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TO: City Council for the City of Lee's Summit
FROM: David Bushek
RE: Summary of the Summit Orchards Community Improvement District

Project and CID Summary

- The proposed project area covers about 17 acres of vacant property located north of Chipman Road on the east and west sides of Ward Road.
- The applicant's budget indicates that total project costs are anticipated to be about \$49.5 million.
- The total requested CID reimbursement is about \$3.5 million, which is about 7.13% of the total project costs.
- The proposed maximum duration of the CID is 25 years.
- No blight finding is requested by the applicant, so the CID is only proposed to fund public improvements, along with related engineering and soft costs, that serve the CID area.
- Improvements on Ward Road and Chipman Road which would be funded by the CID totals about \$476,000, plus associated engineering costs. The remainder of the CID-funded improvements can be treated as public improvements through CID ownership, but these will not be located on City-owned property or right-of-way.
- This project was presented as a Conceptual Economic Development Incentive Request/Proposal to the City Council on May 17, 2018. During that meeting, the Council held first reading of the ordinance to approve the Funding Agreement for this CID project.

CID Operations

- The District will be a separate political subdivision of the state, not a department of the City.
- The District will be governed by a 5-member Board of Directors. Initial directors are named in the petition and successor directors will be appointed by the Mayor with the consent of the City Council.
- The initial term of each director is either 2 or 4 years, as established by the initial appointments. Successors serve 4 year terms.
- Qualifications of a Director:
 - At least 18 years old

- Resident of Missouri for at least 1 year prior to taking office
- Business owner or property owner in the district, or a representative of a business owner or property owner in the district
- One of the five director seats will be permanently controlled by the City, with a City staff member or City elected official appointed to the City seat.

Project Financing

- Developer provides the initial financing for all project costs through private lending or private equity.
- The CID will serve as a reimbursement source for designated project costs, as discussed below.

CID Funding

- The District proposes a sales tax of up to one percent (1.0%).
- An election must occur for the sales tax to be imposed. The election occurs after the District is formed. The qualified voters in the election will be the property owners within the CID area. A majority of those property owners that cast ballots must approve the sales tax. The sales tax can be imposed in 1/8% increments, up to the maximum of 1%.
- Developer provide the initial financing for all project costs through private lending or private equity.
- The CID will serve as a reimbursement source for designated project costs, as discussed below.

CID Reimbursable Costs

- The maximum amount of reimbursement will be about \$3.5 million, plus interest as provided in the cooperative agreement between the City and the CID. A summary of the major categories of project costs and proposed reimbursement is:

| | <u>Total Project</u> <u>Costs</u> | <u>CID Reimbursable</u> <u>Costs</u> |
|---|--------------------------------------|---|
| Land Acquisition | \$6,577,346 | \$109,680 |
| Sitework | \$9,482,002 | |
| Improvements in City Right-of-Way | | \$476,960 |
| Other Public Improvements | | \$1,811,518 |
| Public Open Space Site Development | | \$115,500 |
| Site Monuments and Features | \$650,000 | |
| Signage | | \$50,000 |
| Gateway Features, Public Art, Open Space | | \$500,000 |
| Contingency | | \$240,298 |
| Buildings | \$26,725,829 | |
| Construction Interest | \$2,796,526 | |
| Architect, Engineering, Construction Management | \$436,704 | \$152,704 |
| Professional Fees and Leasing | \$1,903,550 | \$50,000 |
| Site Permits and Fees | \$885,258 | \$18,465 |
| | \$49,457,215 | \$3,525,125 |
| | | 7.13% |

Maintenance of CID Public Improvements

On the date that this memorandum was prepared, City staff is still discussing options to provide adequate assurances in the cooperative agreement that the interior public improvements which will be funded by the CID will be properly maintained for the life of the CID, and beyond if applicable. The Petition presents these categories of CID Public Improvements:

1. Interior Drives, consisting of –

- East West Roadway and Utility Construction
- Chipman Entry Drive
- Outerview Road Improvements and
- North South Drive from Donovan,

2. Public Open Space, which will be the approximately one-acre area on the eastern side of the project and associated improvements; and

3. Art Features and Signage which will include the artificial trees and other art features that will function as public art in the District, plus a portion of the signage costs that serve the area.

These are improvements that can be funded by the CID as public improvements, but which are not traditional public improvements that the City would own or maintain. Instead, the primary obligation for maintenance of these improvements will lie with the Developer and the CID. We intend to have the cooperative agreement include provisions to provide for maintenance of these improvements, but we have not yet negotiated the terms of the cooperative agreement.

If the CID ever stops functioning properly due to mismanagement or inactivity on the part of Developer or the property owners in the CID area, the City will have the ability through the appointment of successor directors to populate the CID director seats with City representatives who would then have majority control of the CID. This will help ensure that the CID is run properly for the intended duration, which will in turn help ensure that the interior drives and public open space public improvements which are funded by the CID will have proper long-term maintenance. This issue will also be addressed in the cooperative agreement.