



LEE'S SUMMIT

LAW DEPARTMENT
OFFICE OF THE CITY ATTORNEY

June 20, 2023

TO: Mayor Baird and City Council

FROM: David Bushek

RE: Summary of Reinhart Foodservice LCRA Redevelopment Plan
(the "LCRA Plan")

Developer: Reinhart Foodservice, LLC (the "Developer").

Current Property Owner: Developer.

Property: The proposed Redevelopment Project Area is located at 290 SE Thompson Drive, in Lee's Summit, Missouri, consisting of an expansion to existing facility for additional food service production.

Project and Purpose: The LCRA Plan provides for the expansion of the existing facility which is currently approximately 120,000 square feet, to approximately 170,000 square feet. The facility expansion consists of a freezer, cooler, dry warehouse and new employee entrance and breakroom areas. The LCRA Plan will establish public ownership during the construction of improvements for Developer to receive and use a sales tax exemption certificate for the purchase of construction materials that are used in the construction of the Project, and thereafter for a period of 10 years to facilitate real property tax abatement.

Schedule: Construction is planned to commence mid-2023 and be completed by Spring of 2025

Property Investment and Valuation:

- Current County market valuation of Redevelopment Area: \$5,854,000
- Total Project Costs: approximately \$22,027,379
- Projected abated taxes during abatement period: \$1,688,505
 - The net present value of the Estimated Real Property Tax Abatement is \$1,176,104 (\$1,107,887 Abatement + \$68,217 Valuation Benefit). Net present value is calculated using 8.5%.
- Projected personal property taxes during abatement period: \$221,190

Ownership and Development Structure

- Current Ownership: Developer
- Ownership and redevelopment process after LCRA incentive approval: If the City Council approves the LCRA Redevelopment Plan, then the property will be transferred to City ownership. The City will own the property during the life of the tax abatement structure and lease the property

to Developer which will construct and then operate the project. City ownership during the abatement period allows for the sales tax exemption on construction materials and the real property tax abatement.

- Payments under LCRA Plan: During the tax abatement period, the Developer will make Payment In Lieu of Taxes (PILOT) in the amount of 25% of the tax bill during years 1-10.

LCRA Incentive Requests: Developer is requesting reimbursement from two revenues sources:

1. Sales Tax Exemption

The Developer’s modeling of the sales tax exemption is set forth on page 10 of the modeling that is included in the meeting packet. The total impact to the taxing districts, and corresponding benefit to the Developer, is projected to be about \$444,500. The impact to Lee’s Summit is projected to be about \$137,900.

2. Real Property Tax Abatement:

The real property tax abatement, public improvements assessment and PILOTs are modeled as set forth on page 7 of the LCRA Plan. The abatement is 75% for 10 years, with an annual PILOT in the amount of 25% of the tax bill as if the property was taxable. An overall summary of the incentive request is attached to this memorandum.

3. Personal property tax abatement (*deleted by Plan amendment*)

Developer originally requested personal property tax abatement as part of the original LCRA Plan. During the LCRA Board meeting, the Board amended the resolution to recommend to the City Council that the personal property tax exemption be eliminated, and the real property tax abatement amount be increased to achieve the same financial benefit to the Company. The LCRA Plan has been amended by this company to follow this recommendation.

Required Findings: The following findings are required to be made by the City Council with a recommendation from the LCRA:

- 1. Blight:** The Development Area must be a blighted area, as such term is defined in Section 99.320(3), RSMo, which incorporates the definition of the same term from Section 99.805(1), RSMo, of the TIF Act which reads as follows:

“Blighted area”, an area which, by reason of the predominance of insanitary or unsafe conditions, deterioration of site improvements, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, or welfare in its present condition and use.

The Developer conducted their own blight study through Valbridge Property Advisors, as set forth in the report dated February 27, 2023, and found that the development area represents a “blighted area” as defined by Missouri Statutes, with the primary blighting factor being deterioration of site improvements and economic underutilization of land. Economic underutilization has been specifically recognized as a valid basis for a blight finding by the Missouri courts.

- 2. Necessity:** The City Council must find that redevelopment of the Development Area is necessary and in the interests of the public health, safety, morals and welfare of the residents of the City.

Developer has indicated that the project would not be undertaken without the requested incentives, and that the incentive is necessary for the company's investment for expansion.

3. **Conformance with the Comprehensive Plan:** The City Council must find that the LCRA Plan is in conformance with the Comprehensive Plan for the City. The City Council must find that the proposed land uses and building requirements in the Development Area are designed with the general purpose of accomplishing, in conformance with the Comprehensive Plan, a coordinated, adjusted and harmonious development of the community and its environs which, in accordance with present and future needs, will promote health, safety, morals, order, convenience, prosperity and the general welfare, as well as efficiency and economy in the process of development.

This finding is satisfied by the current zoning and land use designation in the Comprehensive Plan, which is industrial. This is only an expansion of the existing land use. A Final Development Plan is required for the facility's LCRA expansion request, which is approved administratively and not through the public hearing process.

LCRA Board of Commissioners Review

The LCRA Board held a public hearing on May 24, 2023 to consider the proposed Plan. The LCRA Board adopted a resolution recommending approval of the Plan, but included the following additional recommendation in the resolution:

1. Developer shall eliminate the personal property tax abatement of 75% for 10 years and increase the real property tax abatement to a level that will equal the amount of the personal property tax abatement to help offset costs to the developer. This offset brings the real property tax abatement to 84% for 10 years versus the original request of 75% for 10 years.

The LCRA Board expressed a favorable opinion of the overall expansion request, but felt that using personal property tax abatements would be setting a precedent for other developments that the LCRA Board would not recommend pursuing.

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