

Legislation Text

File #: BILL NO. 22-253, **Version:** 1

An Ordinance Approving the Cooperative Agreement Among the City of Lee's Summit, Missouri, The Valle Vista Community Improvement District and LS Valle Vista 2018, LLC.

(Note: First read by City Council on December 6, 2022. Passed by unanimous vote.)

Issue/Request:

Approval of the Cooperative Agreement to implement the approved Valle Vista Community Improvement District which would impose a new 1% sales tax with a maximum duration of 27 years in order to fund rehabilitation and reconstruction work within the boundaries of the District.

Background:

LS Valle Vista 2018, LLC, ("Developer"), an entity affiliated with Block & Company, Inc., filed a Petition for the formation of a new CID over the Valle Vista Shopping Center located west of Highway 291 north between Chipman Road on the north and Columbus Street on the south, not including the northeast and southeast lots in the shopping center.

The applicant gave a conceptual presentation to the City Council on this CID on June 7, 2022, and the Council provided positive non-binding feedback. The CID would impose a new 1% sale tax on the commercial retail businesses in the CID area.

The City Council held the public hearing to consider the CID Petition on July 26, 2022, and thereafter approved Ordinance No. 9437 on August 8, 2022 to approve the Petition and form the District.

The Developer is proposing to undertake a renovation project of the shopping center that is expected to cost a total of about \$14.9 million. The CID is proposed to reimburse Developer for following rehabilitation and reconstruction work in the combined total of about \$3.9 million:

- Asphalt mill, paving and repair
- Parking area improvements
- Curb replacement
- Sidewalk replacement
- Landscaping improvements
- Building façade improvements
- Roof replacement
- Replace scuppers and downspouts
- Monuments signs
- Storefront glazing
- HVAC replacement

- Patios and pergolas
- Demolition costs
- Interior renovations and tenant finish work
- Exterior store renovations

This CID represents about a 26% incentive request, measured by the amount of reimbursement to Developer as a percentage of total project costs. This reimbursement request is within the range of similar shopping center rehabilitation projects for which the Council has approved CIDs in the past.

Developer estimates that the CID will generate about \$150,000 in sales tax revenues in the first year of the CID, and increasing each year due to sales growth. Developer estimates that this will generate about \$5.3 million in actual revenues during the 27-year life of the CID, which would have a net present value of about \$2.49 million over 27 years when calculated at the discount rate of 5.75%.

The sales tax would go into effect after the approval of a ballot measure in an election that will be conducted by the Jackson County Election Authority among the property owners in the CID area. The CID sales tax would be in addition to the other sales taxes already in effect in the shopping center area, which includes local sales taxes imposed by the City, County and Zoo District.

Impact/Analysis:

This CID would impose a new 1% sales tax that would be in addition to the existing sales taxes, which would create the following total sales tax rate in the CID area:

- 4.225% - State
- 2.250% - City *
- 1.250% - County
- 0.125% - Zoo District
- 1.000% - CID
- 8.850% - Total *

This request presents no direct impact to City general revenues. This will result in up to 27 years of an additional 1% sales tax in the shopping center to fund rehabilitation improvements in the CID area.

**The City's sales and use tax rate will go to 2.75% on January 1, 2023, for a combined total rate of 9.35%, due to the 0.5% City Public Safety sales and use tax that was approved in April 2022.*

The Cooperative Agreement includes the following key features:

- Developer will undertake the CID Project in accordance with all Applicable Laws and Requirements and the CID Petition. The District is not authorized to make, and the Developer will not receive reimbursement for, any improvements or services other than those listed in the CID Budget.
- The City Finance Department would receive the CID revenues from the Department of Revenue and disburse the revenues pursuant to the terms of the agreement. The City will receive a portion of the CID revenues as reimbursement for this for this administrative work.

- Reimbursable project costs which are incurred by the Developer or other private parties will be reviewed and approved by City staff and the District prior to reimbursement from District revenues.
- The maximum amount of District Revenues used to reimburse Developer for Reimbursable Project Costs shall be \$3,905,687, plus any Operating Costs, Costs of Formation, and the Maximum Reimbursement Interest as defined in the Agreement.
- The CID will be a political subdivision of the state and must follow all applicable laws such as the Sunshine Law and annual budgeting laws.

Timeline:

Developer would conduct the sales tax election in 2022 and begin implementation of the rehabilitation project in 2022.

David Bushek, Chief Counsel of Economic Development & Planning