Industrial Development Plan
"Historic Ellison"

This Industrial Development Plan ("The Plan") provides information on the project and 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 State Statute 100.050 and Committee Substitute for Resolution No. 041033 for Chapter 100 projects. The Plan supports the issuance of industrial development revenue bonds for EPD3 Ellison, LP, (EPD3) an Eagle Point company. Ordinance approval of the Plan also authorizes the City to issue Taxable Industrial Development Revenue Bonds in an amount not to exceed $11.5 million.

A. Plan requirements per City Procedures

1) Project Description

EPD3 Ellison intends to renovate the 11-story, 68 unit multifamily apartment building at 300 West Armour Boulevard. This property is listed on the National Register of Historic Places. This property was renovated in 2004 using Low Income Housing Tax Credits, and has 51 units at 60% AMI or below, and 17 market rate units. EPD3 is requesting 50% real property tax abatement for twenty years and sales tax exemption on construction materials. EPD3 is seeking a reallocation of LIHTC, State Historic Tax Credits, and Federal Historic Tax Credits. As a part of the recapitalization of the property, 58 units will be made available to households earning 60% or less than AMI, and 10 units will be available to households making 50% or less AMI.

The total cost of the project is expected to be approximately $10.9 Million. The City has offered a maximum $11.5 million in industrial development revenue bond issuance under the authority of the Missouri constitution to fund the acquisition and rehabilitation of the building. The real property purchased and constructed with bond proceeds will be owned by the City and leased back to EPD3. The bonds will be repaid solely by EPD3 under the terms of the lease agreement.

The project will benefit from ad valorem tax abatement and sales tax exemption on the purchase of construction materials. Real property tax abatement will be for a period of twenty years at 50% for the project. Staff estimates total real property tax abatement to be $653,404 during the tax abatement period. The City's portion of this tax abatement is approximately $129,373. The City will cooperate with EPD3 and will assist EPD3 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. Total sales tax abatement for the project is estimated at $324,000. This estimate is not a guarantee of results, and as noted, sales tax abatement 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 abatement is approximately $117,300.

EPD3 will be subject to operational/performance standards commensurate with the anticipated investment for this project which will be incorporated into the Lease Agreement. The company will also comply with all city ordinances and codes, including Code Section 74-12 "Incentivized Project Construction Timeline." As the Project is receiving Low Income Housing Tax Credits and involves the renovation or rehabilitation of a structure that has been designated a historic landmark it is therefore exempt from the requirements outlined in Code § 74-11.

2) Cost Estimate

COST CATEGORIES	TOTAL AMOUNT	COSTS FINANCED WITH BOND PROCEEDS
Acquisition	2,937,500	2,937,500
Site work		
Construction/Renovation	4,050,000	4,050,000
Tenant Improvements		
Furniture and Fixtures		
Machinery and Equipment		
Other (including interest)	2,475,333	2,475,333
Contingency & Soft Costs	1,411,760	1,411,760
TOTAL PROJECT COSTS	**10,874,593**	**10,874,593**

See Attachment 1 for the annualized cost breakdown.

3) Sources of Funds

SOURCES	AMOUNT
Bond Proceeds	4,340,593
Tax Credit Equity	4,178,682
Other Financing	2,355,318
TOTAL	**10,874,593**

4) Lease/Disposal Terms

EPD3, as the City's contractor, will construct the project in accordance with the lease agreement. The City shall be the sole owner of the project during the lease term. While the project is owned by the City and is subject to the lease, EPD3's leasehold interest will be exempt from all ad valorem property taxes. EPD3 will make tax payments as described in Section 1. Each item of real property shall be conveyed by the City to EDP3 on the 20^{th} anniversary of EPD3's first conveyance to the City (or sooner at EPD3'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 and Metropolitan Community Colleges.

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

Real Property: $503,841
Personal Property: N/A

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

Real Property						
Year	Appraised Value	Equalized Assessed Value		Year	Appraised Value	Equalized Assessed Value
		19%				
2023	$ 3,421,052.63	$ 650,000.00		2033	$ 4,170,244.07	$ 792,346.37
2024	$ 3,489,473.68	$ 663,000.00		2034	$ 4,253,648.95	$ 808,193.30
2025	$ 3,559,263.16	$ 676,260.00		2035	$ 4,338,721.93	$ 824,357.17
2026	$ 3,630,448.42	$ 689,785.20		2036	$ 4,425,496.37	$ 840,844.31
2027	$ 3,703,057.39	$ 703,580.90		2037	$ 4,514,006.29	$ 857,661.20
2028	$ 3,777,118.54	$ 717,652.52		2038	$ 4,604,286.42	$ 874,814.42
2029	$ 3,852,660.91	$ 732,005.57		2039	$ 4,696,372.15	$ 892,310.71
2030	$ 3,929,714.12	$ 746,645.68		2040	$ 4,790,299.59	$ 910,156.92
2031	$ 4,008,308.41	$ 761,578.60		2041	$ 4,886,105.58	$ 928,360.06
2032	$ 4,088,474.57	$ 776,810.17		2042	$ 4,983,827.69	$ 946,927.26

7) 10 Year Cost/Benefit Analysis (Average Costs)

Taxing Authority	Public Benefits:	Public Costs & Incentives:	Net Benefits (Costs):
City of Kansas City	169,305	58,064	111,241
Jackson County	60,442	18,599	41,844
Mental Health Fund	6,053	228	5,824
EITAS	3,719	140	3,579
Blind Pension Fund	404	57	347
Kansas City Public Library	24,896	939	23,957
Kansas City Zoo District	3,902	2,941	961
Kansas City Public Schools	249,963	9,424	240,539
Metro Community Colleges	11,788	444	11,343
State of Missouri	195,739	105,414	90,326

See Attachment 2 for cost/benefit analysis.

8) Anticipated PILOTs and Disposition of Payments

See Attachment 3 for PILOT Schedule.

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

1) Project Integration with FOCUS

The site under consideration is located in the Broadway Gillham neighborhood.

2) Cost/Benefit of the Project

Taxing Authority	Public Benefits:	Public Costs & Incentives:	Net Benefits (Costs):
City of Kansas City	169,305	58,064	111,241
Jackson County	60,442	18,599	41,844
Mental Health Fund	6,053	228	5,824
EITAS	3,719	140	3,579
Blind Pension Fund	404	57	347
Kansas City Public Library	24,896	939	23,957
Kansas City Zoo District	3,902	2,941	961
Kansas City Public Schools	249,963	9,424	240,539
Metro Community Colleges	11,788	444	11,343
State of Missouri	195,739	105,414	90,326

See Attachment 2 for complete cost/benefit analysis.

3) Project Compliance with City Contracting Program and Non-discrimination Policies

The Company will comply, and will cause its contractors to comply, with all City Code requirements, including, but not limited to, the Affirmative Action, MBE/WBE, Construction Workforce, and Prevailing Wage requirements outlined in Code Chapter 3, Art. IV, as well as the non-discrimination requirements in in Code Chapter 38, Art. III for the Project.

Nevertheless, pursuant to and in accordance with to City Code § 3-622(d), the City Council recognizes that the project located at 300 West Armour Boulevard involves the renovation of a building that has been added to national register of historic places, is therefore eligible for the waiver of prevailing wage requirements pursuant to Code § 3-622(d)(4).

4) Other Evaluation Criteria

a) Number of New Jobs/Retained Jobs

The proposed project will result in the retention of 3 jobs in Kansas City, MO.

b) Total Amount of Projected Investment

Total investment is approximately $10.9 million.

c) Average Wage

The average wages for this project in 2023 are $35,730.

d) Capability to Attract sales from Outside KCMO

EPD3 and the Historic Ellison apartments likely won't attract sales from outside the area.

e) Financial Strength of the Business

EPD3 has sufficient financial wherewithal to purchase the industrial development revenue bonds itself. The developer is well practiced in affordable housing projects.

f) Additional Residents to the Area

The project will likely not add any new residents.

g) Potential for Future Expansion

Additional growth is not expected for this project

h) Existing versus New Business to the City

The Historic Ellison Apartments is not a new development, nor will it bring in new business.

i) General Environmental Impact on the Area

EPD3 is not aware of any detrimental environmental impact that will result from the proposed project and will remediate environmental issues resulting from the legacy use of the site as a laundry.

j) Use of Federal and State Incentives for the Project

EPD3 is seeking State HTC, Federal HTC, and Low Income Housing Tax 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 City.

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

N/A

ATTACHMENT 1:

ANNUALIZED
ESTIMATED COST BREAKDOWN

2023	$10,874,593

ATTACHMENT 2:

COST/BENEFIT ANALYSIS

ATTACHMENT 3:

PILOT SCHEDULE

Real Property								
Year	Appraised Value	Equalized Assessed Value	Approximate Taxes Paid Per Year	Year	Appraised Value	Equalized Assessed Value	Approximate Taxes Paid Per Year
		19%					
2023	$3,421,052.63	$650,000.00	$ 26,892.00	2033	$4,170,244.07	$792,346.37	$ 32,781.20
2024	$3,489,473.68	$663,000.00	$ 27,429.84	2034	$4,253,648.95	$808,193.30	$ 33,436.82
2025	$3,559,263.16	$676,260.00	$ 27,978.44	2035	$4,338,721.93	$824,357.17	$ 34,105.56
2026	$3,630,448.42	$689,785.20	$ 28,538.01	2036	$4,425,496.37	$840,844.31	$ 34,787.67
2027	$3,703,057.39	$703,580.90	$ 29,108.77	2037	$4,514,006.29	$857,661.20	$ 35,483.42
2028	$3,777,118.54	$717,652.52	$ 29,690.94	2038	$4,604,286.42	$874,814.42	$ 36,193.09
2029	$3,852,660.91	$732,005.57	$ 30,284.76	2039	$4,696,372.15	$892,310.71	$ 36,916.95
2030	$3,929,714.12	$746,645.68	$ 30,890.45	2040	$4,790,299.59	$910,156.92	$ 37,655.29
2031	$4,008,308.41	$761,578.60	$ 31,508.26	2041	$4,886,105.58	$928,360.06	$ 38,408.40
2032	$4,088,474.57	$776,810.17	$ 32,138.43	2042	$4,983,827.69	$946,927.26	$ 39,176.57

*In lieu of PILOT a 50% ad valorem real property tax is to be paid. The above is an estimate.

ATTACHMENT 4:

AdvanceKC Analysis (Ordinance No. 140031)

A. Jobs-Based Project Priorities:

Compete for Quality Jobs

1) **Retained jobs are as valuable as new jobs**
   # New Jobs = 0. # Retained Jobs = 3
2) **Focus on AdvanceKC Target Sectors**
   N/A
3) **Focus jobs in growth sectors**
   N/A
4) **Focus on companies that provide competitive wages for their industry**
   N/A
5) **Promote comprehensive opportunities for education, skill development and lifelong learning to preserve and enhance Kansas City's workforce**
   N/A

B. Site-Based Project Priorities:

1) **Provide incentives for real estate projects to encourage economic, social, and environmental sustainability**
   This project does not involve any specific sustainability elements.
2) **Maintain and develop quality and workforce housing opportunities consistent with market needs of existing and prospective residents**
   N/A
3) **Support projects that benefit surrounding neighborhoods**
   This project will stabilize and recapitalize a building with systems that are almost 20 years old. This will keep this building from falling into disrepair in the future.
4) **Support projects that are consistent with City Area Plans and the City's Consolidated Plan**
   This project is consistent with the City's Area Plan of record for the area – Midtown/Plaza Area Plan.
5) **Support early risk takers, especially in City Council priority development areas**
   This is a thin margin project that looks to keep affordable units, and make an additional 17 units affordable.

6) **Target areas of historic underinvestment**
    a. **Focus on areas of long term declining property values**
    This facility is not located within a Distressed Census Tract
    b. **Encourage geographic equity of development patterns** – This facility is located within Council District # 4
7) **Support projects that increase density in the urban core with a greater emphasis within the streetcar corridors**
    This project supports an affordable housing project in the urban core.

C. Fiscal Responsibility Policies:

1) **Promote good stewardship of the City's resources**
    A 10 year cost benefit analysis of the project shows the city generating total revenues of $111,241 while granting incentives and incurring costs valued at $58,064 resulting in net new revenues to the city of $53,177 over that time period.
2) **Provide incentives for real estate projects only as necessary to fill the financial gap**
    Project is paying 50% of ad valorem property tax.
3) **Support pay-as-you-go projects and discourage the use of City debt**
    Industrial development revenue bonds are conduit debt and do not involve any guarantees or obligations of the City.
4) **Super TIF should be used with great discretion and requires the support of a super majority (two-thirds) of the City Council, except when needed to access incentives from other public jurisdictions or to promote quality residential development**
    N/A
5) **Encourage retail projects that result in capture of net new consumer spending versus substitution of spending from other markets within KCMO**
    N/A
6) **Limit the use of incentives to reasonable and appropriate project expenses which have a public benefit and are essential to the successful completion of projects**
    Incentives used in this project will be used to provide surety to a developer and leverage that surety into net new revenue for the city and other taxing jurisdictions. It is also reasonable to incentivize affordable housing.
7) **All projects should meet the "but for" test, either financially or competitively or should address the City Council's strategic priorities.**
    This project has met the but for test for the value of the sales tax exemption on construction materials.

8) **Promote a positive fiscal impact on taxing jurisdictions in the use of incentives**
    The cost benefit analysis for this project shows a net positive to the impact to the City of $53,177 over 10 years as well as a net benefit to most other affected taxing jurisdictions as described in Attachment 2.

9) **Direct earnings tax incentives are prohibited**
   N/A
10) **The City's incentives should be used to maximize private investment**
   The abatement for this project will maximize private investment on the site via the surety it provides on an annual basis.
11) **Business types ineligible for incentives include: the sale of package liquor* or firearms*, pawn shops, short term loan establishments, gambling, blood/plasma centers, "adult-oriented" businesses, cigarette*/smoke shops and hookah lounges, scrap metal operations, tattoo/piercing parlors, and used car lots**
   * These business types are only ineligible when the indicated (*) product comprises more than 30% of retail sales or the sales display area (Example: A liquor store would be ineligible but a grocery store that sells liquor would be eligible)