

Land Clearance for Redevelopment Authority Policy Discussion

Staff Presentation to City Council

November 12, 2019



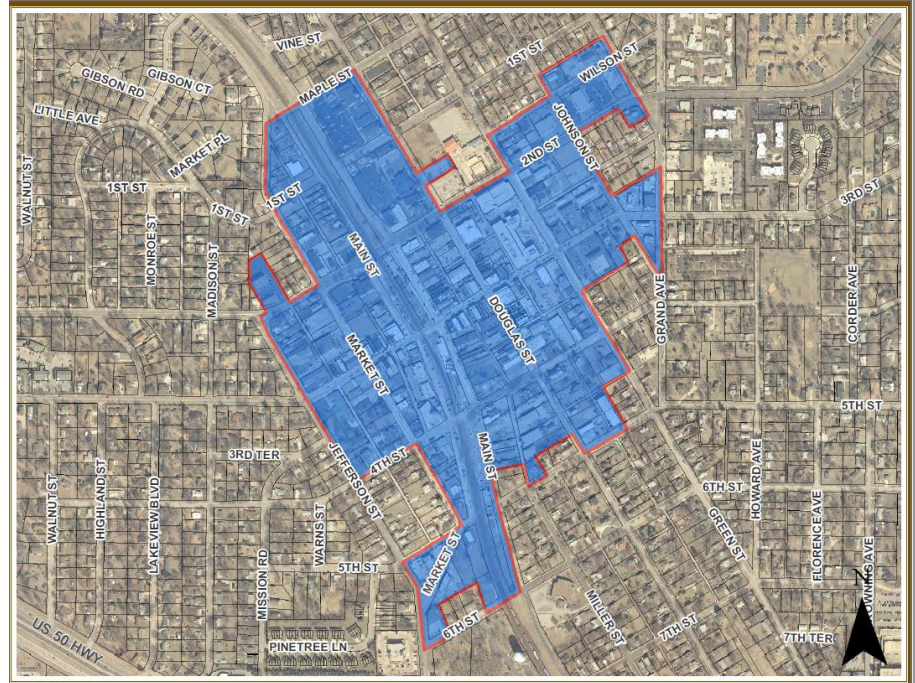
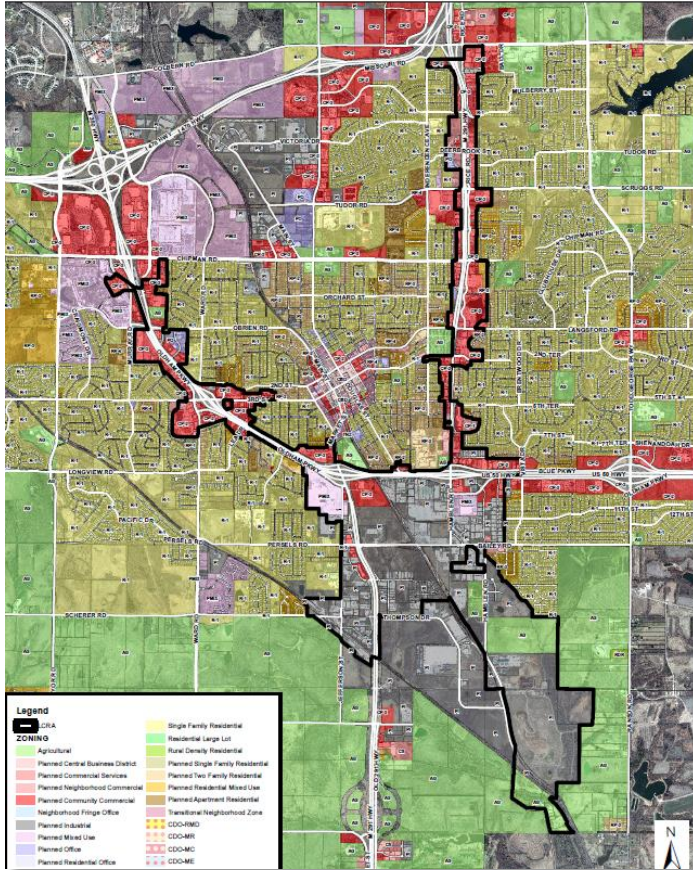
LEE'S SUMMIT
MISSOURI



Yours Truly

Presentation

1. ED Tools Generally
2. LCRA Tools
3. LCRA Policy Issues
4. Next Steps



1. ED TOOLS GENERALLY

ED Benefits to Development

“How do incentives benefit development?”

- 1. Pay Less Taxes**
- 2. Provide Reimbursement**
- 3. Enhance Goodwill**

ED Functions

“How does the incentive work?”

1. Tax Redirection

- Tax Increment Financing (TIF) under Chapter 99

2. Tax Abatement

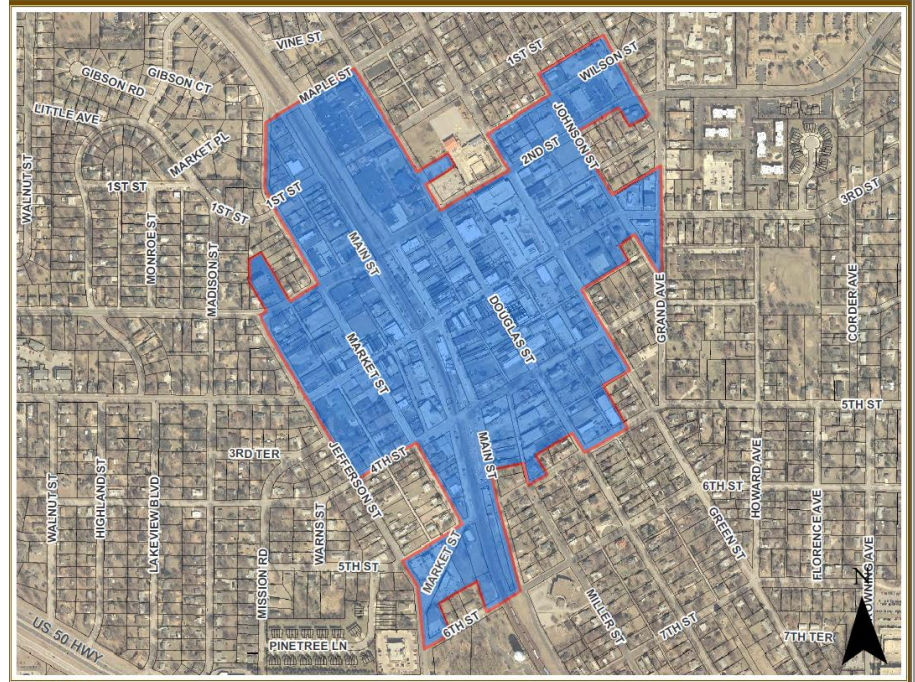
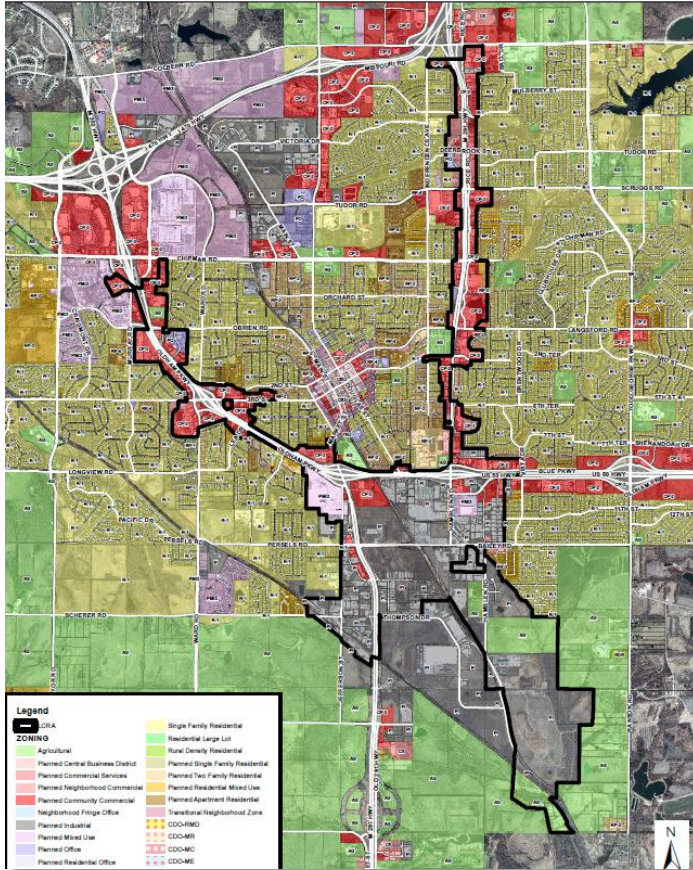
- Chapter 100 Industrial/Commercial Development Plan
- Chapter 353 Redevelopment Corporations
- LCRA under Chapter 99

3. New Taxes / Assessments

- Community Improvement District (CID)
- Transportation Development District (TDD)
- Neighborhood Improvement District (NID)

Most Common Incentive Tools

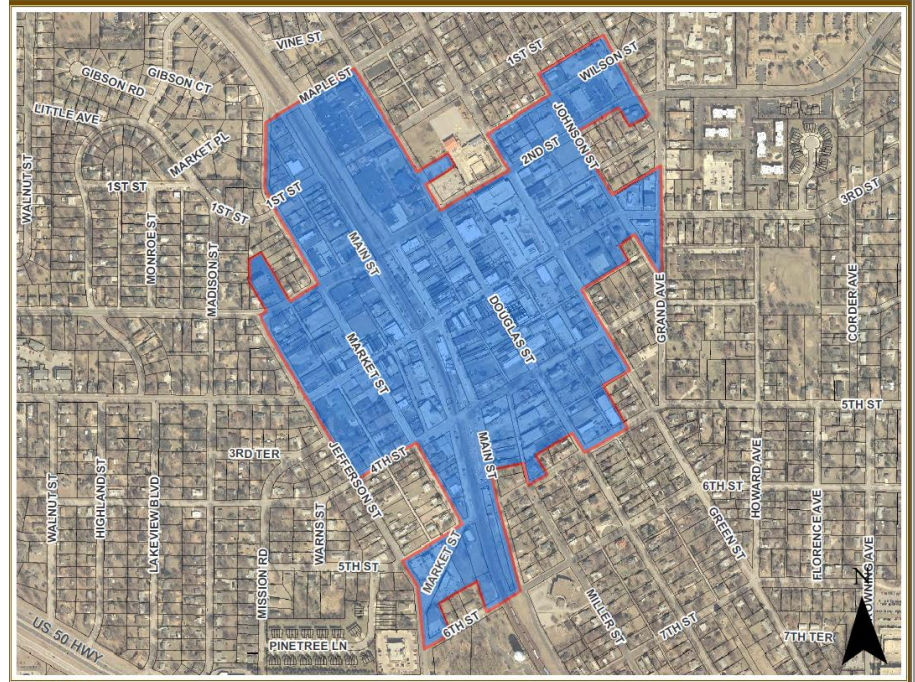
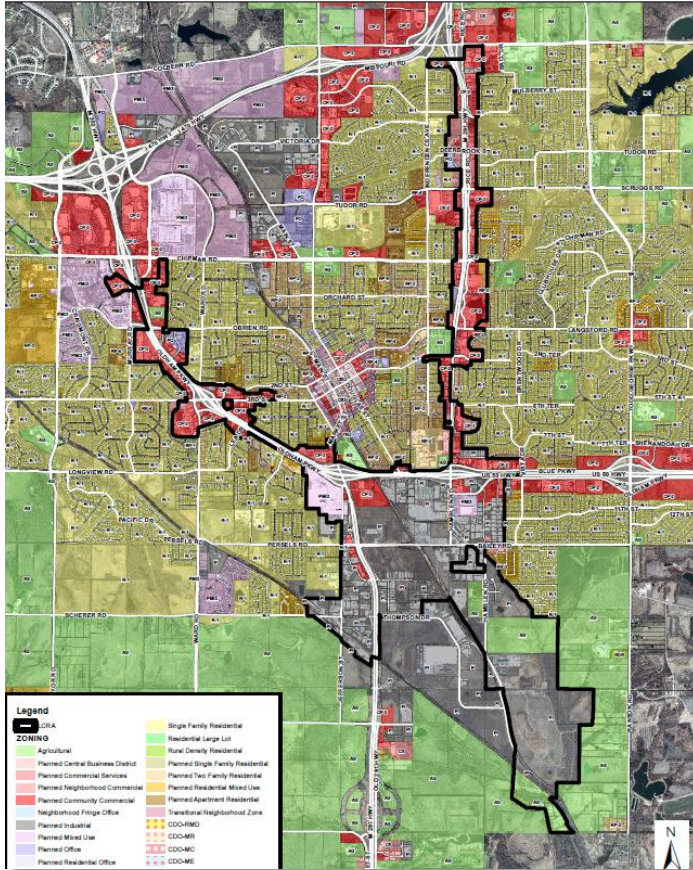
	Real Property Tax Abatement	Personal Property Tax Abatement	Sales Tax Exemption	New Sales Tax	New Property Tax	Special Assessment	Reimbursement to Developer
TIF							✓
Chapter 100 Plan	✓	✓	✓				
353 Redev. Corp.	✓						
LCRA	✓	✓	✓				
CID				✓	✓	✓	✓
TDD				✓	✓	✓	✓
NID						✓	✓
SBD					✓		✓



2. LCRA TOOLS

LCRA Incentive Tools

- 1. Certificate of Qualification for Real Property Tax Abatement**
 - Maximum 10 years
- 2. Sales & Use Tax Exemption on Construction Materials**
 - During Construction Period
- 3. Redevelopment Plan for Extended Tax Abatement**
 - Maximum 25 years
- 4. Tailored Incentive Package**
- 5. Targeted Incentive Areas**



3. LCRA POLICY ISSUES

Policy Issue: Amending Prior Incentive

Issue: Developer seeks to amend an existing LCRA tax abatement to change the measurement of abatement. Should this be allowed?

Two Approaches Used:

- **“Calendar Year” Approach** – abatement lasts for a set number of years (ex. 5 years at 50%)
- **“Targeted Amount” Approach** – abatement lasts until a designated dollar amount has been abated (ex. abatement lasts until \$185,000 has been abated)

Policy Consideration – LCRA History

Project & Address:	Abatement	ED Policy	LCRA Spreadsheet	Conditions
Licata Flowers - 207 SE 3rd St.	100% abatement on commercial for 10 years	No	No	Abating commercial aspects only - no opportunity for renewal
Stanley - 308 SE Douglas St.	100% abatement for 5 years	No	No	Constructed in accordance with PDP - no opportunity for renewal
Grider Orthodontics - 101 SW 3rd St.	100% abatement for 9 years and 27% abatement 10th year	No	No	Abatement not to exceed \$141k, PDP, Qualifying Expenses, no opportunity for renewal
JCI Industries - 1161 SE Hamblen Rd.	100% abatement for 7 years and 79% abatement 8th year	Yes	Yes	Abatement not to exceed \$307,144, FDP, terminate abatement earlier of targeted abatement value or 10 years, no opportunity for renewal, performance standards for job creation
HT Solutions - 1440 SE Broadway Dr.	100% abatement for 10 years with 25% Pilot Payment for an overall 75% abatement	Yes	Yes	\$2M investment, FDP, no opportunity for renewal, 25% PILOT, performance standards for job creation
Primary Eye Care - 508 SE M-291 Hwy.	100% abatement for 5 years	Yes	Yes	FDP, no opportunity for renewal, no transfer or conveyance unless approved
3rd Street Social - 123 SE 3rd St.	100% abatement for 5 years	Yes	Yes	Conformance with plans, no opportunity for renewal, abatement not transferable upon sale or change in use
Minsky's Pizza - 1251 NE Rice Rd.	100% abatement for 5 years	Yes	Yes	FDP, no opportunity for renewal, no transfer or conveyance unless approved
Bridgespace - 210 SW Market St.	100% abatement for 10 years	Yes	Yes	FDP, no opportunity for renewal, no transfer or conveyance unless approved, change of use triggers reconsideration of abatement, performance standards for business license creation
Coleman Equipment - 4101 NE Lakewood Way	100% abatement for 5 years	Yes	Yes	PDP/FDP, no opportunity for renewal
Mar Building Solutions - 1455 SE Broadway Dr.	100% abatement for 5 years	Yes	Yes	FDP, verify minimum investment, performance standards for job creation, change in use triggers reconsideration of abatement
Higdon Construction - 1450 SE Broadway Dr.	100% abatement for 5 years	Yes	Yes	FDP, verify minimum investment, performance standards for sales tax generation, change in use triggers reconsideration of abatement
Aristocrat Motors - 704 SE Oldham Ct.	100% abatement for 5 years	Yes	Yes	PDP/FDP, ownership or change in use triggers reconsideration of abatement



Policy Issue: Amending Prior Incentive

What is the City Council's preferred approach going forward?

- “Calendar Year” Approach – abatement lasts for a set number of years (ex. 5 years at 50%)
- “Targeted Amount” Approach – abatement lasts until a designated dollar amount has been abated (ex. abatement lasts until \$185,000 has been abated)

LCRA Policy Framework

“Most favorable consideration shall be given to projects that....”

Possible Criteria

- Amount of Abatement
- Duration of Abatement
- Blight Clearance/Tax Stabilization and other public benefits
- Sustainable or “Green” Development
- Statement of need (“But for” test)
- Size of Project / Total Investment
- Amount of bank loans vs. Developer equity invested
- New job creation
- Job retention
- Public Improvements
- Targeted Industries and Businesses

LCRA Policy Framework

“Most favorable consideration shall be given to projects that...”

Possible Criteria

- Amount of Abatement – “...abate no more than 50% of property taxes.”
- Duration of Abatement – “... the abatement lasts no more than 10 years.”
- Blight Clearance / Tax Base Stabilization or other public value – “...reduces or eliminates undesirable conditions and calls for service” or “generates net new taxes to Lee’s Summit (sales, personal, real, lodging, franchise).”
- Sustainable or “Green” Development – “...incorporates sustainable or ‘green’ construction materials or features (renewable energy, conservation).”
- Statement of need (“But for” test) – (1) “...would not be undertaken by the developer without the requested incentive.” (2) “...provide enhanced features and amenities and generate a higher quality of development if the incentive is provided.”

LCRA Policy Framework

“Most favorable consideration shall be given to projects that....”

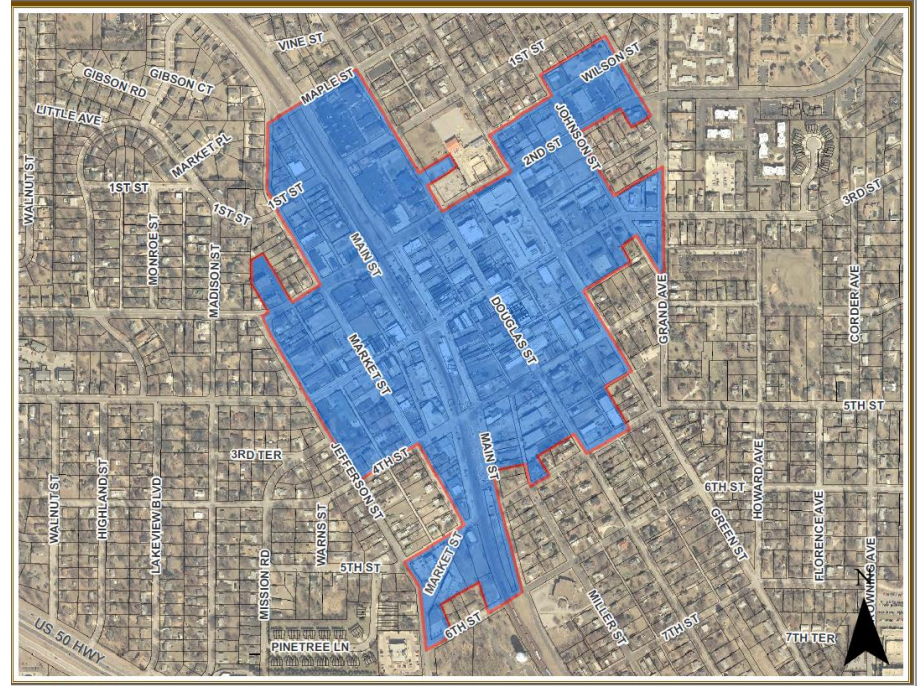
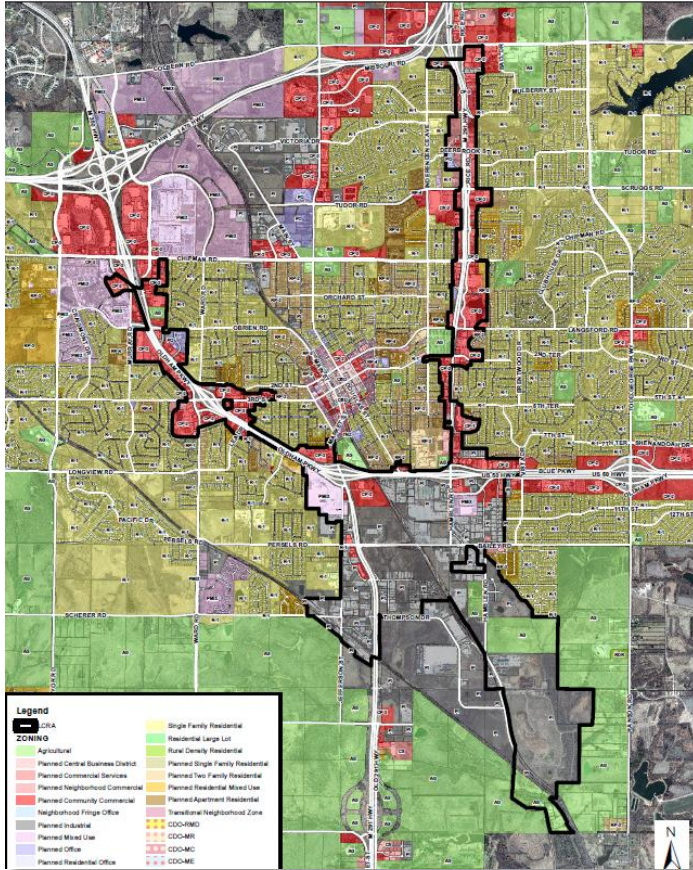
Possible Criteria

- Size of Project / Total Investment – “...invest at least 50% of the original project cost in the proposed expansion.”
- Amount of bank loans vs. Developer equity invested – “...have at least 15% of the project costs funded by Developer equity.”
- New job creation – “...create new jobs that exceed the ‘quality jobs’ annual income.”
- Job retention – “...retain an existing business in Lee’s Summit instead of leaving for another community.”
- Public Improvements – “...facilitate the construction of new public improvements that benefit the entire community.”
- Targeted Industries and Businesses – “...facilitate one of the ‘Targeted Industries and Businesses’ to develop in Lee’s Summit.”

Other LCRA Policy Issues

Other issues or concerns to address?

Other goals to achieve?



4. NEXT STEPS