

Legislation Text

File #: 2023-5416, **Version:** 1

Public Hearing: Amended and Restated Chapter 100 Plan for the Town Centre Industrial Project; Independence Safety Storage North II, LLC, applicant (affiliate of Ward Development)

Issue/Request:

This is a public hearing for the requested approval of the Amended and Restated Plan for an Industrial Development Project and Cost-Benefit Analysis for the Town Centre Industrial Project and authorizing the issuance by the City of its taxable industrial development revenue bonds in the aggregate principal amount of not to exceed \$24,500,000 to finance costs of the industrial project for Independence Safety Storage North II, L.L.C., which is an affiliate of Ward 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:

The Project to be financed by the Bonds is proposed to be one industrial building and related public improvements, anticipated to be 250,000 square feet, which will be used for warehousing, distribution, and /or manufacturing purposes. The Project will include the installation of a water main following the road along the northern portion of the Project Site (the "Public Improvements"). The Project will be constructed on approximately 22 acres bounded generally by NE Town Centre Boulevard to the north and west, NE Independence Avenue to the east and NE Town Centre Drive to the south, in Lee's Summit, Missouri, which acreage is referred to as the "Project Site."

Background:

In October 2022, 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 6, 2022, the City Council held a public hearing on the original Plan and thereafter approved Ordinance No. 9560 on December 13, 2022 which approve the Plan for a project sizing in the original amount of \$17.8 million. Based on information from the Developer, the reasons for the Amended and Restated Plan are as follows:

- As this project was conceived last summer, initial pricing estimates were gathered by developer.
- These estimates were then used when the developer submitted the proposed Ch. 100 request to the City in September 2022 (\$17,800,000).
- Following the City's approval of the Chapter 100 Plan in December, developer moved forward with formal construction pricing and beginning conversations with lenders.
- It is during this process in January 2023 that Developer encountered two items that necessitate increasing the Chapter 100 bond issuance amount:

- o The formal pricing exercise revealed that the initial cost estimation received omitted several key scopes, causing the estimates to understate costs.
- o Formal pricing 6-7 months later has encountered higher costs.
- When factoring in those items, and adding a healthy additional construction contingency to ensure this does not happen again between now and the start of construction, developer calculated the new requested maximum bond issuance amount of \$24,500,000.

Impact/Analysis:

The Project is expected to cost approximately \$24.5 million, consisting of investments made in the years 2022 through 2023. **The increase in total project costs is the only substantive change from the 2022 Plan that was approved by the City Council.** The Project to be financed by the Bonds consists of one industrial buildings and related public improvements, anticipated to be 250,000 square feet to be used for warehousing, distribution, and/or manufacturing purposes.

PILOTS -

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

- (1) during the project construction period, a PILOT calculated to represent 22% of the taxes that would otherwise be due on the partially completed Project improvements, but in no case less than \$70,052 each year,
- (2) in years 1 through 10 after project completion, a PILOT calculated to represent 22% of the taxes that would otherwise be due on the completed Project improvements, and
- (3) in years 11 through 20 after project completion, a PILOT calculated to represent 50% of the taxes that would otherwise be due on the completed Project improvements.

The PILOT amounts may be fixed by agreement at the time of bond issuance, subject to adjustment at completion of the Project. The total PILOT payments are estimated in the Cost-Benefit Analysis.

The Project will include the installation of a water main following the road along the northern portion of the Project Site (the “Public Improvements”). In addition to the PILOTS, the Company will be required under the lease to pay special assessments calculated to pay a portion of the costs of the Public Improvements over time. Such special assessments will be paid to the City and used to reimburse costs incurred in the construction of the Public Improvements. The effective PILOTS, tax abatement and special assessments during the life of the Chapter 100 Plan are as follows:

Years 1-10:

75% Abatement

3% Public Improvements Assessment

22% PILOTS

Years 11-20:

50% Abatement

50% PILOTS

Timeline:

Start: 2023

Finish: 2024

Other Information/Unique Characteristics:

This is the third major industrial development for which the City is being requested to issue Chapter 100 bonds.

Curt Petersen, Polsinelli Law Firm

David Bushek, Chief Counsel of Economic Development and Planning