

Oldham Village Redevelopment Project - Financial Incentives

Staff Presentation to City Council

January 7, 2025



LEE'S SUMMIT
MISSOURI



Yours Truly

Summary of Agenda Items for Oldham Village

B-C. Rezoning / PDP Public Hearings

D. TIF Plan Public Hearing

E. CID Petition Public Hearing

F. LCRA Project 1 Public Hearing

Ordinances & Resolution:

1. TIF Plan

2-5. TIF Projects x4

6. CID Petition

7. LCRA Project 1 Redevelopment Plan

8. Resolution for TDD

Requested Incentives

Oldham Village Project
Drake Development Incentive Request
January 7, 2025 City Council

| Developer Request | | | | | | |
|-------------------|---|-----------------|---------------------|---|------------------------------|-----------------|
| Source | Incentive Tool | Applicable Rate | Duration | Purpose | *Estimated Financial Benefit | % Project Costs |
| TIF | Payments In Lieu of Taxes (PILOTs) | 100% | 23 years | Real Property Tax Redirection for Reimbursement | \$3,599,000 | 2.0% |
| TIF | Economic Activity Taxes (EATs) | 50% | 23 years | Sales Tax Redirection for Reimbursement | \$8,229,000 | 4.5% |
| CID | New Sales Tax | 1.0% | 27 years | Reimbursement for Public Improvement | \$21,516,000 | 11.8% |
| LCRA | Sales Tax Exemption on Construction Materials | 100% | Construction Period | Reduce Development Costs | \$5,200,000 | 2.9% |
| LCRA | Real Property Tax Abatement on Apartments | 75% | 25 years | Reduce Development Cost | \$3,202,000 | 1.8% |
| TDD | New Sales Tax | 0.5% | 30 years | Reimbursement for Public Improvement | \$3,137,000 | 1.7% |
| Totals: | | | | | \$44,883,000 | 24.6% |

Total Project Costs: \$182,162,000

Notes:

* Rounded to nearest \$1,000; all net present value calculations except LCRA sales tax exemption during construction period.

TIF Commission Proceedings

- Public Hearing, TIF Plan Review by TIF Commission
- 5-4 vote on Resolution 2024-1 recommending approval of TIF Plan and TIF Projects
- Hy-Vee objection to CID sales tax
- But For Determination and Financial Feasibility
- Lee's Summit R-7 School District PILOTs request
- Public purposes: (1) blight clearance and (2) public improvements

Historical TIF Data

Lee's Summit TIF Plans

Updated October 30, 2024

| Project | Year | Acres | Total Project Cost* | TIF Reimbursement* | TIF % | Total Reimbursement* | Total % | Incentives | | | | | Characteristics | | | | |
|--|------|----------------|---------------------|--------------------|-------|----------------------|---------|------------|----------|----------|-----|-------------|-----------------|-------------------|--------------------|---------------------|----------------------|
| | | | | | | | | TIF | LCRA | CID | TDD | Chapter 100 | Blighted Area | Conservation Area | Economic Dev. Area | Public Improvements | Private Improvements |
| Chapel Ridge | 2000 | 258.0 | \$108.7 | \$24.9 | 22.9% | \$31.9 | 29.3% | • | | | • | | | | • | • | |
| Summit Woods | 2000 | 95.0 | \$151.6 | \$24.7 | 16.3% | \$39.7 | 26.2% | • | | | • | | • | | | • | |
| I-470 Business & Technology | 2006 | 17.8 | \$66.2 | \$4.1 | 6.2% | \$6.8 | 10.3% | • | | • | | | • | | | • | |
| Lee's Summit East (Summit Fair) | 2006 | 58.7 | \$162.8 | \$32.0 | 19.7% | \$55.3 | 34.0% | • | | • | | | • | | | • | • |
| Hartley Block | 2006 | 1.3 | \$7.7 | \$2.5 | 32.5% | \$2.5 | 32.5% | • | | | | | • | | | • | • |
| East 50 Highway Corridor (Project 4) | 2007 | 15.2 | \$20.0 | \$3.8 | 19.0% | \$5.0 | 25.0% | • | | • | | | • | | | • | |
| Ritter Plaza | 2007 | 7.3 | \$14.5 | \$3.3 | 22.8% | \$4.7 | 32.4% | • | | • | | | • | | | • | • |
| New Longview | 2015 | 107.0 | \$85.4 | \$20.6 | 24.1% | \$20.6 | 24.1% | • | | • | • | | | • | | | • |
| Village at View High | 2017 | 34.0 | \$69.0 | \$8.0 | 11.6% | \$10.3 | 14.9% | • | | • | | | • | | | • | • |
| Cityscape Downtown (2019) | 2019 | 3.7 | \$51.8 | \$8.0 | 15.4% | \$8.0 | 15.4% | • | • | | | | • | | | | • |
| Streets of West Pryor (2019) | 2019 | 73.0 | \$178.6 | \$20.2 | 11.3% | \$29.9 | 16.7% | • | • | • | • | • | • | | | • | • |
| I-470 & View High (Amended) (Paragon Star) | 2020 | 332.9 | \$245.1 | \$32.2 | 13.1% | \$74.6 | 30.4% | • | • | • | • | | • | | | • | |
| Discovery Park | 2022 | 265.0 | \$956.5 | \$193.2 | 20.2% | \$212.2 | 22.2% | • | | • | | | • | | | • | • |
| Oldham Village | 2024 | 60.0 | \$182.2 | \$11.8 | 6.5% | \$44.9 | 24.6% | • | • | • | • | | • | | | • | • |
| Grand Totals | | 1,328.9 | \$2,300.1 | \$389.3 | | \$546.4 | | 13 | 3 | 9 | | 1 | 11 | 1 | 1 | 11 | 8 |

Sources and Uses

Exhibit 5
Sources and Uses of Funds

A. USES OF FUNDS FOR ALL ESTIMATED REDEVELOPMENT COSTS

| GRAND TOTAL USES OF FUNDS | | | |
|---------------------------|--|----------------|---------------------------|
| 1 | Estimated Redevelopment Project Costs (See Redevelopment Project Cost Budget) | \$ 182,161,911 | 100% of TOTAL COSTS |
| 2 | Estimated cost savings to Redeveloper and Others from sales tax exemptions | \$ (5,200,067) | |
| 3 | Estimated Total | \$ 176,961,844 | |

B. SOURCES OF FUNDS FOR ALL ESTIMATED REDEVELOPMENT COSTS

| | | | | | | |
|--|--------------------|--|----------------|----------------|----------------------------|----------------------------|
| LESS THAN 7% IN REDIRECTED TAXES | REDIRECTED TAXES | | | | | |
| | 1 | Estimated amount available from the financing of revenues from TIF Revenues (excluding CID & TDD EATS) | | \$ 11,828,625 | 7% of TOTAL SOURCES | |
| GREATER THAN 93% IN ADD-ONS & PRIVATE INVESTMENT | CID / TDD ADD-ONS | | | | | |
| | 2 | Estimated amount available from the financing of revenues from CID Revenues | | | 13% of TOTAL SOURCES | |
| | | CID Sales Tax (EATs & Non-EATs) | \$21,515,697 | | | |
| | | Total | \$21,515,697 | \$ 21,034,596 | | |
| | 3 | Estimated amount available from the financing of revenues from TDD Revenues | | | | |
| | | TDD Sales Tax (EATs & Non-EATs) | \$3,136,779 | | | |
| | | Total | \$3,136,779 | \$ 3,136,779 | | |
| | | | | | | |
| | PRIVATE INVESTMENT | | | | | |
| | 4 | Estimated Private Investment by Redeveloper and Others | | \$ 140,961,844 | | 80% of TOTAL SOURCES |
| | | | | | | |
| GRAND TOTAL | | | | | | |
| 5 | Estimated Total | | \$ 176,961,844 | 100% | | |

TIF Required Findings

- 1. Blighted Area**
- 2. But For Test and Financial Feasibility**
- 3. Conforms to Comprehensive Plan**
- 4. Estimated date to terminate TIF has been stated (maximum 23 year limit)**
- 5. Relocation Plan has been prepared**
- 6. Cost Benefit Analysis has been prepared**
- 7. No gambling establishment**

1. Blight Finding

- **Area has already declared blighted by City Council**
 - LCRA Blight Finding in 2014-15
- **Developer Blight Study, Exhibit 6**
 - Component 1 (p.17): Insanitary or Unsafe Conditions
 - Component 2 (p.26): Deterioration of Site Improvements
- **Economic Underutilization**

Oldham Village Redevelopment Area Summary of Blighting Factors

| Study Area | Parcels | Pct. | Area (acres) | Pct. |
|---|---------|-------|--------------|-------|
| Total | 19 | 100% | 50.54 | 100% |
| <u>Blighting Factors</u> | | | | |
| Insanitary or unsafe conditions | 14 | 73.7% | 46.0 | 90.9% |
| Deterioration of site improvements | 16 | 84.2% | 46.1 | 91.3% |
| Existence of conditions which endanger life or property by fire and other causes | 0 | 0.0% | 0.0 | 0.0% |
| Parcels with Predominance of Blighting Factors | 15 | 78.9% | 46.3 | 91.6% |

2. But For Test & Financial Feasibility

“But For Test” in Section 99.810(1), RSMo:

- (1) The redevelopment area has not been subject to growth and development through investment by private enterprise and
- (2) would not reasonably be anticipated to be developed without the adoption of tax increment financing.

Financial Feasibility Analysis in Section 99.810(5), RSMo:

Sufficient information from the developer for the Commission to evaluate whether the project as proposed is financially feasible.

2. But For Test & Financial Feasibility

Traditional analysis by Baker Tilly as City's Financial Advisor:

- Satisfaction of “But For Test”
- Rate of Return without incentives
- Rate of Return with incentives, reasonableness
- Acceptable range of return to undertake project
- Reasonableness of construction costs
- Reasonableness of revenue assumptions

2. But For Test & Financial Feasibility

Supplemental analysis by Baker Tilly as City's Financial Advisor:

- **Concern:** financial feasibility analysis for TIF Plan review and approval.
- **Updated But-For Determination Report**
- **Letter of Report:** Financial projections for TIF Plan are based on reasonable assumptions which are mathematically accurate.
- **Sensitivity Analysis:** reduction in rate of return from less incentive reimbursement or abatement

3. Conforms to Comprehensive Plan

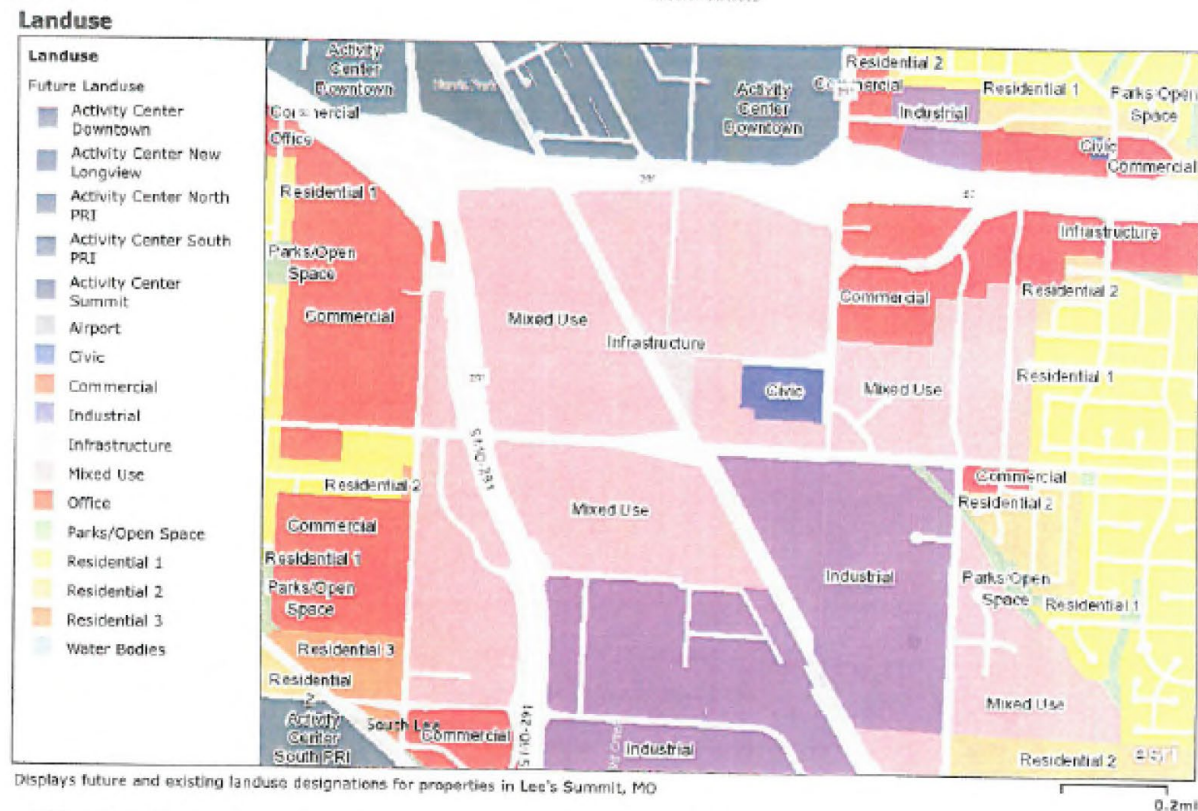
- **Planning Commission Action in 2024**

- September 12, 2024 – Recommended approval of rezoning and preliminary development plan.
- Ignite! Comprehensive Plan calls for redevelopment and primarily commercial

3. Conforms to Comprehensive Plan

9/20/23, 3:03 PM

ArcGIS - Landuse



Esri Community Maps Contributors, City of Lees Summit, Missouri Dept. of Conservation, Missouri DNR, Esri, HERE, Garmin, SafeGraph, GeoTechnologies, Inc, METI/NASA, USGS, EPA, NPS, US Census Bureau, USDA | City of Lee's Summit, MO | Esri Community Maps Contributors, City of Lees Summit, Missouri Dept. of Conservation, Missouri DNR, Esri, HERE, Garmin, SafeGraph, GeoTechnologies, Inc, METI/NASA, USGS, EPA, NPS, US Census Bureau, USDA

TIF Required Findings

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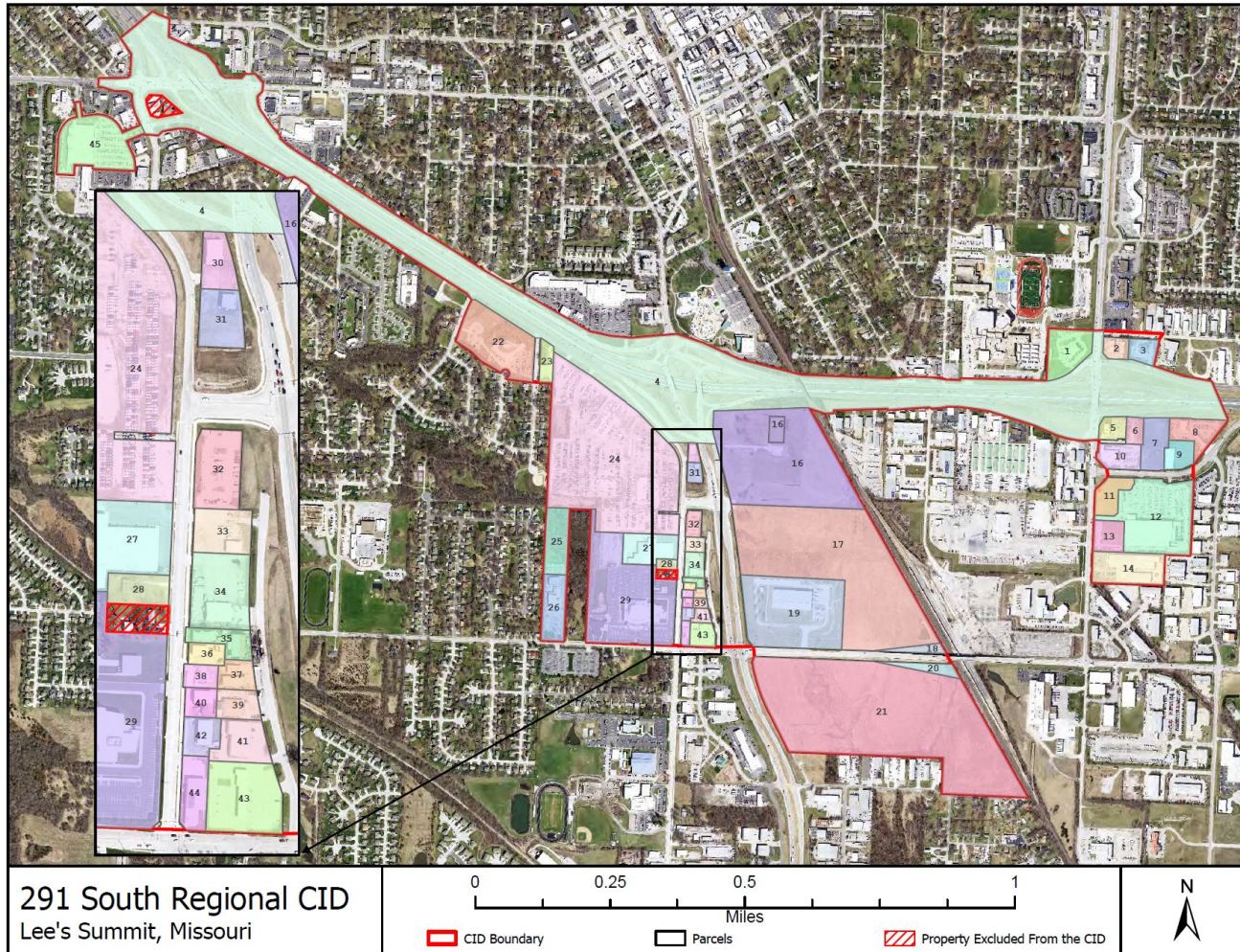
Other Required Plan Components

- Mandatory Plan Contents
- Evidence of Commitments to Finance Project Costs
- Developer affidavit – Blight and “But For Test”

City Economic Development Incentive Policy

- Preference: less than 25% TIF reimbursement
- Developer request is 6.5% TIF reimbursement
- Total incentive request is 24.6% of total project costs
- TIF Contract control mechanisms
 - Rate of Return limitation
 - Development Cost Savings provision
 - Phased Reimbursement provisions

CID Boundaries



CID Public Improvements

| List of Improvements | Estimated Costs ² |
|---|------------------------------|
| Oldham Village Improvements, including Oldham Parkway relocation; construction and reconstruction of streets, sidewalks, ramps, traffic signs and signals, parking lots and related site improvements; construction of sewer improvements, drainage systems, utilities and related infrastructure; and demolition and blight remediation improvements | \$18,825,482 |
| 291 North Interchange Improvements and Missouri Highway Patrol Troop A Headquarters Relocation | \$6,187,000 |
| Third Street Interchange Improvements | \$33,500,000 |
| TOTAL | \$58,512,482 |

CID Issue: Extra Sales Taxes at Grocery Stores

| Store | Location | Extra Sales Tax | Other Incentives |
|---------------------------|------------------------|-----------------|------------------------------|
| Grocery Stores | | | |
| Aldi - 291N & Oldham Pkwy | 600 SE Oldham Pkwy | - | - |
| Aldi - Summit Orchard* | 560 NE Chipman Rd | 1% CID | |
| Hy-Vee Grocery East | 301 NE Rice Road | - | Sales Tax Reimbursement Agmt |
| Hy-Vee Grocery West* | 310 SW Ward Road | - | - |
| McKeevers Market | 840 NW Pryor Road | 1% CID | TIF |
| Price Chopper - North | 937 NE Woods Chapel Rd | 1% CID | - |
| Price Chopper - Central | 1600 SE Blue Pkwy | 1% CID | TIF (retired) |
| Price Chopper - South | 201 SW Greenwich Dr | 1% TDD | - |
| Sprouts Farmer's Market | 800 NE 291 Hwy | - | - |
| Supercenters | | | |
| Target | 1850 NW Chipman Rd | 1% TDD | TIF (retired) |
| Wal-Mart - East | 100 NE Sam Walton Ln | - | - |
| Wal-Mart - South | 3410 SW Market St | - | Sales Tax Reimbursement Agmt |

* Proposed to be included in the 291 South Regional

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