

## Legislation Details (With Text)

**File #:** BILL NO. 23-187  
**Name:**  
**Type:** Ordinance  
**Status:** Passed  
**File created:** 9/8/2023  
**In control:** City Council - Regular Session  
**On agenda:** 9/19/2023  
**Final action:** 9/26/2023  
**Title:** An Ordinance approving the Redevelopment Agreement and Lease Agreement between the City of Lee's Summit, Missouri, Colbern-Rice Investments, LLC, and the Colbern Ridge Community Improvement District to implement the Colbern Ridge Community Improvement District and the Colbern Ridge Land Clearance for Redevelopment Authority Redevelopment Plan. (Note: First read by Council on September 19, 2023. Passed by unanimous vote.)

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Ordinance, 2. Exhibit A: Redevelopment Agreement, 3. Exhibit B: Lease Agreement, 4. Supporting document: LCRA Lease Protections

Date	Ver.	Action By	Action	Result
9/26/2023	1	City Council - Regular Session	adopted and numbered	Pass
9/19/2023	1	City Council - Regular Session	advanced to second reading	Pass

An Ordinance approving the Redevelopment Agreement and Lease Agreement between the City of Lee's Summit, Missouri, Colbern-Rice Investments, LLC, and the Colbern Ridge Community Improvement District to implement the Colbern Ridge Community Improvement District and the Colbern Ridge Land Clearance for Redevelopment Authority Redevelopment Plan.

(Note: First read by Council on September 19, 2023. Passed by unanimous vote.)

Issue/Request:

This ordinance will approve the Redevelopment Agreement and the Lease Agreement to implement the Colbern Ridge LCRA Redevelopment Plan and the Colbern Ridge Community Improvement District, which would provide sales and use tax exemption on construction materials and public improvement assessment reimbursement through long-term tax abatement for the proposed development to be constructed by Colbern-Rice Investments, LLC (the "Developer"), along with a 1% sales tax and special assessments imposed by the CID, which is located at the Northeast corner of Rice Road and Colbern Road, in Lee's Summit, Missouri, totaling 41.4 acres.

Key Issues:

Implementation documents to implement the LCRA Redevelopment Plan and CID for the Colbern Ridge Project.

Motion:

I move for adoption of an Ordinance approving the Redevelopment Agreement and Lease Agreement between the City of Lee's Summit, Missouri, Colbern-Rice Investments, LLC, and the Colbern Ridge Community Improvement District to implement the Colbern Ridge Community Improvement District and the Colbern

Ridge LCRA Redevelopment Plan.

Background:

On June 6, 2023, Developer made a conceptual incentive request to the City Council for the requested incentive package and received positive non-binding feedback from the Council. The Council expressed some reservations about the City sales tax revenue sharing request, and recommended that alternatives to this component of the incentive request be evaluated.

On or about May 15, 2023, Developer filed the LCRA Redevelopment Plan with the City Clerk. The Plan as filed eliminates the City sales tax sharing component. The Plan was accompanied by the companion CID which would impose a new sales and use tax to provide an additional source of reimbursement to Developer for the public improvements.

On May 24, 2023, the LCRA Plan was presented to the LCRA Board of Commissioners, and the Board then passed Resolution 2023-3 which recommended approval of the LCRA Plan. The LCRA Board added two additional recommendations which are summarized below.

On June 13, 2023, the City Council approved Ordinance No. 9679 which approved the LCRA Redevelopment Plan and Ordinance No. 9680 which approved the CID. Those ordinances were subject to the execution of implementation agreements, which are the subject of the current ordinance.

The LCRA Plan provides for the construction of a mixed-use development consisting of approximately 136 apartment units; 220 senior-only multi-family units; approximately 28,500 square feet of medical office building space; and approximately 30,000 square feet of office, warehouse/office and other commercial uses, respectively, along with all associated onsite and offsite sitework and infrastructure, including utilities, stormwater management, street/drive and parking improvements, and landscaping.

The LCRA Plan will establish public ownership during the construction of improvements for Developer to receive and use a sales tax exemption certificate for the purchase of construction materials that are used in the construction of the Project, a property tax abatement at 50% for up to 25 years, a public improvements assessment in the amount the annual 50% property tax abatement. The LCRA Plan is accompanied by a Community Improvement District (CID) Petition which would impose a 1% CID sales tax for up to 27 years.

**Exclusion of Senior Living Development from incentive Implementation**

After the LCRA Plan and CID were approved by the City Council on June 13, 2023, Developer continued to have discussions with prospective tenants and buyers in the Redevelopment Area. Developer has indicated that the company for the senior residential facility that is proposed to be developed on Lot 3 of the Colbern Ridge Minor Plat (Public Hearing: Application #PL2023-057 - Preliminary Development Plan - Senior Living Facility, 900 NE Colbern Road; Engineering Solutions, LLC, applicant) (the "Senior Living Development") does not want to participate in the LCRA and CID incentive structure for business reasons. The Redevelopment Agreement references the original LCRA Redevelopment Area and CID area, but the Lease Agreement excludes Lot 3 for the Senior Living Development from the real estate transaction and the leased area to implement the LCRA incentive mechanism.

Developer will also be requesting an amendment of the CID petition in the future to exclude the Senior Living

Development from the CID area, to avoid having that developer pay the extra 1% CID sales tax on the purchase of construction materials for that project. We have not yet calculated what impact this exclusion will have on the reimbursement to Developer for the public improvements, or the timeline associated with reimbursement. The Senior Living Development was about 46.5% of the total assessed value of the entire LCRA Redevelopment Area according to the original incentive projections, so the exclusion of this property from the Redevelopment Area and LCRA/CID reimbursement mechanism will likely reduce Developer's reimbursement by an equivalent amount over the life of the incentive structure, as compared to the original projections when the LCRA Plan and CID were approved. City staff will need to further evaluate the impact of this change on the incentive structure as the project moves forward.

Impact/Analysis:

The benefit of the sales tax exemption, real property tax abatement and new CID sales tax revenue to Developer were summarized in the memorandum from City staff and the presentation slides prepared by City staff at the public hearing which occurred on June 6, 2023.

Columbia Capital Municipal Advisors, the City's financial advisor, conducted a financial feasibility analysis of the project with and without the requested incentives. Columbia Capital concluded that the project in an unleveraged scenario (no private loans, 100% private equity) does not need incentives to reach a market rate of return. Columbia Capital concluded that the project in a leveraged scenario (50% debt and 50% equity investment) does not reach a market rate of return without the use of the requested incentives.

The LCRA Board held extensive discussions about what they viewed as the speculative nature of certain portions of the project. The LCRA Board recommended that the Plan should be revised to include a phased site plan approach, and a phased reimbursement approach. The LCRA Board also made a recommendation relating to the design elements for this type of project under the Ignite Comprehensive Plan.

Timeline:

Construction of the project is expected to commence promptly after execution of these documents.

David Bushek, Chief Counsel of Economic Development and Planning

The LCRA Board of Commissioners recommended approval of the LCRA Plan to the City Council.