

## **NOTICE TO TAXING JURISDICTIONS**

On behalf of the City of Lee's Summit, Missouri (the "City"), please find enclosed a copy of the proposed Plan for an Industrial Development Project and Cost-Benefit Analysis for Summit Square Apartments Phase II (the "Plan").

The City Council will consider an ordinance to approve the Plan during the City Council's meeting on August 9, 2018, at 6:15 p.m. in the City Council Chambers at the Lee's Summit City Hall, 220 SE Green Street, Lee's Summit, Missouri.

The City invites you to submit comments to the Council on the proposed Plan. All comments will be fairly and duly considered by the City.

A copy of the Plan will be on file in the office of the City Clerk and will be available for public inspection during normal business hours.

Dated: July 16, 2018

Trisha Fowler Arcuri  
City Clerk  
City of Lee's Summit, Missouri

## Taxing Jurisdictions -- Distribution List

Lee's Summit R-7 School District  
Superintendent  
301 NE Tudor Road  
Lee's Summit, MO 64086

Metropolitan Community College  
Chancellor  
3200 Broadway  
Kansas City, MO 64111

Mid Continent Public Library  
Director  
15616 E. Highway 24  
Independence, MO 64050-2057

The Kansas City Zoological District  
Chair of the Board of Directors  
6800 Zoo Drive  
Kansas City, MO 64132

Jackson County Board of Disabled Services  
Executive Director  
8511 Hillcrest Road, Suite 300  
Kansas City, MO 64138

Jackson County Community Mental Health  
Executive Director  
1627 Main Street, Suite 500  
Kansas City, MO 64108

Jackson County  
County Executive  
415 E. 12th Street  
Kansas City, MO 64106

City of Lee's Summit  
Director of Finance  
220 SE Green Street  
Lee's Summit, MO 64063

Jackson County Health Department  
Director  
313 S. Liberty Street  
Independence, MO 64050

Jackson County Collections Department  
Director  
415 E. 12th Street, 1st Floor  
Kansas City, MO 64106

Jackson County Assessment Department  
Director  
415 E. 12th Street, 1M  
Kansas City, MO 64106

Jackson County Community  
Children's Services Fund  
Board of Directors  
Jackson County Courthouse  
415 E 12th Street  
Kansas City, MO 64106

Department of Economic Development  
Development Finance  
Missouri Department of Economic Development  
301 West High  
Post Office Box 118 – Room 770  
Jefferson City MO 65102

Missouri Department of Revenue  
County Tax Section  
State Blind Pension Fund  
Post Office Box 453, 301 West High Street  
Jefferson City MO 65101

Missouri Department of Economic Development  
Director  
P O Box 118 – Room 770  
301 West High Street  
Jefferson City MO 65102

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**CITY OF LEE'S SUMMIT, MISSOURI**

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

**FOR**

**SUMMIT SQUARE APARTMENTS PHASE II**

AUGUST 9, 2018

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- Page 4 – Projected PILOT Amount (Real Property)**

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## **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 \$48,460,000 (the "Bonds"), to finance costs of an industrial development project (the "Project") for Summit Square Residence II, 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**

***The Company.*** The Company is a limited liability company organized and existing under the laws of the State of Delaware.

***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 Summit Square Apartments Phase II development, a 5-building, 326-unit multifamily housing development and (2) associated site work and infrastructure. The Project being financed by the Bonds will be constructed on approximately 13 acres at the southeast corner of the intersection of NW Ward Road and NE Tudor Road, which is referred to as the “Project Site.”

***Estimate of the Costs of the Project.*** The Project is expected to cost approximately \$48,400,000, consisting of investments made in the years 2018 through 2020.

***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 \$48,460,000, 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 or an affiliate thereof 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 at the end of 2029, 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.

**Assessed Valuation.** The most recent equalized assessed valuation of the Project Site is \$16,104. The estimated total equalized assessed valuation of the Project Site after development of the Project is \$4,242,601 (for tax year 2021).

**Payments in Lieu of Taxes.** If this Plan is approved by the City Council, the City intends to issue the Bonds in 2018 and to provide a plan of fixed PILOTs for the Project that is estimated to equal the taxes that would be due on the Project were it not for the implementation of this Plan. The Company will make a fixed PILOT payment in December of each year in accordance with the following schedule:

<i>Year</i>	<i>PILOT</i>
2018	\$1,404
2019	45,456
2020	207,733
2021	370,010
2022	370,010
2023	379,260
2024	379,260
2025	379,260
2026	379,260
2027	379,260
2028	388,742
2029	388,742

**Cost-Benefit Analysis.** 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. The tax rates used in this Plan reflect the rates in effect for the tax year 2017.

**Project Assumptions.** **Page 1** of the Cost-Benefit Analysis presents a list of the assumptions related to the determination of assessed valuations.

**Summary of Cost-Benefit Analysis.** **Page 2** of the Cost-Benefit Analysis presents a summary for each affected taxing district of (1) the total estimated tax revenues that would be generated if the Project occurred without this Plan 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 under this Plan.

**Real Property.** **Page 3** of the Cost-Benefit Analysis provides the projected tax revenues which would be paid on the Project without tax abatement. **Page 4** of the Cost-Benefit Analysis provides the projected value of PILOT Amounts to be paid by the Company under this Plan.

*[remainder of page intentionally left blank]*

**V. SALES AND USE TAX EXEMPTION**

*Sales and Use Tax Exemption on Construction Materials.* Qualified building materials purchased for the construction of the Project are expected to be exempt from sales and use tax pursuant to the provisions of Section 144.062 of the Revised Statutes of Missouri and the underlying bond documents upon delivery of a project exemption certificate by the City to the Company. For purposes of determining the impact of the sales and use tax exemptions for the qualified building materials on the affected taxing jurisdictions, the following assumptions were made:

Total Amount of building materials:	\$16,500,000
Building materials to be purchased within the State of Missouri (but outside Jackson County):	7,000,000
Building materials to be purchased within Jackson County (but outside the City):	4,000,000
Building materials to be purchased within the City:	500,000

Please note that any variance in these assumptions will alter the fiscal impact of the sales and use tax exemptions on the affected taxing jurisdictions.

Based on the assumptions set forth above, the fiscal impact on the affected taxing jurisdictions of the sales and use tax exemptions for qualified building materials is as follows:

	<b>Sales Tax Rate</b>	<b>Estimated Sales Tax Revenues Subject to Exemption</b>	<b>Use Tax Rate</b>	<b>Estimated Use Tax Revenues Subject to Exemption</b>
State of Missouri	4.225%	\$485,875	4.225%	\$211,250
Jackson County				
General	0.500	22,500	n/a	-0-
Drug Task Force	0.250	11,250	n/a	-0-
Sports Complex	0.375	16,875	n/a	-0-
Zoological District	0.125	5,625	n/a	-0-
City of Lee's Summit				
General	1.000	5,000	n/a	-0-
Parks	0.250	1,250	n/a	-0-
Capital Projects	0.500	2,500	n/a	-0-
Transportation	0.500	2,500	n/a	-0-
Children's Services Fund	0.125	5,625	n/a	-0-
<b>Total</b>	<b>7.850%</b>	<b>\$559,000</b>	<b>4.225%</b>	<b>\$211,250</b>



**EXHIBIT I**

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**City of Lee's Summit, Missouri  
(Summit Square Apartments Phase II)**

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

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This information is provided based on the factual information and assumptions provided to Gilmore & Bell, P.C. by a party to or a representative of a party to the proposed transaction. This information is intended to provide factual information only and is provided in conjunction with our legal representation. It is not intended as financial advice or a financial recommendation to any party. Gilmore & Bell, P.C. is not a financial advisor or a “municipal advisor” as defined in the Securities Exchange Act of 1934, as amended.

## Project Assumptions

♦ Initial year taxes assessed		2018
♦ Initial Appraised Value (before, during and after Project completion)		
	2018	\$ 134,200
	2019	2,743,180
	2020	12,536,330
	2021	22,329,481
♦ Assessed value as a percentage of appraised value (beginning in 2019)		19.0%
♦ Growth rate (for five year increment)		2.5%
♦ Fixed PILOT Amounts		
Real property		
	2018	\$ 1,404
	2019	45,456
	2020	207,733
	2021-2022	370,010
	2023-2027	379,260
	2028-2029	388,742

**Summary of Tax Impact Analysis  
(Real Property)**

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<b>Taxing Jurisdiction</b>	<b>Tax Rate</b>	<b>Tax Revenue for Real Property Without Abatement</b>	<b>Revenue Generated from PILOT Payments</b>
Board of Disabled Services	0.0713	\$ 29,991	\$ 29,991
City - Lees Summit	1.5154	637,415	637,415
Jackson County	0.3440	144,695	144,695
Jackson County Health Department	0.1409	59,266	59,266
Lees Summit R-VII	5.8777	2,472,308	2,472,308
Mental Health	0.1160	48,793	48,793
Metro Junior College	0.2297	96,618	96,618
Mid-Continent Library	0.3963	166,694	166,694
State Blind Pension	0.0300	12,619	12,619
	<u>8.7213</u>	<u>\$ 3,668,398</u>	<u>\$ 3,668,398</u>

**Projected Tax Revenues Without Abatement  
(Real Property)**

Estimated Assessed Value of Real Property																						
	\$	16,104	\$	521,204	\$	2,381,903	\$	4,242,601	\$	4,242,601	\$	4,348,666	\$	4,348,666	\$	4,348,666	\$	4,348,666	\$	4,457,383	\$	4,457,383
Taxing Jurisdiction	Tax Rate per \$100	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total								
Board of Disabled Services	0.0713	\$ 11	\$ 372	\$ 1,698	\$ 3,025	\$ 3,025	\$ 3,101	\$ 3,101	\$ 3,101	\$ 3,101	\$ 3,101	\$ 3,178	\$ 3,178	\$ 29,991								
City - Lees Summit	1.5154	244	7,898	36,095	64,292	64,292	65,900	65,900	65,900	65,900	65,900	67,547	67,547	637,415								
Jackson County	0.3440	55	1,793	8,194	14,595	14,595	14,959	14,959	14,959	14,959	14,959	15,333	15,333	144,695								
Jackson County Health Department	0.1409	23	734	3,356	5,978	5,978	6,127	6,127	6,127	6,127	6,127	6,280	6,280	59,266								
Lees Summit R-VII	5.8777	947	30,635	140,001	249,367	249,367	255,602	255,602	255,602	255,602	255,602	261,992	261,992	2,472,308								
Mental Health	0.1160	19	605	2,763	4,921	4,921	5,044	5,044	5,044	5,044	5,044	5,171	5,171	48,793								
Metro Junior College	0.2297	37	1,197	5,471	9,745	9,745	9,989	9,989	9,989	9,989	9,989	10,239	10,239	96,618								
Mid-Continent Library	0.3963	64	2,066	9,439	16,813	16,813	17,234	17,234	17,234	17,234	17,234	17,665	17,665	166,694								
State Blind Pension	0.0300	5	156	715	1,273	1,273	1,305	1,305	1,305	1,305	1,305	1,337	1,337	12,619								
	8.7213	\$ 1,404	\$ 45,456	\$ 207,733	\$ 370,010	\$ 370,010	\$ 379,260	\$ 379,260	\$ 379,260	\$ 379,260	\$ 379,260	\$ 388,742	\$ 388,742	\$ 3,668,398								

**Projected PILOT Amount  
(Real Property)**

PILOT Payment	\$	1,404	\$	45,456	\$	207,733	\$	370,010	\$	370,010	\$	379,260	\$	379,260	\$	379,260	\$	379,260	\$	388,742	\$	388,742
Taxing Jurisdiction	Tax Rate per \$100	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total								
Board of Disabled Services	0.0713	\$ 11	\$ 372	\$ 1,698	\$ 3,025	\$ 3,025	\$ 3,101	\$ 3,101	\$ 3,101	\$ 3,101	\$ 3,101	\$ 3,178	\$ 3,178	\$ 29,991								
City - Lees Summit	1.5154	244	7,898	36,095	64,292	64,292	65,900	65,900	65,900	65,900	65,900	67,547	67,547	637,415								
Jackson County	0.3440	55	1,793	8,194	14,595	14,595	14,959	14,959	14,959	14,959	14,959	15,333	15,333	144,695								
Jackson County Health Department	0.1409	23	734	3,356	5,978	5,978	6,127	6,127	6,127	6,127	6,127	6,280	6,280	59,266								
Lees Summit R-VII	5.8777	947	30,635	140,001	249,367	249,367	255,602	255,602	255,602	255,602	255,602	261,992	261,992	2,472,308								
Mental Health	0.1160	19	605	2,763	4,921	4,921	5,044	5,044	5,044	5,044	5,044	5,171	5,171	48,793								
Metro Junior College	0.2297	37	1,197	5,471	9,745	9,745	9,989	9,989	9,989	9,989	9,989	10,239	10,239	96,618								
Mid-Continent Library	0.3963	64	2,066	9,439	16,813	16,813	17,234	17,234	17,234	17,234	17,234	17,665	17,665	166,694								
State Blind Pension	0.0300	5	156	715	1,273	1,273	1,305	1,305	1,305	1,305	1,305	1,337	1,337	12,619								
	8.7213	\$ 1,404	\$ 45,456	\$ 207,733	\$ 370,010	\$ 370,010	\$ 379,260	\$ 379,260	\$ 379,260	\$ 379,260	\$ 379,260	\$ 388,742	\$ 388,742	\$ 3,668,398								