



LEE'S SUMMIT

LAW DEPARTMENT
OFFICE OF THE CITY ATTORNEY

June 15, 2022

TO: Board of Commissioners for the
Lee's Summit Land Clearance for Redevelopment Authority

FROM: David Bushek

RE: Summary of Paragon Star Village Garage LCRA Redevelopment Plan (the "LCRA Plan")

Developer: Paragon Star, LLC (the "Developer").

Current Property Owner: I-470 and View High Community Improvement District

Property: The proposed Redevelopment Project Area contains approximately 0.68 acres which is platted as Lot 7B of Paragon Star Fourth Plat which will be developed as the parking garage as part of the Paragon Star Village project. See the attached map for an illustration of the garage property and the surrounding apartment property.

Project and Purpose: Establish public ownership during the construction of improvements on the Property for Developer to receive and use a sales tax exemption certificate for the purchase of construction materials that are used in the construction of the Project (as defined below) and once constructed to maintain public ownership and lease the Project to the Developer for a period of twenty-five years to facilitate the ad valorem real property tax exemption for the Project and to achieve the most favorable terms of a bond financing structure, if approved by the City Council.

Schedule: Construction is planned to commence this year.

Property Investment and Valuation:

- Current County market valuation of Redevelopment Area: \$0 (property is currently tax-exempt and not platted as a separate tax parcel)
- Total Project Costs: about \$10.5 million
- Projected property taxes after redevelopment: \$0 (property subject to TIF Plan)

Ownership and Development Structure

- **Current Ownership:** The property is currently owned by the CID for the Paragon Star project.
- **Ownership and redevelopment process after LCRA incentive approval:** If the City Council approves the LCRA Redevelopment Plan, then the property will be transferred to City ownership.

The City will own the property during the life of the tax abatement structure and lease the property to Developer which will construct and then operate the project. City ownership during the abatement period allows for the sales tax exemption on construction materials and the real property tax abatement.

- Payments under LCRA Plan: During the tax abatement period, the Developer will make no Payment In Lieu of Taxes (PILOT). This is not lost property taxes, but rather lost TIF revenues for Developer because the property would only generate TIF revenues if the LCRA Plan is not approved.

LCRA Incentive Requests: Developer is requesting reimbursement from two revenues sources:

1. Sales Tax Exemption

The sales tax exemption is summarized as follows:

Sales Tax Exemption Impact Analysis	
Total Estimated Project Costs	\$ 10,500,000.00
Est. Materials Percentage	48%
Est. Materials Cost	\$ 5,040,000.00
Total Sales and Use Tax Rate	10.35%
Est. Sales and Use Tax Savings	\$ 218,660.40
City Sales and Use Tax Rate	2.750%
County Sales Tax Rate	1.250%
State Sales Tax Rate	4.225%
Stadium Sales Tax Rate	0.125%
CID Sales and Use Tax Rate	1.000%
TDD Sales Tax Rate	1.000%
Est. Allocation of Material Purchases:	
Lee's Summit	5.000%
Missouri (outside of Lee's Summit)	61.000%
Outside Missouri	34.000%
Lee's Summit Sales Tax Savings	\$ 6,930.00
Lee's Summit Use Tax Savings	\$ 47,124.00
Total Lee's Summit Sales and Use Tax	\$ 54,054.00
County Sales Tax Savings	\$ 6,300.00
State Sales Tax Rate Savings	\$ 140,540.40
Stadium Sales Tax Rate Savings	\$ 630.00
CID Sales and Use Tax Rate Savings	\$ 17,136.00
TDD Sales Tax Rate Savings	\$ -
Lee's Summit % of Total Savings	24.72%

The garage was originally planned to be owned by the CID and exempt from real property taxes.

2. Real Property Tax Abatement:

The Project will be constructed on vacant land located within the TIF Plan. The subject property is currently owned by a tax-exempt entity and generates no real property tax revenue. Under the TIF Plan, after the Village Garage construction, only Payments in Lieu of Taxes (PILOTS) will be paid by the Developer in

an amount attributable to the increase in assessed valuation for the Village Garage. The PILOTS are captured by the TIF Plan, deposited into the Special Allocation Fund and disbursed to the Developer to reimburse the Developer for eligible redevelopment project costs. During the life of tax increment financing under the TIF Plan, the real property tax taxing districts will receive no revenue from the Village Garage. Therefore, providing real property tax abatement through public ownership of the Project and lease to the Developer does not adversely impact the taxing districts.

Required Findings: The following findings are required to be made by the City Council with a recommendation from the LCRA:

1. **Blight:** The Redevelopment Area must be a blighted area, as such term is defined in Section 99.320(3), RSMo, which incorporates the definition of the same term from Section 99.805(1), RSMo, of the TIF Act which reads as follows:

“Blighted area”, an area which, by reason of the predominance of insanitary or unsafe conditions, deterioration of site improvements, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, or welfare in its present condition and use.

The City Council found that the Redevelopment Area which comprises the entire Paragon Star Tax Increment Financing Plan Redevelopment Area is a blighted area pursuant to the Real Property Tax Increment Allocation Redevelopment Act set forth in Chapter 99 of the Revised Statutes of Missouri through the adoption of Ordinance No. 7833 on March 10, 2016 and which was re-affirmed through the approval of the First Amendment to the Plan through the adoption of Ordinance No. 8946 on September 8, 2020.

2. **Necessity:** The City Council must find that redevelopment of the Redevelopment Area is necessary and in the interests of the public health, safety, morals and welfare of the residents of the City. Developer has indicated that the project would not be undertaken without the requested incentives, and this finding has already been made by the City Council with respect to the project as a whole. With respect to the garage specifically, the LCRA Plan will maximize the financial benefits of a revenue bond ordinance by maximizing the size of the tax-exempt series of revenue bonds which generates a significant savings in interest payments over the life of the bonds.
3. **Conformance with the Comprehensive Plan:** The City Council must find that the LCRA Plan is in conformance with the Comprehensive Plan for the City. The City Council must find that the proposed land uses and building requirements in the Redevelopment Area are designed with the general purpose of accomplishing, in conformance with the Comprehensive Plan, a coordinated, adjusted and harmonious development of the community and its environs which, in accordance with present and future needs, will promote health, safety, morals, order, convenience, prosperity and the general welfare, as well as efficiency and economy in the process of development.

A Preliminary Development Plan for the Redevelopment Project and property adjacent to the Redevelopment Project was approved by the City Council on June 11, 2019 pursuant to Ordinance No. 8644 (the “**Preliminary Development Plan**”) and the proposed land uses for the Redevelopment Project are in conformance with the approved Preliminary Development Plan. In approving the Preliminary Development Plan, the City made findings that the proposed land uses within the Redevelopment Project were consistent with the City’s Comprehensive Plan.

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