West Bottoms Public Infrastructure

Committee Substitute for Ordinance No. 240647

July 30, 2024

Finance, Governance and Public Safety Committee

CS for Ordinance No. 240647

- Establishes 2025B Special Obligation Projects Fund
- Estimates and appropriates **$14.85 million in special obligation bond proceeds**
- Authorizes a construction contract with Infrastructure Solutions, Inc. in the amount of $14.8 million funded from:
  - Special obligation bond proceeds
  - Previously appropriated funds - Water bond proceeds and Sewer fund balance
- Authorizes a reimbursement agreement with PIEA for design professional services

Overview of Public Improvements

- Ordinance 221064 approved a **Pre-development Agreement for West Bottoms**
- **Public infrastructure in two phases** including water mains, sanitary sewers, storm sewers, streets, curbs & sidewalks, streetscape, and streetlights.
  - Expected to encourage the development of 108,000 sq ft of office, 108,300 sq ft of retail, 589 multifamily units, which may include affordable units, and 40 hotel rooms
- **City Special Obligation Bonds anticipated to be issued in at least three (3) tranches**
  - TIF Economic Activity Taxes (EATs)
  - Additional City EATs
  - Community Improvement District (CID) sales tax (90%)
  - Any legally available revenue of the City – **annual appropriation pledge**
- If Developer completes Phase 1 of Private Development and provides notice of its intent to proceed with further phases, the City shall undertake construction of the Phase 2 Public Improvements.

Financial Plan - Phases 1a and 1b

Public Improvements

	FY 2025	FY 2026	FY 2027	Total
Ordinance 240647	$ 14,850,000	$ -	$ -	$ 14,850,000
Existing Approps	$ 4,564,173	$ -	$ -	$ 4,564,173
Phase 1a (tranche 1)	$ 19,414,173	$ -	$ -	$ 19,414,173
Phase 1a (tranche 2)	$ -	$ 12,000,000 ①	$ -	$ 12,000,000
Phase 1b	$ -	$ -	$ 11,000,000 ①	$ 11,000,000
Total	$ 19,414,173	$ 12,000,000	$ 11,000,000	$ 42,414,173

① Project costs estimated

Financial Plan – Phase 1a

Phase 1a Public Improvements (tranche 1)

▪ Infrastructure Solutions	$ 14,771,134
▪ Design Work	$ 3,600,000
▪ Inspection Services	$ 873,400
▪ Financial	$ 75,000
▪ Legal	$ 50,000
▪ Contigency	$ 44,639
	$ 19,414,173
Credit for Previously Appropriated Funds:	
▪ Water Mains	$ (1,914,173)
▪ Sewers	$ (2,650,000)
	$ (4,564,173)
Special Obligation Bond Proceeds	$ 14,850,000

Financial Plan – Phase 1a (Tranche 1)

- Tax Exempt Special Obligation Bonds to be sold in **April 2025**
- Debt Service to begin in FY 2026
- Bond Proceeds will include:
  - $14,850,000 Project Fund
  - $598,000 of Capitalized Interest
  - Cost of Issuance and Underwriting
- **Projected coverage ratio >1.25x, per codified Debt Policy**

Financial Plan – Phase 1a (Tranche 2)

- Tax Exempt Special Obligation Bonds to be sold in **April 2026**
- Debt Service to begin in FY 2027
- Bond Proceeds will include:
  - $12,000,000 Project Fund
  - $575,000 of Capitalized Interest
  - Cost of Issuance and Underwriting
- **Projected coverage ratio >1.25x, per codified Debt Policy**

Financial Plan – Phase 1b

- Tax Exempt Special Obligation Bonds to be sold in **April 2027**
- Debt Service to begin in FY 2028
- Bond Proceeds will include:
  - **$11,000,000 Project Fund**
  - $560,000 of Capitalized Interest
  - Cost of Issuance and Underwriting
- **Projected coverage ratio <1.25x**
  - $8,450,000 Project Fund would comply with Debt Policy

Project Improvements (Somera Road)

- **2026 – Moline Plow, Perfection Stove, Firehouse**
  - 121 residential units – 32,752 sq ft office – 50,476 sq ft retail
- **2027 – Avery, Crooks Terminal, Weld Wheel (1)**
  - 290 residential units - 75,250 sq ft office - 45,404 sq ft retail
  - 40 hotel rooms
- **2030 – Boxing Gym (1)**
  - 178 residential units – 12,457 sq ft retail

(1) New construction project

Project Revenues

- **$86,451,234 estimated over 35 years**
  - Increased taxes generated by Somera Road developments
  - Redeveloped as 7 TIF projects
  - $43,414,347 of TIF EATs (City, County, Zoo, CID)
  - $36,389,348 of Additional EATs (City Super TIF)
  - $6,647,539 of CID Revenue (remaining 40%)

Risks with Special Obligation Bond

- **The private development may not occur in total or in part** which would impact the TIF Revenues.
  - Mitigation: Permits issued in July 2024 for Perfection Stove and Moline Plow buildings
- **Voters may not renew certain taxes** which would impact the TIF Revenues.
  - Sales Tax Expirations: Public Safety – 06/30/26, Fire – 12/31/36, Capital Improvements – 12/31/38
  - Earnings Tax Expiration – 12/31/26 - Subject to renewal every 5 years - 10-year stepdown if not renewed
- The private development may not generate the projected TIF Revenues.
  - SB Friedman (Third Party Analysis) reviewed the developer's TIF projections
  - TIF Revenue projections included in the TIF Plan have been revised to be based on Kansas City tax data rather than national data
  - **To the extent projected revenues are not adequate to pay debt service, the City will make debt payments from any legally available revenue source (the City's annual appropriation pledge).**

Building Permits issued in July 2024

Moline Plow Building

Perfection Stove Building

Questions?