Legislation Details (With Text)

File #:	BILL NO. 20-162	**Name:**	
Type:	Ordinance	**Status:**	Passed
File created:	8/24/2020	**In control:**	City Council - Regular Session
On agenda:	9/1/2020	**Final action:**	9/8/2020
Title:	An Ordinance Approving the First Amendment to the Paragon Star Increment Financing Plan. (Note: First reading by Council on September 1, 2020. Passed by the unanimous vote.)		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. Ordinance, 2. Exhibit A - Redevelopment Area, 3. Exhibit B - First Amendment to TIF Plan, 4. Staff Report, 5. TIF Commission Resolution		

Date	Ver.	Action By	Action	Result
9/8/2020	1	City Council - Regular Session	adopted and numbered	Pass
9/1/2020	1	City Council - Regular Session	advanced to second reading	Pass

An Ordinance Approving the First Amendment to the Paragon Star Increment Financing Plan.
(Note: First reading by Council on September 1, 2020. Passed by the unanimous vote.)

Issue/Request:
Approval of the First Amendment to the Paragon Star TIF Plan.

Proposed City Council Motion:
I move for adoption of an Ordinance Approving the First Amendment to the Paragon Star Increment Financing Plan.

Key Issues:
The Developer has submitted a proposed First Amendment to the Paragon Star Tax Increment Financing Plan to (1) update the TIF Plan to reflect the scope of development set forth on the Preliminary Development Plans that have been approved by the City Council, and (2) facilitate a revenue bond financing for the Sports Complex portion of the project and the other TIF-reimbursable costs of the project.

The portions of the TIF Plan which are changed by the First Amendment are summarized as follows:

• Redevelopment Area and Project 3 Area - Approximately 23.9 acres of land at the intersection of I-470, Pryor Road and Quarry Park Road are proposed to be added to the Redevelopment Area and the Project 3 Area. Developer indicates that the parcels to be added will become a part of the overall development plan/strategy associated with Star Excavation's Land Reclamation project. Developer reports that it has reached a tacit agreement regarding acquisition of this land.

• Site Plan (Exhibit 3) and Development Schedule (Exhibit 5) - These exhibits are updated to match the

approved Preliminary Development Plans and current scheduling.

• Cost Benefit Analysis - This is updated to show the increased benefit to the taxing districts from the updated project information. The $60 million "revenue sharing" mechanism, summarized above on page 1, is maintained in the First Amendment and is projected by Developer to be an increased benefit to the taxing districts.

• The Project Budget (Exhibit 7) - The Budget is updated to reflect the new reimbursable amounts from all public sources and the increase private lending and equity contribution to Project 1.

• Sources of Funds (Exhibit 8) - The sources are updated to match the updated Project Budget.

• Evidence of Commitments to Finance (Exhibit 12) - The bank letters are updated to reflect the new private funding sources for $119.5M in private debt and the $51.2M equity contribution.

Background:
The City Council adopted Ordinance No. 7833 on March 10, 2016, designating the Redevelopment Area of the TIF Plan as a blighted area, approving the Redevelopment Plan, designating the Redevelopment Area as a "redevelopment area" as provided in the TIF Act and appointing the Developer as the developer for the Redevelopment Plan.

On June 19, 2020, Developer submitted the proposed First Amendment to the TIF Plan (the "First Amendment") which proposed to amend certain portions of the TIF Plan to conform to the land use approvals that have been granted by the City Council and to revise the Project Budget and other financial data in the TIF Plan to facilitate a revised finance package for the Sports Complex in the Redevelopment Area

On August 5, 2020 the Tax Increment Financing Commission ("TIF Commission") conducted a public hearing to consider the First Amendment and thereafter adopted Resolution 2020-2 which recommended that the City Council approve the First Amendment and take other actions associated with implementation of the TIF Plan as amended by the First Amendment

Other details about the history of the project and the approval of other incentives for the project are set forth in the attached Staff memorandum. A few other key background items are useful to establish a framework for review of the proposed First Amendment:

• The approved TIF Plan funds public improvements: The approved TIF Plan provides $13.1 million reimbursement for the Sports Complex portion of the project, site preparation costs for the Sports Complex, sewer and water improvements, and soft costs associated with these items. The approved TIF Plan funds does not fund private development in the Village.

• Revenue Sharing with the Taxing Districts: The approved TIF Plan includes an important "$60 million revenue sharing" feature through a declaration of Surplus PILOTs. All real property tax revenues resulting from the County's market valuation of the taxable property in Project 1, in excess of $60 million in market value as determined by the County on an annual basis, is shared equally (on a 50/50% basis) between the TIF Plan and the Taxing Districts that impose real property taxes. This is projected by Developer to result in substantial real property tax revenues for the taxing districts promptly upon full build-out of the project as discussed below.

• Uncaptured Tax Revenues: Only 50% of the sales tax revenues can be captured under the TIF Act. None of the personal property taxes are captured by TIF. None of the merchants and manufacturers inventory replacement tax (distributed to all taxing districts) is captured by TIF. The real property taxes generated by the State Blind Pension Fund and the Jackson County Board of Disabled Services are not captured by TIF. All state taxes are not captured by a local TIF. All of the uncaptured tax revenues flow to the appropriate taxing districts as normal.

Impact/Analysis:
The First Amendment would increase TIF reimbursement from about $13.1 million to $32 million.

Timeline:
The Developer's timeline provides for the following:

- Land Acquisition complete by December 31, 2020
- Blight Removal complete by November 1, 2025
- Construction complete by November 1, 2025

Other Information/Unique Characteristics:
Under both the approved TIF Plan and the proposed First Amendment, the proposal is for the issuance of revenue bonds that would be repaid solely from the TIF and CID revenues generated by the project. The City is not being requested to pledge general revenues for repayment of the bonds under the First Amendment.

David Bushek, Chief Counsel of Economic Development & Planning
Steve Arbo, City Manager

Recommendation: Staff recommends approval of the Ordinance.

Committee Recommendation: On August 5, 2020, the Lee's Summit Tax Increment Financing Commission approved Resolution 2020-2 by a 8-1 vote. The resolution makes the following recommendations to the City Council:

1. make and re-affirm the statutory findings which are required by the TIF Act to approve and implement the TIF Plan as amended by the First Amendment, and approve the First Amendment;

2. the TIF Agreement should be amended simultaneously with approval of the First Amendment to address the following:

(a) The terms and conditions upon which the City will consider the issuance of revenue bonds for Project 1;
(b) The terms and conditions under which the City property transaction with Developer shall be completed prior to or simultaneously with the issuance of revenue bonds for Project 1;
(c) The updated project data and information set forth in the First Amendment;

3. City staff shall to continue to review of the feasibility, advisability and structure of a revenue bond issuance with the City's financial advisor and bond counsel prior to the issuance of revenue bonds. The goal of this condition is to complete the following prior to a revenue bond issuance: (a) an update of the 2013 market studies that were conducted for Project 1, (b) ongoing evaluation of the retail, restaurant, office and sports

markets as the Covid health situation continues to evolve, (c) ongoing evaluation of the debt markets for the requested revenue bond issuance, and (d) evaluation of the appropriate terms and conditions under which a revenue bond issuance should occur, including the appropriate costs of issuance associated with such issuance.