

Streets of West Pryor TIF Plan

Staff Presentation to City Council

December 18, 2018



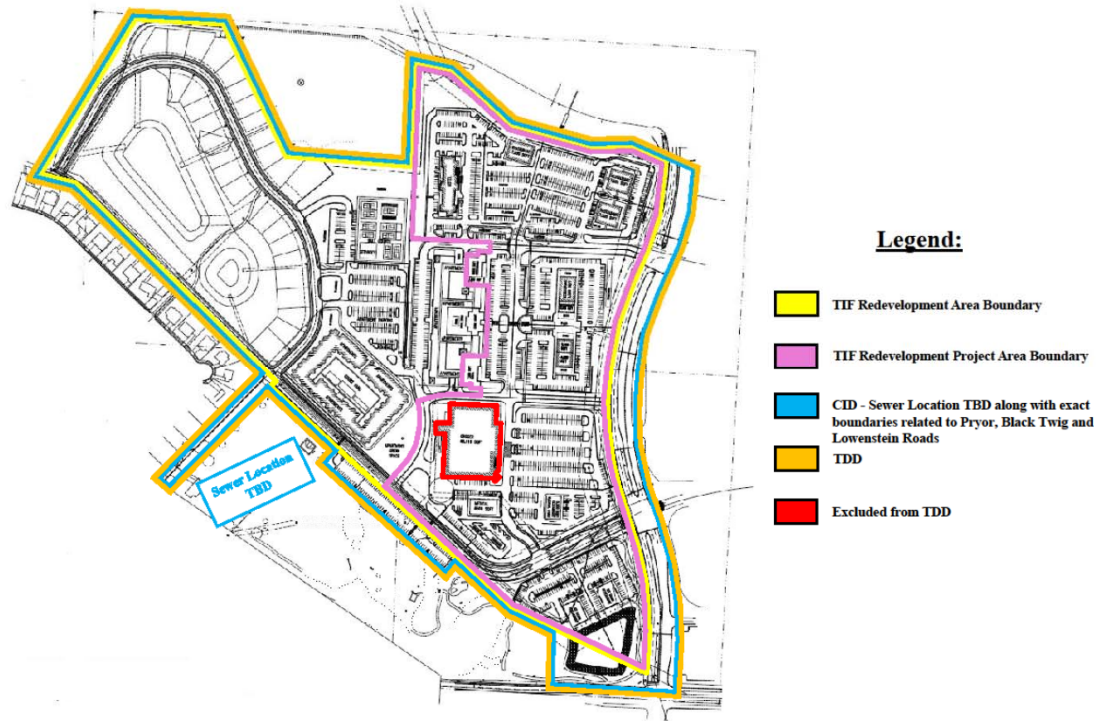
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Staff Presentation

1. Incentive Structure
2. Ownership Structure
3. TIF Plan



1. INCENTIVE STRUCTURE

How the requested incentives work, and the resulting reimbursement.

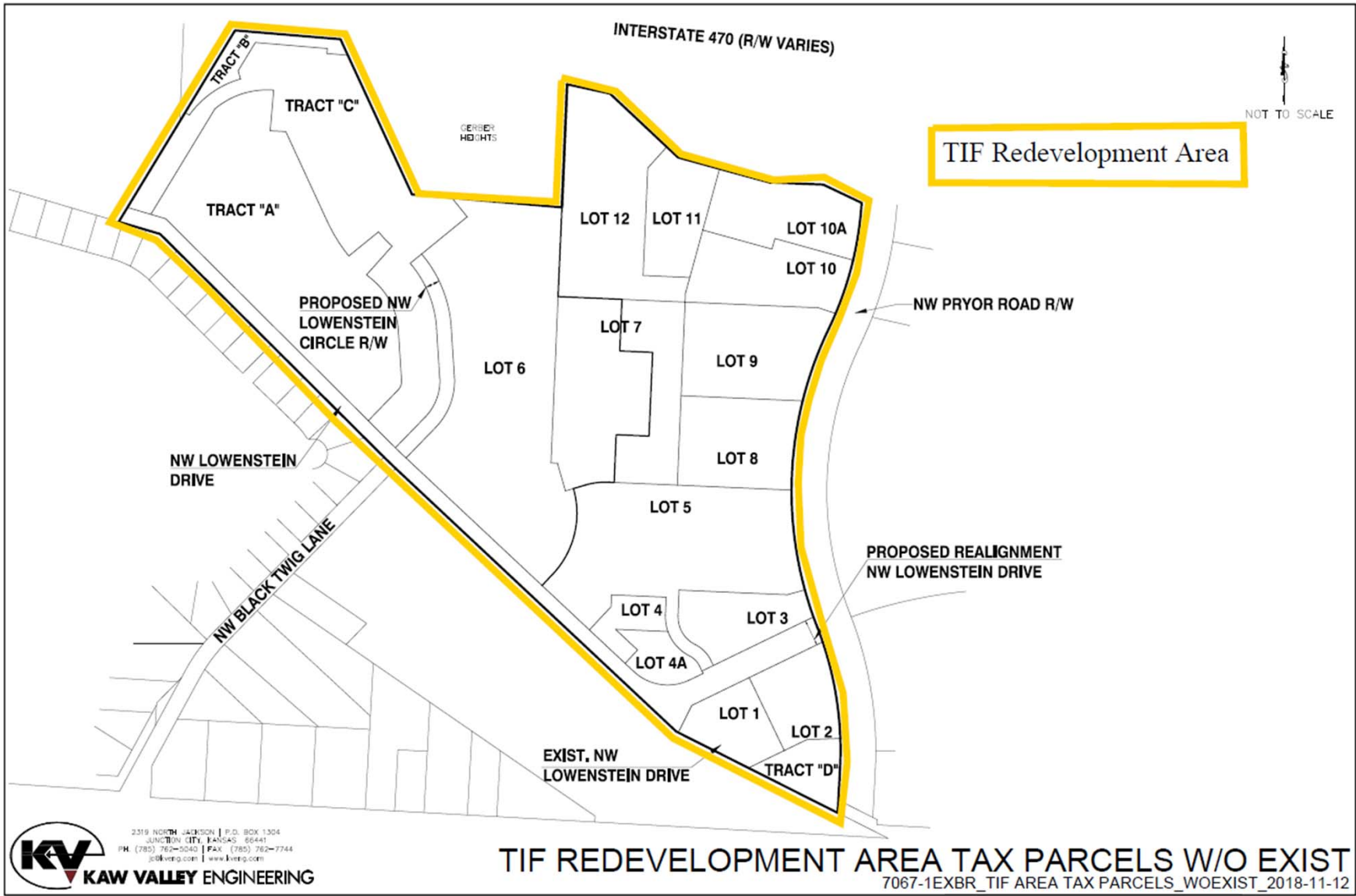
Requested Incentives

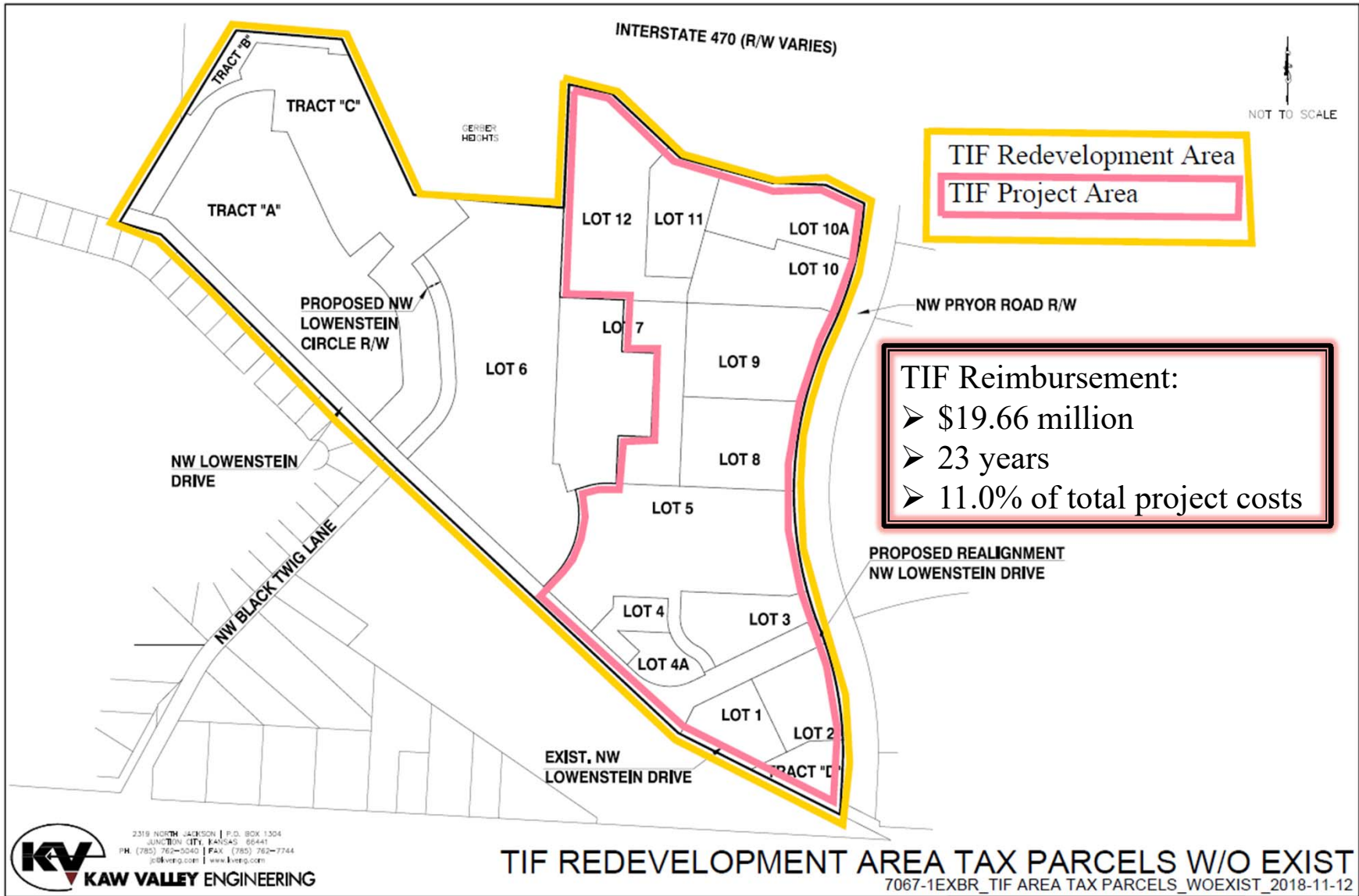
- **Tax Increment Financing:**
 - PILOTs – 100% property tax increment
 - EATs – 50% sales tax increment
- Hotel Sales Tax Rebate: City 1.0% General
- CID – 1.0% sales tax
- TDD – 0.5% sales tax
- Chapter 100:
 - Sales Tax Exemption on construction materials
 - Fixed PILOTs for 10 years on apartment properties




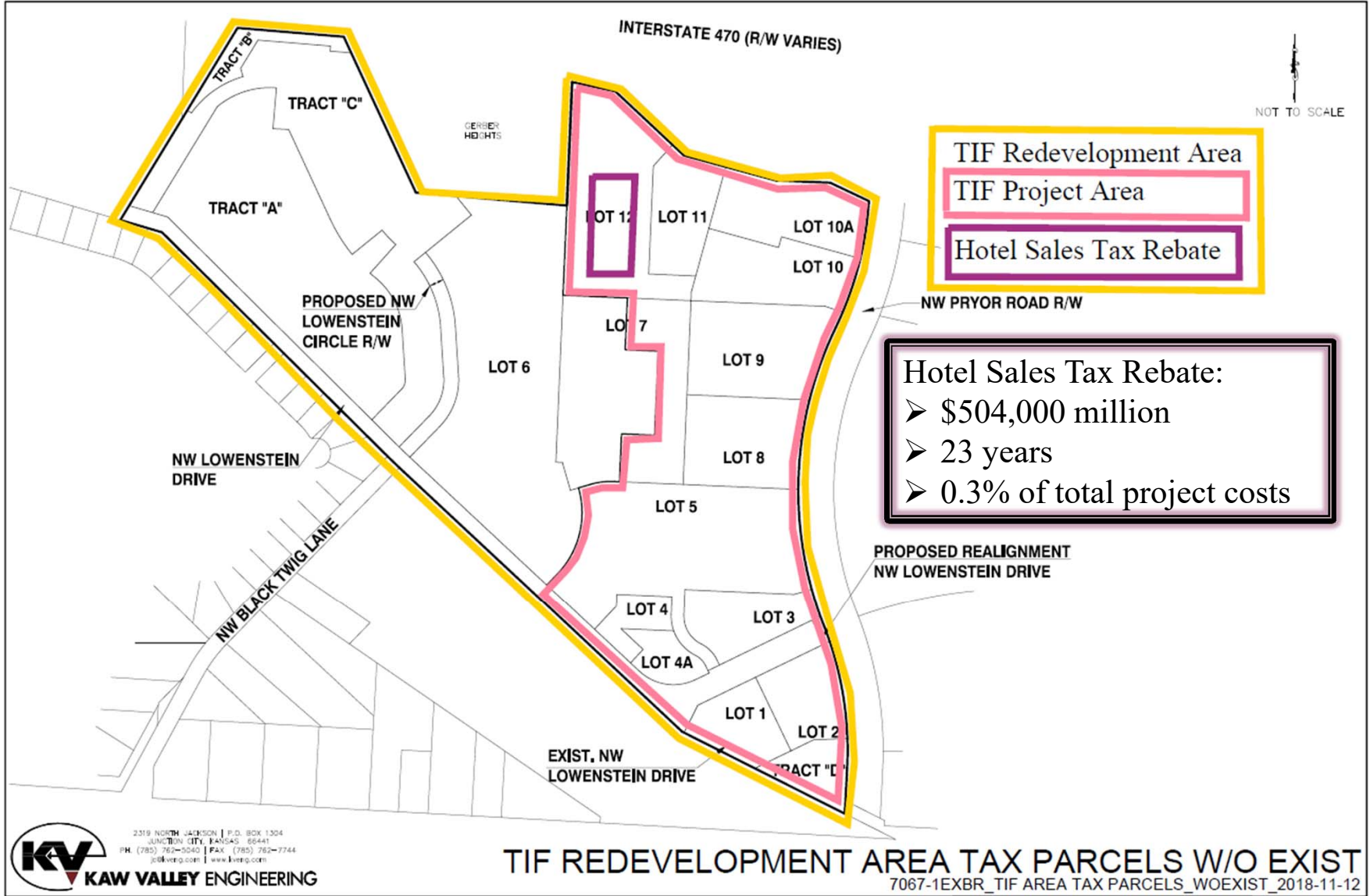
Legend:

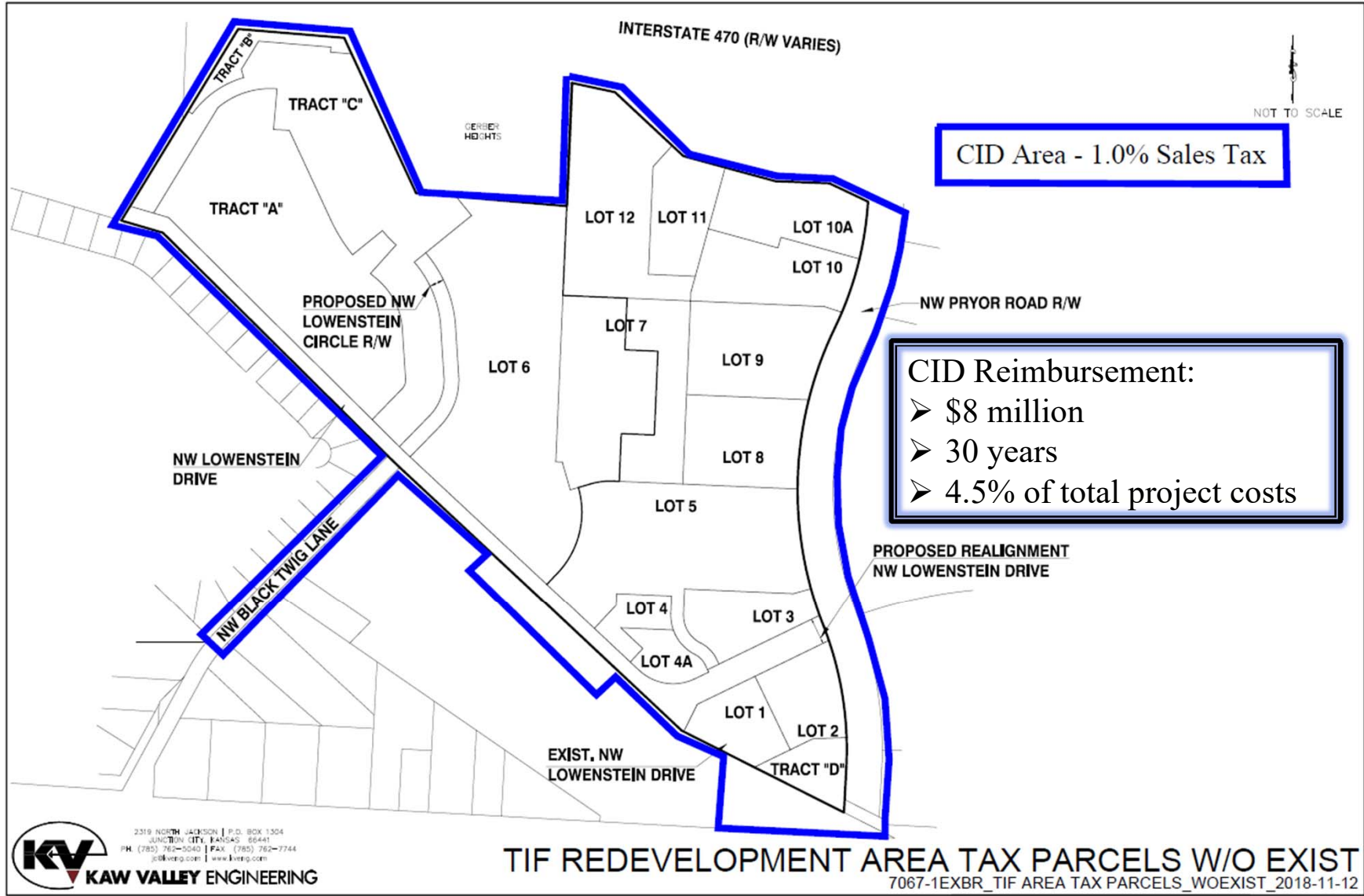
- TIF Redevelopment Area Boundary
- TIF Redevelopment Project Area Boundary
- CID - Sewer Location TBD along with exact boundaries related to Pryor, Black Twig and Lowenstein Roads
- TDD
- Excluded from TDD





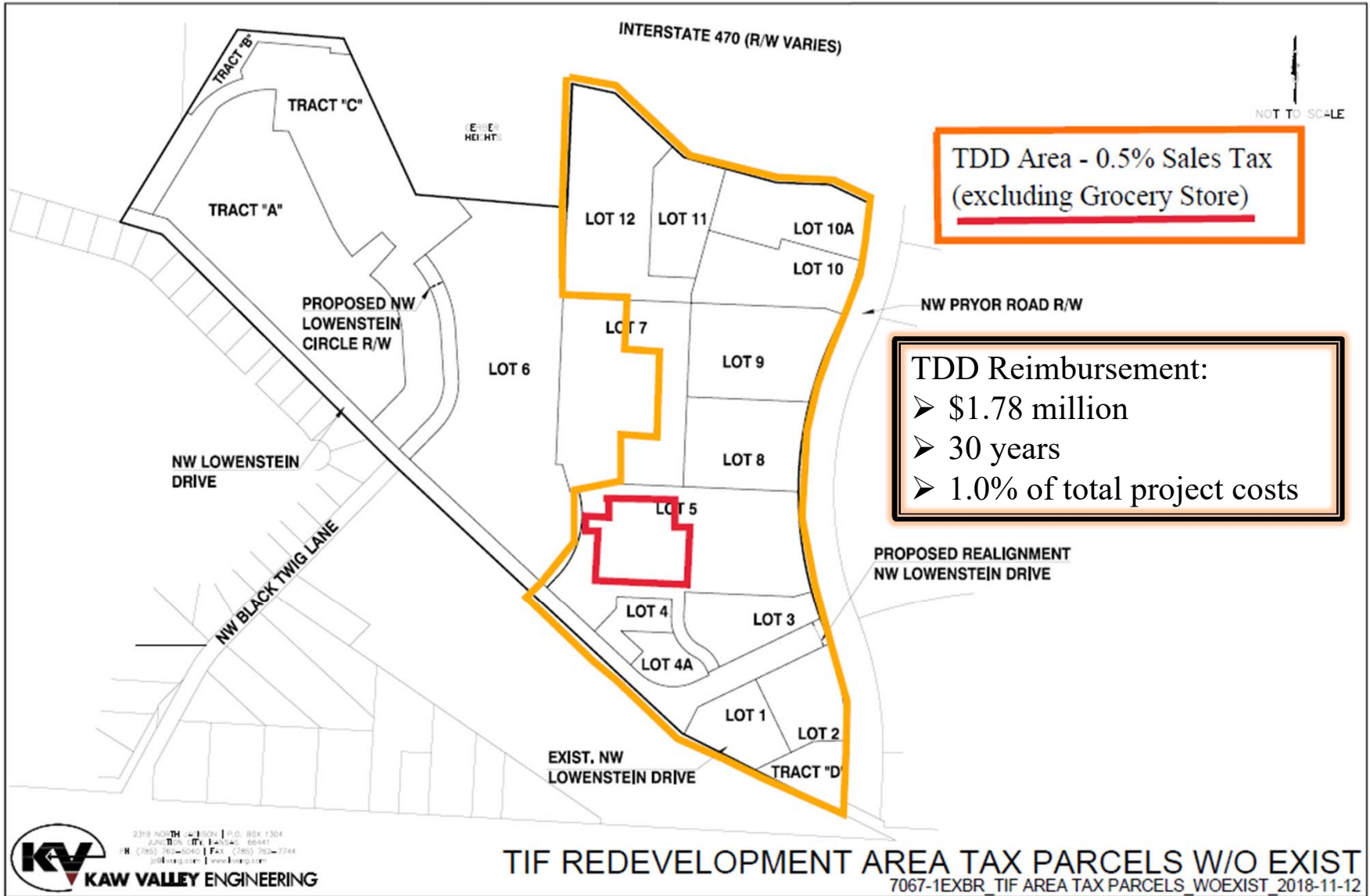

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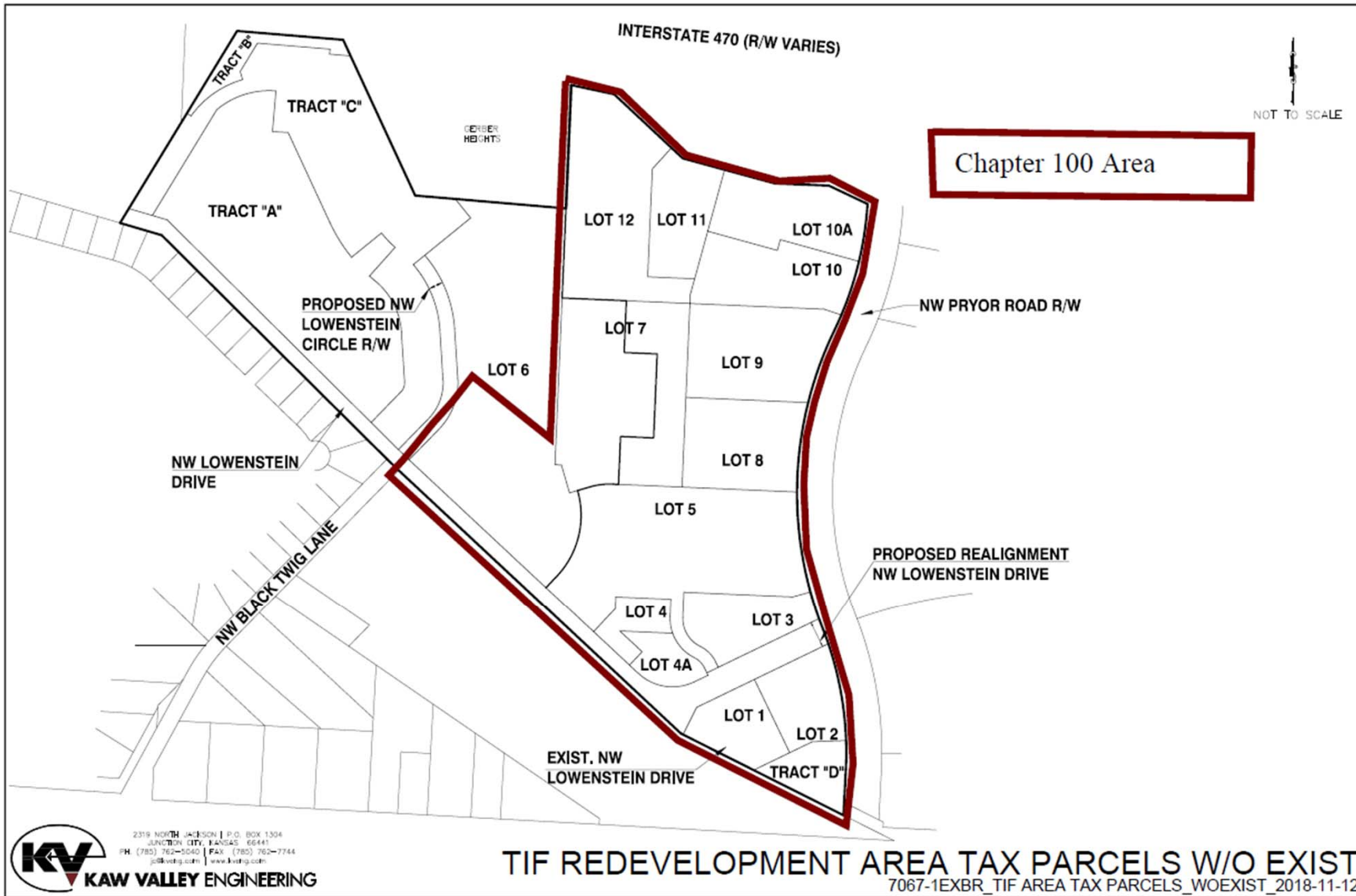


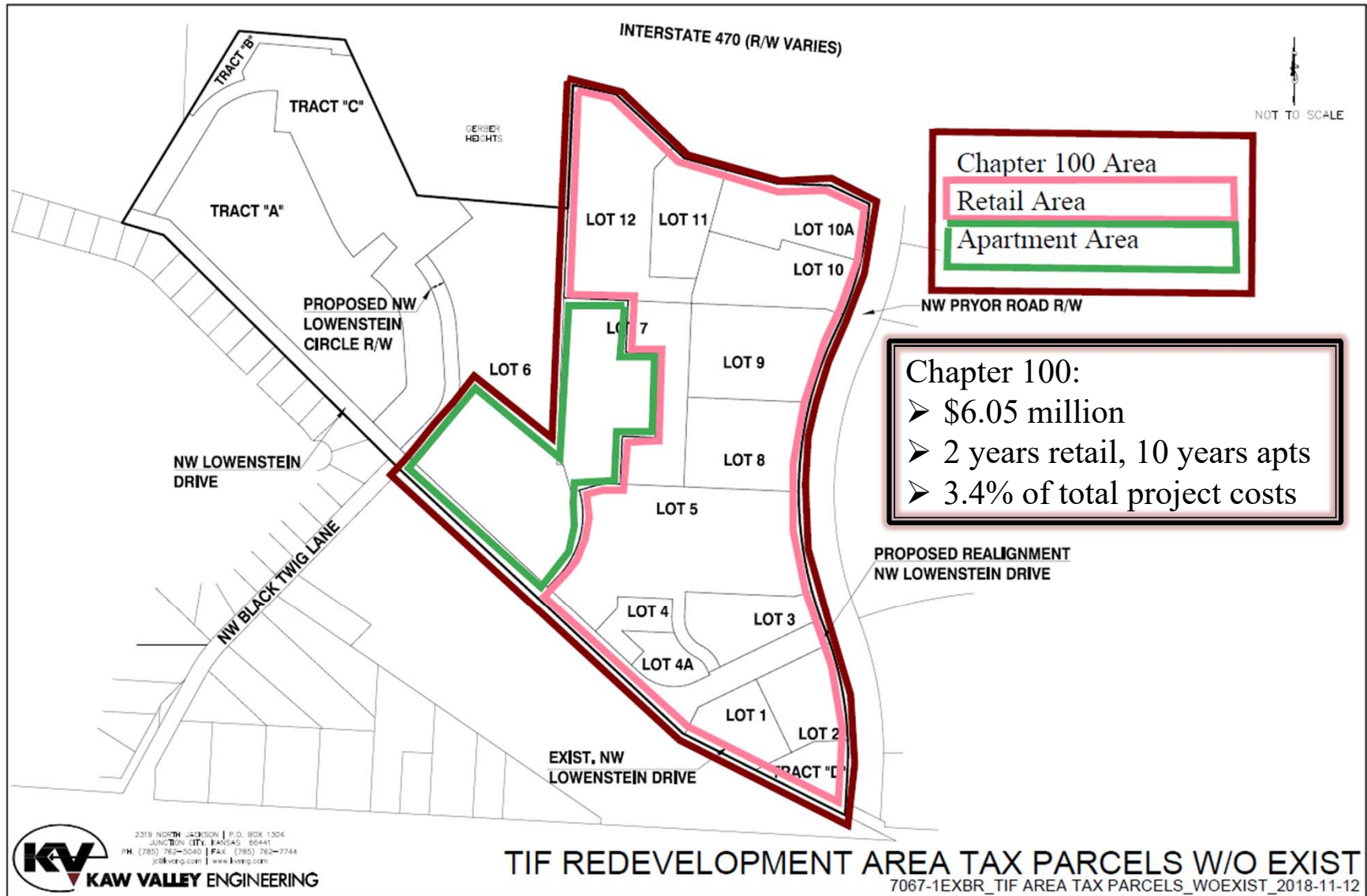


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Sources of Funds

Private Funding Sources

Funding from Tenants/Users	\$80,749,765	45.2%
Developer Capital (Private Loans and Equity)	\$61,811,714	34.6%
Subtotal	\$142,561,479	79.8%

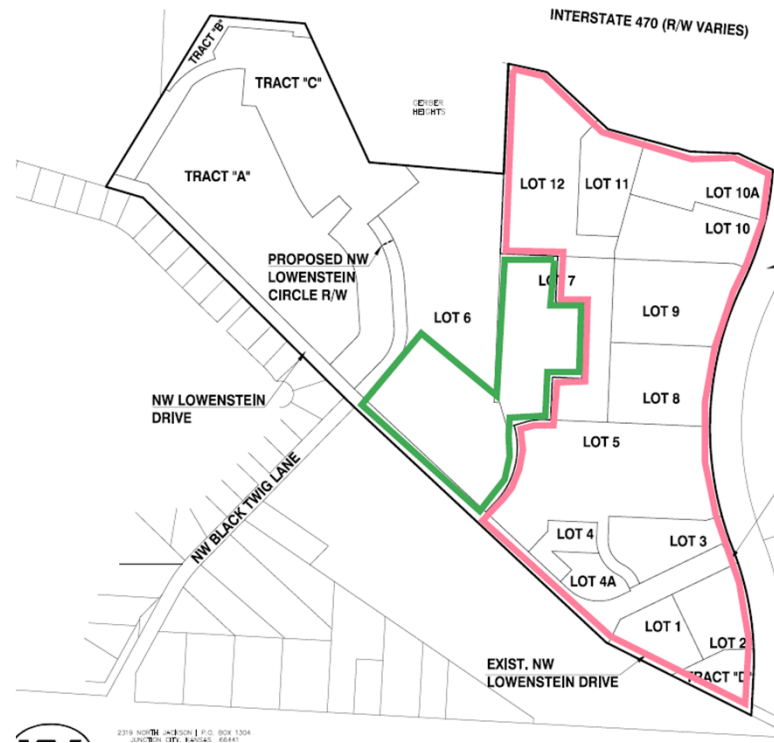
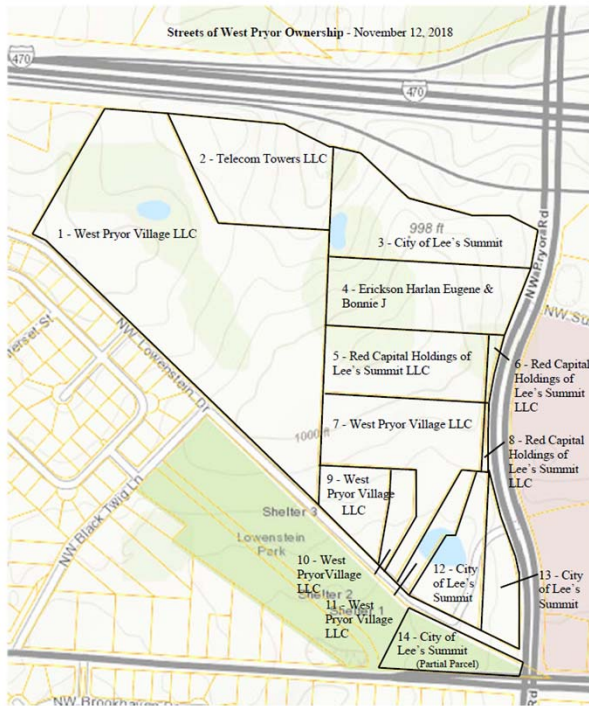
Project Cost Reductions from Public Incentives

Chapter 100 Sales Tax Exemption to Tenants/Users	\$3,298,870	1.8%
Chapter 100 Sales Tax Exemption to Developer	\$2,749,196	1.5%
	\$6,048,066	3.4%

Public Reimbursement Sources

TIF Reimbursement	\$19,655,272	11.0%
CID Reimbursement (TIF & Non-Captured)	\$8,010,893	4.5%
TDD Reimbursement (TIF & Non-Captured)	\$1,779,604	1.0%
City Sales Tax Rebate from Hotel	\$504,231	0.3%
Subtotal	\$29,950,000	16.8%

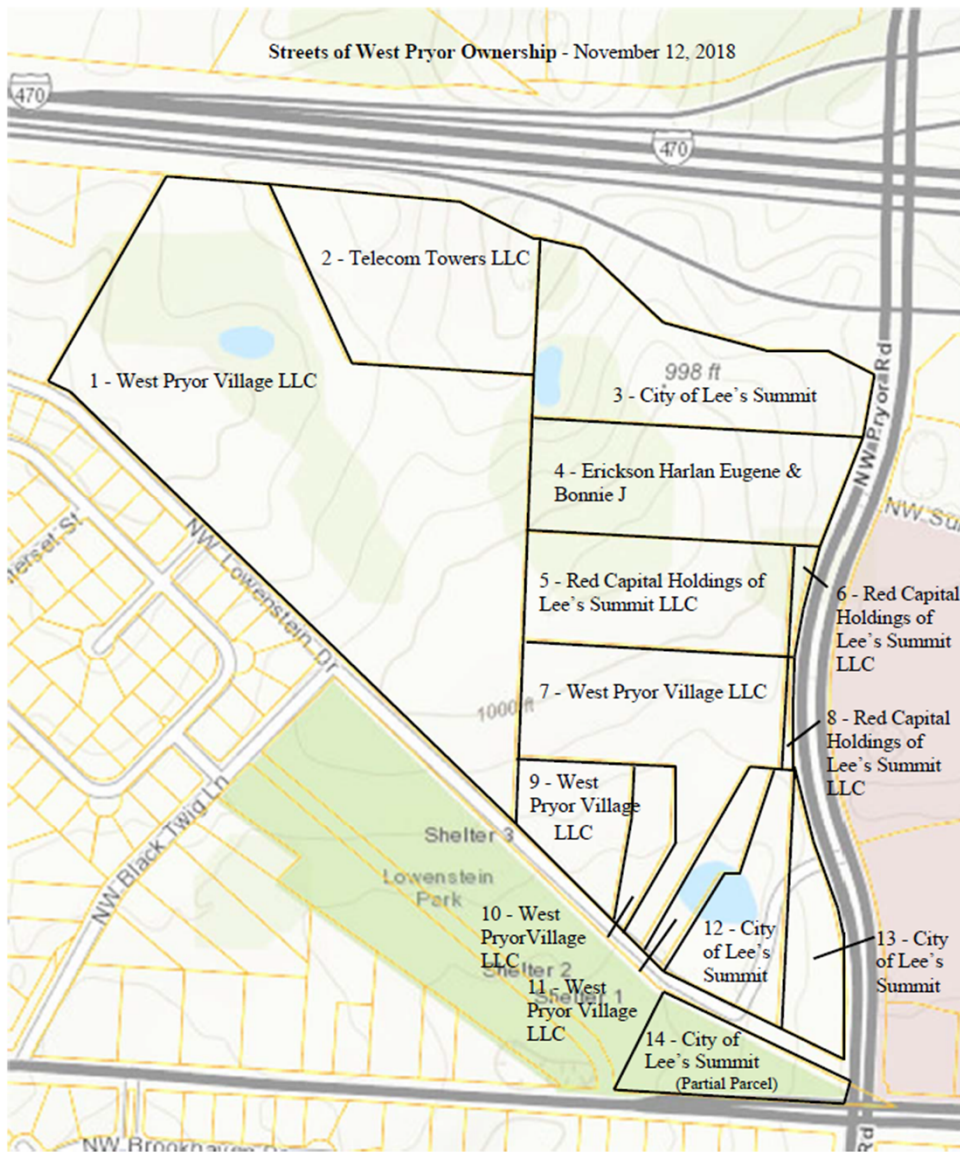
	\$178,559,545	100.0%
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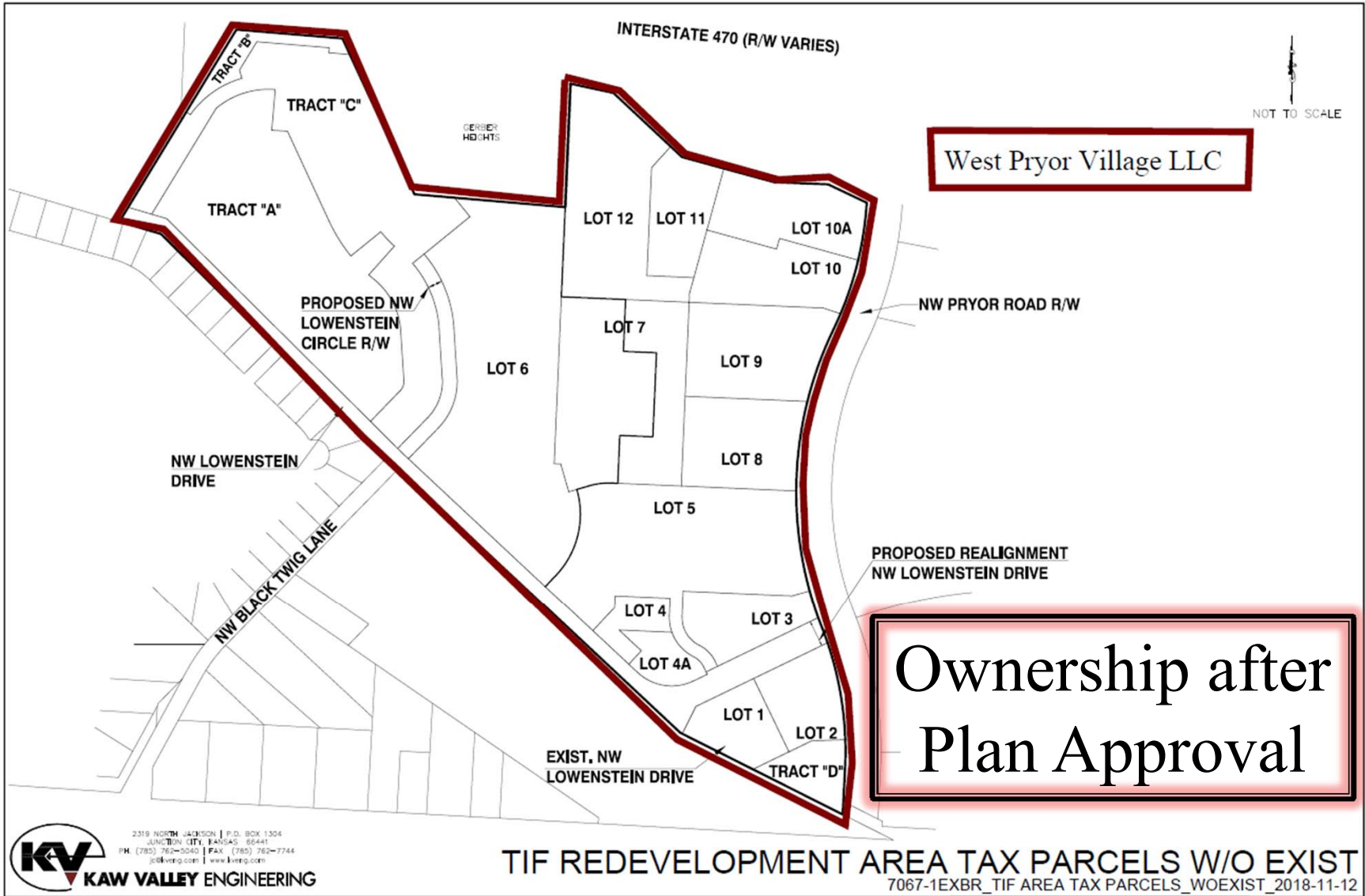
2. OWNERSHIP STRUCTURE

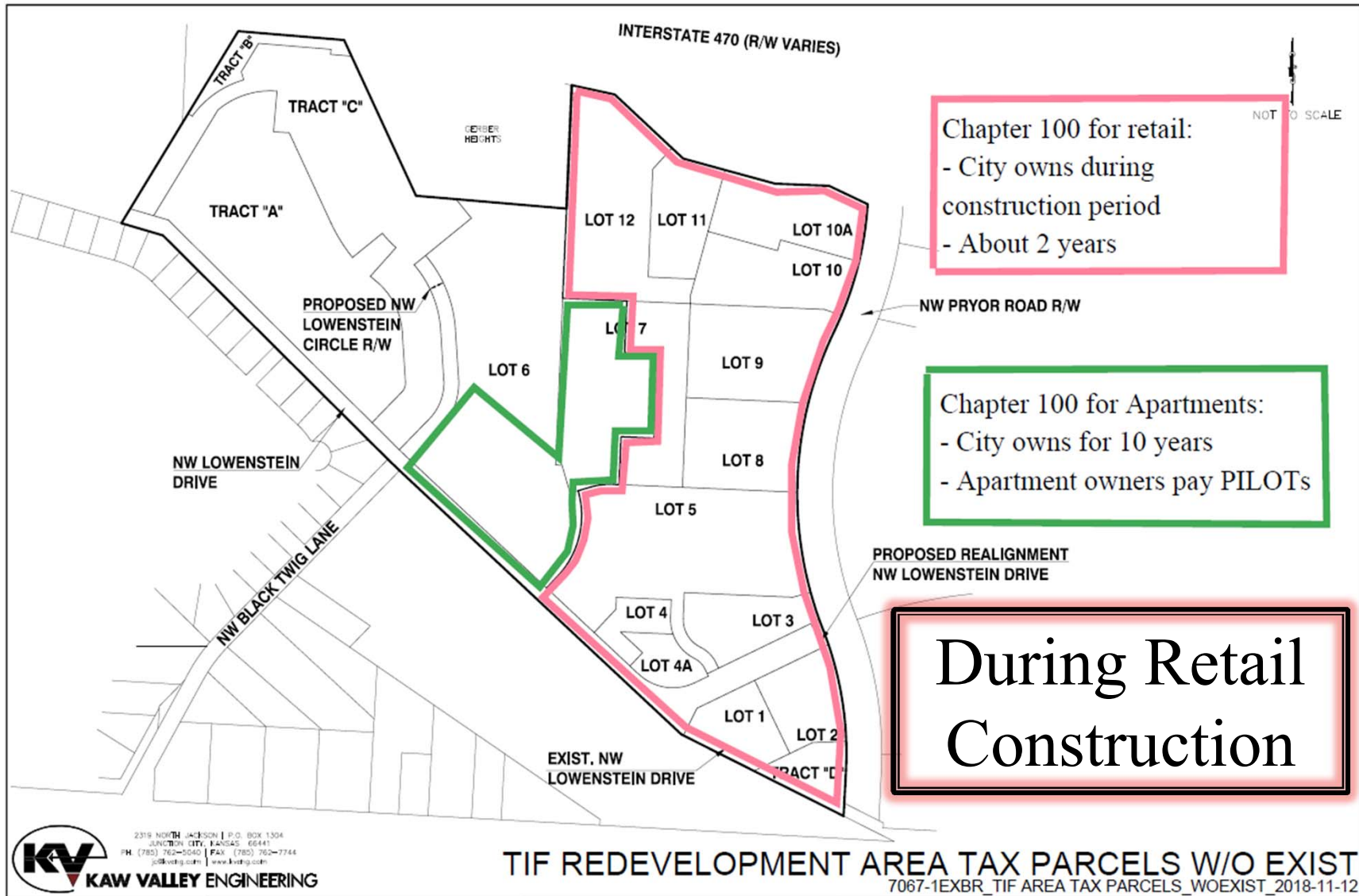
How property ownership will work to implement the incentives.

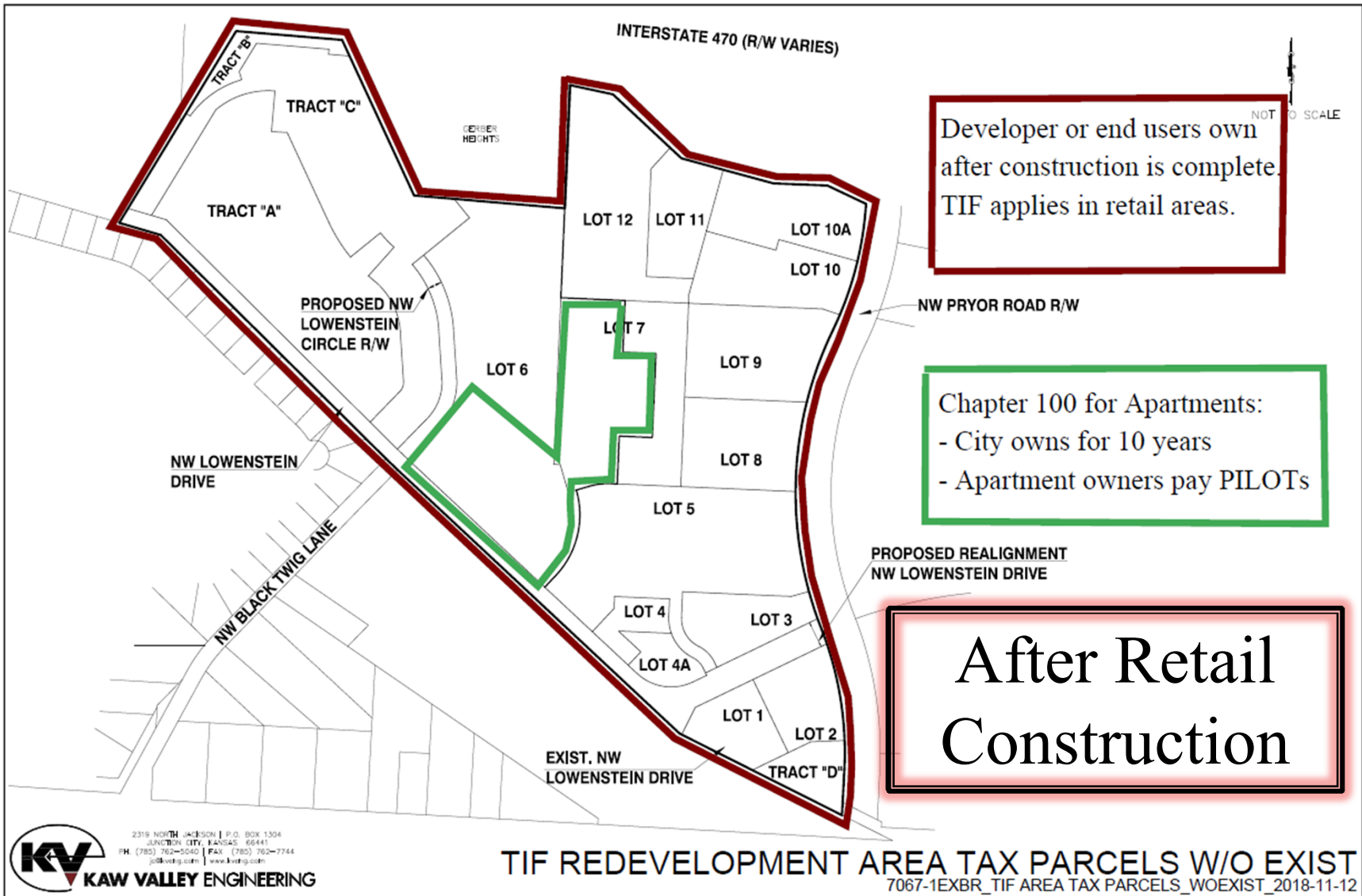
Streets of West Pryor Ownership - November 12, 2018

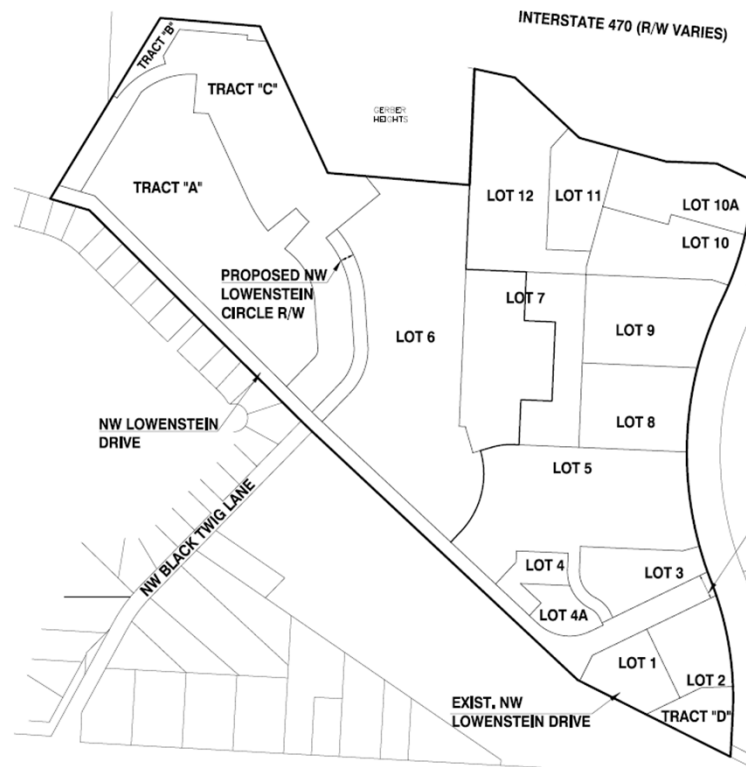


Ownership Today









3. TIF PLAN

Summary of the TIF Plan, key data, report from City’s Financial Advisor.

Blight Finding

- **Inadequate Street Layout** – Limited access, lacks curbs, gutters, street lights, storm sewers
- **Unsanitary or Unsafe Condition** – Aged houses, Undermining, Violations of Property Maintenance Code
- **Deterioration of Site Improvements** – Streets in fair condition, Structures built 1940 to 1978
- **Improper subdivision or obsolete platting** – Irregular lots, long and narrow configuration
- **Conditions which Endanger Life or Property** – No sewer access, Septic system for houses, Transmission lines and cost to move, site serves as dumping ground
- **Economic Underutilization**

But For Test & Financial Feasibility

Summary of Piper Jaffray conclusions:

- Construction costs are reasonable
- Revenue assumptions are reasonable
- Maximum bonding capacity = \$21.25 million
- Grocery sales \$509/sqft/year reasonable, \$511 national average
- May pay-off in less than 23 years if projections are accurate

But For Test & Financial Feasibility

Summary of Piper Jaffray conclusions:

- Rate of Return without incentives = **3.07%**
- Rate of Return with Incentives = **10.01%**
- Acceptable Range = 5.77% to 10.62%
- Higher Risk Factors:
 - Extraordinary site costs, large amount of site prep, power line relocation
 - Revenue from sales of prepared pad sites rather than operating businesses

City Economic Development Policy

- Preference: less than 25% TIF reimbursement
- Developer request is 11% TIF reimbursement
- Total incentive request is 20.2% of total project costs
- Total Project Costs is key variable
- TIF Contract will have control mechanisms
 - Rate of Return limitation
 - Development Cost Savings provision

Sales Tax Migration Rate

- Two Primary issues:
 1. Effect on Sales Tax Revenues
 2. Effect on businesses in same Primary Trade Area
- TIF Contract can address sales tax issue if needed
- Impact on businesses is a policy issue

Sales Tax Migration

Example #1: One existing store which has \$25 million in annual sales in the Primary Trade Area of the new grocery store.

**City Sales Tax
2.25%**

Sales at Existing Store	\$25,000,000	\$562,500
Sales at New Store	\$32,000,000	\$720,000

Migration Rate	Sales Tax from		Total Sales Tax Revenues
	Existing Store	New Store (50% EATs)	
10%	\$506,250	\$360,000	\$866,250
20%	\$450,000	\$360,000	\$810,000
30%	\$393,750	\$360,000	\$753,750
40%	\$337,500	\$360,000	\$697,500
50%	\$281,250	\$360,000	\$641,250
60%	\$225,000	\$360,000	\$585,000
70%	\$168,750	\$360,000	\$528,750
80%	\$112,500	\$360,000	\$472,500
90%	\$56,250	\$360,000	\$416,250
100%	\$0	\$360,000	\$360,000

Sales Tax Migration

Example #2: Two existing stores in the Primary Trade Area and each has \$25 million in annual sales.

**City Sales Tax
2.25%**

Sales From Two Existing Stores	\$50,000,000	\$1,125,000
Sales From New Store	\$32,000,000	\$720,000

Migration Rate	Sales Tax from		Total Sales Tax Revenues
	Existing Store	New Store (50% EATs)	
10%	\$1,012,500	\$360,000	\$1,372,500
20%	\$900,000	\$360,000	\$1,260,000
30%	\$787,500	\$360,000	\$1,147,500
40%	\$675,000	\$360,000	\$1,035,000
50%	\$562,500	\$360,000	\$922,500
60%	\$450,000	\$360,000	\$810,000
70%	\$337,500	\$360,000	\$697,500
80%	\$225,000	\$360,000	\$585,000
90%	\$112,500	\$360,000	\$472,500
100%	\$0	\$360,000	\$360,000

Sales Tax Migration

Example #3: Two existing stores in the Primary Trade Area, one has \$10 million in annual sales and the second has \$25 million in annual sales.

**City Sales Tax
2.25%**

Sales From Two Existing Stores	\$35,000,000	\$787,500
Sales From New Store	\$32,000,000	\$720,000

Migration Rate	Sales Tax from Existing Store	Sales Tax from New Store (50% EATs)	Total Sales Tax Revenues
10%	\$708,750	\$360,000	\$1,068,750
20%	\$630,000	\$360,000	\$990,000
30%	\$551,250	\$360,000	\$911,250
40%	\$472,500	\$360,000	\$832,500
50%	\$393,750	\$360,000	\$753,750
60%	\$315,000	\$360,000	\$675,000
70%	\$236,250	\$360,000	\$596,250
80%	\$157,500	\$360,000	\$517,500
90%	\$78,750	\$360,000	\$438,750
100%	\$0	\$360,000	\$360,000

Project Budget & Incentives

	Total Project Costs	Private	TIF & OTHER	Community Improvement District (CID)		Transportation Development District (TDD)		
			PILOTS / EATS STR	CID NON-EATS	CID EATS	TDD NON-EATS	TDD EATS	
Development Costs								
Acquisition	\$ 9,640,147	\$ 7,640,147	\$ -		\$ 2,000,000			
Building Construction	\$ 114,211,435	\$ 114,211,435						
General Conditions	\$ 1,476,396	\$ 984,265	\$ 492,132					
Site Construction (on & offsite)								
Grading, retaining walls and site prep	\$ 6,291,113	\$ -	\$ 5,862,020		\$ 429,093			
Sanitary Sewer	\$ 906,385	\$ 226,596	\$ 679,789					
Water	\$ 1,095,660	\$ 730,441	\$ 365,220					
Storm Water	\$ 2,907,007	\$ 1,938,006	\$ 969,001					
Roadway	\$ 4,359,751	\$ -	\$ 2,572,110	\$ 826,515		\$ 961,126		
Surface Parking & Curbs	\$ 5,490,623	\$ 5,490,623						
Parking Structure	\$ 5,698,000	\$ 2,013,472	\$ 2,988,539				\$ 695,989	
Site Utilities	\$ 1,362,972	\$ 908,648	\$ 454,323					
Hardscape / Landscape	\$ 2,508,449	\$ 2,508,449						
Signage / Monumentation	\$ 250,000	\$ 250,000						
Park Improvements	\$ 703,900	\$ -	\$ -		\$ 703,900			
Transmission Lines	\$ 3,500,000	\$ -		\$ 3,500,000				
Professional Services (Eng/Arch/Consult/Legal/PM/Other)	\$ 5,213,605	\$ 2,477,346	\$ 2,450,394	\$ 135,664	\$ 98,239	\$ 30,137	\$ 21,824	
Commissions & Marketing	\$ 1,062,000	\$ 1,062,000						
Financing Costs (Interest Carry / Closing / Fees / Other)	\$ 5,336,986	\$ 2,535,974	\$ 2,508,384	\$ 138,874	\$ 100,564	\$ 30,851	\$ 22,340	
Development Fee	\$ 1,739,554	\$ 826,583	\$ 817,591	\$ 45,265	\$ 32,778	\$ 10,056	\$ 7,282	
Contingency	\$ 4,805,560	\$ 4,805,560						
Total Development Costs	\$ 178,559,545	\$ 148,609,545	\$ 20,159,503	\$ 4,646,318	\$ 3,364,575	\$ 1,032,170	\$ 747,434	
Percentages of Total Development Costs by Category			83.2%	11.3%	2.6%	1.9%	0.6%	0.4%
Less: Ch. 100 Sales Tax Exemption on Materials	\$ (6,048,066)							
Net Development Costs (Net of Sales Tax Exemption)	\$ 172,511,478							