

Legislation Details (With Text)

| | | | |
|----------------------|--|----------------------|--------------------------------|
| File #: | BILL NO. 23-032 | Name: | |
| Type: | Ordinance | Status: | Passed |
| File created: | 1/20/2023 | In control: | City Council - Regular Session |
| On agenda: | 2/7/2023 | Final action: | 2/14/2023 |
| Title: | An Ordinance authorizing the City of Lee's Summit, Missouri to issue Taxable Industrial Development Revenue Bonds in a principal amount not to exceed \$103,100,000 in connection with the Blackwell Residential Rental Project; and authorizing certain documents and actions in connection therewith. (First read by Council on February 7, 2023.) | | |

Sponsors:

Indexes:

Code sections:

Attachments: 1. Ordinance, 2. Supporting Document: Bond Documents

| Date | Ver. | Action By | Action | Result |
|-----------|------|--------------------------------|----------------------------|--------|
| 2/14/2023 | 1 | City Council - Regular Session | adopted and numbered | Pass |
| 2/7/2023 | 1 | City Council - Regular Session | advanced to second reading | Pass |

An Ordinance authorizing the City of Lee's Summit, Missouri to issue Taxable Industrial Development Revenue Bonds in a principal amount not to exceed \$103,100,000 in connection with the Blackwell Residential Rental Project; and authorizing certain documents and actions in connection therewith. (First read by Council on February 7, 2023.)

Issue/Request:

This is an ordinance to authorize the bond documents to implement the Plan for an Industrial Development Project for the Blackwell Residential Rental Project and authorizing the issuance by the City of its taxable industrial development revenue bonds in the aggregate principal amount of not to exceed \$103,100,000 to finance costs of the residential project to be constructed by the company Griffin Riley ("Developer"). 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").

Motion:

I move for second reading of An Ordinance Authorizing the City of Lee's Summit, Missouri to Issue Taxable Industrial Development Revenue Bonds in a Principal Amount Not to Exceed \$103,100,000 in Connection With the Blackwell Residential Rental Project; and Authorizing Certain Documents and Actions in Connection Therewith.

Key Issues:

Griffin Riley (Developer) is requesting that the City approve incentives through a Chapter 100 Master Plan to provide sales tax exemption on construction materials and a fixed schedule of payments in lieu of taxes (PILOTs) for 20 years for the residential project on approximately 62 acres located at the northeast quadrant of

Blackwell Road and Highway 50 in Lee's Summit, Missouri.

Background:

At three Council meetings in October and December 2021 and March 2022, the City Council heard a conceptual presentation about the incentive request presented by Developer. A majority of the City Council expressed an interest in considering the incentive request at the March 16, 2022 Council meeting through the formal Chapter 100 process. The City Council did not vote or render any type of final or binding decision as part of the conceptual presentation.

On April 19, 2022, the City Council passed Ordinance No. 9395 which approved the Plan for the Blackwell Residential Rental Project.

The Project to be financed by the Bonds consists of construction of a residential rental development with apartments (approximately 268 units), townhomes (approximately 122 units) and single family rentals (approximately 77 units) (the "Project"), to be situated on approximately 56 acres located to the northeast of the intersection of SE Blackwell Road and Highway 50 in Lee's Summit, Missouri. The Project will feature modern designs with multi-dimensional facades, premium exterior finishes including stone, wood composite and smart siding, buildings nestled into the site to create robust green space, and tuck-under and direct access garages. Amenities will include a swimming pool with cabanas, grilling area and fire pit, a fitness center, a landscaped pond in central greenspace surrounded by walking trails and pet-friendly common areas, a dog park, and a pickleball court.

Impact/Analysis:

The Project is expected to cost approximately \$103,100,000. The investments are anticipated to be made in the years shown in the Cost-Benefit Analysis, although the actual years of investment may vary based on Project implementation. 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. Under this Plan, the City intends to issue the Bonds in 2022.

The sales and use tax exemption is projected to be a savings of about \$1,673,000 for the Developer, and the projected impact to the City from this exemption is approximately **\$798,000**.

The Companies will make payments in lieu of taxes ("PILOTS") for each component of the Project as follows:

- (1) Prior to construction, the amount calculated to equal the taxes that would have been due on the unimproved land were it not for City ownership.
- (2) During construction, the amount equal to \$1,400 per door for units under construction, pro-rated by percentage of completion.
- (3) From and after completion, \$1,400 per door for all units (including apartments, townhomes, and single family rentals), with an inflation adjustment of 1.5% biannually in abatement years 1-5 and 3.0% biannually in abatement years 6-10.

In abatement years 6, 8 and 10, the Company will have the right to request that the PILOT calculated as described above be reset to the average of tax dollars per door calculated by the City as being currently

applicable to a list of residential rental projects in the City, if such average amount is lower than the PILOT calculated as described in this paragraph.

The total PILOT payments are estimated in the Cost-Benefit Analysis. The projected impact to the City for the real property tax exemption for each of the three residential products is summarized as follows:

Apartments

PILOTS: \$670,000
Abatement: **\$270,000**

Townhomes

PILOTS: \$307,000
Abatement: **\$342,000**

Single-Family

PILOTS: \$209,000
Abatement: **\$204,000**

The total impact to the City from the two requested incentive mechanisms is about **\$1,614,000**.

Timeline:

The project is expected to begin in 2023 and the construction will last through 2025.

David Bushek, Chief Counsel of Economic Development & Planning
David Martin, Gilmore & Bell