

Industrial Development Plan “Lux Crossroads Apartments”

This Chapter 100 Industrial Development Plan (the “Plan”) relates to a project for industrial development under Chapter 100 of the Missouri Revised Statutes (“Chapter 100”) and provides information on the project and the industrial development revenue bond issue described herein. The City has directed that the information which is provided in this Plan be information that is required by Section 100.050 RSMo. and Committee Substitute for Resolution No. 041033 for Chapter 100 projects. The Plan supports the issuance of taxable industrial development revenue bonds for Lux Living, LLC, a Missouri limited liability company (“Lux”). Ordinance approval of the Plan also authorizes the City to issue Taxable Industrial Development Revenue Bonds in an amount not to exceed \$31 million.

A. Plan requirements per City Procedures

1) Project Description

Lux has proposed to construct an approximately 190-unit multifamily apartment complex at 3948 Main Street in the City of Kansas City, Missouri (the “Project Site”), which includes approximately 20,000 square feet of amenities in the historic Katz building, in addition to the construction of a 175-stall underground parking garage (collectively, the “Project”). Lux has requested 25-year tax abatement with the initial 10 years at 75% abatement and the remaining 15 years at 37.5% abatement. The third-party financial analysis presented by SB Friedman indicates this request does not exceed the level needed to generate the market-appropriate Yield on Cost rate of return and is slightly below the market-appropriate Unleveraged IRR range of returns for this project based on a post construction assessed value of \$4,556,598. SB Friedman has, however, recommended only a 10-year tax abatement at 75% abatement. See attachment 2 for the SB Friedman financial analysis.

The total cost of the Project is expected to be approximately \$37.6 million, including an estimated hard project cost of \$30.2 million. Lux has requested a maximum \$32 million in taxable industrial development revenue bond issuance under the authority of Chapter 100 and the Missouri constitution to fund the acquisition and construction of the Project (the “Bonds”). The real property purchased and constructed with Bond proceeds will be owned by the City and leased back to Lux pursuant to a lease agreement between the City and Lux (the “Lease”). The Bonds will be repaid solely by Lux under the terms of the Lease. The Bonds do not reflect on the City’s credit rating.

The Project will benefit from ad valorem tax abatement and a sales tax exemption on the purchase of construction materials. If Lux’s request is approved by City Council, the Bonds and the Lease will provide for real property tax abatement at 75% for a period of up to 10 years following construction of the Project and real property tax abatement at 37.5% for an additional period of up to 15 years, as described herein, with a payment in lieu of tax payable by Lux to the City (the “PILOT”) consisting of (i) 25% of the ad valorem taxes that would be assessed on the land and improvements to the Project Site but for the tax exempt status of the Project Site during

the first 10 years following the issuance of an occupancy permit for the Project, and (ii) 62.5% of the ad valorem taxes that would be assessed on the land and improvements to the Project Site but for the tax exempt status of the Project Site during next ensuing period of 15 years. SB Friedman estimates total real property tax abatement to be approximately \$3 million during the first 10 years of tax abatement and \$2.4 million in following 15 years of abatement. The City's portion of this tax abatement is approximately \$611,146 during the first 10 years of abatement and \$506,880 during the following 15 years of abatement. The City will cooperate with Lux and will assist Lux as it seeks approvals and certifications required to cause eligible purchases of certain construction materials being incorporated into the leasehold estate to be purchased and titled in such a fashion as to be exempt from state and local sales taxes, subject in all respects to approval by the State of Missouri, and solely to the extent permitted by State law. The total amount of sales tax exemption for the Project is estimated at \$1,000,000. This estimate is not a guarantee of results, and as noted, a sales tax exemption is only available to the extent permitted by State law and is subject to all required approvals by the State of Missouri. The City's portion of the total estimated sales tax exemption is approximately \$348,000 in the event the materials were purchased within the city limits.

Lux will be subject to operational/performance standards commensurate with the anticipated investment for the Project which will be incorporated into the Lease.

2) Cost Estimate

COST CATEGORIES	TOTAL AMOUNT	COSTS FINANCED WITH BOND PROCEEDS
Acquisition	3,000,000	
Site work		
Construction/Renovation	31,000,000	31,000,000
Tenant Improvements		
Furniture and Fixtures		
Machinery and Equipment		
Other (including interest)		
Contingency & Soft Costs	3,600,000	
TOTAL PROJECT COSTS	37,600,000	31,000,000

See Attachment 1 for the annualized cost breakdown.

3) Sources of Funds

SOURCES	AMOUNT
Bond Proceeds	31,000,000
Other Financing	
Applicant's Funds	6,600,000
TOTAL	\$37,600,000

4) Lease/Disposal Terms

Lux, as the City's contractor, will construct the Project on the Project Site in accordance with the Lease. The City shall be the sole, titular owner of the Project during the Lease term. While the Project is owned by the City and is subject to the Lease, Lux's leasehold interest will be exempt from all ad valorem real property taxes. Lux will make PILOT payments as described in Section 1. The Project shall be conveyed by the City to Lux at the end of the 25th year of tax abatement following completion of construction (or sooner at Lux's option).

5) Affected Taxing Jurisdictions

The following taxing jurisdictions will be affected by this project: Kansas City, Jackson County, Jackson County Mental Health, Development Disabilities Fund, Kansas City Public Schools, Blind Pension Fund, Kansas City Public Library, Kansas City Zoo, and Metropolitan Community College.

6) a) Equalized Assessed Valuation of Real Property/Personal Property in Project – Before Development

Real Property: \$253,442

Personal Property: N/A

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b) Equalized Assessed Valuation of Real Property in Project – After Development

	Appraised Value	Assessed Value	Full Taxes	PILOT Amount
			8.3015%	
	Construction (existing taxes)			
2021	\$ 792,005	\$ 253,442	\$ 21,039	
2022	\$ 792,005	\$ 253,442	\$ 21,039	
	Post Construction			
2023	\$ 23,982,095	\$ 4,556,598	\$ 378,266	\$ 94,566
2024	\$ 23,982,095	\$ 4,556,598	\$ 378,266	\$ 94,566
2025	\$ 24,221,916	\$ 4,602,164	\$ 382,049	\$ 95,512
2026	\$ 24,221,916	\$ 4,602,164	\$ 382,049	\$ 95,512
2027	\$ 24,464,137	\$ 4,648,186	\$ 385,869	\$ 96,467
2028	\$ 24,464,137	\$ 4,648,186	\$ 385,869	\$ 96,467
2029	\$ 24,708,779	\$ 4,694,668	\$ 389,728	\$ 97,432
2030	\$ 24,708,779	\$ 4,694,668	\$ 389,728	\$ 97,432
2031	\$ 24,955,863	\$ 4,741,614	\$ 393,625	\$ 98,406
2032	\$ 24,955,863	\$ 4,741,614	\$ 393,625	\$ 98,406
2033	\$ 25,202,926	\$ 4,788,556	\$ 397,522	\$ 268,327
2034	\$ 25,202,926	\$ 4,788,556	\$ 397,522	\$ 268,327
2035	\$ 25,452,435	\$ 4,835,963	\$ 401,457	\$ 270,984
2036	\$ 25,452,435	\$ 4,835,963	\$ 401,457	\$ 270,984
2037	\$ 25,704,414	\$ 4,883,839	\$ 405,432	\$ 273,667
2038	\$ 25,704,414	\$ 4,883,839	\$ 405,432	\$ 273,667
2039	\$ 25,958,888	\$ 4,932,189	\$ 409,446	\$ 276,376
2040	\$ 25,958,888	\$ 4,932,189	\$ 409,446	\$ 276,376
2041	\$ 26,215,881	\$ 4,981,017	\$ 413,499	\$ 279,112
2042	\$ 26,215,881	\$ 4,981,017	\$ 413,499	\$ 279,112
2043	\$ 26,475,418	\$ 5,030,329	\$ 417,593	\$ 281,875
2044	\$ 26,475,418	\$ 5,030,329	\$ 417,593	\$ 281,875
2045	\$ 26,737,525	\$ 5,080,130	\$ 421,727	\$ 284,666
2046	\$ 26,737,525	\$ 5,080,130	\$ 421,727	\$ 284,666
2047	\$ 27,002,226	\$ 5,130,423	\$ 425,902	\$ 287,484
		Totals	\$ 10,018,327	\$ 5,122,265

7) Anticipated PILOTs and Disposition of Payments

See Attachment 3 for the anticipated PILOT Schedule. Amounts received as PILOTs will be disbursed by the City to each affected taxing jurisdiction in proportion to the current ad valorem tax levy of such taxing jurisdiction.

B. Community Impact Statement Requirements (Resolution No. 041033)

1) Project Integration with Area Plan of Record

The Project conforms with the city's Midtown/Plaza Area Plan

2) Project Compliance with City Affirmative Action Policies

Lux will comply, and will cause its contractors to comply, with the nondiscrimination and equal employment requirements of the City of Kansas City, Missouri, and with affirmative action in employment requirements applicable to the Project.

3) Other Evaluation Criteria

a) Number of New Jobs/Retained Jobs

The Project will result in the creation of an estimated 10 new jobs in Kansas City, MO and 100 temporary construction jobs.

b) Total Amount of Projected Investment

Total investment is approximately \$37.6 million.

c) Average Wage

The average annual wages for this project in 2021 are \$0, during construction \$60,000 and upon completion \$50,000 .

d) Capability to Attract sales from Outside KCMO

Lux will attract new residents to Kansas City, MO resulting in increased sales from outside of KCMO.

e) Financial Strength of the Business

Lux has sufficient financial wherewithal to purchase the Bonds itself.

f) Additional Residents to the Area

The Project will generate an estimated 210 new residents to the area as a result of the added residential units.

g) Potential for Future Expansion

The Project could potentially add additional commercial components at a later date.

h) Existing versus New Business to the City

The Katz includes the historic preservation of an existing building and the construction of a new building in Kansas City.

i) General Environmental Impact on the Area

Lux is not aware of any detrimental environmental impact that will result from the Project and will remediate blight and preserve a long-vacant iconic historic structure.

j) Use of Federal and State Incentives for the Project

Lux will use seek historic tax credits for the Project, but it is not expected to receive any credits.

k) Evidence of the Need for Industrial Development Revenue Bonds

Financing of the Project with industrial development revenue bonds was a critical incentive in the City's ability to attract this company's investment as a result of the "but-for" study conducted by the EDC.

l) Evidence of Support by Affected Taxing Jurisdictions

All taxing jurisdictions will be notified in accordance with the City's direction to use the procedures set forth in Missouri State Statute 100.059. In addition, EDC staff and the applicant will respond to questions regarding the Project with the taxing jurisdictions in advance of the City Council hearing.

m) Estimated Impact to Proximate Businesses/Competition in KCMO

Adding additional residences has the potential to provide additional benefits to nearby retail establishments.

ATTACHMENT 1:

**ANNUALIZED
ESTIMATED COST BREAKDOWN**

2021	\$12,533,333
2022	\$25,066,66

ATTACHMENT 2:

**FINANCIAL “BUT-FOR”
ANALYSIS**

ATTACHMENT 3:
PILOT SCHEDULE