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Committee Advances Power & Light Building TIF Plan — Without Debt Guarantee.

NorthPoint Development is prepared to start work on the $63 million redevelopment of the historic Power & Light Building in October, assuming a couple of incentive wrinkles get ironed out.

One of the final public financing issues appeared to be worked out Wednesday, during a joint meeting of the Kansas City Council's Planning, Zoning and Economic Development and Finance, Governance and Ethics committees.

The committee members voted 8-0 to recommend tax increment financing for a portion of the project to the full council, which is expected to act on the recommendation on July 24. TIF allows new tax revenue generated by projects to be used to cover eligible development expenses for up to 23 years.

About $8 million in TIF was recommended for a $19.9 million portion of the project involving construction of a new 475-space garage wrapped by 52 apartment units and 6,700 square feet of ground-floor retail space. It will be developed on two vacant lots just north of the 84-year-old Power & Light Building at 13th Street and Baltimore Avenue.

According to the plan advanced Wednesday, most of the TIF for the garage project will be generated by a 10-year-old TIF plan approved to help fund redevelopment of the Hilton President Hotel.

The President Hotel opened across Baltimore Avenue from the Power & Light Building in 2005, and it has been so successful that the city-backed TIF bonds sold to provide upfront financing for the hotel project are expected to be paid off four years early, in 2024.

The joint committee on Tuesday supported NorthPoint's request that the city keep the original 2028 bond repayment date in place, freeing up about $6 million of the President Hotel TIF revenue for the NorthPoint garage project. According to the committee recommendation, another $2 million in public support would come from using all but $500,000 that has accumulated in a reserve fund tied to the President Hotel TIF bonds.

In June, the Tax Increment Financing Commission of Kansas City supported a plan that called for refinancing the President Hotel TIF bonds in order to provide NorthPoint with a total of about $6.2 million upfront for its garage project — $1.9 million from the reserve fund and $4.3 million from the refinanced bonds.

But that plan would have required the city to back new bonds — something the City Council has refused to do since underperformance of the Power & Light entertainment district left taxpayers on the hook for tens of millions of dollars in TIF bond payments for that project.

"We've had a steadfast policy (against backing developers' debt) since we've had to pay debt service on the Power & Light District," Councilman Russ Johnson said during a July 10 city council session. "Our credit rating agencies told us to stop doing that, and I'm concerned we might start back down a slippery slope. Every project is worth doing something on. But you have to have some policies to guide you to make sure you don't get a (rating) downgrade later on."

NorthPoint agreed to withdraw its request for bond refinancing to avoid that scenario. But to offset the corresponding loss in upfront revenue, it asked that the amount of pay-as-you-go TIF generated for the garage project be increased from $4.3 million to about $6 million.

To help financing the remainder of the project — conversion of the 36-story Power & Light Building into another 223 luxury apartment units — the developers are seeking a 25-year property tax abatement through the Planned Industrial Expansion Authority.
The city council was scheduled to vote on creation of a PIEA district for the project on July 10, but Councilman Johnson asked that the issue be delayed for a week to allow time to address his concerns with the bond refinancing plan.

In the meantime, NorthPoint also has been working to address concerns of the taxing jurisdictions that will have to forgo revenue as a result of the PIEA abatement.
On Tuesday, Chase Simmons, an attorney with Polsinelli PC representing NorthPoint, told the joint committee that NorthPoint had agreed to "a very small abatement."
Simmons said NorthPoint will ask the PIEA board to approve an abatement that steps down in percentage over the 25 years and averages 25 percent over that term. The standard PIEA abatement is 100 percent for 10 years, followed by 50 percent for 15 years.

Rob Roberts
Reporter-
Kansas City Business Journal