



LEE'S SUMMIT

LAW DEPARTMENT
OFFICE OF THE CITY ATTORNEY

December 4, 2020

TO: City Council

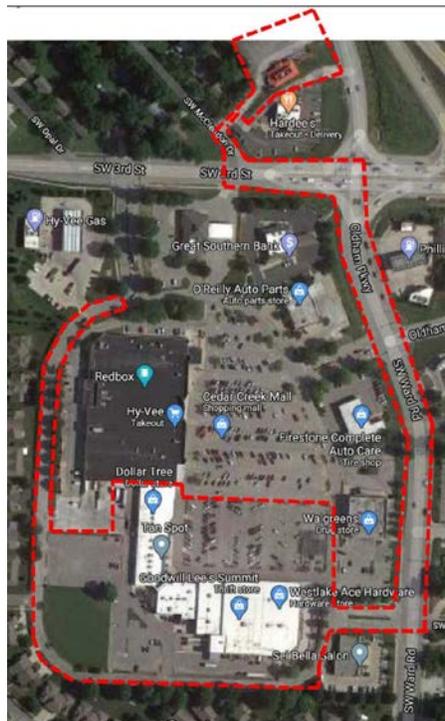
FROM: David Bushek

RE: Summary of Cedar Creek LCRA Redevelopment Plan for the Cedar Creek Shopping Center

LCRA Action: On December 2, 2020, the LCRA Board of Commissioners passed Resolution No. 2020-1 which recommended that the City Council approve the Cedar Creek LCRA Redevelopment Plan and take the several implementation steps that are necessary to provide the requested sales and use tax abatement.

Owner and Developer: Enterprises Cedar Creek, LLC is the owner of the property, which is a single purpose entity managed by Cadence Commercial Real Estate, LLC (the “**Developer**”), based in Overland Park, Kansas.

Property: The proposed Redevelopment Area is the southern portion of the Cedar Creek Shopping Center and a parcel north side of 3rd Street. The Redevelopment Area from Exhibit 3 of the Redevelopment Plan:



Redevelopment Project and Budget: The Redevelopment Project is proposed to be renovation and refurbishment of that portion of the Cedar Creek Shopping Center that is located within the geographic boundaries of the Redevelopment Area above. The budget for this work is set forth below, which includes a column for reimbursement by the Cedar Creek Community Improvement District (CID) which was approved by the City Council on September 29, 2020 through the adoption of Ordinance No. 8973:

ESTIMATED PROJECT BUDGET

Redevelopment Project Costs	Estimated Costs	CID Reimbursable
Land Acquisition		
Purchase Price	5,897,323	-
Closing Costs	36,700	-
<i>SUBTOTAL</i>	<u>5,934,023</u>	-
Redevelopment Project Costs		
Main Center Building Façade	1,800,000	1,100,000
Pizza Hutt Building Remodel	300,000	150,000
Parking Lot / Common Area Reconfiguration	350,000	150,000
Landscaping	50,000	29,317
Signage	60,000	35,000
LED Lighting	50,000	35,000
Inspections	20,000	-
TI Allowances	150,000	-
<i>SUBTOTAL</i>	<u>2,780,000</u>	<u>1,499,317</u>
Soft Costs		
Architectural/Engineering/Surveying	125,000	-
Legal	50,000	-
Commissions	80,000	-
<i>SUBTOTAL</i>	<u>255,000</u>	-
Financing Costs		
Bank Charges & Financing Fees	30,000	-
Construction Interest [^]	-	-
<i>SUBTOTAL</i>	<u>30,000</u>	-
Miscellaneous Costs		
Construction Management/Development Fee	231,000	-
Contingency	200,000	-
<i>SUBTOTAL</i>	<u>431,000</u>	-
TOTAL	\$ 9,430,023	\$ 1,499,317
		15.90%

LCRA Incentive Request: The overall redevelopment project including land and financing costs is anticipated to cost about \$9.43 million. The project exclusive of land and permanent financing costs is about \$3.466,000. From these hard costs, Developer projects that the portion to be expended on the purchase of materials is about \$1,251,000. The sales and use taxes that the Developer would normally pay on the purchase of those materials is estimated to be about \$98,200. Therefore, the value of the requested sales and use tax exemption to Developer from the present request is projected to be about **\$98,200**, which is approximately **2.81% of the total projected costs** (exclusive of land and permanent financing costs).

Tax Impact: The estimated sales and use tax impact to the City from this request is about \$10,300, which is about 10% of the total tax impact to all affected sales and use taxing jurisdictions.

Sources of Funds: All funding to undertake the project will come from private sources. Developer will receive reimbursement from the CID for a portion of the costs of the project according to the project budget set forth above. The sales tax exemption that is requested through the LCRA incentive will serve to reduce the total project costs to Developer. Developer is not requesting real property tax exemption through this Redevelopment Plan.

Ownership and Development Structure

- **Current Ownership:** Enterprises Cedar Creek, LLC.
- **Ownership and redevelopment process after Council approval:** If the City Council approves the LCRA Redevelopment Plan, then Developer will transfer ownership to the City. The City will own the property during the renovation period and lease the property to Developer during this time period. City ownership during the renovation period allows for the sales tax exemption on construction materials as a result of the LCRA Redevelopment Plan.
- **Payments under LCRA Arrangement:** When the property is transferred to the City during the renovation period, the property will become tax-exempt and Developer will make payments during the period of City ownership pursuant to the Redevelopment Plan in the amount of what the taxes would be if the property were privately owned and taxable during this period, based on the 2020 County taxable market valuation of \$5,478,075 for the two parcels in the Redevelopment Area (\$4,715,575 for the main shopping center parcel and \$762,500 for the parcel north of 3rd Street). These payments during the renovation period will be treated as rent payments under a lease between the City and Developer pursuant to the Redevelopment Plan.

Comparison to City's Economic Development Incentive Policy

Level of Incentives

This is the third LCRA redevelopment plan that the City has considered which would provide sales and use tax exemption on construction materials (The Princeton and Cityscape Downtown Apartments were the prior projects). The City's Economic Development Policy (the "**ED Incentive Policy**") does not contain any particular guidelines regarding the level of incentive that would be provided by an LCRA redevelopment plan that requests only sales tax exemption on construction materials. This Plan will provide an incentive that is approximately **2.81%** of the total project costs. This is roughly equivalent to the level of incentive provided for the prior projects that received LCRA sales and use tax exemption (2.1% for The Princeton and 2.57% for the Cityscape Apartments).

LCRA Policy Guidelines

The City's ED Incentive Policy, as amended in January 2020, provides for a number of guidelines regarding the use of LCRA incentives. Many of these are applicable only to a request for real property tax abatement, which is not presented by this project. However, certain of the guidelines do apply to this request which uses only a sales and use tax exemption, including:

3. **Blight Clearance and Public Benefits:** Most favorable consideration will be given to projects that reduce or eliminate undesirable or blighted conditions on the targeted property.

This property will directly address the blighting conditions on the property.

4. **Tax Stabilization:** Most favorable consideration will be given to projects that immediately generate direct or indirect new tax revenues for the City and other taxing jurisdictions, accounting for sales taxes, personal property taxes, real property taxes, lodging and tourism taxes and franchise (gross receipts) taxes.

This project will enhance the value of the property and, assuming the County increases the valuation of the property following completion of the renovation work, will provide an immediate increase in real property tax revenues that are generated by the property.

6. **Statement of Need (“But For Test”):** Most favorable consideration will be given to projects where the company proves that (a) the project would not be undertaken without the requested LCRA incentive or (b) the project provides substantially enhanced features or amenities if the requested LCRA incentive is provided.

During the CID consideration process, Developer indicated that the project is unlikely to be undertaken without the requested CID and LCRA incentives.

7. **Size of Project and Total Investment:**

a. Redevelopment – (1) For certificates of qualification, most favorable consideration will be given to projects that invest at least \$500,000 in total project costs. (2) For all other LCRA incentives, most favorable consideration will be given to projects that invest at least \$5 million in total project costs.

Developer is undertaking a project that is about \$9.43 million in total costs, and for the renovation work, or about \$3.5 million exclusive of land and permanent financing costs).

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, as follows:

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

The Redevelopment Area is located within the US50/M291 Urban Renewal Project Area, declared as a blighted area pursuant to the provisions of the Land Clearance for Redevelopment Authority Law, Sections 99.300 through 99.660 RSMo., as amended, and City Ordinance No. 7472 which was approved 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. The City Council has presumably determined that the property is in need of redevelopment, based on

the prior blight finding made by the City Council in 2014. This parcel was include, while certain other properties in the area were not included in the blight finding.

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.

The recommendations of the Comprehensive Plan for this property are consistent with its current uses as a shopping center. Developer is not proposing to change the land uses of the property as part of this Redevelopment Plan.

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