



# LEE'S SUMMIT

LAW DEPARTMENT  
OFFICE OF THE CITY ATTORNEY

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August 12, 2020

**TO:** Lee's Summit City Council  
**FROM:** David Bushek  
**RE:** Summary of 291 North & Highway 50 Tax Increment Financing Plan

**Executive Summary:** The 291 North & Highway 50 Tax Increment Financing Plan is being proposed by the City to fund a portion of the costs associated with reconstruction of the Highways 291 North and 50 Interchange and the northern outer roads (Blue Parkway). The initial goal of the TIF Plan is funding for a portion of the costs associated with relocating the Missouri Highway Patrol's Troop A Headquarters from its current location at 504 SE Blue Parkway to a new location in the City north, of Colbern Road. This relocation will allow Blue Parkway to be moved to the north of the current location, which is an essential component of a redesigned interchange to enhance circulation and traffic safety.

**TIF Commission action:** On June 10, 2020, the TIF Commission approved Resolution 2020-1 by a 7-3 vote. The resolution makes the following recommendations to the City Council:

1. adopt an ordinance to make the findings required by the TIF Act to approve the TIF Plan;
2. approve the TIF Plan;
3. designate the Redevelopment Area as a redevelopment area as provided in Section 99.805(12), RSMo;
4. approve the Redevelopment Projects by ordinance as described in the TIF Plan at the appropriate times; and
5. move forward with the selection of a developer of record for Redevelopment Project #1 (redevelopment of the State Highway Patrol property).

The Commissioners who voted against the resolution were Judy Hedrick (representing LSR-7 School District); Mike Allen (representing LSR-7 School District), and Jim Staley (sitting as a representative of the Mid-Continent Public Library District). One Commissioner was absent from the meeting.

**Property:** The proposed Redevelopment Area contains approximately 56 acres generally located north of Highway 50 and along Highway 291 in the area depicted in **Exhibit 1** and legally described in **Exhibit 2** of the TIF Plan. The Redevelopment Area contains 26 parcels among 23 unique land owners. A map showing the Redevelopment Area is set forth in **Exhibit A** to the TIF Plan.

**City-Initiated TIF Plan:** This TIF Plan has been prepared by the City of Lee's Summit to fund costs associated with the 291 North and Highway 50 interchange project. A summary of the primary components of the overall project is as follows:

**Interchange Project** – The City of Lee’s Summit seeks to facilitate the reconstruction of the 291 North and Highway 50 interchange, at a projected cost of about \$20 million. This interchange, in conjunction with the Blue Parkway outer road system, is a safety concern and is one of Lee’s Summit’s highest locations for automotive accidents. In addition to safety concerns, the traffic demand is often higher than capacity, thus causing significant travel delays for our citizens, visitors, and commerce. The City is planning to file a Cost Share Application with MoDOT in April 2020 for the Interchange Project. City staff has tentatively identified capital improvement and excise tax funds the possible sources of City funding.

**Outer Road Relocation** – Blue Parkway is the northern outer road that serves the interchange, which is currently in MoDOT’s jurisdiction. Blue Parkway needs to be moved farther to the north for the interchange to function in a more safe and efficient manner. The relocated western arm of Blue Parkway would bisect the Troop A Headquarters property, and that facility therefore would need to be relocated.

**Missouri Highway Patrol Troop A Relocation** – The Highway Patrol has estimated that the cost to relocate the Troop A Headquarters to State-owned property on Colburn Road in Lee’s Summit is approximately \$8.1 million. These potential sources have been preliminarily identified to fund the relocation: (1) \$4.1 million in funding from the TIF Plan; (2) \$2 million in direct City funding; and (3) \$2 million State appropriation.

**TIF Plan for Partial Relocation Funding** – The City has prepared the 291 North & Highway 50 TIF Plan to generate funds for the interchange project. The City has initially identified four redevelopment projects to generate TIF revenues. Project #1, consisting of the remaining Highway Patrol and MoDOT properties after the Interchange Project is constructed, would be about 4-acres on the western side of Highway 291 that could be redeveloped for commercial uses. The City will seek a developer for Project #1 through a competitive process. Projects #2, #3 and #4 are proposed to be a new QuikTrip store, a Wendy’s restaurant, and reuse of a vacant Applebee’s restaurant. The TIF Commission will consider the TIF Plan on February 26, 2020, and the City Council is expected to consider the TIF Plan in March/April 2020.

**Funding for Remainder of Relocation Costs** – The City Council will be asked to consider an appropriation of \$2 million in direct funding for the Troop A relocation, which could be repaid from the sale of land for TIF Project #1. The final \$2 million is proposed to be State appropriation of funds.

**Benefits of TIF Plan and Redevelopment Efforts** – The Interchange Project will substantially enhance traffic safety and reduce traffic delays in the region. Relocation of the Highway Patrol facilities will allow for a realignment of Blue Parkway, which is an essential component of the redesigned interchange. The TIF Plan is an essential component of the financing plan for the Highway Patrol relocation. The State and City appropriations are also essential for financing the relocation costs.

**Process and Timing** – In addition to processing the TIF Plan, the City has made a Cost Share Application with MoDOT. A decision on that application is expected to occur in late September 2020. If the TIF Plan and Cost Share Application are approved, the City will aim to negotiate all implementing State contracts within two or three months after the application is approved. At the same time, the City will seek a developer of record for TIF Project #1. If these steps are successful, a complete financing plan for the Troop A relocation could be in place in the Spring of 2021. Troop A relocation could occur in 2023, and the Project #1 property would become available to the selected developer after Troop A leaves the Blue Parkway property. Construction of the interchange project could begin in Spring 2023, and construction is projected to take about 18 months.

**Redevelopment Projects:** The TIF Plan as initially presented to the TIF Commission contains four separate Redevelopment Projects, which are the distinct geographic areas in which TIF revenues would be collected. The Redevelopment Projects, when activated, will generate TIF revenues that can be used to pay for reimbursable project costs. These costs are initially projected to be the Highway Patrol relocation costs. The complete list of the categories of Redevelopment Project Costs as set forth in the TIF Plan (page 14):

- Business Relocation Costs (which includes the Highway Patrol facility relocation);
- Local Road Improvement Costs;
- Interchange Improvement Costs;
- Financing Costs and Contingency associated with the items above;
- other Redevelopment Project Costs which are incurred for site-specific improvements by landowners and developers in Redevelopment Project Areas, which may be added by amendments to the TIF Plan.

**Property Investment and Valuation:**

- Current County valuations of all property in the Redevelopment Area:
  - Market Value: \$13,842,386
  - Assessed Value: \$4,439,236
  - Taxable Assessed Value: \$3,861,451

The Redevelopment Area contains two tax-exempt parcels which are owned by governmental entities (Missouri Highway Patrol and Jackson County).

- Total Project Costs: about \$44 million, which covers all public and private costs associated with constructing the initial four Redevelopment Projects, the interchange improvements, the outer road improvements, and associated financing costs.
- Projected valuation of the initial four TIF Redevelopment Project Areas before and after full build-out:

**Current Land Values**

|                        |             |
|------------------------|-------------|
| Market Value           | \$3,212,656 |
| Assessed Value         | \$1,028,153 |
| Taxable Assessed Value | \$451,360   |

**After Redevelopment**

|                        |             |
|------------------------|-------------|
| Market Value           | \$6,708,000 |
| Assessed Value         | \$2,146,560 |
| Taxable Assessed Value | \$2,146,560 |

**Sources of Funds:** A summary of the overall TIF budget is:

|  | Total Project Cost  | Funded by Users     | Funded by City                    |                           | Funded by State     |
|--|---------------------|---------------------|-----------------------------------|---------------------------|---------------------|
|  |                     |                     | Direct Funding & TIF Reimbursable | Priority TIF Reimbursable |                     |
| Land Acquisition   | \$3,304,250         | \$1,304,250         | \$0                               |                           |                     |
| Demolition   | \$300,000           |                     | \$300,000                         |                           |                     |
| Hwy Patrol Relocation Costs                                | \$8,113,000         | \$2,000,000         |                                   | \$4,056,500               | \$2,056,500         |
| Site Development Costs                                     | \$1,100,000         | \$1,100,000         |                                   |                           |                     |
| Public Improvements  |                     |                     |                                   |                           |                     |
| Outer Roads - Blue Parkway                                 | \$2,957,500         |                     | \$2,957,500                       |                           |                     |
| Interchange  | \$18,000,000        |                     | \$9,000,000                       |                           | \$9,000,000         |
| Building Construction Costs                                | \$7,040,000         | \$7,040,000         |                                   |                           |                     |
| Professional Services and Soft Costs (15% of construction) | \$1,026,000         | \$1,026,000         |                                   |                           |                     |
| Financing Costs (5% during construction)                   | \$1,451,000         | \$362,750           | \$435,300                         | \$290,200                 | \$362,750           |
| Contingency (10% of construction costs)                    | \$2,800,000         | \$704,000           | \$1,195,893                       |                           | \$900,107           |
| <b>Totals</b>  | <b>\$44,091,750</b> | <b>\$13,537,000</b> | <b>\$13,888,693</b>               | <b>\$4,346,700</b>        | <b>\$12,319,357</b> |
|  |                     | 30.7%               | 31.5%                             | 9.9%                      | 27.9%               |

**TIF Revenue Sources:**

**1. Payments In Lieu of Taxes (PILOTs)**

The incremental increase in property values with the Redevelopment Project Areas will generate increased property taxes than can be collected as PILOTs to fund Reimbursable Project Costs. 100% of the incremental taxes would be collected by this TIF Plan, for up to 23 years within each Project Area.

**2. Economic Activity Taxes (EATs)**

50% of the incremental increase in sales tax revenues within each Redevelopment Project Area can be collected as EATs to fund Reimbursable Project Costs for up to 23 years within each Project Area. There are no sales occurring any of the initial Redevelopment Project Areas today, which means that 50% of all sales in the Redevelopment Project Areas can be captured as EATs.

**TIF Financing:** It is anticipated that the City may issue TIF revenue bonds to fund Highway Relocation Costs. The sizing of the revenue bond issuance would be based on a revenue study to be performed in coordination with the selection of an underwriter for the bond issuance. The City is working with its financial advisor to prepare a preliminary schedule for a revenue bond issuance.

**Benefit to Taxing Districts:** The Cost-Benefit Analysis attached to the TIF Plan as **Exhibit 9** shows the projected tax revenues to be generated for each taxing district from the first four Redevelopment Project Areas if those projects do not occur and if they do occur with the use of TIF.

**Basis of Reimbursement and the “But For” Test:** The basis of the reimbursement request is that the City is willing to appropriate funds for a certain portion of road improvements and the interchange project, but the City does not have a source of funds to cover all of the costs associated with relocation of the Highway Patrol facility to a new location in the City. Without the use of TIF, the Highway Patrol facility would not

be relocated, the Blue Parkway realignment could not occur, and the interchange project would not function as intended without the relocation of Blue Parkway. Without the use of tax increment financing, the interchange project would not move forward using the preferred design to enhance capacity and safety.

**Comparison to City’s Economic Development Policy:** The City’s Economic Development Policy Guidelines state that typically incentives using TIF will be an amount not to exceed 25% of the total private development costs. The initial level of TIF assistance for the priority reimbursable item, focusing on the Highway Patrol relocation costs, is projected to be about **10%** of the total Project Budget. Additional reimbursement for other Reimbursable Project Costs may occur which would alter this calculation, but for that to happen there would need to be additional redevelopment beyond what is currently included in the Project Budget.

**Required Findings:** The following is a list of the findings required to be made by the City Council with a recommendation from the TIF Commission, along with references to the places in the TIF Plan where supporting information may be found:

- **Blight:** The Redevelopment Area must be a blighted area, as such term is defined in Section 99.805(1), RSMo, as follows:

an area which, by reason of the predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, 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, morals, or welfare in its present condition and use.

The City Council declared that the Redevelopment Area, along with other parcels of land in the City, is a blighted area pursuant to the Land Clearance for Redevelopment Act (“**LCRA Act**”) through the adoption of Ordinance No. 7472 on June 12, 2014. The definition of “blighted area” under the LCRA Act matches the definition of “blighted area” under the TIF Act and therefore the previous finding by the City Council satisfies the TIF Act requirement. The State-owned property at 504 SE Blue Parkway was not included in area that was declared to be blighted by Ordinance No. 7472. The Highway Patrol Facility is 52 years of age and continually in need of update and repairs.

The TIF Plan is accompanied by a Blight Study set forth as **Exhibit 3**, demonstrating that the Redevelopment Area is still a blighted area as such term is defined in Section 99.805(1), RSMo, due to the presence of deteriorating site improvements, inadequate street layout, unsafe conditions, deterioration of site improvements which constitutes an economic liability and a menace to the public health and safety in its present condition and use and that the property is an economic liability in its present condition and use. The TIF Plan is also accompanied by an affidavit which is set forth in **Exhibit 11**, attesting to the conditions of the Redevelopment Area which qualify the area as a blighted area.

- **But-For Test:** The proposed redevelopment must satisfy the “but for” test set forth in Section 99.810, RSMo, in that the Redevelopment Area has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing. In particular, without the use of TIF, the Highway Patrol facility would not be relocated, the Blue Parkway realignment could not occur using the selected design, and the interchange project would not function as intended without the relocation of Blue Parkway. Without the use of tax increment financing, the interchange project would not move forward using the preferred design to enhance capacity and safety.

- **Relocation Plan:** The TIF Plan includes as **Exhibit 4** a Relocation Assistance Plan as required by the TIF Act.
- **Conformance with Comprehensive Plan:** The TIF Plan is in conformance with the Comprehensive Plan for the City as a whole. The Comprehensive Plan calls for the Redevelopment Area to be developed primarily for retail uses. The Redevelopment Plan envisions that the initial four Redevelopment Project Areas will contain retail uses.
- **Cost-Benefit Analysis:** A cost-benefit analysis is required showing the economic impact of the TIF Plan on each taxing district and political subdivision within the Redevelopment Area if the project is built pursuant to the TIF Plan or is not built. A cost-benefit analysis has been provided in **Exhibit 9** to the TIF Plan.
- **Financial Feasibility:** The TIF Act requires evidence that the proposed project is financially feasible to be constructed with TIF assistance. The City has indicated in the affidavit in **Exhibit 11** that the total Highway Patrol relocation costs can be funded with TIF assistance, which makes this aspect of the interchange project financially feasible.
- **TIF Plan Contents:** The TIF Plan must contain the following information, and the page and exhibit references below indicate where the information may be found in the TIF Plan:
  - A general description of the program to be undertaken to accomplish its objectives (*Pages 3-4, 14*).
  - The estimated redevelopment project costs (*Exhibit 5*).
  - The anticipated sources of funds to pay the costs (*Exhibit 5*).
  - Evidence of the commitments to finance the project costs (*Exhibit 11*).
  - The anticipated type and term of the sources of funds to pay costs (*Page 15 and Exhibit 7*).
  - The anticipated type and terms of the obligations to be issued (*Page 7, 15*).
  - The most recent equalized assessed valuation of the property within the Redevelopment Area which is to be subjected to payments in lieu of taxes and economic activity taxes pursuant to Section 99.845, RSMo (*Page 15-16 and Exhibit 7*).
  - An estimate as to the equalized assessed valuation after redevelopment (*Exhibit 7*).
  - The general land uses to apply in the Redevelopment Area (*Pages 3-4, 15-16*).
  - Estimated dates for the retirement of obligations incurred to finance redevelopment project costs, and said dates are not more than twenty-three (23) years from the adoption of an ordinance approving a Redevelopment Project within the Redevelopment Area (*Page 24 and Exhibit 7*).
  - Estimated dates of completion of the redevelopment project (*Page 24 and Exhibit 7*).

- **Plan Requirements:** The TIF Plan must also meet the following requirements, and the page and exhibit references below indicate where the information supporting these requirements may be found in the TIF Plan:
  - The TIF Plan is in conformance with the Comprehensive Plan for the development of the City as a whole (*Pages 23*).
  - A Relocation Assistance Plan has been developed for relocation assistance for businesses and residences, and the relocation of any business or residents in the Redevelopment Area, if necessary, will take place in accordance with the Relocation Assistance Plan (*Page 24 and Exhibit 4*).
  - The TIF Plan does not include the initial development or redevelopment of any gambling establishment (*Page 24*).
  - The areas selected for the Redevelopment Projects include only those parcels of real property and improvements thereon which will be directly and substantially benefited by the Redevelopment Project improvements (*Exhibit 1 & 2*). The interchange improvements will have far-reaching benefits, and the improvements will benefit the entire Redevelopment Area and many parcels along the 291 North corridor and south of the interchange.