

# 2<sup>nd</sup> and Douglas TIF Plan and LCRA Plan

Staff Presentation to City Council

April 16, 2019



**LEE'S SUMMIT**  
MISSOURI



*Yours Truly*

# Evidence, Testimony and Findings

1. Rezoning & PDP
2. TIF Plan
3. LCRA Plan

Issue: How to evaluate and apply evidence and testimony about the project

# TIF Required Findings

1. **Blighted Area**
2. **But For Test and Financial Feasibility**
3. **Conforms to Comprehensive Plan**
4. **Estimated date to terminate TIF has been stated (maximum 23 year limit)**
5. **Relocation Plan**
6. **Cost Benefit Analysis has been prepared**
7. **No gambling establishment**

# LCRA Required Findings

- 1. Blighted Area**
- 2. Necessity (~But For Test)**
- 3. Conforms to Comprehensive Plan**

# Rezoning Factors

1. **Character of neighborhood**
2. **Zoning and use of adjacent properties**
3. **Facilitates adequate public facilities**
4. **Suitability of property for uses under current restrictions**
5. **Length of time vacant**
6. **“Extent to which proposed use will have” Negative affect on aesthetics of property and neighboring property**
7. **Serious injury or detrimental affect on neighboring property**
8. **Adverse effect on capacity or safety of street network, or present parking problems in vicinity**

# Rezoning Factors

9. **Create excessive stormwater runoff, air, water, noise pollution or environmental harm**
10. **Negatively effect value of property or neighboring property**
11. **Extent to which there is a need for use in the community**  
**Suitability of property for uses under current restrictions**
12. **Economic impact of proposed use on community**
13. **Ability of applicant to satisfy requirements imposed on specific use**
14. **Extent to which public facilities and services are available**
15. **Gain to public health, safety and welfare due to approval as compared to hardship imposed on landowner from denial**

# Rezoning Factors

- 16. Conformance of proposed use with Comprehensive Plan, Major Street Plan, Capital Improvements Plan and other planning policies**
- 17. Recommendations of professional staff**
- 18. Consistency of proposed use with permitted and conditional uses in the zoning district**

# Staff Presentation

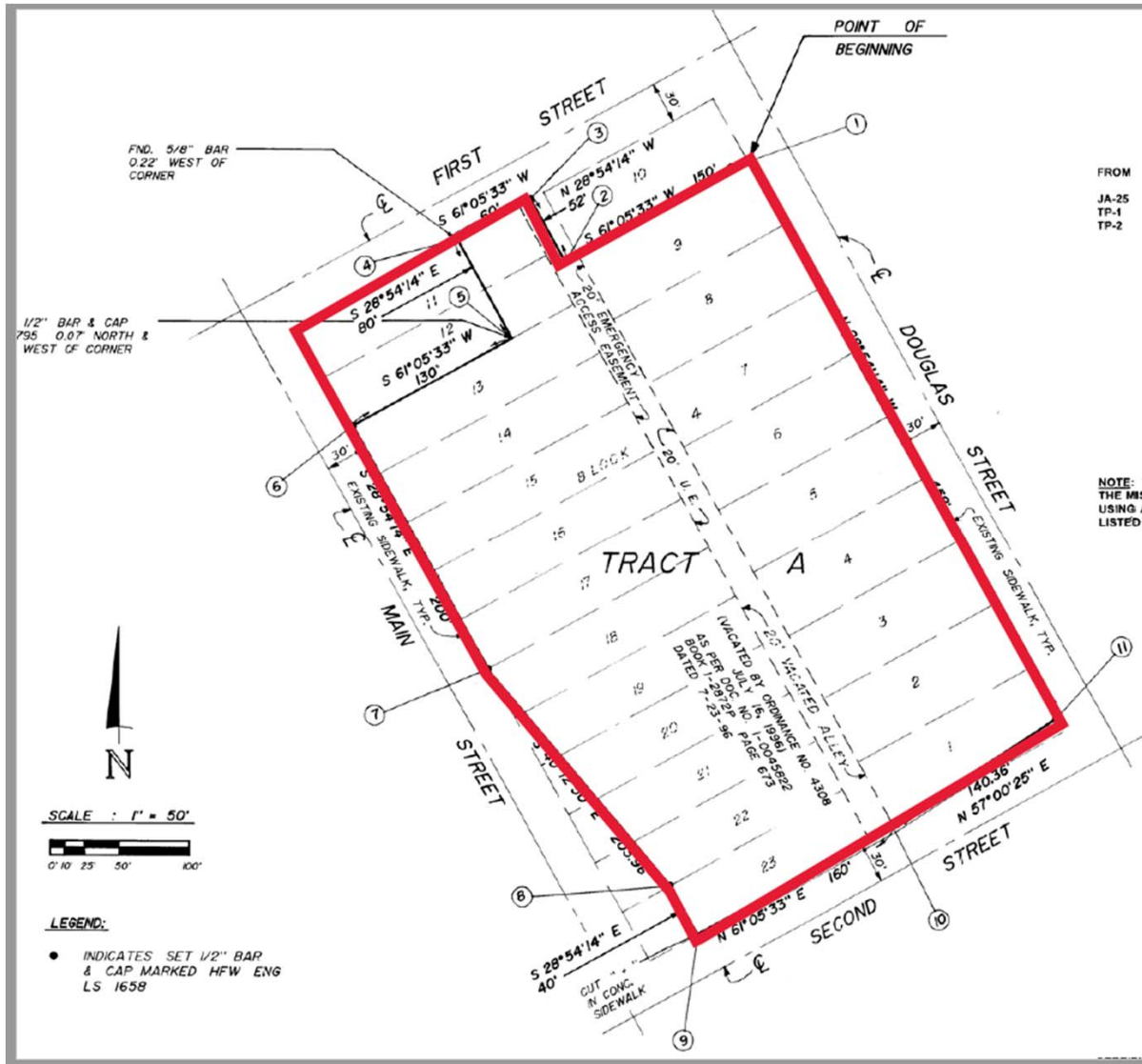
1. Project and Incentives Summary
2. TIF Plan Required Findings





# PROJECT AND INCENTIVES SUMMARY

Type and amount of requested incentives for redevelopment project.



# Requested Incentives

- **Tax Increment Financing:**
  - PILOTs – 100% property tax increment
  - No EATs – no retail sales
- **LCRA:**
  - Sales Tax Exemption on construction materials
  - City ownership during construction period

### Project Sources and Uses

Project Cost	Total	Projected TIF Reimbursed Costs	Developer Private Costs
Land Acquisition	\$2,800,000	\$0	\$2,800,000
Site Work/Infrastructure	\$1,500,000	\$0	\$1,500,000
less Ch. 100 sales tax exemption savings	-\$47,100		-\$47,100
<i>Adjusted Site Work/Infrastructure Cost</i>	<i>\$1,452,900</i>		<i>\$1,452,900</i>
Building Construction	\$32,550,000	\$0	\$32,550,000
less Ch. 100 sales tax exemption savings	-\$1,022,070		-\$1,022,070
<i>Adjusted Building Construction Cost</i>	<i>\$31,527,930</i>		<i>\$31,527,930</i>
Structured Parking	\$8,300,000	\$8,300,000	\$0
less Ch. 100 sales tax exemption savings	-\$260,620	-\$260,620	
<i>Adjusted Structured Parking Cost</i>	<i>\$8,039,380</i>	<i>\$8,039,380</i>	
Soft Costs/Other	\$8,000,000	\$0	\$8,000,000
<b>TOTAL PROJECT COSTS</b>	<b>\$51,820,210</b>	<b>\$8,039,380</b>	<b>\$43,780,830</b>
	<b>Projected TOTAL PROJECT COSTS</b>	<b>Projected TIF Reimbursed Costs</b>	<b>Developer Private Costs</b>

# Ownership Structure

- **Developer purchases property**
  - Property becomes taxable; ~\$87,000/year base rent
- **Developer transfers property to City during construction**
  - City owns during construction period, property is tax-exempt
  - Rent: “Base Rent” and “Additional Rent”
  - Sales tax exemption applies to construction materials
- **City transfers property back to Developer after construction is complete**
  - Property becomes taxable, developer owns for life of TIF
  - PILOTs paid while TIF is in effect



# TIF PLAN REQUIRED FINDINGS

Requirements to adopt the TIF Plan.

# Required Findings

- 1. Blighted Area**
- 2. But For Test and Financial Feasibility**
- 3. Conforms to Comprehensive Plan**
- 4. Estimated date to terminate TIF has been stated (maximum 23 year limit)**
- 5. Relocation Plan**
- 6. Cost Benefit Analysis has been prepared**
- 7. No gambling establishment**

# 1. Blighted Area

- **Property already declared blighted by City Council**
  - LCRA Blight Finding
  - Ordinance No. 7228 on September 10, 2012
- **Developer Blight Study, Exhibit 5**
  - Deterioration of Site Improvements
  - Economic Underutilization



## 2. But For Test & Financial Feasibility

### Summary of Columbia Capital conclusions:

- Project Costs are reasonable
- Vacancy assumption consistent with KC market
- Revenue projections are reasonable
- Rate of return is reasonable
- “But for” test satisfied, requested incentives are required for project to occur

## 2. But For Test & Financial Feasibility

	Developer Calculation – Equity Rate of Return	Columbia Capital – City Financial Advisor Calculations	
		Project Rate of Return	Equity Rate of Return

Without Incentives

1.44%

3.74%

-0.05%

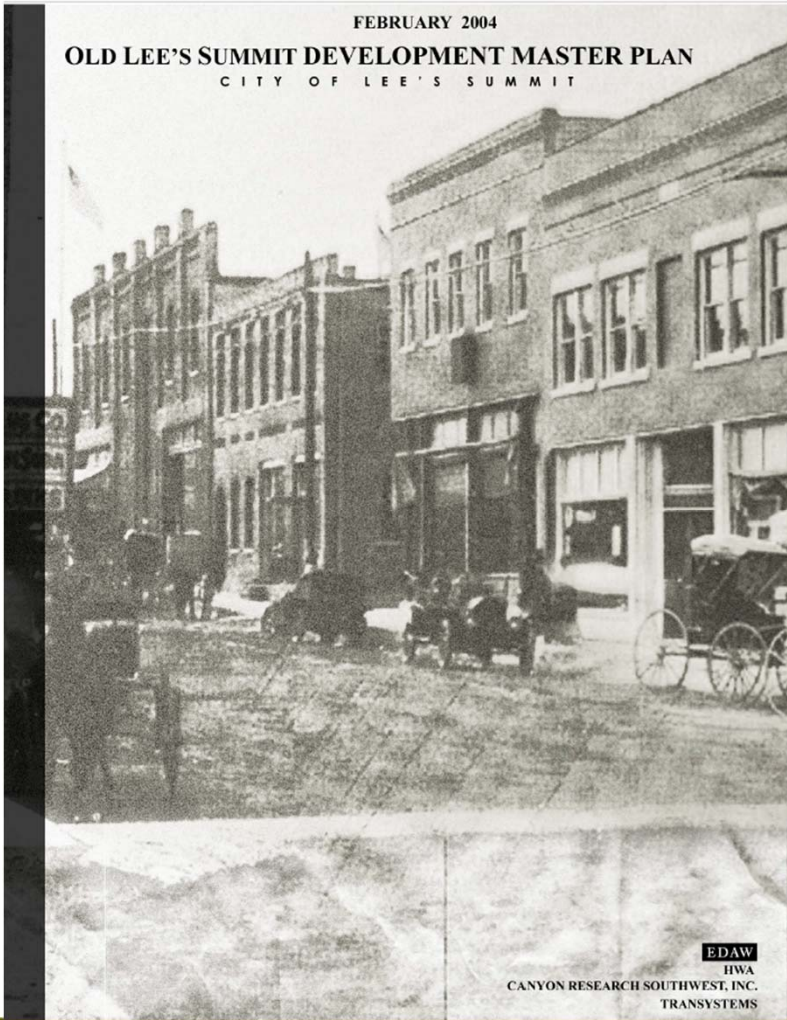
With Incentives

8.89%

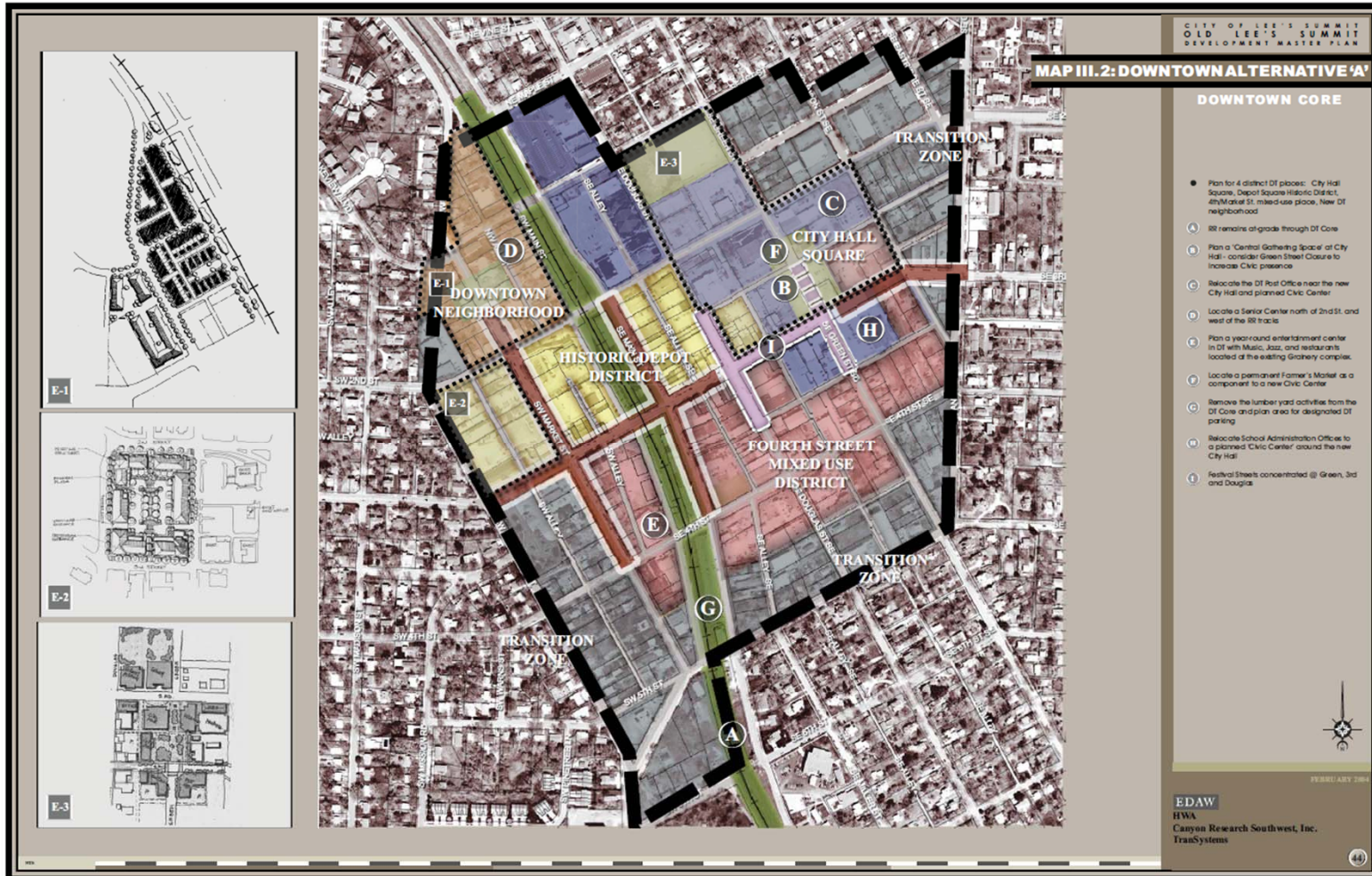
6.19%

8.56%

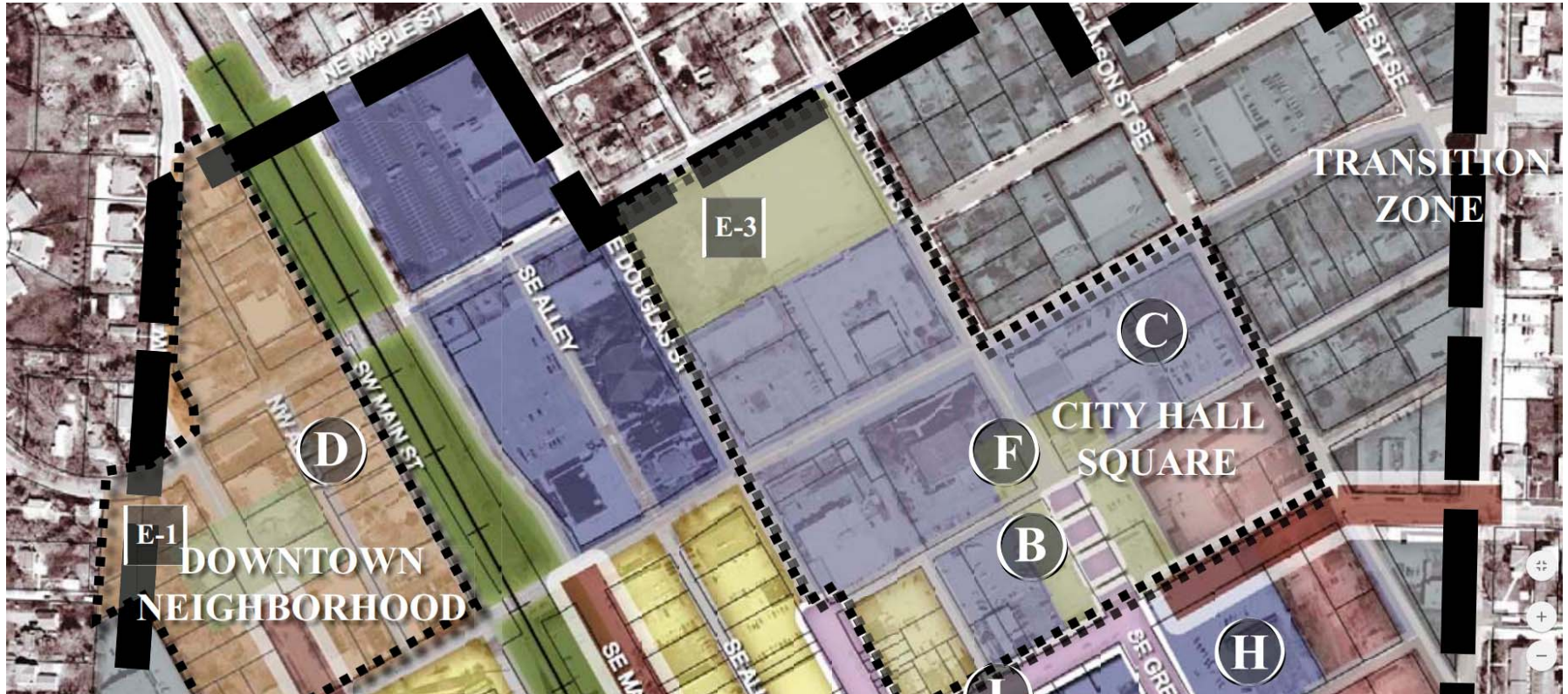
# 3. Consistency with Comprehensive Plan



# 3. Consistency with Comprehensive Plan



### 3. Consistency with Comprehensive Plan



### 3. Consistency with Comprehensive Plan

#### *Downtown Core*

- Potential market absorption of:
  - 70,000-110,000 sq. ft. of retail space through 2020
  - 70,000-110,000 sq. ft. of office space through 2020
  - 300-450 DU through 2020
  - 10-15 hotel rooms through 2020

# City Economic Development Policy

- Preference: less than 25% TIF reimbursement
- Developer request is 15.5% TIF reimbursement
- Total incentive request is 18% of total project costs

# Summary of Incentive Request

Category	Amount	%
Sales Tax Exemption on Construction Materials	\$1,329,790	2.5%
Developer Private Costs	\$43,780,830	84.5%
TIF Reimbursement for Parking Structure	<u>\$8,039,390</u>	<u>15.5%</u>
Total Project Costs	\$51,820,220	100%