



# LEE'S SUMMIT

LAW DEPARTMENT  
OFFICE OF THE CITY ATTORNEY

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July 27, 2022

**TO:** Mayor and City Council

**FROM:** David Bushek

**RE:** Summary of Lee's Summit Industrial LCRA  
Redevelopment Plan (the "LCRA Plan")

**Developer:** LS Industrial, LLC (the "Developer").

**Current Property Owner:** Developer.

**Property:** The proposed Redevelopment Project Area contains approximately 49 acres which is located on the south side of Bailey Road and east of Highway 291 South.

**Project and Purpose:** The LCRA Plan provides for the design, development, and construction of two industrial buildings of approximately 201,500 square feet and 393,120 square feet, respectively, along with all associated onsite and offsite sitework and infrastructure, including utilities, stormwater management, street/drive and parking improvements, and landscaping. 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 20 years to facilitate real property tax abatement.

**Schedule:** Construction is planned to commence this year.

**Property Investment and Valuation:**

- Current County market valuation of Redevelopment Area: \$21,497
- Total Project Costs: about \$46.6 million
- Projected property taxes (PILOTs) during abatement period: About \$6.47 million (\$2.43 million net present value at 5.5%)

**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 or an affiliate of 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 5% during years 1-10 and then 12% during years 11-20.

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

**1. Sales Tax Exemption**

The sales tax exemption is summarized as follows:

Est. Construction Budget	\$ 46,569,400
Est. Materials Percentage	40.00%
Est. Materials Cost	\$ 18,627,760
Total Sales and Use Tax Rate	8.35%
<b>Est. Sales and Use Tax Savings</b>	<b>\$ 1,127,678</b>
City Sales and Use Tax Rate	2.750%
County Sales Tax Rate	1.250%
State Sales and Use Tax Rate	4.225%
Stadium Sales Tax Rate	0.125%
	8.350%
Est. Allocation of Material Purchases:	
Lee's Summit	8.00%
Missouri (outside Lee's Summit)^	50.00%
Outside Missouri	42.00%
Lee's Summit Sales Tax Savings	\$ 40,981
Lee's Summit Use Tax Savings	\$ 215,151
<b>Total Lee's Summit Sales and Use Tax</b>	<b>\$ 256,132</b>
County Sales Tax Savings	\$ 76,840
State Sales and Use Tax Savings	\$ 787,023
Stadium Sales Tax Savings	\$ 7,684
<b>Lee's Summit % of Total Savings</b>	<b>22.71%</b>

**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.

An overall summary of the incentive request is attached to this memorandum.

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

1. **Blight:** The Redevelopment 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 City Council found that the Redevelopment Area is part of a blighted area under the LCRA Act through the adoption of Ordinance No. 7472 that was adopted on June 5, 2014.

2. **Necessity:** The City Council must find that redevelopment of the Redevelopment 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. The Developer has presented documentation of the type of incentive packages that surrounding municipalities on the Missouri side of the Kansas City metropolitan area have provided to industrial developers. The requested incentive package is comparable to the incentives provided by other municipalities, and its is likely that these types of industrial projects would not develop in Lee’s Summit without comparable incentive packages.

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 Redevelopment 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.

A rezoning and Preliminary Development Plan for the Redevelopment Project was approved by the City Council June 21, 2022 through the adoption of Ordinance No. 9433 (the “**Preliminary Development Plan**”) and the proposed land uses for the Redevelopment Project are in conformance with the approved Preliminary Development Plan. In approving the Preliminary Development Plan, the City made findings that the proposed land uses within the Redevelopment Project were consistent with the City’s Comprehensive Plan.

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**LS Industrial Project**  
**Tax Abatement Request**  
 August 9, 2022 City Council Hearing

**Developer Request**

<b>Years 1-10</b>		
Abatement		75%
Public Improvements Assessment		20%
PILOTs		5%

<b>Years 11-20</b>		
Abatement		50%
Public Improvements Assessment		12%
PILOTs		38%

**Tax Benefit to Taxing Districts**

	2021 Taxes	%	First Year PILOTs*	PILOTs Over 22 years
BOARD OF DISABLED SERVICES	\$1.41	0.8%	\$350	\$52,240
CITY - LEES SUMMIT	\$30.16	17.2%	\$7,474	\$1,115,572
JACKSON COUNTY	\$12.37	7.1%	\$3,066	\$457,688
LEES SUMMIT SCHOOL R-VII	\$116.47	66.6%	\$28,863	\$4,308,266
MENTAL HEALTH	\$2.29	1.3%	\$567	\$84,595
METRO JUNIOR COLLEGE	\$4.31	2.5%	\$1,068	\$159,416
MID-CONTINENT LIBRARY	\$7.36	4.2%	\$1,824	\$272,321
STATE BLIND PENSION	\$0.63	0.4%	\$156	\$23,255
	<b>\$175.00</b>	<b>100.0%</b>	<b>\$43,368</b>	<b>\$6,473,353</b>

\* First full year of build-out (Year 2)

**Value of Incentive Request to Developer**

Total Project Costs	\$46,569,000	
Net Present Value of Tax Abatement	\$6,663,111	14.3%
NPV of Public Imp. Assessments	\$1,721,480	3.7%
Value of Sales Tax Exemption	\$1,127,678	2.4%
<b>Total Value of Incentive Request</b>		<b>20.4%</b>