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August 17, 2012

TO: Mayor and Board of Aldermen

FROM: Rich Wood

RE: Summary of the Shoppes at Kearney Tax Increment Financing Redevelopment Agreement (“**TIF Redevelopment Agreement**”) between the City of Kearney, Missouri (“**City**”) and Star Acquisitions, LLC (“**Developer**”)

On January 19, 2010, the Board of Aldermen adopted Ordinance Number 1126-2010, which approved the Shoppes at Kearney Tax Increment Financing Plan (“**TIF Plan**”). Ordinance Number 1126-2010 provides that approval of the TIF Plan is conditioned upon the Developer and the City entering into the TIF Redevelopment Agreement.

This Memo summarizes the key components of the TIF Redevelopment Agreement, which will be on the agenda for consideration at the August 20, 2012, Board of Aldermen meeting. Capitalized terms are defined in Section 1.02 of the TIF Redevelopment Agreement.

Generally, the TIF Redevelopment Agreement establishes the rights, duties and obligations of the City and the Developer regarding design, construction and operation of the Project and implementation of the TIF Plan. The following is an Article by Article overview of the key provisions. This Memo is not intended to describe each term of the TIF Redevelopment Agreement, but instead is intended only to provide an overview of the key components.

Article 2: Representations and Warranties

This Article provides certain representations and warranties of the Developer and the City with respect to the TIF Plan and the TIF Redevelopment Agreement. The Article also provides that the Developer will advance all costs necessary to acquire the Property and complete the Project and for the continued funding of City administrative costs resulting from the Plan.

Article 3: Reimbursement of Developer Costs

Reimbursement. This Article establishes the process by which the City will use TIF Revenues to reimburse the Developer for Reimbursable Project Costs.

Reimbursable Project Costs Cap. The amount of reimbursement is capped at \$13,828,572.

Developer Fee. The Developer will receive a developer fee in the amount of 10% of hard construction costs for items that fall within the category of Public Infrastructure/Grading and Private Site Improvements in the Project Budget.

Reimbursement of Interest. Interest paid by the Developer on loans to fund the Project will be reimbursed with TIF revenues. The Developer is required to use commercially reasonable efforts to obtain annual interest rates which are less than or equal to the UMB prime rate plus 1%, and the maximum interest rate is 10%. The Developer will receive interest on Developer equity used to fund the Project at a rate that is less than or equal to the UMB prime rate plus 1%, with a cap of 10%.

Article 4: Tax Increment Financing

This Article sets forth the manner in which the City will impose tax increment financing and the Project will be financed.

Redevelopment Area. The Redevelopment Area is the same as the Redevelopment Project Area. The Redevelopment Area will be developed in one (1) Redevelopment Project. After the City initiates tax increment financing, the Developer will construct the Developer Private Improvements and the Public Improvements.

Project Budget. The Developer is required to follow the Project Budget (Exhibit C) when constructing the Project.

Obligations. The City may, at its sole discretion, issue Obligations to reimburse the Developer for Reimbursable Project Costs.

Payments in lieu of taxes (PILOTs). The assessed value of all real property in the Redevelopment Area is frozen during the year that the City adopts the corresponding Project ordinance. All increased assessments for the real property are collected by the City as PILOTs, which are, in turn, used to pay Reimbursable Project Costs. 100% of the PILOTs will be used to pay or repay Reimbursable Project Costs or Obligations. The obligation to make PILOTs runs with the land and creates a lien in favor of the City.

Economic Activity Taxes (EATs). Fifty percent (50%) of all EATs in the Redevelopment Area are captured by the City and used to pay for Reimbursable Project Costs. The obligation to make EATs payments runs with the land and the City can enforce collection of the EATs in the same manner as the collection of sales taxes.

Grocery Store Base Sales. When calculating EATs revenue, the first \$15,000,000 of the New Grocery Store's taxable sales will be assumed to be the Grocery Store Base Sales within the Redevelopment Area. This means that the full sales taxes on such sales, including the CID Sales Tax if a CID is approved, will be paid. If the Existing Grocery Store continues to operate either at its current location or at a different location within the City after the New Grocery Store opens for business, the \$15,000,000 of Grocery Store Base Sales will be reduced by the amount of taxable sales generated by the Existing Grocery Store. The amount of the Grocery Store Base Sales will be adjusted each year based on the CPI Index until such time as the total annual sales produced by development on the Property equal or exceed \$20,000,000, at which time the Grocery Store Base Sales will be fixed at \$15,000,000.

Disbursements from Special Allocation Fund. The order of reimbursement from TIF revenues is set out in Section 4.09.

Capital Contribution to School District. The City will make a Capital Contribution to the School District if TIF revenues are available, as follows:

- A. Tax year 1 - \$9,400
- B. Tax year 2 - \$10,980
- C. Tax year 3 - \$12,550
- D. Tax year 4 - \$15,690
- E. Tax years 5 through termination of tax increment financing - \$18,830

If TIF revenues are not available in any given year to make the Capital Contribution, neither the City or the Developer is obligated to do so.

Article 5: Construction and Operation of the Project

Construction. The Developer is required to design and construct the Developer Private Improvements and the Public Improvements. Exhibit D contains the schedule for construction of the Project. The Developer is required to obtain all required governmental approvals for the Project.

Design Criteria. In the event the Developer assigns its development rights to another development entity, then the minimum design standards set forth in Exhibit E will become effective and apply to the new development entity.

Priority Road Improvements. Exhibit K contains a list of the Public Improvements which the Developer will be required to construct prior to the issuance of a certificate of occupancy for any structure on the Property. The remainder of the Public Improvements will be phased along with the phases of the Project, but the City's requirements regarding adequate public infrastructure will apply to all Public Improvements.

Regency Drive Improvements. The Developer will be required to provide funds for the City to study, design, and construct traffic calming improvements on Regency Drive, from Drive A to 19th Street in the maximum amount of \$50,000.00. Any amounts contributed by Developer will be Reimbursable Project Costs.

Drive A Extension. Future TIF Revenues, after payment of all Reimbursable Project Costs anticipated by the Redevelopment Plan up to the Reimbursable Project Costs Cap, may be made available to assist in the funding of the design and construction of the extension of Drive A south from the southern boundary of the Redevelopment Area so that it connects with West 19th Street, as described in "The Shoppes at Kearney Traffic Study Review and Analysis" dated January 2010, prepared by Cook, Flatt & Strobel Engineers, P.A.

Access From 92 Highway. A left turn access to the Property from Highway 92 at the intersection of Highway 92 and Drive B will not be allowed unless the Developer's engineering consultant and the City's engineering consultant agree that such turning movement can be designed and constructed in compliance with all Applicable Law and Requirements and the MHTC approves the turning movement.

Land Use Restrictions. Exhibit I contains a list of prohibited uses for the Redevelopment Area.

Prohibition on Relocation. The Developer is not allowed to lease or sell any property in the Redevelopment Area to a business that is already located in the City without the sales tax base for the business being transferred as provided in the TIF Act.

Lease and Sale of Project Property. Each lease or sale contract by the Developer must contain specific language that provides actual notice to the tenants or buyers regarding the existence and operation of the TIF District and associated public financing mechanisms.

Article 6: Special Taxing District

The City and the Developer will cooperate to form a Community Improvement District (“CID”). The CID will impose a 1% sales tax. The CID revenues will fall into two categories: (1) Captured CID Revenues, which will be used to finance Reimbursable Project Costs and (2) Non-Captured CID Revenues, which will be used to finance the City’s community center, aquatics center, or other public facility. The CID will also own and maintain the Storm Water Improvements within the Project area.