

GENERAL

Ordinance Fact Sheet

120636

Brief Title: Approving an Industrial Development Plan, and authorizing the City Manager to execute various documents with Lockton, Inc. and issue taxable Industrial Revenue Bonds in an amount not to exceed \$13,000,000

Approval Deadline

Reason: Approving an Industrial Development Plan for Lockton, Inc. for the purpose of enhancing their facilities located at 444 W. 47th Street, Ste. 900, and 4900 Main Street, Ste. 800 in Kansas City, Missouri and executing various agreements between the City of Kansas City, Lockton, Inc., and other entities relating to the project at this location.

Details

Reason for Legislation

Approving an Industrial Development Plan for Lockton, Inc. for the purpose of enhancing their facilities located at 444 W. 47th Street, Ste. 900, and 4900 Main Street, Ste. 800 in Kansas City, Missouri; authorizing the City Manager to issue Taxable Industrial Revenue Bonds in an amount not to exceed \$13,000,000 and to execute a Lease agreement and indenture necessary to issue Industrial Revenue Bonds.

Discussion (explain all financial aspects of the proposed legislation, including future implications, any direct/indirect costs, specific account numbers, ordinance references, and budget page numbers.)

Lockton will be purchasing \$13,000,000 in facility enhancements to their facilities located at 444 W. 47th Street and 4900 Main Street in Kansas City, Missouri over the next four years. Lockton is seeking Chapter 100 bonds for the purchase of fixtures, machinery, equipment, and other personal property necessary for the extension and improvement of these facilities. The City of Kansas City, Missouri will hold title to the equipment purchased, and will issue the Chapter 100 bonds in the fall of each year that equipment is purchased. The City will ultimately lease the property back to Lockton in return for lease payments sufficient to pay debt service on the bonds. The ordinance also allows for an alternative arrangement with Lockton's lender, BMO Harris, for financing purposes, and with the EDC Charitable Fund so that Lockton can receive Missouri Development Tax Credits.

The project will result in the retention of 799 jobs and is expected to result in approximately 200 new professional positions over the next ten years with an average salary of approximately \$80,000. Lockton is seeking personal property tax abatement for a total of \$496,834 from all taxing jurisdictions, and sales tax exemption on the purchase of such personal property. The City's portion of the sales tax abatement is estimated to be just over \$308,750.

This ordinance will approve a Plan for Industrial Development under Chapter 100; authorize the City to issue taxable Industrial Revenue Bonds, and execute various documents in connection with issuance of said bonds relating to this project.

Positions/Recommendations

Sponsor	Councilwoman Jan Marcason, 4 th District
Programs, Departments, or Groups Affected	City Manager's Office, City Planning & Development Department, Finance Department
Applicants / Proponents	Applicant City Department City Manager's Office, City Planning & Development Department, Finance Department
Opponents	Other Groups or Individuals None Known
Staff Recommendation	Basis of opposition <input checked="" type="checkbox"/> For <input type="checkbox"/> Against
Board or Commission Recommendation	Reason Against
Council Committee Action	By <input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> No action taken <input type="checkbox"/> For, with revisions or conditions (see details column for conditions) <input type="checkbox"/> Do pass <input type="checkbox"/> Do pass (as amended) <input type="checkbox"/> Committee Sub. <input type="checkbox"/> Without Recommendation <input type="checkbox"/> Hold <input type="checkbox"/> Do not pass

Discussion
<p><u>Financing/Incentive Package Highlights</u></p> <ol style="list-style-type: none"> 1. Lockton has requested \$13,000,000 in taxable industrial revenue bonds to purchase enhancements to their existing facilities located at 444 W. 47th Street and 4900 Main Street in Kansas City, Missouri. 2. This Ordinance establishes 50% abatement on personal property for Lockton, which is consistent with the City's current Chapter 100 policy. Lockton will benefit from 50% ad valorem tax abatement on the personal property associated with the project estimated at \$496,834. The city's portion of the abatement is estimated at \$96,428. 3. Lockton will also be eligible for 100% state and local sales tax abatement for purchases of certain equipment and construction materials associated with the project. The total sales tax abatement for the project is estimated to be just over \$1,000,000 with \$549,250 from the State of Missouri and \$308,750 from the City's portion of the total sales tax. 4. Lockton will make annual payments-in-lieu-of-taxes equal to 50% or \$496,834 over 10 years to the affected taxing jurisdictions as contemplated in the Development Agreement. 5. The cost/benefit report for the project shows a net positive benefit for all the affected taxing jurisdictions as follows: <ul style="list-style-type: none"> a) City: \$6,673,418 b) Kansas City School District: \$186,995 c) Jackson County: \$67,294 d) Metropolitan Community Colleges: \$17,608 6. Each item of personal property shall be returned to Lockton 10 years from first issuance (or sooner at the option of Lockton). 7. The affected taxing jurisdictions were given notice of the project by certified mailing in accordance with Section 100.059.1 RSMo on June 26, 2012, and a meeting was held on Monday, July 9 to discuss the Chapter 100 plan.

Policy/Program Impact	
<p>Policy or Program Change</p>	<p><input checked="" type="checkbox"/> No <input type="checkbox"/> Yes</p>
<p>Operational Impact Assessment</p>	
<p>Finances</p> <p>Costs & Revenue Projections - Including Indirect Costs</p>	
<p>Financial Impact</p>	<p>Principal and interest on the bonds is payable solely from certain payments derived by the City from the Lease Agreement. The Bonds and the interest thereon shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction, and are not payable in any manner by taxation. The interest rate shall not exceed 8%, principal shall be payable at maturity date.</p>
<p>Fund Source(s) and Appropriation Account Codes</p>	
<p>Is this Ordinance or Resolution Good for the Children</p>	<p>Yes. This project will cause the retention of 799 jobs in Kansas City, and will result in an average of 20 new jobs per year over the next 10 years.</p>

Applicable Dates:

Prepared by: Nick Hawkins, City Manager's Office

Reviewed by:

Reference Numbers