
CITY OF LEE'S SUMMIT, MISSOURI

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

FOR

THE RESIDENCES AT ECHELON

NOVEMBER 23, 2016

TABLE OF CONTENTS

	<u>Page</u>
I. PURPOSE OF THIS PLAN	1
II. GENERAL DESCRIPTION OF CHAPTER 100 FINANCINGS	1
General.....	1
Issuance and Sale of Bonds.....	1
Property Tax Abatement.....	2
III. DESCRIPTION OF THE PARTIES	2
M150 Echelon Land Development, LLC.....	2
City of Lee's Summit, Missouri.....	2
IV. REQUIREMENTS OF THE ACT	2
Description of the Project.....	2
Estimate of the Costs of the Project.....	2
Source of Funds to be Expended for the Project.....	2
Statement of the Terms Upon Which the Project is to be Leased or Otherwise Disposed of by the City.	2
Affected School District, Community College District, County and City.....	3
Current Assessed Valuation.....	3
Payments in Lieu of Taxes.....	3
Cost-Benefit Analysis and Discussion of Exhibits.....	3
V. ASSUMPTIONS AND BASIS OF PLAN.....	4

ATTACHMENT A – SUMMARY OF KEY ASSUMPTIONS

EXHIBIT 1 - PROJECT ASSUMPTIONS

EXHIBIT 2 - SUMMARY OF COST BENEFIT ANALYSIS

EXHIBIT 3 - PROJECTED TAX REVENUES ON PROJECT SITE WITHOUT PROJECT (NO ABATEMENT)

EXHIBIT 4 - PROJECTED PILOT AMOUNTS

* * *

CITY OF LEE'S SUMMIT, MISSOURI

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

I. PURPOSE OF THIS PLAN

The City Council of the City of Lee's Summit, Missouri (the "City") will consider an ordinance approving this Plan (defined below) and authorizing 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 (the "Company") as more fully described and defined herein. The Bonds will be issued pursuant to the provisions of Sections 100.010 to 100.200 of the Revised Statutes of Missouri, as amended, and Article VI, Section 27(b) of the Missouri Constitution, as amended (collectively, the "Act").

This Plan for an Industrial Development Project and Cost-Benefit Analysis (the "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 will convey to the municipality 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 municipality will lease the property, including the project, back to the benefited company pursuant to a lease agreement. The lease agreement will require the company, acting on behalf of the municipality, 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 typically: (1) will unconditionally agree to make payments sufficient to pay the principal of and interest on the bonds as they become due; (2) will agree, 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) will covenant to maintain its corporate existence during the term of the bond issue; and (6) will agree to indemnify the municipality for any liability the municipality 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.

If the municipality and the company determine that partial tax abatement is desirable, the company may agree to make “payments in lieu of taxes.” The amount of payments in lieu of taxes is negotiable. 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

M150 Echelon Land Development, LLC. 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 to be 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 \$27,000,000 and to be constructed during the years 2017 and 2018.

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, to be issued by the City and purchased by the Company or its designee (the “Bondholder”) and, if needed, other available funds of the Company. The Bonds will be 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 hold title to the Project Site under the Chapter 100 Transaction. The City will 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 will have 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 2028, unless terminated sooner pursuant to the terms of the lease.

Affected School District, Community College District, County and City. 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. The Cost-Benefit Analysis attached hereto identifies all other taxing districts affected by the Project (other than those taxing entities solely affected by the Project with respect to receipt of tax revenues from the commercial surcharge tax).

Assessed Valuation. The most recent equalized assessed valuation of the Project Site is \$199,262.¹ The estimated total equalized assessed valuation of the Project Site after construction of the Project (2019) is \$2,217,045. This valuation was calculated based upon an assumed appraised value of \$11,668,658 for the Project Site in year 2019, multiplied by the assessment rate of 19%.

Payments in Lieu of Taxes. If this Plan is approved by the City Council, the City intends to issue the Bonds in 2017 and to provide tax abatement to the Company for the Project for a period of ten years beginning in 2019. During years 2017 and 2018, the Project will be under construction and the Company will pay a partial 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	\$ 20,421.00
2018	\$ 113,602.50
2019-21	\$ 227,205.00
2022-26	\$ 232,794.00
2027-28	\$ 238,626.00

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 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 Plan that show the direct tax impact the Project is expected to have on each taxing jurisdiction. This 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.

¹ The Project Site is currently part of a larger 20.88 acre tract (Parcel ID No. 70-400-04-07-00-0-00-000) which is improved with a church facility and has an assessed value of \$1,049,357. That portion of the 20.88 acre tract which will be the Project Site is 12.59 acres and is currently unimproved. The Project Site will be subdivided as a separate tax parcel. Based on information received from the County Assessor's Office, it is assumed that the most recent equalized assessed valuation of the land only for the larger 20.88 acre tract is \$330,450. The Project Site is 60.3% of the acreage of the 20.88 acre site and it is therefore assumed that the most recent equalized assessed valuation of the Project Site is \$199,262.

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 and (2) the total estimated value of the payments in lieu of taxes (“PILOT Amounts”) to be made by the Company for the proposed abatement period.

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 value of PILOT Amounts to be paid by the Company.

V. ASSUMPTIONS AND BASIS OF PLAN

In preparing this 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 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 \$27,000,000.
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 twelve years beginning in 2017.
4. During the entire term of the Bonds through 2028, the Company will make payments in lieu of taxes in accordance with that portion of Section IV above in the Plan entitled "Payments in Lieu of Taxes."
5. Commercial 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 Plan reflect the rates in effect for the tax year 2016. The tax rates were held constant through the 2028 tax year.

* * *

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

**COST BENEFIT ANALYSIS
PLAN FOR INDUSTRIAL DEVELOPMENT PROJECT**

Table of Contents

I	Project Assumptions	1
II	Summary of Cost Benefit Analysis	2
III	Projected Tax Revenues on Project Site Without Project (No Abatement)	3
IV	Projected PILOT Amounts	4

**Exhibit 1
Project Assumptions**

♦ Initial year taxes assessed		2017
♦ Current appraised value of project site		\$622,694
♦ Current assessed value as a percentage of appraised value		32.0%
♦ Projected assessed value as a percentage of appraised value		19.0%
♦ Current assessed value of project site		\$ 199,262
♦ Annual investment in the new project	2017-2018	\$27,000,000
♦ Projected appraised value (2019)		\$11,668,658
♦ Projected assessed value (2019)		\$ 2,217,045
♦ Fixed PILOT as described below:		
	Year(s)	Amount
	2017	\$20,421
	2018	\$113,603
	2019-2021	\$227,205
	2022-2026	\$232,794
	2027-2028	\$238,626

**Exhibit 2
Summary of Cost Benefit Analysis**

Tax Distribution	Tax Rate	Projected Tax Revenues on Project Site Without Project	Projected PILOT Amounts
Board of Disabled Services	0.0738	\$ 1,765	\$ 17,693
City - Lees Summit	1.5398	36,819	369,149
Jackson County	0.5025	12,015	120,468
Lees Summit R-VII	5.9957	143,366	1,437,398
Mental Health	0.1201	2,872	28,793
Metro Junior College	0.2339	5,593	56,075
Mid-Continent Library	0.3153	7,539	75,589
State Blind Pension	0.0300	717	7,192
Surtax	1.4370	34,361	344,504
	10.2481	\$ 245,047	\$ 2,456,861

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

Taxing Jurisdiction	Assessed Value of Project Site Without Project												Total
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
	\$199,262	\$199,262	\$199,262	\$199,262	\$199,262	\$199,262	\$199,262	\$199,262	\$199,262	\$199,262	\$199,262	\$199,262	\$199,262
	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Board of Disabled Services	0.0738	0.0738	0.0738	0.0738	0.0738	0.0738	0.0738	0.0738	0.0738	0.0738	0.0738	0.0738	0.0738
City - Lees Summit	1.5398	1.5398	1.5398	1.5398	1.5398	1.5398	1.5398	1.5398	1.5398	1.5398	1.5398	1.5398	1.5398
Jackson County	0.5025	0.5025	0.5025	0.5025	0.5025	0.5025	0.5025	0.5025	0.5025	0.5025	0.5025	0.5025	0.5025
Lees Summit R-VII	5.9957	5.9957	5.9957	5.9957	5.9957	5.9957	5.9957	5.9957	5.9957	5.9957	5.9957	5.9957	5.9957
Mental Health	0.1201	0.1201	0.1201	0.1201	0.1201	0.1201	0.1201	0.1201	0.1201	0.1201	0.1201	0.1201	0.1201
Metro Junior College	0.2339	0.2339	0.2339	0.2339	0.2339	0.2339	0.2339	0.2339	0.2339	0.2339	0.2339	0.2339	0.2339
Mid-Continent Library	0.3153	0.3153	0.3153	0.3153	0.3153	0.3153	0.3153	0.3153	0.3153	0.3153	0.3153	0.3153	0.3153
State Blind Pension	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
Surtax	1.4370	1.4370	1.4370	1.4370	1.4370	1.4370	1.4370	1.4370	1.4370	1.4370	1.4370	1.4370	1.4370
	10.2481	10.2481	10.2481	10.2481	10.2481	10.2481	10.2481	10.2481	10.2481	10.2481	10.2481	10.2481	10.2481

Exhibit 4
Projected PILOT Amounts

Taxing Jurisdiction	Estimated Assessed Value of the Project Site with New Project PILOT Payment											Total	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027		2028
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Board of Disabled Services	0.0738	818	1,636	1,636	1,636	1,676	1,676	1,676	1,676	1,676	1,718	1,718	17,693
City - Lees Summit	1.5398	17,069	34,138	34,138	34,138	34,978	34,978	34,978	34,978	34,978	35,854	35,854	369,149
Jackson County	0.5025	5,570	11,141	11,141	11,141	11,415	11,415	11,415	11,415	11,415	11,701	11,701	120,468
Lees Summit R-VII	5.9957	11,947	66,464	132,927	132,927	136,197	136,197	136,197	136,197	136,197	139,609	139,609	1,437,398
Mental Health	0.1201	239	1,331	2,663	2,663	2,728	2,728	2,728	2,728	2,728	2,797	2,797	28,793
Metro Junior College	0.2339	466	2,593	5,186	5,186	5,313	5,313	5,313	5,313	5,313	5,446	5,446	56,075
Mid-Continent Library	0.3153	628	3,495	6,990	6,990	7,162	7,162	7,162	7,162	7,162	7,342	7,342	75,589
State Blind Pension	0.0300	60	333	665	665	681	681	681	681	681	699	699	7,192
Surtax	1.4370	2,863	15,929	31,859	31,859	32,643	32,643	32,643	32,643	32,643	33,460	33,460	344,504
	10.2481	20,421	113,603	227,205	227,205	232,794	232,794	232,794	232,794	232,794	238,626	238,626	2,456,861