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**CITY OF LEE'S SUMMIT, MISSOURI**

**PLAN FOR AN INDUSTRIAL DEVELOPMENT PROJECT  
AND  
COST-BENEFIT ANALYSIS**

**FOR**

**STAG'S FIELD APARTMENTS**

**(sales and use tax exemption only)**

MAILED: June 29, 2021

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## **I. PURPOSE OF THIS PLAN**

The City Council of the City of Lee's Summit, Missouri (the "City") will consider an ordinance approving this Plan (defined below) and authorizing the issuance by the City of its taxable industrial development revenue bonds in the aggregate principal amount of not to exceed \$85,000,000 (the "Bonds"), to finance costs of an industrial development project (the "Project") for Bowlin Rd Investments, LLC, or its assignee or designee (the "Company") as more fully described and defined herein. The Bonds will be issued pursuant to the provisions of Sections 100.010 to 100.200 of the Revised Statutes of Missouri, as amended, and Article VI, Section 27(b) of the Missouri Constitution, as amended (collectively, the "Act").

This Plan for an Industrial Development Project and Cost-Benefit Analysis (the "Plan") has been prepared to satisfy requirements of the Act and to analyze the potential costs and benefits, including the related tax impact on all affected taxing jurisdictions, of using industrial development revenue bonds to finance the Project.

*This Plan provides for the exemption of construction materials purchases from sales and use tax but does not provide for the abatement of ad valorem property taxes. Instead, this Plan requires a payment in lieu of tax designed to equal the taxes that would otherwise be due on the Project during the construction period.*

## **II. GENERAL DESCRIPTION OF CHAPTER 100 FINANCINGS**

**General.** The Act authorizes cities, counties, towns and villages to issue industrial development revenue bonds to finance the purchase, construction, extension and improvement of warehouses, distribution facilities, research and development facilities, office industries, agricultural processing industries, service facilities that provide interstate commerce, industrial plants and other commercial facilities.

**Issuance and Sale of Bonds.** Revenue bonds issued pursuant to the Act do not require voter approval and are payable solely from revenues received from the project. The municipality issues its bonds and in exchange, the benefited company promises to make payments that are sufficient to pay the principal of and interest on the bonds as they become due. Thus, the municipality merely acts as a conduit for the financing.

Concurrently with the closing of the bonds, the company will convey to the municipality title to the property included in the project. At the same time, the municipality will lease the property, including the project, back to the benefited company pursuant to a lease agreement. The lease agreement will require the company, acting on behalf of the municipality, to use the bond proceeds to pay the costs or reimburse the costs of purchasing, constructing and installing the project, as applicable.

Under the lease agreement, the company typically: (1) will unconditionally agree to make payments sufficient to pay the principal of and interest on the bonds as they become due; (2) will agree, at its own expense, to maintain the project, to pay all taxes and assessments with respect to the project, and to maintain adequate insurance; (3) has the right, at its own expense, to make certain additions, modifications or improvements to the project; (4) may assign its interests under the lease agreement or sublease the project while remaining responsible for payments under the lease agreement; (5) will covenant to maintain its corporate existence during the term of the bond issue; and (6) will agree to indemnify the municipality for any liability the municipality might incur as a result of its participation in the transaction.

***No Property Tax Abatement.*** Under Article X, Section 6 of the Missouri Constitution and Section 137.100 of the Revised Statutes of Missouri, all property of any political subdivision is exempt from taxation. In a typical transaction, the municipality holds fee title to the project and leases the project to the benefited company. Under this Plan, the Company will agree to make “payments in lieu of taxes” in an amount calculated to equal 100% of the taxes that would be due on the Project were it not for ownership by the City, resulting in no property tax abatement to the Company. The payments in lieu of taxes are payable by December 31 of each year, and are distributed to the municipality and to each political subdivision within the boundaries of the Project in the same manner and in the same proportion as property taxes would otherwise be distributed under Missouri law. The City will hold title to the Project only during the construction period.

### **III. DESCRIPTION OF THE PARTIES**

***The Company.*** The Company is a limited liability company organized and existing under the laws of the State of Missouri. The primary business of the Company is residential real estate development.

***City of Lee’s Summit, Missouri.*** The City is a constitutional home rule charter city and municipal corporation organized and existing under the laws of the State of Missouri. The City is authorized and empowered pursuant to the provisions of the Act to purchase, construct, extend and improve certain projects (as defined in the Act) and to issue industrial development revenue bonds for the purpose of providing funds to pay the costs of such projects and to lease or otherwise dispose of such projects to private persons or corporations for manufacturing, commercial, warehousing and industrial development purposes upon such terms and conditions as the City deems advisable.

### **IV. REQUIREMENTS OF THE ACT**

***Description of the Project.*** The Project to be financed by the Bonds consists of a multifamily residential development of approximately 356 total units, including one four-story apartment building with approximately 90 units, 23 manor home buildings with approximately 266 units, and a clubhouse. Amenities will include onsite interior and exterior parking, green space, sidewalks, a dog park, irrigated community garden plots, a multi-sport hard court, barbeque pits and outdoor dining areas, a fire pit and outdoor lounge area, outdoor television and entertainment seating, swimming pool, fitness center, and party room. Units will include walk-in closets, internal dedicated garage access, premium finishes including wood flooring and granite/quartz countertops, stainless steel appliances, and in-unit washer and dryer. The Project will be constructed on approximately 27 acres at 1215 NE Bowlin Road in Lee’s Summit, Missouri, which is referred to as the “Project Site.”

***Estimate of the Costs of the Project.*** The Project is expected to cost approximately \$85,000,000, consisting of investments made in the years 2021 through 2023, although the actual years of investment may vary based on Project implementation.

***Source of Funds to be Expended for the Project.*** The sources of funds to be expended for the Project will be the proceeds of the Bonds in a principal amount not to exceed \$85,000,000, to be issued by the City and purchased by the Company or its designee (the “Bondholder”) and, if needed, other available funds of the Company. The Bonds will be payable solely from the revenues derived by the City from the lease or other disposition of the Project (as further described below). The Bonds will not be an indebtedness or general obligation, debt or liability of the City or the State of Missouri.

***Statement of the Terms Upon Which the Project is to be Leased or Otherwise Disposed of by the City.*** The City will hold title to the Project Site under the Chapter 100 Transaction. The City will lease the Project to the Company or an affiliate thereof for lease payments equal to the principal and interest payments on the Bonds. Under the terms of the lease agreement with the City, the Company will have the option to purchase the Project at any time and will have the obligation to purchase the Project at

the termination of the lease. The lease between the City and the Company will terminate at the end of 2024, unless terminated sooner pursuant to the terms of the lease.

**Affected Taxing Districts.** The Blue Springs R-IV School District is the school district, Jackson County, Missouri is the county, the City is the city, and the Junior College District of Metropolitan Kansas City, Missouri is the community college district affected by the Project. There is no fire or ambulance district affected by the Project. The Cost-Benefit Analysis attached hereto for each of the Projects identifies all other taxing districts affected by the Project.

**Assessed Valuation.** The most recent equalized assessed valuation of the Project Site is estimated at \$1,062. The Project Site is part of a larger tax parcel with both agricultural and residential valuation components, of which the Project Site will occupy only portions of the agricultural area. As such, the agricultural value of the larger tax parcel has been allocated to the Project Site by acreage. The estimated total equalized assessed valuation of the Project Site after development of the Project is \$8,154,287 (for tax year 2024).

**Payments in Lieu of Taxes.** If this Plan is approved by the City Council, the City intends to issue the Bonds in 2021 and to calculate PILOTs for the Project in an amount that is estimated to equal the taxes that would be due on the Project were it not for the implementation of this Plan during each year of the construction period for the Project. The Company will make a PILOT payment in December of each year based on the percentage of Project completion achieved by January 1 of that same year (the first year being calculated solely on the land value). It is anticipated that this will result in the PILOT payments shown below, although the actual years and amounts will be affected by the implementation of the Project.

<i>Year</i>	<i>Projected PILOT</i>
2021	\$91
2022	125,917
2023	454,701
2024	699,540

The actual construction period and the PILOT amounts will depend on and vary with Project implementation. If the construction start is delayed so that investments in the Project are not made in accordance with the assumptions described in this Plan, the actual calendar years during which PILOTs will be paid and the amounts of such PILOTs will vary from what is shown in this Plan, provided that the PILOTs will still be calculated as described above. The final year of Project ownership by the City (and PILOT payments under this Plan) shall be no later than 2025, meaning that the Project will be placed on the tax rolls no later than tax year 2026 regardless of whether the Project is complete at that time.

**Cost-Benefit Analysis.** In compliance with Section 100.050.2(3) of the Revised Statutes of Missouri, this Plan has been prepared to show the costs and benefits to the City and to other taxing jurisdictions affected by the Project. This Plan does not attempt to quantify the overall economic impact of the Project. The tax rates used in this Plan reflect the rates in effect for the tax year 2020. The actual years and PILOT amounts may vary based on Project implementation.

## **V. SALES AND USE TAX EXEMPTION**

**Sales and Use Tax Exemption on Construction Materials.** Qualified building materials purchased for the construction of the Project are expected to be exempt from sales and use tax pursuant to the provisions of Section 144.062 of the Revised Statutes of Missouri and the underlying Bond documents upon delivery of a project exemption certificate by the City to the Company. For purposes of determining the impact of the sales and use tax exemptions for the qualified building materials on the affected taxing jurisdictions, it is assumed that the total amount of qualified building materials purchased

will be \$29,507,260 and that the majority of purchases will be from vendors located outside the State of Missouri. Please note that any variance in these assumptions will alter the fiscal impact of the sales and use tax exemptions on the affected taxing jurisdictions.

Based on the assumptions set forth above, the fiscal impact on the affected taxing jurisdictions of the sales and use tax exemptions for qualified building materials is as follows:

	<b>Sales Tax Rate</b>	<b>Estimated Sales Tax Revenues Subject to Exemption</b>	<b>Use Tax Rate</b>	<b>Estimated Use Tax Revenues Subject to Exemption</b>
State of Missouri	4.225%	\$46,053	4.225%	\$1,200,629
Jackson County				
General	0.500	450	n/a	-
Drug Task Force	0.250	225	n/a	-
Sports Complex	0.375	338	n/a	-
Zoological District	0.125	113	n/a	-
City of Lee's Summit				
General	1.000	150	1.000	284,173
Parks	0.250	38	0.250	71,043
Capital Projects	0.500	75	0.500	142,086
Transportation	0.500	75	0.500	142,086
Children's Services Fund *	0.125	19	n/a	-
<b>Total</b>	<b>7.850%</b>	<b>\$47,534</b>	<b>6.475%</b>	<b>\$1,840,018</b>

\* Since 2017, a 0.125% sales tax has been imposed throughout Jackson County, Missouri for the benefit of the Children's Services Fund of Jackson County. This tax is administered under the same law and is applicable to the same taxable sales as other local sales taxes imposed by cities and counties in Missouri.

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**City of Lee's Summit, Missouri  
(Stag's Field Apartments)**

**COST-BENEFIT ANALYSIS  
PLAN FOR AN INDUSTRIAL DEVELOPMENT PROJECT**

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This information is provided based on the factual information and assumptions provided to Gilmore & Bell, P.C. by a party to or a representative of a party to the proposed transaction. This information is intended to provide factual information only and is provided in conjunction with our legal representation. It is not intended as financial advice or a financial recommendation to any party. Gilmore & Bell, P.C. is not a financial advisor or a "municipal advisor" as defined in the Securities Exchange Act of 1934, as amended.

### Project Assumptions

◆ Initial year taxes assessed			2021
◆ Assessed Value	2021 (Agricultural)	\$	1,062
	2022 (18% Complete)		1,467,772
	2023 (65% Complete)		5,300,287
	2024 (100% Complete)		8,154,287
◆ Dollars per door		\$	1,965
◆ Number of doors			356
◆ Abatement Percentage	0%		

**Summary of Cost Benefit Analysis**

<b>Taxing Jurisdiction</b>	<b>Tax Rate</b>	<b>Projected Tax</b>		<b>Projected Tax Revenues Without Abatement</b>	<b>Projected Payments in Lieu of Taxes</b>	<b>Projected Abatement</b>
		<b>Revenues Without Project</b>	<b>Revenues Without Abatement</b>			
Board of Disabled Services	0.0649	\$ 3	\$ 9,685	\$ 9,685	\$ -	
City - Lees Summit	1.4563	62	217,330	217,330	-	
Jackson County	0.4015	17	59,917	59,917	-	
Jackson County Health Department	0.2095	9	31,265	31,265	-	
Blue Springs R-IV School District	5.7286	246	854,902	854,902	-	
Mental Health	0.1056	5	15,759	15,759	-	
Metro Junior College	0.2128	9	31,757	31,757	-	
Mid-Continent Library	0.3696	16	55,157	55,157	-	
State Blind Pension	0.0300	1	4,477	4,477	-	
	8.5788	\$ 368	\$ 1,280,249	\$ 1,280,249	\$ -	

**Projected Tax Revenues Without Project**

Estimated Assessed Value of Real Property		\$ 1,062	\$ 1,062	\$ 1,083	\$ 1,083	
	Tax Rate					
Taxing Jurisdiction	per \$100	2021	2022	2023	2024	Total
Board of Disabled Services	0.0649	\$ 1	\$ 1	\$ 1	\$ 1	\$ 3
City - Lees Summit	1.4563	15	15	16	16	62
Jackson County	0.4015	4	4	4	4	17
Jackson County Health Department	0.2095	2	2	2	2	9
Blue Springs R-IV School District	5.7286	61	61	62	62	246
Mental Health	0.1056	1	1	1	1	5
Metro Junior College	0.2128	2	2	2	2	9
Mid-Continent Library	0.3696	4	4	4	4	16
State Blind Pension	0.0300	0	0	0	0	1
	8.5788	\$ 91	\$ 91	\$ 93	\$ 93	\$ 368

**Projected Tax Revenues Without Abatement**

Estimated Assessed Value of Real Property		\$ 1,062	\$ 1,467,772	\$ 5,300,287	\$ 8,154,287	
	Tax Rate					
Taxing Jurisdiction	per \$100	2021	2022	2023	2024	Total
Board of Disabled Services	0.0649	\$ 1	\$ 953	\$ 3,440	\$ 5,292	\$ 9,685
City - Lees Summit	1.4563	15	21,375	77,188	118,751	217,330
Jackson County	0.4015	4	5,893	21,281	32,739	59,917
Jackson County Health Department	0.2095	2	3,075	11,104	17,083	31,265
Blue Springs R-IV School District	5.7286	61	84,083	303,632	467,127	854,902
Mental Health	0.1056	1	1,550	5,597	8,611	15,759
Metro Junior College	0.2128	2	3,123	11,279	17,352	31,757
Mid-Continent Library	0.3696	4	5,425	19,590	30,138	55,157
State Blind Pension	0.0300	0	440	1,590	2,446	4,477
	8.5788	\$ 91	\$ 125,917	\$ 454,701	\$ 699,540	\$ 1,280,249

**Projected Payments in Lieu of Taxes**

Estimated Assessed Value of Real Property	\$	1,062	\$	1,467,772	\$	5,300,287	\$	8,154,287
PILOT Payment		100%		100%		100%		100%

Taxing Jurisdiction	Tax Rate					Total
	per \$100	2021	2022	2023	2024	
Board of Disabled Services	0.0649	\$ 1	\$ 953	\$ 3,440	\$ 5,292	\$ 9,685
City - Lees Summit	1.4563	15	21,375	77,188	118,751	217,330
Jackson County	0.4015	4	5,893	21,281	32,739	59,917
Jackson County Health Department	0.2095	2	3,075	11,104	17,083	31,265
Blue Springs R-IV School District	5.7286	61	84,083	303,632	467,126	854,902
Mental Health	0.1056	1	1,550	5,597	8,611	15,759
Metro Junior College	0.2128	2	3,123	11,279	17,352	31,757
Mid-Continent Library	0.3696	4	5,425	19,590	30,138	55,157
State Blind Pension	0.0300	0	440	1,590	2,446	4,477
	8.5788	\$ 91	\$ 125,917	\$ 454,701	\$ 699,540	\$ 1,280,249

**Projected Abatement**

Estimated Assessed Value of Real Property	\$	1,062	\$	1,467,772	\$	5,300,287	\$	8,154,287
Abatement Percentage		0%		0%		0%		0%

Taxing Jurisdiction	Tax Rate per \$100	2021	2022	2023	2024	Total
Board of Disabled Services	0.0649	\$ -	\$ -	\$ -	\$ -	\$ -
City - Lees Summit	1.4563	-	-	-	-	-
Jackson County	0.4015	-	-	-	-	-
Jackson County Health Department	0.2095	-	-	-	-	-
Blue Springs R-IV School District	5.7286	-	-	-	-	-
Mental Health	0.1056	-	-	-	-	-
Metro Junior College	0.2128	-	-	-	-	-
Mid-Continent Library	0.3696	-	-	-	-	-
State Blind Pension	0.0300	-	-	-	-	-
	8.5788	\$ -	\$ -	\$ -	\$ -	\$ -