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**CITY OF LEE'S SUMMIT, MISSOURI**

**PLAN FOR AN INDUSTRIAL DEVELOPMENT PROJECT  
AND  
COST-BENEFIT ANALYSIS**

**FOR**

**SUMMIT RESIDENCE, LLC  
SUMMIT SQUARE APARTMENTS**

APRIL 8, 2016

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# CITY OF LEE'S SUMMIT, MISSOURI

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## PLAN FOR AN INDUSTRIAL DEVELOPMENT PROJECT AND COST-BENEFIT ANALYSIS FOR SUMMIT RESIDENCE, LLC

### I. PURPOSE OF THIS PLAN

The City Council of the City of Lee's Summit, Missouri (the "City") will consider an ordinance approving this Plan (defined below) and authorizing the issuance by the City of its taxable industrial development revenue bonds in the aggregate principal amount of not to exceed \$36,000,000 (the "Bonds"), to finance costs of an industrial development project (the "Project") for Summit Residence, LLC (the "Company") as more fully described and defined herein. The Bonds will be issued pursuant to the provisions of Sections 100.010 to 100.200 of the Revised Statutes of Missouri, as amended, and Article VI, Section 27(b) of the Missouri Constitution, as amended (collectively, the "Act").

This Plan for an Industrial Development Project and Cost-Benefit Analysis (the "Plan") has been prepared to satisfy requirements of the Act and to analyze the potential costs and benefits, including the related tax impact on all affected taxing jurisdictions, of using industrial development revenue bonds to finance the Project and to facilitate abatement of ad valorem taxes on the bond-financed property.

### II. GENERAL DESCRIPTION OF CHAPTER 100 FINANCINGS

**General.** The Act authorizes cities, counties, towns and villages to issue industrial development revenue bonds to finance the purchase, construction, extension and improvement of warehouses, distribution facilities, research and development facilities, office industries, agricultural processing industries, service facilities that provide interstate commerce, industrial plants and other commercial facilities.

**Issuance and Sale of Bonds.** Revenue bonds issued pursuant to the Act do not require voter approval and are payable solely from revenues received from the project. The municipality issues its bonds and in exchange, the benefited company promises to make payments that are sufficient to pay the principal of and interest on the bonds as they become due. Thus, the municipality merely acts as a conduit for the financing.

Concurrently with the closing of the bonds, the company will convey to the municipality title to the property included in the project. (The municipality must be the legal owner of the property while the bonds are outstanding for the property to be eligible for tax abatement, as further described below.) At the same time, the municipality will lease the property, including the project, back to the benefited company pursuant to a lease agreement. The lease agreement will require the company, acting on behalf of the municipality, to use the bond proceeds to pay the costs or reimburse the costs of purchasing, constructing and installing the project, as applicable.

Under the lease agreement, the company typically: (1) will unconditionally agree to make payments sufficient to pay the principal of and interest on the bonds as they become due; (2) will agree, at its own expense, to maintain the project, to pay all taxes and assessments with respect to the project, and to maintain adequate insurance; (3) has the right, at its own expense, to make certain additions, modifications or improvements to the project; (4) may assign its interests under the lease agreement or

sublease the project while remaining responsible for payments under the lease agreement; (5) will covenant to maintain its corporate existence during the term of the bond issue; and (6) will agree to indemnify the municipality for any liability the municipality might incur as a result of its participation in the transaction.

**Property Tax Abatement.** Under Article X, Section 6 of the Missouri Constitution and Section 137.100 of the Revised Statutes of Missouri, all property of any political subdivision is exempt from taxation. In a typical transaction, the municipality holds fee title to the project and leases the project to the benefited company.

If the municipality and the company determine that partial tax abatement is desirable, the company may agree to make “payments in lieu of taxes.” The amount of payments in lieu of taxes is negotiable. The payments in lieu of taxes are payable by December 31 of each year, and are distributed to the municipality and to each political subdivision within the boundaries of the project in the same manner and in the same proportion as property taxes would otherwise be distributed under Missouri law.

### **III. DESCRIPTION OF THE PARTIES**

**Summit Residence, LLC.** The Company is a limited liability company organized and existing under the laws of the State of Missouri.

**City of Lee’s Summit, Missouri.** The City is a constitutional home rule charter city and municipal corporation organized and existing under the laws of the State of Missouri. The City is authorized and empowered pursuant to the provisions of the Act to purchase, construct, extend and improve certain projects (as defined in the Act) and to issue industrial development revenue bonds for the purpose of providing funds to pay the costs of such projects and to lease or otherwise dispose of such projects to private persons or corporations for manufacturing, commercial, warehousing and industrial development purposes upon such terms and conditions as the City deems advisable.

### **IV. REQUIREMENTS OF THE ACT**

**Description of the Project.** The Project to be financed by the Bonds consists of (1) the design and construction of the Summit Square Apartments Development, a 310-unit multifamily housing development and (2) associated site work and infrastructure. The Project being financed by the Bonds will be constructed on approximately 15 acres north of the intersection of NW Chipman Road and NW Donovan Road, which is referred to as the “Project Site.”

**Estimate of the Costs of the Project.** The Project is expected to cost approximately \$36,000,000, consisting of (1) an investment in year 2016 in the amount of \$10,000,000 and (2) an investment in year 2017 in the amount of \$26,000,000.

**Source of Funds to be Expended for the Project.** The sources of funds to be expended for the Project will be the proceeds of the Bonds in a principal amount not to exceed \$36,000,000, to be issued by the City and purchased by the Company or its designee (the “Bondholder”) and, if needed, other available funds of the Company. The Bonds will be payable solely from the revenues derived by the City from the lease or other disposition of the Project (as further described below). The Bonds will not be an indebtedness or general obligation, debt or liability of the City or the State of Missouri.

**Statement of the Terms Upon Which the Project is to be Leased or Otherwise Disposed of by the City.** The City will hold title to the Project Site under the Chapter 100 Transaction. The City will

lease the Project to the Company for lease payments equal to the principal and interest payments on the Bonds. Under the terms of the lease agreement with the City, the Company will have the option to purchase the Project at any time and will have the obligation to purchase the Project at the termination of the lease. The lease between the City and the Company will terminate in 2027, unless terminated sooner pursuant to the terms of the lease.

**Affected School District, Community College District, County and City.** The Lee's Summit R-7 School District is the school district affected by the Project. Jackson County, Missouri is the county affected by the Project. Metropolitan Community College is the community college district affected by the Project. The City is the city affected by the Project. The Cost-Benefit Analysis attached hereto identifies all other taxing districts affected by the Project (other than those taxing entities solely affected by the Project with respect to receipt of tax revenues from the commercial surcharge tax).

**Assessed Valuation.** The most recent equalized assessed valuation of the Project Site is \$69,272. The estimated total equalized assessed valuation of the Project Site after development of the Project (2018) is \$2,835,357.

**Payments in Lieu of Taxes.** If this Plan is approved by the City Council, the City intends to issue the Bonds in 2016 and to provide tax abatement to the Company for the Project for a period of eleven years beginning in 2017. The Company will make a fixed PILOT payment in December of each year in accordance with the following schedule:

2017	\$ 47,960
2018	\$217,387
2019-20	\$289,850
2021-25	\$296,980
2026-27	\$304,420

**Sales Tax Exemption on Construction Materials and Personal Property.** It is anticipated that the construction materials used to construct the Project and personal property constituting a part of the Project will be exempt from state and local sales taxes.

**Cost-Benefit Analysis and Discussion of Exhibits.** In compliance with Section 100.050.2(3) of the Revised Statutes of Missouri, this Plan has been prepared to show the costs and benefits to the City and to other taxing jurisdictions affected by the tax abatements and exemptions of the Project. The following is a summary of the exhibits attached to this Plan that show the direct tax impact the Project is expected to have on each taxing jurisdiction. This Plan does not attempt to quantify the overall economic impact of the Project.

**Project Assumptions.** **Exhibit 1** presents a list of the assumptions related to the determination of assessed valuations and the tax formulas.

**Summary of Cost-Benefit Analysis.** **Exhibit 2** presents a summary for each affected taxing district of (1) the total estimated tax revenues that would be generated if the Project did not occur and (2) the total estimated value of the payments in lieu of taxes ("PILOT Amounts") to be made by the Company for the proposed abatement period.

**Real Property.** **Exhibit 3** provides the projected tax revenues which would be paid on the Project Site without tax abatement and without the Project. **Exhibit 4** provides the projected value of PILOT Amounts to be paid by the Company.

**V. ASSUMPTIONS AND BASIS OF PLAN**

In preparing this Plan, key assumptions have been made to estimate the fiscal impact of the abatement and exemptions proposed for the Project. See **ATTACHMENT A** for a summary of these assumptions.

Information necessary to complete this Plan, has been furnished by representatives of the City, representatives of the Company and its counsel, the Bondholder and other persons deemed appropriate and such information has not been independently verified for accuracy, completeness or fairness.

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## ATTACHMENT A

### SUMMARY OF KEY ASSUMPTIONS

1. The cost of designing and constructing the Project is estimated to be approximately \$36,000,000.
2. The design and construction of the Project will consist of (1) an investment in year 2016 in the amount of \$10,000,000 and (2) an investment in year 2017 in the amount of \$26,000,000.
3. The Project will be owned by the City and leased to the Company with an option to purchase. As long as the Project is owned by the City, it will be exempt from ad valorem taxes.
4. The Project Site will be excluded from the calculation of ad valorem property taxes for a period of eleven years beginning in 2017.
5. During the entire term of the Bonds through 2027, the Company will make payments in lieu of taxes in accordance with that portion of Section IV above in the Plan entitled "Payments in Lieu of Taxes."
6. Commercial real property taxes are calculated using the following formula:  
$$(\text{Assessed Value} * \text{Tax Rate})/100$$
7. The assessed value of the Project Site is calculated using the following formula:  
$$\text{Estimated Value} * \text{Assessment Ratio of 19\%}$$
8. The tax rates used in this Plan reflect the rates in effect for the tax year 2015. The tax rates were held constant through the 2027 tax year.

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**City of Lee's Summit, Missouri  
(Summit Residence LLC)**

COST BENEFIT ANALYSIS  
PLAN FOR INDUSTRIAL DEVELOPMENT PROJECT

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**Exhibit 1**  
**Project Assumptions**

♦ Initial year taxes assessed		2017
♦ Current appraised value of project site (agricultural land)		\$488,200
♦ Current appraised value of project site (commercial land)		\$33,400
♦ Current assessed value as a percentage of appraised value (agricultural land)		12.0%
♦ Current assessed value as a percentage of appraised value (commercial land)		32.0%
♦ Current assessed value of project site (agricultural land)	\$	58,584
♦ Current assessed value of project site (commercial land)	\$	10,688
♦ Assessed value as a percentage of appraised value (new project)		19.0%
♦ Annual investments in the new project	2016	\$10,000,000
	2017	\$26,000,000

♦ Fixed PILOT as described below:

<b>Year(s)</b>	<b>Amount</b>
2017	\$47,960
2018	\$217,387
2019-2020	\$289,850
2021-2025	\$296,980
2026-2027	\$304,420

**Exhibit 2**  
**Summary of Cost Benefit Analysis**

<b>Tax Distribution</b>	<b>Tax Rate</b>	<b>Projected Tax Revenues on Project Site Without Project</b>	<b>Projected PILOT Amounts</b>
Board of Disabled Services	0.0738	\$ 562	\$ 21,216
City - Lees Summit	1.5363	11,707	441,650
Jackson County	0.4956	3,776	142,473
Lees Summit R-VII	5.9813	45,577	1,719,484
Mental Health	0.1198	913	34,440
Metro Junior College	0.2343	1,785	67,356
Mid-Continent Library	0.3146	2,397	90,440
State Blind Pension	0.0300	229	8,624
Surtax	1.4370	10,950	413,104
	<b>10.2227</b>	<b>\$ 77,896</b>	<b>\$ 2,938,787</b>

**Exhibit 3  
Projected Tax Revenues on Project Site Without Project (No Abatement)**

Taxing Jurisdiction	Assessed Value of Project Site Without Project											Total												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027													
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	0.0738	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064
Board of Disabled Services	1.5363	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064
City - Lees Summit	0.4956	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343
Jackson County	5.9813	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143	4,143
Lees Summit R-VII	0.1198	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83
Mental Health	0.2343	162	162	162	162	162	162	162	162	162	162	162	162	162	162	162	162	162	162	162	162	162	162	162
Metro Junior College	0.3146	218	218	218	218	218	218	218	218	218	218	218	218	218	218	218	218	218	218	218	218	218	218	218
Mid-Continent Library	0.0300	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21
State Blind Pension	1.4370	995	995	995	995	995	995	995	995	995	995	995	995	995	995	995	995	995	995	995	995	995	995	995
Surtax	10.2227	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081	7,081
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Exhibit 4  
Projected PILOT Amounts

Taxing Jurisdiction	Tax Rate per \$100	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Estimated Assessed Value of the Project Site with New Project		\$ 469,152	\$ 2,126,513	\$ 2,835,357	\$ 2,835,357	\$ 2,905,103	\$ 2,905,103	\$ 2,905,103	\$ 2,905,103	\$ 2,905,103	\$ 2,977,883	\$ 2,977,883	
PILOT Payment		\$47,960	\$217,387	\$289,850	\$289,850	\$296,980	\$296,980	\$296,980	\$296,980	\$296,980	\$304,420	\$304,420	
<b>Board of Disabled Services</b>	0.0738	\$ 346	\$ 1,569	\$ 2,092	\$ 2,092	\$ 2,144	\$ 2,144	\$ 2,144	\$ 2,144	\$ 2,144	\$ 2,198	\$ 2,198	\$ 21,216
<b>City - Lees Summit</b>	1.5363	7,208	32,670	43,560	43,560	44,631	44,631	44,631	44,631	44,631	45,749	45,749	441,650
<b>Jackson County</b>	0.4956	2,325	10,539	14,052	14,052	14,398	14,398	14,398	14,398	14,398	14,758	14,758	142,473
<b>Lees Summit R-VII</b>	5.9813	28,061	127,193	169,591	169,591	173,763	173,763	173,763	173,763	173,763	178,116	178,116	1,719,484
<b>Mental Health</b>	0.1198	562	2,548	3,397	3,397	3,480	3,480	3,480	3,480	3,480	3,568	3,568	34,440
<b>Metro Junior College</b>	0.2343	1,099	4,982	6,643	6,643	6,807	6,807	6,807	6,807	6,807	6,977	6,977	67,356
<b>Mid-Continent Library</b>	0.3146	1,476	6,690	8,920	8,920	9,139	9,139	9,139	9,139	9,139	9,368	9,368	90,440
<b>State Blind Pension</b>	0.0300	141	638	851	851	872	872	872	872	872	893	893	8,624
<b>Surtax</b>	1.4370	6,742	30,558	40,744	40,744	41,746	41,746	41,746	41,746	41,746	42,792	42,792	413,104
	10.2227	\$ 47,960	\$ 217,387	\$ 289,850	\$ 289,850	\$ 296,980	\$ 296,980	\$ 296,980	\$ 296,980	\$ 296,980	\$ 304,420	\$ 304,420	\$ 2,938,787