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September 30, 2016

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**BY ELECTRONIC MAIL**

Stephen Arbo  
City Manager  
City of Lee's Summit, Missouri  
220 SE Green Street  
Lee's Summit, Missouri 64063

**Re: Chapter 100 Proposal for M150 Echelon Land Development, LLC  
Kenbridge Crossing Apartment Project**

Dear Steve,

I have been engaged by M150 Echelon Land Development, LLC (“**M150**”) to assist with development issues pertaining to M150’s Kenbridge Crossing apartment project (the “**Project**”). The purpose of this letter is to request that the City consider: (1) fixed property taxes at \$935 per unit for a 10-year period and (2) a sales tax exemption on construction materials. We believe both of these items are critical to making the economics of the Project work, and we hope that the City will support this new investment into an emerging area of the City.

As I know you are aware, the structure we propose has been used very successfully in other recent apartment projects in the City, and the City’s willingness to undertake this creative structure is continuing to expand new development opportunities. We have outlined below more specific information regarding this request, and we look forward to discussing it with you at your convenience.

▪ **Project Background**

The Project, which is located generally at the Northwest corner of 291 and 150 Highways, is proposed to feature 243 luxury apartment units. The goal is to add more housing options to support the expanding population of the City of Lee’s Summit, and in particular, to expand the high-end rental housing market, which has become increasingly popular across the Kansas City metropolitan area in recent years. The Project will be focused on attracting young professionals, working adults, and empty-nesters, all of which have created a significant demand in the market for this type of housing option.

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M150 currently contemplates an overall capital investment of approximately \$27,000,000 into the Project. They have placed an emphasis on designing a quality product that will help them reach their targeted demographic. In addition to quality units, amenities such as a clubhouse, pool area, and options for things like garage parking and terraces, will all add to the desirability of this Project.

After considering a number of sites in the City, M150 decided that the appropriate place for this investment would be at the proposed location at the Northwest corner of 291 and 150 Highways, at the southern end of the City. Based on their market analysis, it was evident that other recent projects toward the north end and center of the City would already serve the demand in those areas. However, the M150 development team believes that with the right pricing structure, the Project will be very competitive with other alternatives, and will draw new residents to this area of the City. But in order to do this, it will be critical to control rent costs, which underlies the request set forth herein.

- **Proposed Chapter 100 Structure**

As noted above, M150 is proposing to utilize exactly the same structure that has been used in other recent apartment projects in the City of fixing property taxes for a 10-year period at \$935 per unit, plus two growth intervals over the 10-year period. This figure falls directly in line with comparable properties throughout the City. And in this case, it falls almost exactly in line with the nearest comparable property to the Project, the Manor Homes at Arborwalk, which is currently taxed at \$937.78 per unit.

The key reason for this request is to provide certainty to the Project's ownership that their investment will not be taxed at an out-of-market rate that would put it at a competitive disadvantage to other comparable properties. And of course, by paying fixed market-rate taxes, there is no disadvantage to the taxing jurisdictions which rely on these tax revenues. In that regard, we consider this to be a "win-win" proposal for all affected parties.

Because taxes for the Project track development progress, we also would like to build in a "ramp-up" period to full taxation. This would technically extend the Chapter 100 beyond 10 years, but will do so only to cover the construction period and partial taxation that would occur in the ordinary course. And as noted above, M150 would agree to reasonable increases in taxation over the course of the 10-year period, with jumps to \$958 per unit after 3 years and \$982 per unit after 8 years.

The following table summarizes the tax request:

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Ch. 100 Year	Year	Units	Taxes/Unit	PILOT	Notes
1	2017			\$45,411.00	Construction Period - Fixed at 20%
2	2018			\$113,602.50	Construction Period - Fixed at 50%
3	2019	243	\$935.00	\$227,205	First year of full taxes
4	2020	243	\$935.00	\$227,205	
5	2021	243	\$935.00	\$227,205	
6	2022	243	\$958.00	\$232,794	First growth interval
7	2023	243	\$958.00	\$232,794	
8	2024	243	\$958.00	\$232,794	
9	2025	243	\$958.00	\$232,794	
10	2026	243	\$958.00	\$232,794	
11	2027	243	\$982.00	\$238,626	Second growth interval
12	2028	243	\$982.00	\$238,626	Final year of PILOT

▪ **Compliance with the City’s Economic Development Incentive Policy**

We submit that the request as stated in this letter complies with the City’s Economic Development Incentive Policy. In particular, the following are achieved:

- The Project will enhance residential development within the City, creating new living opportunities in the City’s “outer ring.”
- Capital Investment – the Policy contemplates that eligibility for the utilization of Chapter 100 for a new project should require a minimum of \$5,000,000 in new capital investment. The proposed capital investment in the Project is \$27,000,000.
- Requested property tax structure produces MORE tax revenue than the 50% level for 10 years contemplated in the Policy. In fact, the goal of the structure is to set taxes for the Project at the market rate for a 10-year period.
- Targeted Area – The Project is located in the South M-291 Targeted Planning Area, which is identified in the Policy as an area eligible for Chapter 100 incentives.

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- **Conclusion**

We believe that the structure proposed herein is critical to the success of the Project and providing M150 the certainty it needs to make this new investment. Unfortunately, tax rates can be unpredictable in new investment, and in the apartment market, an unforeseen increase in projected taxes can have devastating consequences on the ability to lease units. The goal here is to make sure that this Project gets off the ground and is immediately marketable, while ensuring that it does pay “market” taxes to the taxing jurisdictions that rely on this revenue. This exact structure has been used with much success in other projects in the City, and we believe it is an appropriate tool to apply in this instance as well.

Sincerely,

/s/

Evan F. Fitts

cc: Dawn Bell  
Rich Wood