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December 8, 2015

TO: Lee's Summit City Council

FROM: David Bushek

RE: Background information and summary of the New Longview TIF Plan and the proposed Second Amended and Restated Longview Farm TIF Plan

Background

The First Amended and Ratified Longview Farm Tax Increment Financing Plan (the “**2003 TIF Plan**”) was approved on October 16, 2003. The primary purpose of the 2003 TIF Plan is to encourage the preservation of historic structures in the Longview area by providing reimbursement from TIF revenues for costs incurred to preserve certain structures in the Redevelopment Area. The City and Gale Communities, Inc. (the “**Original Developer**”), entered into the First Amended and Restated Tax Increment Financing Contract (the “**TIF Contract**”) on October 28, 2003, to implement the Longview TIF Plan.

As originally approved, the Redevelopment Area for the 2003 TIF Plan encompassed the entire development area including the proposed single family residential development, multi-family development, commercial development and historic structures. The Redevelopment Area for the 2003 TIF Plan contained ten Redevelopment Project Areas which are the areas planned for commercial development within which TIF revenues could be collected. Four Redevelopment Projects have been approved and the collection of TIF revenues has been activated in these areas by the City:

<u>Project Area</u>	<u>Development</u>
1B (Commercial East B)	McDonalds
2C (Commercial Center C)	Retail commercial – CVS Pharmacy, gas station
3 (Commercial West)	Retail and service commercial
6 (Mansion)	Longview Mansion

A first reading of the ordinances to approve Redevelopment Projects 1A (Commercial East A), 2A (Commercial Center A), 2B (Commercial Center B), 2D (Commercial Center D), 4 (Civic Square) and 5 (Public Assembly) were all held on October 16, 2003, but none of these Redevelopment Projects have been finally approved by ordinance. All TIF redevelopment projects must be approved within ten years after the date of the ordinance that approves a TIF plan, so the remaining six redevelopment projects can no longer be activated by the City under the 2003 TIF Plan. The revenues generated by the four activated projects can continue to be used for eligible historic preservation costs, and the proposed restructuring is discussed below.

The Original Developer was designated as the developer of record under the 2003 TIF Plan for the entire TIF Redevelopment Area. On May 14, 2008, the City certified \$2,750,458.00 in TIF-reimbursable project costs in connection with redevelopment of the Show Horse Arena. After receiving \$132,087.93 in TIF reimbursement, the Original Developer assigned the right to receive the remaining TIF reimbursement payments for the Show Horse Arena to Hawthorn Bank. As of today, the City has paid about \$2,128,000 to Hawthorn Bank, and has paid a total of about \$2,260,500 in TIF reimbursement to Original Developer and the bank combined which leaves a balance of approximately \$490,000 remaining to be reimbursed for the Show Horse Arena. No other reimbursable project costs associated with any other historic preservation work have been submitted by Original Developer. The City continues to send TIF reimbursement payments to Hawthorn Bank under the assignment.

2012 TIF Plan Approvals for Apartment Development

The TIF Agreement contains restrictions that limit the type and density of retail development based on a schedule of historic preservation improvements. On January 19, 2012, the City approved an amendment to the 2003 TIF Plan and an amendment to the TIF Contract to accommodate Original Developer's request to consolidate the remaining allowable multi-family residential development in the Redevelopment Area. On April 3, 2014, the City approved a development plan for the apartment development to the west of the dairy barn and calf barn and also approved a companion Chapter 100 tax abatement plan that allows for the abatement of sales taxes that would otherwise be paid for construction materials and personal property installed for the apartment project. The apartment project is under construction now.

Transfer of Ownership

Mariner Real Estate Management, operating under the subsidiary of M-III Longview, LLC ("Mariner") has taken ownership of approximately 173.7 acres of property from Original Developer pursuant to a transfer in lieu of foreclosure associated with Original Developer's mortgage of certain undeveloped parcels in the Redevelopment Area. Some parcels in the developed areas of Longview are still owned by Developer, and some of the developed parcels are owned by the end-users, such as Citizens Union State Bank & Trust. As a result, there are now several property owners in the original Redevelopment Area. The TIF Contract that was executed by Original Developer runs with the land in the Redevelopment Area, and the TIF contract still applies to the entire Redevelopment Area at the present time.

Proposed Restructuring Actions

Mariner now proposes two companion actions that will be considered by the TIF Commission to restructure the 2003 TIF Plan and allow for the activation of TIF in the remaining areas that will be developed with commercial uses. The actions are presented to work in concert with one another, and if approved would be memorialized through a single TIF contract between the City and Mariner. Mariner proposes to finance a portion of these costs through a loan from the City, which would be repaid by TIF revenues.

Amendment of 2003 TIF Plan

Mariner proposes to amend the 2003 TIF Plan, through approval of the Second Amended and Restated Longview Farm Tax Increment Financing Plan, to provide for a re-prioritization of the historic preservation improvements that would be funded by the 2003 TIF Plan. The 2003 TIF Plan will continue to produce TIF revenues from the four activated project areas, and Mariner proposes to use the projected \$3,650,000 TIF revenue stream from the four activated project areas on the following items:

- Finish reimbursement of the Show Horse Arena (\$490,000)
- Stabilize the historic barns (\$650,000) and houses (\$200,000)
- Complete a portion of the Mansion rehabilitation (\$1,100,000)
- Complete restoration of the Pergola (\$900,000)
- Fund associated professional services (\$300,000)

The boundaries of three Redevelopment Projects that have already been activated (Projects 1B, 2C and 3) will be adjusted through this amendment. These adjustments will eliminate the undeveloped portions of the project areas under the 2003 Plan so these undeveloped areas can be included in new redevelopment project areas pursuant to the New Longview TIF Plan in order to maximize the collection of TIF revenues from new commercial development.

New Longview TIF Plan

Mariner proposes the approval of a new TIF plan which will have a redevelopment area that is the remaining undeveloped areas of the Longview project as a whole. The New Longview Redevelopment Area will include all of the historic structures and the parcels that are planned for future commercial development. Mariner proposes 15 different project areas, which will allow the City to activate the collection of TIF revenues on a parcel-by-parcel basis as new development occurs. TIF revenues can then be collected for up to 23 years from each developed parcel after each new redevelopment project is activated.

Mariner proposes to use the projected approximately \$17 million TIF revenue stream on the following items:

- Complete historic barns redevelopment (\$9,650,000)
- Complete historic houses redevelopment (\$1,200,000)
- Complete mansion redevelopment including temporary structure (\$1,400,000)
- Lake rehabilitation (\$500,000)
- City loan repayment, professional costs and contingency (\$2,690,000)

City Loan and Other Financing

Mariner proposes that the City’s “Interfund Loan Policy” be used to provide financing for the costs items that are to be funded by the amendment to the 2003 TIF Plan. Mariner proposes the City loan as a method of promptly financing the most urgent historic preservation costs, particularly stabilization of the historic barns and houses which are in serious disrepair and in need of immediate stabilization to halt continued deterioration.

The Interfund Loan Policy could be used by the City because the Special Allocation Fund that was created for the 2003 TIF Plan, and the equivalent special allocation fund that would be created if the New Longview TIF Plan is approved, are funds created and managed by the City. The City’s cash reserves that are available for a loan between City funds, as allowed by the Policy, could be loaned for reimbursable project costs and moneys that accumulate in the Special Allocation Funds for the two TIF plans would be used to repay the loan. The revenue from both TIF Plans would be pledged as repayment sources, and other safeguards and security for repayment will be incorporated into the TIF contract.

The remaining project costs, including the reimbursable project costs that are not financed through the City loan, are proposed to be funded through a combination of private loans and federal and state historic preservation tax credits. The total project costs for the amended 2003 TIF Plan are projected to be \$3,650,000, which are all reimbursable project costs. The total project costs under the new TIF Plan are projected to be about \$81.8 million, of which about \$18 million will be reimbursable project costs associated with the historic preservation improvements.

TIF Commission Recommendation

The TIF Commission voted unanimously to approve Resolution 2015-02 which recommends approval of the New Longview TIF Plan. The TIF Commission voted 9-1 to approve an amendment to Resolution 2015-02 to include an additional recommendation which reads as follows:

[I]nclude provisions in the tax increment financing contract to incorporate a payment to the property taxing districts to cover direct costs incurred by the taxing districts as a direct result of residential development in the tax increment financing redevelopment project areas.

Staff has held discussions with the Developer and the property taxing districts since the conclusion of the TIF Commission hearing to discuss this additional recommendation by the TIF Commission. The financial impact of this recommendation is still being evaluated on the date

that this memo was prepared and additional information will be presented to the Council on December 17th on this issue.

The TIF Commission also voted unanimously to approve Resolution 2015-03 which recommends approval of the amendment to the 2003 TIF Plan.