

Legislation Details (With Text)

File #:	BILL NO. 23-033	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:	An Ordinance authorizing the City of Lee's Summit, Missouri to issue Taxable Industrial Development Revenue Bonds in a principal amount not to exceed \$72,200,000 in connection with the Summit Square III Apartments Project; and authorizing certain documents and actions in connection therewith. (First read by Council on February 7, 2023. Passed by unanimous vote.)		

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 \$72,200,000 in connection with the Summit Square III Apartments 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 an ordinance to approve the bond documents for the Chapter 100 Plan for the Summit Square Phase III Apartments Project and authorizing the issuance by the City of its taxable industrial development revenue bonds in the aggregate principal amount of not to exceed \$72,200,000 to finance costs of the residential project to be constructed by the company NorthPoint Development, LLC ("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 has received approval of a Chapter 100 Plan to provide incentives in the form of 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 second reading 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 \$72,200,000 in Connection With the Summit Square III Apartments Project; and Authorizing Certain Documents and Actions In Connection Therewith.

Background:

At the October 4, 2022 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.

On December 20, 2022, the City Council passed Ordinance No. 9570 which approved the Chapter 100 Plan for the Summit Square Phase III Apartments Project.

The Project to be financed by the Bonds consists of a two-building, multi-story apartment complex with approximately 324 units with brick and siding facades, including an integrated clubhouse with exercise facilities and a rock-climbing wall, approximately 565 parking stalls, a salt-water swimming pool, and greenspace (the "Project"), to be situated on approximately 11.83 acres located between Outerview Road and NW Ward Road, to the north of NW Chipman Road in Lee's Summit, Missouri.

Impact/Analysis:

The Project is expected to cost approximately \$72.2 million. The investment is anticipated to be made in 2023, 2024 and 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 \$72,200,000, 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 sales and use tax exemption is projected to be a savings of about \$1,823,000 for the Developer, and the projected impact to the City from this exemption is approximately **\$660,000 (36.2%)**.

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 \$1,800 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 \$1,800 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 for the real property tax exemption is summarized as follows:

Total Abatement Value to Developer: \$2,649,000
City Portion: \$466,000

Total PILOTs: \$6,954,000
City Portion: \$1,223,000
Pilots per unit in Year 1: \$1854

The total impact to the City from the two requested incentive mechanisms is about **\$1,126,000**. The total projected PILOTs to be made to the City through the construction period and the 10-year abatement period is **\$1,223,000**.

Developer is also proposing to make a voluntary payment to the City in the amount of **\$250,000**, which can be expended by the City as general fund revenues. This payment will be handled in the implementation documents.

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