



Fidelity Security Life

Chapter 100 – 27th and Grand

12/1/21



ECONOMIC DEVELOPMENT CORPORATION





Consideration of Industrial Development Plan

- Approval of the Industrial Development Plan
 - Authorizes 15 years of tax abatement
 - Years 1-10 = 70% abatement
 - Years 11-15 = 30% abatement
 - Provides sales tax exemption on construction materials for the first 24 months
 - Issues taxable Industrial Development Revenue Bonds not to exceed \$84,000,000
 - Authorizes certain other actions in connection with the issuance of said bonds
 - Authorizes and approves various agreements for the purpose of setting forth covenants, agreements and obligations of the City and Fidelity Security Life Insurance Company, Inc., and its affiliates or designees
 - Authorizes and approves certain other documents

Project Facts

- Project Costs
 - Acquisition Price - \$6,930,000
 - Personal Property Investment - \$4,500,000
 - Total Development Budget - \$83,389,883
- Sources of funds
 - \$20,847,412 – Owner Equity
 - \$62,542,412 – Loan
- Value
 - Current Assessed – \$946,560
 - Projected Assessed – \$9,220,784
- Jobs
 - 300 retained in Kansas City at Fidelity Security Life Insurance Company, Inc.
 - 122 Construction Jobs utilized in construction phase of project
- Clawbacks have been agreed to and will be included in lease documents

Financial But-For Analysis

The Developer is requesting STECM and abatement of real property taxes (above current predevelopment taxes) generated for 15 years under PIEA, including 70% abatement in Years 1-10 and 30% abatement in Years 11-15.

The but-for analysis indicates that the Project, as presented, would require public assistance to be financially viable. The factors contributing to the Project's need for assistance include:

- Open space requirements of the Seller which require the Developer to acquire more land than needed to accommodate the Project;
- Curvilinear design of the Project impacts overall development costs and the efficiency and cost of structured parking; and
- Higher level of buildout that is not supported by anticipated Project rents.

With the requested level of assistance, the Project achieves a stabilized yield on cost that falls within a market-appropriate range and unleveraged IRR that falls below the benchmark range. A reduced level of assistance, in which the property tax abatement is reduced from 15 to 10 years, has a minimal impact on returns. The Developer stated an intent to hold the Project over the long term. In many situations where a long-term hold is contemplated, a developer will consider stabilized yield on cost as the primary indicator of project viability.