



LEE'S SUMMIT MISSOURI

August 24, 2016

Jeff Haney
RED Development, LLC
4717 Central Street
Kansas City, MO 64112

Christine Bushyhead
Bushyhead, LLC
315 SE Main Street
Lee's Summit, MO 64063

Bill Brown
Spectrum Consulting Group, LLC
338 SW Main Street
Lee's Summit, MO 64063

Re: Cooperative Agreement for Regional TDD

Dear Jeff, Christine and Bill:

As you are aware, we have nearly completed our negotiations for the TDD Cooperative Agreement except for one final condition which is #24 in the list of conditions in Exhibit F to the Agreement, dealing with development restrictions on the Redevelopment Area 1 property as a condition of imposing the Regional TDD Sales Tax. The purpose of this letter is to discuss the approach that City Staff will use to place the Cooperative Agreement for the Regional TDD on the September 1st City Council agenda, and how we might resolve this final outstanding issue.

City staff is not in a position to recommend to the City Council that we proceed with formation of the Regional TDD without a cooperative agreement to address the manner in which the existing Summit Woods TDD is terminated and replaced with the Regional TDD. City staff is likewise not in a position to recommend that retail and restaurant development in the Paragon Star project, which will be a critical component of the project and critical to funding the public improvements, be limited to less than what is viable and supportable in the marketplace. City staff is also not in a position to recommend to the City Council that the Regional TDD impose a new 1% sales tax while the Summit Woods 1% sales tax remains in effect, for a combined total of two 1% sales taxes on the Summit Woods shopping center for a period of time while the Summit Woods TDD debt remains outstanding. We are prepared to explain to the City Council the negative outcome of having two 1% sales taxes in effect at the same time in Summit Woods, the negative impact of limiting retail and restaurant development in the project, and the

negative impact of not proceeding in a timely and cooperative manner for formation of the Regional TDD.

The Regional TDD must proceed with coordination among all affected parties. Without cooperation, formation of the Regional TDD may be jeopardized, which in turn threatens the ability to finance the road improvements and the viability of the entire sports complex project. With this thought in mind, we plan to place the Cooperative Agreement on the September 1st agenda for consideration by the Council which includes condition #24 in a form as proposed by RED in our oral discussions yesterday as a place-holder on the outstanding issue, with the understanding that Paragon Star does not agree to this form of the condition and that further discussions need to occur to resolve this condition. It is our hope that all parties can reach agreement regarding the form of this condition before the September 1st meeting, and then at the September 1st meeting we can present the final and agreed-upon condition #24 to the City Council. This approach will allow the TDD process to stay on schedule.

In an effort to further refine condition #24 and achieve a resolution, we propose for your consideration the following form of the condition:

24. The owner of Lot 1 of the plat has recorded a restrictive covenant which limits the use of Lot 1 to sports facilities while the Regional TDD debt is outstanding and the Regional TDD sales tax is still imposed, and the TIF Redevelopment Agreement includes provisions which provide that a *pro rata* portion of the economic activity tax TIF Revenues resulting from any retail and restaurant development in excess of 90,000 square feet of floor area within Lots 2 and 5 of the plat, as compared to all retail and restaurant development within Lots 2 and 5, be dedicated to repayment of the debt issued to finance the Regional TDD Phase 2 Projects while the Regional TDD debt is outstanding and the Regional TDD sales tax is still imposed.

This form of the condition is intended to address Paragon Star's concern about restricting the amount of retail and restaurant development in the project, and RED's concern of building retail and restaurant space in Lots 2 and 5 that competes with other existing development along the I-470 corridor and which does not serve to fund the Regional TDD road improvements that directly serve the Paragon Star project. This form of the condition would cause economic activity tax TIF revenues resulting from retail development in excess of 90,000 square feet to contribute to and accelerate repayment of the Regional TDD debt which funds the sports complex road improvements.

We already have a meeting scheduled for 3:30 pm on August 25th to discuss TIF issues with the Paragon Star team, and we would like to extend the invitation to the RED team to attend this meeting for the purpose of resolving this final outstanding issue.

Very truly yours,



Stephen Arbo
City Manager