

Mayor Nanette K. Johnston opened the work session at 6:03 p.m. on April 17, 2018, at City Hall located at 8880 Clark Avenue, Parkville. In attendance were aldermen Greg Plumb, Douglas Wylie, Brian Whitley, Philip Wassmer, Tina Welch, Dave Rittman, Bob Lock and Marc Sportsman.

The following staff was also present:
Joe Parente, City Administrator
Kevin Chrisman, Police Chief
Alysen Abel, Public Works Director
Stephen Lachky, Community Development Director
Matthew Chapman, Finance/Human Resources Director
Melissa McChesney, City Clerk
Anna Mitchell, Assistant to the City Administrator
Chris Williams, City Attorney

1. GENERAL AGENDA

A. Proposed Six at Park Development

Alderman Plumb recused himself from the work session because he was an employee of the property owner Park University.

City Administrator Joe Parente stated that the purpose of the work session was to discuss the request for public assistance for the project that included Chapter 353 property tax abatements and a Chapter 100 tax exemption on construction materials. He noted that Springsted Inc., the City's financial advisor, completed financial analyses to determine if public assistance was warranted for the project.

Tom Kaleko, Springsted, provided an overview of the findings, presentation attached as Exhibit A. The developer requested a 15 year property tax abatement on a decreasing scale in order to maintain an average debt coverage ratio of 1.20. He noted that the but-for analysis determination considered the developer's money and the cost-benefit analysis considered the City's money. The but-for analysis determined that the project would not happen without public assistance.

Discussion focused on architectural design requirements that could increase the cost to the developer, improvements to Route 9 and the sidewalks and curbs, site condition issues, other projects that would qualify for incentives and lease revenue for the building.

Kaleko provided the results of the cost-benefit analysis that showed the net financial impacts to the City with and without the Parkville Old Towne Market Community Improvement District (POTMCID) money for the parking lot.

Further discussion focused on what would happen to the building and parking lot if the developer went bankrupt. It was noted that under Chapter 100, the only benefit to the developer was the sales tax exemption. The City would be the conduit finance partner and would not have any financial responsibility to make the debt service payments.

Todd Kobayashi, Fouch Brothers, stated that the financing was through a standard bank debt at the responsibility of the owners. He noted that two items fell short for new developments in Parkville. They included rents that were lower than larger cities and a loss in revenue because of the parking lot. He said that the project was not large enough to warrant asking for other tax incentives.

Nathan BeVelle, Parkville Economic Development Council Executive Director, stated that State of Missouri programs were not a way to offset costs because it would not incentivize projects that did not bring new jobs to Missouri.

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Kobayashi added that the project would be a benefit to the POTMCID and the project would bring additional revenue.

Parente spoke about how the savings from the sales tax exemption could be applied, noting that the City could set aside the money to offset the annual payments or make a lump sum payment that would reduce the City's annual payment for 25 years. As the property owner leasing the property, Park University would need to approve the method recommended by the City.

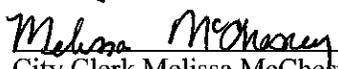
In regards to the parking lot, Parente said that the agreement was for a 99 year lease with Park University and would be constructed with City and POTMCID funds. The 99 year lease allowed use of the parking lot for office needs during work hours and public parking at other times. Community Development Director Stephen Lachky said that if the offices in the building were fully staffed and each employee parked a vehicle in the lot there would be 34 spaces available at all times for public parking.

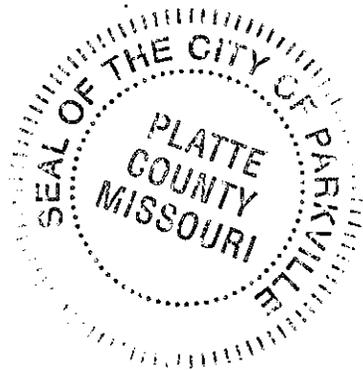
Kobayashi said that they would work with Park University to determine if control of the parking lot was needed in the future. He added that there were two leases, one for the parking lot and one for the property.

The work session ended at 6:43 p.m.

The work session minutes for April 17, 2018, having been read and considered by the Board of Aldermen, and having been found to be correct as written, were approved on this the first day of May 2018.

Submitted by:


City Clerk Melissa McChesney





SIX @ PARK CHAPTER 353 TAX ABATEMENT BUT-FOR DETERMINATION AND COST-BENEFIT

Presented by

Tom Kaleko, Executive Vice President

April 17, 2018

Project summary

- Foutch Brothers: developer and primary tenant
- 2.64 acre site located on south side of 6th Street and east of Highway 9
- Construction of:
 - Four story, 47,500 square foot commercial office building
 - Adjacent, public parking lot
- 224 full-time equivalent jobs
 - Average annual wage of \$53,600 in 2019

Sources	
First Mortgage	\$7,272,188
Old Towne CID	350,000
Developer Private Debt	1,905,547
Total Sources	\$9,527,735

BUT-FOR DETERMINATION

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Is a public incentive needed for this project?

- Reflective of only the specific development scenario presented
- Can the project generate a reasonable profit without the requested incentive within current marketplace and time?

Study results are estimates from which actual results will vary

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Report conclusions based on developer's anticipated net income from the project

1. Examine developer's pro forma for reasonableness of cost and operating income assumptions
2. Project the developer's profit without incentive
 - Measured as unleveraged Internal Rate of Return (IRR)
3. Compare without incentive IRR to recent similar projects
4. Perform sensitivity analysis
 - What if costs were lower?
 - What if revenues were higher?

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Project return without assistance is below market range

Internal Rate of Return	
Without Assistance	3.91%
Market Range	6.00% - 12.00%

- From *Korpacz/price Waterhouse Cooper Real Estate Investor Survey*, Fourth Quarter 2017
- Average of 8.34%
- Benchmark for our analysis – developer's with assistance return of 6.39%

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What if developer's project costs were lower?

- Without incentive, developer would be responsible for project costs of \$9.5 million

Reduction in Project Costs Necessary to
Achieve Developer's With Assistance Return

21%



What if developer's lease revenue were higher?

- Assumed lease rates are comparable to the market
 - \$23 per square foot, 1% annual inflation & 7% vacancy
 - Effective rate of \$21.39 per square foot

Increase in Revenue Necessary to Achieve
Developer's With Assistance Return

27%



What if there are both cost savings and higher revenue?

Variance to Achieve Developer's With Assistance Rate of Return	Reduction in Cost	Increase in Revenue
	12%	12%

But-For Determination conclusions

The proposed project would not occur in the current market on this site without a public incentive

COST-BENEFIT ANALYSIS

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Assumptions

- Direct, indirect and induced impacts
- Operations begin January 1, 2019
- 1.5% annual increase in property value
- 224 full-time equivalent positions; average annual wage of \$53,600
- Regional economic multipliers
- 33 new Parkville households with 78 residents
- Consumer spending 50% in Parkville
- Per-worker and per-resident marginal cost rate of 35%

Estimated 10-year net financial impact

Taxing Authority	Net Benefits (Costs)
City of Parkville	(140,910)
Platte County	127,248
Senior Services	(410)
Platte County Health Department	(1,321)
Tri-County Mental Health Services	3,117
Development Disabilities Fund	(6,688)
Blind Pension Fund	7,160
Mid-Continent Library	7,330
Park Hill School District	8,784
Metro Community Colleges	10,616
State of Missouri	8,560,351

209,090 without
CID contribution

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Estimated 25-year net financial impact

Taxing Authority	Net Benefits (Costs)
City of Parkville	604,910
Platte County	269,766
Senior Services	9,526
Platte County Health Department	13,103
Tri-County Mental Health Services	31,550
Development Disabilities Fund	6,864
Blind Pension Fund	29,958
Mid-Continent Library	110,899
Park Hill School District	1,161,086
Metro Community Colleges	84,529
State of Missouri	24,065,821

954,919 without
CID contribution

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THANK YOU

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