

## COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 130297

Adopting a policy for the use of sale-leaseback contracts for the purpose of attracting new and retaining existing jobs in Kansas City, Missouri.

WHEREAS, the City of Kansas City, Missouri has a responsibility for promoting job and investment creation; and

WHEREAS, City redevelopment agencies have the capability of negotiating and executing sale-leaseback contracts with businesses to aid in the retention, expansion and recruitment of new jobs and investment for Kanas City, Missouri; and

WHEREAS, the purpose of the sale-leaseback development incentive is to provide the City of Kansas City, Missouri with a simple, cost effective means of extending local real and personal property tax exemption in competitive economic development projects and/or to leverage Missouri state public incentives which are critical to attracting, retaining and expanding quality jobs in Kansas City, Missouri; NOW, THEREFORE

BE IT RESOLVED BY THE COUNCIL OF KANSAS CITY:

Section 1. That the Council hereby adopts the following policy for the use of sale-leaseback contracts for the purpose of attracting new and retaining existing jobs in Kansas City, Missouri.

City of Kansas City, Missouri Policy for Use of Sale-Leaseback Contracts

### **1. Introduction:**

A sale-leaseback is designed to provide tax exemption for smaller projects to create jobs and investment in the City of Kansas City, Missouri. The sale-leaseback contracts will be implemented by the Land Clearance for Redevelopment Authority (LCRA), Planned Industrial Expansion Authority (PIEA) or the Port Authority (PA) of Kansas City, Missouri. The sale leaseback contracts will not be supported by the financing of the City of Kansas City, Missouri and will not be a debt or liability of the City of Kansas City, Missouri. The sale- leaseback contract will generally be issued for periods not to exceed 10 years. Nothing in this policy is intended to usurp the authority of the redevelopment agencies in carrying out their statutory duties.

The following criteria will be employed in the application of a sale-leaseback incentive:

Minimum Investment—In order for a sale-leaseback to be cost-effective for the business, a minimum investment of \$250,000 will be necessary.

Range of Investment--A sale-leaseback may be used for projects having more than a \$250,000 investment, but not to exceed a \$10 million investment. Projects

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with investments larger than \$10 million may continue to use the City's Chapter 100 policy or alternative redevelopment agency sale-leaseback procedures. Notwithstanding the foregoing, with the approval of the City Manager and the Mayor, the sales-lease back financing option may be offered in lieu of Chapter 100 financing on projects larger than \$10 million that require the speed and cost savings of the sale-leaseback option.

Qualified Company--Any firm, partnership, joint venture, association, private or public corporation whether organized for profit or not, or the headquarters of such entity registered to do business in Missouri that is the owner or operator of a project facility located in the City of Kansas City, Missouri may apply for sale-lease back financing, except any of the following. A qualifying company shall not include:

- a. Gambling establishments (NAICS 7132)
- b. Retail trade establishments (NAICS 44 and 45)
- c. Food and drinking establishments (NAICS sub sector 722)
- d. Public utilities (NAICS 221)including water and sewer services
- e. Any company that is delinquent in the payment of any non-protested taxes or any other amounts due the state, federal or other political subdivision of the State of Missouri
- f. Any company that has filed for or has publicly announced its intention to file for bankruptcy protections
- g. Religious organizations (NAICS industry group 8131)
- h. Public administration (NAICS industry group 9211)

Notwithstanding the foregoing excluded entities, the headquarters or administrative office of the otherwise excluded entity may qualify for sale-lease back benefits if the offices serve a multistate territory.

### **2. Administrative Review:**

The application approval of the sale-leaseback will be made using the criteria in this resolution by the applicable board of directors of the PA, LCRA or PIEA, with an annual review of approved projects by the applicable redevelopment agency board of directors. The annual reports on sale-leaseback projects from each redevelopment agency will also be presented to and reviewed by the City Council of KCMO.

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A community impact statement of the project shall be generated for the applicable redevelopment agency by EDC staff and for taxing jurisdiction review prior to submission for approval by the redevelopment agency board. The community impact statement shall address:

- Projected jobs and investment
- Current and projected wages and benefits
- Impact in redressing blight or other environmental issues (if applicable)
- Opportunities for future expansion (if applicable or known)
- Other public incentives from federal, state or local sources (if applicable)
- Estimated tax impact on taxing jurisdictions (i.e., how much net new revenue in the form of PILOTS will be generated for the taxing jurisdictions versus the amount exempted)
- Background on the company (product/services, length of time in business, growth patterns, and owners/local chief administrator)

### **3. Benefit to the Company:**

A 50% exemption on real and personal property for up to 10 years can be offered by the executive director of the LCRA, PIEA or PA if authorized by the respective board, or by the respective board of the redevelopment agency. Offers of higher levels of exemption may be made in exceptional circumstances and will require written approval from the Mayor and City Manager's offices.

### **4. Role of Taxing Jurisdictions:**

Exemptions of greater than 50% will be discussed with the effected taxing jurisdictions prior to the public announcement of the project. Projects exceeding the 50% level or 10 years will require a cost benefit analysis to be generated to demonstrate the tax and economic impact on affected taxing jurisdictions. PILOTS will be paid in full for existing property generated prior to the project. The cost benefit analysis will be performed by the EDC and shared with the taxing jurisdictions. In situations where the exemption is greater than 50% for 10 years, representatives of the affected taxing jurisdictions will be invited to review the proposed use of a sale-leaseback contract prior to the submission to administrative approval by the applicable redevelopment agency or to the City Council. Final approval of the higher levels of exemption beyond a 10 year and 50% will require approval by the applicable redevelopment agency and the City Council. The applicable county economic development agencies are urged to act as the liaison between the redevelopment agency and the relevant taxing jurisdictions.

### **5. A Standard Set of Legal and Administrative Documents Will be Developed and Approved by the Redevelopment Agencies:**

A standard set of legal and administrative documents will be developed by EDC and City staff for the sale leaseback criteria that will be substantially uniform across the redevelopment agencies; although modifications may be made to conform to any legal

requirements or tax considerations. Administrative fees for the agencies will be limited to the recovery of actual costs (including overhead, if desired) related to the issuance of the sale-leaseback contracts.

The documents will require that the qualified company achieve agreed upon jobs numbers and/or investment levels as a condition of the sale-leaseback. In the event that the agreed upon jobs and/or investment levels are not achieved and/or maintained, the sale-leaseback documents shall provide for increased PILOTs in proportion to the gap. The redevelopment agencies shall require the increased PILOTs for the remainder of the term of the sale-leaseback or until the agreed upon jobs and/or investments levels are achieved.

**6. Sale-Leaseback Policy Review:**

The City Council will review the use of the sale-leaseback policy four years after adoption. The EDC will coordinate with the appropriate agencies to provide an annual report to the City Council on:

- Projected versus actual job creation/investment/wages
- Written comments on any implementation issues or program successes

Every fourth year the EDC will coordinate with the appropriate agencies to provide an assessment of the overall impact of the program to the City Council which will include:

- Demonstration of blight or environmental remediation accomplished as a result of the use of the program
  - Fiscal impact on affected taxing jurisdictions
  - Evidence of support from the company to the community, charitable organizations or schools in impacted districts during the abatement period
  - Satisfaction levels of companies who have used the program during the evaluation period
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