



# LEE'S SUMMIT

LAW DEPARTMENT  
OFFICE OF THE CITY ATTORNEY

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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 Apartments LCRA Redevelopment Plan (the "LCRA Plan")

**Developer:** Altus Equity Group Inc., in a joint venture with Gold Crown Properties, Inc., a Kansas corporation (the "Developer").

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

**Property:** The proposed Redevelopment Project Area contains approximately 1.8 acres which will be developed for an approximately 380-unit apartment complex along with associated site improvements as part of the Paragon Star Village project.

**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.

**Schedule:** Construction is planned to commence this year, with a completion date in 2024.

**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: \$72,800,000 (exclusive of permanent financing costs)
- 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 during the construction period. The City will own the property during the construction period to facilitate the sales and use tax exemption. At the end of the construction period, the City will transfer the Property to Developer and the owner will then start making TIF PILOTs payments.

- Payments under LCRA Plan: During the construction period, the Developer will make Payment In Lieu of Taxes (PILOT) in the amount of the abated taxes based on partial construction values.

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

**1. Sales Tax Exemption**

The sales tax exemption is summarized as follows:

Est. Construction Budget	\$	55,000,000
Est. Materials Percentage		35.00%
Est. Materials Cost	\$	19,250,000
Total Sales and Use Tax Rate		10.35%
<b>Est. Sales and Use Tax Savings</b>	<b>\$</b>	<b>1,261,597</b>
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%
		10.350%
Est. Allocation of Material Purchases:		
	Lee's Summit	8.00%
	Missouri (outside Lee's Summit)	50.00%
	Outside Missouri	42.00%
Lee's Summit Sales Tax Savings	\$	42,350
Lee's Summit Use Tax Savings	\$	222,338
<b>Total Lee's Summit Sales and Use Tax</b>	<b>\$</b>	<b>264,688</b>
County Sales Tax Savings	\$	79,406
State Sales and Use Tax Savings	\$	813,313
Stadium Sales Tax Savings	\$	7,941
CID Sales and Use Tax Savings	\$	96,250
TDD Sales Tax Savings	\$	-
<b>Lee's Summit % of Total Savings</b>		<b>20.98%</b>

This financial benefit is approximately 1.73% of the total project costs..

**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 construction, Payments in Lieu of Taxes (PILOTS) will be paid under the TIF Plan and will be expended in accordance with the TIF Plan.

**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 reaffirmed 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 apartments specifically, Developer has indicated that the LCRA Plan will provide a critical tax benefit to complete the apartments portion of the project.
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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