

CITY OF LEE'S SUMMIT, MISSOURI
MINUTES OF THE MEETING OF THE
TAX INCREMENT FINANCING COMMISSION

June 26, 2017

The meeting of the Tax Increment Financing Commission of the City of Lee's Summit, Missouri (the "**TIF Commission**") was held on June 26, 2017, commencing at approximately 6:00 p.m., in the City Council Chambers at Lee's Summit City Hall, 220 SE Green Street, Lee's Summit, Jackson County, Missouri, pursuant to notice duly given.

TIF Commission attendance was as follows:

Allison Burns	Present
Marty Brooks	Present
Lenny Cacchio	Present
Eric Doane	Absent
James Freeman	Present
Tim Shrout	Present
Dennis Smith	Present
Adam Rutherford	Present
Jim Malle	Present
Joe Hudson	Present
Jim Staley	Absent

Also present at the start of the meeting were Stephen Arbo (City Manager), Mark Dunning (Assistant City Manager), Conrad Lamb (Finance Director), and Rich Wood of Gilmore & Bell, P.C.

Continued Public Hearing to Consider Proposed Village at View High Tax Increment Financing Plan

Chairman Freeman reopened the public hearing for the continued consideration of the proposed Village at View High Tax Increment Financing Plan. City Manager Arbo began his remarks thanking the applicant for meeting on numerous occasions with staff since the last TIF Commission hearing. Mr. Arbo shared information with the TIF Commission on how the valuation of the property was determined which resulted in a valuation of \$7.2 million which is a reduction from the previous \$9.25 million valuation that was represented. Mr. Arbo then provided information related to water and sewer infrastructure and indicated the water and sanitary sewer costs were reduced from 100% to a proportionate share where 1/3 of the improvements would be private and 2/3 public – so the private and public benefits have been clarified. With regard to stormwater and the regional detention basin, the applicant originally requested 100% reimbursement and those items have been reduced to 50% reimbursement request - providing clarification on what may be considered public benefit vs. private benefit. With regard to transportation the percentage of grading for road that are considered public represent approximately 67% of public infrastructure, therefore the TIF and requested

Community Improvement District now reflect reimbursement for those costs. The remaining 33% of the site costs relate to private improvements therefore would be paid by the developer.

With regard to construction value for the building improvements, Mr. Arbo explained the developer provided construction estimates that document a per square foot cost to construct the buildings which would total approximately \$49 million or \$185 per square foot. Mr. Arbo indicated staff is comfortable with these costs as they seem reasonable with the Kansas City region. Mr. Arbo then went on to explain with regard to the rate of return, the developer anticipates a rate of return of approximately \$50,000 after a period of 10 years. This TIF request is unique in that the applicant already owns or has contracts in place to own the property subject to the TIF.

Following Mr. Arbo's presentation, Rich Wood entered into the record exhibits 1 – 6 which are additional exhibits entered into the record since the last TIF Commission meeting.

Christine Bushyhead then presented on behalf of the applicant covering information regarding public infrastructure and cost per square foot for the development to clarify previous concerns raised at the last TIF Commission meeting. Within the proposed budget, approximately \$1.6 million is for work related to the pad site for the specialty grocer and also covered aspects related to soft costs for the specialty grocer. The total request related to the specialty grocer pad site is \$3,072,000. Ms. Bushyhead expressed the applicant is being up front and transparent with the request and is not by any way attempting to hide these facts.

Ms. Bushyhead proceeded to explain the project budget spreadsheet where public and private development costs are broken out to better reflect the split between public and private improvements. Ms. Bushyhead then focused on the blight definition and designation and shared that in Missouri; the statutes allow tax revenue to be utilized for redevelopment activities that address blight and conditions of blight. As part of the blight consideration, the under-utilization of property is a consideration and not every parcel within the TIF boundary must be considered blighted, but the property on the whole must meet the definition of blight.

Ms. Bushyhead then provided information regarding the City's comprehensive plan showing the plan anticipated the proposed development area be commercial use and also showed the comprehensive plan shows water and sewer improvements that is known to be necessary for the property to develop to achieve the commercial type use.

Following the applicants presentation, Chairman Freeman asked for any TIF Commission questions. Commissioner Hudson asked about including a grocer within the proposed TIF and the public benefit of incentivizing the grocer. Mr. Arbo responded the grocer use is a sensitive request knowing that the City typically does not incentive private development. Mr. Arbo expressed he feels that the specialty grocer is the anchor to the commercial development that probably helps make the project successful and would attract the additional commercial within the area. Mr. Hudson then asked if the developer would pursue the development if the grocer were not part of the project. Mr. Arbo responded that question would best be answered by the

applicant. Commissioner Hudson also expressed concern that relocation of sales for a grocer use could create blight in other area(s) within the community. Mr. Arbo expressed the City does have concern that relocation of sales will have some impact on existing stores within the community. Mr. Arbo expressed the growth in residential in this area in single family and multi-family will help create the new demand for uses such as the proposed grocer.

Commissioner Cacchio questioned the TIF that was provided for the Todd George Marketplace development. Conrad Lamb, Finance Director explained the TIF reimbursement for that project provided for regional stormwater improvements that addressed an existing stormwater concern downstream of the development. The TIF being referred to did not include reimbursement for pad site costs for the Price Chopper grocery store.

Chairman Freeman questioned why this grocer needs an incentive for the pad site while other grocery stores in the Kansas City area are being developed without incentives. Christine Bushyhead clarified the request involves costs related to preparing the pad site, not for vertical construction costs for the proposed grocer. This was similar to the request that was approved for the Summit Place development. Ms. Bushyhead clarified that what is being considered is a specialty grocer and would categorize it better as a destination grocer type use. Mr. Freeman asked what the projected economic benefit to the public is for incentivizing the specialty grocer with \$3 million. Ms. Bushyhead responded the projections prepared reflect the annual sales tax generated is \$20 million in sales taxes, and personal property taxes would increase and the cost benefit analysis provides a good overview of the long-term benefits.

Mr. Hudson expressed concern that if the destination grocer does not occur, his fear is the rest of development does not follow and the TIF does not perform. Mr. Wood explained that when the TIF contract is crafted, there will be conditions that tie the TIF reimbursement for the grocer to that type of use so that the improvements to the pad site does not incentivize a different user.

Commissioner Malle asked about the interest rate and why there was a reduction between the last presentation and this one. Christine Bushyhead indicated the interest rate was reduced after consulting with the City and they are comfortable with the 5.5% interest rate assumption. Mr. Bunk Farrington also representing the applicant expressed the TIF is a pay-as-you-go TIF and by getting the project going sooner rather than later, the chances of locking in that interest rate is more likely. If interest rates increase, the rate of return may be impacted negatively but would not

Commissioner Burns asked about making a decision on a user when they are not aware of the specific user that is being contemplated. Mr. Arbo responded within the TIF Contract those types of matters are handled through conditions which can include a listing of permitted and non-permitted types of uses.

Christine Bushyhead requested to clarify a previous statement in that she realized that the Todd George Marketplace project did not involve TIF reimbursements for vertical construction for the Price Chopper as was previously mentioned.

Commissioner Cacchio asked about financing with regard to the City involvement in this project. Christine Bushyhead responded that the pay-as-you-go TIF is contemplated, but if bonds were utilized, they would be considered revenue bonds. Ms. Bushyhead indicated the revenue bonds would be repaid by the TIF special allocation fund, which is defined within the TIF Plan and Contract. In this case, the City is not responsible for backing any bonds with regard to the project. Mr. Cacchio asked about the risk to the City should the project fail. Conrad Lamb clarified that if the developer goes forward with \$12 million in infrastructure and the development does not occur, the City is not at risk as the City is not issuing bonds or backing the bonds in this project. Should the debt occur and vertical development not be realized, then the only risk to the City would be the potential of future lost revenue.

Commissioner Cacchio referenced the commitment to finance letter, which has multiple references to potentially funding the project. Mr. Farrington responded that this is typical wording for a project such as this, which is still in the approval process. The sole risk in this project is on the developer to secure the funding.

Commissioner Rutherford asked about Exhibit 7 and how the various sources of public and private funding are being proposed. Ms. Bushyhead explained the confusion is likely due to attempting to show too much information in one spreadsheet. Ms. Bushyhead expressed in most cases the line item funding should generally be split 60% TIF and 40% CID sharing in the costs for certain line items. Ms. Bushyhead explained what is being represented in the blue columns of Exhibit 7 are representing the requested reimbursement costs which clarified the confusion.

Following a short break, Chairman Freeman closed the public hearing and opened the floor for TIF Commission discussion. After no discussion, Chairman Freeman called for a motion.

Recommendation and Consideration of Resolution for TIF Plan

Commissioner Shrout moved to recommend approval of the Resolution of the TIF Commission recommending the City Council approved the TIF Plan. Commissioner Hudson seconded. Hearing no discussion Chairman Freeman called for a voice vote. The motion to approve the Resolution was approved by a vote of 8 – 1 (Commissioner Cacchio voting no).

Roundtable

No roundtable discussion.

There being no further business to come before the TIF Commission, Chairman Freeman adjourned the meeting at approximately 7:48 p.m.