

Legislation Text

File #: BILL NO. 19-205, **Version:** 1

An Ordinance approving the Redevelopment Contract and the Lease Agreement between the City of Lee's Summit, Missouri, and Lee's Summit Senior Community, LLC, to implement The Land Clearance For Redevelopment Authority Redevelopment Plan for the Princeton Redevelopment Area.

(Note: First reading by Council on September 3, 2019. Passed by unanimous vote.)

Issue/Request:

Approval of an Ordinance approving the Redevelopment Contract and the Lease Agreement between the City of Lee's Summit, Missouri, and Lee's Summit Senior Community, LLC, to implement The Land Clearance For Redevelopment Authority Redevelopment Plan for the Princeton Redevelopment Area.

Key Issues:

This is an Ordinance approving the Redevelopment Contract and the Lease Agreement between the City of Lee's Summit, Missouri, and Lee's Summit Senior Community, LLC, to implement The Land Clearance For Redevelopment Authority Redevelopment Plan for the Princeton Redevelopment Area.

Proposed City Council Motion:

I move for adoption of an Ordinance approving the Redevelopment Contract and the Lease Agreement between the City of Lee's Summit, Missouri, and Lee's Summit Senior Community, LLC, to implement The Land Clearance For Redevelopment Authority Redevelopment Plan for the Princeton Redevelopment Area.

Background:

The City Council approved the Redevelopment Plan on July 16, 2019 through the adoption of Ordinance No. 8675. The Redevelopment Area contains approximately 37 acres at the southeast quadrant of Ranson Road and Highway 50. The Redevelopment Plan allows the applicant to receive sales tax exemption on the purchase of construction materials for a senior care facility that is approved for the eastern 12 acres of the Redevelopment Area. This is estimated to provide about \$752,000 in savings on a \$35.5 million project, which is a 2.1% incentive.

A 12-acre parcel for the senior care facility is being purchased by Lee's Summit Senior Community, LLC (the "Developer"), a single purpose entity managed by O'Reilly Development Company, LLC, based in Springfield, Missouri, on the south side of Highway 50 and west of Ranson Road. The City Council previously approved a preliminary development plan for this project through the adoption of Ordinance No. 8612 on April 9, 2019.

The Redevelopment Project is proposed to consist of "The Princeton" which will contain approximately 153 units which will contain 91 independent living units, 44 assisted living units, and 18 memory care units. The project is projected to create 65 new jobs.

The LCRA Board of Commissioners adopted Resolution 2019-2 on June 26, 2019, which:

- recommended that the City Council approve the Redevelopment Plan
- recommended that the Developer be designated as the developer of record for the Redevelopment Project
- recommended that the City Council approve a redevelopment contract to implement the Redevelopment Project

- approved a funding agreement for the project and
- delegated to the City all of the LCRA Board's authority to implement the Redevelopment Plan.

Impact/Analysis:

The requested incentive will provide about \$752,000 in savings on a \$35.5 million project, which is about 2.1% of the total project costs. Most of the Developer's construction materials are expected to be purchased outside of the City, and the projected lost sales tax revenues for the City is estimated to be about \$21,500 (see Redevelopment Plan Exhibit C, Tax Analysis of Project). The remaining about \$731,000 in lost sales tax revenues will affect other sales taxing jurisdictions (State, County and Zoo District).

The Redevelopment Contract includes a provision under which the Developer will deposit \$1,311,000 in an escrow account for use by the City to construct the off-site sewer improvements (outside the boundaries of the Princeton project) to provide sewer service to the remainder of the 37-acre Redevelopment Area. The City will have flexibility on the placement and schedule for construction of these sewer improvements. The Princeton project will not be held up if the off-site sewer improvements are not finished by the time that Developer is ready to obtain a certificate of occupancy for any structures in the project. The sales tax exemption that is provided by the Redevelopment Plan is to partially offset these costs incurred by Developer.

The Lease Agreement includes several protections and safeguards for the City during the construction period. Developer has the obligation to construct the project and assumes all risks associated such construction. The City's ownership function during the construction period and the lease period is to provide the sales tax exemption benefit. The City's protections and safeguards are summarized in an exhibit in the meeting packet.

Timeline:

Developer has indicated that it will purchase the 12-acre parcel and start the project this year.

Other Information/Unique Characteristics:

This is the first "stand alone" redevelopment plan that the Council has approved pursuant to the LCRA Act to provide sales tax exemption on the purchase of construction materials. This incentive, through an LCRA Redevelopment Plan, is a streamlined approach to providing sales tax exemption as an economic incentive.

David Bushek, Chief Counsel of Econ. Dev. & Planning
Mark Dunning, Assistant City Manager

Staff recommends approval of the ordinance.

The LCRA recommended approval of the redevelopment agreement and lease agreement.