

BEACON HILL DEVELOPERS, LC

J. E. Dunn Construction Company • Tallaferro & Browne • Zimmer Development Company

Beacon Hill 353 Tax Abatement - Process and Requirements

Background

The Beacon Hill neighborhood is a planned redevelopment area pursuant to Chapter 353 of the Revised Missouri Statutes. As an approved 353 redevelopment area, property owners, subject to various restrictions, may be eligible for real property tax abatement.

Beacon Hill Developers is the developer authorized by the City to act as the master developer of the Beacon Hill neighborhood. The developer's plan for the neighborhood envisions new homes be built, and older existing homes renovated, in a style consistent with the neighborhood's original architectural style. The Beacon Hill Development Handbook and the 353 Plan prepared by the developer, along with the urban redevelopment district zoning approved by the City Council, set forth the design standards for new construction and renovations.

To potentially qualify for tax abatement, a property owner must build or renovate their home in accordance with the Handbook, the 353 Plan and the URD zoning and report compliance with the requirements to the developer pursuant to a Parcel Development Agreement. The Parcel Development Agreement is a contract with the developer which sets out the process for potentially obtaining tax abatement.

The Parcel Development Agreement is executed upon the purchase of property in Beacon Hill (or if property is already owned, prior to construction or renovation). The Parcel Development Agreement requires the property owner to submit a building or renovation plan to the developer for approval prior to any construction activity. The proposed plan must adhere to the requirements of the Handbook, the 353 Plan and the URD zoning. Depending upon the circumstances, the developer may require the payment of a fee for the tax abatement. Potential tax abatement is as follows:

- The first 10 years, beginning in the year in which the tax abatement occurs, taxes are frozen at the assessed value of the land only, based upon the assessed value of the land in the year preceding the tax abatement (example: if tax abatement occurs in 2008, the assessed value of the land at which taxes are frozen will be the assessed value of the land as valued in 2007). So long as the property remains in compliance with the 353 Plan and URD zoning, in the developer's reasonable discretion, the only taxes due will be on the land. No taxes will be due for 10 years on the value of the home you build, renovate, or any other improvements .
- After the end of the 10 year period, the assessor will assess the value of the abated property, both the land and the improvements. Based upon that assessment, for the next 15 years, the real property taxes will be frozen at 50% of the assessed value of land and improvements, as reassessed by the

assessor. So long as the property remains in compliance with the 353 Plan and URD zoning, in the developer's reasonable discretion, the property owner will pay only 50% of the new assessed value of the land and improvements.

Process to Qualify for Tax Abatement

If a property owner or potential property purchaser wishes to receive tax abatement from the developer, the steps are as follows:

1. Review Beacon Hill Development Handbook, Covenants and Deed Restrictions, 353 Plan and Parcel Development Agreement. The Developer has copies of each of these documents available for your review.
2. Provide your title insurance company and lender with these documents for their review and approval.
3. Sign Parcel Development Agreement at the closing of your purchase of the property, or if you already own your property, at the time you desire to comply with the Handbook, 353 Plan and URD zoning and pursue tax abatement. If the latter, you will also be asked to execute Covenants and Restrictions when you execute the Parcel Development Agreement. At such time that you close on your purchase or subject your property to the Covenants and Restrictions, you will become a member of the Homeowner's Association and required to pay home owner association fees.
4. Prior to beginning any construction or renovation activities, provide the developer with the following plans for your new construction or plan for renovation for approval by the developer and the Beacon Hill Homeowners' Association:
 - a. Architectural plans or specifications
 - b. Detailed summary of rehabilitation scope
 - c. Exterior paint colors and material samples
5. After plans are approved, you must use best efforts to obtain construction permits for the approved plans from the City of Kansas City. You must obtain your permits within 6 months of your property purchase (or if you already own your property, from the date you sign the Parcel Development Agreement). If you fail to do so, your property may not qualify for tax abatement.
6. You must have substantially completed construction or renovation of your property in accordance with the approved plans within 12 months of receiving permits obtained in accordance with number 5, above. If you fail to do so, your property may not qualify for tax abatement. Other possible penalties for not timely completing construction are identified in the Parcel Development Agreement.
7. Upon completion of construction or renovation, you must obtain a Certificate of Occupancy, from the City of Kansas City. If the construction or renovation has been

completed in accordance with the plans approved by the developer, the developer complete the process of granting tax abatement to the property owner.

Process to Obtain and Keep Tax Abatement

If the property owner has qualified for tax abatement pursuant to items 1 through 7 above and if your title company or lender have not advised you not to proceed with tax abatement for reasons outside the control of the developer:

1. The developer will prepare two quit claim deeds. One deed will convey title to the property from the owner to the developer's 353 redevelopment corporation, "Beacon Hill Redevelopment Corporation." The second deed will convey title to the property from Beacon Hill Redevelopment Corporation to the property owner.
2. The deed from the owner to the developer's 353 redevelopment corporation must be signed and notarized by the property owner. The deed the redevelopment corporation to the property owner must be signed and notarized by the redevelopment corporation. The deeds must be provided to a title company. The title company will be instructed by the developer to have the deeds recorded at the Office of the Jackson County Recorder of Deeds.
3. The title company will instruct the recorder of deeds to first record the deed from the property owner to Beacon Hill Redevelopment Corporation and then, instantly, to record the deed from Beacon Hill Redevelopment Corporation back to the property owner. Beacon Hill Redevelopment Corporation's only owns the property for a split second. But the redevelopment corporation owning the property – even for only that amount of time - triggers the beginning of 25 years of tax abatement.
4. Following the deed transfers, the property owner will own to his or her property. To keep property tax abatement after it is granted, the property must be properly maintained in accordance with the Handbook, the 353 Plan and the URD zoning. The developer will periodically monitor the property to ensure compliance with these documents. If the property owner fails to properly maintain his or her property, the developer, following notices, may revoke the tax abatement.

This summary is intended to assist you in understanding the process for qualifying for, obtaining and keeping property tax abatement. It does not take the place of the of reviewing documents. This summary is also not intended to recommend that you execute any of the documents identified in the summary or obtain tax abatement. This summary is not intended to provide legal advice. If you have any questions about tax abatement, you should consult an attorney. The documents you and/or your attorney need to review are:

1. Parcel Development Agreement
2. Covenants and Restrictions
3. Beacon Hill 353 Plan
4. Beacon Hill Development Handbook
5. URD zoning information