

Legislation Text

File #: BILL NO. 22-19, **Version:** 1

An Ordinance authorizing the City of Lee's Summit, Missouri to issue Taxable Industrial Development Revenue Bonds in a principal amount not to exceed \$42,000,000 in connection with the Logistics Park Project; and authorizing certain documents and actions in connection therewith.

(Note: First reading by Council on February 8, 2022. Passed by unanimous vote.)

Issue/Request:

Ordinance to approve the Chapter 100 transaction for the Lee's Summit Logistics Park industrial project.

Key Issues:

This ordinance will authorize the issuance of the Chapter 100 bonds in order to provide the requested incentives for the industrial development, in the form of sales and use tax exemption on the purchase of construction materials for the project and real property tax abatement.

Proposed City Council Motion:

I move for adoption 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 \$42,000,000 in connection with the Logistics Park Project; and authorizing certain documents and actions in connection therewith.

Background:

The City Council approved Ordinance No. 9315 on January 4, 2022, which approved the Plan for an Industrial Development Project for the Logistics Park Project (the "Plan") for the developer Scannell Properties ("Developer"). As approved, the Plan allows for the Developer to use the City's sales tax exemption certificate for the purchase of construction materials used in the construction of the project improvements, and also provides real property tax abatement for 20 years.

Impact/Analysis:

The Project is expected to cost approximately \$82,177,663, consisting of investments made in the years 2022 through 2023, although the actual years of investment may vary based on Project implementation. The Project to be financed by the Bonds consists of three industrial buildings and related public improvements, specifically one building anticipated to be 431,460 square feet, a second building anticipated to be 113,400 square feet and a third building anticipated to be 238,140 square feet, each of which will be used for warehousing, distribution, and /or manufacturing purposes. Additionally, the Project will include the relocation of that portion of NW Main Street and accompanying public water main, sidewalks, lighting and related public improvements located between NW Victoria Drive and Tudor Road.

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 and subsequent years. Each major component of the Project will likely be split into a

separate bond issuance and be leased to a special purpose entity designated by Scannell Properties #603, LLC (each being a “Company”).

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

- (1) during all years, a PILOT based on the existing value of the land included in the applicable lease in the year prior to conveyance of such land to the City,
- (2) during the project period, a PILOT calculated to represent 5.0% of the taxes that would otherwise be due on the partially completed Project improvements component,
- (3) in years 1 through 10 after project completion, a PILOT calculated to represent 5% of the taxes that would otherwise be due on the completed Project improvements component, and
- (4) in years 11 through 20 after project completion, a PILOT calculated to represent 25% of the taxes that would otherwise be due on the completed Project improvements component.

The PILOT amounts may be fixed by agreement at the time of bond issuance for a component of the Project, subject to adjustment at completion of a Project component. The total PILOT payments are estimated in the Cost-Benefit Analysis.

Timeline:

The project is expected to begin in 2022 and the construction will last through 2024.

David Bushek, Chief Counsel of Economic Development & Planning

Mark Dunning, Assistant City Manager

David Martin, City bond counsel with Gilmore & Bell, P.C.

Recommendation: Staff recommends approval of the ordinance to implement the Plan.

Committee Recommendation: Not applicable; only Council action occurs for Chapter 100 incentives.