

## Ordinance Fact Sheet

## Ordinance Number

## Brief Title

## Approval Deadline

## Reason

**Revised Commerce Tower Village TIF Plan****Details****Purpose:****Approval of the Revised Commerce Tower Village Tax Increment Financing Plan****Redevelopment Plan Area:**

The Redevelopment Area is generally bounded by E. 9<sup>th</sup> Street on the north, the north-south alley lying east of and parallel to Main Street on the east, E. 10<sup>th</sup> Street on the south, and Main Street on the west in Kansas City, Jackson County, Missouri

**Discussion:**

**General Description of the Redevelopment to be Undertaken:** The development contemplated by the Plan includes the historic rehabilitation of the 31-story Commerce Tower building located at 911 Main Street, and the adjacent parking garage located at 921 Main Street, and such development shall include approximately 90,000 sq. ft. of commercial/retail uses, including an early childhood learning center, a private elementary school and a graduate school, approximately 342 market-rate apartments on floors 7-30, an indoor dog park and outdoor greenspace, along with all necessary infrastructure and public improvements (the "Project Improvements").

**Redevelopment Project Costs:** The estimated Redevelopment Project Costs to implement the Plan are approximately \$126,212,726 plus costs of financing and costs of formation estimated to be \$12,000,000 for a total of \$138,212,726. The estimated Reimbursable Project Costs to implement the Plan are approximately \$7,000,000 plus costs of financing and costs of formation equal to \$12,000,000 for a total of \$19,000,000. This includes approximately \$18,422,699 in Reimbursable Project Costs to be reimbursed from Payments in Lieu of Taxes (PILOTS) and Economic Activity Taxes (EATS) (collectively, "TIF Revenue") and approximately \$577,361 in Reimbursable Project

Costs to be reimbursed from a 1% sales tax to be imposed by a community Improvement District ("CID Revenues"). The Reimbursable Project Costs are identified on Exhibit 5A, attached to the Plan.

**Projections and Application of Payments in Lieu of Taxes and Economic Activity Taxes:** The Redeveloper has secured approval for Missouri Chapter 99 benefits in the form of 100% real property tax abatement for ten (10) years for the improvements located within the Redevelopment Project Areas; therefore, no Payment in Lieu of Taxes will be captured and deposited into the Special Allocation Fund to pay for any Reimbursable Project Costs during the first ten (10) years Tax Increment Financing shall be authorized within the Redevelopment Project Areas. The estimated Payments In Lieu of Taxes to be generated within the Redevelopment Project Areas and deposited into the Special Allocation Fund during years 11 through 23 and available to pay Reimbursable Project Costs are approximately \$21,116,099.

The estimated total Economic Activity Taxes generated within the Redevelopment Project Areas and deposited into the Special Allocation Fund while Tax Increment Financing is authorized and available to pay Reimbursable Project Costs is approximately \$4,319,928.

**Anticipated Sources of Funds and Evidence of Commitments to Finance:** Redeveloper will acquire all necessary properties and construct the Project Improvements through the use of private capital in the form of equity, debt financing, TIF Revenue and CID Revenue, which may be pledged to secure Obligations. Anticipated sources and amounts of funds to pay Redevelopment Project Costs are shown on Exhibit 6 and Exhibit 7 and on Exhibit 11, "Evidence of Financing Interest."

If Obligations are issued, the proceeds will be

deposited in a construction/project fund and used to pay Reimbursable Project Costs, in accordance with the Redevelopment Agreement and the documents prepared and executed in connection with the issuance and sale of such Obligations. It not anticipated that Obligations will be issued to finance Project Improvements

**Initial Equalized Assessed Value:** The total initial equalized assessed valuation of the Redevelopment Area according to current records at the Jackson County Assessor's Office is approximately \$2,464,000. The current combined ad valorem property tax levy is projected to be \$9.4658 per \$100 assessed valuation. The 2014 annual ad valorem tax revenue from the Redevelopment Area was approximately \$233,237.

**Recommended Statutory Findings:** The Plan states or incorporates the following information, which the Council may rely upon to make the following statutory findings:

**Blight:** The Blight Study prepared by APD Urban Planning + Management is attached as Exhibit 10 to the Plan. The Redevelopment Area is a Blighted Area, as defined by the Act, and such development contemplated by this Plan is in the public interest because it will alleviate (A) the presence of unsafe or unsanitary conditions, including the presence of environmental liabilities and noncompliance life safety and building systems, (B) the deterioration of site improvements, including primary roofs, windows and the failing of finishes and (C) extremely high commercial vacancies each of which retards the provision of housing accommodations and constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare.

**But-For Analysis:** The Plan incorporates an analysis by Integra Realty Resources, Inc. in Exhibit 9 to the Plan and such analysis provides sufficient information to satisfy the "but for" test set forth in Section 99.810 of the Revised Statutes of Missouri, which requires a finding that the Redevelopment Area has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment

financing, and the TIF Plan is accompanied by an affidavit, signed by the Developer, attesting to this statement.

In the analysis, Integra Realty Resources, Inc. reviewed the financial information associated with the Plan examining Tax Increment Financing ("TIF") assistance for the Project Improvements. The report included unleveraged internal rates of return of 7.10% without any incentives and 9.13% with TIF, tax abatement and historic tax credits, compared to a range of 8.00% – 10.00% market rates of return. The report also cited leveraged internal rates of return of 12.83% with TIF, tax abatement and historic tax credits, compared to a range of 11.00% – 13.00% leveraged market rates of return for similar projects.

**Conforms to the City's Comprehensive Plan:** The TIF Plan conforms to the FOCUS Plan, as well as the Greater Downtown Land Use Plan Area Plan. The property is currently zoned DC-15 and it will not need to be re-zoned to District UR (Urban Redevelopment) because the project is subject to the Secretary of the Interior's design review due to use of historic rehabilitation investment tax credits.

**Estimated Date of Completion:** The estimated date for completion for the Project Improvements is December 2017. The schedule for construction is set forth on Exhibit 5B.

**Relocation Assistance Plan:** Relocation assistance will be available to all eligible displaced occupants in conformance with the Commission's Relocation Assistance Plan as shown in Exhibit 12 or as may be required by other state or federal laws. Any relocation will be at the expense of the Redeveloper.

**Cost Benefit Analysis:** The Plan contains a cost-benefit analysis, attached as Exhibit 8 to the Plan, which describes the economic impact of the Plan on each taxing district and political subdivision. The analyses include a fiscal impact study on every Taxing District, and sufficient information for the Commission and City to evaluate whether this Plan, as proposed, is financially feasible. The cost benefit analysis contains a fiscal impact study which covers the life of the Chapter 99 and Tax Increment Financing Plan incentives, which is a 23 year time period. The cost benefit study identifies, a net fiscal

cost of -\$27,647,294 for the City of Kansas City, Missouri, -\$2,020,744 for Jackson County, -\$286,546 for the Kansas City Zoological District, -\$3,629,677 for the Kansas City School District, -\$474,119 for the Metropolitan Community Colleges, -\$15,946,620 for the State of Missouri, -\$656,117 for the Mental Health Fund, -\$569,526 for the Developmental Disability Services of Jackson County, -\$ 1,308,719 for the Kansas City Library and a net fiscal benefit of \$74,790 for the Blind Pension Fund.

**Gambling Establishment:** The Commerce Tower Village TIF Plan does not include development or redevelopment of any gambling establishment.

**Plan Revision:**

The TIF Commission approved a revision of the Plan that would terminate the Plan upon reimbursement of all eligible costs.

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|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| <b>Sponsor</b>                                   |                                                                                                                  |
| <b>Programs, Departments, or Groups Affected</b> | <b>Council District</b><br>4 <sup>th</sup> District (Glover. Marcason)<br><b>Other Districts (school, etc.,)</b> |
| <b>Applicants / Proponents</b>                   | <b>Applicant</b><br>Tax Increment Financing Commission<br><b>City Department</b><br><br><b>Other:</b>            |
| <b>Opponents</b>                                 | <b>Groups or Individuals:</b><br><br><b>Basis of opposition:</b>                                                 |
| <b>Recommendation</b>                            | Approval                                                                                                         |
| <b>Board or Commission Recommendation</b>        | <b>By</b> Tax Increment Financing Commission                                                                     |

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| <b>Council Committee</b> |  |
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| <b>Actions</b> |  |
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Fact Sheet Prepared by: Robert D. Long  
Economic Development Corporation  
Date: May 21. 2015