creek	Completed 2008		\$1,300,000	\$600,000	\$700,000										
6	R.D. Mize Road (Phase 1)	Hidden Valley Rd to Little Blue Pkwy	Completed 2009	1.21 miles	\$3,000,000	\$2,160,000	\$840,000										
7	Holke Road	Curve Correction	Completed 2009		\$315,000	\$15,000	\$300,000										
8	Holke Road	Culvert at Seminole	Completed 2009		\$100,000		\$100,000										
9	R.D. Mize Road	Little Blue Pkwy to Eureka Rd	Completed 2010	0.61 miles	\$2,177,000	\$1,650,000	\$527,000										
10	Strode Road & 7 Highway	Intersection	Completed 2010		\$150,000	\$0	\$150,000										
11	Little Blue Parkway	39th St to 24 Hwy	Completed 2013	7.00 miles	\$50,000,000	\$48,200,000	\$1,800,000										
12	39th Street Bridge	Little Blue River	Completed 2014	0.30 miles	\$3,890,000	\$2,800,000	\$921,172										
Completed Totals:					\$64,042,456	\$56,695,000	\$7,178,628										
Future Projects		Segment	Status	Length	Total Project Cost	Other Funding Sources	License Surcharge Funds	Appropriated as of 6/30/16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	After 2023	
13	Bundschu Road	Susquehanna Rdg to Jackson Dr		0.90 miles	\$2,350,000	\$0	\$2,350,000						\$2,350,000				
14	Bundschu Road	Jackson Dr to Powell Rd		0.85 miles	\$3,100,000	\$0	\$3,100,000										
15	Crenshaw Road	32nd Terr to Strode Rd		0.33 miles	\$1,180,200	\$0	\$1,180,200										
16	Eureka Road	R.D. Mize Rd to Crenshaw Rd		0.68 miles	\$2,480,400	\$0	\$2,480,400										
17	Holke Road (East)	Seminole Dr to Necessary Rd		0.68 miles	\$1,920,000	\$0	\$1,920,000										
18	Holke Road (West)	78 Hwy to Seminole Dr		0.68 miles	\$2,270,000	\$0	\$2,270,000										
19	Jackson Drive	M-78 Hwy to Truman Rd		0.65 miles	\$5,000,000	\$0	\$5,000,000		\$400,000								
20	Ringo Road	Holke Rd to Jackson Dr		0.55 miles	\$1,839,200	\$0	\$1,839,200										
21	Strode Road	Crenshaw Rd to Bradford Ln		0.48 miles	\$1,750,060	\$0	\$1,750,060										
22	Strode Road	Bradford Ln to Lowe Road		0.91 miles	\$3,307,200	\$0	\$3,307,200										
23	Truman Road	Vista Ave to Jones Rd		1.18 miles	\$4,285,600	\$0	\$4,285,600										
24	Truman Road	Little Blue Pkwy to Fischer Rd		1.02 miles	\$4,800,000	\$0	\$4,800,000										
25	Truman Road	Fischer Rd To M-7 Highway		1.12 miles	\$4,510,000	\$0	\$4,510,000										
26	Truman Road & M 78 Highway	Jackson Dr To Little Blue Pkwy		0.59 miles	\$1,850,310	\$0	\$1,850,310										
Match for Safety Improvements		To Be Identified			\$600,000	\$0	\$600,000										
Future Totals:					\$41,242,970	\$0	\$41,242,970										
Completed and Future Totals:					\$105,285,426	\$56,695,000	\$48,421,598										
								Fiscal Year Appropriations	\$0	\$400,000	\$0	\$0	\$0	\$2,350,000	\$0	\$0	\$0
								Projected Revenues		\$300,000	\$300,000	\$295,000	\$295,000	\$320,000	\$320,000	\$320,000	
								Projected Available License Surcharge Funds		\$1,175,995	\$1,075,995	\$1,375,995	\$1,670,995	\$1,965,995	-\$64,005	\$255,995	
								Ending Balance	\$875,995	\$775,995	\$1,075,995	\$1,375,995	\$1,670,995	-\$384,005	-\$64,005	\$255,995	

License Surcharge Completed Project Location Map

Appendix B (a)



1	Hidden Valley Road	291 Hwy to R.D. Mize Rd
2	Crenshaw Road and Strode Road Right-of-way	Acquisition for APF Improvements
3	Truman Road/Powell Road	Intersection
4	Bundschu Road	Railroad Crossing
5	Strode Road Bridge	Burr Oak Creek
6	R.D. Mize Road (Phase 1)	Hidden Valley Rd to Little Blue Pkwy
7	Holke Road	Curve Correction
8	Holke Road	Culvert at Seminole
9	R.D. Mize Road	Little Blue Pkwy to Eureka Rd
10	Strode Road & 7 Highway	Intersection
11	Little Blue Parkway	39th St to 24 Hwy
12	39th Street Bridge	Little Blue River

 Harmony East
 Harmony West
 RailRoad


 October, 2016


License Surcharge Future Project Location Map

Appendix B (b)

