

Legislation Text

File #: 2019-2696, **Version:** 1

Presentation - 2nd and Douglas Tax Increment Financing Plan and 2nd and Douglas Land Clearance for Redevelopment, Redevelopment Plan, 114 SE Douglas Street; DTLs Apartments, LLC, applicant

Issue/Request:

Presentation - 2nd and Douglas Tax Increment Financing Plan and 2nd and Douglas Land Clearance for Redevelopment, Redevelopment Plan, 114 SE Douglas Street; DTLs Apartments, LLC, applicant

Key Issues:

DTLS Apartments, LLC (the "Developer") and City staff will be presenting the proposed 2nd and Douglas Tax Increment Financing (TIF) Plan and 2nd and Douglas Land Clearance for Redevelopment (LCRA), Redevelopment Plan. The purpose for the presentation is to provide an overview of the proposed economic development incentive package being sought to pursue the proposed DTLs Apartment redevelopment project. The proposed incentive package includes utilizing TIF and LCRA incentives to assist in financing the proposed redevelopment project. The statutory required public hearing for the TIF Plan was held on March 25, 2019 and the public hearing for the LCRA Plan held on February 27, 2019 before the respective commissions.

Although this is a presentation and not a public hearing - it is appropriate and necessary to allow for public testimony on the proposed plan(s) after the Developer and staff have made presentations.

Additional information provided by the Developer and City staff may be found in the attachments to this packet form.

Proposed City Council Motion:

Presentation and public testimony only - a total of 4 ordinances have been prepared for the Mayor and City Council's consideration with regard to the proposed redevelopment plan, TIF and LCRA plans as follows:

- * Agenda item 4.A.1 - Tax Increment Financing Plan ordinance
- * Agenda item 4.A.2 - Tax Increment Financing Redevelopment Project ordinance (second reading and adoption to be considered at a future date)
- * Agenda item 4.A.3 - Preliminary Development Plan ordinance
- * Agenda item 4.A.4 - Land Clearance for Redevelopment Authority Plan ordinance

Background:

On July 12, 2018, the Developer presented a conceptual economic development incentive request to the Mayor and Council for consideration in accordance with the City's adopted Economic Development Incentive Policy. The request entailed utilizing Tax Increment Financing (TIF) to reimburse the Developer for construction costs related to the structured parking aspects of the proposed multi-family development. The Mayor and Council directed the Developer and staff to formally prepare the proposed incentive request and development plan, and proceed through the formal processes to consider the proposed redevelopment project. The proposed redevelopment plan at that time entailed removing all existing structures on the site

located at 114 SE Douglas Street (Summit Church) and constructing approximately 257 market-rate multi-family luxury dwelling units with amenities and structured parking. At that time, the proposed investment was estimated to be a \$48 million redevelopment project. In addition to providing direction to proceed with the preparation of the incentive request and development plan, the Council adopted a funding agreement which requires the Developer to finance associated legal, fiscal, planning, engineering and consulting costs incurred by the City to process the request(s).

On December 4, 2018, the Developer presented a second conceptual economic development incentive request to the Mayor and Council as the proposed redevelopment project had been revised to incorporate and repurpose the 1922 church sanctuary. The Developer's proposed investment had increased from an originally estimated \$48 million project to an estimated \$53.1M project. In addition to the requested TIF to reimburse for the structured parking, the Developer requested a sales tax reimbursement for construction materials for the project in an estimated amount of \$1.3 million through a Chapter 100 or similar incentive structure. The Mayor and Council provided direction to the Developer and staff to formally proceed with preparing the proposed development plan and incentives for the redevelopment project.

On February 27, 2019 the Land Clearance for Redevelopment Authority (LCRA) Board of Commissioners adopted Resolution 2019-1 recommending that the 2nd and Douglas LCRA Plan be approved by the City Council. The 2nd and Douglas LCRA plan would provide for sales tax exemption on the construction materials for the proposed redevelopment project (apartments and structured parking).

On March 25, 2019 the Tax Increment Financing Commission considered the proposed TIF Plan and passed a motion in opposition to the TIF Plan by a vote of 6-3-1 (Rhoads abstaining).

Other Information/Unique Characteristics:

There are two legislative actions to implement the requested TIF - an ordinance to approve the Plan and an ordinance to approve the Redevelopment Project. Approval of the Redevelopment Project ordinance is the event that starts the 23-year TIF clock, and also locks in the base value of the property for the purpose of determining the captured TIF revenues over the life of TIF. The timing of the Redevelopment Project ordinance approval is very important for this incentive package, as the desire is to activate the TIF project (1) after the Developer has purchased the property (making the property taxable) and (2) after January 1, 2020. This sequence is how the taxing districts will receive a property tax benefit during the life of the TIF - the base taxes of about \$87,000/year will then flow to the taxing districts each year while the TIF is in effect. If the project ordinance is approved before January 1, 2020, then the base value is locked in at \$0 (because of the property's tax-exempt status as of January 12, 2019) and the taxing districts would receive \$0 in tax revenues for the life of the TIF.

Each of these two TIF related ordinances will require a two-thirds affirmative vote based on the statutory language below. This only applies to the TIF ordinances and not the LCRA Plan ordinance or the PDP ordinance.

RsMO 99.825.2 "If, after concluding the hearing required under this section, the commission makes a recommendation under section 99.820 in opposition to a proposed redevelopment plan, redevelopment project, or designation of a redevelopment area, or any amendments thereto, a municipality desiring to approve such project, plan, designation, or amendments shall do so only upon a two-thirds majority vote of

the governing body of such municipality.”

Curt Peterson, Polsinelli Law Firm - developer's legal counsel

Jim Thomas, DTLS Apartments, LLC - developer

David Bushek, City's Chief Counsel of Economic Development and Planning

Mark Dunning, Assistant City Manager

Committee Recommendation:

On February 14, 2019 the Planning Commission recommended approval of Application PL2018-234, Preliminary Development Plan; DTLS Apartments, 114 SE Douglas St.; subject to staff's letter of February 9, 2019, specifically recommendation items 1 - 5.

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