

GENERAL

Ordinance Fact Sheet

Ordinance Number

Brief Title	Approval Deadline	Reason
9th & Central TIF Plan		

Details

TIF Plan Area: The Redevelopment Area described by the 9th & Central TIF Plan includes the area generally bounded by 9th Street on the north, 10th Street on the south, Central Street on the west, and Wyandotte Street on the east in Kansas City, Jackson County, Missouri.

Notices: In accordance with the Section 99.830 of the Revised Statutes of Missouri, staff prepared and delivered all required notices of this hearing.

This public hearing was originally scheduled for September 11, 2013 and was continued until October 9, 2013. Notice regarding the public hearing was sent to all affected taxing jurisdictions by certified mail on July 19, 2013. Staff prepared and published notices in The Pulse on August 14, 2013 and September 4, 2013; in the Kansas City Call on August 16, 2013 and September 6, 2013; and in the Kansas City Hispanic News on August 15, 2013 and September 5, 2013.

Staff prepared and delivered notices by certified mail on August 27, 2013 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.

Staff prepared two (2) additional ten (10) day notices to the affected taxing districts on October 17, 2013 and November 8, 2013 and such notices described the following modifications to the TIF Plan that was considered by the TIF Commission on October 9, 2013: (1) an acknowledgement within the TIF Plan that the Redeveloper intends to enter into an agreement with certain impacted taxing districts that will obligate the Redeveloper to make an annual contribution to such impacted districts, (2) an acknowledgment within the TIF Plan that upon distribution of surplus payments in lieu of taxes and economic activity taxes, the City Council

intends to terminate the designation of the Redevelopment Project Area, (3) a modification to the Budget of Redevelopment Project Costs incorporated within the TIF Plan to provide that certain reimbursable Redevelopment Project Costs shall be reimbursed by a Community Improvement District Sales Tax, and (4) modifications to projected tax revenue and the sources and uses described by the TIF Plan.

General Description of Proposed TIF Plan

Project Improvements/Development Plan: The development contemplated by the TIF Plan will include the renovation of a 120-room boutique hotel, an approximately 5,800 square foot restaurant and bar area, event space, and a contemporary art museum, along with all necessary parking and infrastructure improvements.

Redevelopment Project Costs: The estimated Redevelopment Project Costs to implement the TIF Plan are approximately \$89,660,771, which include approximately \$33,867,687 in Reimbursable Project Costs. This includes approximately \$11,696,432 in Reimbursable Project Costs to be reimbursed from Payments in Lieu of Taxes and Economic Activity Taxes, approximately \$18,753,062 in Reimbursable Project Costs to be reimbursed from Super TIF Revenue (as defined by the TIF Plan), and approximately \$3,418,193 in Reimbursable Project Costs to be reimbursed from CID Revenues (as defined by the TIF Plan). The Reimbursable Project Costs are identified on Exhibit 5, attached to the TIF Plan.

Payments in Lieu of Taxes and Economic Activity Taxes: Pursuant to the Act, tax increment financing allows for the use of Payments in Lieu of Taxes and Economic Activity Taxes generated and collected within the Redevelopment Project Area for a twenty-three (23) year period to pay Reimbursable Project Costs. The estimated total Payments in Lieu of Taxes generated

within the single Redevelopment Project Area and available to pay Reimbursable Project Costs is approximately \$7,833,371. The estimated Economic Activity Taxes generated within the single Redevelopment Project Area and available to the pay Reimbursable Project Costs are approximately \$3,863,061. Additionally, Super TIF Revenue (as defined in the TIF Plan) will be utilized to pay Reimbursable Project Costs. The projected Super TIF Revenue is approximately \$18,753,062. Lastly, CID Revenues (as defined in the TIF Plan) will be utilized to pay Reimbursable Project Costs. The projected CID Revenues are approximately \$3,418,193.

Anticipated Sources of Funds and Evidence of

Commitments to Finance: The Developer will acquire necessary property and construct the Project Improvements through the use of private capital in the form of equity and/or debt financing. The Developer has provided letters related to financing for the Redevelopment Project.

Initial Equalized Assessed Value: The 2012 total initial equalized assessed valuation of the Redevelopment Area according to current records at the Jackson County Assessor's Office is approximately \$508,912. The 2012 combined ad valorem property tax levy was \$9.4278 per \$100 assessed valuation. The 2012 annual ad valorem tax revenue from the Redevelopment Area was approximately \$57,022. The total initial equalized assessed valuation of the Redevelopment Area according to 2013 records at the Jackson County Assessor's Office is approximately \$523,005.

Following the completion of all Project Improvements, it is estimated that the assessed value of the property will increase to approximately \$3,725,021.

Recommended Statutory Findings: The TIF Plan states or incorporates the following information, which may be relied upon to make the following statutory findings:

Blight: The Redevelopment Area is blighted, as supported by the Blight Study completed by Belke Appraisal & Consulting Services, Inc. and attached hereto as Exhibit 10, which documents the blighting factors and conditions within the Redevelopment Area and confirms that the Redevelopment Area is a Blighted Area as defined by Section 99.805(1) of the Act. The Blight Study provides

evidence of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, and other blighting conditions stated within the Redevelopment Act in Section 99.805 RSMo.

The TIF Plan is accompanied by an affidavit, signed by the Developer, attesting to the blighting conditions of the Redevelopment Area.

But-For Analysis: The TIF Plan incorporates an analysis prepared by Springsted Incorporated as Exhibit 9 to the TIF 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, in 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, Springsted Incorporated reviewed the financial information associated with the Plan examining the PIEA Tax Abatement and Tax Increment Financing assistance for the Project Improvements. The report concluded an overall rate of return without any incentives for the Project Improvements would be 1.3%, with PIEA Tax Abatement (10 years at 100% and 15 years at 50% tax abatement) a rate of return of 2.6%, with Payments in Lieu of Taxes and Economic Activity Taxes a rate of return of 3.7%, and with Payments in Lieu of Taxes and Economic Activity Taxes, Super TIF a rate of return of 6.9%.

To evaluate the rate of return for a project of this nature, Springsted Incorporated consulted Korpacz/Price Waterhouse Cooper Real Estate Investor Survey prepared for the first quarter of 2013. This survey provides a resource for comparing the Developer's rate of return to a market benchmark to help determine feasibility. According to the developers surveyed, the typical unleveraged market return necessary for a Developer to pursue a project of this nature falls in a range from 9.0% to 13.0%; with an average return of 10.5%.

Based upon the Blight Study, Redeveloper affidavit and the financial analysis, Springsted Incorporated concluded that the proposed project would not occur on this site at

this time without incentives.

On November 14, 2013, Springsted Incorporated provided an additional memo indicating the impact on the projected rate of return with assistance, as a result of the increased CID revenue and increase in expenses which include payments to the taxing jurisdictions and CVA. The impact on the rate of return would likely be extremely minimal and would result in a lower return from what was illustrated in the original report.

Conforms to the City's Comprehensive Plan: The TIF Plan identifies the existing hotel property to be rehabilitated through the use of historic tax credits and to retain the existing parking lot property for parking. These properties do not require any re-zoning, as the current of DC-15 allows for these uses. In the event there is an expansion of the existing building or amendments to the site, re-zoning may be required as this Redevelopment Project shall be subject to the applicable provisions of the City's Zoning Ordinance as well as other codes and ordinances as may be amended from time to time. The TIF Plan conforms with the City's FOCUS Plan as well as the Greater Downtown Area Plan.

Estimated Date of Completion: The TIF Plan contains both the estimated date of completion for the Redevelopment Project Area 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 the Redevelopment Project Area will be completed by 2016.

Relocation Assistance Plan: A Relocation Assistance Plan, attached as Exhibit 12 to the TIF Plan, has been developed for relocation assistance for businesses and residences, and the relocation of any business or residents in the Redevelopment Area, if necessary, will take place in accordance with the Relocation Assistance Plan attached to the TIF Plan.

Cost Benefit Analysis: The TIF Plan contains a cost-benefit analysis, attached as Exhibit 8 to the TIF Plan, which demonstrates the economic impact of the TIF Plan on each taxing district and political subdivision, and confirms that the proposed project is financially feasible. The cost benefit analysis demonstrates a net fiscal benefit

of \$649,462 for the Kansas City, Missouri School District, a net fiscal benefit of \$2,805,960 for the City of Kansas City, Missouri, and a net fiscal benefit of \$973,818 for Jackson County, and \$69,940 for the Kansas City Library District.

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

Policy Considerations:

Affirmative Action: A discussion was held with Sandra Rayford, Affirmative Action Compliance Officer, and the Developer to discuss the Affirmative Action Policy. The Developer has executed an Officer's Certificate, which certifies that the Developer has read and understands the TIF Commission's Affirmative Action policy and intends to comply with its terms and conditions.

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

Recommendation:

At the October 9, 2013 TIF Commission meeting, the TIF Commission made the following recommendation:

All statutory findings required by the TIF statute to approve the plan have been met; approval of the designation of the proposed Redevelopment Project Area A and authorization of Tax Increment Financing within Redevelopment Project Area A; and approval of the 9th & Central TIF Plan, as presented to the TIF Commission, with the following modifications: (i) an acknowledgment that upon (A) the payment of all permitted Reimbursable Project Costs, (B) the surplus of all PILOTS and EATS on deposit within the Special Allocation Fund, and (C) the dissolution of the Special Allocation Fund an acknowledgement that the City Council intends to terminate the Redevelopment Project Area, and (ii) an acknowledgment that the Redeveloper intends to enter into an agreement with one or more of the taxing districts that shall provide that the Redeveloper shall make an annual contribution to certain affected taxing districts in an amount equal to 50% of the annual PILOTS generated and collected within the

Redevelopment Project Area that is attributable to such affected taxing districts.ö

The designated Redeveloper, 21c Kansas City, LLC, further recommends that the City Council approve certain modifications to the Budget of Redevelopment Project Costs, Tax Revenue Projections and Sources and Uses, all as incorporated in the 9th & Central TIF Plan presented to the City Council.

Sponsor

Programs, Departments, or Groups Affected

Council District
4th District (Glover and Marcason)

Other Districts (school, etc.,)
Kansas City, Missouri School District, Jackson County, and the Kansas City Library District

Applicants / Proponents

Applicant

City Department

Other:

Opponents

Groups or Individuals:

Basis of opposition:

Recommendation

At the October 9, 2013 TIF Commission meeting, the TIF Commission made the following recommendation:

Approval of the 9th & Central TIF Plan with modifications and the designation of the Redevelopment Area A described by the 9th & Central TIF Plan.

Board or Commission Recommendation

By Tax Increment Financing Commission (Votes: 10 Yes, 0 No)
TIF Resolution No. RES 10-19-13, RES 10-20-13, and RES 10-21-13
Date: October 9, 2013

Council Committee Actions

Fact Sheet Prepared by:
Jenna Wilkinson-Development Services Specialist
Economic Development Corporation
Date: November 18, 2013