

Legislation Text

File #: 2023-5848, **Version:** 1

Public Hearing: Chapter 100 Plan for the Douglas Station Residential Project; Douglas Station Partners, LLC, applicant.

Issue/Request:

This is a public hearing to the approval of a Chapter 100 Plan and Cost-Benefit Analysis for the Douglas Station Residential Project and authorizing the issuance by the City of its taxable industrial development revenue bonds in the aggregate principal amount of not to exceed \$26,105,000 to finance costs of the residential project to be constructed by the company Douglas Station (“Developer”). The Bonds will be issued pursuant to the provisions of Sections 100.010 to 100.200 of the Revised Statutes of Missouri, as amended, and Article VI, Section 27(b) of the Missouri Constitution, as amended (collectively, the “Act”).

Key Issues:

Developer is requesting that the City approve incentives through a Chapter 100 Plan to provide sales tax exemption on construction materials and a fixed schedule of payments in lieu of taxes (PILOTs) for 10 years for the residential project.

Background:

At the June 20, 2023 Council meetings, the City Council heard a conceptual presentation about the incentive request presented by Developer. A majority of the City Council expressed an interest in considering the incentive request through the formal Chapter 100 process. The City Council did not vote or render any type of final or binding decision as part of the conceptual presentation.

The project to be financed by the Bonds consists of 150 residential two and three-bedroom units on approximately 6.3 acres of property located east of NW Commerce Drive and north of the Lee’s Summit Police & Courts Facility.

Impact/Analysis:

The Project is expected to cost approximately \$26,105,000. The investment is anticipated to be made in 2024 and 2025 as stated in the plan. 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 2024.

The sources of funds to be expended for the Project will be the proceeds of the Bonds in a principal amount not to exceed \$26,105,000 to be issued by the City and purchased by the Company and, if needed, other available funds of the Company. The Bonds will be payable solely from the revenues derived by the City from the lease or other disposition of the Project. The Bonds will not be an indebtedness or general obligation, debt or liability of the City or the State of Missouri.

For purposes of determining the impact of the sales and use tax exemptions for the qualified building

materials on the affected taxing jurisdictions, it is assumed that the total amount of qualified building materials purchased will be \$9,972,000 and that the situs of sale for the purchases will be as follows: 5.0% within the City, 22.5% within Jackson County but outside the City, 22.5% within Missouri but outside Jackson County, and 50% outside Missouri. The sales and use tax exemption is projected to be a savings of about \$613,279 for the Developer, and the projected impact to the City from this exemption is approximately \$150,827 which is about 25% of the total sales and use tax savings for Developer.

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

- (1) prior to construction, the amount calculated to equal the taxes that would have been due on the unimproved land were it in private ownership.
- (2) During construction, an amount calculated from a starting point of \$1,600 dollars per door, with an inflation adjustment of 3.0% in each odd year starting with 2025, for units under construction, pro-rated by percentage of completion.
- (3) From and after completion, for a period of 10 years, a fixed PILOT calculated from a starting point of \$1,600 dollars per door, with an inflation adjustment of 3.0% in each odd year starting with 2025.

The total PILOT payments are estimated in the Cost-Benefit Analysis. The projected impact to the City and the projected benefit to Developer is set forth in the summary sheets in the public hearing packet.

Timeline:

If the Chapter 100 incentive is approved, the project is expected to begin in 2024 and the construction will last through 2026.

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Andy Mackey, Douglas Station Partners, LLC
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Ryan Elam, Assistant City Manager