

# Santa Fe Tax Increment Financing Review

September 14, 2020



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# History

- December 22, 1997 – Santa Fe Trail TIF Plan, TIF Area and Blight Declaration approved.
- August 7, 2000 – Redevelopment Agreement Approved
- November 6, 2000 – Redevelopment Project Activated
- June 7, 2004 – Amendment One to Redevelopment Agreement approved
- February 22, 2005 – Amendment Two to Redevelopment Agreement approved

# Santa Fe Location



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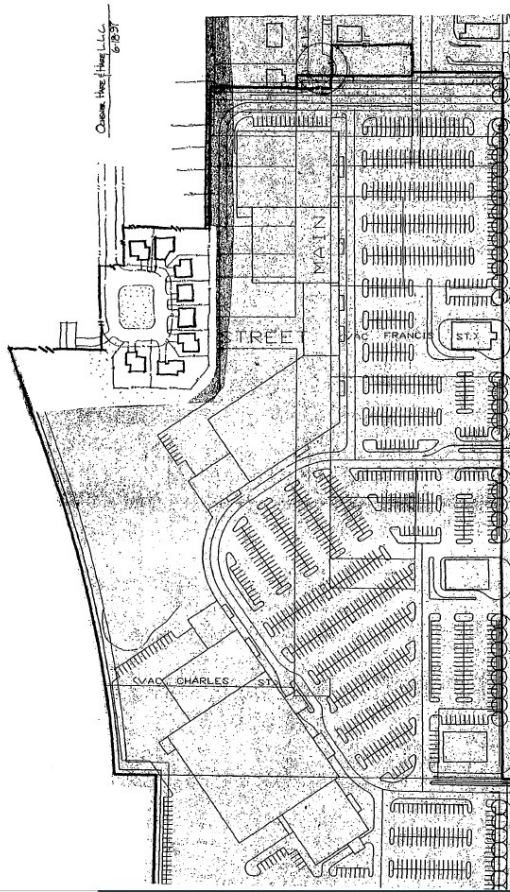
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# Background

- TIF Area consists of 32 parcels of property owned by 26 different property owners, all of which must be acquired and cleared to redevelop.
- More than 108,075 square feet of existing structures in the TIF Area are obsolete and in disrepair and must be demolished to accommodate the redevelopment.
- The platting and street layout in the TIF Area are inadequate and obsolete.
- Environmental problems characterize several portions of the TIF Area.

## Santa Fe TIF Details

- Developer – MC Properties, LLC
- Approximately 29 acres
- Construct 220,200 square feet of retail space
- 8 new owner-occupied residential units
- Related off-site public improvements



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# Santa Fe Project Plan

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## Santa Fe TIF Details - continued

- Total Project Costs – \$25,567,017
- Developer Reimbursable Cost - \$7,500,000
  - TIF Plan specifically allowed land assembly, acquisition, demolition, and relocation costs to be reimbursed to the developer
- 8 new residential units

## Santa Fe TIF Details - continued

- Total PILOTS Generated over 23 years– \$8,800,000
- Total EATS Generated over 23 years – \$13,700,000
- Estimated the Developer Reimbursable Project Costs will be fully reimbursed in January 2014



EXHIBIT 3  
SANTA FE TRAIL  
PROJECT COST ESTIMATES

10/24/97  
10:40 a.m.

DESCRIPTION	ESTIMATED TOTAL COST	ESTIMATED REIMBURSABLE COST
NEIGHBORHOOD TAX ABATEMENT PROGRAM	\$ 210,000	\$ 210,000
LAND ASSEMBLY		
Acquisition	\$ 6,027,354	\$ 5,556,935
Demolition/Excavation	950,000	250,000
Relocation	52,800	52,800
Total Land Assembly Cost	\$ 7,030,154	\$ 5,859,735
ON-SITE WORK	\$ 3,326,285	-
OFF-SITE WORK	\$ 240,000	\$ 240,000
ENVIRONMENTAL CONTINGENCY	\$ 191,559	\$ 191,559
CONSTRUCTION		
Building Shell (\$32.78/s.f.; 220,200s.f.)	\$ 7,218,156	-
Tenant Finish (\$15/s.f.; 220,200s.f.)	3,303,000	-
Total Construction Cost	\$ 10,521,156	-
PROFESSIONAL, PLANNING & STUDIES		
Leasing Commissions	\$ 550,724	-
Legal & Planning Consultants	185,500	-
Civil Engineering	175,000	-
Architecture/Engineering	472,950	-
Surveys	55,000	-
Soil Testing	45,000	45,000
Special Inspections	25,000	-
Traffic Study	15,000	15,000
Market Study	10,300	10,300
Environmental Analysis	50,000	50,000
Utility Company Charges	35,000	-
Marketing	15,000	-
Development Fees (\$2.50/s.f.)	525,500	-
Total Professional, Planning & Studies Cost	\$ 2,159,974	\$ 120,300
FINANCING		
Loan Fees (1.25% of Permanent Loan)	107,195	-
Costs of Issuance (2% of TIF Bonds)	145,000	145,000
Construction Interest (50% of Above Costs- excluding Land Assembly- for 9 month at 8.5%)	741,335	33,924
Land Assembly Interest (70% of Land Assembly Costs for 12 months & 30% for 24 months at 8.5%)	699,482	699,482
Negative Cash Flow to Break-Even Lease Up (\$3.54/s.f. for 6 months at 50% vacancy)	194,877	-
Total Financing Costs	\$ 1,867,889	\$ 878,406
TOTAL ESTIMATED PROJECT COSTS	\$ 25,567,017	\$ 7,500,000

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# Santa Fe TIF Budget

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# Redevelopment Agreement

- Approved August 7, 2000
- The City obligates to issue \$7,500,000 in debt prior to the construction of the shopping center in order to reimburse the Developer for the land assembly costs and other authorized expenditures.

## Redevelopment Agreement - Continued

- As part of this, a Status Update was provided to the Council:
  - Land acquisition
  - List of tenants/purchasers with signed letters of intent, leases and sales
  - Developer to break ground in September 2000

# Redevelopment Agreement – Land Acquisition

- Power of Eminent Domain given to developer.
- 3 properties were acquired via condemnation”
  - Winstead’s
  - Pizza Hut
  - Knudsen property
- City did not use power of eminent domain

# Redevelopment Agreement – Potential Tenants

- List of Potential Tenants:
  - Richards IGA
  - Blue Ridge Bank
  - 13,000 square foot drug store
  - Wendy's
  - Winstead's to remain
  - AutoZone to remain
  - Lakeside Kia
  - Radio Shack

# Redevelopment Project Activated

- November 6, 2000 – Redevelopment Project & TIF funding for Project Area approved
- Final action required by the City to permit the project to proceed and start the clock on the 23-year TIF timeframe.

# Redevelopment Agreement Amendment One

- Approved June 7, 2004
- Reduced developer reimbursable cost to \$7,350,000.
- Due to reduction cost of roadway improvements
- However, developer was still responsible for those improvements.

# Redevelopment Agreement Amendment Two

- Approved February 22, 2005
- Reduced developer reimbursable cost to \$6,684,523.
- Reduction due to:
  - Roadway improvements not reimbursed by TIF
  - Finance savings
- Developer still responsible for roadway improvements.



## Financial Performance

Revenue	Initial Estimate	Actual 06/30/2020	Estimated at 11/05/2023
Pilot	\$ 8,800,000	\$ 308,631	\$ 384,446
Eats	13,700,000	54,659	78,421
Interest	-	448,154	475,837
Volunteer Developer Contributions 2008-2014	-	3,955,054	3,955,054
Transfers from 23 <sup>rd</sup> & Noland TIF	-	5,100,003	12,422,776
Gain on debt Refundings and Reserve	-	3,062,420	3,062,420
<b>Total Revenue</b>	<b>\$ 22,500,000</b>	<b>\$ 12,928,921</b>	<b>\$20,378,954</b>

## Financial Performance

Principal and Interest Payments	Actual 2002-2007	Actual 2008-2015	Actual and Projected 2016-2045	Total
Debt Series 2002	3,553,663	-	-	\$ 3,553,663
Debt Series 2007	-	6,859,235	-	6,859,235
Debt Series 2015	-	-	15,617,008	15,617,008
<b>Total</b>				<b>\$26,029,906</b>

# Economic Development Policy

- Economic Development Policy – Approved 2019
  - Limitations on city backed debt
  - Limits on amount of public support based on quality of development.
  - Economic development and incentive committee

Questions...

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