

**PUBLIC HEARING – 10:00 AM**

**ROLL CALL**

**2. 1200 Main/South Loop TIF Plan: Consideration of approval of the proposed Eighth Amendment of the 1200 Main/South Loop TIF Plan, and other matters related thereto. (Bob Long) Exhibit J20**

**Introduction:** The purpose of this hearing is for the TIF Commission to consider recommending to the City Council of Kansas City, Missouri (A) approval of the Eighth Amendment of the 1200 Main/South Loop Tax Increment Financing Plan (the “South Loop TIF Plan” or the “Plan”), which shall include the expansion of the Redevelopment Area, and (B) an amendment to Redevelopment Project Area 3, as described by the South Loop TIF Plan.

The Redevelopment Area described by the South Loop TIF Plan is generally bounded by 12<sup>th</sup> Street on the north, Oak Street on the east, I-670 on the south, and Wyandotte Street on the west in Kansas City, Jackson County, Missouri. The Eighth Amendment to the South Loop TIF Plan provides for an additional Phase 2 to Redevelopment Project Area 3, which shall cause for an expansion of the Redevelopment Area to include an area generally located on the west side of Baltimore Avenue, south of W. 13<sup>th</sup> Street and north of the Kansas City Power & Light Building, which is located at 1330 Baltimore.

**Notices:** In accordance with the Sections 99.825 and 99.830 of the Revised Statutes of Missouri, Staff prepared and delivered all required notices of the public hearing scheduled for June 11, 2014 at 10:00 AM.

Notice was sent to all affected taxing jurisdictions by certified mail on April 25, 2014.

Notices were published in The Pulse on May 12, 2014 and June 2, 2014, in the Kansas City Call on May 16, 2014 and June 6, 2014, and in the Kansas City Hispanic News on May 15, 2014 and June 5, 2014.

Notices were delivered by certified mail on May 30, 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 Area, which shall be subjected to payments in lieu of taxes and economic activity taxes.

**General Description of Proposed 8<sup>th</sup> Amendment:**

**Project Overview:** The proposed 8<sup>th</sup> Amendment of the South Loop TIF Plan provides for the expansion of the Redevelopment Area and Redevelopment Project Area 3 to include two vacant parcels to north of the Kansas City Power & Light Building and on the west side of Baltimore Street for the development of a 475 stall parking garage (the “Parking Garage”), along with residential and retail space wrapped around and connected

to the parking garage, which shall consist of approximately 52 residential units and 6,700 commercial retail space (the “Wrap”).

The Parking Garage and Wrap (“Phase 2 of Redevelopment Project Area 3”) described by the Eighth Amendment are part of a larger development that NorthPoint Development, LLC, the proponent of the Eighth Amendment to the South Loop TIF Plan, intends to implement, which larger development includes the acquisition and rehabilitation of the Kansas City Power & Light Building into 218 market-rate apartments. The Parking Garage will provide all of the parking needed for the Kansas City Power & Light Building and the Wrap, plus approximately 100 parking spaces for the President Hotel’s use. Many of these spaces could also be available for daytime users.

**Proposed Financing:** The improvements to the President Hotel, as contemplated by Project 3 of the South Loop TIF Plan, are financed by Special Obligation Bonds issued by the City (the “City Bonds”). Pursuant to a Financing Agreement among the Commission, the City, First Bank of Missouri (the “Trustee), and President Development Group, Inc. and President Hotel, LC (collectively the “Developer”), the Commission has pledged PILOTS and EATS (collectively, the TIF Revenue”) and the City has pledged certain City additional taxes (“Super TIF Revenue”) generated from Project Area 3 to the City Bonds. As a result of solid performance by the President Hotel, the TIF Revenue and Super TIF Revenue generated by Project Area 3 is in excess of the cumulative annual debt service payments to date on the City Bonds. Such excess amount is being retained in the Debt Service Reserve Fund maintained by the Trustee in connection with the City Bonds.

NorthPoint Development’s proposed financing of the Parking Garage within Phase 2 of Redevelopment Project Area 3 includes (A) approximately \$1.87 Million of TIF Revenue and Super TIF Revenue on deposit in the Debt Service Reserve Fund of the City Bonds and (B) \$4.33 Million from proceeds of a proposed refunding of the City Bonds, which the Developer has indicated the City is currently considering. The Developer proposes and anticipates that all existing TIF Revenue and Super TIF Revenue will be used to finance the proposed refunding of the City Bonds, along with new TIF Revenue generated by Phase 2 of Redevelopment Project Area 3.

In addition to the sources described above to fund the Parking Garage, NorthPoint Development, LLC proposes to use a mixture of private debt and equity in the amount of \$13,481,500 to finance the remaining portion of the Parking Garage and Wrap within Phase 2 of Redevelopment Project Area 3. A more detailed account of the Sources for the total Redevelopment Project Costs related to Phase 2 of Redevelopment Project Area 3 are set forth in Exhibit 5A to the Eighth Amendment.

**Redevelopment Project Costs:** The total cost to implement Phase 2 of Redevelopment Project Area 3 is estimated to be \$19,681,500, of which \$6,200,000 will be eligible for reimbursement.

**Projections and Application of Payments in Lieu of Taxes and Economic Activity**

**Taxes:** The projected PILOTS and Economic Activity Taxes to be deposited in the Special Allocation fund during the time tax increment financing remains in effect, with respect to Redevelopment Project Area 3 is approximately \$13,263,166. The projected Super TIF Revenues generated within Redevelopment Project Area 3 during the time tax increment financing remains in effect is approximately \$13,016,479. The projected Convention and Tourism Taxes generated within Redevelopment Project Area 3 during the time tax increment financing remains in effect is approximately \$5,521,616.

**Anticipated Sources of Funds and Evidence of Commitments to Finance:** The Developer will finance the construction of the Project Improvements and Public Improvements described by Phase 2 of Redevelopment Project Area 3 through the use of private capital in the form of equity in the amount of \$4,718,200, private debt in the amount of \$8,763,300 and a combination of TIF Revenues in the amount of \$13,263,166, Super TIF Revenues in the amount of \$13,016,479 and Convention and Tourism Taxes in the amount of \$5,521,616. The Developer has provided a letter of interest indicating the ability to finance the Project Improvements and Public Improvements described by Phase 2 of Redevelopment Project Area 3.

**Initial Equalized Assessed Value:** The total initial equalized assessed valuation of the Phase 2 of Redevelopment Project Area 3 is \$598,352 according to current records at the Jackson County Assessor's Office. The 2013 annual ad valorem tax revenue from Phase 2 of Redevelopment Project Area 3 was approximately \$65,243.

**Recommended Statutory Findings:** The Plan, as amended by the Eighth Amendment, states or incorporates the following information, which the Commission may rely upon to make the following statutory findings:

**Blight:** The Blight Study prepared by Belke Appraisal & Consulting Services, Inc., and attached as Exhibit 10 to the Plan documents the blighting factors and conditions within the Redevelopment Area, as amended by the Eighth Amendment, 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 insanitary or unsafe conditions, deterioration of site improvements, and other blighting conditions stated within the Redevelopment Act in Section 99.805 RSMo.

**But-For Analysis:** The Plan, as amended by the Eighth Amendment, incorporates an analysis prepared by Integra Realty Resources, Inc. on 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, as amended by the Eighth Amendment, 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 Plan is accompanied by an affidavit, signed by the Developer, attesting to this statement.

Integra Realty Resources, Inc. reviewed the financial information associated with the Phase 2 of Redevelopment Project Area 3 examining Planned Industrial Expansion Authority (“PIEA”) Tax Abatement and Tax Increment Financing (“TIF”) assistance for the Project Improvements and Public Improvements described by Phase 2 of Redevelopment Project Area 3. The report concluded overall internal rates of return without any incentives for the Project Improvements described by Phase 2 of Redevelopment Project Area 3 would be 6.55%, 7.70% with PIEA Abatement, and 10.75% with PIEA tax abatement and Tax Increment Financing.

The typical unleveraged market return necessary for a Developer to pursue Phase 2 of Redevelopment Project Area 3 is approximately 11%. Based upon the Blight Study, Redeveloper affidavit and the financial analysis, Integra Realty Resources, Inc. concluded that Phase 2 of Redevelopment Project Area 3 would not occur on this site at this time without public subsidy, including tax increment financing.

**Conforms to the City’s Comprehensive Plan:** The Plan, as amended by the Eighth Amendment, identifies the property to be redeveloped for mixed-use, which is currently zoned DC15 and will be re-zoned to District UR (Urban Redevelopment). Redevelopment Project Area 3 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 Plan conforms to both the FOCUS Plan, as well as the Greater Downtown Area Plan.

**Estimated Date of Completion:** It is anticipated that the Project Improvements and Public Improvements described by Phase 2 of Redevelopment Project Area 3 will be completed by 2016.

**Relocation Assistance Plan:** A Relocation Assistance Plan, is included as part of the Plan as Exhibit 12. Relocation assistance is not contemplated by the Eighth Amendment.

**Cost Benefit Analysis:** The Plan, as amended by the Eighth Amendment, contains a supplement to the cost-benefit analysis, attached as Exhibit 8 to the Plan, which describes the economic impact of Phase 2 of Redevelopment Project Area 3 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 the Eighth Amendment, as proposed, is financially feasible.

The cost benefit analysis contains a fiscal impact study which covers the life of the Planned Industrial Expansion Area and Tax Increment Financing Plan incentives, which is a 25 year time period. The cost benefit analysis, which was completed by Springsted, Inc., identifies net fiscal benefits of:

- \$(14,542,314) for the City of Kansas City, Missouri,
- \$540,747 for Jackson County,
- \$25,735 for the Blind Pension Fund,
- \$66,648 for the Kansas City Zoological District,

- \$(11,584,933) for the Kansas City School District,
- \$(1,576,766) for the Metropolitan Community Colleges,
- \$16,316,509 for the State of Missouri,
- \$(158,685) for the Mental Health Fund,
- \$(152,123) for the Developmental Disability Services of Jackson County (EITAS), and
- \$(273,932) for the Kansas City Public Library.

**Gambling Establishment:** The 1200 Main/South Loop TIF Plan does not include development or redevelopment of any gambling establishment.

**Policy Considerations:**

**Affirmative Action:** Staff met with 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 Commission’s Affirmative Action policy and intends to comply with its terms and conditions.

**Taxing Districts:** Staff scheduled a meeting with the taxing jurisdictions to discuss the project and cost benefit analysis on June 6, 2014.

**Recommendation:** The proposed Eighth Amendment of the 1200 Main/South Loop TIF Plan sets forth a general description of the program to be undertaken to accomplish its objectives, including the estimated redevelopment project costs, the anticipated sources of funds to pay the costs, evidence of the commitments to finance the project costs, the anticipated type and term of the sources of funds to pay costs, the anticipated type and terms of the obligations to be issued, the most recent equalized assessed valuation of the property within the Redevelopment Area which is to be subjected to payments in lieu of taxes and economic activity taxes pursuant to Section 99.845 of the Revised Statutes of Missouri, an estimate as to the equalized assessed valuation after redevelopment, and the general land uses to apply in the Redevelopment Area, all as required by the TIF Statute.

Staff believes the Eighth Amendment, as presented, supports a conclusion by the Commission that all of the statutory requirements to approve the proposed Eighth Amendment of the 1200 Main/South Loop TIF Plan have been met. If the Commission desires to recommend to the City the approval of the Eighth Amendment to the 1200 Main/South Loop TIF Plan, the following actions are required:

*Action recommended:* (1 of 2) CLOSING THE PUBLIC HEARING; AND

(2 of 2) CONCLUDING THAT ALL STATUTORY FINDINGS REQUIRED BY THE TIF STATUTE TO APPROVE EIGHTH AMENDMENT TO THE 1200 MAIN/SOUTH LOOP TIF PLAN HAVE BEEN MET; APPROVAL OF THE DESIGNATION OF THE MODIFIED REDEVELOPMENT PROJECT AREA 3; AND FORWARDING A RECOMMENDATION OF APPROVAL OF THE

8<sup>TH</sup> AMENDMENT OF THE 1200 MAIN/SOUTH LOOP TAX  
INCREMENT FINANCING PLAN TO CITY COUNCIL.