GENERAL

140606

Ordinance Fact Sheet **Ordinance Number**

Brief Title **Approval Deadline Reason**

First Amendment to the Bannister & I-435 TIF Plan Redevelopment Project Area 10

Details

Redevelopment Plan Area: The Redevelopment Area is generally bounded by I-435 to the West, East 87th Street to the North, the Kansas City Southern Railways railroad right-of-way to the East and Bannister Road to the South in Kansas City, Jackson County, Missouri.

Redevelopment Project Area 10: Redevelopment Project 10 provides for the construction of an approximately 445,000 square foot office building.

Purpose of the First Amendment to the Bannister & I-435 TIF Plan: The First Amendment provides for modifications to the original TIF Plan, as described above, (1) to expand the boundaries of the Redevelopment Area, which also will alter the boundaries of certain Redevelopment Project Areas and add two additional Redevelopment Project Areas, (2) to alter the Site Plans, (3) to update the Construction and Employment Information by Project Area, (4) to increase the Budget of Estimated Redevelopment Costs, (5) to modify Development Schedules, (6) to update the Payment in Lieu of Taxes and Economic Activity Taxes estimates, (7) to update Sources and Uses of Funds, (8) to modify the Cost Benefit Analysis, (9) to modify the Evidence of "But for" test, (10) to modify the Existing Conditions Study (Blight Study), (11) to update the Evidence of Financing, (12) to modify the Acquisition and Disposition of Property, (13) to update the Redeveloper Affidavit and to make any other necessary modifications to portions of the TIF Plan which may be impacted by any of the foregoing.

Notices: In accordance with the Section 99.830 of the Revised Statues of Missouri, staff prepared and delivered all required notices of the original public hearing schedule for July 9, 2014 which was continued to a Special TIF Commission meeting on July 15, 2014.

Notice was sent to all affected taxing jurisdictions by certified mail on May 23, 2014. Staff prepared and published notices in The Pulse on June 11, 2014 and July 2, 2014; in the Kansas City Call on June 13, 2014 and July 4, 2014; and in the Kansas City Hispanic News on June 12, 2014 and July 3, 2014.

Staff prepared and delivered notices by certified mail on June 24, 2014 and June 28, 2014 to the person or persons in whose names the general taxes for the last preceding year were paid on each lot, block, tract or parcel of land located within the redevelopment project or plan area, which shall be subjected to payments in lieu of taxes and economic activity taxes.

Redevelopment Program to be Undertaken in Connection with First Amendment and General Land Uses:

The First Amendment contemplates the approval and designation of sixteen (16) (as opposed to fourteen (14) described by the TIF Plan) Redevelopment Project Areas within the expanded Redevelopment Plan Area.

The First Amendment calls for the construction of an approximately 4,714,000 square foot mixed-use office campus completed in sixteen phases, as well as certain off-site infrastructure improvements.

Included in the First Amendment is the construction of approximately 3,674,000 square feet of office space, an approximately 75,000 square foot daycare facility, approximately 249,000 square feet of retail space, approximately 121,000 square feet of space for a 170-room hotel, approximately 240,000 square feet of data center space, approximately 55,000 square feet of medical clinic space, an approximately 300,000 square foot conference/training center which will include accommodations for visiting guests/employees, approximately 15,071 parking

spaces and all necessary infrastructure to support such improvements, including site preparation, utility constructions and relocation, curbs, sidewalks, aesthetic improvements, landscaping and other improvements.

It should be noted that the First Amendment in no way alters or modifies the provisions in the TIF Plan concerning the Redeveloper's intent and commitment to enter into an agreement with the City of Kansas City, Missouri to provide funding for educational programs and initiatives, and impacted neighborhoods for neighborhood programs and improvements.

Redevelopment Project Costs: The First Amendment provides for a modification to the estimated Redevelopment Project Costs which increases the Redevelopment Project Costs budget by an estimated $156,016,231. The estimated Redevelopment Project Costs to the Redeveloper are approximately $2,706,992,416, which include approximately $1,745,414,836 in Reimbursable Project Costs.

The Reimbursable Project Costs will increase by approximately $110,262,594. This includes approximately $773,863,116 in Reimbursable Project Costs to be reimbursed from TIF Revenue (as defined by the First Amendment to mean PILOTS and EATS) and approximately $317,158,054 in Reimbursable Project Costs to be reimbursed from Super TIF Revenue (as defined by the First Amendment to mean the remaining 50% of the EATS that the City would otherwise collect within its General Fund and which may be appropriated to fund Reimbursable Costs) and approximately $654,393,666 in Reimbursable Project Costs to be reimbursed from State Supplemental TIF (as defined by the TIF Act). The Reimbursable Project Costs are identified in Exhibit 5A, attached to the First Amendment.

Projections and Application of Payments in Lieu of Taxes and Economic Activity Taxes: The total estimated projected the Payment in Lieu of Taxes to be deposited within the Special Allocation Fund for the sixteen Redevelopment Project Areas while tax increment financing remains in effect is approximately $454,597,162.

The total estimated projected Economic Activity Taxes to be deposited in the Special Allocation fund while tax increment financing remains in effect are approximately $319,265,955.

Additionally, Super TIF Revenue and State Supplemental TIF will be utilized to pay Reimbursable Project Costs. The projected Super TIF Revenue to be collected by the City is approximately $317,158,053 and projected State Supplemental TIF to be collected by the State is approximately $654,393,666.

Anticipated Sources of Funds and Evidence of Commitments to Finance: The Developer will acquire necessary property and construct the Project Improvements described by the TIF Plan and as modified by the First Amendment, through the use of private capital in the form of equity and/or debt financing. The Developer has provided a letter indicating the ability to finance the Project Improvements, which is attached to the First Amendment as Exhibit 14.

Initial Equalized Assessed Value: The total initial equalized assessed valuation of the Redevelopment Area, as modified by the First Amendment, according to current records at the Jackson County Assessor's Office is approximately $3,808,477. The 2013 combined ad valorem property tax levy was $10.6575 per $100 assessed valuation. The 2013 annual ad valorem tax revenue from the Redevelopment Area was approximately $400,691.

Estimated Assessed Value After Redevelopment: Following the completion of all of the Redevelopment Projects, it is estimated that the assessed value of the property will increase to approximately $219,464,000.

Recommended Statutory Findings:

Blight: The Redevelopment Area, is a Blighted Area, as defined by the Act, and the development contemplated by the Redevelopment Plan, as modified by the First Amendment, is in the public interest because it will alleviate defective and inadequate infrastructure in the area, alleviate

conditions that create economic liability and underutilization and increase employment in and enhance the tax base of the City.

The First Amendment includes twelve (12) additional parcels to be added to the Redevelopment Area.

An independent Blight Study of theses twelve (12) additional parcels was undertaken by Belke Appraisal and Consulting Services, Inc. as part of the First Amendment to the Plan. The Blight Study demonstrates evidence of defective or inadequate street layout, deterioration of site improvements, unsanitary and unsafe conditions along with and other blighting conditions stated within Section 99.805 RSMo.

But-For Analysis: The Redevelopment Area, as amended by the First Amendment, has not been subject to growth and development through investment by private enterprise, as affirmed by the Redeveloper Affidavit, attached as Exhibit 14, and would not reasonably be anticipated to be developed without the adoption of tax increment financing due to the substantial costs of the Project Improvements and the TIF Plan is accompanied by an affidavit, signed by the Redeveloper, attesting to this statement.

In the analysis, Springsted Incorporated reviewed the financial information associated with the First Amendment, examining Tax Increment Financing assistance for the Project Improvements and related public infrastructure. The report examined the assumptions provided by the Developer and a sensitivity analysis was conducted which revised the Developer's assumption related to the capitalization rate.

Two scenarios for the internal rate of return for this project were calculated based upon a 15% capitalization rate, provided by the Developer and a 10% capitalization rate, which Springsted Incorporated used as an alternative assumption for illustrative purposes.

Under the Developer's 15% capitalization rate scenario, the internal rate of return without any incentives for the Project Improvements would be a rate of return of -12.95%, with TIF Revenue, a rate of return of -5.26%, with TIF Revenue and City Supplemental TIF ("Super TIF"), a rate of return of -2.91%, with TIF Revenue, City Supplemental TIF ("Super TIF"), and State Supplemental TIF, a rate of return of 1.30%, and with TIF Revenue, City Supplemental TIF ("Super TIF"), State Supplemental TIF and the Hotel Revenues captured under Super TIF, a rate of return of 1.35%.

Under the alternative capitalization rate scenario, at 10%, the internal rate of return without any incentives for the Project Improvements would be a rate of return of -7.89%, with TIF Revenue, a rate of return of -1.82%, with TIF Revenue and City Supplemental TIF ("Super TIF"), a rate of return of -0.14%, with TIF Revenue, Super TIF, and State Supplemental TIF, a rate of return of 3.77%, and with TIF Revenue, Super TIF, State Supplemental TIF and the Hotel Revenues captured under Super TIF, a rate of return of 3.81%.

Based upon Korpacz/Price Waterhouse Cooper Real Estate Investor Survey prepared for the second quarter of 2014, which was relied upon by Springsted Incorporated in its analysis, the typical unleveraged market return necessary for a Developer to pursue a project of this nature falls in a range from 6% to 11%; with an average return of 7.89%. Based upon the two internal rates of return scenarios, under the 10% capitalization rate the project does not meet even the lowest end of the range of 6% with all incentive revenue streams being redirected for the Project Improvements.

Under the Developer's assumption of a 15% capitalization rate, the Developer indicates a return of 1.35% is necessary to proceed with the Project and for this rate of return all incentive revenues streams must be redirected to the Project Improvements.

Based upon the financial analysis, Springsted Incorporated's report concluded that the TIF Plan, as modified by the First Amendment, would not occur on this site at this time without a public incentive.

Conforms to the City's Comprehensive Plan: The proposed Redevelopment Area, as modified by the First Amendment, is currently zoned UR, but will require a modification to the existing UR zoning. It is anticipated the UR zoning case will be heard in

Summer 2014. The TIF Plan conforms with the FOCUS Plan as well as the Hickman Mills Area Plan.

Estimated Date of Completion: The Plan, as modified by the First Amendment, contains both the estimated date of completion of for all sixteen (16) Redevelopment Project Areas and estimated dates for the retirement of obligations incurred to finance redevelopment project costs, and said dates are not more than twenty-three (23) years from the adoption of an ordinance approving the Redevelopment Project Areas. It is anticipated that all sixteen (16) Redevelopment Project Areas will be completed by Fall 2025.

Cost Benefit Analysis: The First Amendment contains a cost-benefit analysis, attached as Exhibit 8 to the Plan, which describes the economic impact of the TIF Plan, as modified by the First Amendment, on each Taxing District. The analyses include a fiscal impact study on every Taxing District, and sufficient information for the Commission and the City to evaluate whether this TIF Plan, as modified by the First Amendment, is financially feasible.

The cost benefit analysis contains a fiscal impact study which covers the life of the Tax Increment Financing Plan, which is a 30 year time period. ***The cost-benefit analysis includes two separate scenarios to analyze the costs: one scenario assumes that costs are variable and increase on a pro rata basis as new residents are added within a taxing jurisdiction, an average cost approach, and the second scenario assumes that 50% of each jurisdiction's costs are fixed and the remaining 50% of such costs are variable, a marginal cost approach.***

Under the average cost scenario, the cost benefit study identifies, a net fiscal cost of -$138,780,695 for the City of Kansas City, Missouri, -$100,643,972 for Jackson County, -$2,258,788 for Mental Health Fund, -$1,738,377 for the Developmental Disability Services of Jackson County, -$9,678,856 for the Mid-Continent Library, -$18,721,603 for the Metropolitan Community College and a net fiscal benefit of $3,666,141 for the Blind Pension Fund, $5,503,262 for the Kansas City Zoological District, $154,269,952 for the Hickman Mills School District, and $4,512,448,857 for the State of Missouri.

Under the marginal cost scenario, the cost benefit study identifies, a net fiscal benefit of $230,645,248 for the City of Kansas City, Missouri, $23,746,681 for Jackson County, $1,365,320 for Mental Health Fund, $662,869 for the Developmental Disability Services of Jackson County, $2,476,678 for the Mid-Continent Library, $3,417,438 for the Blind Pension Fund, $8,690,591 for the Kansas City Zoological District, $177,769,490 for the Hickman Mills School District, and $5,249,695,481 for the State of Missouri and a net fiscal cost of -3,890,627 for the Metropolitan Community College.

Gambling Establishment: The Bannister & I-435 TIF Plan does not include development or redevelopment of any gambling establishment.

Policy Considerations

Affirmative Action: Staff met with the Developer and a representative from the Human Relations department to discuss the Affirmative Action Policy. The Developer has executed an Officer's Certificate, which certifies that the Developer has read and understands the Commission's Affirmative Action policy and intends to comply with it terms and conditions.

Neighborhood and Taxing Districts: Staff held a meeting with the taxing jurisdictions to discuss the project and cost benefit analysis. The Developer has indicated they have contacted property owners whose property is located within the Redevelopment Project Area.

Recommendation:

At the July 15, 2014 TIF Commission meeting, the TIF Commission made the following recommendation:

Approval of the First Amendment to the Bannister & I-435 TIF Plan along with the two additional Redevelopment Project Areas described by the First Amendment and forward to City Council for approval.

Sponsor	
Programs, Departments, or Groups Affected	**Council District** 5th District (Circo and Brooks) **Other Districts (school, etc.,)** Hickman Mills School District, Jackson County, and the Mid-continent Library District
Applicants / Proponents	**Applicant** **City Department** **Other:**
Opponents	**Groups or Individuals:** **Basis of opposition:**
Recommendation	At the July 15, 2014 TIF Commission meeting, the TIF Commission made the following recommendation: Approval of the First Amendment to the Bannister & I-435 TIF Plan along with the two additional Redevelopment Project Areas described by the First Amendment and forward to City Council for approval.
Board or Commission Recommendation	**By** Tax Increment Financing Commission (Votes: 8 Yes, 0 No) TIF Resolution No. RES 7-14-14, RES 7-15-14 Date: July 15, 2014

Council Committee Actions	

Fact Sheet Prepared by:
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