

NOTICE TO TAXING JURISDICTIONS

On behalf of the City of Lee's Summit, Missouri (the "City"), please find enclosed a copy of the proposed Second Amended and Restated Plan for an Industrial Development Project and Cost-Benefit Analysis for the Residences at Echelon (the "Second Amended and Restated Plan").

The City Council will consider an ordinance to approve the Second Amended and Restated Plan during the City Council's meeting on December 3, 2019, at 6:00 p.m. in the City Council Chambers at the Lee's Summit City Hall, 220 SE Green Street, Lee's Summit, Missouri.

The City invites you to submit comments to the Council on the proposed Second Amended and Restated Plan. All comments will be fairly and duly considered by the City.

A copy of the Second Amended and Restated Plan will be on file in the office of the City Clerk and will be available for public inspection during normal business hours.

Dated: November 13, 2019

Trisha Fowler Arcuri
City Clerk
City of Lee's Summit, Missouri

Taxing Jurisdictions -- Distribution List

Lee's Summit R-7 School District
Superintendent
301 NE Tudor Road
Lee's Summit, MO 64086

Metropolitan Community College
Chancellor
3200 Broadway
Kansas City, MO 64111

Mid Continent Public Library
Director
15616 E. Highway 24
Independence, MO 64050-2057

Jackson County Community Mental Health
Executive Director
1627 Main Street, Suite 500
Kansas City, MO 64108

Jackson County Board of Disabled Services
Executive Director
8511 Hillcrest Road, Suite 300
Kansas City, MO 64138

City of Lee's Summit
Director of Finance
220 SE Green Street
Lee's Summit, MO 64063

Jackson County
County Executive
415 E. 12th Street
Kansas City, MO 64106

Jackson County Collections Department
Director
415 E. 12th Street, 1st Floor
Kansas City, MO 64106

Jackson County Health Department
Director
313 S. Liberty Street
Independence, MO 64050

Missouri Department of Revenue
County Tax Section
State Blind Pension Fund
Post Office Box 453, 301 West High Street
Jefferson City MO 65101

Jackson County Assessment Department
Director
415 E. 12th Street, 1M
Kansas City, MO 64106

Department of Economic Development
Development Finance
Missouri Department of Economic Development
301 West High
Post Office Box 118 – Room 770
Jefferson City MO 65102

Missouri Department of Economic Development
Director
P O Box 118 – Room 770
301 West High Street
Jefferson City MO 65102

CITY OF LEE'S SUMMIT, MISSOURI

**SECOND AMENDED AND RESTATED PLAN FOR AN
INDUSTRIAL DEVELOPMENT PROJECT
AND
COST-BENEFIT ANALYSIS**

**FOR
THE RESIDENCES AT ECHELON**

NOVEMBER 13, 2019

CITY OF LEE'S SUMMIT, MISSOURI

SECOND AMENDED AND RESTATED PLAN FOR AN INDUSTRIAL DEVELOPMENT PROJECT AND COST-BENEFIT ANALYSIS FOR RESIDENCES AT ECHELON

I. PURPOSE OF THIS SECOND AMENDED AND RESTATED PLAN

On November 23, 2016, the City mailed a Plan for an Industrial Development Project and Cost-Benefit Analysis (the "Original Plan") to the taxing districts for a proposal to authorize the issuance by the City of its taxable industrial development revenue bonds in the aggregate principal amount of not to exceed \$27,000,000 (the "Bonds"), to finance costs of an industrial development project (the "Project") for M150 Echelon Land Development LLC, a Missouri limited liability company (the "Company") as more fully described and defined herein. The Original Plan was amended on December 22, 2016 (the "First Amended Plan") to provide for an increase in the payments in lieu of taxes to be paid to the taxing districts. The Bonds were issued on March 31, 2017 pursuant to the provisions of Article VI, Section 27(b) of the Missouri Constitution, as amended and Sections 100.010 to 100.200 of the Revised Statutes of Missouri, as amended (collectively, the "Act"). The Project is under construction but is taking longer than expected due to certain unanticipated delays. This Second Amended and Restated Plan provides for a later termination date at the request of the Company, effectively extending the life of the Original Plan by one year by extending the construction period, provides for an updated schedule of payments in lieu of taxes (the "PILOTS"), and provides for additional bond capacity of \$9,000,000, for a total bond capacity not to exceed \$36,000,000. The City Council of the City of Lee's Summit, Missouri (the "City") will consider an ordinance approving this Second Amended Plan (defined below).

This Second Amended and Restated Plan for an Industrial Development Project and Cost-Benefit Analysis (the "Second Amended Plan") has been prepared to satisfy requirements of the Act and to analyze the potential costs and benefits, including the related tax impact on all affected taxing jurisdictions, of using industrial development revenue bonds to finance the Project and to facilitate abatement of ad valorem taxes on the bond-financed property.

II. GENERAL DESCRIPTION OF CHAPTER 100 FINANCINGS

General. The Act authorizes cities, counties, towns and villages to issue industrial development revenue bonds to finance the purchase, construction, extension and improvement of warehouses, distribution facilities, research and development facilities, office industries, agricultural processing industries, service facilities that provide interstate commerce, industrial plants and other commercial facilities.

Issuance and Sale of Bonds. Revenue bonds issued pursuant to the Act do not require voter approval and are payable solely from revenues received from the project. The municipality issues its bonds and in exchange, the benefited company promises to make payments that are sufficient to pay the principal of and interest on the bonds as they become due. Thus, the municipality merely acts as a conduit for the financing.

Concurrently with the closing of the Bonds, the Company conveyed to the City title to the property included in the Project (the municipality must be the legal owner of the property while the bonds are

outstanding for the property to be eligible for tax abatement, as further described below). At the same time, the City leased the property, including the Project, back to the Company pursuant to a lease agreement. The lease agreement requires the Company, acting on behalf of the City, to use the Bond proceeds to pay the costs or reimburse the costs of purchasing, constructing and installing the Project, as applicable.

Under the lease agreement, the Company: (1) unconditionally agreed to make payments sufficient to pay the principal of and interest on the Bonds as they become due; (2) agreed, at its own expense, to maintain the Project, to pay all taxes and assessments with respect to the Project, and to maintain adequate insurance; (3) has the right, at its own expense, to make certain additions, modifications or improvements to the Project; (4) may assign its interests under the lease agreement or sublease the Project while remaining responsible for payments under the lease agreement; (5) agreed to maintain its corporate existence during the term of the Bond issue; and (6) agreed to indemnify the City for any liability the City might incur as a result of its participation in the transaction.

Property Tax Abatement. Under Article X, Section 6 of the Missouri Constitution and Section 137.100 of the Revised Statutes of Missouri, all property of any political subdivision is exempt from taxation. In a typical transaction, the municipality holds fee title to the project and leases the project to the benefited company.

The company has agreed to make “payments in lieu of taxes” with respect to the Project, which agreement will be amended to reflect the payments in lieu of taxes shown below on Page 3. The payments in lieu of taxes are payable by December 31 of each year, and are distributed to the municipality and to each political subdivision within the boundaries of the Project in the same manner and in the same proportion as property taxes would otherwise be distributed under Missouri law.

III. DESCRIPTION OF THE PARTIES

The Company. The Company is a limited liability company organized and existing under the laws of the State of Missouri.

City of Lee’s Summit, Missouri. The City is a constitutional home rule charter city and municipal corporation organized and existing under the laws of the State of Missouri. The City is authorized and empowered pursuant to the provisions of the Act to purchase, construct, extend and improve certain projects (as defined in the Act) and to issue industrial development revenue bonds for the purpose of providing funds to pay the costs of such projects and to lease or otherwise dispose of such projects to private persons or corporations for manufacturing, commercial, warehousing and industrial development purposes upon such terms and conditions as the City deems advisable.

IV. REQUIREMENTS OF THE ACT

Description of the Project. The Project being financed by the Bonds consists of (1) the design and construction of the Residences at Echelon, a 243-unit luxury apartment complex and (2) associated site work and infrastructure. The Project being financed by the Bonds will be constructed on approximately 12.59 acres at the Northwest corner of 291 and 150 Highways, which is referred to as the “Project Site.”

Estimate of the Costs of the Project. The Project is expected to cost approximately \$36,000,000 and to be constructed during the years 2017, 2018, 2019, and 2020.

Source of Funds to be Expended for the Project. The sources of funds to be expended for the Project will be the proceeds of the Bonds in a principal amount not to exceed \$27,000,000, which have

been issued by the City and purchased by the Company (the “Bondholder”) and, if needed, other available funds of the Company. If this Second Amended Plan is approved by the City Council, the City intends to authorize the additional bond capacity of \$9,000,000, for a total bond capacity not to exceed \$36,000,000. The Bonds are payable solely from the revenues derived by the City from the lease or other disposition of the Project (as further described below). The Bonds will not be an indebtedness or general obligation, debt or liability of the City or the State of Missouri.

Statement of the Terms Upon Which the Project is to be Leased or Otherwise Disposed of by the City. The City will continue to hold title to the Project Site under the Chapter 100 transaction. The City will continue to lease the Project to the Company for lease payments equal to the principal and interest payments on the Bonds. Under the terms of the lease agreement with the City, the Company has the option to purchase the Project at any time and will have the obligation to purchase the Project at the termination of the lease. The lease between the City and the Company will terminate in 2029, unless terminated sooner pursuant to the terms of the lease.

Affected Taxing Districts. The Lee’s Summit R-7 School District is the school district affected by the Project. Jackson County, Missouri is the county affected by the Project. Metropolitan Community College is the community college district affected by the Project. The City is the city affected by the Project. No emergency services districts are affected by the Project. The Cost-Benefit Analysis attached hereto identifies all other taxing districts affected by the Project.

Assessed Valuation. The most recent equalized assessed valuation of the Project Site is \$199,262 (due to ownership by the City, the Project Site currently has no assessed valuation). The estimated total equalized assessed valuation of the Project Site after construction of the Project is \$3,720,142. This valuation was calculated based upon an assumed appraised value of \$19,579,697 for the Project Site and the completed Project, multiplied by the assessment rate of 19%.

Payments in Lieu of Taxes. The City issued the Bonds in 2017 and, if this Second Amended Plan is approved by the City Council, the City intends to provide tax abatement to the Company for the Project for a period of ten years beginning in 2020. During years 2017, 2018, and 2019 the Company will pay a payment in lieu of taxes as set forth below. For all the years that the Project Site is subject to tax abatement as provided herein, the Company will make a fixed PILOT payment in December of each year in accordance with the following schedule:

2017-19	\$ 20,421
2020-22	\$ 241,299
2023-27	\$ 247,331
2028-29	\$ 253,514

Sales Tax Exemption on Construction Materials. It is anticipated that the construction materials used to construct the Project will be exempt from state and local sales taxes.

Cost-Benefit Analysis and Discussion of Exhibits. In compliance with Section 100.050.2(3) of the Revised Statutes of Missouri, this Second Amended Plan has been prepared to show the costs and benefits to the City and to other taxing jurisdictions affected by the tax abatements and exemptions of the Project. The following is a summary of the exhibits attached to this Second Amended Plan that show the direct tax impact the Project is expected to have on each taxing jurisdiction. This Second Amended Plan does not attempt to quantify the overall economic impact of the Project.

Project Assumptions. **Exhibit 1** presents a list of the assumptions related to the determination of assessed valuations and the tax formulas.

Summary of Cost-Benefit Analysis. **Exhibit 2** presents a summary for each affected taxing district of (1) the total estimated tax revenues that would be generated if the Project did not occur, (2) the total estimated tax revenues that would be generated if the Project occurred but no abatement was granted, (3) the total estimated value of the payments in lieu of taxes (“PILOT Amounts”) to be made by the Company for the proposed abatement period, and (4) the projected tax abatement based on this Second Amended Plan.

Real Property. **Exhibit 3** provides the projected tax revenues which would be paid on the Project Site without tax abatement and without the Project. **Exhibit 4** provides the projected tax revenues which would be paid on the completed Project without tax abatement. **Exhibit 5** provides the projected value of PILOT Amounts to be paid by the Company. **Exhibit 6** provides the anticipated tax abatement that results from differences between the anticipated tax revenues and the agreed-upon payments in lieu of taxes, which differences were caused by updated tax liability assumptions intended to reflect the real property reassessments occurring in Jackson County for tax year 2019.

V. ASSUMPTIONS AND BASIS OF SECOND AMENDED PLAN

In preparing this Amended Plan, key assumptions have been made to estimate the fiscal impact of the abatement and exemptions proposed for the Project. See **ATTACHMENT A** for a summary of these assumptions.

Information necessary to complete this Second Amended Plan, has been furnished by representatives of the City, representatives of the Company and its counsel, the Bondholder and other persons deemed appropriate and such information has not been independently verified for accuracy, completeness or fairness.

* * *

ATTACHMENT A

SUMMARY OF KEY ASSUMPTIONS

1. The cost of designing and constructing the Project is estimated to be approximately \$36,000,000.

2. The Project will be owned by the City and leased to the Company with an option to purchase. As long as the Project is owned by the City, it will be exempt from ad valorem taxes.

3. The Project Site will be excluded from the calculation of ad valorem property taxes for a period of thirteen years beginning in 2017.

4. During the entire term of the Bonds through 2029, the Company will make payments in lieu of taxes in accordance with that portion of Section IV above in the Second Amended Plan entitled "Payments in Lieu of Taxes."

5. Real property taxes are calculated using the following formula:

$$(\text{Assessed Value} * \text{Tax Rate})/100$$

6. The assessed value of the Project Site is calculated using the following formula:

$$\text{Estimated Value} * \text{Assessment Ratio of 19\%}$$

7. The tax rates used in this Second Amended Plan reflect the rates in effect for the tax year 2019. The tax rates were held constant through the 2029 tax year.

* * *

**City of Lee's Summit, Missouri
(The Residences at Echelon)**

COST BENEFIT ANALYSIS
PLAN FOR INDUSTRIAL DEVELOPMENT PROJECT

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This information is provided based on the factual information and assumptions provided to Gilmore & Bell, P.C. by a party to or a representative of a party to the proposed transaction. This information is intended to provide factual information only and is provided in conjunction with our legal representation. It is not intended as financial advice or a financial recommendation to any party. Gilmore & Bell, P.C. is not a financial advisor or a “municipal advisor” as defined in the Securities Exchange Act of 1934, as amended.

**Exhibit 1
Project Assumptions**

♦ 2017 assessed value of project site	\$	199,262
♦ Projected assessed value as a percentage of appraised value		19.0%
♦ Investment in the new project	2017-2020	\$36,000,000
♦ Projected appraised value (2020)		\$19,579,697
♦ Projected assessed value (2020)	\$	3,720,142

♦ Fixed PILOT as described below:

Year(s)	Amount
2017-2019	\$20,421
2020-2022	\$241,299
2023-2027	\$247,331
2028-2029	\$253,514

Exhibit 2
Summary of Cost Benefit Analysis

Tax Distribution	Tax Rate	Projected Tax Revenues on Project Site Without Project	Projected Tax Revenues on Project without Abatement	Projected PILOT Amounts	Projected Tax Abatement
Board of Disabled Services	0.0620	\$ 1,698	\$ 24,715	\$ 19,372	\$ 5,343
City - Lees Summit	1.3936	38,161	555,540	435,441	120,100
Jackson County	0.6110	16,731	243,567	190,911	52,656
Lees Summit R-VII	5.3280	145,899	2,123,937	1,664,773	459,164
Mental Health	0.1008	2,760	40,183	31,496	8,687
Metro Junior College	0.2047	5,605	81,601	63,960	17,641
Mid-Continent Library	0.3633	9,948	144,825	113,516	31,309
State Blind Pension	0.0300	822	11,959	9,374	2,585
	8.0934	\$ 221,625	\$ 3,226,328	\$ 2,528,843	\$ 697,485

Exhibit 3
Projected Tax Revenues on Project Site Without Project (No Abatement)

Assessed Value of Project Site Without Project	\$199,262	\$199,262	\$203,247	\$203,247	\$207,312	\$207,312	\$211,458	\$211,458	\$215,688	\$215,688	\$220,001	\$220,001	\$224,401		
Taxing Jurisdiction	Tax Rate per														
	\$100	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Board of Disabled Services	0.0620	\$ 124	\$ 124	\$ 126	\$ 126	\$ 129	\$ 129	\$ 131	\$ 131	\$ 134	\$ 134	\$ 136	\$ 136	\$ 139	\$ 1,698
City - Lees Summit	1.3936	2,777	2,777	2,832	2,832	2,889	2,889	2,947	2,947	3,006	3,006	3,066	3,066	3,127	38,161
Jackson County	0.6110	1,217	1,217	1,242	1,242	1,267	1,267	1,292	1,292	1,318	1,318	1,344	1,344	1,371	16,731
Lees Summit R-VII	5.3280	10,617	10,617	10,829	10,829	11,046	11,046	11,267	11,267	11,492	11,492	11,722	11,722	11,956	145,899
Mental Health	0.1008	201	201	205	205	209	209	213	213	217	217	222	222	226	2,760
Metro Junior College	0.2047	408	408	416	416	424	424	433	433	442	442	450	450	459	5,605
Mid-Continent Library	0.3633	724	724	738	738	753	753	768	768	784	784	799	799	815	9,948
State Blind Pension	0.0300	60	60	61	61	62	62	63	63	65	65	66	66	67	822
	8.0934	\$ 16,127	\$ 16,127	\$ 16,450	\$ 16,450	\$ 16,779	\$ 16,779	\$ 17,114	\$ 17,114	\$ 17,456	\$ 17,456	\$ 17,806	\$ 17,806	\$ 18,162	\$221,625

Exhibit 4
Projected Tax Revenues on Project (No Abatement)

Projected Tax Revenues		\$20,421	\$20,421	\$20,421	\$301,086	\$307,108	\$307,108	\$313,250	\$313,250	\$319,515	\$319,515	\$325,905	\$325,905	\$332,423	
Taxing Jurisdiction	Tax Rate per \$100	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Board of Disabled Services	0.0620	\$ 156	\$ 156	\$ 156	\$ 2,306	\$ 2,353	\$ 2,353	\$ 2,400	\$ 2,400	\$ 2,448	\$ 2,448	\$ 2,497	\$ 2,497	\$ 2,547	\$ 24,715
City - Lees Summit	1.3936	3,516	3,516	3,516	51,844	52,881	52,881	53,938	53,938	55,017	55,017	56,118	56,118	57,240	555,540
Jackson County	0.6110	1,542	1,542	1,542	22,730	23,185	23,185	23,648	23,648	24,121	24,121	24,604	24,604	25,096	243,567
Lees Summit R-VII	5.3280	13,443	13,443	13,443	198,209	202,173	202,173	206,217	206,217	210,341	210,341	214,548	214,548	218,839	2,123,937
Mental Health	0.1008	254	254	254	3,750	3,825	3,825	3,901	3,901	3,979	3,979	4,059	4,059	4,140	40,183
Metro Junior College	0.2047	516	516	516	7,615	7,767	7,767	7,923	7,923	8,081	8,081	8,243	8,243	8,408	81,601
Mid-Continent Library	0.3633	917	917	917	13,515	13,786	13,786	14,061	14,061	14,343	14,343	14,629	14,629	14,922	144,825
State Blind Pension	0.0300	76	76	76	1,116	1,138	1,138	1,161	1,161	1,184	1,184	1,208	1,208	1,232	11,959
	8.0934	\$20,421	\$20,421	\$20,421	\$301,086	\$307,108	\$307,108	\$313,250	\$313,250	\$319,515	\$319,515	\$325,905	\$325,905	\$332,423	\$3,226,328

**Exhibit 5
Projected PILOT Amounts**

PILOT Payment		\$20,421	\$20,421	\$20,421	\$241,299	\$241,299	\$241,299	\$247,331	\$247,331	\$247,331	\$247,331	\$247,331	\$253,514	\$253,514	
Taxing Jurisdiction	Tax Rate per \$100	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Board of Disabled Services	0.0620	\$ 156	\$ 156	\$ 156	\$ 1,848	\$ 1,848	\$ 1,848	\$ 1,895	\$ 1,895	\$ 1,895	\$ 1,895	\$ 1,895	\$ 1,942	\$ 1,942	\$ 19,372
City - Lees Summit	1.3936	3,516	3,516	3,516	41,549	41,549	41,549	42,588	42,588	42,588	42,588	42,588	43,652	43,652	435,441
Jackson County	0.6110	1,542	1,542	1,542	18,217	18,217	18,217	18,672	18,672	18,672	18,672	18,672	19,139	19,139	190,911
Lees Summit R-VII	5.3280	13,443	13,443	13,443	158,851	158,851	158,851	162,822	162,822	162,822	162,822	162,822	166,892	166,892	1,664,773
Mental Health	0.1008	254	254	254	3,005	3,005	3,005	3,080	3,080	3,080	3,080	3,080	3,157	3,157	31,496
Metro Junior College	0.2047	516	516	516	6,103	6,103	6,103	6,256	6,256	6,256	6,256	6,256	6,412	6,412	63,960
Mid-Continent Library	0.3633	917	917	917	10,832	10,832	10,832	11,102	11,102	11,102	11,102	11,102	11,380	11,380	113,516
State Blind Pension	0.0300	76	76	76	894	894	894	917	917	917	917	917	940	940	9,374
	8.0934	\$ 20,421	\$ 20,421	\$ 20,421	\$ 241,299	\$ 241,299	\$ 241,299	\$ 247,331	\$ 247,331	\$ 247,331	\$ 247,331	\$ 247,331	\$ 253,514	\$ 253,514	\$ 2,528,843

**Exhibit 6
Projected Tax Abatement**

Taxing Jurisdiction	Tax Rate per															Total
	\$100	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
Board of Disabled Services	0.0620	\$ -	\$ -	\$ -	\$ 458	\$ 504	\$ 504	\$ 505	\$ 505	\$ 553	\$ 553	\$ 602	\$ 555	\$ 604	\$ 5,343	
City - Lees Summit	1.3936	-	-	-	10,295	11,332	11,332	11,351	11,351	12,429	12,429	13,530	12,465	13,587	120,100	
Jackson County	0.6110	-	-	-	4,514	4,968	4,968	4,976	4,976	5,449	5,449	5,932	5,465	5,957	52,656	
Lees Summit R-VII	5.3280	-	-	-	39,359	43,323	43,323	43,395	43,395	47,520	47,520	51,726	47,656	51,947	459,164	
Mental Health	0.1008	-	-	-	745	820	820	821	821	899	899	979	902	983	8,687	
Metro Junior College	0.2047	-	-	-	1,512	1,664	1,664	1,667	1,667	1,826	1,826	1,987	1,831	1,996	17,641	
Mid-Continent Library	0.3633	-	-	-	2,684	2,954	2,954	2,959	2,959	3,240	3,240	3,527	3,250	3,542	31,309	
State Blind Pension	0.0300	-	-	-	222	244	244	244	244	268	268	291	268	292	2,585	
	8.0934	\$ -	\$ -	\$ -	\$ 59,787	\$ 65,809	\$ 65,809	\$ 65,919	\$ 65,919	\$ 72,184	\$ 72,184	\$ 78,574	\$ 72,391	\$ 78,909	\$ 697,485	