

AMENDED BOARD MEETING MINUTES

DATE: January 22, 2014
TIME: 9:30 a.m.
PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

ANNUAL MEETING

1. Roll Call.

Present: Michael Duffy
James White
Steven Hamilton
Gabriel Okafor
Daniel Edwards

Staff/Guests: Joseph Egan, LCRA
Barbara Shakespeare, LCRA
Susan Tumey, LCRA
T'Risa McCord, EDC
Robert Long, EDC
Jenna Wilkinson, EDC
Sandra Rayford, EDC
Melinda Gaul, EDC
Melina Johnson, EDC
Michael Clark, EDC
Brian Engel, White Goss
James Hedstrom, City Planning
Ashley Blue, City Human Relations
Chris Kline, Jackson County
Johnny Sweeney, Jackson County
Jerry Riffel, Lathrop & Gage
Steve DeGarmo, Truman Medical Center
Michael Grimaldi, Truman Medical Center
Vicki Noteis, Collins/Noteis
Dan Musser, Columbus Park Developers
Larry Maxfield, Columbus Park Developers
Tony Schertler, Springsted Incorporated
Doug Sheward, Property Owner
Donna Wilson Peters, Children's Mercy
Nathan Reiz, Property Owner
Christa Moss, KCMO Law Department

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum was present.

2. **Administrative – Annual Election of Officers for 2014**

Per the By-Laws, January is the Annual Meeting month, requiring election of officers. The current Officers were:

Chairman:	Michael Duffy
Vice Chairman:	James White
Secretary:	Joseph F. Egan
Assistant Secretary:	Barbara Shakespeare
Treasurer:	Barbara Bartlett

Due to staff changes, following was the proposed slate of officers nominated:

Chairman:	Michael Duffy
Vice Chairman:	James White
Secretary:	Joseph F. Egan
Assistant Secretary:	<i>Held Open</i>
Treasurer:	Melina Johnson

Action taken: ELECTION OF THE SLATE OF OFFICERS NOMINATED FOR THE 2014 CALENDAR YEAR. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON AND CARRIED UNANIMOUSLY. (RES. 1-02-14)

3. **Hospital Hill North URP – Consideration of Approval of LCRA as Applicant to the City for UR Zoning**

Truman Medical Center (“TMC”) is requesting that LCRA be the applicant for UR rezoning. Affected property owners have been notified of today’s meeting.

Discussion: Mr. Riffel introduced Mr. DeGarmo and also advised that Donna Wilson-Peters was present to represent Children’s Mercy Hospital (“CMH”). Mr. Riffel advised that one of the properties TMC did not own was 2151 Holmes and Douglas Sheward was present on its behalf. Mr. Riffel made a PowerPoint presentation illustrating the development objectives for the urban renewal area. Mr. Riffel emphasized the draft nature of the plan. He also advised of discussions with CMH regarding properties owned by CMH, specifically the recommendation to demolish the building on the 23rd Street property to be used for surface parking. Mr. Riffel advised that 2116 Campbell was the first development site and that properties owned by the Kansas City, Missouri School District were scheduled to close or had been acquired by TMC. Mr. DeGarmo advised of a plan to erect a four story ambulatory care center and a corresponding parking structure. Mr. DeGarmo then advised of the completion of the environmental cleanup of the 2101 Campbell property. Mr. Riffel stated they intended to close on the 900 East 21st Street property owned by the Dumay family (known as the “ice house”) in April and redevelop

it as soon as a deal could be worked out with its current tenants. Mr. Riffel concluded by requesting LCRA act as applicant to the City for UR Zoning within the Hospital Hill North Urban Renewal Area.

Mr. Duffy asked if anyone else wished to testify on this matter. Nathan Reiz identified himself and stated he owned a lot at 2110 Harrison. Mr. Reiz inquired about the impact of a tenant violation from the City on the property's possible condemnation. Mr. Reiz wondered if he should ignore the citation and allow the property to be condemned or pursue the tenant cleanup. Mr. Duffy stated that the only thing before the Board was whether the LCRA should ask the City to change the zoning designation and LCRA was not involved in the acquisition of any property. Mr. Reiz stated that TMC was going through the LCRA because it could not legally use the condemnation process. Mr. Egan clarified that TMC could not be an applicant without controlling all of the property within the UR district and that TMC has requested LCRA file the application so it could expedite rezoning and develop the properties it currently owns. Mr. Duffy further clarified that LCRA may or may not use its condemnation powers in the future and had not yet been requested to do so by the developer. He asked Mr. Reiz for any additional comments he had given that the only issue currently before the Board was zoning. Mr. Reiz responded that he wanted to clarify the status and processes of the situation. Mr. Duffy thanked him for his comments and asked if anyone else wished to testify.

Mr. Douglas Sheward identified himself as the owner of property at 2051 Holmes. Mr. Sheward asked if his property were to be appraised, rezoned, and then re-appraised, how such rezoning would affect the value of properties not yet sold. Mr. Duffy asked for Mr. Riffel's comments. Mr. Riffel advised he was not an appraiser but if he owned the property, he would be delighted if TMC and/or CMH wished to develop the area. Mr. Sheward agreed he was pleased with the possible redevelopment, but that Mr. Riffel had not responded to his question. He restated his question to ask if there were any ulterior motives in the change in the zoning and how such rezoning affected property. Mr. Riffel stated that an offer had been made to purchase his property, which Mr. Sheward denied. Mr. Duffy asked Mr. Riffel if he or his clients had or intended to perform an appraisal on the property. Mr. Riffel responded in the negative. Mr. Duffy questioned Mr. Riffel of their intent to make Mr. Sheward an offer to purchase. Mr. Riffel advised an offer would be made if the right circumstances occurred but that the property was not considered a part of their active plan. Mr. Duffy asked if TMC intended to use the site and Mr. DeGarmo responded that use of the site would be addressed in the future as it was part of their long-term 20 year plan. Mr. Duffy asked if they intended to seek condemnation authority to acquire the site at some future point and, if so, when such request could be expected. Mr. Riffel responded that a condemnation request was probable but could not predict exactly when such request would be made. Mr. DeGarmo stated that they would first negotiate with the property owner before seeking condemnation. Mr. Duffy asked if an offer would be based on a prior appraisal and stated that Mr. Sheward's question was how rezoning would impact an appraisal. Mr. Riffel advised that his personal opinion would be that the property values would increase, as such increase would be caused by the rezoning as well as the developments being made. Mr. Duffy then inquired if property owners obtained an appraisal today, and an offer was made two years from now,

if today's appraisal would be used in negotiating the sale. Mr. Riffel responded in the negative but advised that Mr. Sheward could use a current appraisal to his benefit in any eminent domain process.

Mr. Hamilton stated that if the property were to be rezoned today, it would be rezoned to a use TMC wanted, which would enhance the property's value to them. TMC would not have to rezone the property after it had been acquired. Mr. Hamilton added that such rezoning could negatively impact a sale to a different buyer who could not use the property for his intents under the new classification.

Mr. Okafor asked if the property were to be rezoned to industrial use, if that use was inclusive of current use of the property. Current use would be legal non-conforming. Mr. Duffy responded that such use would be covered under the grandfather clause.

Mr. Duffy advised Mr. Sheward of the Project Influence Doctrine, which currently states that the value of condemned property cannot be enhanced or diminished as a result of the effect of the project for which it is being condemned and must be determined as if there were no project. Mr. Duffy then thanked Mr. Sheward for his comments and asked for any more testimony or questions.

Mr. White asked about enhance value for heritage value. Mr. Duffy and Mr. Egan discussed the 20%-25% increase in value of a condemned property created by its heritage value, or how long a property is owned. Further discussion clarified that the heritage value applied to both commercial and residential properties.

Mr. Egan added that as the property is currently zoned as M-1, its use was very broad. He added that rezoning of the property would not affect the current use under the UR unless it was destroyed by fire. Mr. Reiz and Mr. Egan additionally discussed the possibility of putting in a hotel to serve people visiting patients.

Mr. Duffy requested any additional comments or questions, and upon receiving none, inquired of Mr. Egan as to the staff recommendation. Mr. Egan recommended that LCRA serve as the applicant as requested by TMC.

Action taken: APPROVED LCRA AS APPLICANT TO THE CITY FOR UR ZONING WITHIN THE HOSPITAL HILL NORTH URBAN RENEWAL AREA. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. HAMILTON AND CARRIED UNANIMOUSLY. (Res. 1-02-14)

4. Troost-Emanuel Cleaver II Boulevard Redevelopment Study – *Sustainable Places Grant - Update*

On August 22, 2012, the Board approved a \$6,000 match commitment (along with \$18,000 from the City PIAC funds and \$6,000 from EDC Charitable Fund) to secure a \$120,000 Mid-America Regional Council ("MARC") Sustainable Places Grant for predevelopment work associated with projects in the Troost and Emanuel Cleaver II

Boulevard area. On November 28, 2012, the Board approved a Sub-grant Agreement between MARC and LCRA. A Request for Proposals (“RFP”) was issued on January 15, 2013, and LCRA received five proposals. Three proposals were selected for consideration, and presentations were made to the Selection Committee on March 6, 2013. After deliberation, the Selection Committee chose Collins/Noteis-Taliaferro & Browne Joint Venture (“CN+TB”). MARC provided a notice to proceed on April 1, 2013 and the Professional Services Agreement was executed April 8, 2013.

The scope of work associated with the Troost-Emanuel Cleaver II Boulevard study area that was completed by CN+TB included a three day design charette, stakeholder meetings, and the completion of the following documents: blight study, market analysis and implementation plan for Troost-Emanuel Cleaver II Boulevard study area. Per the requirements of the Sustainable Places grant, all documents had to be completed by no later November 30, 2013 and submitted to MARC.

CN+TB will be providing a power point presentation summarizing the findings from the completed blight study, market analysis, and implementation plan.

Discussion: Ms. Noteis presented a PowerPoint presentation illustrating the status of the previously identified four development sites between Emmanuel Cleaver II Blvd and 45th Street, and between Campbell and 4th Street. Her company had prepared a market analysis to help the public understand why retail owners were reluctant to return to the area and why some areas needed to return to residential. Open zoning had also been a problem because it allowed for negative uses. She recommended that a zoning overlay be placed on Troost to prohibit some land uses and to outline design guidelines to help developers. She stated that the corridor’s population had not grown but had stabilized. She showed illustrations depicting the differences between the corridor’s high median housing values because it included Rockhill versus the much lower median income east of Troost. Subsidies were needed, she continued, to assist redevelopment and that the neighborhood appeared willing to wait for the right development. She concluded her presentation with illustrations of various pop-up uses where the retailer was open only during a particular season and closed for the rest of the year.

Mr. Duffy stated that LCRA could assist if it could get help with acquisition costs. Mr. Noteis replied that the City did not have the funds, so the priority would be to develop the southeast corner once the correct developers came forward. Ms. Noteis confirmed for Mr. Duffy that purchasers were buying properties to develop and not to speculate. Mr. Duffy asked and Ms. Noteis responded affirmatively that Mr. Gates had approved the plan, since he was a significant investor, and had purchased several properties in the corridor. Mr. Duffy then requested Mr. Okafor’s recommendations. Mr. Okafor stated that he recommended the plan. Mr. Duffy asked if a structure existed for residents to steer implementation of the plan once planners finished their work. Mr. Okafor replied that CID would present such a business-like structure which would run on a daily basis to perform such function.

Mr. Duffy asked if other Board members had questions for Ms. Noteis. Mr. White inquired as to Mr. Gates’ plans for building on Troost. Ms. Noteis stated that Mr. Gates

had plans regarding various retail stores as well as the grocery store currently in the area. At Mr. Duffy's request, Mr. Egan advised that he recommends adoption of the plan and forward to the City Council. Mr. Duffy requested clarification regarding if the presented plan would be a part of the area plan. Ms. Noteis advised that their plan would be the most detailed sub-plan of the 19 sub-plans in the City's Plaza Midway master plan for the area. The Board then debated the details of LCRA's role in presenting the plan to the City.

Action taken: APPROVED LCRA RECOMMEND THE PLAN BE ADOPTED BY THE CITY. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. OKAFOR AND CARRIED UNANIMOUSLY. (Res. 1-03-14)

Motion made by Mr. Duffy and seconded by Mr. White to move out of public session and into executive session.

Roll Call to move out of regular session:

Michael Duffy	Aye
James White	Aye
Steve Hamilton	Aye
Daniel Edwards	Aye
Gabriel Okafor	Absent

RESUME BUSINESS SESSION

*Directives taken
in Executive Session:*

APPROVED SALE OF THE FIRST 40,000 SQUARE FEET OF PROPERTY OWNED BY THE AUTHORITY IN THE COLUMBUS PARK URBAN RENEWAL AREA TO THE COLUMBUS PARK DEVELOPERS, LC FOR \$1.00 PER SQUARE FOOT WITH THE UNDERSTANDING THAT THE TOTAL 120,000 SQUARE FEET OF PROPERTY OWNED BY THE AUTHORITY FOR PHASE I DEVELOPMENT BE SOLD FOR \$300,000 NET (AVERAGE PRICE OF \$2.50 PER SQUARE FOOT) AND APPROVED TEN (10) YEARS OF TAX ABATEMENT FOR THE FIRST PHASE OF THE COLUMBUS PARK DEVELOPMENT. (AMENDED RES. 1-04-14)

5. Administrative – *Property Donation Program*

Legal Aid of Western Missouri ("Legal Aid") works with homeowners, assisting them in the donation of their homes to local Kansas City, Missouri neighborhood organizations that in turn find an approved developer/contractor to rehabilitate it. Some of the homes that are donated have outstanding taxes and special assessments and are in need of various repairs. Legal Aid would like the LCRA to consider having homes within Urban

Renewal Areas be donated directly to the LCRA for the purpose of assisting with clearing of real estate titles.

Discussion: Mr. Duffy briefly recounted the history of the program as a tool in resolving tax lien or special assessment issues on donated or abandoned properties. Substantial liens and/or assessments often made rehab economically unfeasible for developers. Legal Aid has requested LCRA accept donation of these properties to void past liens and/or assessments. LCRA would then almost immediately sell the property to a rehabber under the condition that the rehabber develops the site.

Mr. Engel then briefly discussed the Jackson County (“County”) lawsuit allowing the cancellation of past tax liens and assessments at the moment LCRA acquired such property.

Mr. Hedstrom had several questions regarding the details of LCRA’s use of this type of waiver program. He initially asked, that as Kansas City (“City”) already had the ability to remove liens through programs such as the Land Trust and Land Bank, if the County would have authority under the LCRA program to remove City liens. Mr. Engel replied that LCRA would need the cooperation of the City regarding City assessments but that the lawsuit’s purpose was to prevent the County from enforcing collection on back taxes and to recognize LCRA’s exemption on back taxes and assessments.

Mr. Hedstrom stated that the County also already had arrangements with the City for some cases under County suit to collect City liens for eventual repayment to the City. He then asked if the LCRA properties would be included in this program. Mr. Engel replied that once LCRA acquires a property, it should notify the County to remove past liens and assessments from their system. He added that as the duration of time the LCRA holds a property varies, LCRA should notify the County of an immediate transfer to allow the County to effectuate that exemption at or shortly before the closing.

Mr. Egan added that neighborhood organizations had used this process in the past and that, in most cases, most liens were usually for a low amount of such back tax liens. In the particular case at issue, the property had incurred abnormally high taxes and assessments. The property was critical and a redeveloper had already committed to rehab the property. Mr. Egan clarified that this program was intended to be used very sporadically by LCRA, perhaps 2 or 3 times a year. Mr. Duffy added that the program would be used only in specific instances where a committed rehab plan was in place and that in contrast, the Land Bank required no specific rehab plan before waiving the liens. Mr. Egan concluded by stating the intent of the LCRA law was to erase liens and taxes to facilitate development in accordance with the plan, not just to wipe them out forever.

Mr. Hedstrom asked if the program was to be used only in an Urban Renewal (“UR”) area. Mr. Duffy and Mr. Egan replied affirmatively. Mr. Hedstrom then asked if LCRA’s acquiring the title cleared any clouds on other title ownership issues. Mr. Duffy advised that only taxes affected by LCRA’s government entity status would be cleared. Other liens or clouds affecting title, such as mortgages, would not be eradicated.

Mr. Hedstrom stated that if condemnation of a property would clear the title, to which Mr. Egan and Mr. Duffy agreed. Mr. Hedstrom asked why the power of condemnation could not be included in the process. He also stated that many areas which could benefit from this program were not in UR areas. Mr. Egan stated that condemnation could be included in the program but was an expensive process and either the City or the developer would have to front the money. LCRA does not currently have the funds to do so and thus could use the process only sporadically.

Mr. Hedstrom inquired as to who owned the property once it was acquired by LCRA. Mr. Egan's response was that the property remained in private ownership and was not a bailout of the owner. At Mr. Egan's request, Ms. Wilkinson clarified the reasons why LCRA was considering this process for this particular property. Ms. Wilkinson stated it was a hardship case, with higher than usual taxes and special assessments and had not been lived in for several years.

Mr. Hamilton requested clarification as to the exact processes of the program. He confirmed with Mr. Egan and Mr. Duffy that the neighborhood association, through Legal Aid, would acquire the property via court order, donation, or some other means. He also confirmed the second step would be the neighborhood association's donation of the property to LCRA, thus wiping out back taxes. Further conversation then confirmed the third step would be LCRA's sale of the property to a developer and that any funds acquired by the sale would be nominal, designed to cover LCRA's transactional costs.

Mr. Hamilton also expressed concern regarding the selective nature of the program. He used the example of one developer chosen because back taxes owed were \$10,000 versus a second developer not chosen because its back taxes were only \$150. He stated that whoever wished to participate in the program should be able to do so as long as they were complying with the rehabilitation program. Mr. Egan replied that due to the number of LCRA staff and its limited budget, the program would presently have to be very selective and used at most 2 to 3 times per year on a case-by-case basis.

Mr. Edwards asked if LCRA's costs could be alleviated by Legal Aid's assumption of some of the pre-work associated in investigating the merits of each applicant. Mr. Duffy replied that most of the pre-work would be done by Legal Aid prior to presentation to LCRA. Mr. Hedstrom then stated that once the process became public knowledge, that LCRA would receive many more such applications. Mr. Egan reiterated that due to staffing and budget limitations, LCRA could process no more than 2 or 3 requests per year. He further stated that the final decision to grant any application would be his as Executive Director.

Mr. Hamilton expressed additional concern that a property owner would use the program to avoid paying taxes, reasoning that he did not have to as LCRA was going to acquire the property, thus voiding the back taxes. On further conversation with Mr. Hamilton, Mr. Hedstrom confirmed that, under the City program, the applicant had to pay its County taxes prior to the City's forgiveness of its assessments. Mr. Hedstrom also stated the City program looks at a developer's overall performance prior to awarding any exemption.

Mr. Hamilton inquired if the Board was required to take any action at this time. Mr. Egan responded that no action was currently required, that each property would be decided on a case-by-case basis.

Ms. Christa Moss asked for the statute citation which allowed LCRA's tax exemption from past taxes. Mr. Duffy suggested she talk to Galen Buford of the City and also stated that Mr. Buford had advised of the City's acquiescence to the court's decision.

Mr. Engel expressed concern as to the future applicability of the court's decision. Mr. Egan replied that the current situation was a beta test for the process. He added that LCRA needs to ensure its short-term ownership of the property and that the rehabber assumes liability.

By request of Mr. Duffy, Ms. Wilkinson will present the test case at the Board's next meeting. Mr. Duffy requested any additional comments, and upon receiving none, moved to the next agenda item.

Action taken: NONE; INFORMATIONAL ONLY.

6. Administrative - Review and approval of Meeting Minutes.

Minutes of the December 18, 2013 meeting were provided for review prior to the meeting. No changes were required.

Action taken: APPROVED THE DECEMBER 18, 2013 MINUTES AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON.

7. Financial -- Review and acceptance of Financial Report for the Month of December 2013

Discussion: Mr. Clark gave a brief overview of the draft financial report for December 2013, which had been included for review prior to the meeting. He gave a brief overview of the Balance Sheet Fluctuation and the Income Statement Fluctuation. He indicated that the general cash balance was \$109,229.80 at the end of December, 2013, with \$19,872.90 being restricted and \$89,356.90 being unrestricted. As of the current date, restricted cash is \$29,156.24 and unrestricted cash is \$68,420.66. There were no questions from the Board regarding the financial report.

Action taken: ACCEPTED THE DECEMBER 2013 FINANCIAL REPORT AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON.

8. **Executive Director's Report**

a. **Administrative - Active Case Tracking System Report**

Discussion: Mr. Egan stated that the Uptown Theater budget had been approved. After discussion with the City Finance Department, the developer had agreed to place \$50,000 in escrow for the partial payment of bonds. Mr. Egan confirmed for Mr. Duffy that the \$50,000 would be paid by the developer. An agreement was made with the developer that escrow monies could be used for tenant improvement if a major tenant was secured by March 31. If a major tenant was not secured by March 31, then the \$50,000 escrow money would be used to pay on the bonds. Mr. Duffy asked about the realistic prospects of acquiring a major tenant. Mr. Egan stated that he was cautiously optimistic due to conversations with the real estate agent and developer.

Because of time constrictions, Mr. Duffy requested Mr. Egan highlight any important items on the tracking list. As Mr. Egan responded in the negative, the Board moved to the following agenda item.

Action taken: NONE; INFORMATIONAL ONLY.

b. **Affirmative Action Report**

The Affirmative Action Subcommittee Meeting for January was cancelled. It was determined a need was not present and no issues to discuss beyond the review of regular monthly reporting.

Morning Star Life and Family Center - Pat Jordan met with Phillip Yelder of the Human Relations Department on December 19, 2013 regarding MBE/WBE requirements. Ms. Jordan supplied a professional services budget and goals were assigned by HRD. The total proposed budget for Professional Services was \$439,500 with goals set at 21% MBE and 4% WBE.

Included in the Board packet was a current status of open/pending projects related to MBE/WBE compliance, MBE/WBE Executive Summary for Professional and Construction Services of the active development projects through November 30, 2013 and the October Workforce reports.

The next Affirmative Action Subcommittee meeting is tentatively scheduled to meet on Friday, February 14, 2014 at 12:00 noon at the offices of the EDC.

Discussion: Ms. Gaul reported that the January meeting of the Affirmative Action subcommittee was cancelled and that there were no issues to be discussed beyond the review of the monthly report. She advised of the status of goals and budgets for projects at the Morning Star Life and Family Center, the 13th and Locust, the 911 Main, and the 801 Walnut sites.

Mr. Hamilton asked if goals set by MBE and WBE were binding on the LCRA. Mr. Egan stated that LCRA, MBE and WBE goals would mirror the City's standards. Mr. Egan further stated that he would research the issue and advise at a further date. Ms. Gaul responded to Mr. Hamilton's further inquiry by confirming that WBE default goals of 8% were higher than LCRA's. Ms. Blue stated that she had not attended the meeting with Phillip Yelder and Morning Star, but could review the details and report at a later time. She did advise that their budget had been set with no participation by WBE. Mr. Egan stated default goals can be amended for cause by the Human Resources ("HR") Department. Mr. Hamilton asked if HR was allowed to make such changes without Board review. Mr. Egan responded that he would have to research the matter and respond at the next Board meeting. The goals for Morningstar Family Center were thus tabled until the next meeting.

Action taken: ACCEPTED THE AFFIRMATIVE ACTION REPORT ABSENT A FINDING ON MORNING STAR. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS AND CARRIED UNANIMOUSLY.

GOALS FOR THE PROFESSIONAL SERVICE FOR MORNING STAR LIFE AND FAMILY CENTER WERE POSTPONED UNTIL THE NEXT BOARD MEETING.

9. **Other Business**

Tax Abatements – There was one tax abatement during the month of December for the Cosby Hotel project.

10. **Adjourn.**

There being no further business, the meeting was adjourned at 12:00 p.m.





Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: January 28, 2014
TIME: 9:30 a.m.
PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

TELECONFERENCE

1. **Roll Call.** **Present:** Michael Duffy (*via telephone*)
Daniel Edwards (*via telephone*)
Steven Hamilton (*via telephone*)
James White (*via telephone*)
- Absent:** Gabriel Okafor
- Staff/Guests:** Joseph Egan, LCRA
Robert Long, LCRA
Susan Tumey, LCRA
Brian Engel, White Goss (*via telephone*)

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum was present.

2. ***Consideration of Approval of Waiver of Conflict of Interest***

The City currently owns the parking lot at 1121 McGee and will transfer it to LCRA. LCRA will then transfer it to the developer to facilitate redevelopment of the Argyle Building. White Goss also represents the developer, so there is potential for a conflict. A Redevelopment Contract between LCRA and the developer has been executed and recorded; therefore, the role of LCRA Legal is limited.

Discussion: Mr. Duffy requested Mr. Engel provide a background of the matter for the newer Board members. Mr. Engel stated that the conflict of interest involved a surface parking lot owned by the City adjacent to the Argyle Building. Mr. Engel's involvement in the redevelopment contract ("Contract") was limited but because his firm also represented the developer, Arghom, LLC, White Goss has asked the Board review the conflict. Mr. Engel further stated that the executed Contract was in place to facilitate transfer of the parking lot between LCRA and Arghom. Mr. Engel advised that Arghom would then utilize the lot to enhance development of the Argyle. He additionally stated

that since financing had been provided in part by PIA tax abatement, Arghom was not seeking any additional LCRA incentive. Mr. Engel concluded by stating that a requirement in the Contract required Arghom to place monies in escrow to ensure the parking lot would revert to LCRA and the City if Arghom did not develop the Argyle.

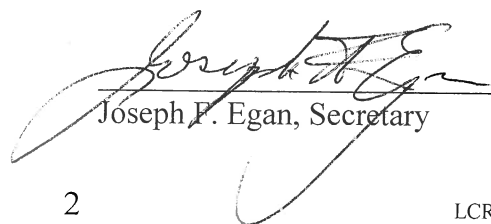
Mr. Egan confirmed for Mr. Hamilton that two separate tracts were involved in the conflict – (1) the Argyle Building and (2) the parking lot. Mr. Egan also confirmed for Mr. Hamilton that the Contract pertained only to the parking lot. Mr. Engel also confirmed for Mr. Hamilton that the Contract was executed with Arghom and not with any another developer. Further discussion revealed the Contract was executed in late December when LCRA was not represented by counsel. Mr. Hamilton then requested confirmation that only ministerial duties remained to enforce the Contract. Mr. Egan advised him that he was correct, but only if such ministerial duties were necessary. Mr. Hamilton asked if his understanding that White Goss would withdraw as representative of both LCRA and Arghom in the event of a dispute was correct. Mr. Engel responded affirmatively.

As there were no other questions from the Board, Mr. Duffy requested Mr. Egan's recommendation. Mr. Egan recommended the Board approve the conflict of interest waiver.

Action taken: APPROVED WAIVER OF CONFLICT OF INTEREST BY THE AUTHORITY REGARDING ARGHOM, LLC. MOTION MADE BY MR. HAMILTON AND SECONDED BY MR. WHITE AND CARRIED UNANIMOUSLY. (RES. 1-05-14)

Mr. Hamilton asked if anyone besides the Board received electronic notice of the agenda. Mr. Egan advised that Ms. Shakespeare, who was not currently present, had a standard list of recipients which included non-Board members to receive agenda notices. Mr. Egan also advised that the agenda was posted electronically on LCRA's website as well as physically posted outside the office. Mr. Hamilton asked if the conflict of interest issue should have been handled via Executive Session rather than a public forum, as it dealt with legal matters. Mr. Duffy stated that it would be the Board's discretion to decide if an issue was sensitive enough to require a closed session. Mr. Engel confirmed that the Sunshine law allowed the Board to go into executive session, but in this particular instance, he believed an open meeting was sufficient. Mr. Duffy stated his belief that conflicts of interest should be matters of public notice. Mr. Duffy and Mr. Hamilton agreed to discuss how the Board should deal with potential future conflicts in further detail at the Board's February meeting.

3. There being no further business, the meeting was adjourned at 9:55 a.m.



Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: February 26, 2014
TIME: 9:30 a.m.
PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

1. **Roll Call**

Present: Michael Duffy
James White
Steven Hamilton
Daniel Edwards

Staff/Guests: Joseph Egan, LCRA
Susan Tumey, LCRA
Michael Clark, EDC
Melinda Gaul, EDC
Robert Long, EDC
Sandra Rayford, EDC
Jenna Wilkinson, EDC
Andrea Dorch, City of Kansas City, Missouri
Mark Eisenmann, Landmark Healthcare Facilities
Anthony Lampasona, Landmark Healthcare Facilities
Peter Hoffman, Legal Aid
Chris Kline, Jackson County
Austin Marsh, Jackson County
Roxsen Koch, Polsinelli
Gerard Grimaldi, Truman Medical Center
Brian Engel, White Goss

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum was present.

2. **Administrative – Election of Assistant Secretary for 2014**

Per the By-Laws, January is the Annual Meeting month, requiring election of officers. Due to a staff change, the position of Assistant Secretary was held open at the January, 2014 meeting until such time as it could be filled. Nomination was as follows:

Assistant Secretary: Susan Tumey

ACTION TAKEN: ELECTION OF THE ASSISTANT SECRETARY NOMINATED FOR THE 2014 CALENDAR YEAR. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON AND CARRIED UNANIMOUSLY. (RES. 2-01-14)

3. **Administrative – Consideration of Approval of Waiver of Conflict of Interest Policy**

LCRA Legal, may, at times, provide legal services to other parties involved in the development of a particular Urban Renewal Area. After a discussion at the Board's January 28, 2014 meeting regarding such an instance, the Board decided to discuss in further detail how it should deal with future potential conflicts.

Discussion: Mr. Egan stated that, based on prior discussions with Board members, a potential conflict of interest could be waived solely by the Chair. He added that previous examples had been received from the City and the Board of what could and could not be waived, to further assist the Chair in expediting the process. Mr. Duffy stated he wished to have a transparent policy in place to handle such situations and asked for opinions from the Board. Mr. Hamilton advised he initially raised the issue at the Board's 1/28/14 teleconference. He then briefly described his law firm experience of dealing with waivers almost daily via an authorized individual(s) to avoid waiting for a meeting. He added that his analogy might not apply as the Board was a public body and most law firm waivers usually dealt with private corporations. Mr. Duffy then asked for Mr. Edwards' comments. Mr. Edwards stated that Mr. Duffy could make such decisions without the necessity of calling a Board meeting. Mr. Duffy then commented that, if time allowed, he would prefer to discuss a waiver request in the public forum of a Board meeting. He added that, if time did not allow, however, the Chair could be authorized to make such decisions without the necessity of a Board meeting. Mr. White stated that he would defer to Mr. Duffy's decision on the matter. Mr. Hamilton asked if Mr. Duffy felt comfortable in making waiver decisions and Mr. Duffy responded affirmatively. Mr. Hamilton suggested that Mr. Duffy should be allowed to decide if the waiver could be granted or if it needed to be brought before the Board. Mr. Duffy agreed.

Mr. White then asked about the ramifications of a conflict not being waived thus leaving the Board without legal counsel. Mr. Duffy replied that the issue would have been presented to the Board prior to such decision, and in that event, alternative counsel would be sought for that particular matter. Mr. Hamilton stated such a situation was not likely to occur given the vetting of Legal Counsel prior to their retention by the Board as well as the firm's due diligence in avoiding such future conflicts. He further stated that any current conflicts now being raised by Legal Counsel were the result of its ongoing clean-up review of its client files, to which Legal Counsel agreed.

ACTION TAKEN: APPROVED GIVING THE CHAIR OF LCRA DISCRETION TO RESPOND ON BEHALF OF THE BOARD TO A WAIVER OF CONFLICT OF INTEREST OR, ALTERNATIVELY, TO BRING THE WAIVER BEFORE THE BOARD FOR ITS DISCUSSION AND DECISION. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE AND CARRIED UNANIMOUSLY. (RES. 2-02-14)

4. **Administrative – Property Donation Program**

At the January 22, 2014 LCRA meeting, LCRA staff discussed the concept of working with Legal Aid of Western Missouri (“Legal Aid”) on a property donation program. Currently, Legal Aid assists property owners in the process of donating their single family residences to local Kansas City, Missouri Neighborhood Organizations that in turn find an approved developer/contractor to rehabilitate the home. Many of the homes that are donated have outstanding taxes and special assessments and are in need of various repairs.

The concept for this program would work as follows:

- The Neighborhood Organization would acquire a single family home located within the neighborhood boundaries and identify a party to rehabilitate the property;
- The party rehabilitating the home provides the Neighborhood Organization with a rehabilitation plan with details about repairs, project costs and timeframe;
- The Neighborhood Organization then enters into a Memorandum of Understanding (“MOU”) with the party rehabilitating the property; and
- For some homes, the Neighborhood Organization and party rehabilitating the home may seek assistance from the LCRA under this property donation program because the amount of taxes and special assessments make the rehabilitation of the home economically unfeasible.

An application was provided for the property at 3923 Chestnut. This property is located within the existing Oak Park Urban Renewal Plan. The Oak Park Neighborhood Association is requesting assistance through this program and has identified a party to rehabilitate the home, Momentum Properties Group, LLC. Total costs to rehabilitate the property are estimated to be \$31,140.00. The combined outstanding property taxes and special assessments on the property are \$6,312.77.

If the LCRA Board wishes to accept the donation of the property, the process would be as follows: the Neighborhood Organization would donate the home to the LCRA, and the LCRA would then convey the home to the party rehabilitating the home.

Discussion: Mr. Duffy recused himself and Mr. White assumed the chairmanship. Mr. Egan stated the project came through Mr. Duffy as Legal Aid had been working with neighborhood organizations and small contractors to place properties in their area into owner-occupied hands. Ms. Wilkinson specified that the current application was for 3923 Chestnut and located in the existing Oak Park URA. She added that the Oak Park Neighborhood Association (“OPNA”) worked with rehabber Momentum Properties, LLC to request the Board’s assistance through this program. Ms. Wilkinson advised the costs for renovating the property would be about \$31,000 with outstanding taxes and assessments of about \$6,000. If the Board accepted the donation of the property from the OPNA, Ms. Wilkinson stated that LCRA would then convey it to the rehabber. Ms. Wilkinson then introduced Peter Hoffman from Legal Aid to answer any Board questions. Mr. Edwards asked what benefit the OPNA would receive for the donation through LCRA. Mr. Egan and Ms. Wilkinson replied that the taxes and special assessments of about \$6,312.70 would be waived as provided in the LCRA Law. Mr. White asked if there would be a need to clear

the title as a part of the process. Mr. Hoffman replied that their title report indicated the property title appeared to be in good shape. Mr. White asked if clearing the title would also be an advantage. Mr. Hamilton responded that LCRA could clear the title only if it condemned the property. Mr. Egan agreed and cited the Palestine Senior Living Center matter as an example as its owner had wished to sell but could not because of major title problems.

Mr. White then asked if a donor would be able to deduct the donation from his taxes as a charitable donation. Mr. Egan advised that the LCRA was not a 501(c)(3) and could not make such a decision. He added he would let the donor research the issue with the IRS. Mr. Hamilton confirmed with Ms. Wilkinson and Mr. Egan that the owner would donate the property to a neighborhood association (“NA”) which would then donate the property to LCRA. Mr. Hoffman advised Mr. White that a NA did not have to be 501(c)(3) organization. A NA, he continued, need only register with the Secretary of State. Mr. White then quoted from page 2 of the Application stating that a NA was defined as “any organization performing community services or economic development activities...**and**: holding a ruling from the [IRS] as tax exempt status...or incorporated...as a not-for-profit...or designated as a community development corporation...under Title VII....” Mr. Hoffman said the language should be changed to “or” and Mr. White agreed such change would alter the interpretation. Mr. Hoffman stated that Legal Aid acquired properties through donation or litigation through the Abandoned Housing Act. Legal Aid would then identify and enter into a contract with a rehabber, who would then develop the property on terms agreeable to both parties. Mr. White expressed concern that allowing the donation to be considered a charitable donation would provide incentive to the owner. Mr. Hoffman agreed that several donors that donated property to 501(c)(3) associations had taken the deduction.

Mr. Hamilton said, referring to the Supreme Court case, that any legal decision could be overturned or appealed. He stated that the rehabber must understand the LCRA could not guarantee or represent such taxes would be waived. Further, any problems the rehabber might encounter regarding any tax waiver would be the rehabber’s sole responsibility. Mr. Hoffman stated that in the instance at hand, the rehabber was well aware of the risks. He also stated that such potential risks could be made clear in the MOU with rehabbers in any future transactions. Mr. Hoffman also confirmed for Mr. Hamilton that the rehabber would be responsible for any back taxes.

Mr. White then inquired about the definition of “approved” developer/contractor stated in the agenda’s narrative and who would make such approval. Mr. Hoffman replied that Legal Aid vetted rehabbers through their application process, requiring, for example, documentation of previous work and onsite inspections. Rehabbers were also required to present to the NA or the CDC to prove why they should be allowed to rehab the property. Mr. White asked if once the rehab work was completed, if the property would be rented or owned. Mr. Hoffman said NAs and rehabbers were made aware the program’s end goal was home ownership. Depending on the market, however, such properties could be rented, leased-to-own, or some other similar mechanism in the interim. Mr. White asked if any third party reviewed the work after it was completed and what verification processes were in place. Mr. Hoffman replied that several steps were built into the MOU to ensure the rehabber performed as promised. The City also inspected the property to ensure it was up to

code. Mr. Hoffman compared Legal Aid's processes to a judge's review of abandoned properties requiring regular updates, walkthroughs, accountings, and receipts prior to any termination of the owner's property rights. Mr. White then asked what measures could be taken if the rehabber did not perform. Mr. Hoffman replied that it would depend on the particular property. He added that such measures could include retaking the property via a deed of trust, filing a breach of contract suit under the MOU, or blacklisting the rehabber.

Mr. Hamilton asked what recourse the LCRA would have if the developer failed to perform. Mr. Egan said the LCRA would be a silent partner, taking title only briefly to allow liens to be removed because of LCRA's tax exempt status. The property would then be transferred to the NA, thus mitigating but not eliminating, the time period during which a rehabber's default might occur while LCRA held title. Mr. Hoffman stated he wanted to clarify that title would pass from the LCRA to the rehabber, not from the LCRA to the NA as doing so would be an unnecessary step in the process. Further, Mr. Hoffman continued, the NA was providing a great benefit to the rehabber, such as, in the case at hand, a tax break of almost \$7,000. He reiterated that the rehabber could also be bound by the MOU contract or a deed of trust. Mr. Hamilton confirmed with Mr. Egan his recommendation to minimize LCRA's participation in the process. Mr. Edwards also confirmed Mr. Egan's recommendation to return the property to the NA. Mr. Egan added that the LCRA should not be perceived as donating property to private firms. Mr. Hamilton also confirmed with Mr. Egan his recommendation that the property transfer should flow from owner to the NA to LCRA to NA to rehabber.

Mr. White asked for comments from Legal Counsel. Mr. Engel responded that the length of time LCRA owned the property would require County and City ("County/City") cooperation and coordination. The LCRA should advise the County/City early in the process to allow them to initiate their procedures. Although the procedure entailed an extra deed, and the ultimate goal was resale by the rehabber, he agreed with Mr. Egan that the LCRA should deed the property to the NA once taxes were cleared. Mr. Engel then stated that another possibility, if the LCRA wanted more control, would be to hold title until the rehabber completed its work. He advised this approach would create administrative issues which could outweigh what control it provided. Mr. Egan reiterated that LCRA should be a silent partner to facilitate improvement of the neighborhood and should only step in if necessary. He added that LCRA's current budget and existing programs would prohibit anything but LCRA's minimal participation in the program. Mr. Hoffman recapped his previous statements regarding the protections afforded the NA by the MOU.

Mr. White expressed concern regarding the quality of the copy of the application. Mr. Hoffman advised the first page was instructions, the second was completed by the NA, and the third was complete except for the LCRA's approval. He stated that for the two page fours, one was not complete but the other had been signed by the rehabber. Mr. White asked about the two different names appearing on the two page fours. Mr. Hoffman stated that one of the signers, Steven Gher, was the managing member of Momentum Properties Group. Mr. Hamilton also responded to Mr. White advising the use of a Kansas notary to certify Mr. Gher's signature should not raise any concerns.

Mr. White asked if there were any more questions regarding the application. Mr. Hoffman responded to Mr. Hamilton's question by stating that only the NA and rehabber signed the

MOU and the LCRA was not a party. Mr. White then asked for Mr. Egan's recommendations. Mr. Egan stated that the current donation was a beta test to help determine LCRA's liability exposure. He again advised the LCRA should not be perceived as donating properties to some private businesses and not to others. Mr. Hamilton commented that if the donation was clearly one part of a single transaction, he was not too concerned regarding this issue. His concern would be increased, however, if the LCRA was a party to the MOU. Mr. Hamilton then asked Mr. Engel if any procedures existed to notify assessors such an application would be forthcoming so the delay became a non-issue. He added that the bureaucratic functions assessors performed to change their tax rolls should not delay the LCRA process. Such delays routinely occurred in real estate transactions, he continued, adding that the taxes would be waived once LCRA took ownership no matter how long the bureaucratic paperwork took to catch up. Mr. Egan responded that the process could be handled on a pass-through basis, filing the two deeds (one to LCRA to obtain ownership and one to the non-profit/business) almost simultaneously. His concern was that the costs to maintain the property would deplete LCRA's limited monies. Mr. Hamilton asked if the MOU specified the rehabber would accept the deed from the LCRA. Mr. Hoffman replied that the MOU at issue did not. Mr. Hamilton then asked how the current MOU provided for the rehabber to obtain title. Mr. Hoffman said the MOU had been entered into prior to the LCRA process being discussed and conveyed the property from the NA to the rehabber. Mr. White confirmed with Mr. Egan that he recommend approval of this process for the 3923 Chestnut property.

ACTION TAKEN: APPROVED THE PROCESS FOR THE 3923 CHESTNUT AVENUE HOME DONATION TO THE LCRA. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS AND CARRIED UNANIMOUSLY. (RES. 2-03-14)

5. **Hospital Hill North URP - Consideration of the Proposed Purchase/Leaseback of 2121 Charlotte**

Description: Truman Medical Center and Landmark Healthcare Facilities, Inc. have proposed a purchase – leaseback arrangement for development of a medical office building at 2121 Charlotte Street in the Hospital Hill North Urban Renewal Area.

Project description: Truman Medical Center (TMC) desires to build a \$29 Million, four-story medical office building and parking structure on the block it owns on the northeast corner of E. 21st Street & Charlotte Street in the Hospital Hill North Urban Renewal Area. (See attached map.) The proposed medical office building would enable TMC to retain and attract doctors and healthcare providers to a new facility located close to TMC, thus improving patient services, while also freeing space in TMC's campus for other uses.

Under normal circumstances, TMC would finance this project itself; however, TMC's internal needs preclude this possibility. TMC, therefore, needed an experienced and capable developer for this proposed facility. Landmark Healthcare Facilities, Inc. (Landmark), based in Milwaukee, Wisconsin, specializes in the development and management of medical office buildings and other related facilities. TMC would own the proposed parking structure, which would be built directly adjacent to the east of the proposed medical office building. TMC and Landmark have developed a proposed building ownership structure that would give both TMC and tenants willing to enter into long-term leases up to a cumulative

40% stake in the building's ownership, thus promoting a long-term commitment to the Hospital Hill neighborhood. TMC and Landmark are considering a 25-year lease arrangement for this project.

TMC's property is tax-exempt as a result of its not-for-profit charitable purpose. The development and ownership of the proposed medical office building by Landmark would, however, result in the property becoming taxable. The inclusion of real estate property taxes under the terms of a triple-net lease would pass through to TMC and the tenants, making the rents too high to allow the proposed medical office building to attract the desired uses.

EDC staff issued a Financial Analysis Request for Proposals for potential real property tax abatement on October 9, 2013. A total of two proposals were received by the 3:00 p.m., October 25, 2013 submittal deadline. Springsted, Inc. was selected to provide the financial analysis. A copy of Springsted's report is attached. Springsted believes that 100% property tax abatement for a 25-year term would enable the project's developer to achieve a 9.21% unleveraged rate of return, which is reasonable for this type of project.

Since the LCRA can only offer ten years of property tax abatement, it was necessary to consider other options. The site is not within an existing Planned Industrial Expansion Area (PIEA), so it would have been necessary to do a blight study and prepare a PIEA General Development Plan for approval. This would take approximately 4–5 months, which does not fit well with the desired development schedule. A Chapter 100 bond through the City was also considered, but the cost and timing were also a significant concern. A Purchase/Leaseback through the LCRA would keep the property off the tax rolls throughout the term of the lease and, since the Hospital Hill Urban Renewal Area is already in-place, was the quickest and lowest cost alternative.

It is important to note that both of the parcels to be used in this project were publicly-owned (one by the School District and the other by the City) and were not previously on the tax rolls; there will, therefore, be no loss of existing property tax revenues by the taxing jurisdictions.

Staff believes that the proposed purchase/leaseback of the proposed new medical office building would serve the following public purposes:

- Promote the retention and growth of medical and health sciences services and businesses in conformance with the Hospital Hill North Urban Renewal Plan;
- Assist small businesses establish and maintain a permanent presence in the Hospital Hill North Urban Renewal Area; and
- Support ongoing efforts to strengthen the concentration of medical and health science services and businesses in close proximity to both Truman Medical Center and Children's Mercy Hospital.

Staff believes that the proposed purchase/leaseback of the proposed new medical office building is in conformance with the Hospital Hill North Urban Renewal Plan and existing LCRA policies.

Previous LCRA action: The LCRA approved the Hospital Hill North Urban Renewal Plan on October 27, 2010, with City Council approval on April 21, 2011. The LCRA approved

Resolution No. 1-02-14 on January 22, 2014 in order to be the Applicant for a Rezoning application on behalf of Truman Medical Center.

Staff wishes to revise its recommendation to remove any personal property, as well as sales tax exemption, from the proposed Purchase/Leaseback.

Other governmental/statutory agency action: No other action will be required.

Discussion: Mr. Duffy resumed the chairmanship and asked for Mr. Long's comments. Mr. Long distributed a slightly revised staff report with the revision shown in red. Mr. Long also assented to Mr. Duffy's request to address the issue of term of release in his presentation. Mr. Long then outlined the reasons TMC wished to build the building based on the proposed ownership structure with Landmark. In response to Mr. Duffy's question regarding "at least" a 25-year lease term, Mr. Long responded that 25 years was the starting point for discussion. Mr. Long also advised Mr. White that only TMC and Landmark would be involved in lease term discussions. Mr. Long then discussed the tax-exempt nature of TMC properties, the tax impact of Landmark's ownership of the property, and the impact of the inclusion of real estate taxes on rents.

Mr. Duffy clarified with Mr. Long that the property was not currently being taxed because of TMC ownership. He also confirmed with Mr. Long the property would retain its tax-exempt status under TMC's sole ownership while rented to for-profit medical entities. Roxsen Koch of the Polsinelli law firm introduced herself and said she would also respond to Mr. Duffy's question. Ms. Koch then introduced Gerard Grimaldi, Vice-President of Health Policy and Government Relations for TMC, Anthony Lampasona, President, and Mark Eisenmann, Vice-President, both of Landmark. Ms. Koch stated TMC wished to use LCRA's sale/leaseback tool to ensure tax exemption for the project. She also advised the building would largely be occupied by TMC as well as other not-for-profit and for-profit entities. Mr. Duffy asked Legal Counsel for his opinion. Mr. Engel qualified his opinion the building would be tax exempt by stating the County made the ultimate tax exemption decision. If the County perceived the building's purpose was not aligned with TMC's charitable purpose, he continued, it could refuse tax exemption either wholly or in part. Mr. Lampasona stated that TMC's ownership and continued professional service line arrangement with physicians occupying the building, would maintain their not-for-profit status. Mr. Lampasona added that if TMC owned the building and put in their own service lines, TMC's relationship with for-profit medical entities occupying the building would still be considered as not-for-profit. If Landmark owned the building under TMC's arrangement, part of the overall structure would change the business arrangement with the physicians so that they become for-profit stand-alone entities.

Mr. Long then continued with the staff report by discussing Springsted's financial report and outlining the reasons LCRA considered the purchase/leaseback to be the best option. He confirmed for Mr. White the revision to the staff report was made at TMC's request to remove personal property from the proposed sale/leaseback. Mr. Egan added that the revision was to remove the sales tax exemption, which had not been considered in the Springsted report because of its complexity. Mr. Long and Mr. Egan further clarified for Mr. Hamilton and Mr. White that personal property such as machinery was not included in \$28 million budget. Ms. Koch stated that inclusion of the sales tax exemption would lower the return and were also excluded because the project was assumed to be a LCRA leaseback. Ms. Koch then clarified for Mr. Hamilton

that TMC was not asking the LCRA to assume ownership of any personal property that would remain in tenant ownership. Mr. Hamilton then clarified with Mr. Long that the LCRA would own only the real property and the personal property would remain in the ownership of the tenants. Ms. Koch responded to Mr. Duffy stating that TMC would own the ground. She added the current plan was for TMC to own the ground, lease it for 50 years with 2 possible ten-year extensions to Landmark. At the end of the long-term ground lease, Landmark would then return ownership of both the ground and the building to TMC. She confirmed the request for a minimum 25 year sale/leaseback was because of the bonus value issue and to allow discussion of options after the lapse of the 25 year period. Ms. Koch then responded to Mr. Hamilton, advising that Landmark would own 60% of the building, subleasing the remaining 40% to TMC and tenants for a minimum 10 year lease. Mr. Hamilton asked how the LCRA fit into the situation. Ms. Koch replied that TMC would ground lease the building to Landmark, Landmark would then ground lease it to LCRA for 25 years, at which time Landmark would resume title. Mr. Hamilton remarked that, as LCRA would own the building, Landmark was in essence developing the property for the LCRA. Mr. Egan asked if LCRA could retain its tax exempt status if it did not own the ground. Mr. Engel said that the Supreme Court's decision in favor of LCRA's tax exemption had been based on LCRA ownership of property. His major concern, Mr. Engel continued, was if the transaction would pass the bonus value test. Ms. Koch stated that the land value per occupancy would be incorporated because of payments under the ground lease. She added that lease payments from Landmark to TMC would be wrapped through so LCRA's payment would be paid by Landmark just as it would if LCRA was not involved, resulting in no bonus value for the occupancy of the land. She concluded by stating that LCRA's leasehold interest would also be tax exempt. Mr. Duffy expressed his concern that the County might question the tax exempt status as the LCRA statute only talks about title. Mr. Engel advised LCRA's interests under the lease would be exempt, but real property tax issues should be discussed with the County as the County had previously questioned sale/leaseback transactions. Mr. Duffy pointed out that unlike prior transactions, LCRA would not hold title in this instance. Ms. Koch added that fee title to the building would be held by LCRA subject to the existing ground lease. She stated that the County had advised it would take a conservative, hardnosed approach to the issue. She added that the County had advised it would not recognize TMC's exemption on the vacant lot at issue because TMC was holding the lot vacant. She said that the use of the medical office building is essential to TMC's charitable interests. Ms. Koch added that a sale leaseback to TMC was also possible, as the County had recently advised that TMC's ownership of the property was not necessarily exempt. She confirmed for Mr. Duffy that, under such a scenario, TMC would deed the property to LCRA, LCRA would then lease it to TMC and as payments would be made, no bonus value would occur. She concluded that because of TMC's financial situation, it needed to obtain tax exempt status on this project.

Mr. Kline introduced himself and discussed the current tax status of the 2 parcels involved in his previous discussions with TMC. He advised that one property was purchased by TMC on 4/4/12, but the County had denied the tax exemption. The other parcel was owned by the school district and thus received a full exemption.

Mr. Grimaldi with TMC introduced himself and began by discussing the history of TMC. He advised TMC was formed as a non-profit in the 1960's and led to the founding of UMKC's Schools of Medicine, Nursing, and Pharmacy. He further advised that 3 out of 4 patients were uninsured or underinsured and that TMC served the most vulnerable in the community,

particularly those from the urban core. Mr. Grimaldi stated this proposal was essential to enhance the care TMC provided. Inpatient admissions were down for TMC as well as virtually every other hospital in the country, he continued, because of the shift from inpatient to outpatient care. This project, therefore, would allow TMC to improve quality and accessibility of specialty and outpatient care. He then told the Board that if TMC's proposal went forward, it would be the only ambulatory surgery center north of 95th Street. In addition, TMC treated far more mental health patients than any other hospital. He also asserted that most TMC patients suffered from multiple chronic diseases, such as diabetes, which was not unusual when socioeconomic and healthcare disparities were examined. Mr. Grimaldi said the new center would house TMC's ophthalmology department, a new oral surgery clinic to provide services to developmentally disabled children and the post-trauma community, and an orthopedic care center. The orthopedic center, he added, would allow patients, mostly senior citizens, to have close, accessible parking to a convenient location. The new building would also enhance quality atmosphere and reduce patient infections. Mr. Grimaldi stated that TMC had about 330,000 outpatient visits which did not include its 150,000 emergency or 130,000 mental health cases.

Mr. Duffy asked that Mr. Grimaldi focus on intended transfer in way TMC deals with profit/not-for-profit. Mr. Grimaldi answered that service lines would be not-for-profit services already provided by TMC or the recruitment of additional doctors. He added that TMC lost money in the past several years and did not have the capital to do what they felt was a much needed improvement. TMC had further confirmed that Landmark had a track record of working with other safety net institutions. Mr. Egan confirmed with Mr. Grimaldi that, from the standpoint of the patient, treatment would be provided by TMC as currently affiliated medical personnel would be occupying the new offices. Mr. Grimaldi also said that most of the services would be provided by a separate medical group, University Physicians Association (UPA), a non-profit who provided care exclusively to TMC inpatients and would occupy the majority of the new building. Mr. Duffy asked if there were any questions for Mr. Grimaldi. Mr. Hamilton confirmed that UPA was a non-profit because of their affiliation with TMC. Mr. White inquired about the construction of the adjacent parking facility. Ms. Koch responded that TMC was to be responsible for \$2.3 million of the total \$4 million cost to build the garage. She added that discussions were still ongoing to determine how TMC would pay for the garage. A possible option, she said, was making it part of TMC's space lease payments to Landmark. She also responded to Mr. Duffy, saying the parking garage was not part of the original ground lease plan with Landmark. Because of the County's recent determinations, however, she said the structure may be added to the proposed plan under a separate lease arrangement.

Mr. White then asked about the split quoted in the Springsted report as \$11 million combined equity. Mr. Lampasona answered that \$7 million was Landmark's as the equity required for the office building and \$4 million was TMC's and included the cost for the parking structure. Mr. White stated his concern was building leasable space given TMC's financial condition. Mr. Grimaldi replied that while TMC had a long-term ground lease, it would have a shorter 15-year space lease agreement with Landmark. The agreement would fall apart, he conceded, if the building space was not leased. TMC's plan, he continued, was to have the building 80% preleased at the time it opened to account for future growth. Mr. White stated he was particularly concerned about a financially hindered TMC's ability to make lease payments for 15 years especially because Missouri has decided not to take the upper tier Medicaid option. Mr. Grimaldi replied that TMC strongly believed Missouri would accept the Medicaid

expansion in the future not only because other Republican governors had already done so but because morality would demand it. Regarding TMC's financial condition, Mr. Grimaldi stated their Board of Directors exercised great due diligence to ensure the project would be viable. Mr. White asked if TMC had any financial commitments for the mortgage. Mr. Lampasona replied that Landmark had existing relationships with two national lenders. He added that TMC could exercise control over Landmark through the ground lease by, for example, restricting who Landmark could place in the building. Landmark, in turn, would assist TMC through its experience and proven track record by successfully developing the building. Mr. Duffy asked if any residual or dollar value was received at the end of the lease term. Mr. Lampasona answered that the building would return to TMC free of all debt at that time, but would have no residual value. Mr. Duffy asked about the return for Landmark indicated on the financial analysis. Mr. Lampasona replied affirmatively but added that Landmark was also giving away 40% ownership of the building so its return would in effect be lower. In further response to Mr. Duffy, Mr. Lampasona replied that TMC would not profit from the leases, but as it occupied most of the building, would profit from the operation of service lines within the building. Mr. Lampasona stated that TMC would also get 40%, based on its square footage, of any cash flow or refinancing. In response to Mr. Duffy, Ms. Koch stated that TMC had not yet elected the ownership option.

Mr. Duffy expressed several concerns regarding the length, cost, conclusions and quality of the Springsted financial report. Mr. Long answered that he would obtain Springsted's base documentation and would ask future consultants to also do so. Mr. Hamilton questioned if the Board had previously discussed the same situation regarding Springsted. Mr. Long advised a similar discussion had occurred but regarding a different consultant. Mr. Duffy also questioned Springsted's citation of Price Waterhouse calculation of the 8.74% average rate of return which placed LCRA in the 75% abatement category, rather than the 100%. Mr. Long stated that Springsted felt a 9.2% return was reasonable given the level of risk involved in this project. Mr. Duffy questioned why the project was considered an above average risk. Mr. White responded that the above-average risk was the result of TMC's financial condition as well as its move to grade A space and subsequently paying higher rents. Mr. Egan added that supporting documentation for the Springsted report would be obtained. Mr. Lampasona also added that their real estate consultant confirmed that improved operations more than offset any rent increases.

Mr. Duffy then asked if any taxing jurisdictions had commented on the proposed project. Mr. Egan replied affirmatively and asked Mr. Kline to comment. Mr. Kline said the issues were the current tax status, why the return was above average, and the large incentive of the sale/leaseback. He pointed out the sale/leaseback incentive was larger than PIEA provided because there was no frozen base. Mr. Duffy asked him to expand on his comments regarding the frozen base as the project was partially owned by the school district. Mr. Kline advised the base was approximately \$8,786 and 2012 taxes were owed on the property. He added that the County supported the development but the large incentive would have a negative impact on other taxing jurisdictions. Mr. Duffy said he agreed with the County's legal decision and that the City had transferred the property too quickly, negating its tax exempt status. Mr. Lampasona replied that TMC had, at its expense, tore down an unsafe and blighted building. Mr. Egan advised that other taxing jurisdictions had not yet commented on the project. Mr. Kline added

the school district had spoken with the County and offered their share of the property tax if other taxing jurisdictions were kept whole.

Mr. Duffy stated he considered the project still fairly ill-formed and was therefore reluctant to ask Board to approve any specific document. Mr. Egan replied that the additional supporting documentation requested by the Board would be provided in the near future. Ms. Koch replied to Mr. Hamilton, stating TMC may decide to transfer the ground to the LCRA to obtain tax exemption status. She added that the County had only recently challenged the charitable purpose of TMC holding title in this manner. Ms. Koch requested the Board to approve the overall concept of the real property tax-exemption by utilizing the LCRA as well as further discussion of the sales tax exemption. Mr. Egan and Mr. Duffy agreed that the sales tax issue was too complex to currently handle in-house. Mr. Lampasona stated the return figure quoted was not close to an average and did not represent the risks taken by Landmark. The project would succeed, he added, only if the building was leased, only if TMC stayed viable for at least 15 more years, and only if tax exemption was approved.

ACTION TAKEN: AUTHORIZED PREPARATION OF THE NECESSARY AGREEMENTS FOR THE PROPOSED PURCHASE – LEASEBACK OF THE PROPOSED MEDICAL OFFICE BUILDING AT 2121 CHARLOTTE STREET. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE AND CARRIED UNANIMOUSLY. (RES. 2-04-14)

Further Discussion: Mr. Hamilton asked if this project set a precedent for staff determining which agency should receive the project. Mr. Long replied affirmatively. Mr. Egan discussed the procedures of Advance KC and 353 and suggested the Board have the capacity to structure the deal appropriately. Mr. Duffy stated a footnote should be added to the Motion to note it would move ahead without PILOT. Mr. Egan confirmed with Mr. Duffy that a representative of the financial analyst would be present at future meetings to discuss their reports. Mr. Duffy suggested that if no one responded to a LCRA bid, the bid requirements could be changed.

Mr. Egan replied to Mr. White, stating that a new ordinance regarding 353 had been drafted by local development attorneys. He added that when the ordinance was passed, policies and procedures would be implemented once approved by the Board. Mr. Duffy stated the current ordinance retained Davis Bacon components. Mr. Egan added that the new EDI policy required prevailing wage in all incentives, including LCRA.

6. **Administrative - Consideration of the Proposed Modification of the Workable Program**

Description: At the LCRA's request, staff presents a proposed modification of the Workable Program to allow administrative approval of tax abatement for investor-owned single-family homes.

Project description: During consideration of the Indian Mound – Lykins Urban Renewal Plan at the LCRA's November 20, 2013 meeting, staff noted that City staff had inquired about the possibility of allowing administrative approval of property tax abatement for investor-owned single-family homes located within Urban Renewal Areas.

Informal discussions within staff and with neighborhood representatives revealed the need for clearly-defined parameters to prevent abuse. Among the items of concern were the need

for substantial investment, the correction of all code violations, and the need for the property to be on the City's list of registered rental properties.

Staff, therefore, recommends that the Workable Program be modified to allow the Executive Director to approve property tax abatement for investor-owned single-family homes under the following circumstances:

1. An amount equal to or greater than 50% of the market value of the property or \$10,000.00, whichever is greater, has been spent;
2. All building code violations have been corrected;
3. The property is registered as a rental property with the City;
4. The owner has owned property for less than one (1) year;
5. The owner has acquired the property in an arms-length transaction; and
6. The amount expended will be primarily used for rehab which could include back taxes and special assessments accrued under previous ownership.

These recommendations are shown on Page 3 of the attached Workable Program.

Previous LCRA action: At its November 20, 2013 meeting, the LCRA asked staff to prepare draft language to modify the Workable Program

Other governmental/statutory agency action: No other action will be required.

Discussion: Mr. Long outlined the circumstances for administrative approval of tax abatement for investor-owned single-family homes under the Workable Program. Mr. Hamilton confirmed with Mr. Long that the 50%/10,000 threshold detailed in the first circumstance included costs to repair code violations. Mr. Hamilton objected to the inclusion as an incentive for existing owners to allow violations to occur. Mr. White asked if only new owners or existing owners were to be granted the abatement. Mr. Duffy added that previous Board discussions determined the abatement should only be for new owners. Mr. Long agreed, saying the proposal's language would be changed to state only new owners could receive the abatement. Mr. Duffy further stated that any abatement monies should be used solely for rehab, back taxes and special assessments. An additional concern for Mr. Hamilton was the fact that the buyer was already receiving a discount for buying dilapidated property. Mr. Long replied that the market value price was chosen as a benchmark rather than the acquisition price, as the difference between the two was often substantial. The \$10,000 benchmark was also chosen, he added, to delineate a set cost amount. Mr. Hamilton suggested the amount vested needed to be over and above the costs to correct code violations. Mr. Egan responded that "code violations" could be changed to "health and safety issues" to ensure minor code violations (i.e., small window crack) would not prevent approval. Mr. Long and Mr. Egan added that the LCRA application process included extensive checks and balances to confirm the monies were spent appropriately. Mr. Hamilton said the ultimate goal was to increase the tax base by improving neighborhoods, so he did not disagree with incentivizing improvements that increased property value. He was opposed, however, to incentivizing improvements for deferred maintenance which placed the property in the lower tax base. Mr. Duffy stated that, assuming the applicant was not the person who deferred the maintenance, then Mr. Hamilton raised a different issue. Mr. Hamilton concurred.

Mr. Egan said the decline in value of a vacant property needed to be arrested. He added that property taxes were not the only monies to be lost if the property remained vacant. Payments for items such as water and sewer costs, sales taxes on materials used to improve the property, property taxes on the car of owner, and the like would also be lost. Mr. Egan and Mr. Duffy agreed to modify the phrase "new owner" to stipulate property revisions "within a year of purchase." Mr. Hamilton and Mr. Duffy concluded the sale from the owner must be to an unrelated third party. As a review of the title work would not confirm sale to an unconnected person or entity, Mr. Egan concluded an affidavit would be required from the seller. Mr. Hamilton and Mr. Egan further agreed that the correction of building code violations would be sufficient rather than stipulating the correction of the much more extensive property maintenance codes. Mr. White inquired as to the amount of demand for this type of abatement. Mr. Long replied that City staff had initially raised the issue as a means to encourage investor owners to invest in the properties would improve housing conditions. Mr. Egan advised the current process was too expensive and cumbersome for small owner-rehabbers. Mr. Hamilton and Mr. Duffy clarified that the program would allow the executive director to ministerially grant tax abatement based on the 6 criteria stated above, as long as the owner had owned property for less than 1 year, had acquired it in an arms-length transaction, and the monies would be primarily used for rehab which could include back taxes and specials.

ACTION TAKEN: APPROVED PROPOSED MODIFICATION OF THE WORKABLE PROGRAM. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE AND MR. EDWARDS AND CARRIED UNANIMOUSLY. (RES. 2-5-14)

7. **Administrative - Review and approval of Meeting Minutes**

Minutes of the January 22, 2014 and January 28, 2014 meetings will be provided for review prior to the meeting.

ACTION TAKEN: APPROVED THE JANUARY 22, 2014 AND JANUARY 28, 2014 MINUTES AS PRESENTED. MOTION MADE BY MR. HAMILTON AND SECONDED BY MR. EDWARDS AND CARRIED UNANIMOUSLY.

8. **Financial - Review and acceptance of Financial Report for the Month of January 2014**

Mr. Clark gave a brief overview of the draft financial report for January 2014 and described the items which differed from last month's report.

On page 2 of the Balance Sheet Fluctuations, Item B, the Columbus Park Co-Op account, was higher than last month because of normal Zimmer distributions and journal adjustments. A \$28,000 deposit from the City had also been mistakenly added to the account, which would be transferred to Beacon Hill. Item D, Accounts Receivable, also on page 2, was lower than last month because of the timing of the Wyandotte Garage entry, auto-corrections, recording of a receivable from last month, and a cash deposit entered in the month received. This account also contained unapplied payments of \$9,506 which he was currently researching.

On page 4, Item B, Revenue Developer Income, revenue was down but the negative amount indicated was in error and would be corrected on next month's report. Item C, Contribution

Revenue, was lower than last year because of a January, 2013 Beacon Hill lot transaction of over \$200,000.

On page 1, General Cash Listing, the cash amount was \$82,766.07; \$21,609.46 of which was restricted; for an unrestricted balance of \$61,156.61. Current cash was \$66,350.82; \$24,056.92 of which was unrestricted; for an unrestricted balance of \$42,293.88.

ACTION TAKEN: ACCEPTANCE OF THE JANUARY 2014 FINANCIAL REPORT AS PRESENTED. MOTION WAS MADE BY MR. WHITE AND MR. EDWARDS, SECONDED BY MR. HAMILTON AND CARRIED UNANIMOUSLY.

Further Discussion: In response to Mr. Duffy, Mr. Clark advised the LCRA audit had begun and preliminary issues would be conducted within the next two weeks. He also affirmed for Mr. Duffy that he anticipated no issues or problems to arise in the audit.

9. Executive Director's Report

a. **Administrative - Active Case Tracking System Report**

Mr. Egan distributed the pending board action report. He advised the Urban Renewal Area encompassing 36th and Gillham had been approved and the tax abatement application was expected to be processed. Mr. Egan further advised that the sale/leaseback in Hospital Hill North and UR designation remained in process. Regarding Columbus Park, he stated the property had been leased to Windstar Lines as White Knight Limo had vacated. Mr. Egan said the property was not going to be released because of its roof condition, but Mr. Engel was instrumental in persuading Windstar Lines to sign a complete release absolving LCRA of any liability. Further, the lease would end in November, 2014, as the roof may not withstand a heavy snowfall. Mr. Egan concluded by saying the ultimate goal was to demolish the property. Mr. Hamilton confirmed with Mr. Egan that the TMC project discussed earlier today was within the area LCRA is acting as the applicant for the UR district. Mr. Egan additionally stated the LCRA had several projects within that area, but due to the complexities of the sales tax issue, outside assistance was required.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

b. **Affirmative Action Report**

The Affirmative Action Subcommittee met on Friday, February 14th, 2014 at the offices of the Economic Development Corporation. Those in attendance were Commissioners Gabriel Okafor and Steve Hamilton, EDC Staff Joe Egan, Susan Tumey, Sandra L. Rayford, and Melinda Gaul, as well as Phillip Yelder and Andrea Dorch of the Human Relations Department ("HRD"). During this subcommittee meeting, a review of goal setting on Professional Services took place on a potential LCRA project. The developer was willing to get a Professional Services budget submitted in order for goals to be set in anticipation of potential LCRA approval for the project. Once this project is brought before the LCRA board and approved, staff will

introduce the goals set by the Human Relations Department. The subcommittee reviewed the status of all open/pending projects as well as the Executive Summary.

1048-1050 E. 5th Street/Reavey Law Firm - A discussion took place during the open/pending project review regarding Reavey Law Firm and their lack of budget and goal assignment. The subcommittee instructed staff to meet with this redeveloper and once again advise them of the obligation to comply with the MBE/WBE policy if they plan to receive their anticipated incentive. A meeting has been set to meet with Mr. Reavey on February 25, 2014 at 11:00 a.m. in the EDC offices to discuss this matter along with Andrea Dorch of the Human Relations Department.

Morning Star Life and Family Center ("Morning Star") – Phillip Yelder reviewed the original goals set for Morning Star. At the last LCRA Board meeting, the Board requested that HRD explain why goals for WBE were set at 4% at the upcoming LCRA Affirmative Action Subcommittee meeting. Mr. Yelder advised that Morning Star came to his office with a majority of the Professional Services budget already contracted out, thus causing HRD to set goals at 21% MBE and 4% WBE. Mr. Yelder also advised that he had since gone back to Pat Jordan of Morning Star and requested they increase the WBE participation to 6%. A discussion took place regarding goal setting and who had the final word. Mr. Yelder stated that HRD sets the goals for the projects and has the final say regarding those goals. The LCRA Board has the final recommendation as to what extent liquidated damages or penalties will be applied towards projects in the event of non-compliance by a developer or redeveloper. It was established during this discussion that any time goals set by the Human Relations Department which are below the typical default goal levels, the LCRA Board would be given reasoning as to why the goals were set below typical default goal levels.

Included in your board packet is a current status of open/pending projects related to MBE/WBE compliance, MBE/WBE Executive Summary for Professional and Construction Services of the active development projects through December 31, 2013, MBE/WBE Executive Summary for Professional and Construction Services of the active development projects through January 31, 2014 and the November Workforce reports.

The next Affirmative Action Subcommittee meeting for March 14th has been cancelled.

Discussion: Ms. Gaul gave a brief overview of the Subcommittee meeting. Mr. White asked if Mr. Reavey had initiated construction. Ms. Gaul answered that Mr. Reavey's situation remained complicated as he continued to construct on a piecemeal basis. Mr. Hamilton asked if Mr. Reavey still expected to receive tax abatement. Ms. Gaul responded affirmatively, advising the project involved non-prevailing wages which made it more difficult to find participation. She reiterated that Mr. Reavey knew he must follow the best faith criteria and provide documentation.

At a previous meeting, the Board had asked why Morningstar goals differed from City guidelines. Ms. Gaul advised that per Mr. Yelder, Morningstar's professional services budget had already been contracted, causing their goals to be set at 21% MBE and 4% WBE. She also reported that Mr. Yelder had requested Morningstar increase their

WBE participation to 6%. Responding to Mr. Duffy, Ms. Gaul advised the City guideline for WBE was 8%.

The Board discussed goal setting and who had the final say regarding those goals. Ms. Gaul stated Mr. Yelder considered the Human Relations Department (“HRD”) set the goals and had the final say. Mr. Yelder believed the LCRA Board had the final recommendation as to any liquidated damages or penalties to be applied in the event of non-compliance by a developer or redeveloper. It was established during this discussion that the Board would be given the reasoning as to why goals were set below typical default goal levels for a particular project.

Mr. Hamilton stated that he had discussed the issue of developers not adhering to City goals because of pre-contracts. He advised Mr. Yelder and his staff seemed not to use default goals, but rather analyzed each project on a case by case basis and set goals higher or lower accordingly. Ms. Dorch responded to Mr. Duffy that default goals were not set by City ordinance for LCRA projects. She added that default goals were used as guidelines. Once an analysis was performed, she continued, showing few WBE/MBE contractors were available for a particular project, goals could be adjusted. A policy was being set, however, to disregard pre-contracts and require the developer to explain why they could not meet the goals. HRD would then submit the explanation to the Board for approval. Mr. Hamilton advised of his previous discussions with Mr. Yelder regarding HRD setting a project’s goals and presenting to the Board if the guidelines were not met. Mr. Duffy asked if it was not acceptable for a developer to have lower goals because of pre-contracts, why Morningstar had been allowed to proceed with lower goals. Ms. Dorch presented a copy of a sample justification, showing methodology, scope of work, and database search methods. Ms. Dorch stated that if only one WBE was available for a particular part of a project, for example, no competitive bids could be received. Mr. Duffy asked if Morningstar was allowed to proceed because of such limited prospects for WBE/MBE contractors. Ms. Dorch advised she would have to review Morningside’s file to be able to respond and would do so. Mr. Hamilton interjected that the point may be moot because of Mr. Yelder’s decisions in setting the goals. Mr. Egan added that the Board could approve or deny incentive if it disagreed with HRD.

Mr. Duffy stated that the Board may have agreed to allow HRD to set affirmative action goals for particular projects, but the goals still had to be within the framework of City ordinance. Ms. Gaul advised she could report to the Board at a future date to respond to their questions regarding Morningside. Ms. Gaul stated the original policy of allowing HRD to set goals still controlled. The policy, she added, did not go into any further detail if the Board should disagree with HRD. Ms. Gaul confirmed that standard goals had not yet been adopted by all City agencies, not just the LCRA.

ACTION TAKEN: ACCEPTANCE OF THE AFFIRMATIVE ACTION REPORT.
MOTION MADE BY MR. HAMILTON, SECONDED BY MR.
EDWARDS, AND CARRIED UNANIMOUSLY.

Motion made by Mr. Duffy and seconded by Mr. White to move out of public session and into executive session.

Roll Call to move out of regular session:

Michael Duffy	Aye
James White	Aye
Steve Hamilton	Aye
Daniel Edwards	Aye
Gabriel Okafor	Absent

10. Adjourn.

There being no further business, the meeting was adjourned and the Board entered executive session.



Joseph F. Egan, Secretary

AMENDED BOARD MEETING MINUTES

DATE: March 26, 2014
TIME: 9:30 a.m.
PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

1. **Roll Call**

Present: Michael Duffy
Daniel Edwards (left early)
Steven Hamilton
Gabriel Okafor
James White

Staff/Guests: Joseph Egan, LCRA
Susan Tumey, LCRA
Michael Clark, EDC
Pete Fullerton, EDC
Melinda Gaul, EDC
Robert Long, EDC
Sandra Rayford, EDC
Jenna Wilkinson, EDC
Spike Nguyen, iPho Tower Restaurant
Jeff Edmondson, ECCO Holdings
John Hoffman, Gillham Park Row LLC
Ken Jagers, Integra Realty Resources
Chris Kline, Jackson County
Johnny Sweeney, Jackson County
Kevin Masters, Kansas City, Missouri School District
Mark Eisenmann, Landmark Healthcare Facilities
Roxsen Koch, Polsinelli
Joyce Murray, UGA, LLC
Larry Sells, UGA, LLC
Brian Engel, White Goss

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum was present.

2. **Administrative** – *Review and approval of Meeting Minutes*

Minutes of the February 26, 2014 meeting were provided for review prior to the meeting. No changes were required.

ACTION TAKEN: APPROVED THE FEBRUARY 26, 2014 MINUTES AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON AND CARRIED UNANIMOUSLY.

3. **Financial** - *Review and acceptance of Financial Report for the Month of February 2014*

Discussion: Mr. Clark gave a brief overview of the financial report, which was provided for review prior to the meeting. Mr. Clark specifically pointed out Items A, B, C, and D from the Balance Sheet Fluctuation Analysis. Mr. Clark responded to Mr. Duffy's request for clarification of Item D by stating that the audit correction change from cash recording basis to an accrual basis caused receivables to be recorded in the month prior to actual receipt and cash to be recorded in the month it was received.

Mr. Clark then noted Items B, C, D, E, K, and M from the Income Statement Fluctuation Analysis. Mr. Clark concluded by stating that the general cash balance was \$59,855.62, with \$14,865.53 being restricted and \$44,990.09 being unrestricted. He added that, as of the date of the meeting, the general cash balance was \$50,846.89, with \$14,865.53 being restricted and \$35,981.36 being unrestricted.

Mr. Duffy stated that because of Advance KC, all statutory agencies may be consolidated and placed under EDC, which would affect how the budget was prepared. Mr. Duffy then asked Mr. Clark if he had any information regarding such restructuring. Mr. Clark responded that he did not at this time, but would provide any new information as it became available. Mr. Egan also responded to Mr. Duffy, advising that he was unsure when any consolidation would take place. Mr. Egan added that next year's budget had been submitted, no new hires were anticipated, and EEZ was in the process of being shifted to the business development area. Mr. Egan then pointed out that most of the receivables were over 90 days and the only payable item over 90 days was to King Hershey which would come from the sale of the parking lot at 1121 McGee within the next 90 days.

No changes were made to the Financial Report.

ACTION TAKEN: APPROVED THE FEBRUARY 2014 FINANCIAL REPORT AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE AND CARRIED UNANIMOUSLY.

4. **36th & Gillham URA** - *3630 Gillham – Consideration of Approval of Redevelopment Contract*

Description: The Redeveloper, Gillham Park Row LLC, has submitted a redevelopment project application for the 3630 Gillham project which will consist of one parcel, 3630 Gillham, which is a vacant lot that is approximately .793 acres located within the 36th & Gillham Urban Renewal Area.

Project and Related Information: Gillham Park Row, LLC, proposes a newly constructed, market rate, apartment building at 3630 Gillham. The redevelopment project will consist of 23 two bedroom units, along with 36 surface parking spaces, landscaping, and all necessary infrastructure improvements. The estimate redevelopment project costs are \$3,488,709.

The Redeveloper purchased the 3630 Gillham property in August 2013. As part of the purchase for the vacant lot at 3630 Gillham, the Redeveloper also acquired the single family house to the north, 3614 Gillham.

It is expected that construction for the project will begin in Spring 2014 and it is anticipated to be completed by Winter 2015.

As part of the 36th & Gillham Urban Renewal Plan, the Redeveloper re-zoned the 3630 Gillham from R1.5 to District UR – (Urban Redevelopment) and modifications were made to the Main Street Corridor Land Use and Development Plan and Westport Area Plan to change the land use from single family residential to multi-family residential.

Financial Analysis: Ken Jagers with Integra Realty Resources reviewed the financial information provided by the Redeveloper. For a Redeveloper to pursue a project of this nature the overall yield/internal rate of return for this project would be 7.0%, without any incentives the redevelopment project generates at 6.22% overall yield, with modified Chapter 99 (5 years at 100% tax abatement) the overall yield is 6.40% and with standard Chapter 99 (10 years at 100% tax abatement) the overall yield is 6.54%. Per Integra's report, the Chapter 99 tax abatement scenarios improve the redevelopment project's rate of return to near market levels and in light of current market conditions the redevelopment project meets the need for development incentives.

Taxing Jurisdictions: The Redeveloper, Ken Jagers with Integra Realty Resources, and EDC staff met with the taxing jurisdiction representatives from Jackson County and the Kansas City, Missouri School District to discuss the financial analysis report and project on March 10, 2014.

Neighborhood: The Redeveloper met with the Old Hyde Park Neighborhood Association three times during the establishment of the 36th & Gillham Urban Renewal Area. These meetings included discussions about the project at 3630 Gillham and design of the apartment building. Based upon these meetings, the Redeveloper modified design elements of the apartment building which resulted in higher redevelopment costs.

Affirmative Action Policy and MBE/WBE Participation: The Redeveloper met with the Affirmative Action Compliance Team to review the terms and conditions of the LCRA's Affirmative Action Policy and have submitted the required Letter of Intent evidencing their agreement to comply with the terms and conditions of the Policy. As the Redeveloper proceeds with this project they will be providing all other necessary Affirmative Action Plan documentation.

Previous LCRA Action: The 36th & Gillham Urban Renewal Plan was approved by the LCRA on December 18, 2013.

Other Governmental/Statutory Agency Action: The 36th & Gillham Urban Renewal Plan was approved by City Council on February 27, 2014 by ordinance 140117 along with

companion ordinance 140118 for modifications to the Main Street Corridor Land Use Plan, ordinance 140139 for modifications to the Westport Area Plan, and ordinance 140140 to re-zone the property at 3630 Gillham from R1.5 to District UR (Urban Redevelopment).

No other action by another governmental agency will be required for approval of this project.

Discussion: Mr. Egan distributed letters received on March 25, 2014 from the Kansas City Public Schools, the Kansas City Public Library and Jackson County Missouri Economic Development. He stated that the three taxing authorities supported the project but alleged 100% tax abatement would increase developer profits above the 7% market rate thus diluting taxing revenues. Ms. Wilkinson then gave an overview of her report. She also clarified for Mr. Duffy that a City approved site plan was in place because the UR Rezoning had already occurred.

Mr. Jagers was then invited to speak. [1 He stated Integra used two common development and financial methodologies in its February 13, 2014 financial analysis. He said rent studies of the area indicated rent growth could be greater than 3%. Such rent growth was not sustainable he cautioned, because of competition from future projects. He listed the impact of future events, net operating income, rent studies, and estimates of construction costs as also being used to evaluate the project's risk rating and rate of return. Mr. Jagers said a single year stabilized net operating income was used to develop an opinion rather than a 10 year cash flow. He explained that calculating a 10 year cash flow required assumption upon assumption with the end result being greatly skewed if even one part had been overestimated. Mr. Duffy asked if the calculation of a 10 year rate of return required a 10 year cash projection. Mr. Jagers replied that it did not, as the rate of return or an IRR were generally the same thing and would typically be within 25 to 50 basis points of each other. He then stated that Integra used cap rates applied to net operating income to determine what a developer could afford to build, without incentive, to generate a reasonable rate of return. In further response to Mr. Duffy, Mr. Jagers advised that Integra evaluated the actual construction costs for this particular project rather than using a generic estimate. Mr. Duffy then asked if costs for developing this site were comparable to market costs. Mr. Jagers responded that Integra did not make many changes to the developer's budget beyond the addition of a developer fee.

Mr. Duffy then asked Mr. Jagers for his analysis of the application. Mr. Jagers stated that it fell short of the rate of return with or without incentive and 7% was supported by his review of cap rates. Mr. Jagers further clarified for Mr. Duffy that the rate of return was 6.2% without incentive. He added that tax abatement's 10 year limitation would not greatly increase rates of return. Mr. Jagers also advised Mr. Duffy that the project's rate of return with full 10 year abatement would be 6.54%. Mr. Jagers added that the rate was still 50 basis points less than his estimation of the market and 30 basis points more than what it would be without incentive. Mr. Okafor asked if the cost of the project at issue was compared to a wide range of comparable developments within the urban core. Mr. Jagers responded that comparable projects were chosen from within Integra as well as projects evaluated by outside sources. In further response to Mr. Okafor, Mr. Jagers stated the developer fee was reasonably comparable to other projects relative to the complexity of the project. Mr. Jagers also stated that developer profit was not included in his analysis as

developers typically did not recoup their investment until after a building was completed or sold.

Mr. Duffy then requested the testimony of Mr. Hoffman the developer and asked him to focus primarily on the financial analysis. Mr. Hoffman stated Mr. Jagers' analysis was very accurate. He advised, however, that his bankers were concerned regarding the low projected return. Mr. Hoffman believed he could obtain the necessary financing for the project. He also advised he was deferring the developer's fee to ensure more of the assets were in the budget. In response to Mr. Duffy, Mr. Hoffman then stated that changes to the building plans, as requested by the neighborhood association, included addition of more brick, wood, and detailing had added \$200,000 to \$300,000 to the project's costs. Mr. Duffy stated that Mr. Jagers' report indicated the market square foot costs, even with the changes, were still comparable. Mr. Hoffman reiterated that, despite the projected low return, his bankers would finance the project but only if he received 100% tax abatement for 10 years. He responded further to Mr. Duffy that he did not yet have any bank letters of intent. In response to Mr. White, Mr. Hoffman stated the majority of the neighborhood approved the changes made to the building plans. Mr. Hoffman also advised retention and rehabilitation of the house next door to the new building increased neighborhood approval. Mr. White asked how the rents charged in the new building compared to competitive rates. Mr. Hoffman responded that a 2 bedroom would be \$1,100 to \$1,200 as compared to a new Plaza area development charging \$1,800 for a 2 bedroom. Mr. Hoffman stated he needed to receive abatement to not only stay competitive with other Kansas City projects but also to ensure rental rates would not increase in the short term. Mr. Hamilton advised that the Board had no opposition to tax abatement but that the issue was the level to be granted. Mr. Hoffman replied that his banker might deny his loan if he was granted, per Mr. Hamilton's example, a 75% abatement.

Mr. Duffy then requested the representative of Jackson County to testify to specifically discuss the County's letter concluding the developer's return was higher than 7%. Mr. Sweeney stated the difference was the County's inclusion of the reversion rate and distributed a written analysis illustrating the calculations. He added that the County approved of the project but did not agree 100% abatement was necessary. Mr. Duffy pointed out that Mr. Jagers' report indicated the developer's return was lower than 7% even with 100% abatement. Mr. Sweeney answered that the building's cost of three plus million created an asset which could be borrowed against or sold and should therefore be included in the calculations. Mr. Duffy asked if the cap rate essentially incorporated the residual value. Mr. Sweeney replied that it would bring it back for a year to year NOI but as the developer could take a loan on the equity, the amount should also be included. Mr. Jagers stated that the cap rate he used incorporated the cash flow for the years the project was owned as well as any future reversion. Mr. Jagers also said his calculations incorporated rent and expense growth as well as any increase or decrease in the NOI. Mr. Duffy asked for Mr. Jagers' response to Mr. Sweeney's assertion the cap rate did not include residual value. Mr. Jagers replied that any bank considering financing Mr. Hoffman would use a discounted cash flow or a direct capitalization analysis. He added that both methodologies arrived at virtually the same conclusion. In further response to Mr. Duffy, Mr. Jagers replied that he could not fairly comment on the County's analysis as this was his initial review of the same. At Mr. Duffy's request, Mr. Sweeney then listed his degrees and qualifications. Mr. Sweeney also

reiterated that the cap rate did not factor in everything required and so full tax abatement was not warranted.

Mr. Sweeney then replied to Mr. Okafor that 6.94 was the yield for 10 years at 75%. Mr. Okafor asked if either the County or LCRA had reviewed other projects which had received full abatement. Mr. Sweeney answered that their analysis focused on what had changed in the past 5-10 years. Mr. Egan also replied that each project was different and there were no past comparable projects. Mr. Hamilton inquired about the impact of 90% abatement. Mr. Jagers replied that the construction lender would require a pledge of additional collateral and the permanent lender would lend less on the NOI because of the change in debt coverage. Mr. Sweeney then advised the real dollar amount would not be substantial and that it was more a policy issue. Mr. Hamilton asked for Mr. Hoffman's response to the financial analysis debate. Mr. Hoffman replied that, despite the bank's probable request for more equity, he could accept 90% or 100% abatement. Mr. Hamilton reminded Mr. Hoffman of his earlier statements regarding loss of financing if he was not granted 100%. Mr. Hoffman countered with his assertions that his banks were local and familiar with his past reputation. He added that he could not compete against similar abated projects without receiving some type of incentive himself. Mr. Hamilton asked what percentage would obstruct Mr. Hoffman's financial ability. Mr. Hoffman replied that part of a developer's risk was not being able to verify rent amounts for apartments not yet built. Mr. White asked about rental rates currently charged by Mr. Hoffman, who responded that they were comparable at \$1.20 per square foot.

As there were no further questions for Mr. Hoffman or Mr. Sweeney, Mr. Duffy requested Mr. Masters' testimony. Mr. Masters advised the School District ("District") also had no objection to the project beyond the valuation calculation and resultant loss of tax revenue for the District. He cited the District's \$27 million loss last year from long-term abatement projects. Mr. Masters said the grant of long-term abatement usually did not consider the benefits of ownership once the project was completed. He also questioned the standard grant of high-end amounts versus lower or median abatements. The District and County worked together, Mr. Masters continued, to align their proposal with Mr. Jagers' 7% figure. He cited calculations showing a 6.9% return with 75% abatement as a reason for supporting a 75% abatement. He counseled that the "standard way we've been doing for years" should be abandoned. He also advised the concept that "every project is different" should be used as justification for not using a standard analysis for each project. Mr. Duffy interjected, stating that the LCRA's workable program mandated approval of a program only if approval meant the difference between a project happening or not happening. Mr. Duffy said that if LCRA did their job correctly, the District would not lose revenue, as a non-incentivized project would not exist to generate revenue while an incentivized project would exist to create revenue. Mr. Duffy commended Mr. Masters and Mr. Sweeney for presentation of their argument to the LCRA. The Board could not, however, Mr. Duffy continued, meaningfully compare the evaluation differences given that the letters were received on the same day as the meeting. Mr. Duffy advised his inclination was to therefore accept Mr. Jagers' financial analysis.

Mr. White commented that the County had raised important questions regarding reversionary value and the various methods as to how such a determination was reached. As the issue was important to the City, he hoped a common decision could be reached.

Mr. Egan stated that Advance KC and the EDC merger would help to reduce tax abatement terms in the long run and also determine what level of abatement a project should receive. Mr. Masters asked that taxing jurisdictions be included in such discussions and Ms. Wilkinson responded that their information would be included in future staff reports. Mr. Duffy requested Mr. Egan confer with Mr. Jagers, Mr. Sweeney, and Mr. Kline to define a standard financial procedure for the Board, especially the question of residual value inclusion. Mr. Hamilton agreed the County and District should appear at more Board meetings. He also voiced his concern, however, that the District's testimony appeared to be based on policy change rather than financial analysis. Mr. Masters clarified for Mr. Hamilton that the County and the District had provided a financial analysis and both had also testified they wished to change the all or nothing concept. Mr. Okafor stated he also welcomed participation by tax jurisdictions in Board decisions, especially when they had dissenting views. He suggested the taxing jurisdictions provide feedback in time to allow the Board to make an informed judgment. Mr. Sweeney affirmed the County and District appeared because of their financial analysis, not just to dispute policy decision methods. Mr. Duffy asked for Mr. Egan's comments. Mr. Egan responded that, given the financial numbers and developer's risk, the Board should approve the 10 year abatement at 100%. Mr. Duffy then voiced concern regarding the self-perpetuating nature of a project needing incentive so it could compete with other projects. Mr. Egan agreed, stating the process began with sellers raising sale prices believing the developer would get the incentive. Banks would then, he continued, also demand tax abatement from the developer. Mr. Egan stated that such forum shopping would hopefully be mitigated through EDC's consolidation and the new EDI policy.

ACTION TAKEN: APPROVED THE REDEVELOPMENT CONTRACT BETWEEN GILLHAM PARK ROW, LLC AND THE LCRA FOR THE 3630 GILLHAM PROJECT IN THE 36TH & GILLHAM URBAN RENEWAL AREA. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. HAMILTON AND CARRIED UNANIMOUSLY. (RES. 3-1-14)

ACTION TAKEN: APPROVED 10 YEARS OF TAX ABATEMENT AT 100%. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. 3-2-14)

Further Discussion: Mr. Duffy reiterated his concerns regarding the need for an overall financial protocol, as illustrated by the debate regarding reversionary value in the current instance. Mr. Egan and Mr. Duffy discussed the impact of a constantly changing market on financial analyses. Mr. Duffy commented that market changes from year to year made a 10 year cash flow projection speculative. Mr. Duffy and Mr. Egan then determined that the market definition of a cap rate should encompass the required information.

5. **Hospital Hill North URP** - *Consideration of the Proposed Purchase/Leaseback of 2121 Charlotte*

Description: Truman Medical Center and Landmark Healthcare Facilities, Inc. have proposed a purchase – leaseback arrangement for development of a medical office building at 2121 Charlotte Street in the Hospital Hill North Urban Renewal Area.

Project description: Truman Medical Center (TMC) desires to build a \$29 Million, four-story medical office building and parking structure on the block it owns on the northeast corner of E. 21st Street & Charlotte Street in the Hospital Hill North Urban Renewal Area. (See attached map.) The proposed medical office building would enable TMC to retain and attract doctors and healthcare providers to a new facility located close to TMC, thus improving patient services, while also freeing space in TMC’s campus for other uses.

Under normal circumstances, TMC would finance this project itself; however, TMC’s internal needs preclude this possibility. TMC, therefore, needed an experienced and capable developer for this proposed facility. Landmark Healthcare Facilities, Inc. (Landmark), based in Milwaukee, Wisconsin, specializes in the development and management of medical office buildings and other related facilities. TMC would own the proposed parking structure, which would be built directly adjacent to the east of the proposed medical office building. TMC and Landmark have developed a proposed building ownership structure that would give both TMC and tenants willing to enter into long-term leases up to a cumulative 40% stake in the building’s ownership, thus promoting a long-term commitment to the Hospital Hill neighborhood. TMC and Landmark are considering a 25–year lease arrangement for this project.

TMC’s property is tax-exempt as a result of its not-for-profit charitable purpose. The development and ownership of the proposed medical office building by Landmark would, however, result in the property becoming taxable. The inclusion of real estate property taxes under the terms of a triple-net lease would pass through to TMC and the tenants, making the rents too high to allow the proposed medical office building to attract the desired uses.

EDC staff issued a Financial Analysis Request For Proposals for potential real property tax abatement on October 9, 2013. A total of two proposals were received by the 3:00 p.m., October 25, 2013 submittal deadline. Springsted, Inc. was selected to provide the financial analysis. A copy of Springsted’s report is attached. Springsted believes that 100% property tax abatement for a 25-year term would enable the project’s developer to achieve a 9.21% unleveraged rate of return, which is reasonable for this type of project.

Since the LCRA can only offer ten years of property tax abatement, it was necessary to consider other options. The site is not within an existing Planned Industrial Expansion Area (PIEA), so it would have been necessary to do a blight study and prepare a PIEA General Development Plan for approval. This would take approximately 4–5 months, which does not fit well with the desired development schedule. A Chapter 100 bond through the City was also considered, but the cost and timing were also a significant concern. A Purchase/Leaseback through the LCRA would keep the property off the tax rolls throughout the term of the lease and, since the Hospital Hill Urban Renewal Area is already in-place, was the quickest and lowest cost alternative.

It is important to note that both of the parcels to be used in this project were publicly-owned (one by the School District and the other by the City) and were not previously on the tax rolls; there will, therefore, be no loss of existing property tax revenues by the taxing jurisdictions.

Staff believes that the proposed purchase/leaseback of the proposed new medical office building would serve the following public purposes:

- Promote the retention and growth of medical and health sciences services and businesses in conformance with the Hospital Hill North Urban Renewal Plan;
- Assist small businesses establish and maintain a permanent presence in the Hospital Hill North Urban Renewal Area; and
- Support ongoing efforts to strengthen the concentration of medical and health science services and businesses in close proximity to both Truman Medical Center and Children's Mercy Hospital.

Staff believes that the proposed purchase/leaseback of the proposed new medical office building is in conformance with the Hospital Hill North Urban Renewal Plan and existing LCRA policies.

Previous LCRA action: At the February 26th meeting, the Board approved the concept of a sale/leaseback for this project; but directed staff to work with the financial analyst to determine if exempting sales tax would provide a higher return. The LCRA approved the Hospital Hill North Urban Renewal Plan on October 27, 2010, with City Council approval on April 21, 2011. The LCRA approved Resolution No. 1-02-14 on January 22, 2014 in order to be the Applicant for a Rezoning application on behalf of Truman Medical Center.

Other governmental/statutory agency action: No other action will be required.

Discussion: Mr. Long stated he was responding to the Board's 2/26/14 request for additional information regarding the sales tax exemption for the project. He advised that the applicant's original numbers assumed incorporation of the sales tax exemption. Mr. Long said the addition of sales tax would increase project costs by \$650,000, adding \$6 - \$7 per square foot, thus putting rents above market rates. Mr. Long continued, stating that if the developer did not pass sales tax costs to renters, the developer would have to absorb the costs and decrease their return. Mr. Long advised the Springsted report indicated the project was reasonably within their range of numbers. Mr. Long then advised Mr. White and Mr. Duffy that the 1/9/14 Springsted report was the most recent data and his staff report included the additional backup information requested by the Board.

Ms. Koch prefaced her remarks advising she was responding to the Board's 2/26/14 request to provide an outline of the sale/leaseback structure and to describe how real property tax affected the ground lease. She distributed a drawing of the TMC site plan and also discussed Exhibit 5E. Ms. Koch then reiterated her remarks from last month's meeting about the details of TMC's assignment of the ground lease to Landmark and Landmark's reassignment of the same to LCRA. She confirmed for Mr. Duffy that, unless the Board decided to renew, taxation would resume once LCRA relinquished the ground lease. She advised Mr. Hamilton that subleasing the site to LCRA would not allow Landmark to avoid taxable leasehold interest. Ms. Koch then advised Mr. White that TMC would assume

ownership of the building once the ground lease terminated. She recounted for Mr. Okafor the details of TMC's relationship with the LCRA under the proposed structure as discussed at the February 26, 2014 Board meeting.

Ms. Koch then discussed the parking lot structure illustrated in Exhibit 5F as a standard sale/leaseback. She clarified that TMC would transfer title of the parking lot to LCRA and then make lease payments to LCRA. The payment amount was not yet established, she continued, but would be equal to an amount to amortize the cost of the parking facility. In response to Mr. Duffy, Ms. Koch advised the parking lot debt was included in the total debt figure of \$25 million. She responded to Mr. Hamilton by advising the building footprint and its surrounding 5 feet was platable. She then said that standard full use easements would be granted for parking, egress and ingress, and any other uses required by the City. Mr. Duffy then inquired about the different rates of return shown on the various spreadsheets. Ms. Koch answered that the differences might be caused by different variations of TMC's financing of the parking garage. Mr. Duffy also asked about the amount of equity provided by TMC for the structure. Mr. Eisenmann stated that as Landmark was financing TMC's costs, TMC's equity would be lower than \$4.1 million and would come through Landmark. He also stated that the Springsted return was an unleveraged return and was therefore impacted by debt only inasmuch as the annual cash flow was reduced by more debt. In addition, he continued, Springsted compared total project costs to the returns on that cost. Mr. Duffy inquired about additional spreadsheet discrepancies concerning Landmark's equity figure. Ms. Koch stated that the equity required would ultimately be part of negotiations with the lender. Mr. Eisenmann responded that \$7,060,000 was the correct figure. Mr. Duffy then asked about the varying rates of return figures. He also expressed his concern that an inaccurate equity number would render the Board unable to calculate a reliable rate of return. Mr. Eisenmann advised Springsted used \$11.255 million in their equity calculations to arrive at the return number. Mr. Duffy asked about the origin of a spreadsheet showing equity of \$5.8 million. Mr. Eisenmann stated that each report encompassed three scenarios showing the differences between 0%, 50%, or 100% tax abatement. Mr. Duffy then asked why the abatement amount affected the amount of equity when total costs were the same. Mr. Eisenmann replied that different cash flows would be available to support a permanent loan amount. Mr. Eisenmann also suggested the Board focus on the 100% scenario as Landmark was requesting the same. Mr. Long advised Springsted provided the Price Waterhouse article as background material for their report. Ms. Koch advised Mr. Duffy the Price Waterhouse return of 8.74% was much lower than Landmark's 9.1% projection because it was based on the national market. Ms. Koch added that Landmark's numbers were also affected by placement in the urban core and inclusion of an ambulatory care facility. She also advised that the range provided by Springsted range of 6% to 13% included both projections.

Mr. Duffy then asked if an analysis showing the impact of sales tax on the project was available. Mr. Long reiterated his earlier comments regarding the impact of sales tax inclusion on the project. Ms. Koch stated the rate of return would be reduced by about one-half point if sales taxes were included. Mr. Okafor asked if PILOTS had been considered for the project. Mr. Egan responded that sales taxes were the only option considered and would be revisited once hard bids were received to determine if sales tax could be absorbed. Mr. Egan added that depending on construction costs, sales taxes may not need to be

included. Mr. Eisenmann said that hard bids would be received approximately 2 weeks prior to closing on the construction loan. He stated that any change at that point would mean a massive restructuring of the loan. Mr. Egan replied that if the sales tax could be absorbed, LCRA would not issue the exemption. Mr. Duffy suggested the applicant pay for an independent cost certification to assist the Board in its decision. Ms. Koch clarified the report would certify the sales tax exemption certificates were used for legitimate costs. Mr. Eisenmann confirmed Landmark would do so. Mr. Long advised he would ask TIF staff about their costs in obtaining such reports and inform Ms. Koch of the same.

Mr. Duffy then stated he was hesitant to allow tacking abatements through allowing entities to return every few years to request continuing abatement. He added the LCRA's constitutional authorization did not prevent renewals but did cap abatement at 25 years. Ms. Koch reiterated that all parties would have to agree in 25 years for any renewal. Ms. Koch responded to Mr. Okafor that the 25 year provision was included because of the County's recent hesitation about approval of TMC's charitable exemption for the project. Mr. Duffy asked if TMC had a revenue ruling from the IRS regarding its 501(c)(3) status for the project. Ms. Koch replied they did not but several Polsinelli tax and healthcare attorneys had reviewed and approved the structure. She added that the ground lease payments were predicated on an appraisal to ensure the IRS would not perceive Landmark as receiving something for free from TMC. Mr. Egan stated that the staff supported the sale/leaseback of real property and sales tax on construction materials with independent cost certification.

ACTION TAKEN: APPROVED SALE/LEASEBACK OF REAL PROPERTY AND SALES TAX ON CONSTRUCTION MATERIALS CONTINGENT UPON INDEPENDENT COST CERTIFICATION AT APPLICANT'S COST. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND UNANIMOUSLY APPROVED. (RES. 3-3-14).

6. **Uptown Theater URA** - *Uptown Shoppes - Consideration of Approval of 2014-2015 Budget*

Mr. Sells of UGA, LLC presented a proposed operating budget for the Uptown Shoppes (formerly known as Valentine Shopping Center). In addition, Mr. Sells provided the Board with an update of the shopping center improvements and status of additional leasing.

Discussion: Mr. Sells distributed the proposed budget for the Board's review for discussion at the April meeting. He advised \$35,000 had been spent from the tenant improvement budget to allow a new tenant, Comedy City, to open next month in the center. He predicted Comedy City would generate about \$40,000 annually, not including utilities or common area maintenance. He cited Comedy City's success at their Westport Flea Market location to illustrate. Mr. Sells stated he would ask the Board to approve a liquor license for Comedy City at the April meeting. Mr. Sells then introduced Joyce Murray of Zimmer Real Estate. Ms. Murray stated she was currently working on five proposals for businesses, including three restaurants, to move into the shopping center. Mr. Sells said he was also working on a proposal regarding 30,000 square feet of the center and had raised about one-half of the \$1,000,000 required for the project. He stated they were receiving more inquiries now than

in previous months and were also receiving increased monies from parking for concerts and other events. Mr. Sells introduced Spike Nguyen of the iPho Tower restaurant, which was opening across the street from the center. He was also working with Mr. Nguyen about potentially opening a second restaurant and nail salon. Mr. Sells then introduced Jeff Edmondson of ECCO Holdings, owner of Hamburger Mary's, which planned to open in the Uptown Theater building in about 90 days. Mr. Sells stated the announcement of Hamburger Mary's arrival had greatly increased inquiries about acquiring space in the center. Mr. Sells then advised that the Industry and Video Bar had also recently opened in the Uptown.

Mr. Duffy inquired if the supermarket area was going to be used. Mr. Sells replied he was currently working on a deal for the area and would discuss the details in Executive Session at next month's Board meeting. Mr. Sells advised that an entertainment district was being created in the area, comprised of restaurants, video bars, and comedy clubs. He then stated an Ethiopian restaurant also planned to open in about 90 days if it could acquire financing and a liquor license. Mr. Duffy remarked that as the neighborhood had concerns about liquor licenses, the Board would not take a position until notice had been provided to them. Mr. Sells replied he had met at least three times with neighborhood groups which had responded favorably to the restaurant liquor license concept of dependency on food and 1:30 p.m. closings.

Mr. Sells stated he was also working with Mac Properties about additional liquor licenses, construction on the Ambassador, and future parking. He advised the center had released their TIF rights so Mac Properties could obtain financing for their projects. Mr. Sells said the Broadway/Valentine CID was 90% completed and would generate approximately \$300,000 to \$500,000 per year for security, advertising, and cleanup along Broadway. Mr. Duffy asked Ms. Murray for a prediction of the district's status in the next 6 months. Ms. Murray replied that with their current deals, the center would lease about 42,000 of the 55,000 feet of space in the center. Ms. Murray further stated that an infill city retail development only attracted local, not national, businesses. She also affirmed that the announcement of Hamburger Mary's arrival generated increased attention for the area as an entertainment district. Ms. Murray said businesses would like to locate on Broadway, given its link between downtown, Crown Center, and the Plaza. She stated that the main obstacle for such development was the minimal parking. Ms. Murray said the additional Uptown parking had helped to alleviate the situation and increase interest from other restaurant owners. Mr. Hamilton remarked that all shopping centers throughout the City appeared financially vulnerable. Mr. Murray agreed, affirming it was difficult to attract business to the center because of its size. Mr. White asked why the center was experiencing an increase in inquiries. Ms. Murray responded that good press caused the increase. Mr. White then asked if any potential issues had arisen regarding increased usage at night in the area. Mr. Sells reiterated that parking was the main issue and they were working to expand the same. He cited the destruction of the Vleck building for parking as an example. He also stated that the district had managed several big concerts and other major events with little problem. He also advised the neighborhood would like to have events in the center, as surrounding shops benefited from the increased traffic.

Mr. Duffy asked Mr. Egan for his comment. Mr. Egan stated the center had deferred bond payments as allowed under their lease to perform work on the center. He advised bond

payments on the interest would be due in October, 2014 and May, 2015. Mr. Egan said he would present his recommendation at the April meeting. Mr. Sells reiterated he would present the liquor license applications also at the April meeting. He then confirmed for Mr. Duffy he would provide notice of the same to staff to allow two week notice to neighborhood groups.

ACTION TAKEN: NONE, INFORMATIONAL ONLY.

7. **Executive Director's Report**

a. **Administrative -Active Case Tracking System Report**

Discussion: Mr. Egan advised the Hospital Hill North area had completed and filed their application for UR designation. He stated that no other issues or problems had arisen which had not already been previously presented at today's Board meeting. There were no questions from the Board.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

b. **Affirmative Action Report**

The Affirmative Action Subcommittee Meeting for March was cancelled. There were scheduling conflicts and it was determined a need was not present and no issues to discuss beyond the review of regular monthly reporting.

Included in your board packet is a current status of open/pending projects related to MBE/WBE compliance, MBE/WBE Executive Summary for Professional and Construction Services of the active development projects through February 28, 2014 and the December Workforce reports.

The next Affirmative Action Subcommittee meeting is tentatively scheduled to meet on Friday, April 11, 2014 at 12:00 noon at the offices of the EDC.

Discussion: Ms. Gaul stated the subcommittee did not meet in March because of scheduling conflicts. She advised that no other issues or problems requiring the Board's attention had arisen since her last report.

ACTION TAKEN: NONE; INFORMATIONAL ONLY.

c. **Columbus Park URA** – *Request Approval of \$108,000 Infrastructure Contract between the City and LCRA for the Columbus Park/Guinotte Phase III Development*

Discussion: Mr. Duffy recused himself and Mr. White assumed the Chair. Mr. Egan advised the contract would be sent to the City for their approval once the Board had approved it. He also said Mr. Engle had reviewed the contract and approved the same. He then stated the contract provided \$180,000 for Phase 1 and Phase 2 infrastructure repair and would be added to the \$1,000,000 contract previously approved between the City and LCRA. Mr. Egan said LCRA and the developer had met regarding inquiries from sub-developers about the site. As a result, he continued, LCRA would begin

marketing adjacent lots for townhouse development which would not compete with the developer's rental properties. As the developer's 5 buildings would not be complete until 2018, he advised, additional construction activity would be welcome. Mr. Egan then said the new trolley line might pass the edge of the development on Cherry. Mr. White asked if Columbus Park Developers (CPD) had any problems with other developers coming onto the site. Mr. Egan replied that CPD recognized its own capacity and, as long as other developers did not compete with them and used the same infrastructure, they had no problem.

ACTION TAKEN: APPROVED \$108,000 CONTRACT BETWEEN THE CITY OF KANSAS CITY, MISSOURI AND LCRA REGARDING COLUMBUS PARK SUPPLEMENTARY WATER/SEWER FUNDS CAPITAL IMPROVEMENTS AS SHOWN BY EXHIBIT 7C. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. OKAFOR AND MR. WHITE, AND UNANIMOUSLY APPROVED. MR. DUFFY ABSTAINED. (RES. 3-4-14).

d. **Columbus Park URA** – *Request Approval to Negotiate Purchase of 301 Charlotte*

Discussion: Mr. White retained the Chair. Mr. Egan stated 301 Charlotte was about 8,000 square feet and had previously been used for parking by Comedy City when it was located in the area. Mr. Egan said he had discussed purchasing the property with the now non-resident owner, Allied Callaway, who requested \$2.50 to \$3.00 per square foot, or \$20,000 to \$24,000 as a sale price. Mr. Egan affirmed the amounts in the REO Zimmer Management, and LCRA General accounts as evidence of sufficient monies for the negotiation, sale, and maintenance of the site. Mr. White asked what costs were paid from the LCRA General account. Mr. Egan replied that legal costs, copying, and the like were paid from the account.

ACTION TAKEN: APPROVED NEGOTIATION FOR PURCHASE OF 301 CHARLOTTE. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. OKAFOR, AND UNANIMOUSLY APPROVED. MR. DUFFY ABSTAINED. (RES. 3-5-14).

8. **Other Business**

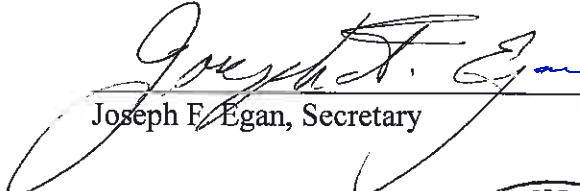
a. **Tax Abatements** – There were no tax abatements during the month of February.

Discussion: Mr. Duffy resumed the Chair. Mr. Egan advised Mr. Fullerton of the issues raised about tax abatement length during the discussions about 3630 Gillham. Mr. Egan stated that weekly meetings to determine the appropriate process for each project were established. Mr. Fullerton agreed. Mr. White stated a major disagreement had also arisen between their financial advisor and the taxing jurisdictions about incorporation and effect of reversionary values. Mr. Egan suggested inviting a City representative to a LCRA meeting to explain their calculations. Mr. Duffy advised he would rather resolve the issue in-house before any discussion with the City. Mr. Okafor asked if the intent

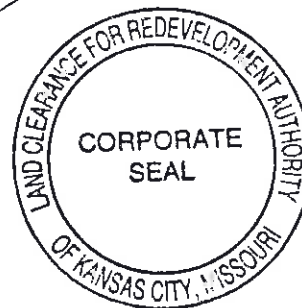
was to generate more funds for future significant LCRA projects. He agreed with Mr. Duffy the fee schedule should be reconsidered. Mr. Egan stated consolidation would allow the funds to be commingled for use by all agencies. He cited as an example the Boston Redevelopment Authority, which received a large portion of its funds from properties it owned and leased. Mr. Okafor stated LCRA's limited funds hindered its ability to rehabilitate blighted areas. The LCRA, he continued, should be able to purchase properties to stop negative development. Mr. Egan agreed and stated that if LCRA had enough revenue, it could use a line of credit to outbid a negative influence. HUD funds could also be used to repay the line of credit, he said. Mr. Egan commented further that the LCRA was currently limited to funds granted by the City. He cited LCRA's financial inability to purchase a lot on Troost to prevent a use/design that was opposed by area residents. Mr. Fullerton said fee standardization was a part of preventing forum shopping. He also agreed with Mr. Duffy that fees should be based on the amount of incentive requested rather than a set amount for each level. Mr. White asked if PIEA had been included in consolidation discussions. Mr. Fullerton responded that the Mayor would have to decide, but the majority of the PIEA Board currently did not want to consolidate.

9. **Adjourn.**

There being no further business, the meeting was adjourned at 12:23 p.m.



Joseph F. Egan, Secretary





BOARD MEETING MINUTES

DATE: April 23, 2014

TIME: 9:30 a.m.

PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

1. **Roll Call**

Present: Michael Duffy
Daniel Edwards
Steven Hamilton
Gabriel Okafor
James White

Staff/Guests: Robert Long, LCRA
Susan Tumey, LCRA
Michael Clark, EDC
Pete Fullerton, EDC
Melinda Gaul, EDC
Sandra Rayford, EDC
Chris Kline, Jackson County
Johnny Sweeney, Jackson County
Stuart Bullington, Kansas City, Missouri
Andrea Dorch, Kansas City, Missouri
Roxsen Koch, Polsinelli
Joyce Murray, UGA, LLC
Larry Sells, UGA, LLC
Brian Engel, White Goss

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum was present.

2. **Administrative** – *Review and approval of Meeting Minutes (Ex. 2)*

Minutes of the March 26, 2014 meeting were provided for review prior to the meeting. Mr. Duffy requested “constitutional provision” be changed to “constitutional authorization” on page 11. No other changes were made.

ACTION TAKEN: APPROVED THE MARCH 26, 2014 MINUTES AS AMENDED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE AND CARRIED UNANIMOUSLY.

3. **Executive Director's Report**

a. **Affirmative Action Report** (*Melinda Gaul*) (Ex. 5A-1, 5A-2, 5A-3, 5A-4, 5A-5, and 5A-6)

The Affirmative Action Subcommittee met on Friday April 11, 2014 at the offices of the Economic Development Corporation. Those in attendance were Commissioner Gabriel Okafor and Commissioner Steve Hamilton, EDC Staff Joe Egan, Susan Tumey, Sandra L. Rayford, and Melinda Gaul as well as Andrea Dorch of the Human Relations Department. During this meeting the subcommittee reviewed the status of all open/pending projects as well as the Executive Summary and Workforce report.

801 Walnut / Gumbel Bldg. - Andrea Dorch of the Human Relations Department presented the subcommittee with Professional Services goals for the Gumbel Building of 29% MBE and 8% WBE.

TMC – Ambulatory Care Center – On April 8, 2014 staff met with Chris Buday-Landmark Project Manager, Bill Komlo - Chief Estimator, Paul McGuan - Executive VP Design & Construction, and Mike Cleary of Landmark via teleconference. During our meeting we discussed the MBE/WBE process and the need for a Professional Services budget. When discussing Professional Services, EDC/HRD staff was advised by Landmark that initially this project had no intent to seek LCRA tax abatement and they already let their architectural contract to Cannon who put their design team together. They only have one WBE - Audrey Seeley working on the project at this time and are about 90% done with the Professional Services work and have paid out most of it. Staff requested a Professional Services budget along with a list of pre-awarded contracts, they proposed to submit these items on April 14th and meet via teleconference again on April 15th. Staff, however, received an e-mail from Chris Buday that they were unable to get the Professional Services budget together and he will be out-of-town for several days so our April 15th meeting was cancelled.

Updated forms required by the Human Relations Department – Staff briefly discussed updated forms required by the Human Relations Department and the potential of updating the LCRA policy to reflect the updated forms. EDC staff and the Human Relations department are still working on this process and will bring it forward for board approval prior to any changes being made.

Included in your board packet is a current status of open/pending projects related to MBE/WBE compliance, MBE/WBE Executive Summary for Professional and Construction Services of the active development projects through February 28, 2014, and the January Workforce reports.

The next Affirmative Action Subcommittee meeting is scheduled for May 16, 2014.

Discussion: Ms. Gaul began her report by stating that Landmark had not yet submitted a budget regarding TMC's ambulatory care center. She responded to Mr. Duffy by advising that no goals had been set for the project because Landmark's budget had not yet been received. Mr. Duffy then asked for Mr. Hamilton's comments. Mr. Hamilton

stated that the subcommittee had determined that Landmark's explanation why it could not meet MBE/WBE goals because nearly all of its professional services had already been contracted was not acceptable. Mr. Duffy asked for a response from Landmark. Mr. Lampasona replied that, while the bulk of professional services had been contracted, the remaining design work associated with tenant improvements had not yet been allotted. He advised that as no healthcare architect was listed on the City's website, he was required to search nationally. He then explained that part of the delay in providing their budget was the reallocation between what had and had not been spent. He then stated that Ms. Gaul would receive the budget by Friday.

Mr. Okafor arrived and Mr. Duffy asked for his comments. Mr. Okafor asked if any issues had been resolved at the subcommittee meeting. Ms. Gaul said Landmark had advised the subcommittee that 90% of professional services budget had been let. Mr. Lampasona responded that only 90% of the core and shell work had been contracted and/or paid. He then stated that, after payment of architect fees and other costs, about \$6,000 to \$8,000 would remain uncontracted for interior tenant construction. Mr. Hamilton motioned that the matter be tabled until the Board's next meeting to allow the subcommittee time to review the applicant's budget. Mr. Okafor seconded the motion. Mr. Duffy asked when Landmark decided to request LCRA assistance. Mr. Lampasona advised the decision was made in approximately late October. Mr. Duffy then inquired if Landmark had considered Chapter 100 prior to requesting LCRA assistance. Mr. Lampasona said that no other incentives had received active consideration. He stated that TMC stipulated Landmark had to use its in-place architect (Cannon Design) when it hired Landmark in July. Mr. Lampasona agreed with Mr. Duffy that all incentive programs required affirmative action consideration. Mr. Lampasona stated that Landmark's application process had also been delayed by November and December holidays. Mr. Duffy commented the delay was not entirely self-inflicted. Mr. Lampasona reiterated his statement regarding the lack of healthcare architects on the City's website which also caused him to continue with the firm already in place. Mr. Duffy advised that goals could be adjusted to meet such contingencies but no goals could be set or adjusted because no budget had been submitted. Mr. Duffy then stressed for Mr. Lampasona the Board's commitment to LCRA affirmative action policies.

ACTION TAKEN: TABLED THE MATTER UNTIL THE BOARD'S NEXT MEETING TO ALLOW THE SUBCOMMITTEE TIME TO REVIEW THE APPLICANT'S BUDGET. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY.

Additional Discussion: Ms. Gaul continued with the remainder of her report and listed the professional service goals for the Gumbel Building. Mr. Duffy asked how the 29% goal was calculated as it appeared high. Ms. Gaul advised the City's Human Resource Department had reviewed all certified companies regarding availability for those scopes. Ms. Gaul further advised Mr. Duffy that the developer had agreed to, and would probably exceed, the 29% goal. Ms. Dorch stated the 29% calculation resulted from the project's monthly monetary allocation of \$15,000 for legal fees and \$45,000 for engineering fees.

Ms. Gaul then directed the Board's attention to the proposed Human Relations Department forms included as exhibits to the Board packet. She advised that no action was required at the time but wished to make the Board aware of the same. Mr. Hamilton commented that as long as the forms did not affect policy, the Board did not need to micromanage the form's appearance. He also recalled that the issue of uniform forms had been debated for over a year, but no action had yet been taken. Mr. Duffy asked for Mr. Fullerton's comments. Mr. Fullerton replied that the issue had been postponed because of reorganization and the launch of the Advance KC initiative. He advised that once contract relations, charters, and similar issues were resolved, the Agency Relations Committee would reconsider the uniform WBE/MBE issue.

ACTION TAKEN: ACCEPTED THE MBE/WBE GOALS FOR 801 WALNUT. MOTION MADE BY MR. WHITE AND SECONDED BY MR. OKAFOR AND CARRIED UNANIMOUSLY.

ACCEPTED THE BALANCE OF THE AFFIRMATIVE ACTION REPORT. MOTION MADE BY MR. WHITE AND SECONDED BY MR. OKAFOR AND CARRIED UNANIMOUSLY.

4. **Re-Build KC** – *Approval of Annual Contract (Catherine Singleton) (Ex. 6A and 6B)*

The City of Kansas City desires to enter into a contract with the Authority through July 31, 2014 to perform certain services including: project and property management and real estate transactions in the 18th & Indiana, Beacon Hill, St. Michael Veteran's Center and Oak Point Redevelopment areas. The proposed budget has been reviewed by the EDC Controller. The Contract is to be renewed in July 2014 to reflect an increased budget amount. Included in your board packet are two drafts of the contract for your review.

As LCRA has taken over responsibilities and ownership of the Lots in the 18th & Indiana project area, it was deemed most advantageous by the City to include the remaining ReBuild KC properties/projects in this Contract. There are two drafts for your review, as there have been ongoing discussions with the City regarding the contract budget.

LCRA staff determined the contract budget for FY 2015 to be \$274,049. City staff has informed us that they only have funding in place of \$114,180. The City's suggestion was to run the contract through July 31, 2014 and then renew, funding the remaining Fiscal Year with Program Income from the sale of City property on the west side of Troost in the Hospital Hill area.

Exhibit 6.A of your Board Packet is the City's draft of the Contract, showing only the \$114,180 through July 31, 2014. Exhibit 6.B. is LCRA's draft, which, while it limits that contract budget obligation to \$114,180 and also terminates July 31, 2014, does show the Budget for the entire Fiscal Year of \$274,049.

LCRA staff's position is that the Contract in some way needs to recognize and commit funds for the remaining Fiscal Year through April 30, 2015, either with Program Income or other City funds. LCRA will have ongoing expenses related to the work in these contracts; lots that need to be mowed, lot sales that need to close, staff time, etc.

Stuart Bullington from the City's Neighborhoods & Housing Services department is here to answer questions, as is EDC staff Jeremy Davis, who is working on the 18th & Indiana project.

Discussion: Ms. Singleton gave an overview of her report. She also introduced Mr. Bullington from the City's Neighborhood and Housing Services Department. Ms. Singleton advised Mr. Duffy that the only difference between the two drafts was on Attachment 1, page 10. She explained that although each contract committed monies only to July 14, the LCRA draft budget listed required monies to complete the rest of the year. She also confirmed for Mr. Duffy that neither contract required the City to actually commit to acquire the funds. She advised the request was made now because of the contract's expiration date.

Mr. Bullington gave a brief history of the ReBuild contract process, specifically citing the success of Holy Temple Homes. He explained that the need to encumber \$30,000 of unrestricted funds received from the federal court by the end of the month necessitated the rush to ratify the contract. He advised that while the City needed the LCRA to assist with maintaining Beacon Hill lots, it could not sign LCRA's version of the contract based on only a commitment of funding. Mr. Duffy asked if the staff contract promised such funding. Mr. Bullington replied that the budget page showed budget lines were paid from program income. Mr. Duffy commented that page 3 of the contract referenced Attachment 1 as stating \$14,000 was the maximum amount the City could pay to LCRA. Ms. Singleton replied that the City was limited to funds it currently had and asked Mr. Bullington to explain in further detail the City's intentions after July 31. Mr. Bullington responded that maintenance costs for Beacon Hill were actually decreasing because of recent sales, construction, and grubbing. He said only the eight (8) lots on Indiana would therefore actually require maintenance. Mr. Duffy asked if \$114,000 was sufficient to pay for services through July. Ms. Singleton responded affirmatively and also reiterated staff concerns about costs after July if the City could not obtain funding. Mr. Bullington stated the commitment was to find such funds to allow extension of the contract to April 30, 2015. Mr. Duffy confirmed with Mr. Bullington that the City expected to acquire such funds even if it could not currently commit to extend the contract without those funds. Mr. Bullington replied that funds from land acquisition as well as impending sales were expected. He added the proposed contract would prevent the return of the \$30,000 to the City's Finance Department. Mr. Bullington agreed with Mr. Duffy that the amount of funds defined in the staff version of the contract should be sufficient for a full year of services. Mr. Engel confirmed for Mr. Duffy that no legal consequence existed between the two contracts beyond limiting the City's funding obligation to \$114,000. Mr. Duffy asked why the disagreement continued between the City and LCRA if no legal ramifications existed. Ms. Singleton replied that end of the month timing issues prevented the City and LCRA from resolving the issue before the Board meeting. She added that the need to ensure the City's agreement to fund the contract after April 30 also helped create insistence on the staff version. Mr. Duffy again questioned the need for the disagreement as the contract did not require the City to follow through with funding. Mr. Bullington replied he would obtain a letter from the City Manager committing the City to continue funding LCRA at the same level. When Ms. Singleton stated she would accept the letter, Mr. Duffy asked the Board for its comments. Mr. White advised he trusted the City to continue funding and the City contract should be approved. Mr. Bullington commented that the City faced \$23 million in HUD fines before implementation of this plan with the LCRA. He added that the City now

faced zero liability because of the plan's success. Mr. Hamilton and Ms. Singleton then discussed the need to correct the budget's one-year term to state 9/1/13 to 7/31/14.

ACTION TAKEN: APPROVED CONTRACT AMENDMENT #1 BY AND BETWEEN THE CITY OF KANSAS CITY, MISSOURI AND THE AUTHORITY REGARDING VACANT LOT TRANSFER, RE-USE AND DEVELOPMENT ACTIVITIES AS SHOWN ON EXHIBIT 6A AND AS AMENDED BY MR. HAMILTON. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. WHITE AND CARRIED UNANIMOUSLY. (RES. 4-1-14)

5. **Financial - Review and Acceptance of Financial Report for the Month of March 2014 (Michael Clark) (Ex. 3)**

Mr. Clark presented the draft financial report for March 2014. Mr. Clark compared Items A, C, D, F, I, and K to last year's balances. Mr. Hamilton questioned Item F's inclusion of EEZ application fees. Mr. Clark replied that application fees were placed in the plan revenue account, but would research why EEZ fees were included in LCRA's budget and report his results to the Board accordingly. Mr. Clark then stated the cash balance was comprised of \$17,141.52 restricted funds and \$38,214.62 unrestricted funds for a total of \$55,356.14. He also listed today's general cash balance was comprised of \$20.50 restricted funds and \$47,819.69 unrestricted funds for a total of \$67,840.19. Mr. Duffy asked why several account receivables were listed in the over 90 day period. Mr. Clark replied that Argyle parking would be carried until the closing of its sale. He further advised that he would obtain clarification for the remaining over 90 day accounts for the City of Kansas City, King Hershey, and Lockton from Mr. Egan and advise the Board at a later date.

ACTION TAKEN: APPROVED THE MARCH 2014 FINANCIAL REPORT AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

6. **Uptown Theater URA: Uptown Shoppes - Consideration of Approval of 2014-2015 Budget (Larry Sells) (Ex. 8)**

Mr. Long advised that Mr. Egan recommend approval of the 2014-2015 budget for the Uptown Shoppes. Mr. Sells highlighted changes in the budget from last month's Board meeting, specifically noting that money for leases already on books had been projected for use for infrastructure and tenant improvements. He stated any remaining monies would then be used for bond payment. He added that the City had approved this proposal, as long as the Center showed future income. Mr. Sells also advised he believed income projections were low because several restaurants and a grocery store had also inquired about moving to the Center. Mr. Sells said no other changes had been made to the budget.

ACTION TAKEN: APPROVED THE 2014-2015 BUDGET FOR THE UPTOWN THEATER URA: UPTOWN SHOPPES. MOTION MADE BY MR. WHITE, SECONDED BY MR. EDWARDS AND CARRIED UNANIMOUSLY. (RES. 4-2-14)

Further discussion: Mr. Sells stated the proposed liquor license was part of the Center's overall plan. He advised the Board's approval was sought not only as owner approval, but also as support for its application to the liquor board. He stated both the Broadway Westport and Valentine neighborhood associations ("NA") supported the application and no other NA had vetoed it. Mr. Sells also commented the license was planned for 10:00 p.m. to 1:30 a.m., in part, to coincide with area festivals. Mr. Morgan then identified himself as the owner of Comedy City. He stated the liquor license application was necessitated by the business' move from its current Westport Flea Market Bar & Grille location and subsequent loss of coverage. Mr. Hamilton clarified with Mr. Morgan that the license sought would require a certain percentage of sales from food to allow liquor sales. Ms. Murray reiterated that several other restaurants had expressed strong interest in relocating to the area and would also require liquor licenses. Mr. Duffy again clarified with Mr. Sells the need to obtain approval for the liquor license from neighborhood associations prior to presentation to the Board. Mr. Sells advised he would also provide documentation of prior approval from the developer of several apartment buildings and a hotel in the area. Mr. Duffy also asked Mr. Long and Ms. Tumey to confirm with Mr. Egan the need to provide at least two weeks' notice to neighborhood associations of any LCRA Board hearing concerning a liquor license request.

ACTION TAKEN: APPROVED THE FOOD LIQUOR LICENSE APPLICATION REQUESTED BY COMEDY CITY FOR ITS PROPOSED FACILITY IN THE UPTOWN THEATER URA. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS AND CARRIED UNANIMOUSLY. (RES. 4-3-14)

7. **Hospital Hill North URP - Consideration of the Proposed Purchase/Leaseback Agreements for a Medical Office Building at 2121 Charlotte (Bob Long & Brian Engel) (Ex. 4A-MOB, 4B-MOB, 4C-MOB, 4D-MOB, 4E-MOB, 4F-MOB, 4G-MOB, 4H-PARK, and 4I-PARK)**

Discussion. Mr. Duffy advised that although the Board had postponed its decision on the proposed purchase/leaseback, several revised documents required the Board's review. Mr. Engel distributed additional newly revised documents for the Board's review. He stated one set of documents was required for the LCRA and Landmark sale/leaseback of the medical office building ("MOB") and a separate set was required for the LCRA and TMC sale/leaseback of the parking structure ("PARK"). Mr. Engel responded to Mr. Duffy that LCRA would never own the underlying fee for the MOB as it would always be held by TMC. He added that LCRA would provide the exemption on leasehold interest in the ground and ownership of improvements. He also clarified for Mr. Duffy that the County questioned the tax status of the ground lease because of TMC's ownership. Mr. Duffy confirmed with Mr. Engel that LCRA had owned fees in prior sale/leasebacks. Mr. Engel said the developer was concerned LCRA's fee ownership and leasehold interest would raise merger questions and was therefore requesting TMC's fee ownership. Mr. Engel also confirmed the developer acknowledged its proposed ownership structure might create tax issues with the County. Mr. Duffy asked if Mr. Sweeney had any comments. Mr. Sweeney advised he did not as the issue would ultimately be decided by the assessment department. Mr. Duffy stated the LCRA should know the County's position prior to the Board's extensive time and effort in preparing the same. Mr. Sweeney replied that he could not respond further as he had not been a party to all of the negotiations between Landmark, TMC and the County. Mr. Engel advised the tax

obligation might not be substantial as LCRA's ownership of the leasehold improvements would lower the land's taxable value.

Mr. Engel stated the clawback issue was the remaining main concern for the Board, as the debt refinancing and assignment issues had largely been resolved. Mr. Engel advised the developer had requested several substantive changes to the clawback provision: (1) reduction from 25 years; (2) redefining the meaning of "material modification"; and (3) subordination of LCRA's lien rights. He explained the developer was concerned a lender would view a 25 year clawback as too much of an unknown liability. The developer also wished material violation to be defined as a finding of: (1) blight, which must also be approved by the City Council; or (2) persistent code violations; or (3) the site's use had been changed from what was permitted under the Urban Renewal Plan. He concluded by stating the developer wanted to subordinate LCRA's clawback right to its financing and lease obligations. Mr. Okafor asked why the LCRA was giving the developer preferential treatment. Mr. Duffy replied that sale leasebacks were normally not as long as 25 years and as TMC was the beneficiary, he was willing to allow the developer a little more leeway. Mr. Duffy added the developer was apparently also not accepting his proposal of a 10 year clawback term. Mr. Okafor commented that the Board was under no time pressure to discuss the matter. Mr. Long stated that the developer faced economic pressure to start and complete the project and the LCRA should not vary too far from its standard provisions.

Mr. Duffy then questioned the lender clause included in each document, as illustrated on page 14, Section 43 of the Master Lease. The clause appeared, he said, to force LCRA's agreement to any modifications demanded by the lender. Mr. Engel replied his interpretation of the clause was not that stringent but that he would review the same. Mr. Hamilton advised that such clauses were common and were not unique to this situation. He added that the lien subordination was unacceptable. Mr. Engel advised the developer was now on their 5th lender in an attempt to obtain financing for the project. Mr. Duffy then questioned the language regarding LCRA's lease termination rights in the Master Lease. The language, he continued, appeared to allow the tenant the right to refuse LCRA such a release. Mr. Engel responded that other sections of the Master Lease gave LCRA the ability to terminate the lease, but he would also re-review the language. Mr. Duffy then noted language in the indemnification clause was incomplete, as a blank was left unfilled. Mr. Engel replied that the developer had substituted its language and removed his version and he would review the two to ensure there were no significant changes. He also confirmed for Mr. Duffy that there were two separate indemnification clauses – one for environmental and one for general. Mr. Hamilton suggested the insertion of "at landlord's option, tenant causes landlord to be further released" into paragraph 2 on page 2 of the indemnification language. Mr. Engel stated, and Mr. Duffy confirmed, that the issue was to make clear the process could not be extended beyond 25 years without LCRA's approval. Mr. Engel then responded to Mr. Okafor that he was requesting the Board's decision regarding the clawback issue as documents were still being revised. Mr. Duffy advised the Board the developer requested the clawback apply only to the current year's property taxes.

Mr. Duffy asked if sales tax exemption language which required the developer to pay for an independent cost certifier had been included in the documents. Mr. Engel advised such language was in the Redevelopment Contract. Mr. Duffy then requested the Board's opinions regarding the clawback matter. Mr. Hamilton reiterated that making the clawback non-

lienable or subordinate was not acceptable. He then asked about the amount of monetary damage the developer would incur if the clawback was initiated. Mr. Engel advised the clawback applied to property tax but not to sales tax. Mr. Duffy commented that the clawback should apply to any benefits the LCRA gave them. Mr. White agreed. Mr. White then stated that he agreed with Mr. Okafor that the clawback should be for 25 years. He added that he would also like to discuss the matter further with Mr. Egan. Mr. Hamilton asked if the County had any input into the matter. Mr. Kline responded that he had not participated in the developer's discussions with the County and could therefore not offer any assistance. Mr. White wondered why 4 banks had refused financing to Landmark. Mr. Edwards agreed but added that as blight occurred easily in the community, the site needed to be developed. Mr. Hamilton stated the denials may be because of Landmark's issues rather than those of the lender. Mr. Engel added that today's economy was still limiting to developers' abilities to obtain financing. Mr. Long commented that Kansas City lenders may also be hesitant to lend to Landmark, as it was not local to the area. Mr. Duffy asked, and the Board verbally agreed, that Mr. Engel should negotiate a 25 year clawback with the developer. Mr. Duffy then asked, and the Board also verbally agreed, that subordination of LCRA's clawback was not acceptable.

ACTION TAKEN DIRECTED LCRA COUNSEL TO NEGOTIATE A 25 YEAR, NON-SUBORDINATE CLAWBACK WITH LANDMARK REGARDING THE PROPOSED PURCHASE/LEASEBACK AGREEMENTS FOR A MEDICAL OFFICE BUILDING AT 2121 CHARLOTTE.

8. **Illegal Dumping on LCRA Property**

Discussion: Mr. Long advised a City Inspector contacted him to advise illegal dumping had occurred on an LCRA property. A camera placed at the site because of previous dumping had captured footage of the currently dumping individual(s), enabling the City Inspector to identify said individual(s). Mr. Long requested the Board's approval to advise the City Inspector to proceed with the prosecution of said individual(s).

ACTION TAKEN: AUTHORIZED PROSECUTION OF INDIVIDUAL(S) RESPONSIBLE FOR ILLEGAL DUMPING ON AN LCRA PROPERTY. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. 4-04-14)

9. **Administrative**

Discussion. Mr. Long advised that two new footprint Urban Renewal Plans would be forthcoming for the Board's consideration. The plans were for 1914 Main and the 1915 Main and were currently before the City Council for their consideration. Mr. Duffy advised that the meeting between staff, the County and Mr. Jagers to discuss a method for financial analyses as requested at the Board's March 26, 2014 meeting was set for May 6.

10. **Adjourn.**

There being no further business, the meeting was adjourned at 11:28 p.m.


Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: May 28, 2014

TIME: 9:30 a.m.

PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

1. **Roll Call**
- Present:*** Michael Duffy
Daniel Edwards
Steven Hamilton
James White
- Absent:*** Gabriel Okafor
- Staff/Guests:*** Joseph Egan, LCRA
Robert Long, LCRA
Susan Tumey, LCRA
Michael Clark, EDC
Melinda Gaul, EDC
Sandra Rayford, EDC
Herb Hardwick, Hardwick Law Firm, LLC
Ken Jagers, Integra Realty Resources
Johnny Sweeney, Jackson County
Stuart Bullington, Kansas City, Missouri
Andrea Dorch, Kansas City, Missouri
Kevin Masters, Kansas City, Missouri Public Schools
Anthony Lampasona, Landmark
Lisa Garney, LMG Construction
Roxsen Koch, Polsinelli
Patrick Sterrett, Sterrett Urban LLC
Steve DeGarmo, Truman Medical Center
Gerard Grimaldi, Truman Medical Center
Brian Engel, White Goss

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum was present.

2. **Administrative** – *Review and approval of Meeting Minutes (Ex. 2)*

Minutes of the April 23, 2014 meeting were provided for review prior to the meeting.

DISCUSSION. Mr. Duffy stated item 7 on page 9 should be reworded from “directed” to “adopted motion directing.” Mr. Hamilton stated “no vote was taken” on page 3 regarding the TMC project should be changed as he believed a vote had been taken. Ms. Tuney advised she would review the April 23, 2014 minutes and make any necessary corrections.

ACTION TAKEN: APPROVED THE APRIL 23, 2014 MINUTES AS AMENDED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

3. **Financial** - *Review and Acceptance of Financial Report for the Month of April 2014 (Michael Clark) (Ex. 3)*

Mr. Clark will give a brief overview of the draft financial report for April 2014, which has been included for review prior to the meeting.

DISCUSSION. Mr. Clark and Mr. Egan distributed a handout entitled “Columbus Park Funding as of 5/28/14”. Mr. Egan advised the handout would be discussed later in the meeting regarding an amendment to a special services contract with Columbus Park developers. He also advised the financial report was abbreviated because of an audit and all numbers were therefore preliminary. Mr. Clark then presented the draft financial report for April 2014. Mr. Clark stated that the general cash balance was \$68,482.12, with \$25,850.83 restricted and \$42,577.29 unrestricted. He said that current cash was \$86,702.99, with \$35,923.18 restricted and \$50,779.81 unrestricted. Mr. Clark advised that most of the 30 day payable items had been paid as of today’s date. Mr. Egan added that the largest part of the remaining unpaid over 30 day items were legal fees owed to King Hershey, and White Goss regarding the sale of the Argyle building and parking lot. Mr. Egan said the Argyle closing was expected to be in June, and the legal fees and any other remaining costs would be paid at that time. Mr. Clark then advised Mr. Hamilton that the cash balance was calculated after account payables were paid. Mr. Duffy asked when the audit report would be available. Mr. Clark responded that, because of the length of the audit and the time to prepare the report, it would probably be late July or early August before the report would be presented.

ACTION TAKEN: APPROVED THE APRIL 2014 FINANCIAL REPORT AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

4. **Oak Park Urban Renewal Area (URA)** – *Oak Point Project – Consideration of Approval of Redevelopment Contract (Jenna Wilkinson) (Ex. 4A, 4B and 4C)*

Description: The Redeveloper, Oak Point Partners LLC, has submitted a redevelopment project application for the Oak Point Project which will consist of parcels located at 3806 Elmwood, former site of the Seven Oaks Apartment complex demolished in 2006, and nine

vacant parcels located within the 4300 and 4400 blocks of Norton Avenue, within the Oak Park Urban Renewal Area.

Project and Related Information: Oak Point Partners, LLC proposes 30 newly constructed affordable duplex units that will be 2 level, 3 bedroom structures (1,700 square feet) with an attached garage along with all necessary infrastructure to support the improvements. The estimated redevelopment project costs are \$8,203,978.

Re-zoning of the parcels will not be required for the construction of the duplexes, per a letter provided by the City Planning and Development Department dated February 28, 2013. The R1.5 zoning is an approved use for 3806 Elmwood and R2.5 is an approved use for the parcels in the 4300 and 4400 blocks of Norton subject to compliance with building setback, height of structures and parking requirements.

It is expected that construction for the project will begin in August 2014 and it is anticipated to be completed by October 2015.

Financial Analysis: The Redeveloper intends to utilize Federal and State 4% Low Income Tax Credits, HOME funds and other funding sources to finance the Redevelopment Project. Ken Jagers with Integra Realty Resources reviewed the financial information provided by the Redeveloper. For a Redeveloper to pursue a project of this nature the internal rate of return for this project would be 9.0% to 11.0%, without any incentives the redevelopment project generates at -.19% internal rate of return, with standard Chapter 99 (10 years at 100% tax abatement) the internal rate of return is .88%, and with standard Chapter 99 leveraged (10 years at 100% tax abatement) the internal rate of return is -6.59%. Per Integra's report, with any level of incentive requested the project falls remarkably short of providing an adequate return to an investor.

Taxing Jurisdictions: The Redeveloper and EDC staff scheduled a conference call with the taxing jurisdiction representatives to discuss the project on May 21, 2014 and requested questions or comments related to the financial analysis be sent via e-mail to Ken Jagers and Joe Egan. Additionally, the Redeveloper also contacted the Kansas City Missouri School District regarding this project and included in the LCRA application is a letter from the Kansas City Missouri School District acknowledging the Redeveloper communicated to the School District about the Oak Point Project.

Neighborhood: The Redeveloper met with the adjacent neighborhood, Vineyard Neighborhood, and a letter of support was provided for the project which is included in the LCRA application.

Affirmative Action Policy and MBE/WBE Participation: The Redeveloper met with the Affirmative Action Compliance Team to review the terms and conditions of the LCRA's Affirmative Action Policy. As the Redeveloper proceeds with this project they will be providing all other necessary Affirmative Action Plan documentation.

Other Governmental/Statutory Agency Action: The Oak Park Urban Renewal Plan was approved by the LCRA in 1969 and was last modified in 2005 by ordinance 050356.

No other action by another governmental agency will be required for approval of this project.

DISCUSSION. Mr. Egan gave a brief history of the project, stating it had been part of the HFDFC receivership, formerly known as Seven Oaks Apartments. Ms. Wilkinson then gave an overview of her report. She also introduced Herb Hardwick as the spokesperson for the project, and Ken Jagers, as the financial analyst. Mr. White asked if financing was in place for the project. Mr. Hardwick replied that tax credits and home funds from the City and MHDC, as well as bond financing were helping to fund the project. He added that Sterling Bank had purchased such bonds. Mr. Duffy asked about the amount of bond proceeds. Mr. Hardwick advised that \$3 to \$4 million were from short-term Series A and would be used for the construction loan. He added that once tax credits were funded, long-term Series B bonds of \$1.65 million would be used for debt financing.

Mr. Hamilton asked the meaning of the term "standard Chapter 99 leverage" as quoted in the staff report. Mr. Jagers said that bond financing was considered to be part of the rate of return analysis. He explained that the negative 6.59 number stated in the report came from a simple weighted analysis that the project must generate a greater rate of return than the loan interest for the leverage yield to be larger on percentage basis than the unleveraged rate of return. As this project was returning .88% and had borrowed money at 4.5%, it was not generating an adequate return on an unleveraged basis and was costing more money on a leveraged basis. Mr. Hamilton clarified with Mr. Jagers that the .88% figure assumed no financing. Mr. Duffy asked why the per unit construction cost was so high (\$177,000) and how such figure compared to market costs. Mr. Jagers said that because the project was single family homes rather than multi-family, the costs were 20% to 25% higher than what the Board was accustomed to seeing. Mr. Duffy asked for additional clarification. Mr. Jagers replied that bigger floor plans and the additions of garages increased construction costs. He also cited MHDC parameters, soft cost elements, administrative, consulting, and legal fees as examples causing increased costs. Mr. Duffy then confirmed that Mr. Jagers had used the figures submitted to him rather than substituting amounts developed through his experience. Mr. Duffy asked if Mr. Jagers considered the costs to be inflated. Mr. Jagers said a cost certifier would have to respond to Mr. Duffy's question as he did not have the experience to do so. Mr. Duffy then asked if staff had any concerns any corners would be cut given the negligible return. Ms. Wilkinson deferred to Mr. Hardwick for response. Mr. Hardwick reiterated the MHDC requirements and the costs for new construction rather than redevelopment as reasons for increased costs. He also advised the developer had not anticipated some extraordinary land site costs. Mr. Hardwick further explained that, given the combination of tax credits and home funds, financing was difficult to structure. He stated the developer was not completely motivated by profit and understood costs would be out of sync. The developer, he continued, had already begun to plan a second phase for the project and was committed to completing a quality project. Mr. Duffy asked if the developer was present at the meeting and Mr. Hardwick advised he was not.

Mr. White then asked about the reasonableness of the cost structure. Mr. Jagers replied that if the project was considered as townhomes rather than as single family homes, costs would still be high. Mr. White then inquired about the site costs. Mr. Hardwick responded that clearing rubble, environmental costs, engineering and

replating costs had increased overall costs. Mr. Duffy then asked about the amount for environmental abatement. Mr. Jagers said site work and offsite improvements were \$1,270,000 but no line item was listed specifically for environmental abatement. Mr. Bullington then reiterated the City's continued commitment to the project as well as attempts to lower costs, such as changing roadways and using foundation walls as retaining walls. He stated Oak Point was a Rebuild project and if not completed, the City would have to repay \$700,000 to HUD. Mr. Duffy then asked Mr. Bullington about garage placement in the project. Mr. Bullington advised that the initial design had placed garages behind the residence. He stated that site problems as well as market demands dictated garages would be placed at the side rather than behind. Mr. Hardwick then advised Mr. Duffy that rents would begin at \$725 per month.

Mr. Duffy asked Mr. Hardwick about his response to title reports showing clouded title and tax foreclosures. Mr. Hardwick replied he would work with each owner to attempt to clear title, using the legal process as a last resort. He further explained that as different parcels had been owned at different times by the City, the Land Bank, LCRA and the developer, complex title issues necessarily resulted. Mr. Duffy asked for further clarification regarding Mr. Hardwick's plans to work with the owners to resolve title issues. Mr. Hardwick responded that he had requested owners of other properties to convey clear title with little or no opposition. Mr. Duffy stated the LCRA gave a Special Warranty rather than a General Warranty and asked for Mr. Engel's opinion. Mr. Engel replied that he had seen the title reports but had not yet reviewed their supporting documentation. He added that once the development contract was in place, the developer would have to pay all costs to remedy title as LCRA did not have the funds to do so. Mr. Duffy commented that most title companies were currently rejecting Jackson County title foreclosures because of insufficient notice to title holders. Mr. Hardwick responded that, as the land had been purchased with bond proceeds, it had already been through the condemnation process and could thus close in escrow. Mr. Duffy and Mr. Bullington then discussed various options to ensure clear title transactions in general, including the City's indemnification of the title company to allow removal of that title exception.

Mr. Duffy then asked if the developer was putting up the equity figure of \$950,000. Mr. Hardwick replied that the developer was willing to cover any financial gaps up to \$300,000. Mr. Jagger clarified for Mr. Duffy that the equity figure was a balance sheet type transaction and was, in effect, similar to equity in the initial part of project. Once the project was completed and permanent financing could be obtained, whatever remained as equity would then fill the same place in the sources of uses.

Mr. Hamilton asked if the developer would hold title to the property. Mr. Hardwick replied that the developer would hold title for 15 years because of the tax credit. Mr. Hamilton advised affirmative action issues had been raised at the Affirmative Action subcommittee meeting. Ms. Gaul stated the professional services budget had been received and reviewed by City. Ms. Dorch stated the professional services budget was submitted by the developer as 43% MBE and 5% WBE. She advised the City set MBE goals at 17% and WBE goals at 8%. The project therefore exceeded the MBE goals. At the request of Mr. Hardwick, and because of good faith efforts, a partial waiver was

granted and WBE goals were set at 5% to allow the project to proceed. Ms. Dorch advised Mr. Duffy that the developer's good faith efforts included solicitation of WBE and MBE. As the project was part of a receivership, however, Ms. Dorch said most funds had already been expended, leaving little room for WBE or MBE participation. Mr. Hamilton and Ms. Gaul both advised they were satisfied with the developer's explanation and the City's decision. Ms. Gaul added that the construction services budget had also been submitted and would be reviewed at the next Affirmative Action meeting.

Mr. Engel advised Mr. Duffy that a provision regarding title issues and transfer of property from the LCRA to the developer should be added to the Redevelopment Contract. Mr. Hardwick stated he had no objection to such a provision, as long as he could review and discuss the same prior to execution of the contract.

ACTION TAKEN: APPROVED THE TEN (10) YEAR 100% TAX ABATEMENT FOR THE OAK POINT PROJECT CONSISTING OF PARCELS LOCATED AT 3806 ELMWOOD AND NINE (9) VACANT PARCELS LOCATED WITHIN THE 4300 AND 4400 BLOCKS OF NORTON AVENUE, WITHIN THE OAK PARK URBAN RENEWAL AREA. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. 5-1-14)

APPROVED THE REDEVELOPMENT AGREEMENT CONTRACT, AS AMENDED, BETWEEN OAK POINT PARTNERS, LLC AND THE LCRA FOR THE OAK POINT PROJECT IN THE OAK PARK URBAN RENEWAL PLAN. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. 5-2-14)

5. **Hospital Hill North URA** - *Consideration of the Proposed Purchase/Leaseback Agreements for a Medical Office Building at 2121 Charlotte (Bob Long and Brian Engel) (Ex. 5A, 5B, 5C, 5D, 5E, 5F, 5G, and 5H)*

Description: Truman Medical Center and Landmark Healthcare Facilities, Inc. have proposed a purchase/leaseback arrangement for development of a medical office building at 2121 Charlotte Street in the Hospital Hill North Urban Renewal Area.

Project Description: The Authority has previously approved entering into a Purchase/Leaseback arrangement for the development of a medical office building by Landmark Healthcare Facilities, Inc. for and with Truman Medical Center. Brian Engel of White Goss, the Authority's legal counsel, has been working with Landmark Healthcare Facilities, Inc. and Truman Medical Center and their respective attorneys to develop the necessary documents.

A Resolution authorizing execution of the relevant documents has been prepared and is attached for review and consideration.

Previous LCRA Action: The LCRA approved the Hospital Hill North Urban Renewal Plan on October 27, 2010, with City Council approval on April 21, 2011. The LCRA approved Resolution No. 2-04-14 on February 26, 2014 to approve the preparation of the Purchase/Leaseback agreements for this project. The LCRA also approved Resolution No. 3-03-14 on March 26, 2014 to include a sales tax exemption within the Purchase/Leaseback agreements.

Other Governmental/Statutory Agency Action: No other action will be required by any other statutory agency or taxing jurisdiction.

DISCUSSION. Mr. Long gave a brief synopsis of the project history and then ceded the floor to Mr. Engel. Mr. Engel advised the documents currently being presented to the Board were new drafts regarding the LCRA/Landmark agreements. A second set of documents for LCRA/TMC agreements, he said, would be drafted once terms for the LCRA/Landmark agreements were finalized. Mr. Engel advised Mr. Duffy he would also discuss the parking structure agreement. He explained that as terms for all agreements were still in flux, however, language for the parking structure agreement had not yet been updated.

Mr. Engel then stated the Funding Agreement, Exhibit H, was now a three party agreement between LCRA, TMC and Hospital Hill MOB, LLC, the Landmark entity. Mr. Engel explained that each developer would have liability and would decide between themselves to determine how to apportion LCRA costs passed onto them. Mr. Duffy stated that as the County might not recognize the tax exemption, the Funding Agreement needed to be more explicit that LCRA was not providing any warranty or guarantee regarding tax exemption. Mr. Duffy stated the Funding Agreement's current wording seemed to imply that the developer was paying LCRA to obtain tax exempt status. Mr. Engel replied that the Lease and Redevelopment Contract addressed the issue. Mr. Duffy stated the language should also be in the Funding Agreement. Ms. Koch said she had no objection to including the language regarding LCRA's non-warranty and non-guarantee in the Funding Agreement. She stated she was confident where the law stood with regard to the taxing issue and had also had long talks with Landmark regarding the same.

Mr. Engel then advised that a new clause in Section 7 included a cure period of 15 days for payment of any costs incurred by LCRA under the Funding Agreement. A new Section D, on page 4, had also been added which stipulated that the Funding Agreement would terminate if the Master Lease terminated. He clarified that if any outstanding fees had not been paid at the time the Master Lease terminated, the Funding Agreement would stay in effect until such fees were paid. Mr. Engel advised that the clawback provision was dealt with separately in the Redevelopment Contract and had its own survival provision. Mr. Duffy then received verbal acknowledgment that all parties were agreeable to the draft Funding Agreement, including the provision that the 25 year property tax exemption could not be extended without LCRA's or its successors' approval.

Mr. Engel then discussed the Redevelopment Contract. He stated that the developer wished to further discuss the clawback penalty could be for as long as 25 years. Mr. Engel said Landmark had agreed to add language in Section 6.02 to clarify what constituted a default. Mr. Duffy asked if the language allowed Landmark to pass its liability to or make a third-party claim against TMC. Mr. Lampasona responded that Landmark could not make a claim against TMC. He advised that Landmark could possibly pass through a one year clawback, at most, to its tenants. Ms. Koch then advised that TMC had no objection to a ten year clawback. Mr. Lampasona then discussed how a 25 year clawback could potentially affect Landmark's future ability to refinance the project. He stated a 25 year clawback could be as much as \$50 million and would bankrupt Landmark. He added that any future lender would not grant any refinancing to Landmark if it faced such a possible penalty. Mr. Lampasona said that if Landmark defaulted, TMC could take the building from Landmark under the Ground Lease. Mr. Duffy asked if financing was already in place for the project. Mr. Lampasona responded that he had a signed term sheet with Regents Bank. He clarified that although he did not have a binding commitment from Regents, the signature of the term sheet almost guaranteed the deal, barring any unforeseen circumstances. Mr. Hamilton asked if provisions making LCRA's lien not lienable or subordinate had been removed. Ms. Koch and Mr. Lampasona responded affirmatively. Mr. Hamilton then inquired if Landmark was proposing a flat ten year clawback or a lesser penalty of time expended. Ms. Koch replied that the penalty would be assessed for the number of years prior to the occurrence of the violation, for a maximum of ten years. Mr. Lampasona added that if the violation occurred in 25 years, the penalty could be assessed against the most expensive ten year portion, i.e., the ten years immediately prior to the assessment. Mr. Engel said the standard tax abatement was ten years. He added that additional language clarifying what constituted a default had also been added to the contract to protect the developer. Mr. Egan advised the clawback term was not governed by any particular policy and he recommended deviating from the traditional clawback as the project was of great benefit to the public. Mr. Hamilton stated that any deviation for this contract would affect only this project and not be part of a larger Board policy. Mr. Hamilton and Mr. Lampasona agreed the penalty should be assessed against the ten years of highest taxes.

Mr. Engel next discussed Section 8.05, which dealt with the survival of the clawback and allowed LCRA to enforce the clawback beyond the term of the Master Lease. He then advised that the two sections of Article 12 – (1) environmental and (2) general liability – required the Board's review. Mr. Engel said he and TMC agreed that Landmark could limit its general liability to whatever statute of liability existed at the time the contract terminated. Mr. Engel also advised that agreement had been reached to extend Landmark's environmental liability indefinitely. Mr. Engel advised Mr. Duffy that the last sentence in Section 12.02 which assigned the developer the right to seek recourse from TMC was discussed under the Ground Lease. He said TMC would be responsible for any damages resulting from property condition through the term of the Ground Lease, and Landmark would be responsible after the Lease's termination. Landmark could, he continued, seek recourse from TMC if the environmental violation occurred under current conditions rather than after the building was occupied and operational.

Mr. Engel then discussed Section 13.02, the Assignment Section, stating Landmark could assign the contract to TMC without LCRA approval. If the developer wished to assign the contract to an affiliated entity or lender, he continued, it could do so with LCRA's reasonable approval. If Landmark wished to assign the contract to some other entity, however, Mr. Engel stated that LCRA would have absolute discretion.

Mr. Engel next advised that the language in Section 17.12 regarding loan modifications had been revised since the Board's last review. He stated the LCRA now had reasonable discretion to approve any modifications to any loan documents. If any change in loan documentation was required which extended the tax exemption period or otherwise increased LCRA's liability, the LCRA would then have absolute discretion.

Mr. Duffy inquired about the blanks in Article 16 regarding affirmative action. Ms. Gaul responded that the developer had submitted professional and construction costs, and construction service goals had been set at 14% MBE and 10% WBE while professional goals had been set at 13% and 8%; respectively.

Mr. Engel then began to discuss the Master Lease. He said the Lease was for a 25 year term and the LCRA had absolute discretion on any extension. Section 18 of the Lease outlined a tiered system of approvals and specified that LCRA would approve any refinancing as long as it did not affect the length of tax exemption or automatically increase any LCRA liability. Mr. Duffy confirmed that Mr. Egan had no objection to the refinancing stipulations. Mr. Engel then advised that if the Lease was extended beyond its maturity date, the LCRA had reasonable discretion to approve any such extension to ensure the loan could, but the tax exemption could not, extend beyond the term of the Lease.

Mr. Engel then advised he had not yet reviewed the loan documentation, but would work with the lender to ensure LCRA's ability to terminate the Lease and acknowledgment of its tax exemption by the Lender. Mr. Egan stated that prior lenders had acknowledged LCRA's rights and tax exemptions with no argument.

Mr. Engel said the remaining two documents, the Assignment of the Ground Lease and the Non-Disturbance and Attornment Agreement were relatively unchanged. He advised language in the Ground Lease, Redevelopment Contract, and Attornment protected the LCRA from its obligations as lessee under the Assignment document.

Mr. Duffy asked Ms. Koch for her comments or concerns. Ms. Koch advised she had none beyond the term of the clawback. Mr. Egan requested the Board's approval of the Master Lease with changes, the Redevelopment Contract with changes, the Attornment Agreement, and the Funding Agreement. Ms. Koch also asked for the approval of the corresponding TMC documents.

ACTION TAKEN: APPROVED THE: (1) MASTER LEASE BETWEEN LCRA AND HOSPITAL HILL MEDICAL OFFICE BUILDING, LLC, AS AMENDED; (2) THE SALE/LEASEBACK REDEVELOPMENT CONTRACT BETWEEN LCRA AND HOSPITAL HILL MEDICAL OFFICE BUILDING, LLC, AS AMENDED; (3) THE NON-

DISTURBANCE, RECOGNITION AND ATTORNMENT AGREEMENT BETWEEN LCRA, TMC AND HOSPITAL HILL MEDICAL OFFICE BUILDING, LLC; AND (4) THE FUNDING AGREEMENT BETWEEN LCRA, TMC, AND HOSPITAL HILL MEDICAL OFFICE BUILDING, LLC, AS AMENDED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. 5-3-14)

6. **Executive Director's Report** - *Columbus Park URA – Columbus Park Development/G-III Development: Consideration of Amendment No. 4 to Agreement for Services Between Owner and Consultant* (Joe Egan) (Ex. 8B)

Additional infrastructure is required within the development site. Water Services will pay for the installation but not the design work. This amendment provides \$11,265 for Columbus Park Development to contract with Taliaferro & Browne for design work. Staff recommends approval of Amendment No. 4.

DISCUSSION. Mr. White assumed the Chair. Mr. Egan advised the City wished to improve the infrastructure prior to the implementation of the streetcar system along Cherry. As the LCRA had in the past, he continued, it had a special services agreement with Columbus Park Developers, L.C. to perform such improvements. Mr. Egan advised the City could not pay for the requested services because sewer bonds could not be used to pay for design services for water and sewer enhancements. Mr. Egan stated the LCRA had sufficient funds in its Zimmer, REO, and General accounts to pay for such design services. He asked the Board to approve the Fourth Amendment.

ACTION TAKEN: APPROVED AMENDMENT NO. 4 TO THE SEPTEMBER 18, 2007 AGREEMENT FOR SERVICES BETWEEN OWNER, LCRA, AND CONSULTANT, COLUMBUS PARK DEVELOPERS, L.C. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. 5-4-14)

7. **Oak Park URA** - *Consideration of the Proposed Rehabilitation of 1801 E. Linwood Boulevard and 3210 Michigan Avenue* (Bob Long) (Ex. 6A, 6B, 6C, 6D, 6E, 6I)

Description: Linwood Place Real Estate, Inc. has proposed the \$10 Million historic rehabilitation of the former Linwood Presbyterian Church, 1801 E. Linwood Boulevard, and the adjacent Harold Thomas Center, 3210 Michigan Avenue, in the Oak Park Urban Renewal Area.

Project Description: Linwood Place Real Estate, Inc. desires to rehabilitate the existing former Linwood Presbyterian Church, 1801 E. Linwood Boulevard, and the adjacent Harold Thomas Center at 3210 Michigan Avenue in the Oak Park Urban Renewal Area. (See attached map.) The proposed Linwood Area Ministry Project (LAMP) will provide expanded community services to this distressed neighborhood through partnerships between the Heartland Presbytery, ReDiscover, the Front Porch Alliance, and additional services.

The proposed LAMP campus has been in development for nearly twenty years. Several multi-year attempts to put the LAMP project together were made, but all previous attempts were unsuccessful. The current effort was able to secure a \$2.4 Million allocation of New Market tax credits from the City of Kansas City's Community Development Entity (CDE), which has helped eliminate a large financing gap. The project will also utilize historic tax credits to generate additional equity, further closing the financing gap.

EDC staff issued a Financial Analysis Request for Proposals for potential real property tax abatement on February 14, 2014. Integra Realty Resources, Inc. was selected to provide the financial analysis. A copy of Integra's report is attached. Integra believes that 100% property tax abatement for a 10-year term would enable the project's developer to achieve a 7.36% unleveraged rate of return, which is still well below the 8.5% market return expected for this type of project. Integra believes that "standard" Chapter 353/PIEA property tax abatement over a 25-year term would enable the project's developer to achieve a 7.63% unleveraged rate of return, which is also well below the 8.5% market return expected for this type of project.

It is important to note that the use of New Markets tax credits, which provided much-needed equity for this project, required the property to be held by a for-profit entity. This, in turn, will keep the former Linwood Presbyterian Church property on the tax rolls. (NOTE: The former church property currently has a 2013 taxable market value of \$96,664 and a taxable assessed value of \$30,932.) The Harold Thomas Center at 3210 Michigan Avenue is currently tax-exempt.) The non-profit nature of the LAMP project cannot support the payment of increased property taxes, thus property tax abatement was needed to make the project feasible. It is also important to note that the applicant has chosen to seek Chapter 99 tax abatement through the Authority, even though the independent financial analysis supported the use of "standard" Chapter 353/PIEA tax abatement.

Staff believes that the proposed rehabilitation of the former Linwood Presbyterian Church and the Harold Thomas Center for use as the Linwood Area Ministry Place campus is in conformance with the Oak Park Urban Renewal Plan and existing LCRA policies.

Meeting with Taxing Jurisdictions: Copies of the application materials, financial analysis and the draft staff report were provided to the taxing jurisdiction representatives in advance of a May 23rd meeting to discuss the project.

Previous LCRA Action: The LCRA approved the Oak Park Urban Renewal Plan on November 25, 1968. There have been a number of modifications/amendments to the Oak Park Urban Renewal Plan over the years.

Other Governmental/Statutory Agency Action: No other action will be required.

DISCUSSION. Mr. Duffy resumed the Chair. Mr. Long gave an overview of his report. He stated the LAMP project to rehab the Church at 1801 E. Linwood and its adjacent center at 3210 Michigan Avenue had been under development off and on for 20 years. He advised the current effort had secured \$2.4 million in new market tax credits from the City's community development to help eliminate the gap in financing. Use of new market tax credits, however, required the property to be held by a for-profit entity, Mr. Long stated, which meant the property would be taxable. Mr. Long said Mr. Jagers'

report supported 353/PIEA tax abatement, but because of additional time and money in creating the same, LAMP did not wish to pursue this option. Mr. Long also re-introduced Mr. Jagers as the financial analyst for the project and Mr. Sterrett as the spokesperson for LAMP.

Mr. Jagers stated the LAMP project was an older improvement which was going to be redeveloped, would have 3 or 4 tenants, and some type of sanctuary. He explained he reviewed the rate of return on an unleveraged note, with and without various levels of incentive, including LCRA tax abatement, and determined the project had a 2.48% yield based on a standard proforma analysis. He said he also did a cash credit analysis with and without abatement incentives. He then performed a ten year cash flow analysis and weighed the internal rates of return against market rates of return. After reviewing developer costs, he reduced the developer's budget by \$500,000. The reduction, he explained, was because of inconsistencies with a typical proforma and a 6 month old appraisal of the property. He advised the developer's budget would therefore be \$9,293,000. Mr. Jagers said he then reviewed rents which the project was scheduled to receive based on leases already or soon to be in place and developed a ten year proforma to determine the yield/internal rates of return. Mr. Jagers said he included market rents at \$16 per square foot and used his database to develop comparable expenses. Mr. Jagers testified that by using the new cash flow method to determine a rate of return, the best benchmark to compare the internal rate of return was a discount rate. He added that based on an office project with long term leases and good quality tenants, countered with an ability to increase rents, he determined an 8.5% internal rate of return was correct for the project. Mr. Jagger stated that even with tax credits and Chapter 99 abatement, the project still fell short of 8.5%. Mr. Jagers advised Mr. Duffy that he had also performed a 25 year abatement analysis, which showed a minimal difference from the ten year results.

Mr. Duffy asked Mr. Long why staff favored ten year abatement over 25 year. Mr. Long replied that to obtain a standard Chapter 353 or PIEA, a blight study was required, which would add several months to the process. Mr. Long further advised that the project was already within an existing urban renewal area. Mr. Egan stated a blight study would cost about \$20,000 and the difference between a ten year and 25 year abatement was minimal. Mr. Duffy expressed his concern that a 25 year abatement would appear to be preferable once the ten year abatement had expired. Mr. Long replied, and Mr. Sterrett confirmed, that once the tax credits expired, the church would refinance the project and resume non-profit ownership. Mr. Long then advised Mr. Duffy that the new market tax credits would expire in 7 years and federal historic credits would expire in 5 years.

Mr. Duffy then asked Ms. Gaul to discuss the MBE/WBE issues regarding the project. Ms. Gaul said the project requested some expenses be excluded from the budget so it could meet default goal levels.

Mr. Duffy interjected to ask for Mr. Jagers' opinion before his departure regarding the McCormack Baron proposal, item 7 on the agenda. Mr. Duffy asked if 7% was reasonable in today's market assuming a non-amortized 28 years. Mr. Jagers said he

would need to review the documents and determine the LCRA's capacity to recoup after 28 years. He also advised Mr. Duffy that the 7% figure did not appear to be too high, given the third position of the note. Mr. Jagers said he would respond to Mr. Egan later in the afternoon.

Ms. Gaul then resumed, and stated that the Human Relations Department ("HRD") had not yet fully decided which expenses to remove from the project's budget. Ms. Gaul added, however, that if the expenses were not excluded, the project could not meet default goals. She then distributed a letter from Mr. Sterrett and Ms. Dorch's reply. Ms. Dorch summarized the situation at Mr. Duffy's request. Ms. Dorch stated she and the HRD director met with Mr. Sterrett and decided to exclude about \$180,000 in legal fees, leaving an additional \$180,000 in unexpended legal fees. She said Mr. Sterrett argued that no other law firms could handle new market tax credits or historic tax credits or any combination of the same. Ms. Dorch said her analysis revealed that 14 MBE and 5 WBE firms were available to perform legal services regarding new market and historical tax credits. She noted that one MBE firm in particular had performed transactional work for over 20 years. Mr. Sterrett advised Ms. Dorch he knew of the MBE firm, but had not contacted them. Mr. Sterrett had also advised Ms. Dorch that he had obtained the recommendations of 3 major firms via a network. She asked Mr. Sterrett if he was willing to contact the MBE firm, but he stated he would use the 3 majority firms. Ms. Dorch then advised that there could be contract opportunities for MBE/WBE at 11%, which would leave \$135,000 for use of the majority firm. Mr. Duffy asked if the possibility of a law firm partnership had been discussed. Ms. Dorch responded affirmatively, but said Mr. Sterrett was not willing to accept this type of arrangement. Ms. Dorch stated she would accept a good faith effort and the project would exceed the stated goals if they were willing to partner with a MBE/WBE firm. Ms. Dorch then advised several MBE and WBE companies were also available to perform architectural, engineering, surveying, landscaping, accounting, interior design, and environmental study services for the project. Mr. Duffy confirmed with Ms. Dorch that the project still had \$180,000 unencumbered as of today's date.

Mr. Duffy asked for Mr. Sterrett's response to Ms. Dorch's letter. Mr. Sterrett advised he had not seen Ms. Dorch's letter until this moment. He stated the project's budget had less flexibility than indicated in Ms. Dorch's analysis. He cited the project's need for a more detailed tax analysis rather than a conventional debt financing structure. Mr. Duffy asked for Mr. Sterrett's reasons for not contacting the MBE/WBE firms which performed such services. Mr. Sterrett replied that he knew of only one firm which performed the required tax credit analysis. He stated that if HRD could provide him a list of the firms, he would discuss the same with the project's current legal counsel. In response to Mr. Duffy, Mr. Sterrett explained the discrepancy between his and Ms. Dorch's analysis of the project's budget. He stated their current legal expenses remained unbilled, but could range from \$125,000 to \$180,000. Other services, such as appraisal and architectural, were apportioned in pre-development stages. Mr. Sterrett commented that the project management line item might have some flexibility. Mr. Duffy asked why Mr. Sterrett found it difficult to satisfy affirmative action requirements on this particular project. Mr. Sterrett answered that of the ten categories available on the project, 4 were non-certified and had been with the project for several

years - the architect, the legal firm, himself, and the surveyor. Mr. Sterrett advised Mr. Hamilton that goals should be set at 9 and 5, if the discussed items were included. He also advised Mr. Hamilton that he would investigate partnering with a MBE or WBE law firm. Ms. Dorch also advised Mr. Hamilton that the project's compulsory costs had been excluded from the budget. Mr. Hamilton commented that HRD set the goals and LCRA's only role was to be sure good faith efforts had been made to meet those goals. Mr. Egan responded that the Board reserved the right to determine on merits project based on statutory authority. He said the issue appeared to be whether or not a good faith effort had been made. Mr. Egan explained that since the developer was advising it would re-review its existing contracts to determine MBE/WBE availability, the closing should be delayed a month to allow the developer additional time. Ms. Rayford agreed, stating the process was to set the goals and then allow the developer to prove a good faith effort why they could not meet the goals. As the current developer had not yet been able to move through the second step of the process, he should be allowed to do so.

Mr. Duffy asked for any additional comments. Mr. Hardwick stated that it was very difficult to establish a presence in the highly specialized areas of public finance, new market tax credits, and bond financing. Mr. Hardwick said the CDE advised him a firm must have five years of experience making new market tax credit deals before being able to work with them on a project. Mr. Hardwick then said that a small number of firms currently, and exclusively, perform that type of work. Mr. Hardwick asked that the LCRA recognize the dynamics in the situation and act accordingly. Mr. Duffy asked for clarification about Mr. Hardwick's statements concerning the CDE 5-year policy. Mr. Hardwick explained that Deke Clayborn, CDE counsel, stated neither the CDE nor the project's investors would work with a firm which did not have 5 years of experience. Ms. Rayford commented that her discussions with Mr. Clayborn indicated the inexperienced firm could not lead the project but could participate via partnership with an experienced firm. Ms. Rayford added that the CDE appeared to be willing to work with partnered firms to help non-experienced firms enter the market. Ms. Rayford said the real issue was that developers often did not notify them of a project's existence until after their professional services had been contracted. Mr. Hamilton said developers were aware of the timing issue but also wanted to ensure cost efficiency by avoiding duplicative efforts by two firms working on the same issue. Mr. Hardwick stated cost efficiency was a legitimate concern, but firm partnerships had been successful in other settings. Mr. Duffy commented that as the affirmative action goals had been established, the developer must now demonstrate why it could or could not meet the goals. He and Mr. Egan therefore agreed to table the matter to the June meeting.

Mr. Duffy asked what staff could do to ensure earlier notification of affirmative action issues at a project. Mr. Egan replied the staff notified projects via e-mail which includes MBE/WBE information once a project's existence becomes known. He added that, projects often have a substantial amount of professional work complete by the time it actually starts. Mr. Duffy replied that the onus should be on experienced developers who know each agency as MBE/WBE requirements. Mr. Egan said staff would

continue to refine its communication with developers. Mr. Duffy said he will expect Mr. Sterrett to make considerable good faith efforts regarding the project at issue.

Mr. Duffy then asked Mr. Long about the developer fee quoted in the summary on page 5. Ms. Sterrett said all of the \$1.1 million developer fee was going back into the project. He explained that \$825,000 would go to capital improvements, and \$275,000 would go to amortize loan and help subsidize rents. Mr. Sterrett said rents would therefore be \$13 per square foot rather than \$16.

Mr. Sweeney said the taxing jurisdictions were not able to attend the May 23 meeting because notice was received only two business days prior. Mr. Duffy discussed with Mr. Long the procedures for notification of the various taxing jurisdictions and advised Mr. Sweeney staff would attempt to accommodate everyone's schedule. Mr. Duffy then advised this matter would be tabled until the Board's next meeting.

ACTION TAKEN: TABLED APPROVAL OF THE REDEVELOPMENT CONTRACT WITH LINWOOD PLACE REAL ESTATE, INC. FOR THE PROPOSED LINWOOD AREA MINISTRY PLACE CAMPUS AT 3210 MICHIGAN AVENUE STREET IN THE OAK PARK URBAN RENEWAL AREA UNTIL THE BOARD'S JUNE, 2014 MEETING.

8. **Hospital Hill II URA** - *McCormack-Baron Proposal* (Joe Egan) (Ex. 7)

LCRA holds a \$500,000 note on the Longfellow Heights Phase III Affordable Housing Development. The borrower, McCormack Baron, is proposing a discounted buyout of the Loan. This methodology is consistent with other note holders. Staff recommends acceptance of the proposal.

DISCUSSION. Mr. Egan stated the McCormack-Baron proposal involved a \$500,000 third note on Longfellow Heights III. The note, he advised, covered monies from the City of \$250,000 for site prep and \$250,000 to cover any financing gap in the project. He added that about \$20,000 had been paid on the 42 year note in the 12 years since its initiation. He further explained that the note was typical net cash flow with 0% interest. Mr. Egan said the debtor wished to refinance and was also buying out the second KCNA note. The debtor wanted to discount the note at a 7% discount rate, which, per their discussions earlier in the meeting, Mr. Jagers thought was fair. Mr. Egan recommended acceptance of the proposal with proceeds equally split between KCCID and PIAC. Mr. Egan confirmed for Mr. Duffy that the City's loan documents did not specify how repayment proceeds were to be allocated. Mr. Egan commented that the City had assisted the LCRA in development of Columbus Park and if half of the repaid proceeds were sent to KCCID Charitable Fund, it would aid EDC projects. Mr. Duffy asked if the source of funds paid to the debtor was apparent. Mr. Egan replied that the City did not specifically identify the source of the funds, stating only that it was not federally generated and that it was public funding for public improvements. Mr. Duffy said he would recommend approval of the proposal subject to any dissent regarding the 7% discount rate from Mr. Jagers.

ACTION TAKEN: APPROVED PROPOSED BUYOUT FROM McCORMACK BARON OF \$500,000 NOTE REGARDING LONGFELLOW HEIGHTS PHASE III AFFORDABLE HOUSING DEVELOPMENT. MOTION MADE BY MR. WHITE, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. 5-05-14)

9. **Executive Director's Report**

a. **Administrative - Active Case Tracking System Report** (Joe Egan) (Ex. 8A)

DISCUSSION. Mr. Egan advised there were no significant changes to the ACTS report. He said they were still waiting on the City regarding transfer of 2600 E. 28th to Morningstar from LCRA. Mr. Egan said Comedy City should be opening soon in the Uptown Shoppes area, as the budget was approved last month. He stated the 36th & Gillham project had also been approved and was under construction. With regard to the UR zoning for Hospital Hill North, Mr. Egan said they had to go through the City's process as TMC did not have one hundred percent ownership of property.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

b. **Affirmative Action Subcommittee Report** (Melinda Gaul) (Ex. 8C-1, 8C-2, 8C-3 and 8C-4)

The Affirmative Action Subcommittee met on Friday May 16, 2014 at the offices of the Economic Development Corporation. Those in attendance were Commissioner Steve Hamilton, EDC Staff Joe Egan, Susan Tumey, Sandra L. Rayford, and Melinda Gaul as well and Andrea Dorch of the Human Relations Department.

TMC Ambulatory Care Center - Andrea Dorch of the Human Relations Department presented the subcommittee with Professional Service goals for the TMC Ambulatory Care Center of 13% MBE and 8% WBE and Construction Service goals set at 14% MBE and 10% WBE. Anthony Lampasona, Lisa Garney, Steve Degarmo, and Steve Becker were also in attendance to give a project update on TMC Ambulatory Care Center addressing their outreach efforts as well as the A&E tenant finish portion of their Professional Services budget for which they are currently soliciting. (Exhibit)

Columbus Park – Columbus Park has submitted their Utilization Plan for Professional Services along with the Letters of Intent from each MBE and WBE working on their project. The Utilization Plan was approved by the Human Relations Department. (Exhibit)

3630 Gillham Park Row – Andrea Dorch of the Human Relations Department presented the subcommittee with Professional Service goals for the 3630 Gillham Park Row project of 17% MBE and 14% WBE. (Exhibit)

Oak Point – Herb Hardwick of Hardwick Law, legal counsel for the development, attended and presented a project update at the subcommittee meeting. Discussion took place regarding the budget submitted and available participation for WBE's. Mr.

Hardwick advised he is attempting to get WBE participation on an open scope for Bond Underwriting. Currently the project has no WBE participation and, even with this scope of service being performed by a WBE, the project still wouldn't meet default goal levels. Mr. Hardwick requested a waiver from the Human Relations Department due to this project being part of the HEDFC Federal Receivership.

LAMP – Pat Sterrett attended and presented a project update discussing his request for excluding expenses from the project budget. During this meeting, the Human Relations Department had issues with the budget presented and scheduled a follow-up meeting between Phillip Yelder, Director of the Human Relations Department and Mr. Sterrett. Without excluding the requested expenses, this project would not be able to meet default goal levels.

Included in your board packet is a current status of open/pending projects related to MBE/WBE compliance and MBE/WBE Executive Summary for Professional and Construction Services of the active development projects through March 31, 2014.

The next Affirmative Action Subcommittee meeting is tentatively scheduled for June 13, 2014.

DISCUSSION. Mr. Duffy asked if there were any remaining affirmative actions to be discussed. Ms. Gaul said goal assignments still needed to be approved. The professional service goals for the TMC Ambulatory Care Center were set at 13% MBE and 8% WBE. Mr. Duffy and Mr. Hamilton discussed the necessity of a Board resolution for each goal. Mr. Duffy said the LCRA need only to recognize receipt of the goals and did not need to certify the City's goal setting as it was their right by ordinance.

ACTION TAKEN: ACKNOWLEDGED RECEIPT OF THE CITY'S PROPOSED MBE/WBE GOALS FOR THE TMC AMBULATORY CARE CENTER. MOTION MADE BY MR. WHITE, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

Ms. Gaul then stated that the professional services utilization plan for Columbus Park was 15% MBE and 8% WBE.

ACTION TAKEN: ACKNOWLEDGED RECEIPT OF THE CITY'S PROPOSED MBE/WBE PROFESSIONAL SERVICE GOALS SET FOR 3630 GILLHAM PARK ROW. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS AND MR. WHITE, AND CARRIED UNANIMOUSLY.

Mr. Hamilton reiterated that the Board should approve the affirmative action report in whole as it did the financial report. Ms. Gaul then advised the 3630 Gillham Park Row professional service goals were 17% MBE and 14% WBE. She added that all projects reporting regularly and on track to meet their goals. Mr. Hamilton commended Ms. Gaul for doing an outstanding job in her role as Affirmative Action Compliance Officer.

ACTION TAKEN: ACKNOWLEDGED RECEIPT OF CITY'S PROPOSED PROFESSIONAL SERVICES UTILIZATION PLAN FOR COLUMBUS PARK. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS AND MR. WHITE, AND CARRIED UNANIMOUSLY.

10. **Chapter 353** (Joe Egan)

DISCUSSION. Mr. White inquired about the status of Chapter 353 move from City Hall. Mr. Egan replied that the EDC would handle any de novo or amendment proposals and the City would monitor any old cases. Mr. Egan added that no new Chapter 353 proposals had been received in the last 3 to 4 years. He advised that although most of the attorneys dealing with 353 were at White Goss, the conflict of interest issue had mostly been resolved. Mr. Egan further advised he had discussed with Mr. Engel how to approach Chapter 353 going forward given the mergers planned for the EDC. He cited the question of using Chapter 353 for single family infill housing and using PIAC to handle multifamily housing as an example. Mr. Duffy commented that Chapter 353 had prevailing wage requirements. Mr. Egan said the City Council was going to have prevailing wage requirements for any incentive.

There being no further business, the meeting was adjourned at 12:13 p.m.



Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: June 25, 2014

TIME: 9:30 a.m.

PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

1. **Roll Call**
- Present:*** Michael Duffy
Steven Hamilton
Gabriel Okafor (arrived late)
James White
- Absent:*** Daniel Edwards
- Staff/Guests:*** Joseph Egan, LCRA
Susan Tumey, LCRA
Michael Clark, EDC
Melinda Gaul, EDC
Robert Long, EDC
Sandra Rayford, EDC
Catherine Singleton, EDC
George Cook, FOK, LLC
James Wood, FOK, LLC
Michael Fryberger, Habitat for Humanity, Kansas City
Morgan Gardner, Habitat for Humanity, Kansas City
Chris Kline, Jackson County
Kevin Masters, Kansas City, Missouri Public Schools
Andrew Ganahl, Linden Street Partners, LLC
Scott Richardson, Linden Street Partners, LLC
Roxsen Koch, Polsinelli
Patrick Sterrett, Sterrett Urban LLC
Brian Engel, White Goss

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum was present.

2. **Administrative** – Review and approval of Meeting Minutes (Ex. 2)

Minutes of the May 28, 2014 meeting were provided for review prior to the meeting. No changes were required.

ACTION TAKEN: APPROVED THE MAY 28, 2014 MINUTES. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

3. **ReBuild KC – Scattered Site Lot – Sale to Habitat for Humanity** – Consideration of Approval of Sale of 4315 Cypress to Habitat for Humanity of Kansas City (“HFHKC”) (Catherine Singleton) (Exhibits 8A and 8B)

Habitat for Humanity (HFHKC) approached LCRA regarding their potential purchase of a Scattered Site lot at 4315 Cypress. HFHKC wanted to combine 4315 Cypress with two lots it owns adjacent to the south to build two new homes in their 2015 building cycle. Specific buyers had not yet been identified, so specific house plans had not yet been selected. HFHKC offered \$500.00 as a purchase price. The Jackson County Market Value is \$3,000.00.

DISCUSSION: Mr. Egan confirmed for Mr. Duffy that the 4315 Cypress property had been owned and maintained by the LCRA for almost four years. He also advised that the property had been obtained from LISC, which had taken over after the demise of the Kansas City Neighborhood Alliance (KCNA). Mr. Egan explained that, because of its rules and regulations, LISC could not own or develop the property. Ms. Singleton clarified for Mr. Hamilton that the assessed value of the property was \$575 and the County market value was \$3,000. Morgan Gardner and Mike Fryberger introduced themselves as the neighborhood development coordinator and director of construction, respectively, of HFHKC. Ms. Gardner and Mr. Fryberger distributed a handout entitled “2014-2016 Builds on Cypress Avenue.” Ms. Gardner stated HFHKC planned to build 2 to 4 houses on the property in place of the 2 occupied and 2 vacant structures currently on the lot. Ms. Gardner explained that HFHKC worked with underprivileged families through a one-year program to buy homes at a 0% interest rate. Mr. Duffy stated that when the LCRA sold property at a nominal rate, it usually held a deed on the property for at least 3 years to ensure the developer followed through with the development. He explained the property would revert to the LCRA if the development failed. Mr. Duffy asked if 3 years was enough time for HFHKC to develop the site. Ms. Gardner replied that HFHKC planned to have the house completed by the end of next year. Mr. White inquired about the design choices for buyers. Ms. Gardner stated that easily changeable features, such as paint color and siding, could be chosen by the buyer. Mr. Fryberger added that the elevation could also be changed as basements were included. Mr. Egan advised Mr. Duffy he recommended the sale of 4315 Cypress to Habitat for Humanity for \$500 subject to a three-year escrow deed as discussed.

ACTION TAKEN: APPROVED THE SALE OF 4315 CYPRESS TO HABITAT FOR HUMANITY OF KANSAS CITY FOR FIVE HUNDRED DOLLARS (\$500.00) SUBJECT TO A THREE (3) YEAR DEED OF ESCROW TO LCRA. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. 6-1-14)

4. **Financial - Review and Acceptance of Financial Report for the Month of May 2014** (Michael Clark) (Ex. 3)

DISCUSSION: Mr. Clark stated that because of the audit, he would give a brief overview of only the income and expense analysis and the accounts payable items. Mr. Clark advised that Item A on the May 2014 Income Statement was higher than last year because of a \$26,352.50 tax abatement fee payment by Yarco Development. Item B of the Income Statement was also higher than last year because of several deposits erroneously credited to LCRA. He explained to Mr. Hamilton that Item B was higher because the deposits were credited as they came in but were noted as outgoing to the correct account under Item D, the miscellaneous expense category. Mr. Clark then discussed Item C, unbilled revenue, stating that several items were still in the billing process at period end. Mr. Clark advised that consultant expenses were higher than last year because of an invoice from Zimmer regarding Columbus Park.

Mr. Clark stated the cash balance at the end of May was \$78,026.81, with \$23,409.44 restricted and \$54,617.37 unrestricted. He also advised that, as of today, the general cash balance was \$79,715.52, with \$12,497.50 restricted and \$27,308.02 unrestricted. Mr. Egan asked if the reduction in cash was because of the misapplication of funds. Mr. Clark replied that the reduction was due to payment of several outstanding items. Mr. Duffy asked what inquiries the auditors were making about LCRA. Mr. Clark replied that that they were currently reviewing the LCRA property inventory, ensuring that everything was accounted for and had the correct values. The auditors, he continued, were also asking about large payments the LCRA had made, such as legal fees.

ACTION TAKEN: ACCEPTED THE MAY 2014 FINANCIAL REPORT AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

5. **Oak Park URP: Consideration of the Proposed Rehabilitation of 1801 E. Linwood Boulevard and 3210 Michigan Avenue** (Bob Long) (Exhibits 4A, 4B, 4C, 4D, 4E, and 4F)

Description: Linwood Place Real Estate, Inc. proposed the \$10 Million historic rehabilitation of the former Linwood Presbyterian Church, 1801 E. Linwood Boulevard, and the adjacent Harold Thomas Center, 3210 Michigan Avenue, in the Oak Park Urban Renewal Area.

Project description: Linwood Place Real Estate, Inc. desired to rehabilitate the existing former Linwood Presbyterian Church, 1801 E. Linwood Boulevard, and the adjacent Harold Thomas Center at 3210 Michigan Avenue in the Oak Park Urban Renewal Area. (See attached map.) The proposed Linwood Area Ministry Project (LAMP) would provide expanded community services to this distressed neighborhood through partnerships between the Heartland Presbytery, ReDiscover, the Front Porch Alliance, and additional services.

The proposed LAMP campus has been in development for nearly twenty years. Several multi-year attempts to put the LAMP project together were made, but all previous attempts were unsuccessful. The current effort was able to secure a \$2.4 Million allocation of New Market tax credits from the City of Kansas City's Community Development Entity (CDE),

which has helped eliminate a large financing gap. The project would also utilize historic tax credits to generate additional equity, further closing the financing gap.

EDC staff issued a Financial Analysis Request for Proposals for potential real property tax abatement on February 14, 2014. Integra Realty Resources, Inc. was selected to provide the financial analysis. A copy of Integra's report is attached. Integra believed that 100% property tax abatement for a 10-year term would enable the project's developer to achieve a 7.36% unleveraged rate of return, which is still well below the 8.5% market return expected for this type of project. Integra believed that "standard" Chapter 353/PIEA property tax abatement over a 25-year term would enable the project's developer to achieve a 7.63% unleveraged rate of return, which is also well below the 8.5% market return expected for this type of project.

It is important to note that the use of New Markets tax credits, which provided much-needed equity for this project, required the property to be held by a for-profit entity. This, in turn, would keep the former Linwood Presbyterian Church property on the tax rolls. (NOTE: The former church property currently has a 2013 taxable market value of \$96,664 and a taxable assessed value of \$30,932.) The Harold Thomas Center at 3210 Michigan Avenue is currently tax-exempt.) The non-profit nature of the LAMP project could not support the payment of increased property taxes, thus property tax abatement was needed to make the project feasible. It is also important to note that the applicant chose to seek Chapter 99 tax abatement through the Authority, even though the independent financial analysis supported the use of "standard" Chapter 353/PIEA tax abatement.

Staff believed that the proposed rehabilitation of the former Linwood Presbyterian Church and the Harold Thomas Center for use as the Linwood Area Ministry Place campus is in conformance with the Oak Park Urban Renewal Plan and existing LCRA policies.

Meeting with Taxing Jurisdictions: Copies of the application materials, financial analysis and the draft staff report were provided to the taxing jurisdiction representatives in advance of a May 23rd meeting to discuss the project.

Affirmative Action Policy and MBE/WBE Participation: The proponent, Linwood Place Real Estate, Inc., met with Melinda Gaul, the EDC's MBE/WBE Compliance Officer to discuss the project. The proponent has further refined some of its contractual arrangements to achieve compliance with the Authority's MBE/WBE participation goals.

Previous LCRA action: The LCRA approved the Oak Park Urban Renewal Plan on November 25, 1968. There have been a number of modifications/amendments to the Oak Park Urban Renewal Plan over the years. At its May 28, 2014 meeting, the Authority continued its consideration of the proposed Redevelopment Contract to allow for resolution of MBE/WBE concerns.

Other governmental/statutory agency action: No other action will be required.

DISCUSSION: Mr. Long advised the Linwood Area Ministry Place ("LAMP") item had been continued from last month's meeting because of MBE/WBE concerns. He explained that Linwood Place Real Estate, Inc. ("LPRE") was proposing a \$10 million

rehab of the former Linwood Presbyterian Church at 1801 E. Linwood and the adjacent Center at 3210 Michigan. Mr. Long stated Mr. Sterrett was available to explain what arrangements had been made to contractually comply with MBE/WBE goals. Mr. Duffy asked Ms. Gaul for her comments. Ms. Gaul explained that the issue had arisen because an initial review of the project's budget had not supported WBE goals being met in professional services. In an effort to correct the situation, she continued, Mr. Sterrett contracted with a WBE to perform a Phase 2 environmental study. The project had also met the MBE goal by seeking legal services from a MBE firm. Mr. Duffy asked for Mr. Hamilton's comments. Mr. Hamilton said he considered the issue to be resolved. Mr. Duffy then asked for Mr. Egan's recommendation. Mr. Egan asked that the Board approve the redevelopment contract between LCRA and LPRE and also a 10 year tax abatement on the property. Mr. Duffy asked if the 10 year tax abatement was part of the contract. Mr. Egan and Mr. Engel replied that the contract did contain a clawback clause, allowing the LCRA to withdraw the tax abatement if LPRE violated the contract. Mr. Duffy confirmed with Mr. Engel that the tax abatement was therefore implicit in the contract. Mr. Duffy advised that, as a result, he did not believe a separate vote was needed to approve the tax abatement.

ACTION TAKEN: APPROVED THE REDEVELOPMENT CONTRACT BETWEEN LCRA AND LINWOOD PLACE REAL ESTATE, INC. FOR THE PROPOSED LINWOOD AREA MINISTRY PLACE CAMPUS AT 3210 MICHIGAN AVENUE IN THE OAK PARK URBAN RENEWAL AREA. MOTION MADE BY MR. WHITE, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY. (RES. 6-2-14)

6. **1914 Main Street Urban Renewal Plan (Proposed)** – *Consideration of Approval of a Finding of Blight and the 1914 Main Street Urban Renewal Plan* (Bob Long) (Exhibits 5A, 5B, 5C, 5D, 5E, and 5F)

Area Description: The proposed 1914 Main Street Urban Renewal Area is located within the one-half block generally bound by W. 19th Street on the North, Main Street on the East, West 20th Street on the South, and the north-south alley parallel to Main Street on the West, in Kansas City, Jackson County, Missouri. The specific address is 1914 Main Street

Plan Description: The proponent of the 1914 Main Street Urban Renewal Plan is Crossroads Urban Apartments, LLC. 1914 Main Street is directly adjacent to the downtown streetcar line. (Map is attached as Exhibit 5F)

The proponents' plan calls for an \$8 Million redevelopment of the existing surface parking lot into a five (5) story multifamily building with ground floor parking. Plans call for a small gallery/exhibit space and approximately 33 parking spaces on the ground floor. Approximately 44 market-rate apartments will be built on four floors on top of a concrete platform "tabletop" above the ground floor parking. (See Exhibit 5C) The proponents believe that the downtown streetcar line, as well as the KCATA's MAX stop directly in front of the property, will be a major attraction to potential residents.

An independent financial analysis of the proposed project was performed by Integra Realty Resources, Inc. A copy of Integra's report is attached as Exhibit 5E. With no incentives, the proposed project is projected to produce a 5.29% yield, which is substantially lower than the 6.5% market yield that would be expected. With Chap. 99 tax abatement, the project is projected to produce a 5.70% yield. With a "standard" PIEA/Chap. 353 tax abatement, the project is projected to produce a 5.88% yield. It is important to note that the proponent has chosen to seek Chap. 99 tax abatement.

EDC staff prepared a blight analysis of the Plan Area. A summary of the blight study findings reveals that the existing surface parking lot is deteriorating, does not meet the City's Chapter 52 requirements for off-street parking facilities, has an existing freestanding billboard, and represents an economic underutilization of the property. The blight study can be found in Exhibit F of the draft Plan. Staff believes that blighting conditions exist.

The Plan Area lies completely within the Greater Downtown Area Plan, which shows this property within the Downtown Mixed-Use land use category. No changes are being proposed for the recommended land use. The project is rezoning to Urban Redevelopment (UR).

To redevelop 1914 Main Street, the Plan's proponents believe that assistance from the Land Clearance for Redevelopment Authority (the "Authority"), consisting of real property tax abatement, will present opportunities to redevelop the 1914 Main Street property by stimulating and facilitating private investment in a market-rate multifamily residential use. The draft 1914 Main Street Urban Renewal Plan will facilitate this project.

Affirmative Action Policy and MBE/WBE Participation: The proponents, Crossroads Urban Apartments, LLC, have met with Melinda Gaul, the EDC's MBE/WBE Compliance Officer to discuss the project. A letter of intent to comply has been submitted.

Taxing Jurisdictions: A copy of the project information, financial analysis and draft staff report was sent via e-mail (copy attached) to the taxing jurisdiction representatives on May 23rd for a 1:00 p.m. June 3rd meeting with staff and the developer.

Other government/statutory agency action: The Development Review Committee will review the draft Urban Renewal Plan on June 18. The City Planning Commission will review the proposed Urban Renewal Plan on July 1, 2014. City Council will need to approve the Finding of Blight and the proposed 1914 Main Street Urban Renewal Plan.

DISCUSSION: Mr. Long gave an overview of his staff report. Mr. Duffy asked if the City had approved the plan to build only 33 parking spaces to serve 44 apartments. Mr. Long replied that there were no parking requirements for two blocks on either side of the streetcar line. Mr. Egan said the issue had also been mentioned in the Development Review committee but had not been changed. Mr. Long stated that Chapter 99 tax abatement and PIEA/Chapter 353 abatement had similar yields – 5.7% and 5.88% respectively. Mr. Long also confirmed for Mr. Duffy that staff met with taxing jurisdictions to discuss the project. He also advised that the taxing jurisdictions' comments were limited to technical questions and e-mails to and from the developer. Mr. Duffy then asked if the taxing jurisdictions had submitted any documentation concerning the financial analysis. Mr. Long replied that he had not received anything

formally from any taxing jurisdiction. Mr. Hamilton asked why it was considered important to note Chapter 99 had been chosen for tax abatement as opposed to other incentives. Mr. Long replied that the developer had concerns about the 353 and PIEA processes and requirements.

Scott Richardson and Andrew Ganahl of Linden Street Partners, LLC introduced themselves as the managing members and developers of Crossroads Urban Apartments. Mr. Richardson stated they had chosen the site because of its proximity to the streetcar line. He added that it would be the first new development of residential units on the streetcar line. Mr. Richardson said it was their first of hopefully several projects in the Kansas City area. He then advised Mr. Duffy they had completed other projects elsewhere, mainly in California and Colorado. Mr. Duffy asked why they had chosen the Kansas City area for their current project. Mr. Richardson replied that he saw the same trends apparent in other markets such as Minneapolis and Denver. He explained that young professionals and millennial wanted to live as well as work downtown.

Mr. Duffy commented that the financial report indicated a small yield of less than 6%. Mr. Richardson and Mr. Ganahl agreed the yield was minimal. They explained they hoped the streetcar development and other Crossroad District activities would lead to future increased rents. Mr. Ganahl said they considered the project to be a pioneer and long-term project, given appropriate tax incentives. Mr. Richardson then confirmed for Mr. Duffy his understanding LCRA was declaring the area blighted and was not simultaneously approving a redevelopment contract between LCRA and the developer. Mr. Duffy asked if the developer considered the Integra report to be accurate. Mr. Ganahl replied that they considered the \$4.2 million appraised value of the project after rehab to be too low. He said their appraisal of \$7 million did not change Integra's findings. Mr. Ganahl stated they had considered Chapter 353 because the financial analysis indicated a larger incentive was appropriate. He explained that after discussions with Mr. Long and their uncertainties about the 353 process, they decided Chapter 99 was the better method. Mr. Ganahl added that Chapter 99 was also chosen because of time limits and its possibility to achieve better market rates of return.

Mr. Richardson responded to Mr. Hamilton's question about financing, advising they had spoken with several banks and received 2 to 3 term sheets. Mr. Ganahl stated that they needed to determine tax incentives before they could finalize financial discussions with the banks. He added that they had raised sufficient funds to own the land free and clear, and had also paid all pre-development expenses to date. Mr. Hamilton then inquired if they had discussed affirmative action issues with Ms. Gaul. Mr. Ganahl, Mr. Richardson, and Ms. Gaul responded affirmatively and stated MBE/WBE goals were already set. Mr. Richardson added that sufficient WBE contractors to meet the professional services goals were already engaged. He said MBE professional service goals would also be met once commission surveys and special inspections were complete.

Mr. Kline responded to Mr. Duffy's invitation for additional testimony. He clarified with Mr. Egan and Mr. Duffy that the Board was not deciding tax abatement amounts at today's meeting. Mr. Kline requested that the taxing jurisdictions be an active participant in the Board's decision to grant tax abatement to a developer. Mr. Duffy

asked that the taxing jurisdictions submit written responses prior to the Board meeting to allow Commissioners time to review the same. Mr. Duffy asked for Mr. Kline's response to the financial report from Integra. Mr. Kline stated the report did not show an accurate return because of Integra's use of a high cap rate. Mr. Kline further responded to Mr. Duffy, advising the return would be slightly higher than 6% as suggested by Integra. He added that the taxing jurisdictions had suggested a 5% PILOT to the developers. Mr. Kline also stated that the Integra report was prepared prior to Integra's change in their analysis system to include IRR. Mr. Kline then concluded his testimony.

Mr. Egan recommended the Board approve the finding of blight in the 1914 Main UR Plan. Mr. Hamilton advised he needed additional visual information prior to making such a finding. Mr. Long responded that the only thing on the property was a billboard. He also advised Mr. Hamilton that the billboard was owned and leased by the developers. Mr. Richardson and Mr. Ganahl stated they could terminate the billboard's lease with 6 months' notice. Mr. Long advised the parking lot did not meet City Chapter 52 requirements. The parking lot drained, he said, on to Main Street or the alley behind the lot, which could not handle additional drainage. Mr. Long stated the lot was pavement from one end to the other and was serviceable, but not in good condition. Mr. Richardson also advised Mr. Hamilton that the lot had been vacant and used for parking for 50 years. Mr. Richardson added that they were paying to relocate unsightly power lines in the alleyway. Mr. Long said 50 years of use as a surface parking lot in the Crossroads district was a serious uneconomic use of property. The under-utilization would become even greater, he added, once the streetcar line was operational. Mr. Duffy stated that economic under-utilization was a TIF standard and not an LCRA standard. After his review of the LCRA statute with Mr. Engel, Mr. Egan stated "blighted area" was defined as "constitutes an economic or social liability or menace to public health." Mr. Duffy replied that economic liability was a different standard than economic under-utilization.

ACTION TAKEN: APPROVED THE FINDING OF BLIGHT IN THE PROPOSED 1914 MAIN STREET URBAN RENEWAL PLAN. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. 6-3-14)

APPROVED THE 1914 MAIN STREET URBAN RENEWAL PLAN AND FORWARD TO CITY COUNCIL WITH A RECOMMENDATION OF APPROVAL. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. 6-4-14)

7. **1915 Main Street Urban Renewal Plan (Proposed)** – *Consideration of Approval of a Finding of Blight and the 1915 Main Street Urban Renewal Plan* (Bob Long) (**Exhibits 6A, 6B, 6C, 6D, 6E, and 6F**)

Area Description: The proposed 1915 Main Street Urban Renewal Area is located within the block generally bound by E. 19th Street on the North, Main Street on the West, West 20th

Street on the South, and Walnut Street on the East, in Kansas City, Jackson County, Missouri. The specific addresses are 1915 Main Street, 1917 Main Street and 1918 Walnut Street

Plan Description: The proponent of the 1915 Main Street Urban Renewal Plan is FOK, LLC. 1915 Main Street and 1917 Main Street are directly adjacent to the downtown streetcar line, while 1918 Walnut Street lies one-half block east of the streetcar line. (Map is attached as Exhibit 6F)

1915 Main Street, a three (3) – story commercial building, has been vacant for several years. It had most recently been occupied by DB Warehouse, a multi-floor nightclub with a history of legal issues. The proponents’ plan calls for a \$2 Million rehabilitation of the existing three (3) – story commercial building for renewed commercial office and/or retail use. 1915 Main Street has an appeal for commercial tenants in that it does have its own off-street parking at 1917 Main Street and 1918 Walnut Street. The proponents believe that the downtown streetcar line, as well as the KCATA’s MAX stop directly in front of the property, will be a major attraction to potential commercial tenants, their clients and customers.

An “in-house” financial analysis of the proposed project was performed by EDC staff. A copy of the report is attached as Exhibit 6E. With no incentives, the proposed project was projected to produce a negative return. With Chap. 99 tax abatement, the project is projected to produce a 7.31% yield, which is below the desired 9% - 11% range of returns for similar commercial projects. Staff believes this satisfies the requirements of the LCRA’s Workable Program.

EDC staff prepared a blight analysis of the Plan Area. A summary of the blight study findings reveals that the existing commercial building at 1915 Main Street is vacant, deteriorating, and has been heavily vandalized. The surface parking lot at 1917 Main Street has an existing freestanding billboard. The blight study can be found in Exhibit F of the draft Plan. Staff believes that blighting conditions exist.

The Plan Area lies completely within the Greater Downtown Area Plan, which shows this property within the Downtown Mixed-Use land use category. No changes are being proposed for the recommended land use or zoning.

To rehabilitate 1915 Main Street and reuse the existing parking at 1917 Main Street and 1918 Walnut Street, the Plan’s proponents believe that assistance from the Land Clearance for Redevelopment Authority (the “Authority”), consisting of real property tax abatement, will present opportunities to reuse the 1915 Main Street property by stimulating and facilitating private investment in a commercial office/retail use. The draft 1915 Main Street Urban Renewal Plan will facilitate this project.

Affirmative Action Policy and MBE/WBE Participation: The proponents, FOK, LLC, have met with Melinda Gaul, the EDC’s MBE/WBE Compliance Officer to discuss the project. A letter of intent to comply has been submitted.

Taxing Jurisdictions: A copy of the project information, financial analysis and draft staff report was sent via e-mail (copy attached) to the taxing jurisdiction representatives on May 23rd for a 2:00 p.m. June 3rd meeting with staff and the developer.

Other government/statutory agency action: The Redevelopment Coordinating Committee will review the draft Urban Renewal Plan prior to the City Plan Commission meeting. The City Planning Commission will review the proposed Urban Renewal Plan. City Council will need to approve the Finding of Blight and the proposed 1915 Main Street Urban Renewal Plan.

DISCUSSION: Mr. Long gave an overview of his report. Mr. White asked for further explanation about how a negative return changed to a 7.31% yield. Mr. Long replied that the 10 year tax abatement produced the positive return and significant difference. Mr. Kline asked why the operating expenses with abatement were \$19,000 and \$122,000 without abatement. Mr. Long and Mr. Egan replied that they would review the math and report at a later date. George Cook and Jim Wood introduced themselves as members of FOK, LLC. Roxsen Koch also introduced herself, as attorney for FOK, LLC. Mr. Cook stated he and Mr. Wood had worked across the street from property for 5 years. He added that it was the old Pendergast headquarters and that the inside of the building was in complete disrepair. Mr. Wood stated that all of the copper had been removed and the plumbing torn out from inside the building. Mr. Duffy asked for further clarification as to the developer's intended use of the building. Mr. Wood replied that it was currently difficult to bring in tenants as there was no power or water and the elevators were inoperable because of vandalism. Mr. Wood also replied to Mr. Hamilton, stating the building had been vacant for at least 7 years.

Mr. Duffy asked if the proposed project was already in a PIEA. Mr. Long responded that the block was not included in the Crossroads PIEA district. Mr. Long said the block was included in the Crossroads Arts PIEA, but could not participate as it was not an art or cultural usage. Mr. Long said the project was also in the existing 22nd and Main TIF area, but because 10 years had elapsed, it was not possible to amend or create new project areas. He stated that TIF was also too expensive and time consuming for small projects. Mr. Long explained to Mr. White that staff used \$2 million as the threshold for in-house financial reviews versus using an outside source. Mr. Long advised, however, that staff had recently stopped performing in-house financial reviews. Mr. Duffy asked Mr. Long to confer with Mr. Kline before re-presenting the financial analysis to the Board. Mr. Masters also advised he wished to meet with the developers prior to their next presentation to the Board.

ACTION TAKEN: APPROVED THE FINDING OF BLIGHT IN THE PROPOSED 1915 MAIN STREET URBAN RENEWAL PLAN. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. 6-5-14)

APPROVED THE 1915 MAIN STREET URBAN RENEWAL PLAN AND FORWARD TO CITY COUNCIL WITH RECOMMENDATION OF APPROVAL WITH AMENDMENTS AS DISCUSSED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. 6-6-14)

8. **ReBuild KC – Tracy Infill – Builders Development Corporation** – *Consideration of Approval of Termination of Redevelopment Contract between Builders Development Corporation (“BDC”) and LCRA (Catherine Singleton) (Exhibits 7, 7A, 7B, 7C and 7D)*

On May 18, 2012, LCRA and BDC signed a Redevelopment Contract for the development of 28 single family homes along Tracy, between 24th and 27th Streets in the Beacon Hill project area. This was done under the ReBuild KC contract, in furtherance of getting the former HEDFC properties into development. The first Amendment to the contract was signed September 27, 2012, which altered the schedule and included two house plans. The Second Amendment was signed September 30, 2013, which again adjusted the development schedule, and gave LCRA the right to sell lots out of the project area to anyone who agreed to pay at least \$1.00 more than the Redeveloped Contract called for BDC to pay, and to build sooner than the Redevelopment Contract called for BDC to build on that specific lot. LCRA has subsequently sold three lots using this provision to buyers building custom homes.

LCRA staff, in cooperation with City staff, has determined the best course of action at this point is to terminate the Redevelopment Contract with Builders Development Corporation (“BDC”). BDC has missed two recent deadlines within the Redevelopment Contract, and we believe the best course of action is to terminate the existing contract, and to operate going forward with a project-by-project approach.

On May 1, 2014, LCRA Executive Director sent a Notice of Default to BDC (Exhibit A), as they had failed to commence construction on the second phase of the project, and they had not sent LCRA a revised schedule. Also on May 1, 2014, LCRA sent BDC a reminder of an upcoming deadline of June 1, 2014 (Exhibit B). On June 3, 2014, LCRA Executive Director sent BDC a second Notice of Default, this time for failing to submit Development Schedules and Marketing Plans for future phases of the project (Exhibit C).

On June 5, 2014, LCRA received a letter from BDC Board Chair Mark Hoffman (dated May 30, 2104) (Exhibit D) outlining their proposed revisions to the project, and requesting an amendment to make these adjustments. LCRA and City staff consulted, and determined that the proposed changes by BDC were neither beneficial, nor prudent in furtherance of the project. Several issues were identified as problematic;

1. BDC proposed to build 3 foundations, with no financing in place to complete construction of the homes.
2. BDC asked LCRA to ensure timely payment from the TIF Line of Credit, which LCRA has no authority to make.
3. BDC asked that the gap financing continue to be provided by the City, if such gaps still exist going forward, which LCRA has no authority to ensure.

LCRA staff is recommending termination of the Redevelopment Contract based on the following issues:

1. BDC was very slow to begin construction of the first two homes, and initially did not focus on the MBE/WBE requirements.

2. BDC missed two deadlines within the contract; commencement of construction and submittal of plans for future phases.
3. BDC does not have financing in place for future phases. We have no assurance that the TIF Commission will allow BDC to use the LOC for future homes, and understand that the TIF Commission may be planning to use these funds for other projects.
4. We believe we may be able to get all the lots built out more quickly if other builders are allowed to take on some of the properties.

LCRA staff does believe we can work with BDC going forward on a project by project, house by house basis. There is no reason BDC cannot submit plans and financing for more houses in the project area, and we can craft agreements that are limited to those houses for which they have plans and financing established.

DISCUSSION: Mr. Egan advised BDC was not contesting the termination. Ms. Singleton then gave an overview of her report. Mr. Duffy asked if termination of the Agreement would violate the Court order involving the HUD case. Ms. Singleton said the City had a Memorandum of Understanding with HUD which had its own milestones and timelines, some of which related to the infill housing on Tracy. Mr. Egan stated a Chapter 353 development plan was also involved. Ms. Singleton said staff discussed the situation extensively with the City and both agreed on termination with BDC. She advised removal of the properties from the BDC agreement would allow for faster development of the sites. Ms. Singleton stated she had also received numerous calls about sale of several of the sites. Ms. Singleton advised Mr. White that several factors led to the termination. She explained that a weak market and inability to obtain financing were the initial factors. She said BDC was currently working with LISC to obtain funding. She added that if and when BDC had financing, LCRA could resell them however many lots they were ready to develop. Ms. Singleton advised Mr. Duffy she would have to inquire if the City had informed HUD of their intention to terminate the BDC contract. Mr. Duffy stated he understood the justification for termination, but his main concern was LCRA's risk exposure from HUD or the Court. Mr. Duffy asked if the City requested LCRA terminate the agreement. Ms. Singleton and Mr. Egan responded affirmatively, adding the City had drafted the termination letter. He asked if the June 17, 2014 letter had been sent to BDC. Mr. Egan responded it had not because the termination required Board approval. Ms. Singleton advised she had received an e-mail from Mr. Snodgrass saying BDC would not contest the termination. Ms. Singleton additionally said BDC had received a copy of the above staff report as well as a draft copy of the June 17 letter.

Mr. Hamilton asked if LCRA had responded to BDC's May 30, 2014 letter, which indicated BDC wished to contest the termination. Ms. Singleton replied that the termination letter was intended to be LCRA's response. She added that neither the City nor LCRA wished to accept the requirements listed in BDC's May 30 letter and the City therefore recommended termination. Mr. Duffy, Mr. Egan and Mr. Engel discussed a contract amendment as a simpler approach rather than termination of the entire contract. Mr. Duffy said the amendment would release both parties from any claim which might arise under partial termination. Mr. Engel agreed a contract amendment would be a

cleaner approach as it would require BDC's signature and would be recorded. Mr. Egan added that if BDC did not sign the amendment, LCRA could then terminate the agreement. Mr. Duffy made a motion that the staff attempt to negotiate an amendment to the agreement to delete the various undeveloped sites. Ms. Singleton asked for a time limit to be placed on the negotiations. Mr. Duffy replied that if the matter was not resolved by the Board's next meeting, the Board would consider action at that time.

ACTION TAKEN: APPROVED STAFF NEGOTIATION OF AMENDMENT TO DELETE THE UNDEVELOPED SITES FROM THE REDEVELOPMENT CONTRACT BETWEEN BUILDERS DEVELOPMENT CORPORATION AND LCRA. MOTION MADE BY MR. DUFFY, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. 6-7-14)

9. Executive Director's Report

- a. Administrative - *Active Case Tracking System Report* (Joe Egan) (Exhibits 9A-1 and 9A-2)

DISCUSSION. Mr. Egan advised 36th and Gillham was currently under construction. He stated he had received a \$120,000 contract for the Columbus Park/Guinotte III Development regarding infrastructure conservation. Mr. Egan said the Housing Authority of Kansas City was coming out of receivership and its Board was deciding how to develop or dispose of its excess properties. He further advised he had met with the City and the developer to discuss a response to the letter as the biggest issue was the lack of infrastructure. The City Manager, Mr. Egan reported, said City Planning would quickly review the plans for infrastructure that would lead to vertical construction beginning in the fall.

Mr. Egan then stated he would present an amendment and assumption of a Redevelopment Contract at the Board's July meeting regarding 900 E. 21st. He advised the property was an old ice house which the LCRA had previously approved for tax abatement as part of the Hospital Hill II Plan. Mr. Egan added a dialysis center would be built on the site as an affiliate of Truman Medical Center.

Mr. Egan advised HUD and the City were still negotiating the remaining documents concerning Oak Point.

Mr. Egan also stated Comedy City was scheduled to open in July at the Uptown Shoppes. The developer had also advised it had a new lease for about 2,900 square feet. Mr. Duffy inquired about the use of the old grocery store space. Mr. Egan replied the site was not yet leased, but the heat, air conditioning, and bathrooms were now in place.

ACTION TAKEN: NONE, INFORMATIONAL ONLY

b. **Affirmative Action Subcommittee Report** (Melinda Gaul) (Exhibits 9B-1, 9B-2, 9B-3, 9B-4, 9B-5 and 9B-6)

The Affirmative Action Subcommittee met on Friday June 20, 2014 at the offices of the Economic Development Corporation. Those in attendance were Commissioner Steve Hamilton, Commissioner Gabriel Okafor, EDC staff Joe Egan, Susan Tumey, Sandra L. Rayford, and Melinda Gaul as well as Andrea Dorch of the Human Relations Department.

LAMP – Pat Sterrett attended and presented at the subcommittee meeting a project update discussing his increased levels of MBE and WBE participation. His statement during the subcommittee meeting was that an unplanned Phase II environmental study had to be done and that additional scope was performed by a WBE. Mr. Sterrett explained he has also secured additional MBE participation by engaging legal services with Mr. Taylor Fields of Fields and Brown who is a certified MBE. Mr. Sterrett committed to having his Professional Services Contractor Utilization Plan done in the next week.

Buick Lofts – Mr. Hedgepath attended and presented the subcommittee an overview of his MBE/WBE participation. He has submitted a Request for Modification that is being reviewed by the Human Relations Department due to a WBE choosing to not perform the work they had a signed contract for her company to do. Mr. Hedgepath and the Human Relations Department will have an upcoming meeting to discuss current issues and see if resolution can take place.

Included is a current status of open/pending projects related to MBE/WBE compliance and MBE/WBE Executive Summary for Professional and Construction Services of the active development project through April 30, 2014.

The next Affirmative Action Subcommittee meeting is tentatively scheduled for July 11, 2014.

KCMO Human Relations Department Consent Agenda (Andrea Dorch)

LAMP – Professional Services Goals have been set at 13% MBE and 8% WBE with a budget of \$831,701.

Oak Point – Professional Services Goals have been set at 17% MBE and 8% WBE with a Professional Services budget of \$458,500. Construction Services Goals have been set at 17% MBE and 11% WBE with a Construction Services budget of \$5,580,745.

Interstate Building – Professional Services goals have been set at 15% MBE and 9% WBE with a budget of \$237,000.

DISCUSSION: Ms. Gaul gave an overview of her report regarding the Buick Lofts. She also highlighted the professional and construction goals for LAMP, Oak Point, and the Interstate Building. Seven Oaks and St. Michael's Veterans are winding down.

ACTION TAKEN: ACCEPTED THE AFFIRMATIVE ACTION REPORT.
MOTION MADE BY MR. HAMILTON, SECONDED
BY MR. WHITE, AND APPROVED UNANIMOUSLY.

There being no further business, the meeting was adjourned at 10:51 a.m.



Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: July 23, 2014

TIME: 9:30 a.m.

PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

1. **Roll Call** *Present:* Michael Duffy
 Daniel Edwards
 Steven Hamilton
 James White
- Absent:* Gabriel Okafor
- Staff/Guests:* Joseph Egan, LCRA
 Susan Tumey, LCRA
 Lee Williams, EDC
 Sandra Rayford, EDC
 Chris Kline, Jackson County
 Marvin Lyman, Twenty1-Twenty8
 Brian Engel, White Goss

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum was present.

2. **Administrative** – *Review and approval of Meeting Minutes (Ex. 2)*

Minutes of the June 25, 2014 meeting were provided for review prior to the meeting. No changes were required.

ACTION TAKEN: APPROVED THE JUNE 25, 2014 MINUTES. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

3. **Beacon Hill URA**: *Consideration of Disposition of 1302 East 26th Street to Adjacent Homeowner (Joe Egan) (Exhibit 4)*

The adjacent neighbor has been maintaining this lot for some time. In addition, the owner will remove downed trees from the lot. The City is requesting that LCRA sell the lot for \$10.00. The assessed value is \$195.00.

DISCUSSION: Mr. Egan stated the City was requesting the transfer of ownership of the property to the adjacent homeowners. He stated the property was originally acquired by LCRA through the HEDFC receivership via the EDC Charitable Fund. He added that Mr. and Mrs. Allen had maintained the lot in the past and had also recently agreed to remove fallen tree limbs from the LCRA property that fell on their fence, power and cable lines at their own expense. Mr. Duffy asked if there were any issues with CDBG compliance. Mr. Egan replied that there were no CDBG issues, as the property was covered under blight criteria. Mr. Duffy asked for further comments on the matter, and receiving none, asked for a motion approving the same.

ACTION TAKEN: APPROVED SALE OF 1302 EAST 26TH STREET FOR \$10.00 TO ADJACENT HOMEOWNERS GEORGE EDWARD ALLEN, JR. AND MARY M. ALLEN. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. 7-1-14)

4. **Columbus Park URA** – *Approval of Sale of 501 Troost Avenue (Joe Egan) (Exhibits 5A and 5B)*

Mr. Matt Nichols wishes to purchase the subject vacant lot in order to construct a building for his photography studio. He has offered \$4,000 which is slightly higher than the County market value of \$3,922. This sale is contingent upon an acceptable environmental covenant currently being reviewed by DNR.

DISCUSSION: Mr. Duffy recused himself because of an apparent conflict. When Mr. Egan advised that the property was not within the boundaries of Columbus Park Guinotte Phase II, Mr. Duffy said he did not need to recuse himself. Mr. Egan said the proposal was to sell 501 Troost Avenue for \$4,000 to Mr. Nichols who wished to build a photography studio on the property. He added that the site had some contamination and they were currently working with the City's Brownfields office and DNR regarding the situation. Mr. Engel responded to Mr. Duffy's inquiry about the environmental covenant, advising that it would be recorded to prevent the buyer from residential and well water use. Mr. Egan advised that several other properties in Columbus Park had similar restrictions. Mr. Duffy then confirmed with Mr. Egan and Mr. Engel that the covenant applied only to the buyer and not to the LCRA. Mr. Engel affirmed that LCRA's only obligation would be to include the restrictive language in the deed and to record the restricted covenant, a draft of which had been submitted to the DNR. Mr. Egan added that if the buyer accepted the DNR approved covenant, the sale would proceed, but would not if the buyer rejected the covenant. Mr. Egan then recommended approval of the sale in accordance with the Letter of Intent.

ACTION TAKEN: APPROVED SALE OF 501 TROOST AVENUE TO MATT NICHOLS FOR \$4,000. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. 7-2-14)

5. **ReBuild KC – Tracy Infill – Builders Development Corporation** – Consideration of Approval of Amendment of Redevelopment Contract between Builders Development Corporation (“BDC”) and LCRA (Joe Egan) (Exhibit 6)

Upon approval by LCRA, the document will go to BDC for signature.

DISCUSSION: Mr. Duffy stated the issue had been discussed at the Board’s last monthly meeting and the staff had been asked to develop an amendment to the BDC agreement. Mr. Egan advised the amendment had been drafted and would be sent to BDC upon the Board’s approval. He stated that he did not expect any problems in obtaining BDC’s consent as Mr. Snodgrass appeared amenable to the amendment. If any problems arose, he added, the termination letter would be issued per the Board’s instructions from the May 28, 2014 meeting. Mr. Egan additionally explained that the amendment gave BDC the option to purchase other properties only if it had sold the already contracted lots under construction. Mr. Duffy recommended that Mr. Egan be enabled to modify specific terms of the amendment, such as deadlines, without Board approval.

ACTION TAKEN: APPROVED THIRD AMENDMENT TO REDEVELOPMENT CONTRACT BETWEEN LCRA AND BUILDERS DEVELOPMENT CORPORATION. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. 7-3-14)

6. **Executive Director’s Report**

a. **Administrative** - Active Case Tracking System Report (Joe Egan) (Exhibit7)

DISCUSSION. Mr. Egan discussed the status of the following projects:

1914 and 1915 Main – The plans and blight approvals had been delayed in CPC and would be presented to the Board next month.

Columbus Park - Infrastructure and vertical development was planned for about October 1, 2014. A meeting was also planned with a prospective developer (PrairieFire) to discuss tax credit housing as artist focused housing, which was allowable under Section 42. The team was going to meet to determine the needs of the market study which MHDC needed to determine the award of tax credits. He further advised that this fit in with LCRA’s requirement for affordable housing.

HAKC Letter - He had worked with the City and developers in responding to HAKC’s letter regarding status of Columbus Park/G-III development. A meeting was also planned in August between the developers to update the Columbus Park Community Council.

Hospital Hill North – Closing was scheduled for July 25. Mr. Engel stated the LCRA documents were complete, the loan documents were being quickly processed, and the closing would occur on July 25th or 28th. Mr. Egan also advised that the demolition and construction of a medical facility was proceeding per the assumption and amendment to the redevelopment plan.

Icehouse/DaVita Project - The buyer's attorney had submitted a proposed amendment to the existing Redevelopment Contract which would be presented to the Board next month.

2800 Prospect - The project was stalled until he received the City's authorization to transfer the property to the church across the street.

Morningstar – The contract renewal dates were upcoming in 2015. Mr. Duffy said that as that there were historically no competing uses for this site, they had allowed the developer extensive time to try to begin development. Mr. Duffy asked Mr. Egan to confirm there were still no competing uses as that would affect his decision to extend any further deadlines for Morningstar. Mr. Egan confirmed he had spoken to the City regarding funding for the project, but had received no update. Mr. Egan said the City also had a major voice in the project as it was providing the funding. Mr. Egan then advised Mr. Edwards that no work had begun on the project.

Oak Point – 3800 Elmwood and Norton Scattered Sites - A conference call was held to determine everyone's responsibilities regarding the affordable housing development. The Norton properties were transferred to the developer per the City's request. The site had previously been HUD housing and was among properties the LCRA would quitclaim to the City to clean up liens. The City would then return the properties to LCRA via special warranty deeds and LCRA would then issue special warranty deeds to cede the property to the developer.

ReBuild KC - A contract extension had been received on July 22, 2014 which Mr. Egan believed could be signed by the Chair prior to Board review. Mr. Engel agreed, stating that the Board had previously approved the 3-month contract which allowed the manager to authorize extensions or fund utilization. Mr. Engel said Mr. Duffy could execute the contract and the Board could ratify it next month. Mr. Edwards stated he had no objection to Mr. Duffy signing the contract prior to Board review. Mr. Duffy asked Ms. Tumey to place the item on next month's agenda. In response to Mr. Egan, Mr. Williams advised that \$278,000 remained in the account as of the end of June. Mr. Egan advised Mr. Duffy the City had executed their copy.

Uptown Shoppes – Comedy City had moved in and Mr. Egan was to meet with Mr. Sells on July 24, 2014 regarding additional leases.

353 Counsel – Mr. Duffy raised the issue of obtaining legal counsel for the 353 Board. Mr. Egan said he was waiting on the CPC to decide the first couple of cases. He also stated that an RFQ for legal counsel was being published. Mr. Hamilton stated that if the ordinance appointed the LCRA Board as an advisory board for 353, the 353 board would not be a separate board as the LCRA was merely taking on the

responsibilities associated with 353. He said the 353 Board would therefore not need separate counsel as LCRA already had counsel. Mr. Egan said another issue was that the "A team" for 353 was in the White Goss firm. Mr. Egan added that he would talk to City legal and the City Manager about the issue. He stated that unlike the EEZ state statute, the 353 state statute did not call for an advisory board. He said it was the City ordinance which specified LCRA would act as the 353 advisory board. Mr. Engel stated the ordinance allowed a non-LCRA Board member to be on the 353 advisory board. A reading of the ordinance confirmed that the Mayor could appoint a member if an LCRA member could not or would not serve and the 353 board would therefore have less than 5 members. Mr. Duffy and Mr. Hamilton agreed that the 353 board would then be considered a separate board requiring separate counsel. Mr. Duffy confirmed with Mr. Engel that White Goss would respond to the 353 RFQ.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

7. **Financial** - Review and acceptance of Financial Report for the Month of June 2014 (Lee Williams) (Exhibit 3)

Mr. Williams gave a brief overview of the draft financial report for June 2014, which had been included for review prior to the meeting.

DISCUSSION. Mr. Williams said the cash balance was \$55,364 with restricted cash of \$23,805 and unrestricted cash of \$31,559. He stated the current cash balance as of July 23, 2014 was \$34,643, with unrestricted cash of \$10,848. Mr. Williams advised the revenue developer amounts were higher than the previous fiscal year because of the receipt of \$39,000 from the City for Contract No. 14101, Amendment No. 1. He added that contribution revenues were also higher, because of a lot transfer at 3923 Chestnut, which had a value of \$14,731. In response to Mr. Egan, Mr. Williams advised that the lot was ready to transfer pending Legal Aid's confirmation the City was following the County's cancellation of taxes and liens. Mr. Egan advised Mr. Duffy the property would be transferred to the neighborhood association once the City website reflected taxes and liens had been cancelled. Mr. Egan added the Board of Equalization had been very supportive of LCRA's efforts in this matter. Mr. Williams then continued with the financial report, advising that consultant expenses were higher because of invoices from Zimmer and Columbus Park. He said contribution expenses were \$138,218, resulting from several lot transfers in May. Mr. Egan said the Argyle project had recently closed and the developer had paid the amounts listed on the financial report for White Goss and King Hershey. Mr. Duffy asked if LCRA would be able to contribute to the EDC given the financial report appeared positive. Mr. Egan responded that based on projections regarding completed projects and tax abatements, the LCRA would be able to contribute. Mr. Duffy asked for further comments on the financial report, and receiving none, asked for a motion approving the same.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR JUNE 2014 AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

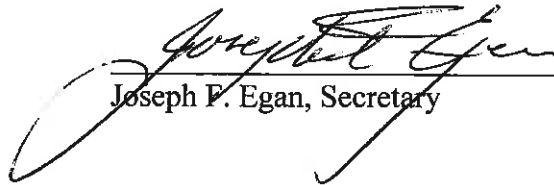
8. **Affirmative Action Subcommittee Report** (Sandra Rayford)

The Affirmative Action Subcommittee meeting scheduled for July 11, 2014 was cancelled. The next scheduled subcommittee meeting is scheduled for August 8, 2014. Melinda Gaul the MBE/WBE Compliance Officer has accepted the position of TIF Administrative Officer which will be effective August 1, 2014. Economic Development Corporation is currently advertising for a replacement for that position which will hopefully be filled at the first of August 2014. Until such time, Sandra L. Rayford, the EDC Contract Compliance Manager will cover the responsibilities of monitoring active LCRA projects.

DISCUSSION. Ms. Rayford said she had just received closing monthly reports as many people had been on vacation and would present the reports to the Board at next month's meeting. She also advised that advertising for the position vacated by Ms. Gaul had closed on Monday and she would interview 10 applicants beginning Friday. Mr. Hamilton added that the committee did not meet unless there were issues to discuss which resulted in the cancellation of this month's meeting.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

There being no further business, the meeting was adjourned at 10:13 a.m.



Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: August 27, 2014
TIME: 9:30 a.m.
PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

1. **Roll Call**

Present: Michael Duffy
Daniel Edwards
Steven Hamilton

Absent: Gabriel Okafor
James White

Staff/Guests: Joseph Egan, LCRA
Susan Tumey, LCRA
Sandra Rayford, EDC
Kite Singleton, Columbus Park Developers, L.P.
Chris Kline, Jackson County
Kevin Masters, Kansas City Public Schools
Steve Potter, Mid-Continent Library
Jeff Kochevar, Overland Investors, LLC
Kelly Hrabe, Prairie Fire, LLC
Scott Belke, Quality Property
Harlan Limpus, Quality Redevelopment Corporation
Dan Moye, Sunflower Development
Brian Engel, White Goss
Aaron March, White Goss
Kellee Madinger, White Goss
Daniel Musser, Zimmer Real Estate Services

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum was present.

2. **Administrative** – Review and approval of Meeting Minutes (Exhibit 2)

Minutes of the July 23, 2014 meeting were provided for review prior to the meeting. No changes were required.

ACTION TAKEN: APPROVED THE JULY 23, 2014 MINUTES AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

3. **Financial** - *Review and acceptance of Financial Report for the Month of July 2014 (Michael Clark) (Exhibit 3)*

Mr. Clark gave a brief overview of the financial report for July 2014, which was included for review prior to the meeting.

DISCUSSION: Mr. Clark stated the balance sheet would be provided once the ongoing audit was complete. He responded to Mr. Duffy, advising the audit should be completed within the next two months. Mr. Clark also advised Mr. Duffy that the auditors would probably meet with him as Chair of the LCRA within the next week. Mr. Clark said he would confer with Ms. Johnson, EDC's Controller, and tell Mr. Egan when the auditors planned to meet with the Board as a whole. Mr. Clark then compared items from the income statement fluctuation analysis to August, 2013 figures. He said Item A was higher because of the sale of the Tracy and Paseo properties and funds from the Argyle sale. Item C was also higher, he stated, because of the receipt of City receivables for \$39,169.60 and \$79,740.73, which were due to Columbus Park developers. Mr. Clark said Item E was lower because of builder funds generated through a recently closed grant program. Mr. Egan commented the grant had been adopted by City Council as part of the Midtown Plaza Area Plan. Mr. Clark said Item H was also lower because of the grant program. Mr. Clark then advised that Item J was lower because invoices for audit expensed had not yet been received. Mr. Duffy inquired about legal expenses noted in Item K as paid in error. Mr. Clark responded that premature payment to White Goss regarding the 2121 Charlotte property resulted in the mistake. He added that once closing occurred on the property, the monies would be reimbursed. Mr. Clark then stated that Item N was higher because of a Columbus Park invoice. Item P was higher, he said, because \$10,000 was returned to the City regarding the sale of 1121 McGee. Mr. Clark said Item Q was higher because 3923 Chestnut was received at an impairment loss. He defined impairment loss for Mr. Hamilton as noting the difference in a higher sale price versus actual worth as defined by the County website. Mr. Clark stated that cash at the end of July was \$39,034.48 - \$23,800.07 restricted and \$15,234.41 unrestricted. The general cash balance as of today, he continued, was \$58,614.47 - \$16,808.56 restricted and \$41,805.91 unrestricted. Mr. Clark then concluded his report.

ACTION TAKEN: APPROVED THE FINANCIAL REPORT FOR JULY 2014 AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

4. **1914 Main** - *Consideration of Approval of a Redevelopment Contract with Crossroads Urban Apartments, LLC (Bob Long) (Exhibits 4A and 4B)*

Area Description: The 1914 Main Street Urban Renewal Area is located within the one-half block generally bound by West 19th Street on the North, Main Street on the East, West 20th Street on the South, and the north-south alley parallel to Main Street on the West, in Kansas City, Jackson County, Missouri. The specific address is 1914 Main Street.

Plan Description: The applicant is Crossroads Urban Apartments, LLC.

The applicant's plan calls for an \$8 Million redevelopment of the parking lot into a five (5) story multifamily building with ground floor parking. Plans call for a small gallery/exhibit space and approximately 33 parking spaces on the ground floor. Approximately 44 market-rate apartments will be built on four floors on top of a concrete platform "tabletop" above the ground floor parking. The proponents believe that the downtown streetcar line, as well as the nearby KCATA's MAX stop, will be a major attraction to potential residents.

An independent financial analysis of the proposed project was performed by Integra Realty Resources, Inc. A copy of Integra's report is attached as Exhibit 4A. With no incentives, the proposed project is projected to produce a 5.29% yield, which is substantially lower than the 6.5% market yield that would be expected. With Chap. 99 tax abatement, the project is projected to produce a 5.70% yield. With a "standard" PIEA/Chap. 353 tax abatement, the project is projected to produce a 5.88% yield. It is important to note that the proponent has chosen to seek Chap. 99 tax abatement.

Staff believes the financial analysis demonstrates compliance with the Authority's Workable Program. The proposed project is also in compliance with the 1914 Main Street Urban Renewal Plan. A copy of the draft Redevelopment Contract is attached as Exhibit 4B.

Affirmative Action Policy and MBE/WBE Participation: The proponents, Crossroads Urban Apartments, LLC, have submitted a letter of intent to comply.

Taxing Jurisdictions: Project information, financial analysis and draft staff report were sent to the taxing jurisdiction representatives on May 23 for a 1:00 p.m., June 3 meeting. There has been correspondence between the applicant and the taxing jurisdiction representatives. Staff is unaware of any agreement having been reached.

Other government/statutory agency action: The City Council approved the Finding of Blight and the 1914 Main Street Urban Renewal Plan on July 31, 2014.

DISCUSSION: Mr. Long gave a summary of his staff report. He introduced Scott Richardson and Andrew Ganahl from Crossroads Urban Apartments, LLC. Mr. Long then gave an overview of Mr. Jagger's report for Mr. Duffy. Mr. Long said the developer chose Chapter 99 over the Chapter 353 recommended by Mr. Jagger because of uncertainty concerning prevailing wage. Mr. Long also advised Mr. Duffy that even with tax abatement, the returns did not achieve market rates. Mr.

Ganahl said Mr. Jagger used the developer's construction cost analysis but used his own figures for rent and operating costs. Mr. Ganahl also said that the Integra analysis did not vary greatly from Crossroads' proforma.

Mr. Engel said the redevelopment contract was almost finalized except for a few minor changes and issues. One issue, he stated, was the clawback date, or how long the project would be monitored to ensure blight did not return. Mr. Engel recommended term should be the length of the tax abatement and not the length of the Urban Renewal Plan, as the contract now stated. He advised Mr. Duffy that the change would limit how long the LCRA had to monitor project. Mr. Egan added that Plan dates were sometimes in flux and he recommended five (5) years after the termination of the tax abatement for the clawback period. Mr. Hamilton and Mr. Edwards advised Mr. Duffy they had no objection to the change. Mr. Engel then advised another issue was the developer's request for specificity regarding what would trigger a clawback. Mr. Egan stated LCRA's Policies and Procedures listed conditions considered to be blight. He added that the Board that any staff finding was subject to approval by the Board. Mr. Duffy agreed the definition of blight was extremely vague. The Board agreed to let staff iron out the contract issues.

Mr. Ganahl responded to Mr. Duffy, advising that the prevailing wage requirement would add 15% to 20%, or about \$900,000, to their construction costs per their general contractor's estimate. He stated further that the value of the tax abatement was approximately \$240,000 less. Mr. Duffy commented that the Davis Bacon prevailing wage requirement often gave any tax abatement value to the construction company rather than to the developer. Mr. Ganahl then advised Mr. Edwards the project would break ground in September or October, 2014, and would be complete in about one year.

Mr. Duffy invited other testimony. Mr. Kline stated that the Director of Economic Development for Jackson County sent e-mails to Mr. Egan and the chairman outlining the taxing jurisdictions' concerns. He provided a map to the Board illustrating the amount of tax abatement for projects surrounding 1914 Main. Mr. Kline said Mr. Long and the developer claimed several figures in the Integra report were incorrect during the meeting. The taxing jurisdictions' second report indicated a 6.57% return versus Integra's 6.5%. Mr. Kline also advised that the taxing jurisdictions attempted to meet with the developer several times regarding a PILOT, but were rebuffed and told to submit their claims to the Board. He said a 5% PILOT would cost the developer \$4,100 per year or \$41,000 as a lump-sum ten year figure. Mr. Kline answered Mr. Duffy, stating the 5% PILOT would be collected and distributed to other taxing jurisdictions by the County. Mr. Kline also responded that the return rate with tax abatement would be 6.53%. He also clarified that the point of the map was to show the over-use of tax abatements. Mr. Kline said once a completed project positively affected the surrounding neighborhood, the neighborhood should not need any more tax abatement.

Mr. Long said Mr. Jagger's calculations were based on the information available at the time and were not necessarily incorrect, just a difference of opinion. Mr.

Richardson stated a factor of IRR calculations was the exit cap used to determine a property's worth in ten years. He said the County's 6.1% cap rate was extremely aggressive and unrealistic. Mr. Kline responded that Mr. Richardson had been advised in the meeting and e-mails the County's use of 6.1% was a more conservative approach. Mr. Duffy inquired about the cap rate used by Integra. Mr. Richardson said a cap rate was not shown as an IRR value was not determined in the Integra report. Mr. Duffy asked staff if they agreed with Mr. Kline's analysis. Mr. Egan responded that if his analysis of the IRR was correct, he would agree with Mr. Kline's figures. Mr. Egan said the difference between the figures was extremely small and all were close to market rate. Mr. Duffy asked for staff's response to Mr. Kline's calculation of a 5% PILOT. Mr. Egan replied that each calculation was an estimated projection. Mr. Egan reminded the Board it could reduce the tax abatement period if it determined a project had accrued a greater than expected market return. Mr. Duffy said a PILOT would have less impact on a project than a shortened tax abatement period. Mr. Egan questioned if a PILOT would be justified if the return was only slightly above market rate. He added that moderation because of such a minimal overage had never historically triggered Board action. Mr. Egan concluded by saying that each projection could not be verified for many years.

Mr. Duffy stated a \$4,000 PILOT would not pose a significant detriment to the project. Mr. Ganahl stated he had not seen the County's reasoning for their 6.1% conclusion. Mr. Kline stated he would have to perform a market study to respond, as he had relied on numbers reported by the developer. Mr. Richardson said numbers quoted at the meeting were intended to be taken in present context, as future years would probably generate higher cap rates. Mr. Ganahl quoted cap rates for the Library Lofts (7.0%); Freighthouse Lofts (6.51%); Market Station (5.75%); and 45 Madison (10%). He explained that Market Station and 45 Madison were 300+ apartment units and would thus have lower cap rates. Mr. Kline replied that Mr. Jagger's figures were calculated post-construction, valuing each unit at \$90,000, while the developer's valuation was \$170,000 per unit. Mr. Richardson explained their valuation was \$170,000, resulting in a \$7.5 million valuation. He then stated that project costs were \$8 million as construction costs in Kansas City were higher than other markets. Even though they were struggling to obtain financing because of such gaps, he said, they believed the Kansas City market was growing. Mr. Richardson stated they had asked the County for a copy of their analysis before submission to the Board and had not refused to discuss the situation.

Mr. Duffy asked for the Board's comments. Mr. Hamilton replied that each scenario was speculative. He said he understood the County's argument of significant negative impact because of tax abatement on multiple projects. Mr. Hamilton continued, stating the other argument was the LCRA's responsibility to encourage development. Mr. Hamilton and Mr. Edwards agreed that full tax abatement should be issued without a PILOT. Mr. Masters responded that the Kansas City School District had projects costing over \$2 million for which they had no funding. Mr. Masters added that maintenance costing over \$200 million had

also been deferred because of lack of funds. It was his understanding, he said, that the developers had agreed to the 6.1% figure at the meeting. Mr. Masters questioned the validity of a project if the developer considered a 5% PILOT to be burdensome. Mr. Duffy said the tax abatement was appropriate as he agreed with Mr. Hamilton's and Mr. Edwards' assessment that the monetary differences were slight. Mr. Duffy added that as Mr. Jagger's report was not prepared to the Board's current standards and the County's unwritten analysis was their only other option, he recommended a 5% PILOT in addition to the tax abatement. Mr. Edwards and Mr. Hamilton stated they had no objection to the PILOT and neither viewed it as burdensome.

Mr. Egan said staff would therefore need guidance from the Board as to how to define and justify cap rates. Mr. Egan stated he could obtain an updated report from Mr. Jagger for the Board to discuss at a public phone conference next week. Mr. Duffy asked Mr. Richardson and Mr. Ganahl if they objected to a delay in the Board's decision or if they preferred to accept the abatement with the 5% PILOT. Mr. Richardson replied that 7 to 10 day delay was acceptable. Mr. Ganahl said a \$4,000 payment was not a deal breaker as he preferred the project proceed rather than terminate. The problem, he said, was to determine how to trim \$4,000 from the project. Mr. Duffy said the Board could recommend a 5% PILOT today conditioned on the cap rate figure used by Mr. Jagger in any updated report. He explained the PILOT would be instituted if the cap rate was at or below market rate. Mr. Edwards stated the Board would not need to meet next week under such circumstance. Mr. Hamilton questioned the validity of taking Mr. Jagger's revised report at face value.

Mr. Egan reminded the Board of the project's disparity between units and parking spaces as well as other mitigating factors, and the City's desire to develop the area. Mr. Duffy replied that risk factors were captured by the market.

ACTION TAKEN: APPROVED THE REDEVELOPMENT CONTRACT WITH CROSSROADS URBAN APARTMENTS, LLC FOR THE MARKET RATE HOUSING PROJECT AT 1914 MAIN STREET IN THE 1914 MAIN STREET URBAN RENEWAL AREA WITH A FIVE PERCENT (5%) PILOT SUBJECT TO THE BOARD'S SUBSEQUENT CONFERENCE CALL, IF ANY, REGARDING THE MATTER. MOTION MADE BY MR. DUFFY, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. 8-1-14)

5. **1915 Main Street Urban Renewal Plan (Proposed)** – *Consideration of Approval of a Redevelopment Contract with FOK, LLC (Bob Long) (Exhibits 5A and 5B)*

Area Description: The 1915 Main Street Urban Renewal Area is located within the block generally bound by East 19th Street on the North, Main Street on the West, West 20th Street on the South, and Walnut Street on the East, in Kansas City, Jackson County, Missouri. The specific addresses are 1915 Main Street, 1917 Main Street and 1918 Walnut Street

Plan Description: The applicant is FOK, LLC.

1915 Main Street, a three (3) story commercial building, has been vacant for several years. It had most recently been occupied by a multi-floor nightclub with a history of legal issues. The proponents' plan calls for a \$2 Million rehabilitation of the existing three (3) story commercial building for renewed commercial office and/or retail use. 1915 Main Street has an appeal for commercial tenants in that it does have its own off-street parking at 1917 Main Street and 1918 Walnut Street. The proponents believe that the downtown streetcar line, as well as the nearby KCATA's MAX stop, will be a major attraction to potential commercial tenants, their clients and customers.

An "in-house" financial analysis of the proposed project was performed by EDC staff. A copy of the report is attached as Exhibit 5A. With no incentives, the proposed project is projected to produce only a 2.71% return in Year 10. With Chap. 99 tax abatement, the project is projected to produce a 10.003% return in Year 10, which is within the desired 9% - 11% range of returns for similar commercial projects.

Staff believes this satisfies the requirements of the LCRA's Workable Program. The proposed project is in conformance with the 1915 Main Street Urban Renewal Plan. A copy of the draft Redevelopment Contract is attached as Exhibit 5B.

Affirmative Action Policy and MBE/WBE Participation: The proponents, FOK, LLC, have submitted a letter of intent to comply.

Taxing Jurisdictions: The applicant and the taxing jurisdiction representatives have agreed on a \$4,000 annual Payment In Lieu Of Taxes (PILOT) beginning in Year Two of the proposed property tax abatement.

Other government/statutory agency action: City Council approved the Finding of Blight and the proposed 1915 Main Street Urban Renewal Plan on August 17, 2014.

DISCUSSION: Mr. Long gave an overview of his staff report. He advised staff would no longer prepare in-house financial reports. Mr. Long then introduced George Cook. Mr. Cook stated the property was acquired about one year ago and had sustained significant blight due to its seven (7) year vacancy. Mr. Cook advised Mr. Hamilton the building would house a first floor retail space and the second and third floors would be offices. Mr. Cook then advised Mr. Duffy that the project's total budget was \$2 Million, which included acquisition costs. Mr. Long stated Mr. Cook and the taxing jurisdictions had agreed upon a \$4,000 PILOT to begin in the project's second year. Mr. Duffy confirmed with Mr. Kline his agreement to the \$4,000 PILOT. Ms. Rayford then confirmed with Mr. Cook his submission of a Letter of Intent. He also advised that no professional expenses had been incurred. Mr. Duffy asked about the percentage of value of the requested PILOT. Mr. Kline responded that it was approximately 7% to 8%. Mr. Long stated Mr. Cook had a few minor changes to the development contract which would be submitted to Mr. Engel. Mr. Duffy requested the staff's recommendation and Mr. Egan advised the Redevelopment Contract with FOK, LLC should be accepted.

ACTION TAKEN: APPROVED THE REDEVELOPMENT CONTRACT WITH FOK, LLC FOR THE COMMERCIAL REHABILITATION PROJECT AT 1915 MAIN STREET IN THE 1915 MAIN STREET URBAN RENEWAL AREA, SUBJECT TO ANY MINOR CORRECTIONS BY THE LCRA DIRECTOR OR LCRA LEGAL COUNSEL. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. 8-2-14)

6. **Hospital Hill North Urban Renewal Plan** – *Consideration of Approval of an Amended and Restated Redevelopment Contract with HDP ONE, LLC (Bob Long and Brian Engel) (Exhibit 6)*

Area Description: The Hospital Hill North Urban Renewal Area is generally bound by the Kansas City Terminal Railway right-of-way the on the North, Holmes Street on the West, East 22nd Street on the South, and 71 Hwy/Bruce R. Watkins Drive on the East, in Kansas City, Jackson County, Missouri. The specific project address is 900 East 21st Street.

Plan Description: The applicant is HDP One, LLC.

The acquisition and rehabilitation of 900 East 21st Street, also known as the City Ice Building, by Overland Investors, LLC was approved by the Authority in 2008. At that time, the property was located within the Hospital Hill II Urban Renewal Area.

In 2010, the portion of the Hospital Hill II Urban Renewal Area north of East 22nd Street and west of 71 Hwy/Bruce R. Watkins Drive was removed from the Hospital Hill II Urban Renewal Area. This area was then included within the new Hospital Hill North Urban Renewal Area. The primary focus of the Hospital Hill North Urban Renewal Area was the creation of a medical and healthcare-related campus with related commercial projects.

Overland Investors, LLC's previously approved Redevelopment Contract and property tax abatement remained in effect through this transition.

The proposed project is in conformance with the Hospital Hill North Urban Renewal Plan. A copy of the draft Amended and Restated Redevelopment Contract is attached as Exhibit 6.

Affirmative Action Policy and MBE/WBE Participation: The proponents, FOK, LLC (*sic*), have submitted a letter of intent to comply.

Taxing Jurisdictions: The assumption of this Redevelopment Contract does not extend or alter the existing property tax abatement.

Other government/statutory agency action: No additional action is required.

DISCUSSION: Mr. Long gave an overview of his staff report, stating that the project was to be developed by DaVita Dialysis. He said the project was assuming the remaining portion of Redevelopment Contract and tax abatement and required no

financial analysis. Mr. Engel then advised Mr. Duffy the tax abatement began in 2011 and would end in 2020. Mr. Engel disclosed his firm represented the current redeveloper but no conflict was created because they were not party to the contract. Mr. Long advised Mr. Duffy the building was originally used as artist studios and work spaces. Mr. Engel said the contract was contingent upon the sale of the property occurring between Overland Investors, LLC and HDP One. Mr. Kochevar confirmed he would contact Ms. Rayford regarding completing affirmative action requirements. Mr. Duffy inquired about the need for a financial analysis because the new project appeared completely different than the old. Mr. Long said the new project conformed wholly to the URP and the remaining tax abatement would be assumed. Mr. Duffy asked why the old development had not proceeded. Mr. Long and Mr. Egan replied that the old project had been completed and the new project would use the same base as the old. Mr. Edwards inquired about the need for a but/for consideration. Mr. Egan confirmed for Mr. Duffy the old project would be demolished. He added that the new project would produce higher taxes for the taxing jurisdictions. Mr. Duffy commented that the tax abatement would be more valuable to a higher taxed entity. Mr. Long stated that the new project's assumption of the existing tax abatement ensured a shorter abatement time versus the initiation of a new abatement. Mr. Duffy stated property owners should not be penalized for improving their property and asked Mr. Egan for his recommendation. Mr. Egan replied that if Truman Medical Center had the financial means to build the project, it would be exempt under 501(c)(3) rules. The new project would also have monetary value to the neighborhood and the City, he said, as it would employ higher paid employees thus incurring higher earnings taxes. Mr. Egan concluded by stating that the URP was created to encourage this type of development. Mr. Edwards and Mr. Hamilton had no objection to Mr. Egan's conclusions.

ACTION TAKEN: APPROVED THE AMENDED AND RESTATED REDEVELOPMENT CONTRACT WITH HDP ONE, LLC WITH MINOR CHANGES AS MAY BE MADE BY COUNSEL FOR THE COMMERCIAL REDEVELOPMENT PROJECT AT 900 EAST 21ST STREET IN THE HOSPITAL HILL NORTH URBAN RENEWAL AREA CONTINGENT UPON CLOSING THE SALE OF THE PROPERTY. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. 8-3-14)

7. **Faxon School Senior Housing Urban Renewal Plan (Proposed)** – *Consideration of Approval of a Finding of Blight and the proposed Faxon School Senior Housing Urban Renewal Plan (Bob Long) (Exhibit 7)*

Area Description: The proposed Faxon School Senior Housing Urban Renewal Area is located in the northern portion of the block generally bound by East 37th Street on the North, Paseo Boulevard on the East, East 38th Street on the South, and Virginia Avenue on the West, in Kansas City, Jackson County, Missouri. The specific address is 3710 Paseo Boulevard.

Plan Description: The proponent of the Faxon School Senior Housing Urban Renewal Plan is Faxon School Apartments, LLC.

The proponents' plan calls for an \$8 Million historic rehabilitation of the existing vacant Faxon School building into approximately 46 affordable apartments for income- and age-eligible residents. The proponent will utilize a private first mortgage, 4% low-income housing tax credits, Federal and state historic investment tax credits, HOME and Brownfields funds, and equity to finance the acquisition and rehabilitation of this long-vacant former school. This project will provide much-needed affordable housing for low-/mod.-income senior citizens within this portion of Kansas City's urban core.

EDC staff prepared a blight analysis of the Plan Area. A summary of the blight study findings reveals that:

- The existing surface parking lot, stairs and walkways are deteriorating;
- There is deterioration of exterior masonry, windows and doors;
- There is gang-graffiti and litter;
- There are no active gas or electrical connections;
- There is asbestos and lead paint throughout the interior;
- Copper wiring and pipes have been stripped from the building;
- Two interior stairways have been removed;
- There is water damage to existing wood floors; and
- The previous property owner left a partial interior remodeling unfinished.

The blight study can be found in Exhibit F of the draft Plan. Staff believes that blighting conditions exist.

The Plan Area lies completely within the Oak Park North Area Plan, which shows this property within the Public/Semi-Public land use category. The Oak Park North Area Plan is being amended to show Medium-Density Residential as the recommended land use. The project is rezoning to Urban Redevelopment (UR).

To redevelop Faxon School for affordable senior housing, the Plan's proponents believe that assistance from the Land Clearance for Redevelopment Authority (the "Authority"), consisting of real property tax abatement, will present opportunities to redevelop the Faxon School property by stimulating and facilitating private investment in an affordable senior multifamily residential use. The Faxon School Senior Housing Urban Renewal Plan will facilitate this project.

Affirmative Action Policy and MBE/WBE Participation: The proponent, Faxon School Apartments, LLC, met with Melinda Gaul, the EDC's MBE/WBE Compliance Officer, to discuss the project. A letter of intent to comply has been submitted.

Taxing Jurisdictions: A copy of the project information, financial analysis and draft staff report will be sent to the taxing jurisdiction representatives for a meeting with staff and the developer prior to the Authority's consideration of a Redevelopment Contract.

Other government/statutory agency action: The City Planning Commission approved the proposed Urban Renewal Plan on August 19, 2014. City Council will also need to approve the Finding of Blight and the proposed Faxon School Senior Housing Urban Renewal Plan.

DISCUSSION: Mr. Egan confirmed the school was no longer owned by the Kansas City School District. Mr. Long gave an overview of his staff report and then introduced Dan Moye of Sunflower Development. Mr. Moye confirmed for Mr. Duffy that the property had been vacant for 15 years and had sustained little comparative vandalism due to its fortress-like appearance and open façade. Mr. Hamilton commented that the building should be considered blighted as it had been abandoned for 15 years. Mr. Duffy inquired about the need for rezoning. Mr. Long replied that City ordinance required rezoning to UR any time public incentives were used. He added that rezoning was required because the current zoning line ran through the middle of the property, dividing it into two different residential categories. Mr. Long also confirmed for Mr. Duffy he would ensure neighborhood notification and participation in approval of the project. Mr. Moye replied to Mr. Duffy, advising that the project costs were \$8 million and that Mr. Jagger's financial analysis indicated returns under market expectation. Mr. Duffy and Mr. Egan then discussed the need for two different financial analysis criteria for market and tax credit deals. Mr. Moye stated he expected the project's affirmative action goals to meet or exceed LCRA's requirements because of previously met Home Funds and Brownfields funding. Mr. Moye advised the project had undergone prior development to develop a VA call center. He explained that once the neighborhood withdrew their support from the call center, the VA abandoned the project even though its developer had initiated demolition proceedings on the building.

ACTION TAKEN: APPROVED THE FINDING OF BLIGHT IN THE PROPOSED FAXON SCHOOL SENIOR HOUSING URBAN RENEWAL PLAN. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. 8-4-14)

APPROVED THE FAXON SCHOOL SENIOR HOUSING URBAN RENEWAL PLAN AND FORWARDING TO CITY COUNCIL FOR CONSIDERATION. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. 8-5-14)

8. Executive Director's Report

- a. **Administrative** - *Active Case Tracking System Report* (Joe Egan) (Exhibits 8A-1 and 8A-2)

DISCUSSION: Mr. Duffy asked to defer the Active Case Tracking System Report to the Board's next monthly meeting. Mr. Egan had no objection.

ACTION TAKEN: TABLED UNTIL THE BOARD'S SEPTEMBER 24, 2014 MEETING.

- b. **Affirmative Action Subcommittee Report** (Sandra Rayford) (Exhibits 8B-1, 8B-2, and 8B-3)

Open/Pending Projects - This is a current status report of open and pending projects.

- **Seven Oaks Estates** - As of the ending of July 2014, the project is in the punch list phase of completion with final payouts not completed yet. Based upon their current payments and the contracts provided the Developer will satisfactorily meet their goals. The Developer has already begun the lease-up phase for the project.
- **13th & Locust URP/Interstate Building** - This project has not reported any activity to date.
- **911 Main/Commerce Bank Building** - The Developer has received their assigned goals for Professional Services and has begun soliciting proposals for Professional Services for the design work. They have indicated that once the design professionals are in place and have completed their work, they will then be able to submit a budget for the anticipated Construction Services costs to have goals assigned for that piece.
- **220 Admiral/Buick Lofts** - Mr. Hedgepath is still waiting for Human Relations to make a decision on the request for Modification/Substitution he submitted in April of this year regarding the WBE that backed out of their contract. This occurred at the beginning of the rehab work on the project. Meanwhile some minor rehab has occurred and I have requested that he provide a full reporting of the construction activity so far.
- **1048-1050 East 5th Street/Reavey Law Firm** - Staff has been in contact with Mr. Reavey. He advises no changes have occurred since the last report. He has not submitted a budget and has had no funds to work on the project in the last couple months.
- **900 Baltimore/Cosby Hotel** - There has been a turnover of staff for the Developer and a report for July 31, 2014 has not been submitted to date. A request has been made to the Developer. Construction is complete, but final payouts have not been made.

- **Ambulatory Care Center – Truman Medical Center** – Professional Services has begun on this project and a report for the month ending July 2014 is enclosed with the Executive Summary report.
- **Holy Temple Homes/St. Michael’s Veteran’s Center** -- A reporting of the payment activity for this project is included in the MBE/WBE Executive Summary.
- **Morningstar Life and Family Center** - Professional Services goals were assigned on August 12, 2014 by HRD at 16% MBE and 8% WBE against a budget of \$2,439,470. A copy of the assigned goals is enclosed with your board packet for your approval.
- **Columbus Park Redevelopment Project** - A Contractor Utilization Plan along with Letters of Intent have been submitted and approved by the Human Relations Department for Professional Services. No reports have been submitted to date.
- **801 Walnut/Gumbel Building** – No activity has been reported yet on this project.
- **3630 Gillham Park Row** – No activity has been reported yet on this project, but staff is following up with the Developer.
- **Oak Point** – Construction Services goals were assigned to this project by HRD at 17% MBE and 11% WBE against a budget of \$5,580,745. A copy of the goal assignment form is enclosed with your board packet for your review.

The aforementioned listing of projects represents the ones that I am immediately aware of and their status to my knowledge. I will update the Subcommittee periodically on the status of communications with the Developers for each of these projects, because they are all small and have the potential of starting quickly and being complete within a matter of a few months without compliance with the Affirmative Action Policies. EDC staff and Human Relations Department have met with each and every one of them, so they have been thoroughly advised of their obligations and have made commitments to comply

DISCUSSION: Mr. Duffy asked to defer the Affirmative Action Subcommittee Report to the Board’s next monthly meeting. Ms. Rayford had no objection.

ACTION TAKEN: TABLED UNTIL THE BOARD’S SEPTEMBER 24, 2014 MEETING.

9. **Other Business**

a. **MEDFA 2014 Annual Conference** (Joe Egan) (**Exhibit 9B**)

DISCUSSION: Mr. Egan briefly described the benefits of being a silver sponsor of the conference.

ACTION TAKEN: APPROVED LCRA PURCHASING A SILVER SPONSORSHIP AND STAFF ATTENDANCE AT THE MEDFA 2014 ANNUAL CONFERENCE. MOTION MADE BY MR. DUFFY AND CARRIED UNANIMOUSLY.

b. **Gailoyd Release of Redevelopment Contract** (Joe Egan and Brian Engel) (**Exhibit 9C**)

DISCUSSION: Mr. Engel stated Gailoyd Enterprises Corporation has contracted with Northpointe, a local developer, to purchase the Power & Light building. He explained that Northpointe has advised it wishes to terminate the Redevelopment Agreement pursuant to an Agreement amendment allowing a potential buyer to do so. Mr. Engel advised Gailoyd has therefore submitted notice and a proposed release to LCRA. He added that the tax abatement was never issued as work was never performed under the original contract. Mr. Engel also advised Mr. Duffy the release would have the same effect as a termination. Mr. Hamilton recused himself.

ACTION TAKEN: APPROVED RELEASE OF REDEVELOPMENT AGREEMENT DATED MARCH 31, 2009 AND ANY SUBSEQUENT AMENDMENTS THERETO BETWEEN LCRA AND GAILOYD ENTERPRISES CORPORATION REGARDING THE POWER & LIGHT BUILDING. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY, WITH MR. STEVE HAMILTON ABSTAINING. (*RES. 8-6-14*)

c. **Real Estate Contract – Columbus Creative Lofts, LP** (Joe Egan) (**Exhibits 9D-1 and 9D-2**)

Columbus Park Development LP, in partnership with Prairie Fire LLC, will be submitting an application for LIHTC's to build 108 apartments within the Columbus Park/G-III Development site – 54 units, affordable, 54 market rate. The application to MHDC must include proof of site control, the offer amount of \$600,000 exceeds the per square foot price previously set by the LCRA Board.

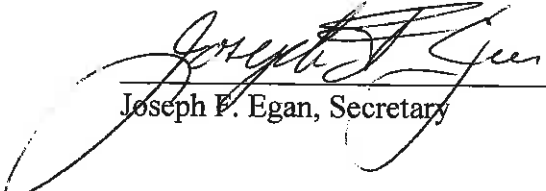
DISCUSSION: Mr. Egan advised the Board had previously approved the initial phase of the development. He introduced Mr. Musser and Mr. Hrabe. Mr. Duffy recused himself because of a Legal Aid practice and Mr. Hamilton assumed the chair. Mr. Musser gave an overview of the project, stating the City had committed \$1.8 Million overtime funding for infrastructure

development, which was currently in the City's hands for review. He explained a new 50/50 partnership was being formed between Columbus Park Developers and Prairie Fire to develop the two projects – (1) market rate and (2) tax credit project. Mr. Musser said the 112 market rate units would be built in multiple phases. He advised the 108 tax credit and market rate units were contingent on approval of the tax credit. Mr. Hamilton inquired about the identity of the buyer. Mr. Hrabe responded that the entity would be named Columbus Park Creative Lofts. Mr. Hamilton then asked about the reasons site control was not already shown. Mr. Musser stated site control was shown through the redevelopment agreement but Columbus Park also needed to show an agreed upon option or sale price. Mr. Hamilton confirmed with Mr. Egan the inevitable future sale of the property to Columbus Park by LCRA.

Mr. Engel stated several modifications and determinations needed to be made to the contract prior to LCRA's approval. These conditions, he explained, included transfer of the property "as is" and the City's preconditions for transfer of the property. Mr. Hamilton then asked about the timing of the project. Mr. Hrabe replied that the tax credit application would be submitted next Friday to MHDC and hopefully approved by January or February. Mr. Hamilton stated the contract did not appear to be ready for approval. Mr. Engel said the Board could approve the contract contingent upon legal counsel's review and approval. Mr. Musser and Mr. Hrabe had no objection to a slight delay in approval or consideration of legal counsel's modifications. Mr. Edwards stated he had no objection to approving the contract under Mr. Engel's conditions.

ACTION TAKEN: APPROVED A REAL ESTATE CONTRACT BETWEEN THE AUTHORITY AND COLUMBUS CREATIVE LOFTS, LP NEGOTIATED BY LCRA LEGAL COUNSEL. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. 8-7-14)

There being no further business, the meeting was adjourned at 12:37 p.m.



Joseph E. Egan, Secretary

BOARD MEETING MINUTES

DATE: October 29, 2014
TIME: 9:30 a.m.
PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

1. Roll Call

Present: Michael Duffy
Steven Hamilton
Gabriel Okafor
James White

Absent: Daniel Edwards

Staff/Guests: Joseph Egan, LCRA
Susan Tumey, LCRA
Carl Boyd, EDC
Robert Long, EDC
Sandra Rayford, EDC
Lee Williams, EDC
John Bennett, Jr., Butler Brothers Lofts, LLC
Dan Moye, Faxon School Apartments, LLC
Tonya Caffrey, Integra
Melissa Lem, Integra
Vicky Tucker, Squier Park Neighborhood Association representative
Brian Engel, White Goss
Patricia Jensen, White Goss

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum was present.

2. **Administrative** – *Review and approval of Meeting Minutes (Exhibit 2)*

Minutes of the August 27, 2014 meeting were provided for review prior to the meeting. No changes were required.

ACTION TAKEN: APPROVED THE AUGUST 27, 2014 MINUTES AS PRESENTED.
MOTION MADE BY MR. WHITE, SECONDED BY MR.
HAMILTON, AND CARRIED UNANIMOUSLY.

3. **Financial** - *Review and acceptance of Financial Report for the Months of August and September 2014 (Lee Williams) (Exhibit 3)*

Mr. Williams gave a brief overview of the draft financial report for the months of August and September, 2014, which was included for review prior to the meeting.

DISCUSSION: Mr. Williams stated August's cash balance was \$58,629, with \$29,713 restricted cash and \$28,916 unrestricted cash. He advised Item B, the fluctuation analysis revenue, was higher than the previous fiscal year due because of the Arco development and tax abatement fees from Seven Oaks Estates. Item M, he said, was also higher because of the sale of 2436 Tracy and 2446 West Paseo in May 2014. Mr. Duffy asked for an update regarding the audit report. Mr. Williams replied that the auditors were still requesting additional information, specifically about LCRA property values and amounts reported in the next fiscal year. Mr. Duffy then inquired as to why the audit was still ongoing. Mr. Williams replied that the audit for each EDC agency would be finalized at the same time rather than separately.

Mr. Duffy asked when the City would take over the accounting for the TIF agency. Mr. Williams said the City takeover was expected for May 1, the beginning of the next fiscal year. Mr. Williams also advised Mr. Duffy the second audit firm was brought in mainly because of staff turnover to assist with only issues encountered in the TIF audit. Mr. Duffy then asked if Mr. Williams could assure that TIF or any other issues would not impact the LCRA audit. Mr. Williams advised Mr. Duffy to speak with the controller, Ms. Johnson, regarding such matters.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR AUGUST, 2014 AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

FURTHER DISCUSSION: Mr. Williams said September's cash balance was \$70,269 with \$29,713 restricted and \$40,000 unrestricted. He stated the current cash balance was \$46,878, with \$29,713 restricted and \$17,165 unrestricted. Mr. Williams noted Item C, the fluctuation analysis, was higher this year because of Columbus Park income draws due from the City for \$145,000. He stated the MARC Grant, Item E, was lower as it was originated in 2013, fully funded in fiscal year 2014, and would probably not have any activity in fiscal year 2015. Mr. Williams stated the legal services figures in Item I were higher because of fees related to 2121 Charlotte. The closing costs in Item L, he said, were lower because of the sale of the 24th and Troost properties in September 2013. Mr. Williams concluded by stating that Item O, return to City amounts, were lower primarily because of Beacon Hill student housing costs.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR SEPTEMBER, 2014 AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

4. **Linwood-Prospect URA** - *Consideration of Disposition of 2747 Prospect (a/k/a 2600 East 28th Street) to Morningstar Development Corporation (Joe Egan) (Exhibits 4A, 4B, and 4C)*

As directed by the City Manager's office (Exhibit 4B), the LCRA staff recommends issuing a special warranty deed (Exhibit 4B) to Morningstar Development Company for One Hundred Dollars (\$100.00). This was the same remuneration for a previous property disposition from LCRA to Morningstar (Exhibit 4C). Staff researched County records and found no current liens and, therefore, title work is not necessary.

DISCUSSION: Mr. Egan stated LCRA had purchased the former gas station to do remediation and hold it for future development on behalf of the City. He said the City was now requesting, per the City Manager's letter, that LCRA release the property to Morningstar Corporation on similar terms as past sales. Mr. Egan then noted Exhibit 4C showing a similar 2006 sale for \$100 plus closing costs. He also clarified for Mr. Duffy that no back taxes would be due because of LCRA's many years of ownership. Mr. Page stated the City appreciated the LCRA's many years of assistance in acquiring properties in the area.

Mr. Duffy asked if the URP was recorded with the Recorder of Deeds as he would recommend condition 2 on the quitclaim deed. Mr. Egan replied that the Plan was formulated before his employment with the LCRA so he was unsure if the Plan had been recorded. Mr. Duffy said if the Plan was recorded, the quitclaim deed should note the same. Mr. Hamilton noted that Morningstar should be notified of the distinction between a quitclaim and special warranty deed as the former gave them no warranty of title. Mr. Page stated he would notify Morningstar that a quitclaim deed would be used rather than the special warranty deed recommended by the City Manager. Mr. Egan stated that, as the LCRA had owned the property for several years, issuing a special warranty deed would probably not be a problem. Mr. Duffy replied that if any problems arose prohibiting LCRA's use of a quitclaim deed, the developer should obtain title insurance. Mr. Engel said most title companies would not issue insurance on a quitclaim deed and the LCRA could use a special warranty deed if it was limited to the time of LCRA's ownership.

ACTION TAKEN: APPROVED SALE OF 2747 PROSPECT (A/K/A 2600 EAST 28TH STREET) BY QUITCLAIM DEED TO MORNINGSTAR DEVELOPMENT CORPORATION FOR ONE HUNDRED DOLLARS (\$100.00) PLUS CLOSING COSTS. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY. (RES. 10-01-14)

5. **Faxon School Senior Housing Urban Renewal Plan** – *Consideration of Approval of a Redevelopment Contract with Faxon School Apartments, LLC (Bob Long) (Exhibits 5A and 5B)*

Area Description: The Faxon School Senior Housing Urban Renewal Area is located in the northern portion of the block generally bound by East 37th Street on the north, Paseo Boulevard on the east, East 38th Street on the south, and Virginia Avenue on the west, in Kansas City, Jackson County, Missouri. The specific address is 3710 Paseo Boulevard.

Project Description: The applicant is Faxon School Apartments, LLC.

The applicant's plan calls for an \$8 Million historic rehabilitation of the existing vacant Faxon School building into approximately 46 affordable apartments for income- and age-eligible residents. The proponent will utilize a private first mortgage, 4% low-income housing tax credits, Federal and state historic investment tax credits, HOME and Brownfields funds, and equity to finance the acquisition and rehabilitation of this long-vacant former school. This project will provide much-needed affordable housing for low-/mod-income senior citizens within this portion of Kansas City's urban core.

A financial analysis of the project was performed by Integra Realty Resources, Inc. (copy attached). The financial analysis shows that the project would generate a 1.29% yield without any incentives. With HOME funds and tax credits, the project would generate a 7.18% yield. With HOME funds, tax credits and Chap. 99 property tax abatement, the project would generate a 7.83% yield. Integra believes that the market would expect a 10.00% yield for this project.

Staff believes that the financial analysis demonstrates that the project conforms to the Authority's "Workable Program." Staff also believes that the proposed project is in conformance with the proposed Faxon School Apartments Urban Renewal Plan. The proposed Redevelopment Contract is attached for the Authority's consideration.

Affirmative Action Policy and MBE/WBE Participation: The proponent, Faxon School Apartments, LLC, met with Melinda Gaul, the EDC's MBE/WBE Compliance Officer at that time, to discuss the project. A letter of intent to comply has been submitted.

Taxing Jurisdictions: The project information, financial analysis and draft staff report were sent to the taxing jurisdiction representatives for a Friday, September 19 meeting with staff and the developer. The developer has agreed to an annual PILOTS contribution of \$3,100 to the taxing jurisdictions.

Neighborhood: The Squier Park Neighborhood Association provided a letter of support for the applicant's rezoning application. Staff notified the President of the Squier Park Neighborhood Association of this meeting and of staff's intent to recommend approval of a Redevelopment Contract.

Other government/statutory agency action: City Council has approved the Finding of Blight and the proposed Faxon School Senior Housing Urban Renewal Plan.

DISCUSSION: Mr. Egan introduced Dan Moyer as a representative of the developer. Mr. Long gave an overview of his staff report. He then introduced the representative from Integra, Vicky Caffrey. Mr. Long said the developer had already agreed to an annual PILOT payment of \$3,100 to the taxing jurisdictions. Mr. Moyer advised Mr. Duffy the PILOT was 10% of the abatement value. Mr. Long said the developer had worked closely with the neighborhood associations since the initiation of the project. Ms. Tucker, a neighborhood representative, affirmed Mr. Moyer's efforts to include the various neighborhood associations in the benefits provided by the project to its tenants. Ms. Caffrey then testified that the acquisition price of \$485,000 represented \$10,600 per unit. Mr. Moyer advised Mr. Duffy that the acquisition price was paid to the previous owner who had purchased it from the school district. Ms. Caffrey also advised Mr. Duffy that the purchase price was commercially reasonable and was based on comparable shell buildings in similar conditions. Mr. Duffy then inquired about the positive value of the project if it could not be developed without extensive public incentives. Mr. Moyer responded that the building was purchased for \$85,000 and the remaining \$400,000 was used to purchase historic windows already located in the building but not installed. Ms. Caffrey confirmed with Mr. Duffy that \$400,000 of the \$485,000 purchase price would therefore be moved to hard costs. Mr. Moyer stated the change would not impact the remainder of the contract.

Mr. Moyer then explained that the project was to be a 46-unit senior housing. He added that income requirements would be 60% AMI with two units at 50% because of the use of HOME funds. He also advised Mr. Duffy that the ten percent (10%) PILOT had been approved by the project's national investor in response to Mr. Kline's, request for the same. Mr. Moyer added that Mr. Kline had not specified an amount for the PILOT payment. Mr. Duffy asked if Mr. Kline had provided any documentation of the project's ability to absorb the impact of a PILOT payment, given its minimal amount of return. Mr. Moyer responded that the developer had not asked for supporting documentation and, as its underwriters were willing to take the increased risk caused by the PILOT, the developer did not object to such payment.

Mr. Duffy asked for further Board comment. Mr. Okafor responded that he lived nearby and the building had been a large part of the blight in the Squier Park neighborhood. Mr. Duffy said the financial analysis appeared to justify the tax abatement but objected to any enforcement of the taxing jurisdiction's PILOT payment. He recommended the exclusion of any PILOT payment language from the Redevelopment Agreement to ensure LCRA had no liability for its collection or distribution. Mr. Engel said he had included language in the agreement to anticipate procedures which were not yet fully in place. He explained that the PILOT agreement would be a separate agreement between the developer and the taxing jurisdictions. Mr. Moyer confirmed for Mr. Duffy that there was no current written agreement between the developer and the taxing jurisdictions concerning the PILOT. He added that the taxing jurisdictions were uncomfortable in entering into a separate agreement as it would require the County to seek legislative approval. Mr. Okafor commented that the project should go forward if the developer was willing to pay the PILOT. Mr. Duffy agreed and stated the developer's agreement with a separate entity did not need to be included in the LCRA contract. Mr. Duffy stated he assumed no County representative was present at today's meeting because they

believed an agreement was already in place. Mr. Engel said the City had similar past agreements with developers and had collected the PILOTS. Because of staff turnover, however, he said the City no longer wished to be responsible for PILOT billing or collection. Mr. Engel added that if the taxing jurisdictions were requiring the PILOT payment, which was being paid to them, they should be responsible for its collection. Mr. Okafor asked about the exclusion's impact on the developer. Mr. Moye replied that he would discuss the matter with the taxing jurisdictions but any agreement with them would have no impact on the developer's agreement with LCRA.

Mr. Duffy and Mr. Engel then discussed the proposed boilerplate language in Article 6 of the contract regarding clawback provisions. Mr. Engel stated the language was in response to developer requests to clarify what breach would cause a clawback. Mr. Duffy said the Board had agreed to such language in the Truman Medical contract to ensure their public mission. He advised he was not automatically amenable to its inclusion in all future agreements. He stated he would eliminate "continuous" from the phrase "the property is cited for repeated continuous and uncured violations of the property maintenance code" in sub-item 2. Mr. Duffy said he would also reword the next sentence in the same section as any legitimate code violation could be described as "seriously and adversely affect[ing] the public health, safety, morals, and welfare." He suggested the phrase "if code violations affecting nearby property owners or residents of any description" as sufficient. Mr. Okafor agreed, stating that once the City cited a property, a determination that it impacted its neighbors' health or safety was not required. Mr. Hamilton questioned if a violation became material if it remained uncured. Mr. Duffy used the example of a torn screen being a violation but not sufficient to justify a clawback. Mr. White stated the torn screen could be symbolic of a lack of maintenance. Board members agreed on the inclusion of the phrase "uncured violations" as boilerplate language in LCRA contracts. Mr. Hamilton stated any qualifier would initiate an argument. Mr. Egan added that imposition of a clawback required Board approval which ensured a developer had time to either cure the violation or argue why the clawback should not be initiated. He recommended using only the phrase "material uncured violations" and not adding the language "seriously affecting...." Mr. Duffy advised "repeated and continuous" everything after "maintenance codes" could therefore be deleted.

ACTION TAKEN: APPROVED BOILERPLATE LANGUAGE FOR REDEVELOPMENT CONTRACTS AS AMENDED. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. 10-02-14)

FURTHER DISCUSSION – Mr. Engel advised the definition of "term" should also be addressed as it was referenced in the boilerplate language regarding the length of the contract. He advised that the terms of redevelopment contracts were typically tied in the past to the life of the urban renewal plan. He explained that some plans were self-renewing or had multi-year terms which would unnecessarily extend LCRA's responsibilities under the redevelopment contract. Mr. Engel proposed changing the standard language to limit LCRA's monitoring responsibilities to five (5) years after the termination of the redevelopment contract. Mr. Egan then recommended the Board

approve the Redevelopment Contract with Faxon School Apartments, LLC as amended. Mr. Engel confirmed with Mr. Duffy the PILOT language should also be deleted from the Faxon Redevelopment Contract.

ACTION TAKEN: APPROVED REDEVELOPMENT CONTRACT AS AMENDED WITH FAXON SCHOOL APARTMENTS, LLC. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. 10-03-14)

6. Butler Brothers Lofts – 804 Broadway – Central Business District Urban Renewal Plan – Consideration of Approval of a Redevelopment Contract with Butler Brothers Lofts, LLC (Bob Long) (Exhibits 6A, 6B and 6C)

Area Description: The Central Business District Urban Renewal Area is generally bound by EI-35/70 on the north, Oak Street on the east, I-670 on the south, and I-35 on the west, in Kansas City, Jackson County, Missouri. The specific address is 804 Broadway.

Project Description: The applicant is Butler Brothers Lofts, LLC.

The applicant's project is a \$5 Million historic rehabilitation of the vacant Butler Brothers building into 30 apartments. The applicant will utilize a first mortgage, Federal and state historic investment tax credits, a Neighborhood Improvement Fund grant from the 11th Street Corridor TIF, and equity to finance the acquisition and rehabilitation of this commercial building. This project will provide 30 one-bedroom market-rate apartments within the historic Garment District of the Central Business District.

A copy of the financial analysis by Integra Realty Resources, Inc. is attached. It shows the project would generate a negative 0.01% return without any incentives. With Federal and state historic tax credits only, the project would generate a 5.24% return. With Federal and state historic tax credits and Chap. 99 property tax abatement, the project would generate a 6.59% return. With Federal and state historic tax credits and PIEA/Chap. 353 property tax abatement, the project would generate a 7.02% return. Integra believes that the market would expect an 8.00 - 10.00% return for this type of project.

It would require the applicant to spend additional funds and take additional time to pursue creation of a PIEA or Chap. 353 Plan for that property tax abatement. The applicant has, instead, chosen to seek Chap. 99 tax abatement through the Authority.

Staff believes that the financial analysis demonstrates that the project conforms to the Authority's "Workable Program." Staff also believes that the proposed project is in conformance with the Central Business District Urban Renewal Plan. The proposed Redevelopment Contract is attached for the Authority's consideration.

Affirmative Action Policy and MBE/WBE Participation: The proponent, Butler Brothers Lofts, LLC, met with Sandra Rayford to discuss the project. A letter of intent to comply has been submitted.

Taxing Jurisdictions: The project information and financial analysis were provided to the taxing jurisdiction representatives by the developer.

Neighborhood: EDC staff has discussed the proposed project with representatives of the Downtown Neighborhood Association.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Duffy advised that Mr. Engel would not represent the LCRA regarding the Butler Brothers Lofts matter because of a conflict of interest. Mr. Long introduced John Bennett, Jr. as a representative of the developer and then gave an overview of his staff report. Mr. Long advised 804-808 Broadway was part of Project N of the 11th Street Corridor TIF Plan activated in 2002. He explained that the 11th Street TIF Plan contained no project information, had no redevelopment contract, and did not designate a developer for Project N. Mr. Duffy asked if the TIF Commission approved a grant for the area. Mr. Long replied grants had been approved but were separate because of the property's location in the 11th Street Corridor and its eligibility for Neighborhood Improvement Funds Grant Program. Mr. Long said TIF had also approved a \$150,000 façade improvement grant this year for this project. Mr. Long said LCRA may want to recommend the termination of Project N as it was beyond its 10 year clock and had not benefitted the project beyond the façade grant. He stated that any surplus allocation fund balance attributable to Project N could therefore be surplussed to the taxing jurisdictions. Mr. Long advised the Downtown Neighborhood Association was very supportive of the project.

Ms. Jensen introduced herself as a representative of the developer. She stated the developer had met with the taxing jurisdictions, primarily Chris Kline of Jackson County. Ms. Jensen said Mr. Kline advised that the taxing jurisdictions had no objection to Butler Brothers' tax abatement request as long as the building was removed from the TIF Plan. Ms. Jensen advised the developer had no objection to the building's removal. Mr. Duffy inquired about the consequences for the project if the building was removed from TIF. Ms. Jensen advised the \$150,000 façade grant would still be received but the primary effect would be EATS would not go into the special allocation fund. As the project was not residential, she said, the EATS were not substantial and, as the Butler Brothers were not the designated developer for the project, they would not receive such funds. Ms. Jensen advised Mr. Kline had discussed the removal of the building with Ms. Brown, the executive director of TIF, and LCRA's recommendation was not necessary. She said Mr. Klein was skeptical of the financial analysis and the developer's inability to pay a PILOT. Mr. Klein advised her yesterday, however, that a PILOT would not be requested if the developer did not object to the project's removal from TIF. Ms. Jensen said she also had no objection to the boilerplate changes discussed in Item 5.

Mr. Duffy asked why the developer chose LCRA over Chapter 353. Ms. Jensen replied that the 353 process was more costly, time consuming, and involved prevailing wage issues. Mr. Engel recommended approval of the Butler Brother Lofts Redevelopment Contract as amended per the boilerplate changes approved in Item 5. Mr. Hamilton suggested Mr. Duffy review the revised contract to ensure such changes were made.

ACTION TAKEN: APPROVED REDEVELOPMENT CONTRACT AS AMENDED WITH BUTLER BROTHERS LOFTS, LLC. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. WHITE AND CARRIED UNANIMOUSLY. (RES. 10-4-14)

7. Executive Director's Report

a. Administrative - Active Case Tracking System Report (Joe Egan) (Exhibit 7A-1 and 7A-2)

DISCUSSION: Mr. Egan stated the EDC was attempting to incorporate each agency's tracking system into one primary tracking system. He advised the 1914 and 1915 Main redevelopment contracts had been executed. Mr. Egan advised two houses had been completed in the Tracy Infill project, one of which had been sold while the other remained on the market. He explained the need for going through the Department of Natural Resources because of gas station contamination regarding the Board approved sale of 501 Troost. Mr. Egan said the Columbus Park Infrastructure planned to break ground in November. He stated the 2121 Charlotte and Prospect projects were proceeding smoothly. Mr. Engel advised Mr. Duffy that the legal bill for 2121 Charlotte was approximately \$35,000.

Mr. Egan then advised the LAMP project had recently closed on New Market Tax Credits (NMTC). He said the City, HUD, and MHDC were debating covenants to record regarding the Oak Point project, as HUD wanted their liens in first place which Sterling Bank opposed. Mr. Egan added linking the Faxon School site to the Oak Point project had been discussed but the City had resolved the issue so as to not hold up closing. He advised the City had issues with HUD regarding replacement housing and confirmed for Mr. Duffy that Oak Point would be counted as some of the replacement units. Mr. Egan then stated that Central Bank was not renewing its lease within the Uptown Shoppes. He advised Mr. Duffy that Uptown was currently seeking a new tenant to replace Central Bank.

Mr. Okafor inquired about the purpose of the Linwood project. Mr. Egan replied that the site entailed social services such as out-patient alcoholism counseling. He explained the project sought tax abatement because it was using NMTCs which would benefit the buyer but would expire in seven (7) years. Mr. Duffy then asked about the status of the YMCA on Paseo. Mr. Egan replied that OG Investments had taken the lead in developing the site. He explained that the Kansas City Community Development Entity was moving into the space and the Negro Baseball Museum was using it for storage, overflow, and as an educational facility.

Mr. Duffy asked about the three (3) proposals listed on the pending board action exhibit. Mr. Egan said Arterra was a freight house district superfund site as the previous building was used to decontaminate large machinery. He explained that demolition of the building required it to be chopped into blocks and sealed in plastic. He advised that the question was if the site remained blighted once the building was

removed. Mr. Egan next advised that the Foutch Brothers planned to renovate the Switzer West School area. Mr. Duffy said he would have to recuse himself from any discussions involving the Foutch Brothers because of a conflict of interest. Mr. Egan replied the matter would probably come before the Board in November or December. Mr. Egan then discussed the Key Coalition's desire to expand the Urban Renewal Area to include the old grocery store, library, and a residential area. He added that the current blight study of the area was also being amended to assess TIF possibilities for the old grocery store.

b. **Owner-Occupied Duplex Policy** (Joe Egan) (**Exhibit 7B**)

This proposal expands the LCRA's position regarding owner-occupied single family housing. In the past, the Board approved providing ministerial tax abatement to single family, owner-occupied, single or two-unit buildings in which the owner lived in one unit and used the other unit as his/her business. Treating the owner-occupied duplexes like large multi-family structures is cost prohibitive for the owner.

DISCUSSION: Mr. Egan advised that the Board had previously approved a policy allowing ministerial approval of tax abatements for single-family owner-occupied two unit buildings where one unit was a business and its owner was in the second unit. For tax abatement purposes, Mr. Egan proposed the modification of the definition of an owner-occupied residence to include a single rental unit constituting an owner-occupied duplex and no other. He also proposed that the tax abatement be handled ministerially without the need of a financial analysis. He explained that financial analyses could not be performed because of the nominal impact of rental income. Mr. Duffy requested Board comment on Exhibit 7B and receiving none, put the matter to a vote.

ACTION TAKEN: APPROVED AMENDMENT TO THE LCRA OWNER-OCCUPIED DUPLEX POLICY AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY. (RES. 10-5-14)

c. **Affirmative Action Subcommittee Report** (Sandra Rayford) (**Exhibits 7C-1 and 7C-2**)

Open/Pending Projects - This is a current status report of open and pending projects.

- **Seven Oaks Estates** – Current payments reporting have been timely and are up to date and the MBE/WBE Goals appear to have been met satisfactorily. A final Waiver of Lien Agreement has also been processed and based upon all information received the Developer will satisfactorily meet their goals.
- **13th & Locust URP/Interstate Building** – A tentative budget has been submitted to HRD and Professional Services Goals have been assigned. Staff was recently informed that the project manager/developer of the 801 Walnut/Gumbel Bldg. project has gained development control of this project. Details of any changes regarding development of this project are forthcoming.

- **911 Main/Commerce Bank Building** – The Developer reported that regarding MEP design assist bidding – all bidding has been received. De-scoping of the MEP design assist bids will occur the week of 10/20/14. Interviews of the MEP design assist bids will occur the week of 10/27/14./The drywall package is being drawn and is behind schedule. Bidding notices will go out at the end of October with a site visit scheduled in early November and bids due at the end of November.
- **220 Admiral/Buick Lofts** - Mr. Hedgepath is still waiting for Human Relations to make a decision on the request for Modification/Substitution he submitted in April of this year regarding the WBE that backed out of their contract. This occurred at the beginning of the rehab work on the project. A reporting of expenditure activity is included in the August 2014 Executive Summary.
- **1048-1050 E. 5th Street/Reavey Law Firm** - Staff has been in contact with Mr. Reavey, he advises no changes have occurred since the last report. He has not submitted a budget and has had no funds to work on the project this year.
- **900 Baltimore/Cosby Hotel** - While reporting is up to date and current and construction is complete, final payouts have not been made. Developer has met the construction services MBE/WBE utilization requirements.
- **Ambulatory Care Center** – Truman Medical Center – The developer is current with their monthly reporting which is included in the Executive Summary of activity through August 2014.
- **Holy Temple Homes/St. Michael's Veteran's Center** – A reporting of the payment activity for this project is included in the MBE/WBE Executive Summary.

All Construction Services have been completed and only retainage has to be paid on a punch list of items to contractors for project to be finished. The first phase is complete.

- **Morningstar Life and Family Center** - Project Manager advised that the General Contractor award went to Merit Construction and that this award notice and further development plans would be forthcoming.
- **Columbus Park Redevelopment Project** – Met with Project Director and he advised that Professional Services were being completed and MBE/WBE goals met. He also advised that Construction Services bids are to post on the City Plan Room and to MBE/WBE Trade Associations within next month.
- **801 Walnut/Gumbel Building** – Met with project Mgr./Developer and he advised that Professional services were complete and that MBE goals were met. Developer also advised that Construction Services would be acquired and used in a piece/meal development fashion and that the City MBE/WBE directory be used. Staff provided Bid letting process information and will follow up by mid-November to check on process development
- **3630 Gillham Park Row** – The Developer has been reporting on the Professional and Construction Services activity. The expenditure activity is to be provided, by mid-week of 10/20/14, for the September 2014 Executive Summary. Developer has advised that project is scheduled for a 12/1/2014 completion date.

- **Oak Point** – Professional and Construction Services Goals have been assigned. This project is also Section 3 approved. .
- **Faxon Rehabilitation** – Professional and Construction Service Goals have been assigned. This project is also Section 3 approved. Staff assisted in initial Bid letting announcement and will give follow-up assistance as needed.

The aforementioned listing of projects represents the ones that I am immediately aware of and their status to my knowledge. I will update the Subcommittee periodically on the status of communications with the Developers for each of these projects, because they are all small and have to potential of starting quickly and being complete within a matter of a few months without compliance with the Affirmative Action Policies. EDC staff and Human Relations Department have met with each and every one of them, so they have been thoroughly advised of their obligations and have made commitments to comply.

DISCUSSION: Ms. Rayford stated most projects were running fairly smoothly. She noted that Mr. Hedgepath of 220 Admiral/Buick Lofts was still waiting on Human Relations to decide on his April request for Modification/Substitution regarding the WBE that backed out of their contract. Ms. Rayford advised Mr. Duffy that the 804 Broadway developer had explained his lack of MBE participation in professional services as a need to have design work done before deciding to take on the project. She agreed with Mr. Duffy that the developer had extensive experience in MBE/WBE matters from prior projects and any good faith efforts by said developer would have to be substantial. Mr. Boyd distributed updated executive summary reports. Ms. Rayford confirmed she had verified the WBE withdrawal from the 220 Admiral/Buick Lofts project and subsequent failed attempts by the developer to obtain replacement WBE participation. She stated the 1% WBE participation for the project was therefore acceptable.

Action Taken: None; Informational Only.

8. Other Business

- Tax Abatements** – There was one tax abatement during the month of August and two tax abatements during the month of September.

Month	URA	Address	Applicant	Category	Type
August	Oak Park	3711 Jackson Avenue	Seven Oaks Estates, LP	Multi-Family	Rehab
September	Wabash Village	5008 Prospect Avenue	Blue Hills Community Services	Single Family	Rehab
September	Scarritt Renaissance	3511 Windsor Avenue	Amy Asher	Single Family	Rehab

DISCUSSION: Mr. Duffy inquired about the minimal number of tax abatements granted in the northeast urban renewal area. Mr. Egan replied that the northeast area had not produced many tax abatement applications, while the Longfellow area had generated several. Mr. Duffy asked about LCRA’s use of part of EDC’s public relations budget. Mr. Egan said he would check with Viral and Sturgis

Word regarding electronic advertising via systems like Twitter. He also noted the difficulty of targeting urban renewal areas given the conditions for obtaining tax abatement. Mr. Duffy suggested advertising on Spanish radio as about 80% of the homes in the northeast area would be in an urban renewal area.

Mr. Egan then discussed the October 30, 2014 meeting regarding standardization of affirmative action. He said that the City's Human Resources Department was debating requiring general contractors to follow the same MBE/WBE guidelines now required for developers. He added that general contractors would, however, receive no credit for following through on any such guidelines. Mr. Egan stated that builder and developer relationships should be solidified with general contractors and subcontractors prior to any expansion of the policy.

There being no further business, the meeting was adjourned at 12:12 p.m.





Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: November 19, 2014
TIME: 9:30 a.m.
PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

1. Roll Call

Present: Michael Duffy
Steven Hamilton
James White

Absent: Daniel Edwards
Gabriel Okafor

Staff/Guests: Joseph Egan, LCRA
Susan Tumey, LCRA
Carl Boyd, EDC
Melina Johnson, EDC
Robert Long, EDC
Lee Williams, EDC
Jon Copaken, Copaken Brooks
Rich Kasyjinski, Copaken Brooks
Aaron Schlagel, Copaken Brooks
Steve Coon, EPC Real Estate Group
Mike McKeen, EPC Real Estate Group
Chris Kline, Jackson County
Andrea Bough, Lewis Rice Fingersh
Charles Miller, Lewis Rice Fingersh

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum was present.

2. Administrative – Review and approval of Meeting Minutes (Exhibit 2)

Minutes of the October 29, 2014 meeting were provided for review prior to the meeting. No changes were required.

ACTION TAKEN: APPROVED THE OCTOBER 29, 2014 MINUTES AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

3. **Financial** - *Review and acceptance of Financial Report for the Month of October, 2014* (Lee Williams) (**Exhibit 3**)

Mr. Williams gave a brief overview of the draft financial report for the month of October, 2014, which was included for review prior to the meeting.

DISCUSSION: Mr. Williams stated the general cash balance for October was \$119,711, with \$52,490 unrestricted and \$67,221 restricted. He advised the current balance was \$103,435, with \$36,437 unrestricted and \$67,221 remaining restricted. Mr. Williams noted the Income Statement Fluctuation Analysis was higher than last October because of the PIAC funds appropriation received from the City regarding the Key Coalition project. He concluded his report stating that account receivables were \$36,466. Mr. Duffy asked why \$16,000 was shown as over 90 days overdue from the City. Mr. Williams advised the payment delay may have been caused by a wait for a closing to occur, but he would verify the reason and advise the Board of the same. Mr. Egan stated the funds were due to White Goss for their work on the ReBuild KC contract regarding Beacon Hill development. He added that the \$16,000 due from the City was part of the \$17,000 owed to White Goss. Mr. Duffy then inquired about the \$12,000 listed in accounts payable as owed to the City. Mr. Williams replied the payment was for LCRA's 90% monthly portion of the Broadway Square Apartments/Wyandotte Garage project. Mr. Hamilton asked why some legal fees due to White Goss were more than 30 days due. Mr. Williams reiterated that closing dates dictated payment dates but that he would confirm said dates and advise the Board accordingly.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR OCTOBER, 2014 AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

4. **Transfer of 1740 Paseo** - *Transfer of Deed on payoff of note* (Joe Egan)

DISCUSSION: Mr. Egan stated the Heritage Park building was leased by two tenants, the Urban League (UL) and the Full Employment Council (FEC). Mr. Egan said KCPL, through the Community Foundation, provided funds to purchase the property to prevent foreclosure. He said that leases were then executed with both tenants. Mr. Egan advised the FEC has since paid off its note and wished to purchase the property for \$100 per the lease option. Mr. Egan said the lease also provided the option that LCRA could "put" the property to the FEC. He confirmed for Mr. Duffy the FEC did not require the gifting of the building and had consented to its purchase. Mr. Engel distributed a copy of the Purchase and Sale Agreement prepared by the FEC's attorney for the Board's review.

Mr. Egan then requested Ms. Johnson's presence to discuss reporting the sale of the \$900,000 building for \$100 in next year's audit. Ms. Johnson advised the auditors were already requesting details of the transaction so they could advise the EDC accounting department how to properly document the transaction. Mr. Egan advised Mr. White that KCPL had given the funds to the Community Foundation as a charitable donation. He explained that the Community Foundation had then provided the monies to LCRA to fund the initial purchase of the property at the time of foreclosure. Mr. Engel stated a condition

of transfer was the Community Foundation's release of a deed of trust on the property. He said the deed of trust's release was made difficult because of its extension to adjacent property used by the Urban League. Mr. Engel confirmed for Mr. Duffy that LCRA would not be liable for closing or title insurance costs. Mr. Duffy commented that conveying the property via special warranty deed exposed the LCRA to liability. Mr. Engel replied that LCRA's warranty would be limited to the time LCRA owned the property and subject to all matters of record. He said any title insurance obtained by the FEC would also exclude anything that was unrecorded. Mr. Hamilton asked why the Purchase and Sale Agreement was needed as the Lease Agreement already specified the procedures for sale. Mr. Engel agreed, stating the FEC's attorney had e-mailed the Purchase and Sale Agreement to him late Monday evening. Mr. Duffy stated the Purchase and Sale Agreement would be used to purchase the building just as the Lease Agreement had been used to lease the same. Mr. Engel advised the Purchase and Sale Agreement stated the property was conveyed with no warranties and representations in an "as is" condition. As there was no other testimony, Mr. Duffy submitted the matter to the Board for its decision.

ACTION TAKEN: APPROVED THE SALE OF 1740 PASEO TO THE FULL EMPLOYMENT COUNCIL FOR ONE HUNDRED DOLLARS (\$100.00). MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. 11-01-14)

5. **Arterra 21/2100 Wyandotte Urban Renewal Plan (Proposed)** – *Consideration of Approval of a Finding of Blight and the Arterra 21/2100 Wyandotte Urban Renewal Plan (Bob Long) (Exhibit 4)*

Area Description: The proposed Arterra 21/2100 Wyandotte Urban Renewal Area generally consists of the northern one-half block generally bound by West 21st Street on the North, Wyandotte Street on the East, West 22nd Street on the South, and Fort Scott Street on the West, in Kansas City, Jackson County, Missouri. The specific address is 2100 Wyandotte

Plan Description: The proponent of the Arterra 21/2100 Wyandotte Urban Renewal Plan is Arterra 21, LLC.

The proponents' plan calls for a \$28 Million redevelopment of an existing gravel lot into an eight to twelve (8 - 12) story multifamily building with ground floor commercial space and parking. Plans call for a 5,000 square foot commercial space and parking spaces on the ground floor. Approximately 110 - 115 market-rate apartments will be built above the structured parking levels. The proponents believe that the central location within the Freighthouse District, with its restaurants and arts uses, as well as the easy access to the Crossroads and the downtown streetcar line, will be major attractions to potential residents.

EDC staff prepared a blight analysis of the Plan Area. A summary of the blight study findings reveals that the existing gravel lot does not meet the City's Chapter 52 requirements for off-street parking facilities, has insanitary or unsafe conditions, and exhibits conditions which endanger life or property by fire or other causes. The blight study can be found in Exhibit F of the draft Plan. Staff believes that blighting conditions exist.

The Plan Area lies completely within the Greater Downtown Area Plan, which shows this property within the Downtown Mixed-Use land use category. No changes are being proposed for the recommended land use. The project is rezoning to Urban Redevelopment (UR).

To redevelop Arterra 21/2100 Wyandotte, the Plan's proponents believe that assistance from the Land Clearance for Redevelopment Authority (the "Authority"), consisting of real property tax abatement, will present opportunities to redevelop the Arterra 21/2100 Wyandotte property by stimulating and facilitating private investment in a market-rate multifamily residential use. The draft Arterra 21/2100 Wyandotte Urban Renewal Plan will facilitate this project.

Affirmative Action Policy and MBE/WBE Participation: The proponents, Arterra 21, LLC, have met with Sandra Rayford to discuss the project. A letter of intent to comply has been submitted.

Taxing Jurisdictions: A copy of the project information, financial analysis and draft staff report will be provided to the taxing jurisdiction representatives following approval of the draft Urban Renewal Plan by City Council.

Other government/statutory agency action: The City Planning Commission and City Council will need to approve the Finding of Blight and the proposed Arterra 21/2100 Wyandotte Urban Renewal Plan.

DISCUSSION: Mr. Long gave an overview of his staff report. He noted that the commercial space should be 1,500 – 2,000 square feet rather than the 5,000 square feet stated in the report. Mr. Long said parking would also be available for three levels below the commercial space, with 115 market-rate apartments occupying the remainder. He stated the parcel was comprised of six substandard 25 feet x 150 feet lots and would require replatting. Mr. Miller advised Mr. Duffy the City required replatting because of building codes and because the building could not cross lot lines. Mr. Long said the property was a gravel lot used intermittently for off-street parking but did not meet the City's Chapter 52 requirements. He added that the property lacked storm drainage and was often used by dog walkers who did not pick up after their animals.

Mr. Duffy inquired why the Board was being asked to approve the blight finding without consideration of the development agreement. Mr. Long replied the Mayor's introduction to the City Council of a draft ordinance limiting property tax abatement to 50% after January 1, 2015 was the reason for the developer's application before year-end. Mr. Duffy stated that he would prefer to review the project as a whole rather than in piecemeal, but realized the uncertainties developers would encounter given the tenuous status of the proposed ordinance. Mr. White commented the Kansas City Star reported the Council supported the Mayor's proposal. Mr. Duffy advised the ordinance was pending before the City's Planning and Zoning Committee which had appointed him to an advisory group to review the same. Mr. Duffy said that, given the time for the group's review, he did not foresee committee action on the issue prior to year-end. Mr. Miller replied that he and Mr. Copaken had been working to develop the project for almost ten years. He stated the developer was ready to move forward and that the project would require more than 50% tax abatement. Mr. Miller stated they were not trying to avoid LCRA review of any portion of the project and their only motivation in rushing the application was the proposed ordinance. He concluded by stating that the Board's

approval of the Plan granted no rights to the developer. Mr. Duffy asked why the financial report could not have been prepared in time for the Board meeting, given the developer's prior knowledge of the ordinance's proposal. Mr. Long replied that financial analysts were extremely busy this time of year and could not therefore complete the report in time to be included with the presentation.

Mr. Duffy stated he considered the evidence for blight to be too close to call as only weeds and dog poop remained on the property. He added he would be more favorable to a finding of blight if the development proposal had been presented and showed a need of significant incentive assistance. Mr. Hamilton asked about the ownership of the property. Mr. Copaken replied a partnership had owned the property for about five (5) years and that the former building on the property was demolished about seven (7) years ago. He also advised Mr. Hamilton the property suffered from illegal dumping and parking. Mr. Miller stated the property met the statutory requirements for blight as it contributed to blight in the surrounding area. Mr. White said he agreed blighting conditions existed in the property. Mr. Duffy asked if the surrounding areas should be included in the blight declaration if the lot was part of or causing their deterioration. Mr. Miller and Mr. Long advised the Freighthouse area and some adjacent properties were part of existing TIF or PIEA plans which had already been declared blighted. Mr. Miller added that the property in question had also been declared blighted several times in the past. Mr. Duffy asked if the LCRA could recognize the prior blight determinations. Mr. Egan replied the LCRA should use the historical findings as justification for support of the current blight proposal. Mr. Copaken also advised Mr. Duffy the surrounding area was comprised of rentals, condos, and unoccupied buildings. Mr. Copaken also advised Mr. Hamilton the proposed rents for the market rate apartments would be approximately \$2.00 per square foot. He explained that although the current market was about \$1.50 a square foot, the developer believed rates would be closer to \$2.00 once construction was complete on the project. In further response to Mr. Hamilton, Mr. Copaken said the building would be comprised of studios, one and two bedroom apartments and would be marketed to millennials and empty nesters. Mr. Copaken stated the close availability of light rail and covered parking contributed to the high end rent projections. Mr. Egan added that the project's use of more expensive construction materials also contributed to its higher costs. Mr. Miller also advised that the district's council members and neighborhood associations supported the project. Mr. Egan recommended the Board approve the blight finding and proposed urban renewal plan.

ACTION TAKEN: APPROVED THE FINDING OF BLIGHT IN THE PROPOSED ARTERRA 21/2100 WYANDOTTE URBAN RENEWAL PLAN. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. NO. 11-02-14)

APPROVED THE ARTERRA 21/2100 WYANDOTTE URBAN RENEWAL PLAN. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. NO. 11-03-14)

6. Executive Director's Report

a. Administrative - Active Case Tracking System Report (Joe Egan) (Exhibits 5A-1 and 5A-2)

DISCUSSION: Mr. Egan advised EDC was attempting to consolidate its reporting system into one case tracking system called Blue Ocean, which was currently used by business development. Mr. Egan said the process would be difficult, given the differences between the various EDC agencies, and he would keep the Board advised of any developments. Mr. Egan said the two Tracy infill houses in the Beacon Hill area were being developed, with one already sold and the other under contract for closing in January. He advised TIF had greatly assisted the project by supplying construction financing. Mr. Egan stated the previous developer of the Tracy project was recently replaced by Westside Housing Organization, because of difficulties in completing the project.

Mr. Egan said developments in the Columbus Park area were progressing. He advised 501 Troost had been sold for \$4,000, which was market value. Bids were out, he stated, for the first phase of Columbus Park infrastructure for about \$1.1 million and plans were to go vertical in the spring. Mr. Egan advised tax credits would be mixed equally between low income and market rate and would be allocated to either the first initial building or to the first five buildings. Mr. White asked about the percentage of LITECH units. Mr. Egan replied that 50%, or 54 of the 108 units, would be LITECH. He said such allocation also met the Housing Authority's requirement of at least 15% low mod housing. Mr. White then inquired if a Letter of Intent had been received from Faxon School, as it was not indicated on the report. Mr. Boyd responded that staff had received verbal assurance the letter was sent to the City's HRD department.

Mr. Egan reported on the projects listed in the Pending Board Action Report. He advised \$30,000 had been received for the Key Coalition project and the blight study was being prepared. He concluded by stating the financial analysis bids were out for the Switzer West project. Mr. Duffy stated he would have to recuse himself from Switzer West, due to a conflict of interest. Mr. White and Mr. Duffy discussed Mr. White's possible recusal from Switzer West because of a past potential conflict of interest. Mr. Duffy and Mr. White agreed Mr. White did not need to recuse himself.

ACTION TAKEN: NONE; INFORMATIONAL ONLY.

7. Affirmative Action Subcommittee Report (Carl Boyd) (Exhibits 5B-1 and 5B-2)

Open/Pending Projects - This is a current status report of open and pending projects.

- **Seven Oaks Estates** – Project Manager reports that Leasing up of Project Facility is going very well and occupancy status is in 90-95% range. Project Manager further reports that project is near end of completion and that only one or two Sub-contractors remain that need to be paid for completion of project.
- **13th & Locust URP/Interstate Building** – A tentative budget has been submitted to HRD and Professional Services Goals have been assigned. Staff was recently informed that the project manager/developer of the 801 Walnut/Gumbel Bldg. project has gained

development control of this project. Details of any changes regarding development of this project are forthcoming. Staff submitted an inquiry to the new project developer as to whether there will be a re-assignment of development rights forthcoming.

- **911 Main/Commerce Bank Building** – The Developer reported that regarding MEP design assist bidding – all bidding has been received. De-scoping and shake out of the MEP design assist bids are still occurring and there has been no award as yet. Project manager advises that they hope to have an award notice by the end of November. Project Manager also advised that a new Commerce Interiors Package Bid is forthcoming with a start bid date of 12/1/14 and close date of 12/12/14. All bid information is forthcoming to EDC Staff for advertising assistance.
- **220 Admiral/Buick Lofts** - Mr. Hedgepath is still waiting for Human Relations to make a decision on the request for Modification/Substitution he submitted in April of this year regarding the WBE that backed out of their contract. This occurred at the beginning of the rehab work on the project. A final reporting of expenditure activity has been submitted by Mr. Hedgepath indicating a shortage in MBE utilization. Staff has made a request for Good Faith Effort documentation.
- **1048-1050 E. 5th Street/Reavey Law Firm** - Staff has been in contact with Mr. Reavey, he advises no changes have occurred since the last report. He has not submitted a budget and has had no funds to work on the project this year.
- **900 Baltimore/Cosby Hotel** - While reporting is up to date and current and construction is complete, final payouts have not been made and the project is still not ready for close out. Developer has met the construction services MBE/WBE utilization requirements.
- **Ambulatory Care Center/Truman Medical Center** – The developer has submitted their expenditure activity through the month of September. Bidding for the construction services has been completed and the Developer has sought the assistance of Human Relations to help them identify additional MBE/WBE participation on top of what they have been able to achieve. A reporting of their proposed MBE/WBE participation will be made next month.
- **Holy Temple Homes/St. Michael's Veteran's Center** – A reporting of the payment activity for this project is included in the MBE/WBE Executive Summary. All Construction Services have been completed and only retainage has to be paid on a punch list of items to contractors for project to be finished and a final report to be made. Developer has advised that they are waiting for additional funding so that the close out process can occur.
- **Morningstar Life and Family Center** - Project Manager advised that the General Contractor award went to Merit Construction and that this award notice and further development plans would be forthcoming.
- **Columbus Park Redevelopment Project** – Met with the General Contractor recently and he advised that Professional Services were being completed and MBE/WBE goals are being met. Invitation to Bid on Infrastructure Construction Drawings, Phase I Development, was let in the 4th week of October advertised in newspapers, Trade

Associations and posted on the City's Plan Room by Staff. The bid close date is November 25 at 2:00 PM.

- **801 Walnut/Gumbel Building** – Met with project Manager/Developer and he advised that Professional services were complete and that MBE/WBE goals were met. Staff has requested that he submit his Contractor Utilization Plan as soon as possible. An Invitation to Bid for Construction Services was let on 10/14/23 and was advertised in newspapers, Trade Associations and posted to the City's Plan Room by EDC Staff. The Bid close was 11/7/14. Acers Construction has been hired as Construction Manager for this project.
- **3630 Gillham Park Row** – The Developer has been reporting on the Professional and Construction Services activity. The expenditure activity has been submitted as of this report for the September 2014 Executive Summary. Staff has made a demand for their Contractor Utilization Plans for Professional and Construction Services as well. The Developer has advised that project is scheduled for a 12/1/2014 completion date.
- **Oak Point** – Professional and Construction Services Goals have been assigned. This project is also Section 3 approved. The Developer has advised that there has been financing hurdles to overcome but that he was hopeful of a site acquisition closing during the week of 11/3 or 11/10 2014.
- **Faxon Rehabilitation** – Professional and Construction Service Goals have been assigned. This project is also Section 3 approved. Staff assisted in initial Bid letting announcement and will give follow-up assistance as needed. Developer has submitted CUP and LOI forms to the City HRD and is to forward the EDC Staff a copy of the same. Developer also advised that the Contractor had not completed a CUP for Construction Services but it was in the final stages of being completed.

The aforementioned listing of projects represents the ones that I am immediately aware of and their status to my knowledge. I will update the Subcommittee periodically on the status of communications with the Developers for each of these projects, because they are all small and have to potential of starting quickly and being complete within a matter of a few months without compliance with the Affirmative Action Policies. EDC staff and Human Relations Department have met with each and every one of them, so they have been thoroughly advised of their obligations and have made commitments to comply.

DISCUSSION: Mr. Boyd advised he had no additions to the information listed in his staff report. The Board had no questions.

ACTION TAKEN: NONE; INFORMATIONAL ONLY.

8. **Other Business**

- a. **Tax Abatements** – There were four (4) tax abatements during the month of October.

URA	Address	Applicant	Category	Type
Garfield	2114 Elma Street	Gregory R. Dillon	Single Family	Rehab
Garfield	2607 Lexington Avenue	Benjamin and Bethany Bezanson	Single Family	Rehab
Manheim Park	3933 Manheim Road	Neighborhood Housing Services	Single Family	Rehab
Scarritt Renaissance I	2901 Smart Avenue	Thomas and Vanda Mulhern, Jr.	Single Family	Rehab

EXECUTIVE SESSION

9. Consideration of legal, real estate and personnel issues, and other matters related thereto, pursuant to Sections 610.021(1)(2)(3) RSMo.

RESUME BUSINESS SESSION

10. **Adjourn.**

There being no further business, the meeting was adjourned at 10:21 a.m.



Joseph F. Egan

 Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: December 17, 2014
TIME: 9:30 a.m.
PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

1. Roll Call

Present: Michael Duffy
Daniel Edwards
Steven Hamilton
James White

Absent: Gabriel Okafor

Staff/Guests: Joseph Egan, LCRA
Susan Tumey, LCRA
Carl Boyd, EDC
Robert Langenkamp, EDC
Robert Long, EDC
Sandra Rayford, EDC
Lee Williams, EDC
Michael Knight, Commerce Tower Group, LLC
Sean O'Byrne, Downtown Council
Steve Foutch, Foutch Bros.
Brian Smith, Gold Crown Properties
Tom Smith, Gold Crown Properties
Ruben Haymond, Harren Laughlin Construction
Christine Sutherland, Helix Construction
Pedro Zamora, Hispanic Economic Development Corporation
Shannon Jaax, Kansas City Public Schools – Repurposing Division
Kevin Masters, Kansas City Public Schools
Chris Kline, Jackson County
Jim Grice, Lathrop & Gage
John Fierro, Mattie Rhodes Center
David Stadler, Mattie Rhodes Center
Bob Mayer, MR. Capital
Tom Denaway, Springsted, Inc.
Patrick Sterrett, Sterrett Urban LLC
Robert Hernandez, Switzer – West Community Resident
Paul Rojas, Switzer – West Community Resident
Brian Engel, White Goss

2. **Switzer – West Schools Urban Renewal Plan (Proposed)** – Consideration of Approval of a Finding of Blight and the Switzer – West Schools Urban Renewal Plan (Bob Long) (Ex. 7A, 7B and 7C)

Area Description: The proposed Switzer – West Schools Urban Renewal Area is located within the area generally bound by W. 18th Street on the North, Belleview Avenue on the West, W. 20th Street on the South, and Summit Street on the East, in Kansas City, Jackson County, Missouri.

Plan Description: The proponent of the Switzer – West Schools Urban Renewal Plan is Switzer Apartments, LLC. Switzer Apartments, LLC is affiliated with Foutch Brother, Inc., a local/regional developer based Kansas City’s Northland.

The Switzer & West Schools are located within Kansas City’s Westside neighborhood. The properties lie between the corner of E. 18th Street & Belleview Avenue southeasterly to the northwest corner of E. 20th & Summit Streets. Madison Avenue runs north-south through the Plan area.

The Westside neighborhood has served as an “entry point” for many of the waves of ethnic groups arriving in the Kansas City area. During the past seventy years or more, the Westside has been most commonly known as a Hispanic neighborhood.

The Westside neighborhood is adjacent to the southwest corner of the Central Business District Loop and the Crossroads neighborhood. I-670 and I-35 serve to both cut-off and protect the Westside from the growth and rapid changes taking place in the Central Business District and the Crossroads. The proximity to downtown and the Crossroads, the affordability of the housing stock, and the scenic views, as well as the Hispanic culture of the neighborhood, have made the Westside an appealing destination for many new residents. The Switzer & West Schools, once vibrant and active hubs of the neighborhood, have been vacant and unused for many years.

The Kansas City Public Schools’ Repurposing Initiative undertook an extensive and lengthy process to select a redeveloper for the Switzer and West Schools properties. Foutch Brothers, Inc. was selected as a result of this process and has entered into an Agreement to purchase the property. It should be noted that the Sales Contract between Developer and the Kansas City Public Schools includes a provision requiring a \$50,000 annual contribution by the Developer to be shared proportionately by the taxing jurisdictions throughout the term of a maximum 10 – year property tax abatement.

The Plan’s proponents have proposed the \$15.6 Million historic rehabilitation of Switzer, Switzer Annex and West High School building into approximately 95 market-rate apartments, community spaces (auditorium and gymnasiums), and approximately 204 parking spaces. The Plan’s proponents believe that this project is well-positioned to attract new residents to the Westside because of the new housing units being created, its location in the heart of the Westside neighborhood, and the proximity and easy access to both the Central Business District and the Crossroads.

EDC staff prepared a blight analysis of the Plan Area. There are four existing buildings within the Plan area. The parking areas do not comply with City requirements for off-

street parking. The playground areas have cracked, settling and deteriorating pavement and do not meet playground standards. Retaining walls, sidewalks, curb-and-gutter throughout the Plan area are cracked or crumbling, have uneven settling, or are missing. Each of the existing school buildings features a mixture of damaged or leaking roofs, gutters and downspouts, damaged or deteriorating masonry, extensive deterioration of windows and doors and fascia, broken or missing window and door glass, cracked, peeling or flaking paint and varnishes, and water-damage to interior walls, floors and ceilings. Each of the buildings has been repeatedly vandalized and has served as impromptu shelters for homeless persons.

The blight study can be found in Exhibit F of the draft Plan. Staff believes that blighting conditions exist.

The Plan Area lies completely within the Greater Downtown Area Plan, which shows this property within the Downtown Mixed-Use land use category. No changes are being proposed for the recommended land use. The property will be rezoned to UR (Urban Redevelopment) zoning.

Integra Realty Resource, Inc. prepared a financial analysis of the proposed Lofts at Switzer project. Integra believes that similar projects nationally would expect an internal rate of return of 8.5 – 10.50%. With no incentives, the Lofts at Switzer project is projected to achieve only a 1.11% internal rate of return. With historic tax credits and Chapter 99 property tax abatement, the projected internal rate of return is 8.52%. Staff believes that this satisfies the Authority's Workable Program requirements.

To rehabilitate the vacant historic Switzer and West Schools, the Plan's proponents believe that assistance from the Land Clearance for Redevelopment Authority (the "Authority"), consisting of real property tax abatement, will present opportunities to reuse these neighborhood landmarks as the Lofts at Switzer market-rate multifamily housing development. The draft Switzer – West Schools Urban Renewal Plan will facilitate this project. A Redevelopment Contract between Switzer Apartments, LLC and the Authority is attached for the Authority's consideration.

Affirmative Action Policy and MBE/WBE Participation: The proponents, Switzer Apartments, LLC, have met with the EDC's MBE/WBE compliance staff to discuss the project. A letter of intent to comply has been submitted.

Taxing Jurisdictions: A copy of the project information and financial analysis was sent to the taxing jurisdiction representatives prior to a meeting with staff and the developer.

Other government/statutory agency action: The City Planning Commission will need to approve the proposed Urban Renewal Plan at an upcoming meeting. City Council will need to approve the Finding of Blight and the proposed Switzer – West Schools Urban Renewal Plan.

DISCUSSION: Mr. Duffy recused himself because of a conflict of interest and Mr. White assumed the Chair. Mr. White advised he had several concerns regarding the project. He said his first concern was that the Board had not received the but/for analysis until mid-day on Monday, December 15, 2014. Mr. Egan replied that the

Board was not being asked today to consider any tax incentive for the project. He said that the Board had not dictated a policy but had previously advised it did not require a financial analysis to justify the abatement when deciding on a footprint urban renewal plan. Mr. Egan explained that the plan request might be denied by either the Board or the City Council and the financial analysis costs would be unnecessary. Mr. White then questioned why a financial analysis had already been performed for the Switzer- West project. Mr. Egan said the analysis' intent was to show the Board the prudence of moving ahead with the footprint plan. Mr. White advised he could not recall the Board had ever reversed itself by denying tax abatement after a plan had been approved. Mr. Egan then asked for Mr. Duffy's confirmation of the Board's previous advice regarding when financial reports would be required. Mr. Duffy reiterated that he had recused himself from the discussions. Mr. Egan advised that the Board's determination that blight was present and the Plan remediated the blight was subject to City Council approval or denial. He also affirmed Mr. Hamilton's observation that the Board should only consider the financial analysis if the blight finding was a close call.

Mr. White advised another concern was the lack of architectural drawings, and floor and site plans, and photos for the project. Mr. Long said the photos had not previously been distributed until today because their computer byte size made printing prohibitive. Mr. Egan restated that the Board was only being asked to determine if blight was present and if the Plan remediated the blight. Mr. White said he could not make that determination based on the information presented. Mr. Egan replied that the Board might want to postpone its determination today until it could receive additional documentation. Mr. White agreed, and suggested the Board hear testimony on the project but hold their decision until a later date.

Mr. Long then gave an overview of his staff report. He particularly noted that the Sales Contract between the Developer and the Kansas City Public Schools included a provision requiring the Developer to make a \$50,000 annual contribution to be proportionately shared by the taxing jurisdictions throughout the maximum 10-year property tax abatement term. Mr. Long explained that staff had not been able to meet with the taxing jurisdictions but had received voicemail confirmation from Mr. Klein confirming support for the PILOT arrangement detailed in the sales contract.

Mr. Long introduced Mr. Foutch as representative for the developer of the project. Mr. White requested Mr. Foutch limit his testimony to general information as architectural and site plan details would be discussed at a later meeting. Mr. Foutch stated Foutch Bros. competed and won the contract from the School District, which was requiring closing the first week of January. He said the project would be able to use historic tax credits as it was on the national register of historic places. Mr. Foutch advised the five (5) buildings would not be demolished and that individual classrooms would be remodeled into market rate residential apartments. He added that the library space, recently gutted by fire, would be used as a community space. Mr. Foutch said Foutch Bros. had experience in remodeling schools, as it had previously redone 20 schools in four (4) different states. He

noted that ample parking was already available at the site, requiring only possible re-pavement and landscaping.

Mr. Foutch introduced Ms. Jaax as the School Board's representative. Ms. Jaax advised the school had previously been under a contract in 2011 for a project which had not materialized. Prior to the award of the contract to Foutch Bros., she said, two (2) community meetings had been held. Ms. Jaax said written feedback from those meetings strongly favored the Foutch Bros. plan. Mr. White asked how the community meetings were advertised. Ms. Jaax advised that the School District had worked with two (2) groups in the neighborhood as several neighborhood associations were within the area. She said information had been sent to an over 2,000 person contact list, leaflets had been distributed, and the Westside Housing Association had also provided information to the residents. Ms. Jaax also advised Mr. White that a vote had not been taken at the community meetings as individual information sheets provided a more balanced and detailed response. She said Foutch Bros. was chosen as developer because its proposal received the majority of community support and created less density by using only the existing buildings. Ms. Jaax said Foutch Bros. also had a better track record and better financing than its competitor. Mr. Foutch commented that the process outlined by Ms. Jaax was used for all Kansas City, Missouri schools being repurposed. Ms. Jaax then concluded her testimony.

Mr. Long advised Mr. White the map provided to the Board was incorrect, as it included a garden area which should not be part of the Urban Renewal Area ("URA"). Mr. Egan and Mr. White again discussed if the financial analysis should be reviewed by the Board at today's meeting. Mr. Long also confirmed for Mr. Edwards that the plan included only the five (5) buildings currently located on the site.

Mr. Stadler asked why an eminent domain clause was not included in the Urban Renewal Plan ("URP"). Mr. Egan replied that the clause was not needed because, as a footprint plan, the owner was the applicant for the tax incentive. Mr. Foutch continued his testimony, stating the developer needed to know its taxes and risks as it planned to begin underwriting discussions with banks in March or April. Mr. Egan and Mr. Long both explained procedures and timing for Board approval and subsequent submission to and reply from the City Council. Mr. Long advised the Board's February 25, 2015 meeting would therefore probably be the earliest date for LCRA's reconsideration of the proposal.

Mr. Hamilton asked Mr. Foutch if the developer would proceed with the plan if it was denied tax abatement. Mr. Foutch replied in the affirmative and explained that it either had to close as dictated by the School District or walk away from the project. Mr. Hamilton stated the developer did not need tax assistance if it planned to proceed with the development even without such incentive. Mr. Foutch replied that tax assistance was necessary to ensure bank financing of the \$16,000,000 required for the project. Mr. White advised he had several other questions for Mr. Foutch but would withhold them until a future meeting. Mr. Foutch then concluded his testimony.

Mr. White asked for additional testimony concerning the project. Mr. Hernandez identified himself as a lifelong resident of the area and agreed the area was blighted. He said that market rate or better apartments would increase gentrification of the neighborhood. He explained that the building of million dollar homes in the area raised property taxes which the poor and elderly could not afford. Mr. Hernandez stated meetings were necessary with the developer to clarify its intent for the project. He claimed the School District's process was also confusing and hypocritical due to its complicated contract requirement procedures and its abandonment of its support for no tax abatement. Mr. Hernandez concluded his testimony by stating the School District should postpone its closing date to allow additional community input.

Mr. Rojas also identified himself as a lifelong homeowner in the area. He stated he had supported past developments in the area which were beneficial to the community. Mr. Engel then clarified for Mr. Rojas that LCRA had a detailed definition of what constituted blight. Mr. Rojas said that the School District was the worst promoter of blight as it did not maintain its buildings. He also affirmed previous testimony regarding the inability of poor and elderly residents to pay the increased property taxes. Mr. Rojas concluded his testimony by advising Mr. White he had not received notice to any meeting regarding the proposal.

Mr. Zamora identified himself as a resident and also as the interim director of the Hispanic Economic Development Corporation ("HEDC"). He advised the gentrification of the neighborhood was predicated by past work performed by the community. Mr. Zamora said he was also not aware of the Foutch proposal until October 1, 2014, when he became interim director of the HEDC. He advised that another neighborhood group, West Club Housing Authority, had received notice only 3 days prior to the initial meeting. The timing of the meeting, he continued, was also not conducive to the elderly or to young families. Mr. Zamora concluded his testimony by explaining to Mr. White that his testimony about the proposal in question was the lack of community inclusion from the north and west sides of the area.

Mr. Fierro said he was the CEO of the Mattie Rhodes Center ("MRC") and was also a long-term resident of the Westside area. He said he agreed with previous testimony that the School District should postpone its closing to allow additional community input. Mr. Fierro stated MRC was particularly concerned regarding the proposed inclusion at one of the proposed buildings of an unidentified art partner. He explained that MRC provided several art programs for neighborhood children and questioned if the art partner's programs would duplicate or compete with the MRC programs. Mr. Fierro then concluded his testimony.

Mr. Foutch reaffirmed the developer's due diligence concerning notice of public meetings. He stated the public meeting scheduled for January had already been noticed. Mr. Edwards asked if the School Board had sign-up sheets from the meetings. Ms. Jaax responded affirmatively and said she could provide the same to the Board. She advised the contract provision was required because the developer was required to have two follow-up public meetings before the proposal could be

submitted to the City Planning Commission. She advised Mr. White she would provide additional information regarding meeting attendance and accompanying procedures to the Board for consideration at its January meeting.

Mr. Engel said the LCRA Board must stay within its statute requirements and should only be involved in issues regarding if the building was blighted and if the proposed plan remediated such blight. Mr. Hamilton expressed his concern that the developer had twice affirmed its continuation of the project with or without the abatement. Mr. Foutch clarified that it would proceed with the project but that denial of abatement would negatively affect financing and indefinitely delay development of the project. Mr. Egan reiterated that the financial analysis was not being discussed until next month's meeting.

Mr. White then concluded testimony and Mr. Duffy resumed the Chair.

ACTION TAKEN: CONTINUED MATTER TO JANUARY, 2015 BOARD MEETING.

3. **Central Business District URP; 911/921 Main Street/Commerce Building** – *Consideration of Approval of Redevelopment Contract with Commerce Tower Group, LLC* (Brian Engel) (Ex. 4A, 4B, 4C, 4D, and 4E)

Due to delays and changes, Redevelopment Contract modifications were required.

DISCUSSION: Mr. Engel advised the project was initially presented to the Board in September, 2013 but the Redevelopment Contract had not been executed at that time. He said the developer had continued in the interim to arrange for development of the property and was now requesting modifications to the contract because of the structure of its financing. One such change, he noted, was the conveyance of the property from FDP Acquisitions to a different entity, Commerce Tower Group, LLC. Mr. Engel said Section 4.01 of the contract had also been changed to state that construction would begin no later than July 1, 2015 and completed no later than December 31, 2017. Mr. Engel said another modification was the addition of PILOT language to Section 4.08 of the contract. He stated that the developer would enter into a separate agreement with the taxing jurisdictions for a PILOT payment to be triggered only if the property's market value dropped below \$7.5 million. Mr. Grice explained that the current owner purchased the property with a pending tax appeal originated by the prior owner. He advised the new owner accepted the assessor's value of \$7.7 million rather than the \$4 million sought by the prior owner. Mr. Engel added that the PILOT payment would not be likely because current market value was \$7.7 million and was expected to rise once investments and improvements were included.

Mr. Engel then advised a third change was to allow assignment of the contract by the developer, without LCRA approval, to a controlled affiliate. He introduced Mr. Grice and Mr. Knight as representatives of the developer. Mr. Duffy asked why progress on the project was 18 months behind its original schedule. Mr. Grice replied that financing arrangements and work on closing documentation contributed

to the delay. Mr. Knight added that the building was assigned by FDP Acquisitions to Commerce Tower Group, LLC in October, 2013 necessitating changes to documentation as well as financing arrangements. Mr. Duffy asked if the project's financing was now firmly committed. Mr. Knight responded that hard financing had been obtained and everything had been allocated for closing to occur within 60 days.

Mr. Knight then summarized the project at Mr. Duffy's request. Mr. Knight said the project was mix use and encompassed education components and market rate apartments. He said the first 7 to 8 floors of the 32 storied building would be occupied by an early childhood learning center, a University, and a private elementary school. Mr. Knight stated the remaining floors would be market rate apartments, green space, a dog park, playground, and a club room. He concluded by noting that the project was unique in that the streetcar stopped at their doorway. Mr. Duffy confirmed with Mr. Egan the Board's prior review of the financials for the project. As there were no additional questions from the Board or other public testimony, Mr. Duffy requested Mr. Egan's recommendation. Mr. Egan recommended approval of the modified Redevelopment Contract.

ACTION TAKEN: APPROVED MODIFICATIONS TO REDEVELOPMENT CONTRACT WITH COMMERCE TOWER GROUP, LLC FOR THE COMMERCE BUILDING PROJECT AT 911/921 MAIN STREET IN THE CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA. MOTION MADE BY MR. WHITE, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. NO. 12-01-14)

4. **Key Coalition Urban Renewal Plan (Proposed)** – Consideration of Approval of a Finding of Blight and the Key Coalition Urban Renewal Plan (Bob Long) (**Ex. 5**)

Area Description: The proposed Key Coalition Urban Renewal Area is located within the block generally bound by E. 27th Street on the North, Woodland Avenue on the West, Linwood Boulevard on the South, and Prospect Avenue on the East, in Kansas City, Jackson County, Missouri.

Plan Description: The proponents of the Key Coalition Urban Renewal Plan are the Key Coalition Neighborhood Association and the City of Kansas City, Missouri.

The Key Coalition neighborhood is part of Kansas City's Historic Eastside, lying approximately 2.5 miles south-southeast of the Central Business District. The Key Coalition Neighborhood began developing in the late 19th and early 20th centuries. There is a wide variety of architectural styles and sizes throughout the Key Coalition neighborhood, ranging from larger Victorian and "shirt-waist" homes and attractive commercial structures on large lots to more modest working class homes, such as bungalows and modest commercial buildings on smaller lots. The Key Coalition neighborhood thrived for many years, due in large part to the racial "redlining" that concentrated Kansas City's African-American population between E. 9th Street, Prospect Avenue, E. 29th Street and Troost Avenue, which was also known as Kansas City's

“Twenty Blocks of Black.” These mixed-income neighborhoods were densely populated and vibrant. Kansas City’s “Twenty Blocks of Black” began to decline in the early 1960s as the nation’s civil rights landscape underwent seismic shifts and allowed middle- and upper-income African-American families to move out, dramatically weakening the economic base of the historically minority neighborhoods. This out-migration depressed property values, which made the Key Coalition neighborhood more affordable to lower-income families and attractive to absentee landlords. The construction of 71 Hwy., also known as the Bruce R. Watkins Drive, also had a significant negative impact on the Key Coalition neighborhood, as well as many other neighborhoods.

Today, the Key Coalition Neighborhood is among the most challenged neighborhoods in the metropolitan area, with a significant number of vacant lots and boarded-up houses. There is a high percentage of absentee property ownership, which makes the reuse of existing buildings or the assembly of larger redevelopment parcels more difficult and expensive. Many of the businesses seem marginal and unkempt, as well as being scattered along the major streets, rather than being clustered into cohesive business districts.

There are, however, signs of change in the area. The City is currently building the East Patrol and Crime Lab campus north of E. 27th Street on the west side of Prospect Avenue. The Parks & Recreation Department has recently invested in upgrading Spring Valley Park making it much more attractive for neighborhood use. Neighborhoods immediately to the west, such as Beacon Hill and Longfellow – Dutch Hill, are experiencing an influx of new homeowners who are discovering the architectural appeal and value of the existing housing stock or building new homes, as well as the ease of access to downtown and the entire metropolitan area. The Key Coalition Neighborhood is well-positioned to benefit from these same attributes.

APD Urban Planning & Management prepared a blight analysis of the Plan Area. A summary of the blight study findings reveals:

The dominant blighting factors in the proposed redevelopment area include 1) the presence of unsafe or unsanitary conditions on vacant and developed lots alike, including the presence of weeds, trash and debris, and graffiti; 2) deterioration of site improvements, including primary roofs, deterioration of windows and doors, and the failing of finishes, as well as site deterioration, including the deterioration of parking surfaces, retaining walls and fences, all of which are prevalent throughout the entire Study Area; 3) deteriorated public improvements in the Study Area, including uneven or cracked sidewalks; 4) commercial and extremely high residential vacancies; and 5) a high number of vacant lots. These factors result in unsafe conditions in the proposed redevelopment area, and make redevelopment of the area by private enterprise alone cost prohibitive.

The blight study can be found in Exhibit F of the draft Plan. Staff believes that blighting conditions exist.

The Plan Area lies completely within the Heart of the City Area Plan, which shows mixture of parks, low density, medium density and medium-high density residential, mixed-use neighborhood and mixed-use community, and institutional for the area within

the Key Coalition neighborhood. No changes are being proposed for the recommended land use or zoning.

To revitalize the Key Coalition neighborhood, the Plan's proponents believe that assistance from the Land Clearance for Redevelopment Authority (the "Authority"), consisting of real property tax abatement, will present opportunities to revitalize the Key Coalition neighborhood by stimulating and facilitating private investment in both commercial and residential uses and building upon the architectural appeal, property values and ethnic diversity of these neighborhoods.

Affirmative Action Policy and MBE/WBE Participation: Project proponents will be required to meet with the EDC's MBE/WBE compliance staff to discuss their projects and the LCRA's Affirmative Action Policy and MBE/WBE Participation requirements.

Taxing Jurisdictions: A copy of all project information, financial analysis and draft staff report will be sent to the taxing jurisdiction representatives as individual commercial and multifamily projects are brought forward for consideration.

Other government/statutory agency action: The City Planning Commission will need to consider the proposed Urban Renewal Plan at an upcoming meeting. City Council will need to approve the Finding of Blight and the proposed Key Coalition Urban Renewal Plan.

DISCUSSION: Mr. Long summarized his staff report, noting that the boundaries of the proposed plan did not include the Spring Valley Park properties. He also confirmed for Mr. Duffy that the City Planning Commission was supporting the proposed urban renewal area ("URA") application. Mr. Duffy stated several large URAs already existed in the area but had little impact because of the lack of an assigned developer and promotion. He asked Mr. Langenkamp if he knew of any new plans or initiatives to take advantage of the new plan. Mr. Langenkamp advised he was not aware of any but would find out and advise the Board at a later date. Mr. Egan advised marketing would be proficient in the southeast area of the proposed plan, as it was around the old Linwood Shopping Center. He said both the manager of the shopping center and the City housing department supported rejuvenation of the area.

Mr. Duffy then invited Mr. Sterrett to discuss the blight study. Mr. Sterrett presented a PowerPoint illustrating the prevalence and severity of blight among the 659 property parcels located within the proposed area. He advised that 66 parcels had received previous blight designations and 257 were vacant lots. Mr. Sterrett said that because of public ownership and tax exemption, 560 properties remained taxable, 195 of which were delinquent. He stated that the 2013 taxable assessed value of just over \$3.5 million was a decline of 15% since 2010. Population in the area had also declined, he added, by 40% over the last 20 years. Mr. Sterrett advised that because of the overlap of two census tracts, 42% to 56% of people living in the area lived below the poverty level. Mr. Sterrett stated two blight factors were most prevalent in the area – (1) unsanitary or unsafe conditions and (2) deterioration of site improvements.

Mr. Hamilton asked how many severely deteriorated homes were occupied. Mr. Sterrett replied that approximately 90% of the most severely blighted buildings were vacant and boarded. He concluded by stating that about 63% of the area would be considered blighted. Mr. Egan advised Mr. White that the blight study was paid for by the City through PIAC funds. Mr. Sterrett and Mr. Edwards also advised Mr. White that they were not aware of any redevelopment plans which would benefit from the proposed plan. Mr. White asked if the blight study had been initiated by the neighborhood association. Mr. Sterrett replied in the affirmative. Mr. Duffy confirmed with Mr. Long that the neighborhood representative supported the proposed plan.

Mr. Duffy asked if the blight study conformed to the new statutory requirement regarding the detailed information required for the use of eminent domain. He said eminent domain might be required under the proposed plan as many properties were vacant or had confused title. Mr. Sterrett said although the study at issue was not required to conform to the new statute, he believed it had sufficient detail to do so. Mr. Egan and Mr. Engel agreed with Mr. Sterrett. Mr. Egan also advised Mr. Edwards that the City Council, rather than the LCRA, made any decision concerning eminent domain or relocation.

Mr. Long summarized the plan for Mr. Hamilton, advising its purpose was to provide tax incentive to encourage current homeowners to reinvest in their property and potential homeowners to build within the neighborhood. Mr. Hamilton inquired about the success of such incentive plans. Mr. Egan identified Longfellow Dutch Hill and Scarritt Renaissance as greatly used programs. He said the northeast area was seldom used but was expected to become more popular because of increased interest in the area. Mr. Duffy recalled that the Oak Park plan had generated little interest. Mr. Hamilton asked how a homeowner became aware of such programs. Mr. Long answered that staff's networking with the neighborhood associations as well as word of mouth were the most common methods. Mr. Edwards commented that most people did not attend neighborhood association meetings. Mr. Long and Mr. Egan agreed marketing efforts could be improved.

Mr. Duffy asked for a review of the URP zoning language on pages 11 and 12 in paragraph 6 of the proposed plan. Mr. Long explained that if more than 5 housing units were built, a UR rezoning application must be submitted. He said that UR rezoning must also be sought if a building was expanded by 1,000 square feet or by 10%. Mr. Long said an exception could be granted by the state historic preservation officer to such UR rezoning rules if a building was to undergo historic rehab. Mr. Duffy noted such language was not included in the proposed Key Coalition plan. Mr. Long responded that such practices evolved over time and UR rezoning rules were especially applied to new commercial construction. Mr. Duffy noted that the last paragraph of the zoning section implied projects smaller than 5 units had to have UR rezoning as it stated LCRA could recommend the Director of City Development grant an exemption from UR rezoning requirements for such projects. Mr. Long agreed the language was often contradictory.

Mr. Duffy suggested deletion of everything in Section 6 except for the first paragraph. He stated special zoning should not be a requirement for tax abatement. Mr. Duffy said it would be difficult to justify renovating a \$100,000 home with the modest tax abatement and that such incentive programs would only be successful with support from other City programs.

ACTION TAKEN: APPROVED THE FINDING OF BLIGHT IN THE PROPOSED KEY COALITION URBAN RENEWAL PLAN. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. NO. 12-02-14)

APPROVED THE KEY COALITION URBAN RENEWAL PLAN AS AMENDED AND FORWARD TO CITY COUNCIL WITH A RECOMMENDATION OF APPROVAL. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. NO. 12-03-14)

Mr. Duffy ceded the Chair to Mr. White and Mr. Duffy left the meeting at this time.

5. **Central Business District Urban Renewal Plan – Pickwick** – *Consideration of Approval of a Redevelopment Contract with Pickwick Renaissance, LLC (Bob Long) (Ex. 6A and 6B)*

Area Description: The proposed Pickwick Renaissance project is located within the block generally bound by E. 9th Street on the North, McGee Street on the West, E. 10th Street on the South, and Oak Street on the East, in Kansas City, Jackson County, Missouri. The specific addresses are 903 McGee Street, 933 McGee Street and 937 McGee Street.

Plan Description: The proponent of the Pickwick Renaissance project is Pickwick Renaissance, LLC.

The Union Bus Terminal was once one of the busiest bus depots in the nation and the Pickwick Plaza Hotel and Office Building benefitted greatly from that activity. The slow decline of interstate bus travel, combined with the decline of downtown Kansas City, ultimately proved to be a fatal blow to these historic but deteriorating buildings. The last tenants of the Pickwick Plaza hotel were low- and moderate-income Section 8 assistance recipients. The turnover, police calls and ongoing deterioration of the building eventually led to its closing. The historic Pickwick Plaza Hotel, Office Building and Union Bus Station have been vacant for several years.

The proponents' plan calls for a \$55.2 Million historic rehabilitation of the existing buildings as a mixed-use project involving 260 market-rate apartments, 32,000 square feet of commercial uses and 300 parking spaces. The Pickwick Plaza Hotel and associated

Office Building are some of the few historic buildings inside the Central Business District that have not been rehabilitated. One of the major appeals for commercial tenants in that the project has its own off-street, covered parking, which will also appeal to residential tenants. The proponents believe that the downtown streetcar line, Sprint Arena, Power & Light District, and proximity to major downtown employers will be a major attraction to potential commercial tenants and residents.

Springsted, Inc. performed a financial analysis of the proposed project. Without assistance, the project is projected to achieve only a 6.31% internal rate of return and have only a 0.93 debt coverage ratio. With 10 year tax abatement at 100%, the project is projected to achieve an 8.12% internal rate of return and has a 1.06 debt coverage ratio. Springsted reported that the average IRR for this type of project is 7.92%. Staff believes this satisfies the Authority's Workable Program requirements.

To rehabilitate Pickwick Plaza Hotel and Office Building and reuse both the Union Bus Terminal and the existing parking garage, the Plan's proponents believe that assistance from the Land Clearance for Redevelopment Authority (the "Authority"), consisting of real property tax abatement, will present opportunities to reuse the Pickwick properties by stimulating and facilitating private investment in a mixed-use project featuring commercial uses, market-rate apartments and a parking structure.

Affirmative Action Policy and MBE/WBE Participation: The proponents, Pickwick Renaissance, LLC, have met with Sandra Rayford and Carl Boyd to discuss the project. A letter of intent to comply has been submitted.

Taxing Jurisdictions: A copy of the project information, financial analysis and draft staff report was sent via e-mail to the taxing jurisdiction for a December 12th meeting with staff and the developer.

DISCUSSION: Mr. Long gave a summary of his staff report and provided a summary from Springsted of Exhibit 6B. Mr. Donaway advised that Springsted, Inc. was a public financial advisor for government entities and school districts. He said the purpose of the report was to determine if the project could proceed without some type of assistance. Mr. Donaway stated Springsted calculations revealed the Pickwick project would have a low rate of return of 6.31% without assistance and an average rate of return of 8.21% with assistance. He advised the debt coverage ratio without assistance was below one, which indicated the project's net operating income would not be able to pay its debts. Mr. Denaway said the debt coverage ratio increased slightly to 1.06 with assistance. He said the net present value would be \$2,770,261 over the ten years of tax abatement if the net present value was set at 6%. Mr. Denaway also advised the developer would pay a PILOT to the taxing jurisdictions which would increase 2.5% each year of the ten year abatement. He concluded by stating that the project would require a 11% reduction in costs to be feasible without tax abatement.

Mr. Long advised Mr. White a blight study was not needed as the project was in an existing URA. Mr. Mayer said the project had challenged its developers as it was one of the last remaining areas to be developed on McGee. He advised the attached

neglected and rundown building and garage was also under contract with the project and created additional difficulties. Mr. Mayer said the renovated Pickwick would fill a niche of affordable market rate apartments with rents from \$750 to \$950. He then introduced Tom and Brian Smith, Ruben Haymond, Christine Sutherland, and Sean O'Byrne. Mr. O'Byrne said the Downtown Council considered the Pickwick project a top priority as McGee was regarded as a "dead street" with little retail activity. Mr. Mayer asked Tom Smith to summarize the difficulties the developer encountered in its attempts to renovate the Pickwick. Mr. Smith stated that tax incentive was initially thought not to be needed for the project. He explained that as the project's budget had increased \$12 million in the past year, tax assistance was now imperative. Mr. White asked how rents would be kept below \$1,000. Mr. Smith replied that the units would be high grade but smaller, approximately 550 square feet. Mr. White then asked for public testimony and comment. Mr. Kline said the County supported the yearly increase PILOT payment arrangement and hoped it would be a model for other projects. Mr. Mayer advised the arrangement was similar to the bond increase used in Kansas City, Kansas. Mr. Engel confirmed for Mr. Hamilton the remainder of the contract was standard. Mr. White asked for other comment and testimony, and receiving none, called for a vote on the issue.

ACTION TAKEN: APPROVED REDEVELOPMENT CONTRACT WITH PICKWICK RENAISSANCE, LLC FOR THE PICKWICK RENAISSANCE PROJECT AT 903 – 933 – 937 MCGEE STREET IN THE CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. MR. DUFFY WAS ABSENT FROM THE VOTE. (RES. NO. 12-04-14)

APPROVED TEN (10) YEAR TAX ABATEMENT AT ONE HUNDRED PERCENT (100%) TAX ABATEMENT FOR THE PICKWICK RENAISSANCE, LLC FOR THE PICKWICK RENAISSANCE PROJECT AT 903 – 933 – 937 MCGEE STREET IN THE CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. MR. DUFFY WAS ABSENT FROM THE VOTE. (RES. NO. 12-05-14)

6. **Vacant Properties Coalition Assessment Project** – Consideration of Approval of Memorandum of Agreement between LCRA and the City of Kansas City, Missouri (Joe Egan) (Ex. 8)

For the past three (3) years, LCRA has been a partner in the Brownfields Coalition (City of Kansas City, Missouri and Jackson County) in implementing a \$1,000,000 EPA grant to assess/remediate sites for redevelopment. The City has applied for a \$600,000 vacant properties remediation grant.

DISCUSSION: Mr. Egan gave an overview of his staff report. He stated the City applied for a \$600,000 grant to deal with assessment and remediation of contaminants. Mr. White asked if the grant required demolition of any houses. Mr. Egan replied that the properties would be vacant, mostly Land Bank properties, and the grant monies would be used to ensure the Land Bank could market clean products. He also confirmed for Mr. Hamilton that no costs would be incurred by the LCRA for the property remediation. Mr. White asked for other comment and testimony, and receiving none, called for a vote on the issue.

ACTION TAKEN: APPROVED LCRA PARTICIPATION IN VACANT PROPERTIES COALITION ASSESSMENT PROJECT. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. MR. DUFFY WAS ABSENT FROM THE VOTE. (RES. NO. 12-06-14)

7. **Oak Park Urban Renewal Area (URA) – Oak Point Project** – *Consideration of Approval of a Subordination Agreement Required by HUD* (Brian Engel)

DISCUSSION: Mr. Engel stated the Oak Point project had been delayed by major title issues and financing problems. As a result, he said, LCRA's Redevelopment Contract had not been recorded until last week. Mr. Engel said HUD was insisting LCRA's contract should not have been recorded before HUD's restrictions were in place and was threatening to terminate the process unless the contract was terminated or LCRA signed a Subordination Agreement. Mr. Engel advised Mr. Hamilton the Subordination Agreement would have no negative impact on LCRA. Mr. Engel and Mr. Egan also advised Mr. Hamilton that the Redevelopment Contract had no adverse effect on the HUD requirements as it was not a financing instrument and had no lien rights. Mr. Engel explained that the City would have to pay HUD millions of dollars if HUD terminated the project. It would therefore, he advised, be easier to simply sign the HUD Subordination Agreement rather than deal with HUD's bureaucracy.

ACTION TAKEN: APPROVED LCRA EXECUTION OF SUBORDINATION AGREEMENT WITH HUD REGARDING THE OAK POINT PROJECT. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. MR. DUFFY WAS ABSENT FROM THE VOTE. (RES. NO. 12-07-14)

8. **Financial** - Review and acceptance of Financial Report for the Month of November, 2014 (Lee Williams) (Ex. 3)

Mr. Williams gave a brief overview of the draft financial report for November, 2014, which has been included for review prior to the meeting.

DISCUSSION: Mr. Egan advised the updated financials were still not complete because the audit was not finalized. Mr. Williams stated that \$67,000 was restricted of the

\$104,198 November 2014 cash balance and \$37,000 was unrestricted. He advised many of the accounts payable resulted from timing issues and that many had been paid or would be paid soon. Mr. Williams said he was still in the process of verifying account receivables but considered Broadway Square Partners a legitimate expense. Mr. Hamilton inquired about the procedure for write-offs, as some amounts were under \$25.00 and owed for over 90 days. Mr. Williams replied that the amounts were owed to White Goss' predecessor, King Hershey, from developers who had not fulfilled their financial obligations, and could be written off if the Board directed. Mr. Egan asked if the amount owed to White Goss which showed as also overdue by 90 days resulted from Oak Point. Mr. Engel replied that the figure included other projects, closed and ongoing, as well as the Oak Point project. Mr. Williams advised that he was working with White Goss' accounts receivable department to verify the amounts that LCRA owed to the firm. Mr. Egan asked that Mr. Williams prepare a report detailing amounts owed for the January Board meeting. Mr. White asked for other comment and testimony, and receiving none, called for a vote on the issue.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR NOVEMBER, 2014 AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. MR. DUFFY WAS ABSENT FROM THE VOTE.

9. **Executive Director's Report**

- a. **Administrative** - *Active Case Tracking System Report* (Joe Egan) (Ex. 9A-1 and 9A-2)

DISCUSSION: Because of time constraints, Mr. White asked if there was anything of note in the Executive Director's report. Mr. Egan advised that the Columbus Park Development had secured low income housing tax credits which allowed the development to meet the percentage (15%) of affordable units as requested by the Housing Authority. He said 54 of the 108 units would be affordable and that building of infrastructure would begin in a few weeks with construction to begin in late spring or early summer. Mr. Egan concluded by stating that the process to return the HEDFC properties would be returned to the City by January 15, 2015.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

- b. **Affirmative Action Subcommittee Report** (Sandra Rayford and Carl Boyd) (Ex. 9B-1 and 9B-2)

ACTION TAKEN: NONE; INFORMATIONAL ONLY

10. **Transfer of 1710 Paseo** - Sale of Property to Kansas City Power & Light Company (Brian Engel)

DISCUSSION: Mr. Engel said the transfer of 1710 Paseo was related to LCRA's transfer of 1740 Paseo, which had been discussed at last month's Board meeting. He reiterated that LCRA acquired the Urban League (UL) and Full Employment Council (FEC) property in 2008. The FEC deed for the 1740 Paseo property has been transferred to the FEC, he said, per the Board's Resolution 11-01-14. Mr. Engel said the UL lease regarding the 1710 Paseo property was delinquent and KCPL had agreed to take over LCRA responsibilities as landlord. He explained that the LCRA lease would terminate and KCPL would enter into a new lease with the UL. He concluded by advising that KCPL was the initial funder of transaction when LCRA acquired property out of foreclosure. Mr. Hamilton asked why KCPL wanted to acquire the building. Mr. Engel replied that it was for charitable reasons. Mr. Egan said KCPL had provided the funds through to purchase the two properties when they faced foreclosure by the HEDFC receiver. KCPL was now willing, he stated, to purchase the 1710 property for \$400,000, \$10,000 of which would be paid to the LCRA for transaction costs with the Greater Kansas City Community Foundation to receive the remaining \$390,000 to release the deed. Mr. Egan also advised Mr. White that no provisions had been made to recoup UL's delinquent lease payments. Mr. Engel requested the Board vote on the matter and summarized the proposed resolution authorizing the transfer.

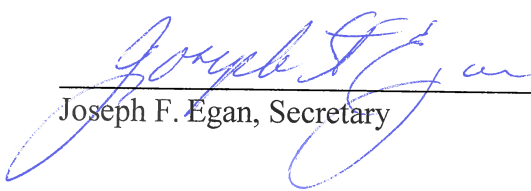
ACTION TAKEN: APPROVED SALE OF 1710 PASEO TO KANSAS CITY POWER & LIGHT COMPANY FOR \$400,000. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. MR. DUFFY WAS ABSENT FROM THE VOTE. (RES. NO. 12-08-14)

11. **Administrative** - Review and approval of Meeting Minutes (Ex. 2)

Minutes of the November 19, 2014 meeting were provided for review prior to the meeting.

ACTION TAKEN: APPROVED THE MINUTES FOR NOVEMBER 19, 2014 AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. MR. DUFFY WAS ABSENT FROM THE VOTE.

There being no further business, the meeting was adjourned at 12:08 p.m.



Joseph F. Egan, Secretary