

View High Sports Complex Incentive Request

Staff Presentation to City Council

June 10, 2025



LEE'S SUMMIT
MISSOURI



Yours Truly

View High Sports Complex Project

Incentive Request

June 10, 2025 City Council Public Hearings

Developer Request

Source	Incentive Tool	Applicable Rate	Purpose	Estimated Financial Benefit	% Project Costs
CID	New Sales Tax	1% for 27 years	Reimbursement of Project Costs	\$4,458,855	9.0%
City Sales Tax Redirection	City Sales & Use Tax Rebate	1.5% of combined 2.75%	Reimbursement of Project Costs		
Chapter 100	Sales Tax Exemption on Construction Materials	100%	Reduce Project Costs	\$1,270,606	2.6%
Chapter 100	Real Property Tax Abatement	100% for 25 years	Reduce Project Costs	\$13,790,466	27.9%
Total Project Costs				\$19,519,927	39.6%

**View High Sports Complex Project
Incentive Request**
June 10, 2025 City Council Public Hearings

Developer Request - Timeline Summary

Construction Period - Chapter 100

Sales & Use Tax Exemption on
Construction Materials 100%

Years 1-25:

Ch 100 Real Property Tax Abatement 100%
City Sales & Use Tax Rebate 1.50% 1.5% of combined 2.75% rate

Years 1-27: CID Sales Tax 1.0%

Property Tax Benefit to Taxing Districts

Real Property Taxes			First Year	Taxes & PILOTs
	2024 Taxes	%	Taxes & PILOTs	Over 25 Years
BOARD OF DISABLED SERVICES	\$0	1.0%	\$0	\$0
CITY - LEES SUMMIT	\$0	17.8%	\$0	\$0
JACKSON COUNTY	\$0	7.0%	\$0	\$0
LEES SUMMIT SCHOOL R-VII	\$0	65.5%	\$0	\$0
MENTAL HEALTH	\$0	1.3%	\$0	\$0
METRO JUNIOR COLLEGE	\$0	2.5%	\$0	\$0
MID-CONTINENT LIBRARY	\$0	4.4%	\$0	\$0
STATE BLIND PENSION	\$0	0.4%	\$0	\$0
	\$0	100.0%	\$0	\$0

Value of Incentive Request to Developer

Total Project Costs	\$49,350,000	
Value of Sales Tax Exemption	\$1,270,606	2.6%
NPV of Property Tax Abatement @7%	\$13,790,466	27.9%
CID Sales Tax + City Tax Redirection	\$4,458,885	9.0%
Total Value of Incentive Request	\$19,519,957	39.6%

Impact to City

Impact of Abated Taxes

Sales & Use Tax Exemption	\$304,946	
Real Property Tax Abatement	\$2,459,350	
City Sales Tax Redirection	\$2,120,668	
	<u>\$4,884,964</u>	25.0% City portion of incentive request

City Financial Advisor Analysis

- City engaged Columbia Capital Municipal Advisors (CCMA) for financial analysis
- CCMA is registered municipal advisor and serves as City's Financial Advisor (FA)
- **Purposes:**
 - Evaluate financial feasibility and rate of return to determine necessity of incentives
 - Goal is to achieve the highest and best use of the property to maximize municipal tax revenues and amenities

City Financial Advisor Analysis

- **But-for test:** but-for the presence of the incentives, the project would not proceed.
- **Target Capitalization Rate (Cap Rate)** assumed to be 8.5%
 - Cap rate is a measure of property value per dollar of current net income, useful as basic valuation measure
 - Indicator of value relative to stabilized net operating income (NOI), commonly used metric of real estate pricing

Kansas City Market	Capitalization Rates 4Q24
Office	8.3%
Industrial	7.4%
Retail	7.0%
Multifamily	5.9%

City Financial Advisor Analysis

- **Return on Investment summary:** results are mixed between leveraged and unleveraged scenarios

Unleveraged (Project) Return	Rate of Return
Unincentivized IRR	2.1%
Incentivized IRR	8.9%
Market Return	8.5%

Leveraged (Equity) Return	Rate of Return
Unincentivized IRR	-17.5%
Incentivized IRR	8.3%
Target Return	12-15%

- Unleveraged return (100% equity) with incentives exceeds an expected market return
- Leveraged results (with loan) are relatively low
- We expect this is the result of a potentially overly-aggressive assumption by the Developer on the level of debt and the high cost of that debt.

FA Sensitivity Analysis – 2 Scenarios

1. **Higher Income** – net operating income (NOI) at 125% of Developer's projections

Unleveraged (Project) Return	As Presented	Sensitivity NOI at 125%	Sensitivity TDC at 80%
Unincentivized IRR	2.1%	5.5%	5.5%
Incentivized IRR	8.9%	11.5%	12.9%
Market Return	8.5%	8.5%	8.5%

2. **Lower Construction Costs** – total development cost (TDC) at 80% of Developer's projection

Leveraged (Equity) Return	As Presented	Sensitivity NOI at 125%	Sensitivity TDC at 80%
Unincentivized IRR	-17.5%	-1.4%	0.4%
Incentivized IRR	8.3%	15.0%	17.0%
Target Return	12-15%	12-15%	12-15%

FA Sensitivity Analysis – 2 Scenarios

- **Sensitivity Analysis Conclusions:**
 - Some combination of higher NOI and lower TDC could result in a leveraged IRR in-line with current market returns.
 - It also provides the City with some confidence that the Project is unlikely to be over-incentivized under most combinations of the Project's ultimate cost and its financial performance over time.

City Financial Advisor Analysis

- **Conclusions**

- **Sufficient information from Developer to evaluate financial feasibility.** Developer has presented sufficient information to permit the City to evaluate the potential rate of return of the Project as proposed.
- **Incentives needed for satisfactory unleveraged return.** On an unleveraged basis, the Project appears to require incentives in order to produce a market rate of return.
- **Incentives needed for satisfactory leveraged return.** On a leveraged basis, the Project's returns appear to be lower than an estimated market rate of return, likely due to the Developer's high loan-to-cost assumption and the current interest rate environment.

City Financial Advisor Analysis

- **Recommendations**

- **Proof of Private Financing Commitment before Reimbursement** – Before any eligible costs can be certified for reimbursement and to remain in good standing under the Chapter 100 documents, Developer to provide evidence (such as a fully credit-approved commitment letter) of its having secured debt in an amount not less than \$34,300,000.
- **Proof of Equity Commitment before Reimbursement** – Before any eligible costs can be certified for reimbursement, Developer to provide evidence of its having secured or provided the amount of equity required in the commitment letter.
- **Certification of Public Improvement Costs for Sales Tax Rebate** – Developer's certification of eligible project costs (using the CID Act) to secure reimbursement of costs from the City's sales tax rebate.

City Financial Advisor Analysis

- **Recommendations**

- **Certification of Total Development Costs** – Developer’s certification of actual total development costs of approximately \$49,000,000, with incentives clawbacks imposed if actual costs are materially less than this amount.
- **Performance Requirements** – Detailed performance requirements related to development of the components of the Project, including some or all of those listed in the table above, subject to clawbacks if the Project is not developed as proposed.
- **Mandatory Schedule** – Detailed Project delivery time constraints, subject to clawbacks or other remedies if delays occur.

End

Lee's Summit Incentive Reimbursement Rates

Updated June 2025

Project	Year	Acres	Total Project Costs*	Total Reimbursement*	Total %	Land Uses							Reimbursement Type and %								Reimbursement as % of Total Project Costs
						Residential	Senior Residential	Commercial	Office	Industrial	Historic Structures	Public / Civic	TIF	LCRA**	CID	TDD	Chapter 353	Chapter 100	Other Gov't Funding	Total %	
Chapel Ridge	2000	258.0	\$108.7	\$31.9	29.3%			•	•				22.9%			6.4%				29.3%	<div><div></div></div> 29.3%
Summit Woods	2000	95.0	\$151.6	\$39.7	26.2%			•					16.3%			9.9%				26.2%	<div><div></div></div> 26.2%
I-470 Business & Technology	2006	17.8	\$66.2	\$6.8	10.3%			•		•			6.2%			4.1%				10.3%	<div><div></div></div> 10.3%
Summit Fair	2006	58.7	\$162.8	\$55.3	34.0%			•					19.7%		14.3%					34.0%	<div><div></div></div> 34.0%
Hartley Block	2006	1.3	\$7.7	\$2.5	32.5%	•		•					32.5%							32.5%	<div><div></div></div> 32.5%
East 50 Highway Corridor (Project 4)	2007	15.2	\$20.0	\$5.0	25.0%			•					19.0%		6.0%					25.0%	<div><div></div></div> 25.0%
Ritter Plaza	2007	7.3	\$14.5	\$4.7	32.4%			•					22.8%		9.7%					32.5%	<div><div></div></div> 32.5%
New Longview	2015	107.0	\$85.4	\$20.6	24.1%	•		•	•		•		24.1%							24.1%	<div><div></div></div> 24.1%
John Knox Village	2015	170.0	\$48.0	\$11.5	24.0%		•										24.0%			24.0%	<div><div></div></div> 24.0%
Pine Tree Plaza	2017	12.4	\$9.3	\$2.4	25.9%			•							25.9%					25.9%	<div><div></div></div> 25.9%
740 Blue Parkway Project	2017	3.5	\$12.5	\$1.3	10.6%			•							10.6%					10.6%	<div><div></div></div> 10.6%
Village at View High	2017	34.0	\$69.0	\$10.3	14.9%			•					11.6%		3.3%					14.9%	<div><div></div></div> 14.9%
The Princeton	2019	37.0	\$35.5	\$0.8	2.1%		•							2.1%						2.1%	<div><div></div></div> 2.1%
Cityscape Downtown Apartments	2019	3.7	\$51.8	\$9.3	18.0%	•					•		15.4%	2.6%						18.0%	<div><div></div></div> 18.0%
Streets of West Pryor (Commercial & Apts)	2019	73.0	\$178.6	\$36.0	20.2%	•		•					11.0%		4.5%	1.0%		3.4%	0.3%	20.2%	<div><div></div></div> 20.2%
Southside Plaza Shopping Center	2020	4.5	\$4.8	\$1.4	29.9%			•							29.9%					29.9%	<div><div></div></div> 29.9%
Cedar Creek Shopping Center	2020	5.2	\$9.4	\$1.5	15.9%			•							15.9%					15.9%	<div><div></div></div> 15.9%
Paragon Star	2020	332.9	\$245.1	\$74.6	30.4%	•		•	•			•	13.1%		2.0%	13.1%			2.0%	30.2%	<div><div></div></div> 30.2%
Streets of West Pryor (Townhomes)	2021	9.3	\$30.5	\$2.9	9.5%	•								9.5%						9.5%	<div><div></div></div> 9.5%
Chapel Ridge Shopping Center	2021	9.2	\$19.6	\$3.9	20.1%			•							20.1%					20.1%	<div><div></div></div> 20.1%
LS Logistics - Scannell Industrial	2022	75.8	\$50.6	\$11.1	21.9%					•								21.9%		21.9%	<div><div></div></div> 21.9%
LS Industrial - O'Dell	2022	49.8	\$46.5	\$9.5	20.4%					•				20.4%						20.4%	<div><div></div></div> 20.4%
Paragon Star Parking Garage	2022	0.7	\$10.5	\$0.2	2.1%			•				•		2.1%						2.1%	<div><div></div></div> 2.1%
Paragon Star Apartments	2022	1.8	\$59.0	\$1.3	1.7%	•								1.7%						1.7%	<div><div></div></div> 1.7%
Valle Vista Shopping Center	2022	4.4	\$15.0	\$3.9	26.3%			•							26.3%					26.3%	<div><div></div></div> 26.3%
Blackwell Mixed Residential	2022	56.0	\$103.1	\$4.0	3.9%	•												3.9%		3.9%	<div><div></div></div> 3.9%
Discovery Park	2022	265.0	\$956.5	\$212.2	22.2%	•		•	•				20.2%		2.0%					22.2%	<div><div></div></div> 22.2%
Scenic Development - Senior Care	2022	12.6	\$48.4	\$2.7	5.6%		•											5.6%		5.6%	<div><div></div></div> 5.6%
Summit Square III Apartments	2022	11.4	\$72.2	\$3.6	5.0%	•												5.0%		5.0%	<div><div></div></div> 5.0%
Cityscape at Douglas & Tudor	2022	13.2	\$65.7	\$3.3	5.0%	•												5.0%		5.0%	<div><div></div></div> 5.0%
Town Centre Industrial - Ward Development	2022	22.0	\$17.8	\$3.4	19.3%					•								19.3%		19.3%	<div><div></div></div> 19.3%
Colbern Ridge	2023	41.4	\$83.7	\$6.4	7.6%													7.6%		7.6%	<div><div></div></div> 7.6%
Greens at Woods Chapel	2023	18.0	\$70.5	\$4.4	6.2%	•												6.2%		6.2%	<div><div></div></div> 6.2%
Douglas Station	2023	6.3	\$26.1	\$1.6	6.1%													6.1%		6.1%	<div><div></div></div> 6.1%
Griffin Riley Mixed-Use	2023	20.9	\$65.0	\$4.5	6.9%	•		•							2.3%			4.7%		7.0%	<div><div></div></div> 7.0%
Ellis Glen	2023	1.2	\$8.0	\$2.0	24.4%	•			•					24.4%						24.4%	<div><div></div></div> 24.4%
Bayberry Crossing	2023	5.2	\$10.7	\$1.5	14.0%										14.0%					14.0%	<div><div></div></div> 14.0%
Tristar (Montage)	2024	9+	\$60.0	\$4.6	7.7%	•		•										7.7%		7.7%	<div><div></div></div> 7.7%
K & R Wholesale Building Materials	2024	1.9	\$1.5	\$33.0	12.8%					•				12.8%						12.8%	<div><div></div></div> 12.8%
Oldham Village	2024	50.0	\$206.0	\$56.7	24.1%	•	•			•			8.3%	4.1%	10.2%	1.5%				24.1%	<div><div></div></div> 24.1%
T&W Steel	2025	28.5	\$5.5	\$0.56	8.0%					•				8.0%						8.0%	<div><div></div></div> 8.0%
Victory Hyundai	2025	7.5	\$13.2	\$1.0	7.2%			•										7.3%		7.3%	<div><div></div></div> 7.3%
Grand Totals		1,948.6	\$3,326.5	\$693.9		16	4	22	5	6	2	2	14	10	16	6	1	13	2	Average: 16.5%	

* In Millions. Some reimbursement occurs in the form of abatement value.
** LCRA does not inclue Certificates of Qualification

Summary of Data			
Date Range	2000-2025	Project Average %	16.5%
Number of Projects	42	TIF Average	17.4%
Highest Reimbursement %	7.3%	LCRA Average	8.8%
Lowest Reimbursement %	1.7%	CID Average	12.3%
% Range without outliers	2-34%	TDD Average	6.0%
		Ch 100 Average	8.0%

Chapter 100 - Sales & Use Tax Abatement on Construction Materials

	Sales Tax Rate	Sales Tax Subject to Exemption	Use Tax Rate	Use Tax Subject to Exemption	Totals
State	4.225%	\$291,304	4.225%	\$540,993	\$832,296
Jackson County					\$0
General	0.500%	\$19,699			\$19,699
Drug Task Force	0.250%	\$9,850			\$9,850
Sports Complex	0.375%	\$14,774			\$14,774
Subtotal	1.125%	\$44,323			\$44,323
Zoo District	0.125%	\$4,925			\$4,925
City of Lee's Summit					\$0
General	1.000%	\$9,850	1.000%	\$128,046	\$137,895
Transportation	0.500%	\$4,925	0.500%	\$64,023	\$68,948
Capital Improvements	0.500%	\$4,925	0.500%	\$64,023	\$68,948
Parks	0.250%	\$2,462	0.250%	\$32,011	\$34,474
Public Safety	0.500%	\$4,925	0.500%	\$64,023	\$68,948
Subtotal	2.750%	\$27,087	2.750%	\$352,125	\$379,212
Children's Service Fund	0.250%	\$9,850			\$9,850
	8.475%	\$377,488	6.975%	\$893,118	\$1,270,606

Purchases

\$19,699,325 Construction Cost

5.00% In City

20.00% In County

20.00% In Zoo District

35.00% In State

65.00% Outside State