



**LICENSE SURCHARGE
ANNUAL REPORT
FY 2009-2010**



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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 and subsequent rates that were adopted by the City Council, based upon recommendations by the License Surcharge Annual Review Committee including the proposed fee structure for 2011.

Table 1. Original and Subsequent License Surcharge Rate Schedule

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

	2004	\$1,300	\$400	\$1,525
Subsequent and Proposed 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

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

$$\begin{array}{rcl} \text{P.M. Peak Trips X License Surcharge Rate} & = & \text{Amount Due} \\ 1.01 \quad \quad \quad \$1400 & & \$1,414 \end{array}$$

Office Building example

$$\begin{array}{rclcl} \text{Building Size} \div & 1,000 & \text{X Trip Rate X} & \text{License Surcharge Rate} = & \text{Amount Due} \\ 10,000 & & 1.37 & \$450 & \$6,165 \end{array}$$

Specialty Retail example

$$\begin{array}{rclcl} \text{Building Size} \div & 1,000 & \text{X Trip Rate X} & \text{License Surcharge Rate} = & \text{Amount Due} \\ 160,000 & & 1.27 & \$1,400 & \$284,480 \end{array}$$

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.

The following table summarizes the License Surcharge assessments that have been reported as collected from construction permits.

Table 2. License Surcharge Funds Collected by Fiscal Year since Inception

Land Use Category	License Surcharge Funds Collected by Year								
	*Jan 01/ June 02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Residential	\$275,508	\$267,742	\$463,649	\$581,800	\$323,602	\$276,006	\$246,895	\$38,640	\$98,472
Commercial	\$203,883	\$449,000	\$608,760	\$341,239	\$190,034	\$781,123	\$680,587	\$440,504	\$434,234
Office	\$10,204	\$103,593	\$29,036	\$9,356	\$19,546	\$114,381	\$109,930	\$24,342	\$10,350
Warehouse	\$21,123	\$4,080	\$1,872	\$15,866	\$0	\$0	\$0	\$29,626	\$0
Industrial	\$0	\$0	\$0	\$0	\$9,773	\$0	\$6,438	\$0	\$5,137
TOTAL	\$510,718	\$824,415	\$1,103,317	\$948,261	\$542,955	\$1,171,510	\$1,043,850	\$533,112	\$548,193

* 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 2 shows a slight increase of \$15,081 (3%) in total revenue for fiscal year 2009/10. The License Surcharge program has collected approximately \$7.2 million since its inception (excluding interest). Revenue in *Residential* and *Industrial* categories increased slightly from the previous year; the *Commercial*, *Warehouse* and *Office* categories experienced a slight decrease.

FUND BALANCE

The Finance Department reported the License Surcharge undesignated fund balance for the fiscal year ending June 30, 2009 was \$567,432. A total of \$7,042,456 has been allocated to capital projects.

PROJECTIONS

The reported revenue of \$548,193 for FY 09-10 is approximately 5 percent above the projected revenue of \$520,000. Revenues from the *Residential*, *Office* and *Industrial* categories were 64%, 59% and 186% lower than projected, respectively. Revenue in the *Commercial* category was approximately 117% higher than projected and *Office* development was nearly identical to projections.

Projected License Surcharge revenues have been revised based upon current economic conditions along with the recommendation to decrease the rate structure for 2010. Although residential and non-residential market activity is expected, it will be lower than earlier years.

The following table projects the License Surcharge revenues anticipated for future fiscal years.

Table 4. Projected License Surcharge Revenues (Updated 2010)

Fiscal Year	Residential	Office	Commercial	Warehouse	Industrial	TOTAL
FY 10-11	\$150,000	\$25,000	\$250,000	\$10,000	\$20,000	\$455,000
FY 11-12	\$175,000	\$50,000	\$250,000	\$10,000	\$20,000	\$505,000
FY 12-13	\$200,000	\$25,000	\$250,000	\$10,000	\$20,000	\$505,000
FY 13-14	\$220,000	\$25,000	\$250,000	\$10,000	\$20,000	\$525,000
FY 14-15	\$225,000	\$50,000	\$250,000	\$10,000	\$20,000	\$555,000
FY 15-16	\$250,000	\$25,000	\$250,000	\$10,000	\$20,000	\$555,000
FY 16-17	\$250,000	\$25,000	\$250,000	\$10,000	\$20,000	\$555,000
TOTAL	\$1,470,000	\$225,000	\$1,750,000	\$70,000	\$140,000	\$3,655,000

CONSTRUCTION PROGRESS ON PROJECTS FUNDED WITH LICENSE SURCHARGE REVENUES

A total of eight 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 and Strode 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

Two (2) other projects are scheduled to be completed in 2010.

- R.D. Mize Road (Little Blue to Eureka)
- Strode Road (Hwy 7 Intersection)

Little Blue Parkway (11) License Surcharge funds will match federal funds along the future phases of the Little Blue Parkway.

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.

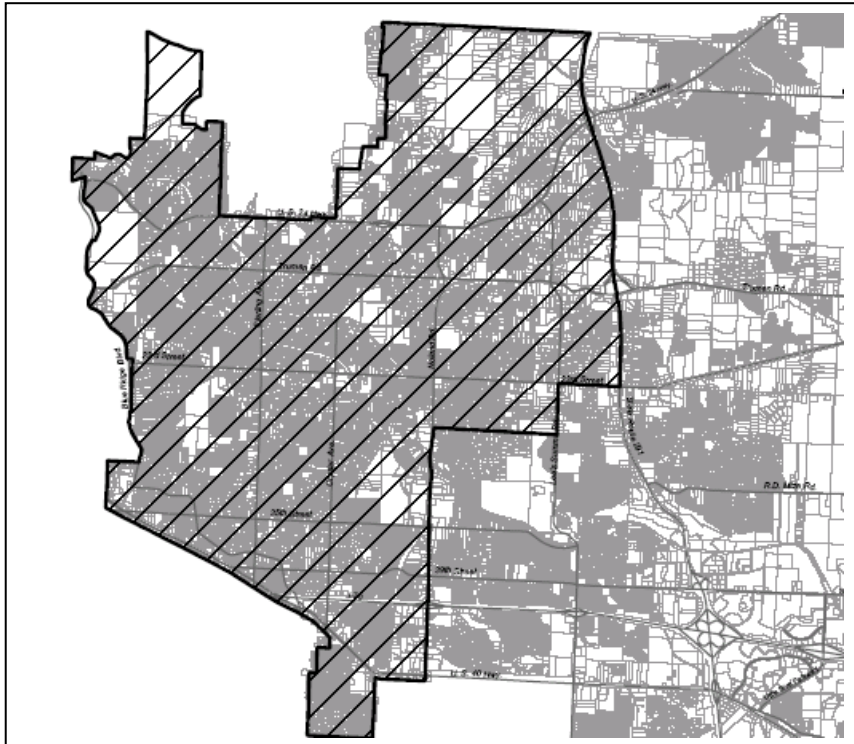


Figure 1. Areas Eligible for Full Credit under Sec. 5.18.005

Appeals

There was one appeal during Fiscal Year 2009/10 from the Golden Corral development on Valley View Parkway. Reductions in the assessment were allowed based on a trip generation analysis prepared by the traffic engineer.

RECOMMENDATIONS

The License Surcharge Annual Review Committee has three (3) recommendations for the License Surcharge program. First, the Committee recommends no change in the

rate for calendar year 2010 due to the slow-down in the economy. As a note, the construction cost index, published in the Engineering News Record (ENR) indicates a 2.9% increase in construction costs in the Kansas City metro area from 2009 to 2010.

The second recommendation is the continuation of the Public Safety Match for Street improvements as part of the License Surcharge Capital Improvement Program. The License Surcharge Annual Review Committee recommends that \$100,000 of License Surcharge funds be used in this way each fiscal year. Frequently development projects such as a new residential subdivision or retail center results in a need for off-site street improvements to address capacity or public safety concerns. When these improvements become necessary as a direct result of the proposed development it is expected that the cost of the improvement will be borne by the developer. However, in many cases the street capacity or design is inadequate and is exacerbated by the proposed development. In these cases the City may only require improvements which are proportional to the impact of the development. For the development project to go forward it is necessary for the City to participate in the cost of the off-site public safety improvements and matching funds are used for this purpose.

The City is often unable to anticipate the timing of development decisions which bring urgency to programming these types of street safety improvements. Major street improvement projects are normally programmed six years in advance through the City's Capital Improvements Program. In order to be more responsive to development pressures it is recommended that \$100,000 of the License Surcharge Funds be allocated on an annual basis to be used as matching funds for street improvements which are required for public safety and beyond the responsibility of a single developer. Unutilized funds should not roll over from one year to the next, but should be allocated annually upon review by the License Surcharge Annual Review Committee.

It is also recommended that the use of these funds be subject to the following restrictions:

1. The street improvement must be directly related to a safety need that is exacerbated by a development project for which the developer is contributing at least 50 percent of the cost of the improvement;
2. The improvement must be to a street classified as a minor arterial or higher on the Major Thoroughfare Plan and that has been previously identified as a License Surcharge project as listed on Exhibit 5 in the *Report and Recommendations of the Citizens Advisory Committee on Establishing an Excise Tax*, June 14, 2000.
3. Before the City Council authorizes the use of any License Surcharge Funds allocated for safety improvements match, the City should require a written development agreement between the City and the developer(s).

The third recommendation is to add two (2) projects to the Capital Project list: (1) 39th Street Bridge over the Little Blue River and (2) Jackson Drive from M-78 Hwy to Truman

Road. The Committee recommended these additions as the Public Works Department submitted STP Grant funding requests for these projects and the License Surcharge funds would be used as the match. In addition, both projects are important road projects in our transportation system. The 39th Street bridge project cost is estimated at \$3.0 million and \$600,000 in programmed in fiscal year 2013/14. Jackson Drive is estimated at \$5.0 million and is shown as unfunded in the Capital Project Program.

No policy changes to the License Surcharge Program are recommended at this time.

The proposed Capital Project Program through 2017 is attached as *Appendix A* and maps identifying the location of each project are labeled at *Appendix B. a* and *b*.

APPENDICES

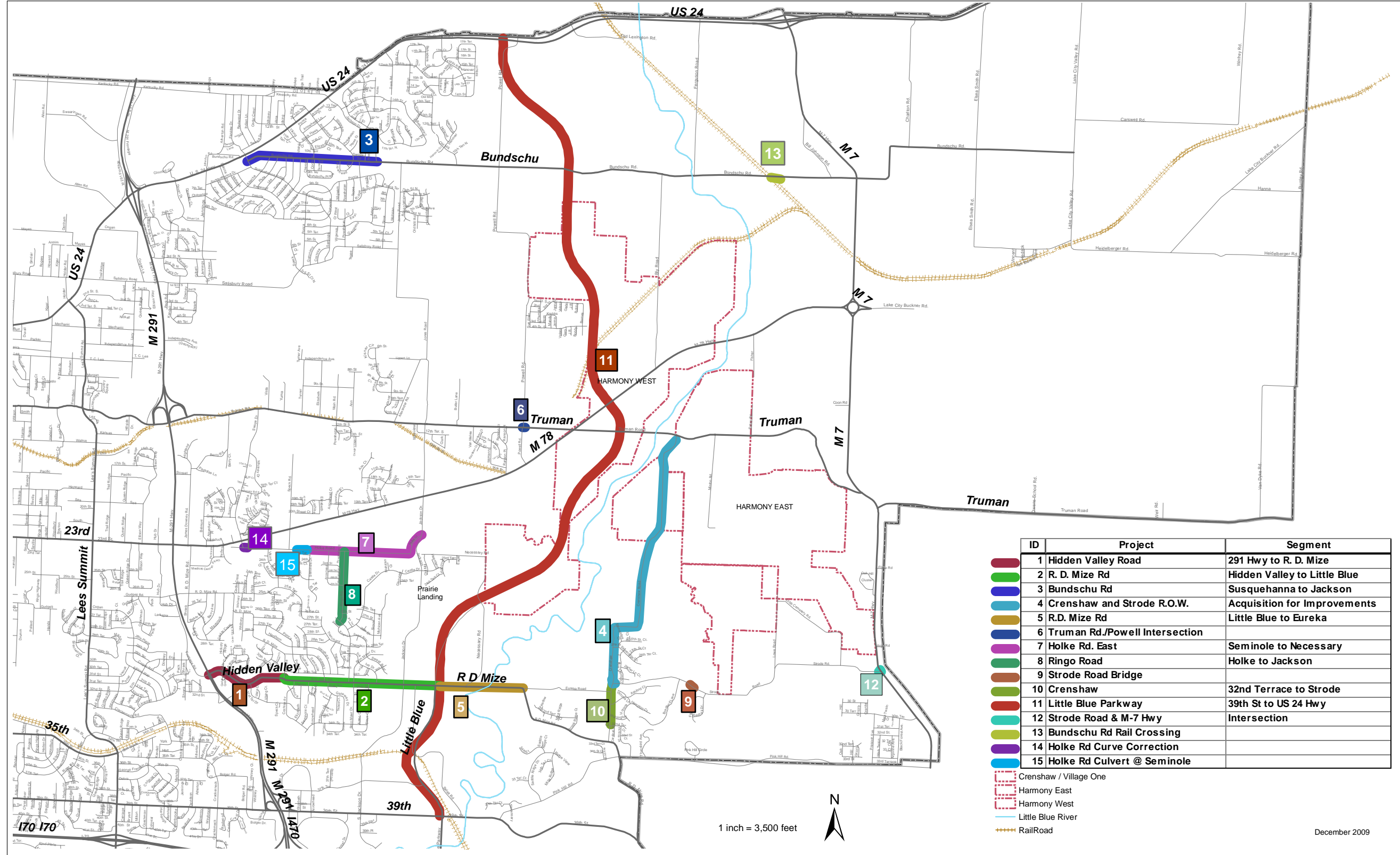
- A. Capital Improvement Program
- B. License Surcharge Location Maps (a. & b)

Appendix A – Capital Improvement Program

2010-2017 Capital Projects for License Surcharge Funds					No Fee Change in 2011										
Project	Segment	Status	Length	Total Project Cost	Other Funding Sources	License Surcharge Funds	Appropriated as of 6/30/10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	After 2017
1	Hidden Valley Road	291 Hwy. To R.D. Mize	Completed 2006	0.62 miles	\$2,491,000	\$1,040,000	\$1,451,000	\$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	\$840,000							
3	Bundschu Road	Susquehanna to Jackson		0.9 miles	\$2,350,000	\$0	\$2,350,000	\$2,135,000	-\$300,000		\$515,000				
4	Crenshaw and Strode ROW	Acquisition for APF Improvements	Completed 2007		\$229,456	\$0	\$229,456	\$229,456							
5	R.D. Mize Road	Little Blue to Eureka	To Be Completed 2010	0.61 miles	\$2,177,000	\$1,650,000	\$527,000	\$227,000	\$300,000						
6	Truman/Powell Intersection		Completed 2007		\$120,000	\$0	\$120,000	\$120,000							
7	Holke Road (East)	Seminole to Necessary Rd		0.68 miles	\$1,920,000	\$0	\$1,920,000					\$200,000			
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	\$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.		7 miles	\$50,000,000	\$48,200,000	\$1,800,000	\$900,000	\$900,000						
12	Strode Road & 7 Highway	Intersection	To Be Completed 2010		\$150,000	\$0	\$150,000	\$150,000							
13	Bundschu Road Rail Crossing		Completed 2007		\$270,000	\$230,000	\$40,000	\$40,000							
	Match for Safety Improvements	To Be Identified			\$600,000		\$600,000		\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	
14	Holke Road Curve Correction	Public Safety Match (\$100K in FY07/08)	Completed 2009		\$315,000	\$15,000	\$300,000	\$300,000							
15	Holke Road Culvert @ Seminole	Public Safety Match (\$100K in FY08/09)	Completed 2009		\$100,000		\$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		0.2 miles	\$3,000,000	\$2,400,000	\$600,000				\$600,000				
24	Jackson Drive	M-78 Hwy to Truman		0.65 miles	\$5,000,000	\$4,000,000	\$1,000,000								
				Totals:	\$95,085,426	\$60,295,000	\$34,790,426								
							Fiscal Year Appropriations	\$7,042,456	\$1,150,000	\$100,000	\$100,000	\$1,215,000	\$300,000	\$100,000	
							Projected Revenues		\$455,000	\$505,000	\$505,000	\$525,000	\$555,000	\$555,000	\$555,000
							Projected Available License Surcharge Funds		\$1,022,431	\$377,431	\$782,431	\$1,207,431	\$547,431	\$802,431	\$1,257,431
							Ending Balance	\$567,431	-\$127,569	\$277,431	\$682,431	-\$7,569	\$247,431	\$702,431	\$1,257,431

License Surcharge Project Location Map

Appendix B (a)



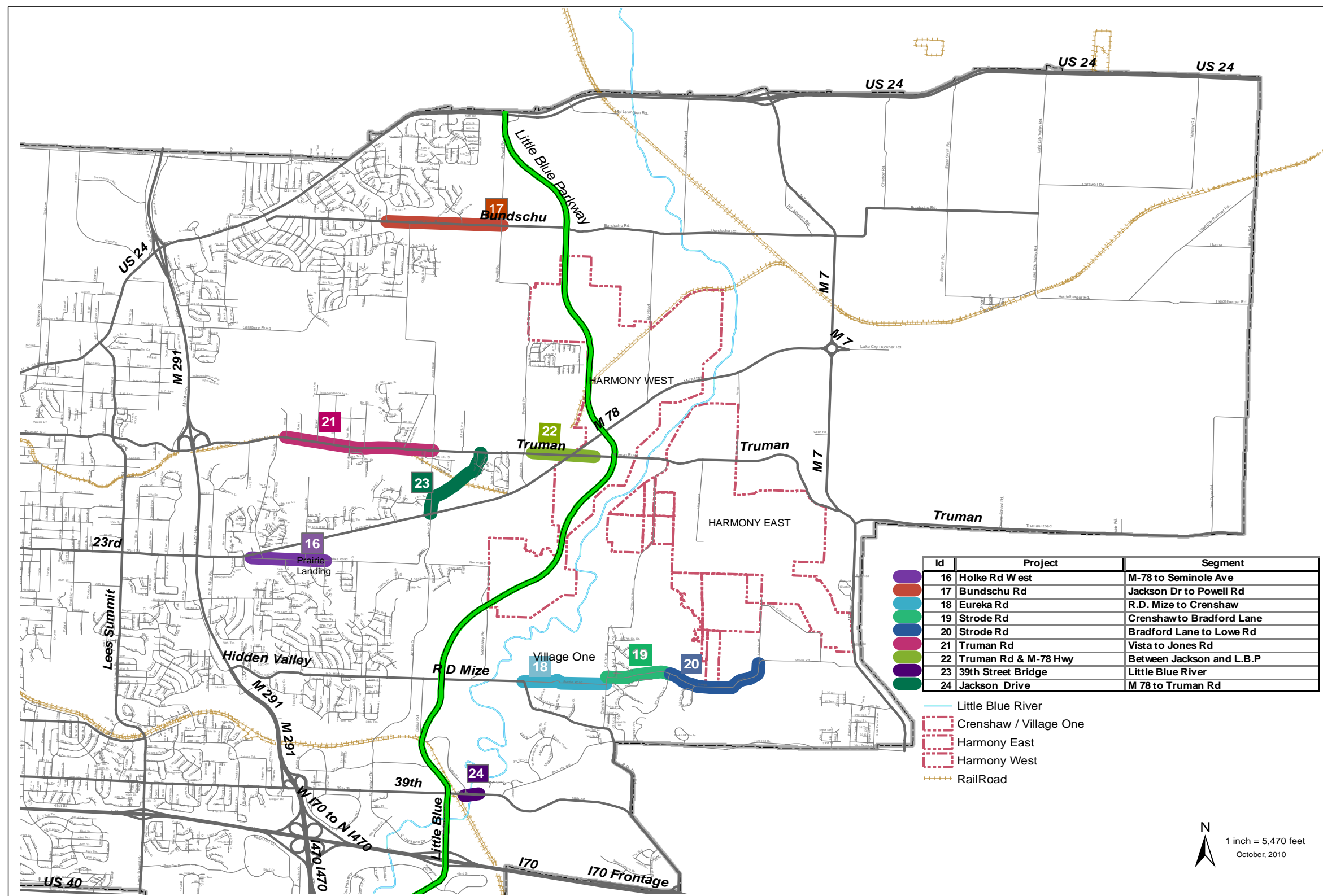
1 inch = 3,500 feet



December 2009

License Surcharge Future Project Location Map

Appendix B (b)



Id	Project	Segment
16	Holke Rd West	M-78 to Seminole Ave
17	Bundschu Rd	Jackson Dr to Powell Rd
18	Eureka Rd	R.D. Mize to Crenshaw
19	Strode Rd	Crenshaw to Bradford Lane
20	Strode Rd	Bradford Lane to Lowe Rd
21	Truman Rd	Vista to Jones Rd
22	Truman Rd & M-78 Hwy	Between Jackson and L.B.P.
23	39th Street Bridge	Little Blue River
24	Jackson Drive	M 78 to Truman Rd

- Little Blue River
- Crenshaw / Village One
- Harmony East
- Harmony West
- Railroad

N
1 inch = 5,470 feet
October, 2010