



LEE'S SUMMIT

LAW DEPARTMENT
OFFICE OF THE CITY ATTORNEY

April 5, 2021

TO: Lee's Summit City Council

FROM: David Bushek

RE: Summary of Vanguard Villas at the Streets of West Pryor Land Clearance for Redevelopment Authority Redevelopment Plan (the "LCRA Plan")

Developer: A limited liability company to be formed by the developer entities Drake Development and Tegethoff Development (the "Developer").

Current Property Owner: West Pryor Owners Association, Inc.

Property: The proposed Redevelopment Project Area contains approximately 6.7 acres and is bounded by Interstate 470 on the north, vacant property on the west, Lowenstein Drive on the south and vacant property in the Streets of West Pryor project on the east. A map showing the Redevelopment Project Area is attached to this memorandum. A map showing the undermined area overlaid on the Redevelopment Project Area is also attached for reference.

Project: The LCRA Plan provides for mine remediation and stabilization of property, development, redevelopment, and improvement of the Redevelopment Area. The Redevelopment Project is underlain by mine space that was created when limestone was mined from the area between 1959 and 1981. Significant engineering controls are required in order to make the surface of the Redevelopment Project viable for development. As part of the Redevelopment Project, Developer is proposing substantial mine remediation work for the undermined areas below the Redevelopment Project, including dewatering and backfilling of the mines, in order to stabilize the property and make the surface of the Redevelopment Project viable for development. This undermined remediation work will allow for the construction of approximately 83 market rate residential villa units for rent (the "The Vanguard-Villas Project").

Schedule: Developer proposes the following schedule for construction of the residential project:

Project Schedule/Phasing	Units	% of Units	Construction Start	Const. Months	Delivery
Phase I	18	21.69%	Aug-21	10.50	Jun-22
Phase II	22	26.51%	Dec-21	10.50	Oct-22
Phase III	25	30.12%	Mar-22	10.50	Jan-23
Phase IV	18	21.69%	Jun-22	10.50	Apr-23
Total	83	100.00%			
Total Phasing Months from Const. Start to Phase IV Delivery:				20.63	

Property Investment and Valuation:

- Current County market valuation of Redevelopment Area: \$6,326
- Total Project Costs: about \$30.5 million
- Projected property taxes after redevelopment: About \$255,000 in year 1 of the project.

Budget: The project budget is set forth in *Exhibit 5* of the Plan:

BUDGET SUMMARY	
Acquisition	\$475,000
Site Work - Off Site - Off Site Storm and Sewer Improvements	\$705,067
Mining Remediation	\$2,169,404
Site Work - On Site	\$2,147,912
Site Monuments	\$120,000
Building Improvements	\$21,912,000
Construction Carry	\$1,651,618
Site Work A&E - Construction Management	\$253,003
A&E Lowenstein Road Relocation	\$103,018
Legal, Development Fee's and Closing Costs	\$787,008
Site Permits and Fee's	\$138,372
Total Development Costs	\$30,462,403

Ownership and Development Structure

- Current Ownership: The property is currently owned by the property owner association for the Streets of West Pryor project.
- 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 in the amount of 50% as a result of the LCRA Redevelopment Plan.
- Payments under LCRA Plan: During the tax abatement period, the Developer will make a Payment In Lieu of Taxes (PILOT) in the amount of 50% of the taxes that would otherwise be owed and calculated by Jackson County if the tax abatement had not been provided. These payments will be treated as rent payments under a lease between the City and Developer pursuant to the LCRA Plan.

LCRA Incentive Requests:

Developer is requesting reimbursement from two revenues sources:

1. Sales Tax Exemption

Developer is requesting a sales tax exemption certificate from the City to purchase the construction materials for the project on a sales tax-exempt basis. The benefits of the sales and use tax exemption for Developer are summarized as follows:

Est. Project Hard Costs	\$30,462,403
Est. Materials Portion	\$10,357,217
Est. Sales/Use Tax Savings	\$813,042

A breakdown of the impact on the effected taxing jurisdictions is summarized as follows:

Total Construction Budget	\$ 30,482,403	
Materials Percentage	34%	
Materials Amount	\$ 10,357,217	
City	6%	\$ 48,782
Jackson County (outside City)	24%	\$ 195,130
Missouri (outside JACO)	35%	\$ 284,565
Outside Missouri	35%	\$ 284,565
TOTAL ESTIMATED SAVINGS		\$ <u>813,042</u>
Estimated Sales Tax Rate	7.85%	
City Sales Taxes Exempted	\$ 48,782	

2. Real Property Tax Abatement:

Developer is requesting real property tax abatement in the amount of 50% for 25 years, which is the maximum time period allowed for tax abatement by the Missouri Constitution. The benefits of the 50% real property tax exemption for Developer and the taxing jurisdictions are summarized as follows:

Estimated RET NPV's - for LCRA						
Est. Annual RET Per Unit:						
RET PSF						
Total Units						
Annual RET						
Annual Escalation						
NPV Discount Rate:						
	Projected RET for 25 Years	Tax Abatement 50% 25 Years	Taxes Paid to Taxing Jurisdictions	Current Taxes being paid on Property	Increase to Taxing Jurisdictions	
Year	100%	50%	50%			
1	\$254,727	\$127,364	\$127,364	\$100	\$127,264	
2	\$258,548	\$129,274	\$129,274	\$102	\$129,172	
3	\$262,426	\$131,213	\$131,213	\$103	\$131,110	
4	\$266,363	\$133,181	\$133,181	\$105	\$133,077	
5	\$270,358	\$135,179	\$135,179	\$106	\$135,073	
6	\$274,413	\$137,207	\$137,207	\$108	\$137,099	
7	\$278,530	\$139,265	\$139,265	\$109	\$139,155	
8	\$282,707	\$141,354	\$141,354	\$111	\$141,243	
9	\$286,948	\$143,474	\$143,474	\$113	\$143,361	
10	\$291,252	\$145,626	\$145,626	\$114	\$145,512	
11	\$295,621	\$147,811	\$147,811	\$116	\$147,694	
12	\$300,055	\$150,028	\$150,028	\$118	\$149,910	
13	\$304,556	\$152,278	\$152,278	\$120	\$152,159	
14	\$309,125	\$154,562	\$154,562	\$121	\$154,441	
15	\$313,761	\$156,881	\$156,881	\$123	\$156,758	
16	\$318,468	\$159,234	\$159,234	\$125	\$159,109	
17	\$323,245	\$161,622	\$161,622	\$127	\$161,496	
18	\$328,094	\$164,047	\$164,047	\$129	\$163,918	
19	\$333,015	\$166,507	\$166,507	\$131	\$166,377	
20	\$338,010	\$169,005	\$169,005	\$133	\$168,872	
21	\$343,080	\$171,540	\$171,540	\$135	\$171,405	
22	\$348,227	\$174,113	\$174,113	\$137	\$173,977	
23	\$353,450	\$176,725	\$176,725	\$139	\$176,586	
24	\$358,752	\$179,376	\$179,376	\$141	\$179,235	
25	\$364,133	\$182,066	\$182,066	\$143	\$181,924	
Gross Amounts	\$7,657,864	\$3,828,932	\$3,828,932	\$3,006	\$3,825,926	
NPV Amounts	\$4,159,560	\$2,079,780	\$2,079,780	\$1,633	\$2,078,147	

Cumulative Benefit: The total benefit to Developer is a savings of approximately 9.5% of the total project costs, according to this calculation:

Incentive Request vs. Total Development Costs	
Total Estimated Development Costs	\$30,462,403
Tax Abatement NPV - 50% over 25 Years	\$2,079,780
Estimated Savings on Sales Tax Exemption on Construction Materials	\$813,042
Total Incentive Request - related to Off Site Improvements and Mining Remediation line items above	\$2,892,821
Percentage of Incentive vs. Total Development Costs	9.50%

Comparison to City's Economic Development Policy: The City's Economic Development Incentive Policy does not have a targeted reimbursement percentage for an LCRA incentive request such as this, because this is the first time that the City is being requested to consider this type of extended tax abatement incentive package. As a point of comparison, the Incentive Policy states that typically incentives using tax increment financing would be an amount not to exceed 25% of the total private development costs. The requested LCRA incentive package using the two incentives discussed above is about **9.5%** of the total project costs.

This is the first LCRA redevelopment plan that the City has considered that uses extended real property tax abatement, beyond a 10-year period. Attached to this memorandum are pages from the Incentive Policy which highlights the LCRA Guidelines that are satisfied by the LCRA Plan.

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 City Council found that the Redevelopment Area which comprises the entire Streets of West Pryor mixed-use project area, is a blighted area pursuant to the Real Property Tax Increment Allocation Redevelopment Act set forth in Chapter 99 of the Revised Statutes of Missouri through the adoption of Ordinance No. 8539 on January 9, 2019. The definition of “blighted area” under Section 99.805(1) RSMo is the same as the “blighted area” definition set forth in Section 99.320(3) of the LCRA Act and the Property satisfies the criteria of a blighted area under the LCRA Act

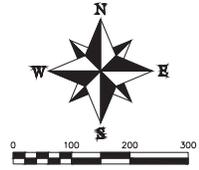
2. **Necessity:** The City Council must find that redevelopment of the Redevelopment Area is necessary and in the interests of the public health, safety, morals and welfare of the residents of the City. Developer has indicated that the project would not be undertaken without the requested incentives to deal with the extraordinary costs associated with the undermined remediation.
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 Preliminary Development Plan for the Redevelopment Project and property adjacent to the Redevelopment Project was approved by the City Council on March 9, 2021 pursuant to Ordinance No. 9090 (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.

* * * *

Attachment "A" - Map of Project Boundary

REZONING EXHIBIT
STREETS OF WEST PRYOR LOTS 7A-7D
 A Replat of Streets of West Pryor Lots 1 thru 14,
 Tracts "A", "B", "C", & "D"
 Section 35, Township 48 North, Range 32 West
 Lee's Summit, Jackson County, Missouri



DATE	REVISIONS

Section 35
 Township 48 North, Range 32 West
 Lee's Summit, Jackson County, Missouri

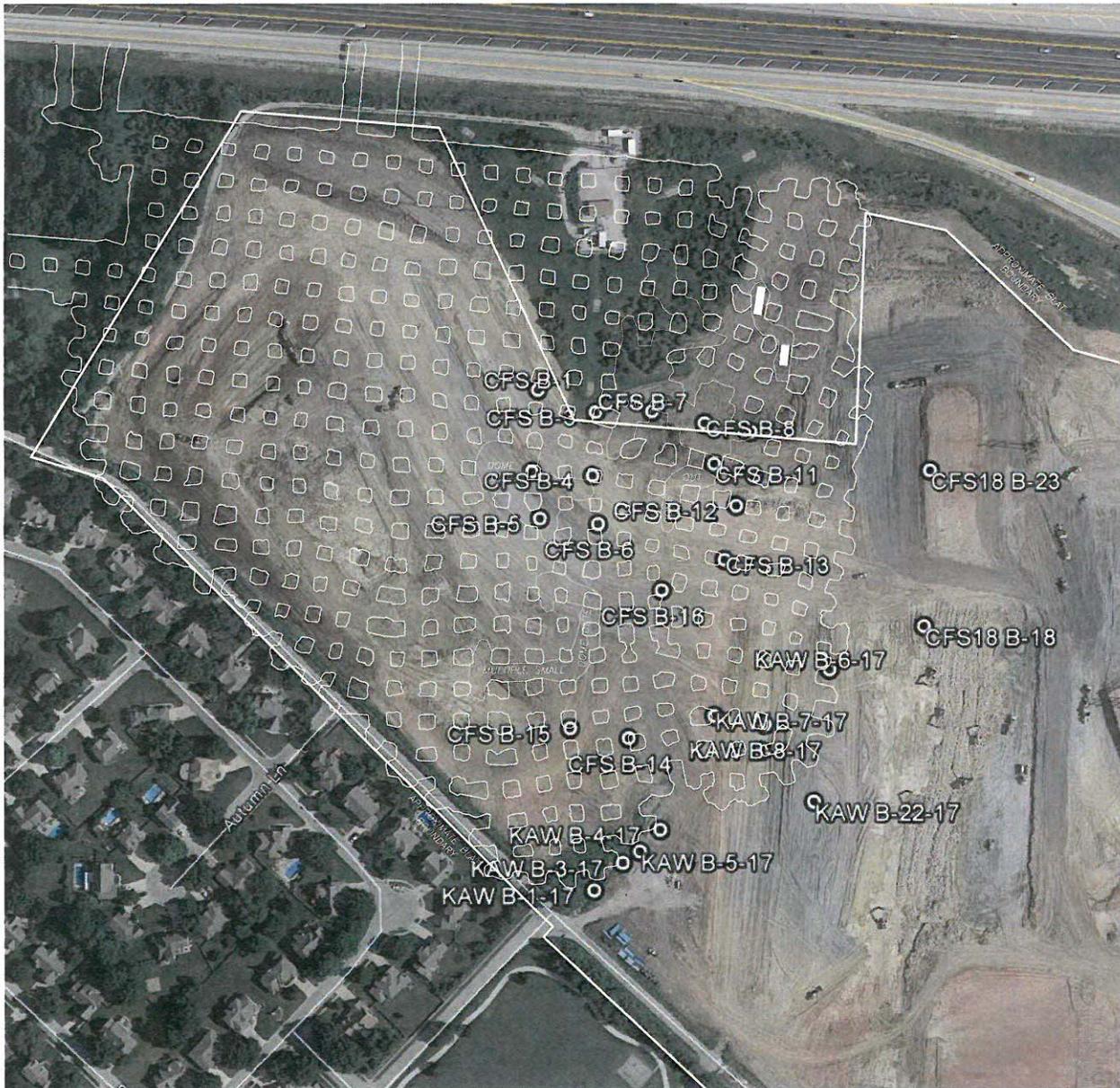
REZONING EXHIBIT

SHEET	SECTION	TOWNSHIP	RANGE	COUNTY	JOB NO.
1 OF 1	35	48 N	32 W	Jackson	Streets of West Pryor

DATE OF PREPARATION: October 30, 2020
 SCALE: 1" = 100'
 DRAWN BY: M. Schlich, P.L.S., P.E.

PROFESSIONAL SEAL

ENGINEERING SOLUTIONS
 CONSULTING & SURVEYING
 5018 39TH STREET
 LEES SUMMIT, MISSOURI 64082-2889
 PHONE: 816.228.8881 FAX: 816.228.2889



NOTES

1. Aerial photograph courtesy of Google Earth

2. Boring locations approximated from previous reports prepared by others.

Drawn By: ALY	Ck'd By: ALP	App'vd By: MHM
Date: 12-17-20	Date: 12-18-20	Date: 12-18-20



Mine Mitigation Study
 Mine Filling at Pryor Crossing
 Lee's Summit, Missouri

AERIAL PHOTOGRAPH OF SITE, LOCATIONS OF BORINGS DRILLED BY OTHERS, AND MINE OUTLINE

Project Number
 J035367.02

FIGURE 2

Land Clearance for Redevelopment Authority (LCRA)

The LCRA Law at Sections 99.300 to 99.750, RSMo, enables municipalities to encourage the redevelopment of real property in blighted areas. The LCRA has numerous powers to undertake land clearance projects to facilitate redevelopment, including the power to provide tax abatements and to acquire and dispose of both real and personal property. The LCRA can develop, reconstruct, rehabilitate, repair and improve all types of public and private improvements and facilities. The LCRA may issue bonds to fund any of its corporate purposes.

Eligible Revenues and Financing Tools:

1. **“Certificate of Qualification” for real property tax abatement:** The LCRA may abate up to 100% of the real property taxes on the incremental increase in assessed value of both land and improvements for up to 10 years. During the abatement period, the property owner continues to pay taxes attributable to the base land and improvement value.
-  2. **Sales and Use Tax Exemption on construction materials:** The City or LCRA may own the redevelopment property and lease it to the company during the construction period. The company receives a sales tax exemption certificate from the City which is used to purchase construction materials for the project on a tax-exempt basis.
-  3. **Redevelopment Plan for Extended Tax Abatement:** The LCRA or City may own the project site and lease it to the company for an extended period for the purpose of providing tax abatement. The maximum duration is 25 years pursuant to the Missouri Constitution.
4. **Tailored Incentive Packages:** LCRA powers and incentive tools may be combined in various ways to create a tailored incentive package to meet the needs of unique or large-scale projects. Other incentive tools may be used in combination with LCRA to create an incentive package that suits the particular needs of a project or redevelopment area.
5. **Targeted Incentive Areas:** The City may designate certain areas as targeted land clearance project areas or redevelopment areas. In these areas, the City may invite the development community to submit redevelopment proposals that meet certain investment criteria, employment criteria and other redevelopment parameters in order to receive designated tax abatement or other incentive benefits.

Common Uses for LCRA:	
Land Acquisition Building Construction Blight Clearance Activities	Land Assembly and Disposal Building Rehabilitation, Repair and Reconstruction Public Improvements in Redevelopment Areas

Guidelines:

Pursuant to the statutory purposes of the LCRA Act, the City Council has developed the following guidelines and policy statements for evaluating the requested use of LCRA incentives. The LCRA and the City Council shall assign such weight and consideration to these guidelines as deemed appropriate for each particular application and project. These statements are intended to provide guidance, but do not carry the force of law to bind the City Council on any particular application or requested use of LCRA tools or incentives.

1. **Level of Abatement:** Most favorable consideration will be given to projects that request abatement of no more than 50% of the real or personal property taxes.
2. **Duration of Abatement:** Most favorable consideration will be given to projects where the abatement (a) lasts no longer than needed to provide the minimum amount of abatement to induce the company to undertake the project and (b) lasts no longer than 10 years.
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.
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.
5. **Sustainable / Green Development:** Most favorable consideration will be given to projects that incorporate sustainable or green development or renewable or energy-saving practices.
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.
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.
 - b. **Business Expansion** – Most favorable consideration will be given to expansion projects that invest at least 50% of the original project costs after adjusting for inflation.
8. **Company Equity:** Most favorable consideration will be given to projects where the at least 15% of the total project costs is funded from company equity rather than

private bank loans.

9. **New job creation:** Most favorable consideration will be given to projects (a) that create new jobs in the City, which are not relocated from another location in the City, and (b) where the average compensation of such jobs meets or exceeds the average pay of workers in Jackson County, Missouri (see **Exhibit C**).
10. **Job retention:** Most favorable consideration will be given to projects where (a) the company proves that the requested incentive will retain jobs in the City that would otherwise leave the City for another jurisdiction and (b) the average compensation of such jobs meets or exceeds the average pay of workers in Jackson County, Missouri (see **Exhibit C**).
11. **Public Improvements:** Most favorable consideration will be given to projects that cause the construction of public improvements that have a general public benefit.
12. **Targeted Businesses and Industries:** Most favorable consideration will be given to projects that cause the construction of facilities which are targeted businesses in accordance with the Strategic Direction of the Incentive Policy (see page 5).
13. **Historic Preservation:** Most favorable consideration will be given to projects that encourage rehabilitation and redevelopment of structures that are listed on any historic register or within any historic district as defined by local, state, or federal governments.

Implementation Conditions

The following conditions will be applied in the approving ordinance or the redevelopment contract, as applicable to each approved incentive:

- Coordination with Zoning Approvals:** The incentives will be conditioned upon construction and operation of the project as set forth on the preliminary development plan or other applicable zoning approval pursuant to the Unified Development Ordinance.
- Change in Use:** A change in the use of the property or ownership of the property will trigger a reconsideration and possible revocation of the approved LCRA incentive, unless otherwise stated in the approving ordinance or redevelopment contract.
- Data Reporting:** The applicant may be required to provide reports about the number of jobs created or retained at the project on an annual basis, the salaries of the workers, the amount of investment, and other criteria as applicable to the project and the requested incentive.
- No reconsideration:** Unless otherwise stated in the approving ordinance or the redevelopment contract, the approved incentive will not be considered for renewal at the end of the incentive term.