

Legislation Details (With Text)

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| Title: | Conceptual Economic Development Incentive Requests for the Paragon Star Project through the Land Clearance for Redevelopment Authority: (1) Property Tax Abatement for Parking Garage, Paragon Star, LLC, applicant; and (2) Sales Tax Exemption on Construction Materials for Apartments, Gold Crown Properties, Inc., applicant | | |
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| Attachments: | 1. Paragon Star Ordinance & Resolutions Log, 2. Parking Garage Incentive Application, 3. Garage Plans, 4. Apartments Conceptual Presentation, 5. Apartments Aerial Image, 6. Apartment Plans | | |
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Conceptual Economic Development Incentive Requests for the Paragon Star Project through the Land Clearance for Redevelopment Authority: (1) Property Tax Abatement for Parking Garage, Paragon Star, LLC, applicant; and (2) Sales Tax Exemption on Construction Materials for Apartments, Gold Crown Properties, Inc., applicant

Issue/Request:

This is a conceptual presentation pursuant to the City's Economic Development Incentive Policy for two separate requests in connection with the Paragon Star project, both using the Land Clearance for Redevelopment Authority:

(1) Real Property Tax Abatement for the Parking Garage by Paragon Star, LLC ("Developer").

(2) Sales and Use Tax Exemption on construction materials for the apartments, requested by Gold Crown Properties, Inc. ("Gold Crown");

Key Issues:

Evaluation of incentive requests for the parking garage and apartments in the Paragon Star project.

Proposed City Council Motion:

No motion requested as this is only a conceptual presentation. The Developer and Gold Crown are seeking the City Council's feedback pursuant to the City's Economic Development Incentive Policy.

Background:

Paragon Star Incentive History

The City approved the original Paragon Star Tax Increment Financing (TIF) Plan through the adoption of Ordinance No. 7833 on March 10, 2016. The City approved the First Amendment to the TIF Plan through the adoption of Ordinance No. 8946 on September 8, 2020. The City and Paragon Star, LLC (the “Developer”) executed the Amended and Restated TIF Contract on September 8, 2020 (the “TIF Contract”).

The City Council has also approved other incentives for the Project. The City Council approved the I-470 and View High Community Improvement District (“CID”) through the adoption of Ordinance No. 7762 on December 3, 2015. The City Council approved Paragon Star Neighborhood Improvement District (“NID”) through the adoption of Ordinance No. 9234 on September 7, 2021 for the purpose of providing credit enhancement for the issuance of revenue bonds for the project. The City has adopted numerous other ordinances in connection with the incentives for the project, what are itemized in the attached ordinances and resolutions log for the project.

The Western Gateway Transportation Development District (“TDD”) was approved by the Jackson County Circuit Court on May 24, 2018. The TDD issued the Transportation District Sales Tax Bonds in February 2019 in the total amount of approximately \$31,773,000 which are funding the road improvements, bridges and the interchange improvements.

New Incentive Requests

1. Parking Garage.

The Developer is requesting that the City approve a Redevelopment Plan through the Land Clearance for Redevelopment Authority (LCRA) to provide real property tax abatement for 25 years for the Parking Garage. The Parking Garage is planned to be constructed in the North Village, which will serve the Apartments and which will also provide public parking for patrons of the commercial development. The projected cost of the Parking Garage is \$10,500,000 and is planned to have 513 parking spaces.

2. Apartments.

Gold Crown is requesting that the City approve an LCRA Redevelopment Plan for the purpose of provide sales and use tax exemption on the purchase of construction materials that are used to construct the apartments.

Impact/Analysis:

1. Parking Garage.

The Parking Garage is part of the TIF Redevelopment Project Area. All of the property tax revenues that will be generated by the project are already pledged under the TIF Plan to fund reimbursable project costs that are currently being funded by the Developer. As such, the City and the other taxing districts would not be receiving any property tax revenues that are generated by the project. Therefore, the property tax abatement request for the garage does not present a negative impact to the City because it does not result in any lost tax revenues for the City, it only results in incrementally less TIF revenues for the Developer.

In addition, Jackson County staff has indicated that the County may be considering a change in their taxation policy regarding the property tax treatment of parking garages. The County has preliminarily indicated a willingness to effectively assign the value of a parking garage to the developed property that is served by the

parking garage. If this happens, then Jackson County would be assigning a nominal amount of land value to the actual parking garage, and instead assign most of the parking garage value to the adjacent apartment and commercial property that is served by the parking garage. This means that the tax abatement request presents little to no tax impact to the overall project, in addition to the fact any abated property taxes simply means incrementally less TIF revenues to reimburse the Developer.

2. Apartments

Gold Crown has calculated that the sales and use tax exemption request will result in a savings of approximately \$1,262,000 to the company. The impact to the City of Lee's Summit from this request is projected to be about \$265,000.

Timeline:

The apartments and garage construction will commence this year.

For the Paragon Star Parking Garage request -

- William Brown, Paragon Star, LLC
- Christine Bushyhead, Bushyhead Law Firm

For the Gold Crown Apartments request -

- Curt Petersen, Polsinelli Law Firm

For the City for both requests -

Mark Dunning, Assistant City Manager

David Bushek, Chief Counsel of Economic Development and Planning

These requests will proceed to the LCRA Board of Commissioners if the Council provides favorable feedback.