

October 31, 2019

David Bushek
Chief Counsel of Econ. Dev. & Planning
Office of the City Attorney
220 SE Green Street
Lee's Summit, MO 64063

Re: City of Lee's Summit, Missouri Taxable Industrial Development Revenue Bonds (Residences at Echelon Project) Series 2017

Dear David:

The city of Lee's Summit issued the referenced chapter 100 Bonds in 2017 for a 243 unit luxury apartment complex. Construction of the project has been delayed and is currently expected to be completed in 2020. As a result, we request that the city issue a new Project Exemption Certificate to permit sales tax exemption, with a project end date of 12/31/2020. We also are respectfully requesting that the city consider amendments to the bond documents to address the timing issues and increase the maximum amount of the bonds.

It is currently estimated that by mid-2020, the project will be 100% complete, which is 1 year behind schedule. There are two buildings on line with tenants living in them, another expected to come online November 1, and the developer is still dealing with cabinetry supply issues for the remaining buildings. Construction delays have been caused by several issues:

- (a) *Shipping Delays*: Project completion was hampered by shipping delays on products sourced from China such as cabinets and counter tops. Due to the US – China trade war, products from overseas were not shipped, new vendors had to be identified and manufacturing moved to other locations.
- (b) *Prolonged Site Development Schedule*: Site development took more time than expected. Lee's Summit requires base asphalt in place at the site prior to commencing vertical construction. The contractor's schedule anticipated base gravel rather than asphalt. The change was not known until the pre-construction meeting, which occurred after the bond terms were set. This pushed back the framing schedule by 4 to 6 months.
- (c) *Weather Delays*: The first year of construction was a particularly harsh winter. Despite significant cost outlay to stabilize soils, very little earthwork and site preparation could occur, which delayed the start of construction by up to three months.

The PILOT schedule was set with 2 years of PILOTs equal to the taxes otherwise due, and 10 years of abatement with a schedule of fixed PILOT payments from 2019 through 2028. The original PILOT schedule, and the adjusted schedule we are requesting is on Exhibit A. Because

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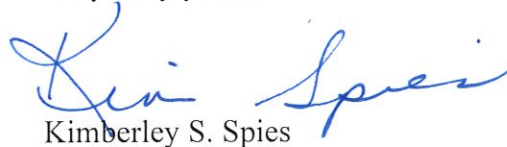
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the construction period is extended by one year, we are requesting that the city adjust the 2019 PILOT to \$20,421, which is the same amount paid in each of 2017 and 2018. Then the fixed PILOT amount currently shown as due in 2019 (\$241,299) would shift to 2020. We request that the schedule be amended to shift each of the fixed payments by a year, so the final year is in 2029.

Finally, when the amount of the Series 2017 Bonds was set, standard construction contingency funds and soft costs were not included. We also request that the city increase the maximum amount of the Bonds to \$36 million to allow additional bond capacity.

We would be pleased to discuss any questions on this information and the process for making the requested adjustments to the bonds.

Very truly yours,



Kimberley S. Spies

KSS:arc
cc: Jake Loveless

EXHIBIT A

EXISTING PILOT SCHEDULE

Year	Amount
2017	20,421
2018	20,421
2019	241,299
2020	241,299
2021	241,299
2022	247,331
2023	247,331
2024	247,331
2025	247,331
2026	247,331
2027	253,514
2028	253,514

NEW PILOT SCHEDULE

The new schedule would be as follows:

Year	Amount
2017	20,421
2018	20,421
2019	20,421
2020	241,299
2021	241,299
2022	241,299
2023	247,331
2024	247,331
2025	247,331
2026	247,331
2027	247,331
2028	253,514
2029	253,514