

Legislation Details (With Text)

File #:	BILL NO. 23-031	Name:	
Type:	Ordinance	Status:	Passed
File created:	1/20/2023	In control:	City Council - Regular Session
On agenda:	2/7/2023	Final action:	2/14/2023
Title:	<p>An Ordinance authorizing the City of Lee's Summit, Missouri to issue taxable Industrial Development Revenue Bonds in a principal amount not to exceed \$35,000,000 in connection with the Raintree Village Phase I - Senior Residential Project; and authorizing certain documents and actions in connection therewith. (First read by Council on February 7, 2023. Passed by unanimous vote.)</p>		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. Ordinance, 2. Supporting Documents: Bond Documents		

Date	Ver.	Action By	Action	Result
2/14/2023	1	City Council - Regular Session	adopted and numbered	Pass
2/7/2023	1	City Council - Regular Session	advanced to second reading	Pass

An Ordinance authorizing the City of Lee's Summit, Missouri to issue taxable Industrial Development Revenue Bonds in a principal amount not to exceed \$35,000,000 in connection with the Raintree Village Phase I - Senior Residential Project; and authorizing certain documents and actions in connection therewith.
(First read by Council on February 7, 2023. Passed by unanimous vote.)

Issue/Request:

This is a the ordinance to approve the bond documents for the Chapter 100 Plan for the Scenic Development Senior Care Project in the Raintree Village area and authorizing the issuance by the City of its taxable industrial development revenue bonds in the aggregate principal amount of not to exceed \$35,000,000 of the maximum \$48,350,000 which is authorized by the Plan to finance costs of the project to be constructed by the company CCRC of Lee's Summit, LLC ("Developer"), which is an affiliate of Scenic Development. 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.

Motion:

I move for adoption of An Ordinance Authorizing the City of Lee's Summit, Missouri to Issue Taxable Industrial Development Revenue Bonds in a Principal Amount Not to Exceed \$35,000,000 in Connection With the Raintree Village Phase I - Senior Residential Project; and Authorizing Certain Documents and Actions in

Connection Therewith.

Background:

At the July 12, 2022 Council meeting, the City Council heard a conceptual presentation about the incentive request presented by Developer for this project and a community improvement district for the commercial portions of the project. 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.

At the December 13, 2022 City Council meeting, the Council held the public hearing for the Chapter 100 Plan and there after approved Ordinance No. 9572 on December 20, 2022, to approve the Plan.

The Project to be financed by the Bonds consists of the construction of a senior residential building of approximately 126 units, consisting of approximately 56 independent living units, 34 assisted living units and 40 skilled nursing beds (some of which will be in double-bed units), with 3 dining rooms with serving kitchens, a village center with various shared amenities, an underground parking garage, above ground drives and parking, community spaces, and ample green space and courtyards (the "Phase I Project"), to be situated on a portion of a 12.6 acre site located north of Missouri 150 Highway, between Arboridge Road and SW Arborlake Drive in Lee's Summit, Missouri

A later phase is planned to be a memory care facility of approximately 60 units (the "Memory Care Facility"), consisting of approximately five 12-unit households with separate kitchens and living spaces, a clubhouse with a kitchen and varied amenities, an enclosed courtyard with green space, trees, raised gardens, and patio spaces.

Impact/Analysis:

The total Project is expected to cost approximately \$48.4 million. This ordinance would approve the first phase which is projected to cost about \$35 million. The investment is anticipated to be made in 2023 through 2025 as shown in the Cost-Benefit Analysis, although the actual years of investment may vary based on Project implementation. 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 2023.

The sources of funds to be expended for the Project will be the proceeds of the Bonds in a principal amount not to exceed \$35,000,000, 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.

The analysis below is the information for the entire project.

The sales and use tax exemption for the entire project is projected to be a savings of about \$1,257,000 for the Developer, and the projected impact to the City from this exemption is approximately **\$492,000 (39.1%)**.

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 not for City ownership.

(2) during construction, the amount equal 50% of the estimated taxes otherwise due on the Project (calculated from a starting point of \$2,632 dollars per door, in 2022 dollars, with an inflation adjustment of 5.0% in each odd year after 2022) for units under construction, pro-rated by percentage of completion.

(3) from and after completion, for a period of 10 years, a fixed PILOT equal to 50% of the estimated taxes otherwise due on the Project, with an inflation adjustment of 5.0% in each odd year after 2022.

If, in any year after completion of the Project, the estimated assessed value for the Project provided by Jackson County, Missouri, applied to the then-current tax rates of all applicable taxing jurisdictions, would produce a lower PILOT payment (equal to 50% of the taxes otherwise due calculated in such fashion) than the fixed PILOT schedule, the lower PILOT payment will be charged.

The total PILOT payments are estimated in the Cost-Benefit Analysis. The projected impact to the City for the real property tax exemption is summarized as follows:

Total Abatement Value to Developer: \$3,204,000

City Portion: \$564,000

Total PILOTs: \$3,204,000

City Portion: \$564,000

PILOTs per unit in Year 1: \$2632

The total impact to the City from the two requested incentive mechanisms is about **\$1,056,000**. The total projected PILOTs to be made to the City through the construction period and the 10-year abatement period is **\$564,000**.

Timeline:

If the Chapter 100 incentive is approved, the project is expected to begin in 2023 and the construction will last through 2025.

David Bushek, Chief Counsel of Economic Development & Planning

David Martin, Gilmore & Bell