

GENERAL

Ordinance Fact Sheet

210514

Ordinance Number

Brief Title Approving an Industrial Development Plan and authorizing the issuance of industrial revenue bonds in an amount not to exceed \$32,000,000 for a project located at 3948 Main

Approval Deadline

Reason
For the purpose of the acquisition and construction of a commercial multifamily apartment complex and related parking garages.

Details

Positions/Recommendations

Reason for Legislation

Approving an Industrial Development Plan for Lux Living, LLC for the purpose of acquisition and construction of a 190-unit market rate multifamily complex and associated 175 space parking garage at 3948 Main.; authorizing the issuance of Taxable Industrial Revenue Bonds in an amount not to exceed \$32 million in conjunction with the project and the execution of various documents; and authorizing certain other actions in connection with the issuance of said bonds.

Sponsor CM Shields

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.)

The project involves the construction of a 190-unit multifamily apartment complex at 3948 Main in addition to the construction of a 175-space parking garage, which is located in a Distressed Census Tract. The Company expects to complete construction in 2023. The total cost of the project (including interest carry) is approximately \$51.7 million.

The total cost of the Project is expected to be approximately \$37.6 million, including an estimated hard project cost of \$30.2 million.

This ordinance will approve a Plan for Industrial Development; authorize the issuance of taxable Industrial Development Revenue Bonds in an amount not to exceed \$32 million and authorize the execution of various documents with Lux Living, LLC in connection with the issuance of said bonds relating to this project.

The Bonds will be repaid solely by Lux Living LLC under the terms of the Lease. The Bonds do not reflect on the City's credit rating.

Programs, Departments, or Groups Affected City Development, Finance, City Managers Office; KCPS, MidContinent Library Mental Health Levy, Jackson County, Historic Kansas City

Applicants / Proponents **Applicant** Lux Living LLC
City Department
Other

Opponents **Groups or Individuals**
Basis of opposition

Staff Recommendation For SBF Recommends STECM, with 75% abatement for 10 years with a project look back every 5 years
 Against
Reason Project is likely to experience rent increases following Covid recovery and completion of the KC Streetcar extension

Board or Commission Recommendation **By**
 For Against No action taken
 For, with revisions or conditions (see details column for conditions)

Council Committee Actions Do pass
 Do pass (as amended)

- Committee Sub.
- Without Recommendation
- Hold
- Do not pass

(Continued on reverse side)

Details

Financing/Incentive Package

Lux has requested 25-year tax abatement with the initial 10 years at 75% abatement and the remaining 15 years at 37.5% abatement. A 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.

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, 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 total amount of sales tax exemption for the Project is estimated at \$1,000,000. 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.

The Developer has indicated they may pursue Historic Tax Credits for the project if eligible.

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

Policy/Program Impact

Policy or Program Change	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes The duration of the bond issuance period for the full developer request exceeds the maximum of 10 years and maximum abatement level of 50% established in Resolution 041033 and reaffirmed in Ordinance 160383
Operational Impact Assessment	None

Finances

Cost & Revenue Projections -- Including Indirect Costs	None
Financial Impact	Industrial development revenue bond issuances are considered "conduit debt" of the City solely repaid by Lux Living, LLC resources. The bond issue will not count against the city's debt capacity and will only appear on the City's financial statements as a footnote. Payment of principal and interest is payable solely out of certain payments derived by the City from the Lease Agreement. The interest rate shall not exceed 5%, principal shall be payable at maturity date.
Fund Source (s) and Appropriation Account Codes	
Is This Ordinance or Resolution Good for the Children?	

Fact Sheet Prepared by:

Kerrie Tyndall, City Manager's Office

Reviewed by:

Reference Numbers