



LEE'S SUMMIT

LAW DEPARTMENT
OFFICE OF THE CITY ATTORNEY

May 28, 2021

TO: Mayor Baird and City Council

FROM: David Bushek, Chief Counsel of Economic Development & Planning

RE: Summary of the Southside Plaza LCRA Redevelopment Plan

Executive Summary:

On June 9, 2020, the City Council approved Ordinance No. 8894 which approved the formation of the Southside Plaza Community Improvement District (the "CID") to provide a funding source to reimburse Brain Dev 3, LLC (the "Developer") for improvements to be made to the project in an effort to redevelop and revitalize the shopping center. The CID will impose an extra 1% sales tax on all retail sales in the shopping center, and the resulting sales tax revenue will be used as a source of reimbursement to Developer for qualified renovation costs.

After the CID approval, it was learned that the CID revenue projections were based on inaccurate data about prior taxable sales levels at the shopping center. The Developer originally expected that the 1% CID sales tax would provide sufficient funds to reimburse about \$1.44 million in eligible costs, and this was the maximum reimbursable amount. Instead, the revised revenue projections are that the CID can reimburse only about \$474,000 over the life of the CID, creating a gap of about \$966,000 as compared to the original CID incentive projections.

To remedy this gap in the reimbursement payments, the Developer is requesting that the City approve an LCRA Redevelopment Plan that would provide the following incentives:

- (1) sales tax exemption on the purchase of construction materials that would generate an approximately \$63,000 savings during the construction period and
- (2) real property tax abatement in the amount of 100% abatement for four years and then 50% abatement for the next 6 years, resulting in a net 70% abatement over a ten year period, which is projected to produce a savings of \$965,000 over the ten year period.

Project and CID Summary

- The project area covers about 5.24 acres of property located north SW Blue Parkway which contains the Southside Shopping Center. The Blight Study which was attached to the original CID petition showed a 33% vacancy in the shopping center, and this list of tenants:

Property: Southside Plaza
 Address: 828 Southwest Blue Parkway

Suite	Use	Tenant	Square Feet	SF %
400 Nichols	Retail	The A List Salon	975	1.79%
402 Nichols	Retail	Vapor Up	593	1.09%
404 Nichols	Retail	Econ-O-Wash	1,479	2.72%
712 Blue Pkwy	Retail	Back Home, Inc.	3,695	6.80%
806 Blue Pkwy	Retail	Knapp Physical Therapy LLC	6,593	12.12%
818-820 Blue Pkwy	Retail	Vacant	2,472	4.55%
822-826 Blue Pkwy	Retail	Larue, Ramon & Tammy	6,030	11.09%
828 Blue Pkwy	Retail	Advanced Footcare Center	1,620	2.98%
834 Blue Pkwy	Retail	Jumpin Catfish	6,136	11.28%
836 Blue Pkwy	Retail	Beyond Exchange	3,955	7.27%
838 Blue Pkwy	Retail	Vacant	5,153	9.48%
840 Blue Pkwy	Retail	Vacant	9,559	17.58%
846 Blue Pkwy	Retail	Jason Key Insurance Agency	872	1.60%
848 Blue Pkwy	Retail	Golden Paws Grooming	1,094	2.01%
852 Blue Pkwy	Retail	Anna's Nails	1,024	1.88%
856 Blue Pkwy	Retail	Asia Massage	907	1.67%
858 Blue Pkwy	Retail	Vacant	770	1.42%
862 Blue Pkwy	Retail	Skratch bakery	1,451	2.67%
Total			54,378	100.00%

Vacant 17,954 33%
 Occupied 36,424 67%
 Total 54,378

- The maximum duration of approved CID is 27 years, or a shorter period of time if the maximum reimbursable amount CID is reached earlier.
- The CID approval was accompanied by a blight finding for the purpose of expending CID revenues on repair and renovation of private improvements to the shopping center and parking areas.
- Developer's budget and reimbursable categories are:

Item	Total Cost	CID Eligible Cost
Land Acquisition	\$3,250,000	\$0.00
Building Improvements		
Façade Improvements	\$1,047,570	\$1,047,570
Roof Replacement	\$150,000	\$150,000
HVAC Update	\$50,000	\$25,000
Rear entry doors and garage doors	\$29,000	\$29,000
TI and Capital Improvements	\$99,970	\$0.00
Site Improvements		
Retaining Wall - Tiebacks	\$35,700	\$35,700
Parking Lot	\$86,850	\$86,850
Stormwater Drainage	\$60,000	\$60,000
Concrete Improvements	\$5,259	\$5,259
Total	\$4,814,349	\$1,439,379
		29.89%

- A Cooperative Agreement was executed between the City, the CID and the Developer to implement the CID and the reimbursement process for the project with CID revenues.

LCRA Request

- Developer is requesting approval of the LCRA Redevelopment Plan to provide two incentive benefits which would serve to reduce Developer’s costs: sales tax exemption on the purchase of construction materials which will be used in the redevelopment project, and real property tax abatement to reduce the property tax burden for a period of 10 years.
- Developer’s modeling of the sales tax exemption benefit is:

Year	Total	Savings
2021	\$798,737	\$62,741

Location	Percent
City	6%
Jackson County (outside City)	24%
Missouri (Outside JACO)	40%
Outside Missouri	30%
Total	100%

- Developer’s modeling of the real property tax abatement is:

Year	50% PILOT	Real Property Taxes	Abated Taxes	Total Taxes + PILOTs
2021	\$ -	\$ 15,612	\$140,511	\$ 15,612
2022	\$ -	\$ 15,612	\$140,511	\$ 15,612
2023	\$ -	\$ 16,081	\$144,726	\$ 16,081
2024	\$ -	\$ 16,081	\$144,726	\$ 16,081
2025	\$ -	\$ 16,563	\$149,068	\$ 16,563
2026	\$ 74,534	\$ 16,563	\$74,534	\$ 91,097
2027	\$ 76,770	\$ 17,060	\$76,770	\$ 93,830
2028	\$ 76,770	\$ 17,060	\$76,770	\$ 93,830
2029	\$ 79,073	\$ 17,572	\$79,073	\$ 96,645
2030	\$ 79,073	\$ 17,572	\$79,073	\$ 96,645
2031	\$ -	\$180,990	\$0	\$ 180,990
2032	\$ -	\$180,990	\$0	\$ 180,990
2033	\$ -	\$186,419	\$0	\$ 186,419
2034	\$ -	\$186,419	\$0	\$ 186,419
2035	\$ -	\$192,012	\$0	\$ 192,012
2036	\$ -	\$192,012	\$0	\$ 192,012
2037	\$ -	\$197,772	\$0	\$ 197,772
2038	\$ -	\$197,772	\$0	\$ 197,772
2039	\$ -	\$203,705	\$0	\$ 203,705
2040	\$ -	\$203,705	\$0	\$ 203,705
2041	\$ -	\$209,817	\$0	\$ 209,817
2042	\$ -	\$209,817	\$0	\$ 209,817
2043	\$ -	\$216,111	\$0	\$ 216,111
2044	\$ -	\$216,111	\$0	\$ 216,111
2045	\$ -	\$222,594	\$0	\$ 222,594
2046	\$ -	\$222,594	\$0	\$ 222,594
	\$ 386,220	\$ 3,384,616	\$ 1,105,762	\$ 3,770,836