
CITY OF OLIVETTE, MISSOURI

**PLAN FOR AN INDUSTRIAL DEVELOPMENT PROJECT
AND
COST-BENEFIT ANALYSIS**

OPUS DEVELOPMENT COMPANY, L.L.C. PROJECT

TABLE OF CONTENTS

	<u>Page</u>
I. PURPOSE OF THIS PLAN.....	- 1 -
II. DESCRIPTION OF CHAPTER 100 FINANCINGS.....	- 1 -
General.....	- 1 -
Issuance and Sale of Bonds.....	- 1 -
Property Tax Abatement.....	- 2 -
Sales and Use Tax Exemption.....	- 2 -
III. DESCRIPTION OF THE PARTIES.....	- 2 -
Opus Development Company, L.L.C.....	- 2 -
City of Olivette, Missouri.....	- 2 -
IV. REQUIREMENTS OF THE ACT.....	- 2 -
Description of the Project.....	- 2 -
Estimate of the Costs of the Project.....	- 2 -
Source of Funds to be Expended for the Project.....	- 2 -
Statement of the Terms Upon Which the Project is to be Leased or Otherwise Disposed of by the City.....	- 2 -
Affected School District, Community College District, Emergency Service Providers, County and City.....	- 3 -
Current Assessed Valuation.....	- 3 -
Payments in Lieu of Taxes.....	- 3 -
Sales and Use Tax Exemption.....	- 3 -
Cost-Benefit Analysis.....	- 3 -
V. ASSUMPTIONS AND BASIS OF PLAN.....	- 4 -

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I. PURPOSE OF THIS PLAN

The City of Olivette, Missouri (the “City”), intends to issue taxable industrial revenue bonds in a principal amount not to exceed \$55,000,000 (the “Bonds”) to finance the costs of a proposed industrial development project (the “Project”) for the benefit of Opus Development Company, L.L.C. (including any affiliate entity (including any joint venture) in which Opus Development Company, L.L.C. has an ownership interest, directly or indirectly, the “Developer”). The Bonds will be issued pursuant to the provisions of Sections 100.010 to 100.200 of the Revised Statutes of Missouri, Article VI, Section 27(b) of the Missouri Constitution and the City Charter (collectively with Chapter 100, the “Act”).

Gilmore & Bell, P.C. has prepared this Plan for an Industrial Development Project and Cost-Benefit Analysis (this “Plan”) to satisfy requirements of the Act and to analyze the potential costs and benefits, including the related tax impact on all affected taxing jurisdictions, of using industrial revenue bonds to finance the Project and to facilitate a sales and use tax exemption on construction materials used to complete the bond-financed property.

II. DESCRIPTION OF CHAPTER 100 FINANCINGS

General. The Act authorizes cities, counties, towns and villages to issue industrial development revenue bonds to finance the purchase, construction, extension and improvement of warehouses, distribution facilities, research and development facilities, office industries, agricultural processing industries, service facilities that provide interstate commerce, industrial plants, including the real estate either within or without the limits of such municipalities, buildings, fixtures, and machinery. In addition, Article VI, Section 27(b) of the Missouri Constitution authorizes cities, counties, towns and villages to issue revenue bonds for the purpose of paying all or part of the cost of purchasing, constructing, extending or improving any facility for manufacturing, commercial, warehousing and industrial development purposes, including the real estate, buildings, fixtures and machinery. Under Attorney General Opinion 180-81, the Missouri Attorney General determined that the construction and rental of multi-family apartments for profit is a commercial enterprise.

Issuance and Sale of Bonds. Revenue bonds issued pursuant to the Act do not require voter approval and are payable solely from revenues received from a lease or other disposition of the project. The municipality issues its bonds and in exchange, the benefited company promises to make payments that are sufficient to pay the principal of and interest on the bonds as they become due. Thus, the municipality merely acts as a conduit for the financing.

Concurrently with the closing of the bonds, the Developer will lease the site on which the project will be located to the municipality. The municipality will immediately lease the project site and the improvements thereon back to the benefited company pursuant to a lease agreement. The lease agreement will require the Developer, acting on behalf of the municipality, to use the bond proceeds to purchase and construct the project.

Under the lease agreement, the Developer typically: (1) unconditionally agrees to make payments sufficient to pay the principal of and interest on the bonds as they become due; (2) agrees, at its own expense, to maintain the project, to pay all taxes and assessments with respect to the project, and to maintain adequate insurance; (3) may, at its own expense, make certain additions, modifications or improvements to the project; (4) may assign its interests under the lease agreement or sublease the project while remaining responsible for payments under the lease agreement; (5) covenants to maintain its corporate existence during the term of the bond issue; and (6) agrees to indemnify the municipality for certain liability the municipality might incur as a result of its participation in the transaction.

Property Tax Abatement. While the Act is often used to facilitate real or personal property tax abatement, the Developer is not seeking, and this Plan does not authorize, any real or personal property tax abatement or exemption.

Sales and Use Tax Exemption. The purpose of this Plan is to provide a sales and use tax exemption on qualified building materials. Under the Act and other applicable state law, qualified building materials can be exempt from sales and use tax if approved by the municipality. The sales and use tax exemption is evidenced by a project exemption certificate issued by the municipality.

III. DESCRIPTION OF THE PARTIES

Opus Development Company, L.L.C. The Developer is a real estate development company with extensive experience developing multi-family and other real estate projects. More information regarding the Developer can be found at <https://www.opus-group.com>. The Developer will likely form an affiliated entity to develop the below-described Project.

City of Olivette, Missouri. The City is a charter city and political subdivision of the State of Missouri. The City is authorized and empowered pursuant to the provisions of the Act to purchase, construct, extend, equip and improve certain projects (as defined in the Act) and to issue industrial development revenue bonds for the purpose of providing funds to pay the costs of such projects and to lease or otherwise dispose of such projects to private persons or corporations for manufacturing, commercial, warehousing and industrial development purposes upon such terms and conditions as the City deems advisable.

IV. REQUIREMENTS OF THE ACT

A. Description of the Project. The Project consists of acquiring approximately five acres of real property located on Irvington Court and Reyem Court in the City (the “Project Site”) and constructing thereon a development consisting of approximately 207 residential apartments (the “Project Improvements” and, together with the acquisition of the Project Site, the “Project”). The Project is expected to be completed by mid-2023.

B. Estimate of the Costs of the Project. The acquisition and construction of the Project are expected to cost approximately \$51,300,000. Bonds will be issued in the maximum principal amount of \$55,000,000 to provide for contingencies.

C. Sources of Funds to be Expended for the Project. The sources of funds to be expended for the Project will be the proceeds of the Bonds in the maximum principal amount of \$55,000,000 and other available funds of the Developer. The Bonds will be payable solely from the revenues derived by the City from the lease or other disposition of the Project (as further described below). The Bonds will not be an indebtedness or general obligation, debt or liability of the City or the State of Missouri. No tax revenues will be used to repay the Bonds.

D. Statement of the Terms Upon Which the Project is to be Leased or Otherwise Disposed of by the City. The City will lease or sublease the Project to the Developer for lease payments equal to the principal and interest on the Bonds during the construction of the Project. Under the terms of the lease agreement with the City, the Developer (or applicable affiliate) will have the option to purchase the applicable portion of the Project at any time for nominal consideration. All leases or subleases entered into in furtherance of this Plan in connection with the Project Improvements will terminate following completion of the Project Improvements.

E. Affected School District, Community College District, Emergency Service Providers, County and City. The Ladue School District is the school district affected by the Project. The Community College District of St. Louis, St. Louis County, Missouri is the community college district affected by the Project. No fire or ambulance districts are affected by the Project. St. Louis County, Missouri is the county affected by the Project. The City of Olivette, Missouri is the city affected by the Project. A Cost-Benefit Analysis showing the impact of the proposed sales and use tax exemption on qualified building materials is included below. As noted above, there is no real property or personal property tax associated with the Project. Accordingly, no property tax districts are impacted by this Plan, except to the extent (1) such districts receive additional tax revenues associated with the Project's assessed value and (2) such districts also impose a sales or use tax.

F. Current Assessed Valuation. The most recent equalized assessed valuation of the real property included in the Project is \$603,900.¹ PGAV Planners, a planning consultant engaged by the City, estimates the total equalized assessed valuation of real property included in the Project after construction of the Project Improvements will be approximately \$7,079,400.

G. Payments in Lieu of Taxes. The Project will not receive any real property tax abatement. Accordingly, this Plan does not provide any for any payments in lieu of taxes.

H. Sales and Use Tax Exemption. Qualified building materials purchased for the construction of the Project Improvements are expected to be exempt from sales and use tax pursuant to the provisions of Section 144.062 of the Revised Statutes of Missouri and the Bond documents upon delivery of a project exemption certificate by the City to the Developer.

I. Cost-Benefit Analysis. In compliance with Section 100.050.2(3) of the Revised Statutes of Missouri, as amended, this Plan has been prepared to show the costs and benefits to the City and to other taxing jurisdictions affected by the sales tax exemption for the Project. This Plan does not attempt to quantify the overall economic impact of the Project.

The City will grant a sales and use tax exemption on the qualified building materials necessary to construct the Project Improvements. For purposes of determining the impact of the exemption granted by the City on the affected taxing jurisdictions, it was assumed that:

- \$11,087,522 of the total costs of the Project Improvements will be allocated to construction material costs;
- the applicable sales tax rate is 9.238%, of which 4.225% is allocated to the State of Missouri, 2.513% is allocated to St. Louis County and various countywide taxing districts (i.e., Metrolink, E-911, Children's Services, Zoo and Regional Parks and Trails) and 2.50% is allocated to the City;
- the applicable use tax rate is 5.725%, of which 4.225% is allocated to the State of Missouri and 1.500% is allocated to the City;
- 80% of the qualified construction materials will be subject to the State's sales tax and 20% will be subject to the State's use tax;
- 20% of the qualified construction materials will be subject to the County's and various countywide districts' sales tax; and

¹ This assessed value is from 2020. The 2021 reassessment is not yet final.

- 5% of the qualified construction materials will be subject to the City’s sales tax and 20% will be subject to the City’s use tax.

Please note that any variance in these assumptions will alter the net fiscal impact of the sales tax exemption on the affected taxing jurisdictions.

Based on the assumptions set forth above, the net fiscal impact of the sales and use tax exemption on the qualified building materials granted by the City is approximately \$539,157, allocated as follows:

	<u>Sales Tax</u>	<u>Use Tax</u>	<u>Total</u>
State of Missouri	\$374,758	\$93,690	\$468,448
County (including all countywide taxing districts) ²	55,726	0	55,726
City	<u>13,859</u>	<u>1,124</u>	<u>14,984</u>
Total	\$444,344	\$94,814	\$539,157

The City believes that the Company’s investment in the Project will create construction jobs during the construction period and spur additional investment in the City. The Project will also generate significant real and personal property taxes. These ancillary impacts were not measured for purposes of this Plan. This Plan does not attempt to quantify the overall economic impact of the Project.

V. ASSUMPTIONS AND BASIS OF PLAN

As described herein, this Plan includes assumptions that impact the amount of the sales and use tax exemption proposed for the Project.

In addition to the foregoing, in order to complete this Plan, Gilmore & Bell, P.C. has generally reviewed and relied upon information furnished by, and has participated in conferences with, representatives of the City and its counsel, representatives of the Developer, and other persons as the firm has deemed appropriate. Gilmore & Bell, P.C. does not assume any responsibility for the accuracy, completeness or fairness of any of the information provided and has not independently verified the accuracy, completeness or fairness of such information.

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² Includes revenues generated by countywide taxes (including the 1% general sales tax and 0.5% public safety sales tax) that may ultimately be distributed to the City (and other cities in St. Louis County).