

Legislation Details (With Text)

File #: 2023-5692 **Name:**
Type: Presentation **Status:** Presented
File created: 5/31/2023 **In control:** City Council - Regular Session
On agenda: 5/14/2024 **Final action:** 5/14/2024
Title: Presentation: Conceptual Economic Development Incentive Request for Lee’s Summit Crossing; 635 Holdings, LLC, and TriStar Properties, applicants.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Developer Presentation Slides, 2. Developer Financial Modeling, 3. City Presentation Slides

| Date | Ver. | Action By | Action | Result |
|-----------|------|--------------------------------|-----------|--------|
| 5/14/2024 | 1 | City Council - Regular Session | presented | |

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Presentation: Conceptual Economic Development Incentive Request for Lee’s Summit Crossing; 635 Holdings, LLC, and TriStar Properties, applicants.

Issue/Request:

This is the third conceptual presentation pursuant to the City's Economic Development Incentive Policy for the request by 635 Holdings, LLC and TriStar Properties (collectively the “Developer”), for a proposed mixed use residential, commercial, sports facility and entertainment project to be constructed on the property that is currently occupied by the Shamrock Golf Course and other adjacent properties to the south of the golf course connecting to Highway 150, all on the east side of Highway 291. For the requested incentives, the Developer proposes to use:

- (1) a tax increment financing plan;
- (2) a transportation development district that imposes a 1% sales tax;
- (3) a community improvement district that imposes a 1% sales tax; and
- (4) a Chapter 100 Master Plan for -
 - (a) sales tax exemption on construction materials for certain commercial and certain multifamily residential components of the project
 - (b) a fixed schedule of payments in lieu of taxes (PILOTs) for certain multi-family components.

The project is also proposed to include the following public facilities to be owned and operated by the Lee’s Summit Parks and Recreation Department:

- (1) Fieldhouse
- (2) Fitness Center integrated into the Fieldhouse
- (3) outdoor turf field connected with the Field House operations.

Key Issues:

- (1) Evaluation of a request for a public incentive package to provide reimbursement to Developer for certain qualified redevelopment costs and for tenant inducement costs
- (2) Incorporation of the Fieldhouse and related Parks components into the project and the proposed funding contribution from the Parks Department.

Background:

Prior Shamrock Golf Course Redevelopment Conceptual Presentation

635 Holdings, LLC, as the proposed developer of the new project except for the TriStar component, has negotiated an option to purchase the Shamrock Golf Course property, along with other properties at the NE corner of Highways 291 and 150. 635 Holdings discussed redevelopment options for the property with City staff during 2022. In December 2022, 635 Holdings made a conceptual presentation to the City Council and received mixed feedback that caused the Developer to refine the scope of the project and the incentive request. In December 2023, a second presentation was made which also received mixed feedback.

Prior Tristar Residential Conceptual Presentation

On June 7, 2022, the City Council approved Ordinance No. 9430 which approved the rezoning for the TriStar Development project to the RP-4 District and a preliminary development plan for the residential project. The project is intended to consist of rental townhome and four-plex units. At the time of rezoning approval, Developer had not requested incentives for the project. After receiving rezoning approval, Developer determined that the approved project was not financially feasible without assistance for the public improvements that serve the development.

TriStar then made an initial incentive request that uses the present fixed PILOTs structure proposing 50% assessments and 50% payments to the taxing districts. Based on discussions with City staff, Developer revised the structure to 35% assessments and 65% payments to the taxing districts to more closely match the expected actual costs of the public improvements. The targeted amount of public improvements to be funded with the incentives was about \$3.64 million.

On May 9, 2023, TriStar made a conceptual presentation for this incentive request as the developer of The Montage Residential Project consisting of 226 townhome and four-plex residential units located at Old 291 Highway approximately one-half mile north of Highway 150, for sales and use tax exemption on construction materials and fixed payments in lieu of taxes (PILOTs) starting at \$2,776 per door, along with a public improvement assessments payment to Developer, pursuant to Chapter 100 of the Revised Statutes of Missouri.

Developer had requested to use a Chapter 100 economic incentive in the form of:

- (1) sales and use tax exemption on construction materials
- (2) fixed PILOTs starting at \$2,774 per door for a period of up to 20 years, and
- (3) 35% of the PILOT being paid to Developer for reimbursement of public improvements, up to a maximum amount of \$2,500,000 plus interest, with 65% of the PILOT passing through to the taxing districts on an annual basis.

The City Council provided mixed feedback to Developer, and expressed concerns about the component that

converted a portion of the fixed PILOTs into reimbursement for public improvements. This which caused TriStar to re-evaluate development options and the incentive request.

Revised Incentive Request

635 Holdings and Tristar have joined together to make a single development proposal for the development of land which now does not include the Shamrock Golf Course.

The attached developer incentive modeling and assumptions, and the attached presentation slides, along with the City staff summary pages and slides, provides an analysis of the request which will be discussed at the Council meeting.

Curt Petersen, Polsinelli PC, for Developer
David Bushek, Chief Counsel of Economic Development and Planning