

GENERAL

Ordinance Fact Sheet

211016

Brief Title:

Approving an Industrial Development Plan and authorizing the issuance of industrial revenue bonds in an amount not to exceed \$84,000,000 for a project located at 27th St. and Grand Blvd

Reason: To acquire, purchase, construct and equip the real and personal property as described for Fidelity Security Life Insurance Company, Inc. located at 27th St. and Grand Blvd

Details

Positions / Recommendations

<p>Reason for Legislation</p> <p>The project will consist of constructing a new facility in midtown Kansas City at a site generally located at the intersection of 27th & Grand Blvd. with Class A offices. Bonds will be issued in one or more series of taxable Chapter 100 industrial development revenue bonds not to exceed \$84,000,000</p>		<p>Sponsor(s) CM Shields</p>
<p>Discussion</p> <p>Fidelity Security Life Insurance Company, Inc. is seeking approval of an Industrial Development Plan which will authorize a total of 15 years of real property tax abatement structured as 10 years of 70% tax abatement in years 1-10, 30% tax abatement in years 11-15, and a sales tax exemption on construction materials during the construction period (first 24 months), and the issuance of taxable industrial development revenue bonds in a maximum aggregate principal amount not to exceed \$84,000,000 to facilitate financing of the project.</p> <p>This legislation also authorizes and approves various agreements for the purpose of setting forth covenants, agreements and obligations of the City and Fidelity Security Life Insurance Company, Inc., and its affiliates or designees; authorizing and approving certain other documents; and authorizing certain other actions in connection with the issuance of said bonds</p>	<p>Programs, Departments, or Groups Affected</p> <p>The following taxing jurisdictions will be affected by the Project: City of Kansas City, Missouri, Jackson County, Missouri, Kansas City Public Schools, Jackson County Community Mental Health Fund, Development Disabilities Fund, State of Missouri, State Blind Pension Fund, Kansas City Public Library, and Metropolitan Community College.</p>	
	<p>Applicants/Proponents</p>	<p>Applicant Fidelity Security Life Insurance Company, Inc.</p> <p>City Department</p> <p>Other</p>
	<p>Opponents</p>	<p>Groups or Individuals</p> <p>Basis of Opposition</p>
	<p>Staff Recommendation</p>	<p><input type="checkbox"/> For (EDCKC) <input type="checkbox"/> Against Reasons Against:</p>
	<p>Board or Commission Recommendation</p> <p>TIF Commission of KCMO</p>	<p><input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> No Action Taken <input type="checkbox"/> For, with revisions or conditions</p>
	<p>Council Committee Action</p>	<p><input type="checkbox"/> Do Pass <input type="checkbox"/> Do Pass (as amended) <input type="checkbox"/> Committee Substitute <input type="checkbox"/> No Recommendation <input type="checkbox"/> Hold <input type="checkbox"/> Do Not Pass</p>

Details

Policy / Program Impact

<p>The Company is proposing to make annual payments in lieu of taxes (“PILOTS”) to the City in an amount equal to 30% of the assessed value in years one through ten and 70% of the assessed value in years eleven through fifteen. This would be a waiver of the City’s current Ch 100 policy (Resolution 041033) which limits the duration of abatement to 10 Years. Prior to the issuance of a certificate of occupancy, the Company will pay PILOTS equal to the amount of real property taxes paid in the year prior to the property being transferred to the City.</p>		<p>Policy or Program Change</p>	<p><input type="checkbox"/> No <input checked="" type="checkbox"/> Yes</p> <p>Maximum duration for Ch 100 bonds pursuant to Ordinance 041033 is 10 Years. This applicant is seeking 15 years of abatement.</p> <ul style="list-style-type: none"> • Years 1-10 = 70% abatement • Years 11-15 = 30% abatement
<p>The sales tax on construction materials exemption for the Project will be for a period of 24 months for all construction materials included in the Project. EDC staff estimates total sales tax exemption to be \$2,229,120 during the construction period, of which \$777,600 will come from the City and property tax exemption to be \$7,510,651 of which \$1,585,909 will come from the City. These are estimates and not a guarantee.</p>		<p>Operational Impact Assessment</p>	
<p>Fidelity Security Life Insurance Company, Inc. and the City have agreed to an incentive clawback agreement. The clawbacks are based on target annual payroll and cumulative capital investment thresholds with identified performance dates.</p>		<p>Finances</p>	
<p>The Developer is requesting STECM and abatement of real property taxes (above current predevelopment taxes) generated for 15 years under PIEA, including 70% abatement in Years 1-10 and 30% abatement in Years 11-15.</p> <p>The but-for analysis indicates that the Project, as presented, would require public assistance to be financially viable. The factors contributing to the Project’s need for assistance include: * Open space requirements of the Seller which require the Developer to</p>		<p>Cost and Revenue Projections</p>	<p>Cost of Legislation</p> <p>Chapter 100 Bond issuances are considered "conduit debt" of the City solely repaid by Fidelity Security Life Insurance Company, Inc. The bond issue will not count against the city's debt capacity and will only appear on the City's financial statements as a footnote. Payment of principal and interest is payable solely out of certain payments derived by the City from the lease.</p>

<p>acquire more land than needed to accommodate the Project;</p> <ul style="list-style-type: none"> * Curvilinear design of the Project impacts overall development costs and the efficiency and cost of structured parking; and * Higher level of buildout that is not supported by anticipated Project rents. <p>With the requested level of assistance, the Project achieves a stabilized yield on cost that falls within a market-appropriate range and unleveraged IRR that falls below the benchmark range. A reduced level of assistance, in which the property tax abatement is reduced from 15 to 10 years, has a minimal impact on returns.</p> <p>The Developer stated an intent to hold the Project over the long term. In many situations where a long-term hold is contemplated, a developer will consider stabilized yield on cost as the primary indicator of project viability</p>		<p>Fund Sources</p>	<p>Chapter 100 Bonds</p>
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Applicable Dates: Neighborhood Planning and Development Committee: 12/1/21

Fact Sheet Prepared By:

David Leader, Development Services Specialist, Economic Development Corporation of Kansas City, MO

Reviewed By:

Kerrie Tyndall, Assistant City Manager, City of Kansas City, MO

Reference Numbers