

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

February 26, 2020

The meeting of the Tax Increment Financing Commission of the City of Lee's Summit, Missouri (the "**TIF Commission**") was held on February 26, 2020 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:

James Freeman	Present
Doug Bates	Present
Joe Willerth	Present
Clint Haynes	Present
Tim Shrout	Present
Allison Walker	Absent
Mike Allen	Present
Judy Hedrick	Present
Joe Hudson	Present
Randy Rhoads	Present
Other Taxing Jurisdictions	Absent

City staff present at the meeting included David Bushek (Chief Counsel of Econ. Dev. & Planning), Steve Arbo (City Manager), Mark Dunning (Assist. City Manager), Bette Wordelman (Finance Director), Ryan Elam (Director of Development Services), Michael Park (City Traffic Engineer) and Julie Pryor (Executive Assistant).

Chairman Freeman called the meeting to order. Attendance of the members was verified. A simple majority of the TIF Commission was present, a quorum was recognized and the meeting commenced.

Approval of March 25, 2019 Tax Increment Financing Commission meeting minutes

Chairman Freeman asked the commission if they had any changes to the minutes from the March 25, 2019 TIF meeting. Hearing none, Commissioner Rhoads made a motion to approve the minutes, seconded by Commissioner Hudson. The commission voted and the motion carried unanimously.

Public Hearing for 291 North Highway 50 Tax Increment Financing Plan

Chair Freeman opened the public hearing and the witnesses were sworn in.

Staff Presentation

Mr. David Bushek stated his presentation would include an overview of project including the focus area, goals, redevelopment sequence, TIF Plan review, the next steps and the schedule. He entered into the

record exhibits 1-15 which included a letter from the R7 School District requesting a continuance to a date in April 2020 (to be determined by the Commission later in the meeting).

Overview of Area

Mr. Bushek provided maps of the focus area, the comprehensive plan for the area, the current zoning for the area, as well as a map of the area south of the interchange.

He provided a City-Preferred Interchange Design and explained the two main goals of the TIF Plan include enhancing traffic safety and circulation, and facilitating redevelopment. This would be accomplished by the following:

- Reconstructing 291 North and 50 Highway interchange and reconfigure Blue Parkway
- Move the Highway Patrol Office to a new location
- Redevelop the Highway Patrol Property for commercial uses
- Facilitate redevelopment of the QuikTrip and commercial sites

Access is the catalyst for additional redevelopment opportunities in this area.

Using the analogy of a wheel with spokes, Mr. Bushek explained for this project, the City would be the hub of the wheel and each of the following parties would be one of the six spokes of the wheel:

1. Missouri Highway Patrol and Missouri Office of Administration
2. Missouri Department of Transportation
3. Lee's Summit R7 School District
4. Developer of Project #1
5. QuikTrip
6. Other businesses in redevelopment area/potential future projects

To help put this into context, this TIF plan is approximately one half of the funding needed to relocate the Missouri Highway Patrol offices (which is one part of the six spokes), or in other words 50% funding of one of the six spokes.

Redevelopment Sequence

Mr. Bushek presented maps outlining the redevelopment sequence along with the TIF Redevelopment Area (north of Highway 50) and the placeholder area (located south of 50 Highway for future use).

He explained the current Highway Patrol office would relocate to a location north of Colbern Road/West of I-470 Highway on property owned by the State of Missouri, next to the MoDOT District 4 offices.

Step 1 of the TIF Plan consists of assembling land by transferring property to the City for consideration and includes the Highway Patrol property and other nearby parcels for reconstruction of the interchange and realignment of Blue Parkway.

Step 2 allows for new development where the Highway Patrol used to be and moving QuikTrip further south of its current location.

Mr. Bushek identified the four TIF Project Areas where the TIF collection would be activated if approved:

- Project 1: Used for commercial purposes as well as additional parking for the Lee's Summit High School
- Project 2: Relocation of the QuikTrip Next Generation Store (QuikTrip is in support of this TIF Plan.)
- Project 3: Wendy's Restaurant (already been through the zoning process)
- Project 4: Vacant Applebee's site

He further explained the TIF Plan Redevelopment area encompasses a larger area than just these four projects and allows other property owners to request TIF for future redevelopment. While this public hearing covers the redevelopment area and the four project areas identified, any new requests for additional project areas would require a separate public hearing by the TIF Commission.

Mr. Bushek provided a map of the Project 1 area to illustrate a site plan scale/scope. This 4-acre area would fit a site similar to the Summit Retail Center located on Murray Road. Whatever development goes in would have to go through the normal zoning/development /traffic analysis processes, etc. The retail revenue projections for this area are very conservative and are about half those provided by the retail center used as comparison.

TIF Plan Review

Mr. Bushek reviewed the TIF Plan budget stating the total project cost is \$44,391,750 (\$8.1M for the Highway Patrol Relocation Costs and \$21M for the interchange cost).

He summarized the funding for the TIF Plan with the following highlights, adding that each category will also have additional soft costs and interest costs:

- Funding by Users \$13.5M (30% of project costs)
- Funding by City of Lee's Summit & TIF Reimbursable
 - Priority TIF Reimbursable is \$4.3M (10% of total cost and the primary focus for this TIF plan and half of the Highway Patrol relocation costs)
(Note: The City's Economic Development Policy calls for TIF Plans to fund 25% or less of total project costs.)
 - Direct Funding & TIF Reimbursable \$13.9 M (31.5% of project costs)
- Funding by State (27.9% of project costs)
 - \$2M for relocation costs
 - \$9M for the Interchange Costs

The TIF Reimbursement Priorities include:

- City for Highway Patrol relocation Costs ("Business Relocation Costs"): Half of the \$8.1M would be funded by this TIF Plan
- City for Interchange Improvement Cost (Outer Roads and Interchange)
- Financing Costs and Contingency
- Site-specific Improvement Costs (for additional future projects)

The Financing Components for the TIF Plan include:

Interchange Project

- Cost Share Application; State appropriation
- Capital Improvements Sales Tax Funds
- License Tax Funds

Highway Patrol Relocation - \$8.1M

- TIF Revenue Bonds - \$4.1M
- City appropriation with reimbursement - \$2M (to be reimbursed from the Project 1 land sale)
- State Appropriation - \$2M

Mr. Bushek reviewed the following factual findings that the City Council must decide have been met before a TIF area can be approved:

- Blighted Area
- Expectations for Redevelopment – “But For” Test (that without the use of TIF, the project would not occur)
- Conforms to Comprehensive Plan
- Completion of Redevelopment Projects (10-year limit)
- Relocation Assistance Plan
- Cost-Benefit Analysis
- No gambling establishment

Mr. Bushek responded to funding questions asked by the Commissioners regarding future projects in the TIF area, future funding of the interchange and tax exempt property owned by the State.

He then reviewed and answered questions submitted by Sheldon Wood, owner of Building 65 LLC., (a property owner in the TIF Plan, but not in a specified project area).

Question: How does the plan enhance tax bases of taxing districts and what is the impact on them?

Answer: It turns tax-exempt property into taxable property, and results in a higher tax base for those properties to generate TIF revenues for the City (to repay the project costs) and TIF revenue for the taxing districts. The general idea behind every TIF plan is to raise the taxing base in order to raise property values. Therefore, property owners may have to pay higher tax bills, but it also raises their property values.

Question: Economic activity Taxes: My property taxes are paid to Jackson County, not Lee’s Summit, and the automotive business pays sales tax and materials to Lee’s Summit. Would additional taxes be imposed on me and my business on the property?

Answer: None. The TIF Plan does not result in any additional taxes. The property taxes, levy and sales taxes remain the same. All it does is take a portion of the sales and property taxes and redirects them through this process to pay for project costs.

Question: Payment in Lieu of Taxes: Revenue from real property taxes in the redevelopment project area selected for a project is to be used for reimbursable project costs. This does not seem to apply to me or the business on my property. Please confirm.

Answer: Yes, that is correct. For the properties not located in the yellow project areas on map, this plan has no immediate practical effect except for the long-term benefits of a new interchange and better access and has no direct economic development effect on their properties. For the properties in the yellow areas, it is essentially the same answer except a portion of their property taxes and the sales tax collected from these properties are redirected by the City for the project costs.

Question: How is the objective of strengthening businesses achieved when the City can use eminent domain to take over property after the first four projects?

Answer: There is no intention to use eminent domain to obtain property. The TIF Act states cities may use eminent domain; however, there is no need to use it for these four project areas and no intention to use it for future project areas. The area has already been declared blighted through the Land Clearance Redevelopment Act (LCRA) and the City Council has expressed no intention to take this property through LCRA or any other means. The TIF plan will include a statement to address this.

Question: This says everything in the redevelopment area is a blighted area. The large number of items listed are the City of Lee's Summit's responsibilities in regards to 7th Terrace, street curbs, pavements, sidewalks, payment fatigue, potholes, sub-base failure and roadway drainage. What will the City do to fix these problems?

Answer: Because the TIF plan includes improvements to the highway interchange and realignment of Blue Parkway there will be a substantial fix to one of the most significant traffic problems in the City. In regards to fixing other roads not included in the TIF Plan, Mr. Bushek would need to discuss with the Public Works Department to answer.

Question: The TIF Plan says projects 1, 2 and 3 will be done in 2020 and 2021. This does not appear to be possible based on the status. What are the more realistic dates for the projects and how will that impact the economics the plan is based on?

Answer: Mr. Bushek replied he will address the schedule later in this meeting and the information is based on the best estimate of full timeline.

Question: Projects 8 and 9 are for a bigger QuikTrip and Wendy's. These do not seem to be projects really needed. What is driving their inclusion?

Answer: The market drives private business. If those developments want to build new stores in Lee's Summit, that is the private sector in operation. This TIF plan will be used to generate TIF revenues to fund the projects. The City did not reach out to the businesses, rather the businesses decided on this location based on their own market decisions.

Question: How will customers on 7th Terrace have access to the area during and after construction to minimize impact on the businesses? Routing traffic through the residential streets east of the area will cause issues.

Answer: The traffic issues would be addressed through the construction management plan that is developed when the interchange plan moves forward. This is an issue with most projects and the City understands the concerns raised by businesses and the impact when doing a large-scale

project. However, this question is beyond the scope of what is being considered tonight. Mr. Bushek clarified the TIF Plan does not control anything in regards to the road alignment or road design. The pictures presented tonight are conceptual locations of the roads and are subject to the normal Public Works process and, in this case, coordination with MoDOT to implement the road improvements.

Question: There is language throughout the plan that seems to indicate the projects will increase property values in the redevelopment project areas. If that is the case, property taxes will increase and Mr. Wood would like the City of Lee's Summit to rezone his plat so it does not fall within the plan area. The current businesses there are profitable and should not have to bear the financial burden of additional property taxes.

Answer: Mr. Bushek reiterated the purpose of all TIF Plans is to increase property values for the benefit of the taxing districts and the benefit of the community.

Mr. Bushek concluded his presentation by reviewing the TIF Plan schedule and next steps:

Tentative Full Schedule:

- Continuance: Finish TIF Plan public hearing in April 2020 (R7 School Dist. requested the continuance.)
- April 2020 - MoDOT Cost Share Application
- June 2020 - MoDOT Cost Share Award
- Summer 2020 - City select Developer for Project #1
- October 2020 - City finish all contractual arrangements
- January 2021 - Start design work for Interchange
- Spring 2021- Finish design of MHP Troop A Facility
- 2022 - Construct MHP Troop A Facility
- 2023 - Start Interchange Construction; start Project 1 and 2
- 2024 - Interchange and Private Development complete

Mr. Bushek ended his presentation.

Commissioner Allen asked if the 2019 Jackson County assessments were considered in this project.

Mr. Bushek replied he did take that into account and the valuations are included in the revenue projections. He added the Project 1 revenue projections are very conservative, Projects 2, 3 (QuikTrip and Wendy's) and 4 should be accurate projections.

Commissioner Hedrick inquired what other funding mechanisms were considered to finance this project and the rationale of the City to use TIF.

Mr. Bushek stated when the City was looking at this location three years ago they determined TIF would be the best relocation tool and that it could be used for relocation costs. Some other options considered included a new funding district overlay on the corridor to impose a new tax to fund the relocation and road costs, but the logistics of this could be very challenging. Based on his previous experience with other cities, this scenario presents very challenging logistical issues such as how far to extend the boundaries, the process of introducing additional sales tax to business owners, etc. The City did consider these other options.

Commissioner Hedrick also stated the Lee's Summit school district has a large bond issue on the April 7, 2020 ballot and a large portion will impact the Lee's Summit High School (LSHS) (located next to the current Highway Patrol Building). If the bond issue is successful, they would be finishing up the LSHS project when the work on this project would start. What would be the process for the school district to request some reimbursement if there are added costs to the LSHS campus resulting from this TIF?

Mr. Bushek responded there is no formal process. Most likely R7 staff would simply make a request to City staff. The City is very mindful of the need to coordinate with the school district the scheduling of the realignment of Blue Parkway and the impact to the school district property.

In response to Commissioner Bates' question about QuikTrip's taxes, Mr. Bushek stated QuikTrip's tax bill would probably increase, as they would have a new facility.

Commissioner Rhoads inquired about state funding and if it would require legislative action by the state.

Mr. Bushek replied yes it would for the \$2M and the issue is currently being addressed by the state now.

Chairman Freeman asked if that would affect the timeline of the project.

Mr. Bushek stated he was not certain, but the Highway Patrol will proceed with the project when all of the parties of the financing package are committed by contract. Even if the money is not available until a future year, the project will proceed. For example, for the interchange project, if the City is successful with the cost share award, the State's cost share money won't become available until 2023. Because it will be a known financing package, the design costs will start incurring quickly even though the funds are not available until 2023. The same can be said for the Highway Patrol project.

Public Questions:

Terry Hancock, owner of H&H Auto Sport, asked how he would have access to his property during the construction of the realignment of Blue Parkway.

Chairman Freeman replied the drawings presented at this meeting are preliminary schematics and the actual design work has not yet been done.

Mr. Hancock asked how property owners would be notified and when would the design process take place so they can be involved with the planning.

Chairman Freeman explained the City has historically been very involved with citizens during public improvement projects.

Questions: Is 7th St. Terrace going to be widened into a four-lane road?

Bob Kralicek of MPC (Wendy's property) asked if access from 291 Highway to 7th Ave. will remain intact or be relocated and who pays for the relocation. In addition, will there be a median on 291 Highway. He asked why Wendy's was not notified earlier about this project. They were not aware until a week ago when they received a letter about the TIF Commission meeting, after they were set to close on the

property next month and have already paid permit fees. Why do they have to pay an excise tax on this blighted property?

Mr. Bushek provided answers to the questions.

The TIF Plan is a financing document and is the financing plan for half of the relocation costs for one of the six-spokes in the wheel.

The traffic, interchange, relocation and the road realignment are the purposes of the TIF Plan, and are a small piece of facilitating the interchange. The real focus is the interchange, traffic improvements and improving traffic safety and circulation in the area. The document presented tonight for consideration is strictly a financing document and does not control road alignments, access points or any of the items the property owners have legitimate questions about. These questions will be addressed in the future, but are beyond the scope of what the commission is evaluating with the TIF Plan financing document.

The properties have already been determined blighted and the City Council will need to make that finding again. The finding, in and of itself, does not have a direct impact on the properties. From a legal standpoint, the blight finding needs to be made to become the public purpose for the TIF Plan and provides the means to use TIF dollars to clear blight. The financing plan under consideration tonight does not solve all of the blight. The blight finding the City Council has to make is simply a blight finding.

Michael Park, Traffic Engineer with the City of Lee's Summit, answered the previous questions by stating the diagrams presented earlier are conceptual plans drawn for developing a financial plan and scope of cost for the project.

In general, access will be maintained to each property. However, there is no assurance on the scope or extent of access, or the location, until further in the design of the project. Some may be full or limited access and may include a median based on managing congestion and improving safety. The schedule is dictated on the overall timeline mentioned earlier. If all contracts and funding are secured by October 2020, then the design work would begin around the first of 2021. The design process would be coordinated between the City and MoDOT, and would allow opportunities for public engagement through public meetings with stakeholders to view the design. Lanes will be added to 7th Terrace, for turn lanes and a traffic signal to control intersection at 291 Highway. There will most likely be property encroachments and needed right-of-ways.

The excise tax is a tax placed on all new development, redevelopment and change of use areas since 1998. The tax is not waived and is one of the funding sources the City will use to fund its local share of the interchange improvements.

Staff completed the blight study and several of the blight factors considered were transportation safety, congestion and inadequacy of infrastructure. Other blight factors were also considered. This location is one of the highest crash locations in the City of Lee's Summit and a long-standing problem for the city that needs to be addressed. Additionally, there are numerous inexperienced drivers at this heavily congested location due to the proximity of LSHS, which also contributes to the safety problems.

Kathy Brown, Director of Fleet and Facilities with the Missouri State Highway Patrol, along with Lt. Jenkins, with local troop A, stated they are in full support of this project and think it is a great opportunity for the State of Missouri and the city. It has always been the intent when MoDOT District

Four was built, in the late 1990's, that the Highway Patrol would be co-located at that site. They would be moving from one state-owned site to another state-owned site. They are working diligently on their side to solidify bringing the project to fruition.

After public comments, Chairman Freeman asked if there additional questions. Hearing none, he asked if there was a motion.

Commissioner Allen made a motion to continue the TIF Commission meeting to April 15, 2020 seconded by Commissioner Willerth. The motion passed unanimously.

There being no further business, Commissioner Hudson made a motion to adjourn the TIF Commission meeting, seconded by Commissioner Shrout. The motion passed unanimously.

The meeting adjourned at 7:25 p.m.

Respectfully submitted,

, Secretary