

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

August 5, 2020

The meeting of the Tax Increment Financing Commission of the City of Lee’s Summit, Missouri (the “**TIF Commission**”) was held on August 5, 2020 commencing at approximately 6:01 p.m., via Zoom conferencing, pursuant to notice duly given.

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

TIF Commission attendance was as follows:

James Freeman	Present
Clint Haynes	Present
Doug Bates	Present
Tim Shrout	<b>Absent</b>
Allison Walker	<b>Absent</b>
Joe Willerth	Present
Mike Allen (R7)	Present
Shellie Wiltsey (C1)	Present
Joe Hudson	Present
Randy Rhoads	Present
Jim Staley	Present

City staff present 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), and Julie Pryor (Executive Assistant).

**Approval of the June 10, 2020 TIF Commission Minutes**

Commissioner Hudson made a motion to approve the June 10, 2020 TIF Commission meeting minutes, seconded by Commissioner Haynes. The commission voted and the motion carried unanimously.

**Public Hearing for First Amendment to the I-470 and View High Tax Increment Financing Plan**

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

The following commissioners disclosed they had communications with Bill Brown and or/Christine Bushyhead and all stated the meetings were information only and would not influence their vote on the amendment presented at this meeting:

Joe Willerth , Joe Hudson, Doug Bates and Mike Allen

**Developer Presentation**

Bill Brown, member of the Paragon Star Development Team, introduced himself, Flip Short (the owner and developer of Paragon Star LLC), and Christine Bushyhead (project general counsel and member of the development team).

He stated they are seeking TIF Commission support of their amendment to the Paragon Star TIF Plan approved in 2016. He proceeded to provide background information on the project explaining it is a regional destination location, mixed used project anchored by a sports and recreation complex adjacent to a village featuring lodging, office, multi-family housing, retail/specialty boutiques/entertainment/restaurants located at the NE corner of View High Drive and I-470 Highway.

The 190-acre project will have total development costs of \$400M when completed. The first phase is an additional 120 acres valued at \$245M with 400 acres to be developed along the I-470 interstate corridor between View High Drive and Pryor Road.

Mr. Brown provided a rendering/layout of the plan and pointed out the traffic flow for the project that includes a roundabout and diverging intersections.

Ms. Bushyhead presented the Scope of First Amendment to the approved TIF Plan. She stated it was always contemplated there would be an amendment as they proceeded with the project and reviewed the project costs.

Paragon Star is proposing to amend the boundaries of the redevelopment plan (specifically RPA3) by adding approximately 23.90 acres on the northwest corner of the intersection of I-470 and Quarry Park Road. This addition revises the following exhibits: Exhibits 1-A (redevelopment area legal description), Exhibit 1-D (redevelopment area project 3 legal description), Exhibit 2 (boundary map) and Exhibit 9 (list of land acquisition map and property owners).

She stated the site plan will change and the parking lot will shift from the south side of the complex to the north side of the complex. Also at the time of the TIF approval, they did not have the Corps of Engineers determination on the wetland. In that determination, Paragon Star had to pay wetland credits and preserve about two acres of wetland. This changes the location of the clubhouse from the south side to the north and specifies the location of the wetland.

The next two changes include updating the Cost Benefit Analysis (CBA) and the Estimated Redevelopment Project Cost. She added the CBA levy rates are updated from 2015 to 2019 and other related changes include the Board of Disabled Services real property tax will no longer be captured by TIF. The Capital Improvement Projects and Park sales tax were renewed. The real property taxing districts and the PILOT sharing approved in the original TIF Plan remain in the amendment. As the real property tax revenue and PILOT's are generated from post development, those values in excess of \$60M will be shared 50/50 with those taxing districts that have property taxes. This sharing will begin in year two of the 23-year TIF and positively affects the school districts.

Ms. Bushyhead explained Exhibit 6-C details the uncaptured gross sales receipts. She stated they cannot capture the hotel/motel tax, nor can they collect the sales tax on those rooms. This provides earnings for those taxing districts that receive sales tax revenues not captured by the TIF.



The projections of revenue in Exhibit 6-A consist of a two-year phasing coming online in years one and two and the construction of the second hotel will be five years out.

Exhibit 7 shows additional increases in project costs and sources and uses. Exhibit 12 indicates the evidence and commitment to finance the project.

Ms. Bushyhead stated the TIF Plan is a 309-acre project comprised of three Redevelopment Project Areas (RPA) identified as RPA-1, RPA-2 and RPA-3. At this point, only the RPA-1 area has been planned. The TIF Amendment presented at this meeting is entirely in the RPA-1 area. After planning the other areas, the developer will come back to the TIF Commission with updated information on the land use, reimbursable costs requests, etc.

The TIF plan includes a Regional Transportation Development District (TDD) and part of the increase in revenue they are projecting is because they enlarged the original TDD boundary. She provided maps of the original TDD boundary and the enlarged TDD boundary area explaining the changes. She added the original TDD had a series of bonds issued in February of 2019 and many of the transportation improvement projects were bid and construction has started.

She then provided a map depicting the school district boundaries for Hickman Mills C-1 and Lee's Summit R7. The original TIF plan had anticipated a generator of real property tax revenue for the R7 school district, but now it does not as that area is in RPA-1. However, RPA-2 and RPA-3 are solely located in the R7 school district. The C-1 school district will receive the 50/50 PILOT share which they project could be as much as \$200,000 in yearly revenue starting in year two. Because Hickman Mills C-1 is in the RPA-1, the revenue projections are using the C-1 school district levy assumption.

Mr. Brown further explained the biggest change to the layout was moving the original parking area from the south side to the north side of the site plan due to it being in a flood plain. They have also added plans to establish a major trailhead using the Little Blue Trace and the Rock Island Trails.

He then reviewed the plans for the Entertainment District, the Sports Complex and a provided a street view of the project. Their goal is to create a unique regional experience that currently does not exist in this area.

The Entertainment District will include the following:

- Medical Office Building – 60,000 sf
- 30,000 sf professional Class A Office- 30,000 sf
- Multi-family 390 units with a parking garage
- Lower level includes 30,000 sf restaurant and boutique/retail, entertainment, merchandise
- Two hotels
- Outdoor public space the size of a football field with sports viewing and live music
- Restaurants will include a combination of first-to-market establishments and local favorites

The Sports Complex is comprised of the following:

- 10 artificial turf and lighted FIFA regulation fields
- Clubhouse and cantina with view decks overlooking the championship field
- Major trailhead to serve the Little Blue Trace and Rock Island Corridor trails
- Bocce, pickleball and sand volley ball courts
- Future recreation zone to include children's park, zip lines, ropes course and climbing wall

Because they are asking for an increase in their project costs, Ms. Bushyhead reviewed the revenue generation exhibit.

The revenue projections approved with the original TIF Plan was \$28M. At that time, Paragon Star only asked for \$17M for the TIF and CID combined. This amendment shows revenue projections at \$34.5M due to the increase of the TDD sales tax captured at 50%, the increase in the PILOT projections (net surplus PILOTs), the increase of private investment and an increase in the value of the Jackson County tax rolls.

The net present value revenue projections for the first amendment is approximately \$34,000 and the estimated eligible cost for TIF reimbursement is \$37M. They want to make sure the not to exceed number is closer to what they may need for this project. As mentioned earlier, they have had four bid lettings on the capital improvement projects and transportation and all have come in under bid.

She continued by reviewing the primary differences in project costs to be reimbursed which can be attributed to the shifting of State funding to the TIF and the unplanned expenditures on some of the projects and the opportunities for new projects.

Primary Differences in Project Costs to be Reimbursed

• No Sports Facility State Funding Reallocation to TIF	\$7,300,000
• Increase in Sports Complex Estimate Costs	\$2,000,000
• Portion of View High removed from TDD Funding	\$1,000,000
• Wetland Mitigation	\$1,300,000
• Lee's Summit Water Line Reimbursement	\$1,300,000
• Stormwater Pipe to facilitate 2 <sup>nd</sup> Hotel Site	\$1,000,000
• Trailhead	\$ 700,000
• Parking Garage Contribution	\$2,000,000

Other added costs include engineering, architects, contractor overhead and profit, and contingency costs, which combined equal 27%. All of this information is provided in Exhibit 7A. Exhibit 7B lists the TDD costs.

Mr. Brown concluded the presentation by restating the hallmarks of the project.

- Recreational Opportunities
- Increased Tourism
- Public Private Partnerships
- Sustainability
- Public Art
- Technology

Questions:

LSR7 Commissioner Allen asked what is proposed for Phase 2 on the south side of the project?

Mr. Brown responded commercial development is being planned in that area with no residential at this point.

Commissioner Bates inquired about the location of the parking garage and asked how many parking spaces will be included.



Mr. Brown stated it would be on the north side of Paragon Parkway with the multi-family wrapped around it along with the first level of commercial development. They are projecting 506 parking spaces with a significant portion underwritten and paid for as part of the multi-family rent while the some lots and the adjacent lot to the east would be public parking.

Mr. Brown added the multi-family development is a pad site sale and Paragon Star will not be building it. The CID would own the structured parking lot and the sports complex.

Commissioner Bates asked about the increase of cost on the sports complex.

Ms. Bushyhead responded the amount of TIF for the sports complex was less on the original TIF plan but due to the lack of state funding for the complex this amount was rolled over to the TIF while the actual cost also increased an additional \$2M.

### Staff presentation

Mr. Bushek, Chief Counsel for Economic Development and Planning, entered in to the record Exhibits 1 - 13, along with Exhibit 14 being the developers presentation slides presented at this meeting.

He presented the background information for this project by reviewing the various steps to date.

### Background

- December 2015 - CID approval
- March 2016 - TIF Plan approval
- October 2015 - Rezoning: Sports Complex PDP; TIF Contract; Real Estate Agreements
- May 2018 - Western Gateway TDD formed
- Sept. 2018 - Revised Real Estate Agreement
- Feb. 2019 - TDD Bonds issued (\$31.77M)
- June 2019 - Village PDP
- July 2020 - Development Agreement

He stated there are three major components to the TIF Plan:

1. The approved TIF Plan only funds the public improvements of this mix-use project:
  - Sports Complex including site prep
  - Sewer and Water Improvements
2. The TIF Plan includes the Revenue Sharing with Taxing Districts
  - Real Property Taxes resulting from >\$60M market value shared 50/50% with taxing districts
3. Uncaptured Tax Revenues

He reviewed the purpose of this first amendment is to:

- Amend the TIF Plan to match approved zoning plans and current status
- Increase TIF reimbursement, facilitate a revenue bond financing for Sports Complex construction

Mr. Bushek provided a side-by-side comparison of the Approved TIF Plan and the proposed First Amendment. He stated one key aspect of the amendment is the reimbursement request increases from \$13.1M to \$32M. While the State denied funding for the Sports Complex, the \$4M cost share with MoDOT will replace a portion of the requested State funds.

He also provided a side-by-side comparison of the TIF Reimbursable Expense Costs and the Cost Benefit Analysis for Taxing Districts. The benefit to the taxing districts with this TIF Plan is substantially larger than other recent TIF Plans due to the \$60M revenue sharing feature.

He added the projected value of the multi-family structure, medical office building, retail/office building on lot 9 and the hotel on lot 18 are projected to generate \$70M in market value. Just these four buildings on their own exceed the \$60M in revenue sharing. The projected grand total is \$101M in market value.

The first amendment grand total of \$47,323,155 represents the net present value of all the TIF revenues flowing to the taxing districts over the full 23 years of the TIF Plan.

He pointed out the original requested TIF/CID revenue bond financing combined was \$18M and now the combined request is \$37M.

Mr. Bushek highlighted the financing plan and revenue bonds:

#### Financing Plan and Revenue Bonds

- Timing of Revenue Bond Issuance – by year end (if possible due to market)
- Financing Plan
- Risk Analysis
- Covid Health Crisis, other Market Factors
- Amend TIF Contract

He reviewed the Factual Findings as affected by this amendment:

- Blight Finding – no change
- “But For” Test – no change
- Conforms to Comprehensive Plan – no change
- Completion within 10-year limit – no change
- Cost Benefit Analysis – updated
- Financial Feasibility – updated
- No gambling establishment – no change

He ended his presentation by stating the Resolution provided in the packet recommends the following:

- City Council makes the various findings
- Approval of the First Amendment
- TIF contract amendment occurs simultaneously with the First Amendment
- City staff continue to analyze the financial feasibility of requested bond financing to occur this year

Questions:

Commissioner Rhoads asked if the C1 School District had representation at this meeting Mr. Bushek responded yes, they do.

Commissioner Rhoads inquired what the revenue generator is for this project. Mr. Bushek replied revenue is generated through the value of the village property and the sales tax generated in the village. In typical



TIF Plans there is a 70/30 split. However, in this case it is closer to the middle than with the other non-retail uses.

Chair Freeman asked about the effect of the office space due to COVID and people working from home. Mr. Bushek explained when the revenue bond financing is ready to move forward, the underwriter will require the developer to produce heightened evidence of commitment from the various users. The underwriter has indicated multiple tranches of bonds could be issued. The developer is requesting bonds be issued for \$37M (includes TIF and CID). If the developer has secured portions of the development, but not all of the private development, then the underwriter would consider moving forward with the financing that relies upon the projected generated revenue from the portions they have secured at that point.

Commissioner Willerth asked about the proposed transfer of property from the City of Lee's Summit to the developer.

Mr. Bushek reviewed the project plan drawing indicating where the City of Lee's Summit currently owns a 76-acre parcel of property and state the City has an existing real estate contract to sell the property to the developer for just over \$1M. The developer indicated this transaction would help offset the wetlands mitigation costs mentioned earlier.

Discussion ensued over the original TIF Plan and transfer of property and reimbursement costs. Mr. Bushek said the important point to remember is that once TIF reimbursement is provided and the First Amendment is approved, it will have to reimburse those various categories of cost in the budget as approved under the First Amendment. If the developer considers that under their own pro forma as a tradeoff for other costs, that is not relevant to the overall transaction. The transaction will still occur, the city will be paid, and reimbursement will occur as allowed under the First Amendment.

Commissioner Staley voiced his concern about shifting reimbursement costs from one taxing jurisdiction to another.

Commissioner Rhoads asked about the addition of the parking garage in the amendment. Ms. Bushyhead stated the original TIF plan had a parking garage but it was not part of the TIF. However, the plan changed and the new garage designed differently and funded as a split between TDD, TIF and private development.

Commissioner Bates asked if the field revenues were captured in Exhibit 6. Ms. Bushyhead stated they were not. The CID will own the complex and will contract with Paragon Star to manage the sports complex similar to a convention center. Whatever revenue comes in will be applied to the maintenance of the complex, the roads and the parking garage.

Mr. Brown reviewed the timing of the wetland issue. At the time the original TIF plan was approved, Paragon Star was still trying to get approval from the United States Corp of Engineers to use the land. Of the 88 acres owned by the City of Lee's Summit most of it is either in a flood plain or a wetland. Paragon Star wanted approval to use the wetland for the soccer complex but the Corp denied it. Therefore, Paragon Star did an alternative analysis to review other options for that site which was a three-year process with the Corp of Engineers before they made a decision. The cost of that became the \$1.2M in wetland tax credits that had to be paid. The Corp was very specific on what they would allow which was a youth soccer complex with artificial turf and lights.

Chair Freeman asked if the Magic Tree would remain and if the developer is seeking reimbursement for public art. Mr. Brown stated the Magic Tree would remain and they are not seeking reimbursement for art.

Commissioner Allen asked if there is any exposure concerns to the City of Lee's Summit. Mr. Bushek replied no, however right now there is uncertainty about doing financing package due to COVID, etc.

There being no public comments, Chairman Freeman closed the Public Hearing and opened the discussion to Commissioners.

Commissioner Rhoads stated there were numerous unanswered questions at the time of the original TIF Plan, and the developer has made a lot of progress, but he is concerned that the lack of state funding has shifted the tax burden to the local taxpayers.

Commissioner Bates asked if the bond market would be receptive to this type of project in the current economic environment for retail and hospitality.

Jeff White, with Columbia Capital, stated there has not been a startup TIF financed in the United States since the onset of COVID crisis in March 2020. There has been 22 publically offered TIF transactions nationally since March; half are in California, some had investment great credit ratings, which were probably established TIFs and the remaining were in the \$10-12M range which may have also been existing TIFs. This is a great time to be in the market if you are AAA, AA or A rated. If the City were to issue bonds today, it would see extraordinary rates and even historically low tax-exempt rates. For those rated lower than A, they are in a wait and see mode. Today, these bonds would not be marketable but this allows time to get ready.

Commissioner Bates stated he liked this project for several reasons and encouraged other commissioners to look ahead and vote for the First Amendment based on its merits.

In response to a question from Commissioner Wiltsey, Mr. Bushek responded if the process continues as projected, the First Amendment would be approved, and when the Project One ordinance is approved it would lock in the tax revenues for the school district. Meaning, the school district would continue to receive tax revenues based on that base value over the next 23-year period, plus all the other revenues described in the presentation today.

Commissioner Wiltsey voiced her support for the First Amendment based on the benefits to the Hickman Mills school district.

Commissioner Haynes asked what would be the bond credit rating if these were issued.

Jeff White said they would be unrated at issuance, but they could be rated later at some point.

Hearing no further questions, Chairman Freeman asked if there was a motion.

Commissioner Hudson made a motion to adopt a resolution of the Lee's Summit Tax Increment Financing Commission, recommending the City Council approve the First Amendment to the I-470 and View High Tax Increment Financing Plan, seconded by Commissioner Haynes.



A voice vote was taken:

James Freeman	Aye
Clint Haynes	Aye
Doug Bates	Aye
Tim Shrout	<b>Absent</b>
Allison Walker	<b>Absent</b>
Joe Willerth	Aye
Mike Allen	Aye
Shellie Wiltsey	Aye
Joe Hudson	Aye
<b>Randy Rhoads</b>	<b>No</b>
Jim Staley	Aye

**The final vote was with 8 Aye's, 1 Nay, and 2 absent (Commissioner Shrout and Commissioner Walker).  
The motion passed.**

Roundtable Discussion:

Commissioner Willerth thanked the developer and staff for the informative presentations.


Chair Freeman appreciated the professionalism and willingness of the developer to reach out before the meeting to answer commissioner's questions about the project.

Commissioner Staley also appreciates the efforts of the developer to reach out and provide information.

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

The meeting adjourned at 7:47 p.m.

Respectfully submitted,

  
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Clint Haynes, Secretary