

# Discovery Park

Staff Presentation to City Council

November 8, 2022



**LEE'S SUMMIT**  
MISSOURI



*Yours Truly*

# City Council Proceedings

## Tonight

- Presentation
  - Regional Snapshot – Existing CID – Expansion for Discovery Park
  - TIF Plan – Required Findings – Summary
- TIF Plan Public Hearing
  - Public Testimony under Section 67.2725, RSMo
- Ordinances
  - TIF Plan and TIF Redevelopment Projects x4

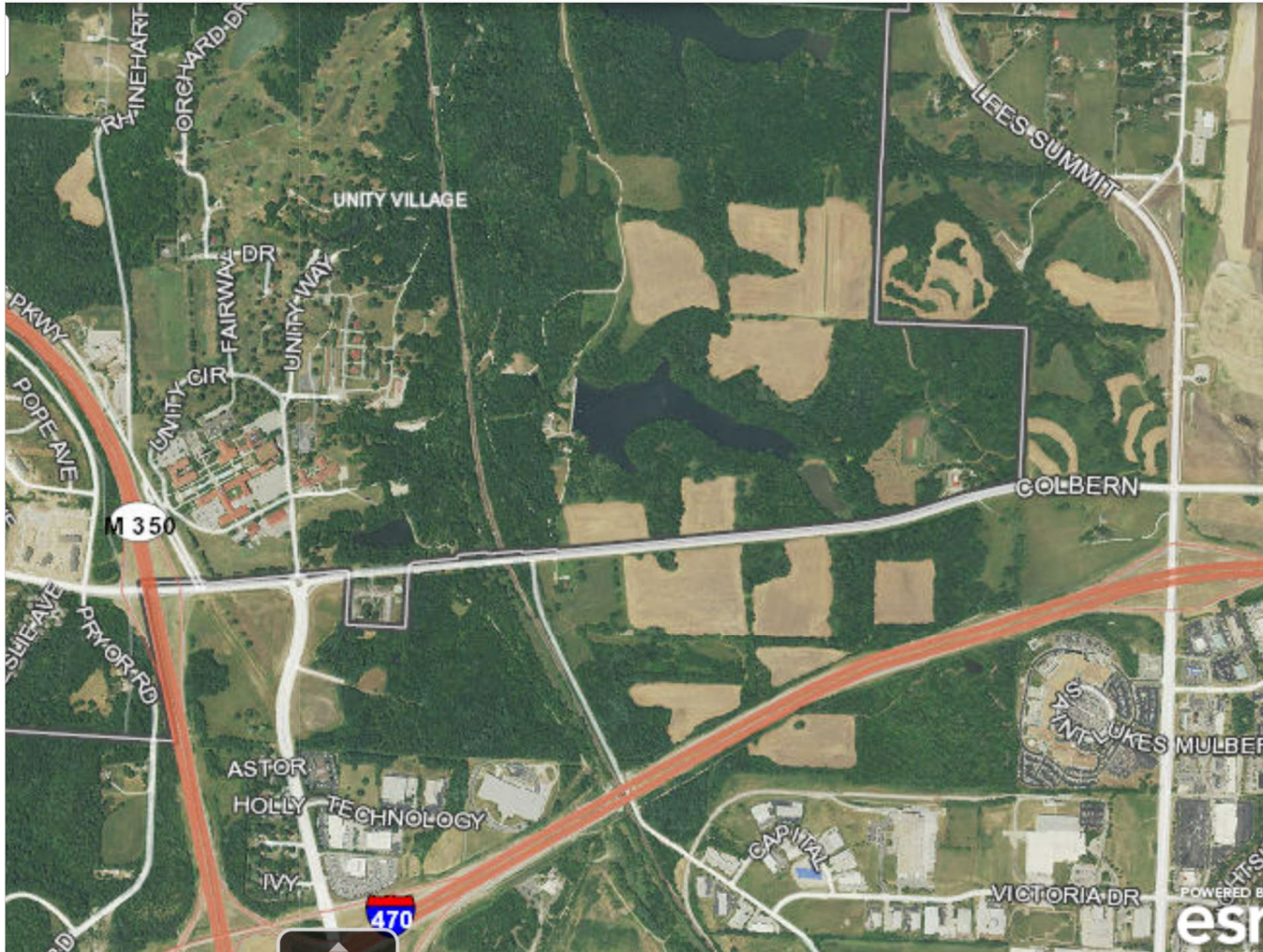
## Future Council Meetings

- CID Public Hearing to amend and expand – December 6, 2022
- Ordinances for TIF Contract and CID Agreement – future Council agenda
- Zoning and Platting – January 2023

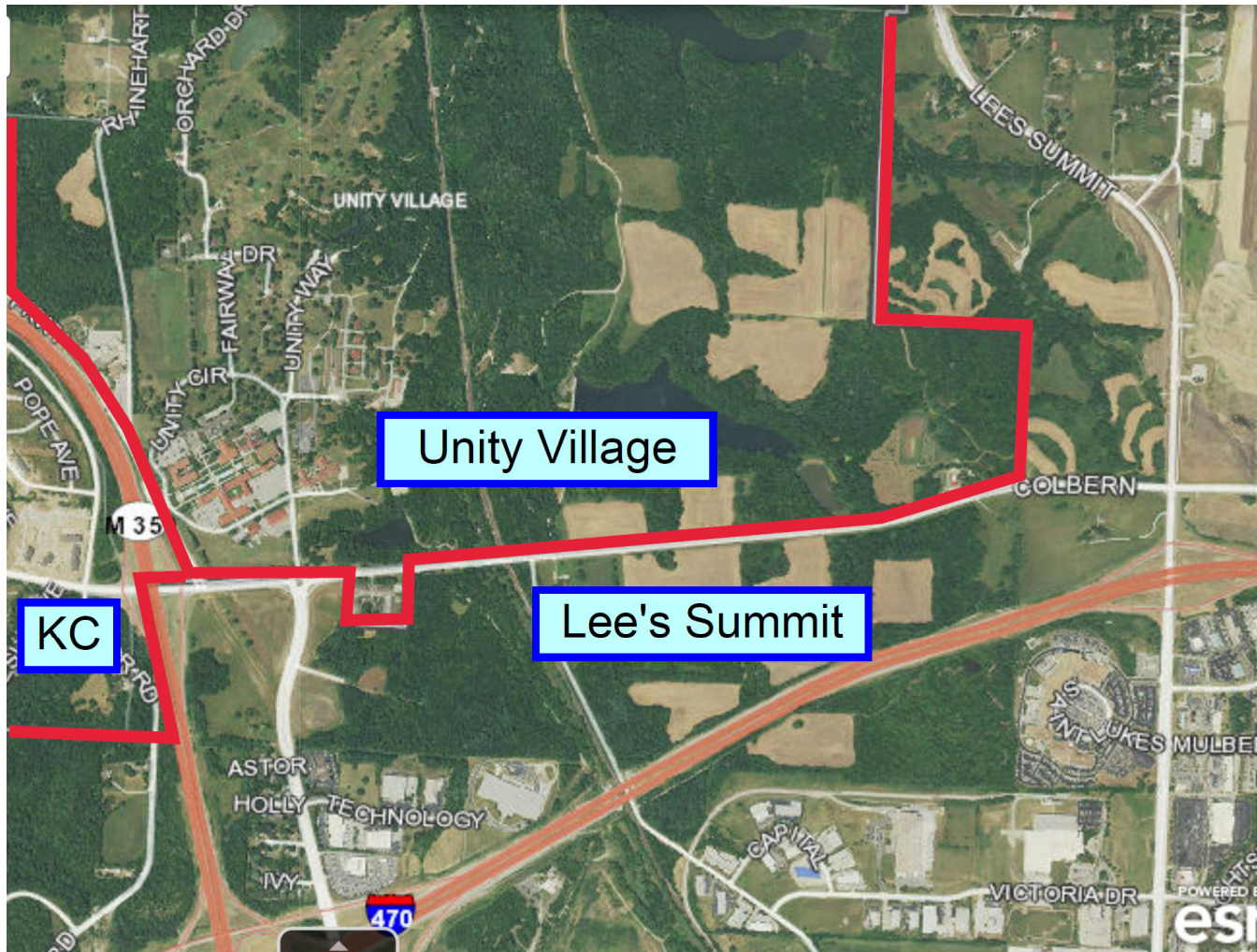
# TIF Terms

- **TIF - Tax Increment Financing**
- **PILOTs - Payments in Lieu of Taxes**
  - 100% of PILOTs can be captured
- **Surplus PILOTs**
- **EATs - Economic Activity Taxes (EATs)**
  - 50% of EATs can be captured; sales and use taxes
- **Redevelopment Area**
- **TIF Redevelopment Project**
- **Special Allocation Fund (SAF)**
- **CID – Community Improvement District**
- **TIF Contract**

# Regional Snapshot



# Municipalities



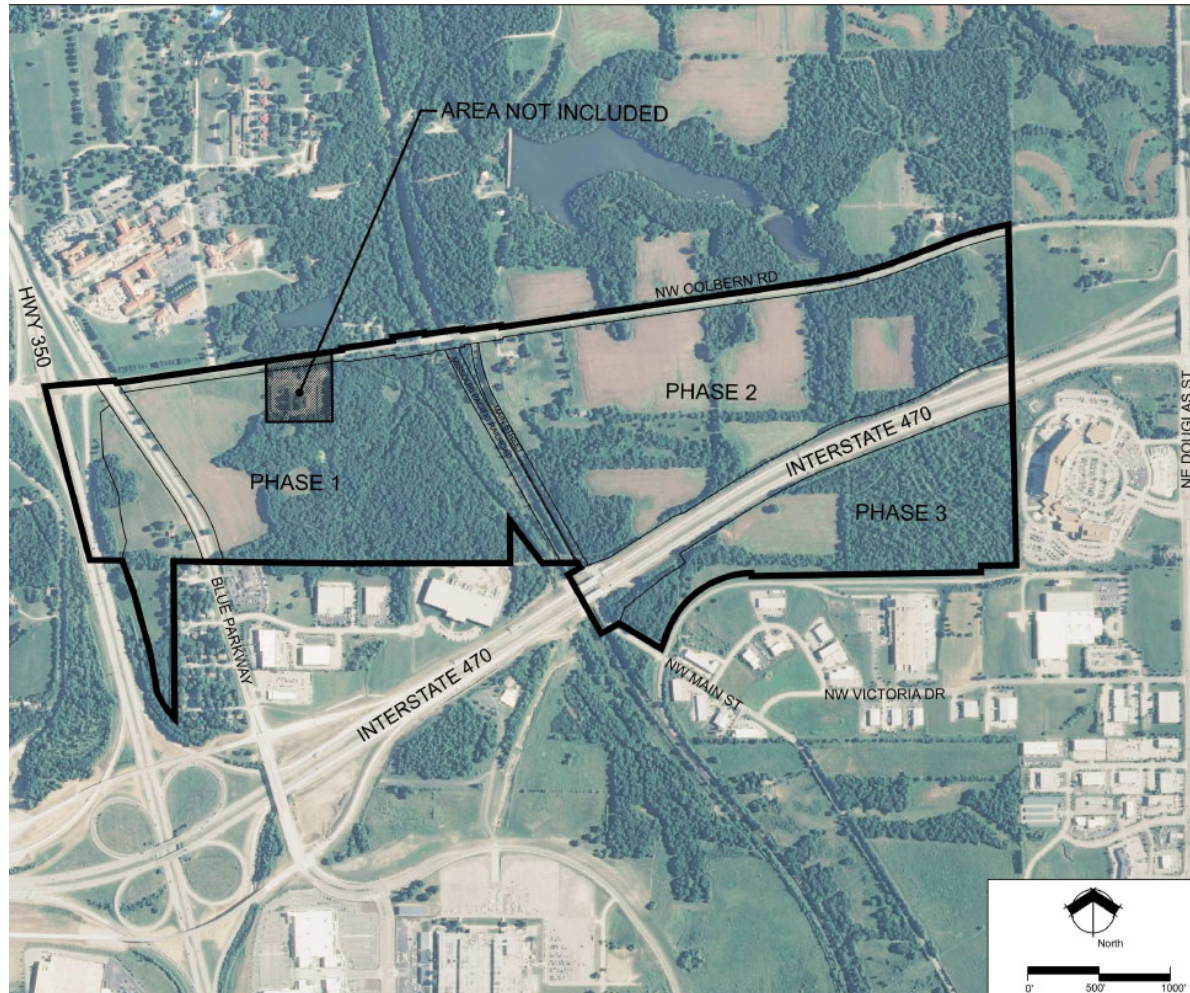
# Blue Parkway Project



# Colbern Road Project

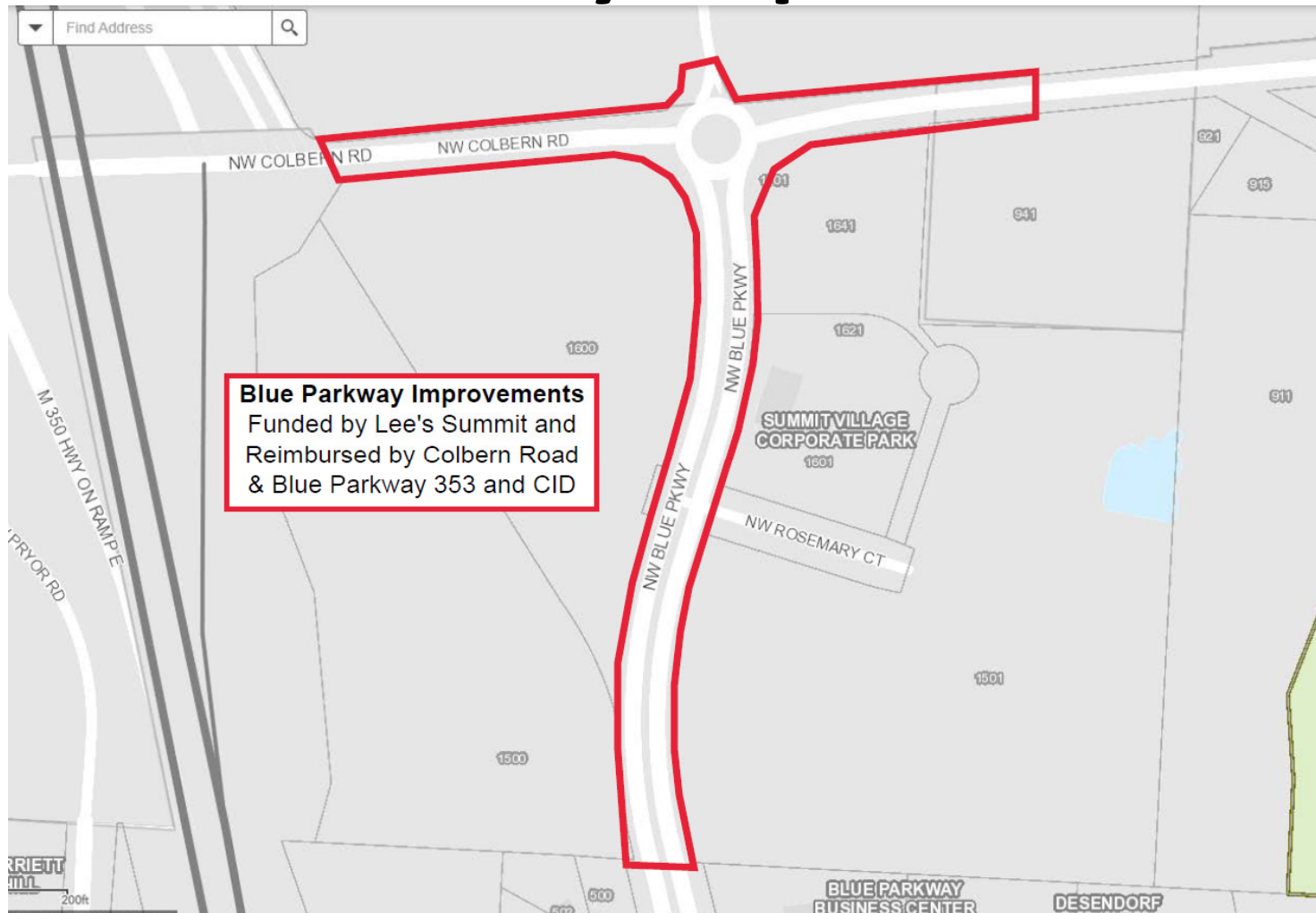


# Blue Parkway & Colbern Road CID

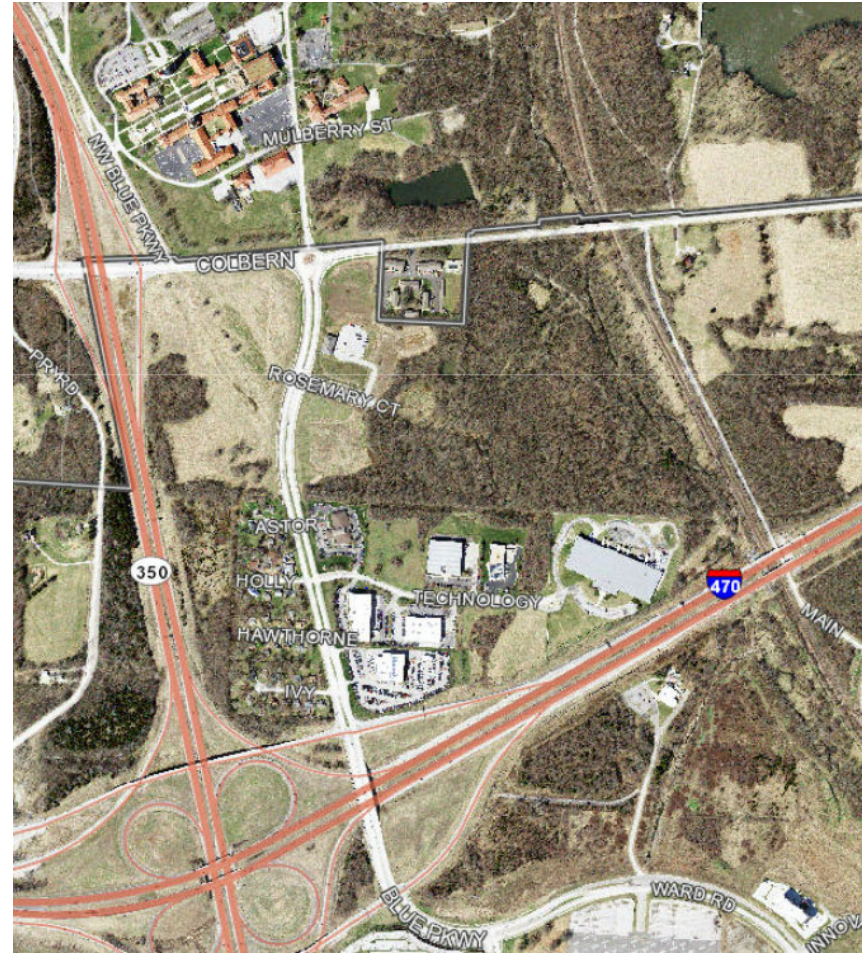
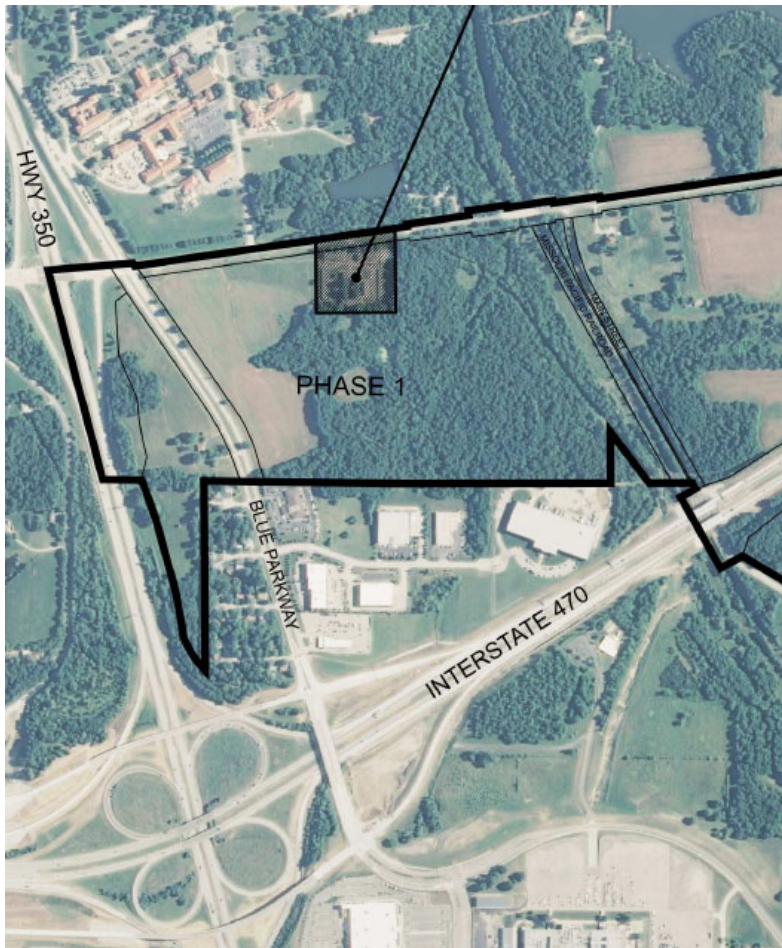




# Blue Parkway Improvements



# Blue Parkway Improvements



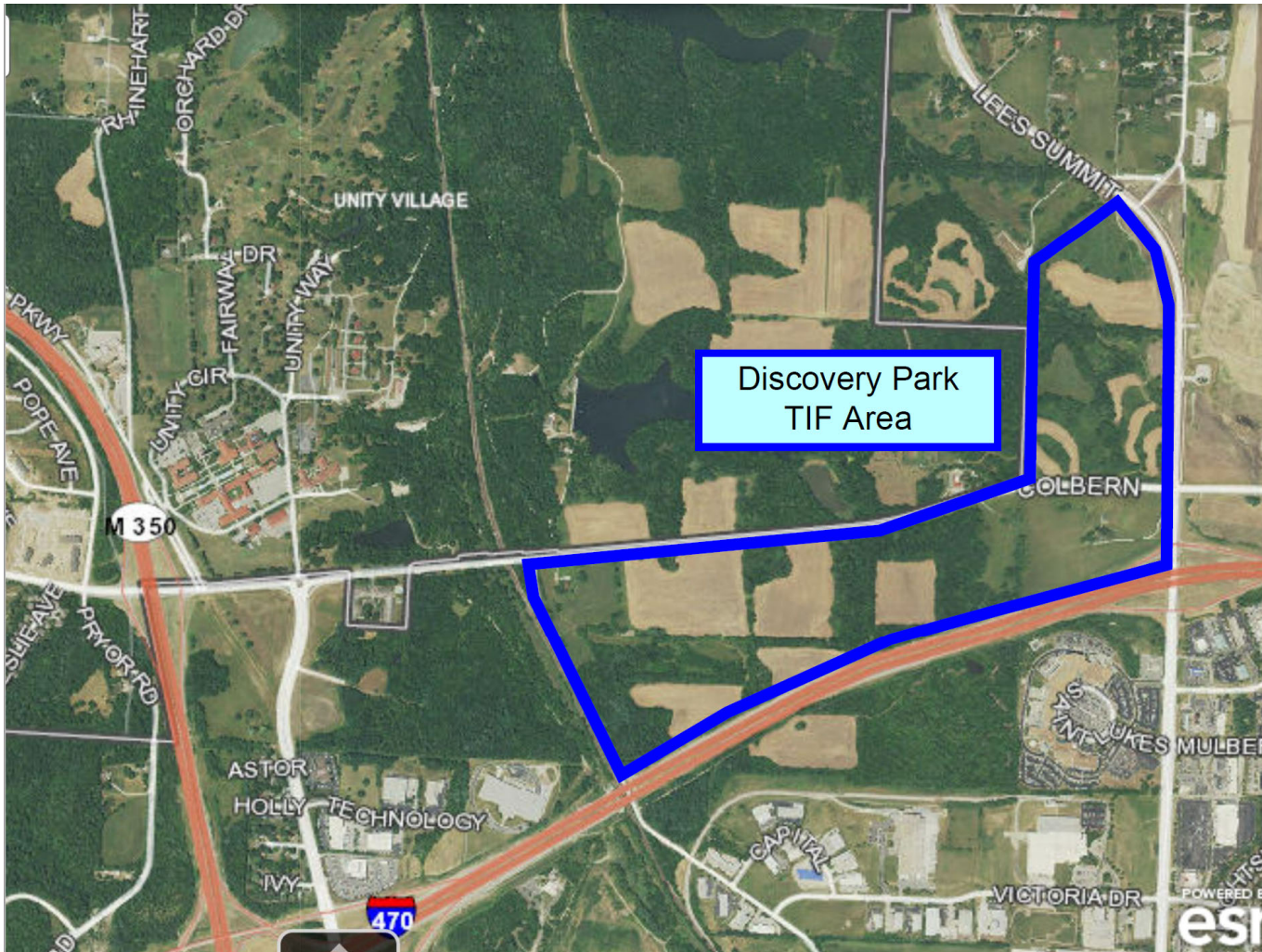
# Proposed CID Expansion



# Discovery Park Project



# Discovery Park TIF Area



# Requested Incentives

- **Tax Increment Financing:**
  - PILOTs: 75% capture, 25% surplus
  - 50% EATs from taxable retail sales
- **Community Improvement District:**
  - 1% sales tax on taxable retail sales
  - Reimbursement for public improvements
- **Hotel Sales Tax Rebate:**
  - 1% City general sales tax on taxable sales at hotels

# Historical TIF Data

## Lee's Summit TIF Plans

Updated October 17, 2022

Project	Year	Acres	Total Project Cost*	TIF Reimbursement*	TIF %	Total Reimbursement*	Total %	Incentives					Characteristics					
								TIF	LCRA	CID	TDD	Chapter 100	Blighted Area	Conservation Area	Public Improvements	Private Improvements		
					#DIV/0!		#DIV/0!	•										
Northeast TIF	1988				#DIV/0!		#DIV/0!	•										
Southeast TIF	1990				#DIV/0!		#DIV/0!	•										
Tuscany Manor	1999				#DIV/0!		#DIV/0!	•										
Chapel Ridge	2000	258.0	\$108.7	\$24.9	22.9%	\$31.9	29.3%	•				•						
Summit Woods	2000	95.0	\$151.6	\$24.7	16.3%	\$39.7	26.2%	•				•						
I-470 Business & Technology	2006	17.8	\$66.2	\$4.1	6.2%	\$6.8	10.3%	•			•							
Lee's Summit East (Summit Fair)	2006	58.7	\$162.8	\$32.0	19.7%	\$55.3	34.0%	•			•							
Hartley Block	2006	1.3	\$7.7	\$2.5	32.5%	\$2.5	32.5%	•										
East 50 Highway Corridor (Project 4)	2007	15.2	\$20.0	\$3.8	19.0%	\$5.0	25.0%	•			•							
Ritter Plaza	2007	7.3	\$14.5	\$3.3	22.8%	\$4.7	32.4%	•			•							
New Longview	2015	107.0	\$85.4	\$20.6	24.1%	\$20.6	24.1%	•			•	•						
Village at View High	2017	34.0	\$69.0	\$8.0	11.6%	\$10.3	14.9%	•			•							
Cityscape Downtown (2019)	2019	3.7	\$51.8	\$8.0	15.4%	\$8.0	15.4%	•	•								•	•
Streets of West Pryor (2019)	2019	73.0	\$178.6	\$20.2	11.3%	\$29.9	16.7%	•	•	•	•	•					•	
I-470 & View High (Amended) (Paragon Star)	2020	332.9	\$245.1	\$32.2	13.1%	\$74.6	30.4%	•	•	•	•						•	
Discovery Park	2022	200.0	\$951.1	\$198.4	20.9%	\$211.0	22.2%	•			•						•	
<b>Grand Totals</b>		<b>1,203.9</b>	<b>\$2,112.5</b>	<b>\$382.7</b>		<b>\$500.3</b>		<b>17</b>	<b>3</b>	<b>9</b>		<b>1</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>1</b>		

# Project Budget & Incentives

## Redevelopment Project Costs

Component	Total	Private	TIF Reimbursable	CID Reimbursable	Hotel Tax Reimbursable	Total Reimbursable
Land Acquisition	\$26,189,078	\$26,189,078	-	-	-	-
Grading, retaining walls and site prep	\$17,783,315	-	\$17,783,315	-	-	\$17,783,315
Sanitary Sewer	\$3,539,635	-	\$2,823,600	\$716,035	-	\$3,539,635
Water	\$3,235,767	-	\$2,519,732	\$716,035	-	\$3,235,767
Stormwater	\$8,326,276	-	\$8,326,276	-	-	\$8,326,276
Roadway	\$8,829,125	-	\$7,065,473	-	\$1,763,652	\$8,829,125
Blue Parkway Road Improvements	\$5,000,000	-	-	\$5,000,000	-	\$5,000,000
Surface Parking & Curbs	\$13,568,700	-	\$13,568,700	-	-	\$13,568,700
Site Utilities	\$3,837,300	-	\$3,837,300	-	-	\$3,837,300
Hardscapes/ Landscapes	\$16,384,365	-	\$16,384,365	-	-	\$16,384,365
Signage/ Monumentation	\$702,510	-	\$702,510	-	-	\$702,510
Public Improvements	\$4,450,000	-	-	\$4,450,000	-	\$4,450,000
Transmission lines	\$6,759,160	-	\$6,759,160	-	-	\$6,759,160
<b>Total On-Site Costs</b>	<b>\$92,416,153</b>	<b>-</b>	<b>\$79,770,431</b>	<b>\$10,882,070</b>	<b>\$1,763,652</b>	<b>\$92,416,153</b>
Vertical Improvements	\$697,334,855	\$679,337,288	\$17,997,567	-	-	\$17,997,567
Parking Garage	\$38,278,800	-	\$38,278,800	-	-	\$38,278,800
General Conditions	\$6,057,353	\$4,000,000	\$2,057,353	-	-	\$2,057,353
<b>Total Building Construction</b>	<b>\$741,671,008</b>	<b>\$683,337,288</b>	<b>\$58,333,720</b>	<b>-</b>	<b>-</b>	<b>\$58,333,720</b>
Professional Fees	\$27,598,706	-	\$27,598,706	-	-	\$27,598,706
Financing Costs	\$30,685,575	-	\$30,685,575	-	-	\$30,685,575
Commissions/Marketing	\$4,700,000	\$4,700,000	-	-	-	-
Development Fees	\$6,210,000	\$6,210,000	-	-	-	-
Contingency	\$21,562,171	\$19,562,171	\$2,000,000	-	-	\$2,000,000
<b>Total Professional Costs</b>	<b>\$90,756,452</b>	<b>\$30,472,171</b>	<b>\$60,284,281</b>	<b>-</b>	<b>-</b>	<b>\$60,284,281</b>
<b>Grand Total</b>	<b>\$951,032,692</b>	<b>\$739,998,537</b>	<b>\$198,388,432</b>	<b>\$10,882,070</b>	<b>\$1,763,652</b>	<b>\$211,034,154</b>
<b>Incentives as % of Development Costs</b>	<b>22.19%</b>	<b>(21.78% less Blue Parkway Road Improvements)</b>				



# Sources of Funds

**Private Funding Sources**

Equity and/or Debt from Developer and Others	<b>\$739,998,537</b>	<b>77.8%</b>
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**Public Reimbursement Sources**

TIF Reimbursement	\$198,388,432	20.9%
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CID Reimbursement (Non-Captured)	\$10,882,070	1.1%
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City Sales Tax Rebate from Hotels	\$1,763,652	0.2%
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	<b>Subtotal</b>	<b>\$211,034,154</b>	<b>22.2%</b>
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	<b>Total</b>	<b>\$951,032,691</b>	<b>100.0%</b>
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# Budget Summary by Category

<u>Development Cost</u>	<u>Amount</u>	<u>% of Total Project</u>
Land Acquisition	\$26,189,000	2.8%
Site Development Costs	\$92,416,000	9.7%
Building Construction	\$741,671,000	78.0%
Professional Services	\$27,599,000	2.9%
Other Soft Cost and Contingency	\$63,158,000	6.6%
	<hr/>	
	\$951,033,000	100.0%

# Public vs. Private Reimbursement

Component	Private improvements	Public Improvements	Total Reimbursable
Grading, retaining walls and site prep	–	\$17,783,315	\$17,783,315
Sanitary Sewer	–	\$3,539,635	\$3,539,635
Water	–	\$3,235,767	\$3,235,767
Stormwater	–	\$8,326,276	\$8,326,276
Roadway	–	\$8,829,125	\$8,829,125
Blue Parkway Road Improvements	–	\$5,000,000	\$5,000,000
Surface Parking & Curbs	\$13,568,700	–	\$13,568,700
Site Utilities	–	\$3,837,300	\$3,837,300
Hardscapes/ Landscapes	–	\$16,384,365	\$16,384,365
Signage/ Monumentation	–	\$702,510	\$702,510
Public Improvements	–	\$4,450,000	\$4,450,000
Transmission lines	–	\$6,759,160	\$6,759,160
<b>Total On-Site Costs</b>	<b>\$13,568,700</b>	<b>\$78,847,453</b>	<b>\$92,416,153</b>
Vertical Improvements	\$34,399,078	–	\$34,399,078
Parking Garage	\$23,088,800	–	\$23,088,800
General Conditions	–	\$2,057,353	\$2,057,353
<b>Total Building Construction</b>	<b>\$57,487,878</b>	<b>\$2,057,353</b>	<b>\$59,545,231</b>
Professional Fees	\$11,039,482	\$16,559,224	\$27,598,706
Financing Costs	\$12,274,230	\$18,411,345	\$30,685,575
Contingency	–	\$2,000,000	\$2,000,000
<b>Total</b>	<b>\$94,370,291</b>	<b>\$117,875,375</b>	<b>\$212,245,665</b>
<b>Public Improvements %</b>		<b>56%</b>	
<b>Private Improvements %</b>		<b>44%</b>	

# TIF Commission Recommendation

- Approve TIF Plan **subject to Financial Advisor Report which materially concurs with Developer rate of return calculation**
- Make Required Findings
- Approve Developer
- Approve four Redevelopment Projects
- TIF Contract with Developer
- 7-2 vote

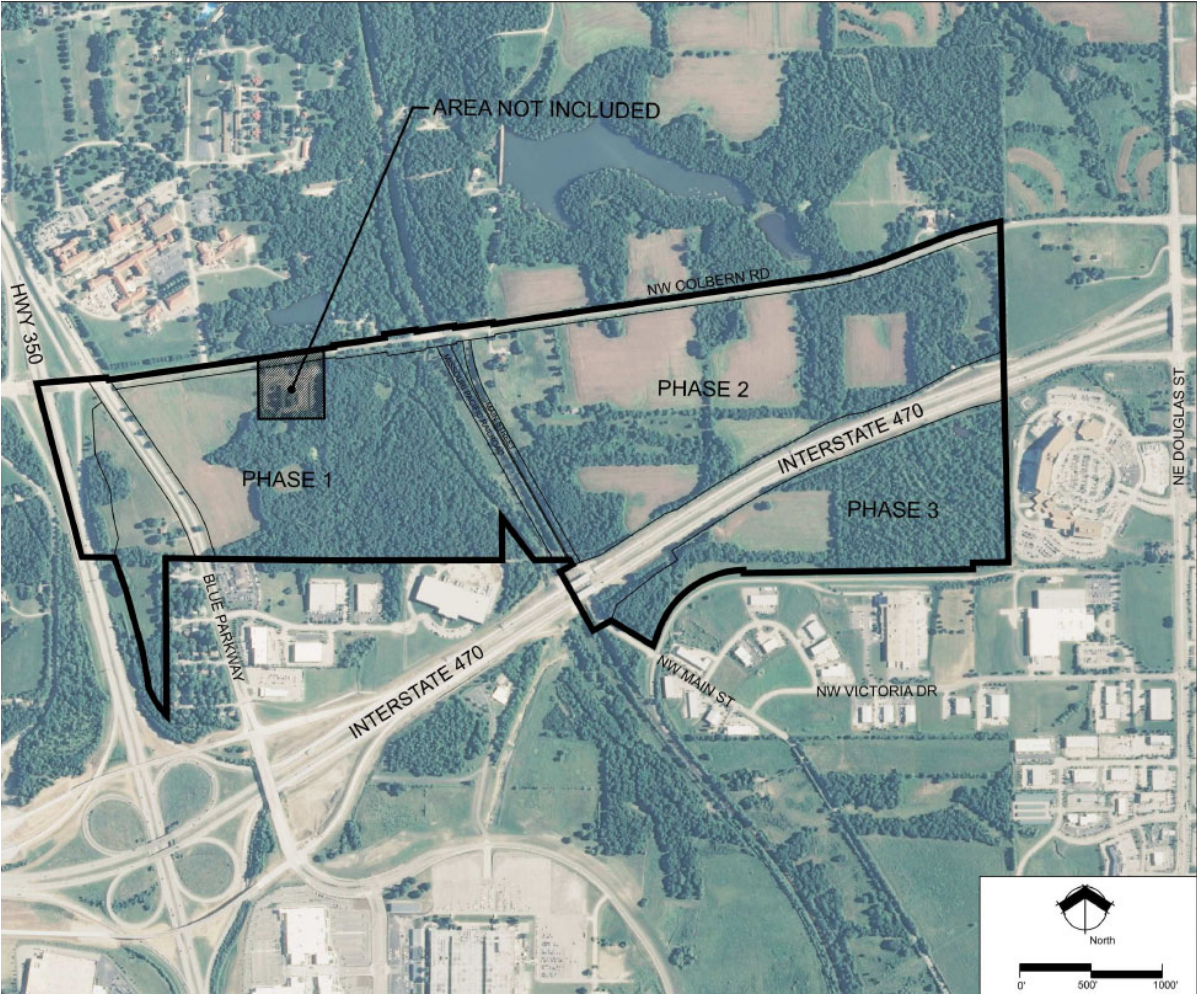
# TIF Required Findings

- 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 has been prepared**
- 6. Cost Benefit Analysis has been prepared**
- 7. No gambling establishment**

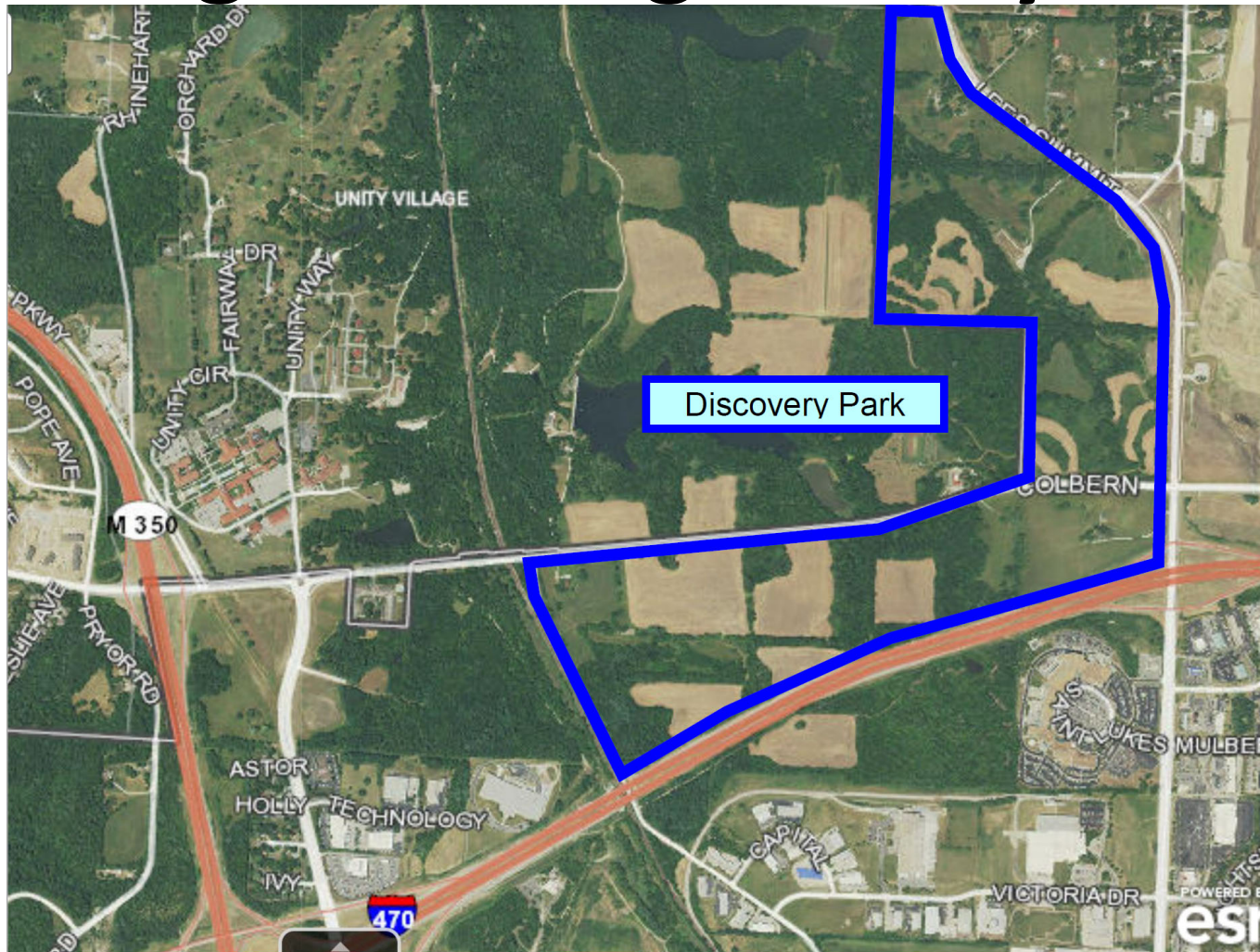
# 1. Blight Finding

- **Projects 3 and 4 Property already declared blighted by City Council**
  - Chapter 353 Blight Finding
  - Ordinance No. 7163 on March 22, 2012
- **Developer Blight Study, Exhibit 3**
  - Insanitary or Unsafe Conditions
  - Deterioration of Site Improvements
- **Economic Underutilization**

# 1. Blight Finding

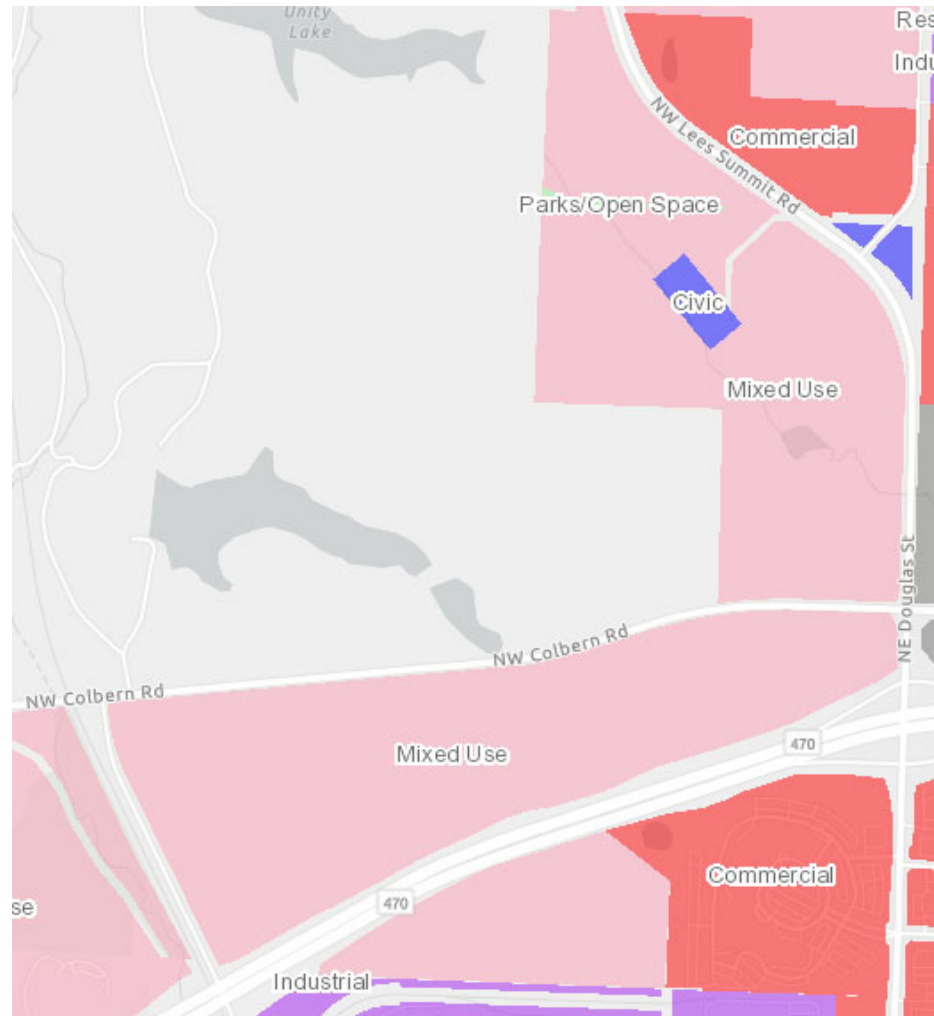


# 1. Blight Finding – Study Area





### 3. Conforms to Comprehensive Plan



## 2. But For Test & Financial Feasibility

### “But For Test” in Section 99.810(1), RSMo:

- (1) The redevelopment area has not been subject to growth and development through investment by private enterprise and
- (2) would not reasonably be anticipated to be developed without the adoption of tax increment financing.

### Financial Feasibility Analysis in Section 99.810(5), RSMo:

Sufficient information from the developer for the Commission to evaluate whether the project as proposed is financially feasible.

## 2. But For Test & Financial Feasibility

### Columbia Capital Municipal Advisors Report:

- Observations
- Findings
- **Conclusions**
- Recommendations
- Additional Considerations

## 2. But For Test & Financial Feasibility

### Columbia Capital Municipal Advisors Report:

- **Conclusions**

- Sufficient information from Developer to evaluate financial feasibility
- Project without incentives would not achieve market rate of return, satisfies the “But For Test”
- Columbia Capital’s rate of return analysis is materially the same as Developer’s

## 2. But For Test & Financial Feasibility

### Comparison of Developer and Financial Advisor Rate of Return Calculations

	Developer's Model	CCM's Model	CCM • RPA 1	CCM • RPA 2	CCM • RPA 3	CCM • RPA 4
Unincentivized IRR	4.2%	4.4%	3.6%	3.3%	5.0%	6.0%
Incentivized IRR	7.6%	7.9%	6.2%	10.6%	8.0%	10.8%
<b>Target Return<sup>†</sup></b>	<b>7-8%</b>	<b>7-8%</b>	<b>7-8%</b>	<b>7-8%</b>	<b>7-8%</b>	<b>7-8%</b>

† The target return amount is Columbia Capital's estimate of the required market return for the Project

## 2. But For Test & Financial Feasibility

### Columbia Capital Municipal Advisors Report:

- **Findings**

- Developer modeling is mathematically reliable
- Can developer achieve \$951 million private financing?
- Project 4 is the most speculative, no construction until 2028
- Limited evidence of commitments to finance
- No financing terms sheets for construction
- Construction estimates lack third-party validation
- Assumptions for commercial uses and all residential uses except Project 1 are generic
- Residential use operating expenses slightly overstated

## 2. But For Test & Financial Feasibility

### Columbia Capital Municipal Advisors Report:

- **Recommendations**

- New financial analysis for each phase, including third-party estimates for construction costs and NOI projections
- Finite reimbursement limits by phase
- Unlock reimbursement based on commercial development

- **Additional Considerations**

- Evaluate whether Phase 4 should be included in approvals
- Evaluate whether to approve hotel sales tax reimbursement request to hedge risk of commercial production

# City Economic Development Incentive Policy

- Preference: less than 25.0% TIF reimbursement
- Developer request is 20.9% TIF reimbursement
- Developer request is 22.2% total reimbursement
- TIF Contract control mechanisms
  - Phased Reimbursement provision
  - Rate of Return limitation
  - Development Cost Savings provision – public/private ratio



# Summary of Incentive Request

Category	Amount	%
Developer Private Costs	\$739,998,537	77.8%
TIF Reimbursement	\$198,388,432	20.9%
CID Reimbursement	\$10,882,070	1.1%
Hotel Sales Tax Reimbursement	<u>\$1,763,652</u>	<u>0.2%</u>
Total Project Costs	\$951,032,692	100%

# Summary

- **State Law:** TIF Plan meets all statutory requirements; all findings are supportable and legally defensible
- **Incentive Policy:** TIF Plan within ED Incentive Policy guidelines
- **But For Test:** Financial Advisor verified But For Test, with additional observations, recommendations and considerations
- **Speculative Project:** After Project 1, development is speculative, especially Project 4 starting in 2028; Ability to privately finance entire project
- **Control Mechanisms:** TIF Contract will address certain concerns: phased reimbursement, rate of return limitation, public-private investment ratio