



ECONOMIC DEVELOPMENT CORPORATION

APPROVED 2/24/16



LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY

BOARD MEETING MINUTES

DATE: January 27, 2016

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
Steve Hamilton
Gabriel Okafor

Absent: James White

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Carl Boyd, EDC
Lee Brown, EDC
Greg Flisram, EDC
Bob Long, EDC
Dan Moye, EDC
Sandra Rayford, EDC

Guests: Mike Burke, Burke Payne, LLC
Matt Abbott, Carbondale Apartment Group, LLC
Michael Keenan, Cochran, Head & Vick
Del Hedgepath, Del Properties
Ken Jagers, Integra Realty
Jack Feldman, Jackson County
Diane Stafford, Kansas City Star
Matthew Connolly, MDC Architecture, Inc.
Roxsen Koch, Polsinelli
Gene Kelley, Sheet Metal Workers
Jason Swords, Sunflower Development Group
Christine Jordan, Valentine Neighborhood Association
Brian Engel, White Goss
Matt Coates, Yarco-Devco
Mike Grube, Yarco-Devco

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority at 9:30 a.m. and declared a quorum was present.

2. **Administrative** - *Annual Election of Officers for 2016* (Michael Duffy)

The current officers are:

Chairman	Michael Duffy
Vice-Chairman	James White
Secretary	Joseph F. Egan
Assistant Secretary	Susan Tumey
Treasurer	Lee Brown

Mr. Hamilton nominated the current slate of officers for the 2016 calendar year.

ACTION TAKEN: ELECTED THE NOMINATED SLATE OF OFFICERS FOR THE 2016 CALENDAR YEAR. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. OKAFOR AND CARRIED UNANIMOUSLY. (RES. NO. 01-01-16)

3. **Grand Avenue South URA – Hotel Indigo/2020 Grand** – *Consideration of Approval of a Redevelopment Contract with Carbondale Apartment Group LLC* (Bob Long) (Ex. 3A-3D)

Area Description: The Grand Avenue South Urban Renewal Area is generally bound by East 18th Street on the North, Holmes Street on the East, the Kansas City Terminal railway tracks on the South, and Walnut Street on the West, in Kansas City, Jackson County, Missouri. The specific project address is 2020 Grand Boulevard.

Project Description: The applicant is Carbondale Apartment Group LLC. Matt Abbott is the principal of Carbondale Apartment Group LLC.

The applicant’s project is an \$11 Million historic rehabilitation of the vacant commercial building at 2020 Grand into Hotel Indigo. The applicant will utilize a first mortgage, Federal and state historic investment tax credits, and equity to finance the acquisition and rehabilitation of this commercial building. This project will create an 80-room Hotel Indigo, a boutique hotel that is part of the InterContinental Hotel reservation system.

A copy of the financial analysis by Integra Realty Resources, Inc. is attached. It shows the project would generate a 7.02% unleveraged return without any incentives. With Federal and state historic tax credits and Chap. 99 property tax abatement, the project would generate a 7.72% unleveraged return. With Federal and state historic tax credits and PIEA/Chap. 353 property tax abatement, the project would generate a 7.90% unleveraged return. Integra believes that the market would expect a 9.00 – 9.50% unleveraged 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, Carbondale Apartment Group 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.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Long gave an overview of his staff report and presented a PowerPoint illustrating the highlights of the project. He advised the 80-room select service hotel would be Hotel Indigo's second location in the area. Mr. Abbott stated that KC Costume, the building's current tenant, had unsuccessfully tried to sell the property for the past five years. He explained that several other developers had the site under contract during those five years, but had never been able to make the numbers work. Mr. Abbott added that that lack of parking, building inefficiency and condition, and remodeling costs helped necessitate KC Costume's departure.

Mr. Jagers said that Integra used the price per gross building foot and the price per room as financial comps in its valuation of commercial reasonableness. He stated that the proposed \$33 per square foot acquisition cost was in the range for shell buildings in the Crossroads District and that the \$2,000,000 acquisition price was reasonable. Mr. Abbott advised an appraisal to determine the site's value was not performed because he paid cash for the site. Mr. Egan stated that the County valued the property at just over \$1,000,000. Mr. Abbott advised that KC Costume would not benefit from the sale or tax abatement because it could not afford to remain in the building. He stated that the hotel's environment would be centered on the arts due partly to the proximity of the Crossroads area to its north. He said that construction was planned to begin in summer 2016 and would not be viable without tax abatement. Mr. Egan recommended approval of tax abatement for ten years at 100% for the project. He said that although the financial analysis showed the project was below market, a 70 point difference separated the project's rate of return with and without incentives.

Mr. Hamilton expressed surprise that no other public testimony was offered, especially given yesterday's after-hour's e-mail to several Board members on the subject from the County. Mr. Feldman replied that he saw no need to air dirty laundry and had merely shared the County's comments and questions. He stated that the County took no stance on the project because the developer had not met with the taxing jurisdictions prior to today's meeting. Mr. Okafor noted that the magnitude of the County's concerns, as well as its major role in the City's development, should compel the County to offer some advice to the Board. Mr. Feldman requested that the Board postpone its decision on the project until after the developer met with the taxing jurisdictions.

Mr. Long advised meetings between developers and taxing jurisdictions were either arranged by the developer or by EDC staff. He said that because of Mr. Abbott's schedule, notices were not e-mailed until January 21 for a January 26 meeting, which no taxing jurisdictions attended. Mr. Feldman replied that the lack of attendance was caused by the short notice time. Mr. Long advised that the project's financial statement was also provided to the County on September 15, 2015 during a weekly EDC directors' meeting. Mr. Feldman noted that the County had previously arranged its own meetings with developers. He said that once Ms. Tyndall became director of the City's EDC department, she requested that the EDC staff schedule and include the City in such meetings. Mr. Flisram advised that the AdvanceKC process had several ambiguous guidelines, including the responsibility for setting meetings with taxing jurisdictions. He said that staff would attempt to clarify details and report to the Board at next month's meeting.

The Board debated timing requirements for staff to issue notices for and have developer and taxing jurisdictions meetings prior to LCRA monthly hearings. Mr. Edwards noted that as the developer was seeking incentive, it should make such meetings a priority. Mr. Feldman agreed that a meeting five (5) days prior to the LCRA meeting was sufficient but stated that a meeting notice deadline did not need to be legislated. Mr. Hamilton advised that the County could not complain it did not receive sufficient notice if notice times were not set. Mr. Feldman acknowledged the comment, but countered that the actual meeting was more important.

ACTION TAKEN: STIPULATED THAT DEVELOPER MEETINGS WITH TAXING JURISDICTIONS ARE TO BE INITIATED BY STAFF AND MUST OCCUR AT LEAST FIVE (5) BUSINESS DAYS PRIOR TO THE LCRA MONTHLY BOARD MEETING. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. NO. 01-02-16)

FURTHER DISCUSSION: Mr. Duffy re-acknowledged staff's recommendation for approval of the project's tax abatement. Mr. Egan noted the 200 plus basis points difference between the project's 7.72% unleveraged return with abatement and the 9.5% expected market rate. Mr. Abbott advised that the project would not move forward without abatement and explained that the only viable project for the building was as a hotel. He said the building could not be developed into apartments because of its layout and parking availability. He added that although hotel development was not his forte, the involvement of a local hotel management group greatly supported this project. Mr. Abbott explained that his involvement in the low return project came from his desire to make an impact on the downtown area, as well as the City's pro-development and blight removal policies. He concluded his testimony by stating that the project was blighted because the building would have to be gutted and entirely redone for its new purpose. Mr. Hamilton confirmed with Mr. Engel that the proposed Redevelopment Contract with Carbondale Apartment Group, LLC was LCRA's standard contract.

ACTION TAKEN: APPROVED TEN (10) YEAR 100% TAX ABATEMENT FOR THE HOTEL INDIGO/2020 GRAND PROJECT. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

APPROVED THE REDEVELOPMENT CONTRACT WITH CARBONDALE APARTMENT GROUP LLC. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

(RES. NO. 01-03-16)

4. **Central Business District Urban Renewal Plan 911-915-917 Broadway** – *Consideration of Approval of a Redevelopment Contract with Yarco-Devco, LLC (Bob Long) (Ex. 4A-4C)*

Area Description: The Central Business District Urban Renewal Area is generally bound by I-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 addresses are 911–915–917 Broadway.

Project Description: The applicant is Yarco-Devco, LLC.

The applicants' project is a \$10.5 Million historic rehabilitation of two vacant commercial buildings into 44 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, deferred Developer Fee and equity to finance the acquisition and rehabilitation of these commercial buildings. This project will provide 44 one-bedroom and two-bedroom market-rate apartments within the Central Business District.

A copy of the financial analysis by Springsted, Inc. is attached, as well as a follow-up e-mail. It shows the project would generate a 5.72% leveraged IRR and a 1.14 DCR without any incentives. With Chap. 99 property tax abatement, the project would generate a 6.06% leveraged IRR and a 1.21 DCR.

It should be noted that the developer chose to use the project's existing property taxes as a base assumption. Reclassification of the property from commercial to residential would have resulted in a loss of property tax revenues to the taxing jurisdictions.

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, Yarco-Devco, 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.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Duffy advised that the Board also received an e-mail from the County similar to their Hotel Indigo/2020 Grand e-mail about the Yarco-Devco project. Mr. Long stated that the project information and financial analysis were distributed to the City and taxing jurisdictions on January 12, 2016 and were also discussed at the January 15th agency directors meeting. He said that the financial analysis was also included in the January 21st notice for a January 25 developer/taxing jurisdiction meeting, which no taxing jurisdictions attended. Mr. Feldman stated that the meeting was cancelled via an e-mail from Ms. Tyndall and that two days' notice was not sufficient. He said that he and Ms. Tyndall requested the project be postponed until the Board's February meeting. Mr. Grube argued that a 30-day delay would negatively affect the project's timeline. He advised that the project's underwriting could not be completed until tax abatement was either granted or denied. He said that their projected March 1 closing date allowed for ten months of renovation work, ending in December, 2016. He stated that the month delay would push completion into 2017 and result in delay of expected investor tax credits. Mr. Grube concluded by stating that interest rates for construction financing would probably rise during the next 30 days.

The Board suggested that it could hold a special meeting to discuss the project in the near future. Mr. Hamilton advised that the County had raised legitimate concerns and questions about the financial analysis. Mr. Hamilton was also nonplussed by Springsted's availability only by phone at the meeting. He added that if the matter was heard today, the project might be denied. Mr. Grube countered that the developer had followed the rules and feared the delay might cause future complications. Mr. Feldman stated that Ms. Tyndall also wished to attend the taxing jurisdiction/developer meeting. Mr. Grube said Ms. Tyndall had not returned his two voicemail messages to her this week. At Mr. Duffy's suggestion, the staff, the taxing jurisdictions and the developer left the meeting to discuss dates for the special meeting.

ACTION TAKEN: TABLED.

FURTHER DISCUSSION: Mr. Feldman returned and advised that no date had been set for the taxing jurisdiction/developer meeting. He said the meeting would be set as soon as possible, once Ms. Tyndall could be contacted to determine her schedule. He noted that the taxing jurisdictions would act in good faith to not delay the project.

5. **Norman School Urban Renewal Plan (Proposed)** – *Consideration of Approval of a Finding of Blight and the Norman School Urban Renewal Plan (Bob Long) (Ex. 5)*

Area Description: The proposed Norman School Urban Renewal Area is generally bound by West 35th on the North, Jefferson Street on the East, West 36th Street/Joe Cigas

Drive on the South, and the Southwest Trafficway (Summit Street) on the West, in Kansas City, Jackson County, Missouri.

Plan Description: The proponent of the Norman School Urban Renewal Plan is Norman School Apartments, LLC.

The Norman School is located within the northwestern portion of Kansas City's Valentine neighborhood, directly adjacent to the Southwest Trafficway, which provides convenient access between the Central Business District and the Country Club Plaza. The Norman School was listed on the National Register of Historic Places on January 15, 2014.

The Plan's proponent has proposed a \$13.1 Million historic rehabilitation of the Norman School building, plus construction of building additions on the north façade, to create approximately 61 market-rate apartments. Thirty-nine (39) of these apartments would be within the historic Norman School building, while twenty-two (22) would be within the two four-story additions to be constructed on the north side of the Norman School building. Fifty-eight (58) of the units would be one-bedroom apartments; while three (3) would be two-bedroom units. See Exhibit H of the proposed Urban Renewal Plan for additional information regarding the proposed site plan, floor plans and other project design information.

The City Planning Commission disapproved the proposed Norman School Urban Renewal Plan at its July 7th meeting due to neighborhood concerns. Since that time, the developer has worked with both City staff and the Valentine Neighborhood Association to reduce the total number of units and change the potential tenant mixture by changing six one-bedroom units into three two-bedroom units, moving the pool and shelter, increasing the number of off-street parking spaces, and relocating the driveway access point. The developer now has the support of the Valentine Neighborhood Association.

The Plan's proponents believe that this proposed project is well-positioned to attract new residents to the Valentine neighborhood because of the unique nature of the new housing units being created, its prominent location along Southwest Trafficway, which borders the west side of the Valentine neighborhood, and the proximity and easy access to the Central Business District, Midtown, Westport and the Country Club Plaza.

EDC staff prepared a blight analysis of the Plan Area. Many of the "blight" and "insanitary" conditions under Chapter 99 are present in the proposed Norman School Urban Renewal Area. The dominant conditions are:

- Deteriorating surface parking lots, retaining walls and sidewalks
- Deteriorating roof, soffits and eaves
- Deteriorating and missing gutters and downspouts
- Degrading and deteriorating masonry and mortar joints (interior and exterior)
- Trash, debris, and graffiti, which are evidence of illegal dumping and trespassing

- Deterioration of windows, frames and doors
- Cracked and peeling paint (much of which is lead-based)
- Asbestos, mold and mildew throughout much of the interior
- No functional HVAC, plumbing or electrical systems
- There have been at least two small interior fires

These physical conditions are examples of insanitary or unsafe conditions, deterioration of site improvements, inadequate or obsolete public infrastructure, existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, and which retards the provision of housing accommodations or which constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use.

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

To revitalize the Norman School 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 Norman School neighborhood by removing blight and facilitating private investment in new residential uses in the Valentine neighborhood.

Affirmative Action Policy and MBE/WBE Participation: The developer will be required to meet with the EDC's MBE/WBE Compliance Officer to discuss the project 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 was sent to the taxing jurisdiction representatives prior to a meeting to discuss the proposed project.

Other government/statutory agency action: City Council will need to approve the Finding of Blight and the proposed Norman School Urban Renewal Plan.

DISCUSSION: Mr. Long gave an overview of his staff report and presented a PowerPoint illustrating the highlights of the project. He advised that the school had been vacant for at least ten years and had only prior intermittent use by the school district. He said the developer planned 58 1-bedroom and 3 2-bedroom units with rents beginning at \$1,000. Mr. Long stated that the City Plan Commission ("CPC") denied the original development plan partly because of neighborhood concerns. He said the developer had since revised the plan to incorporate the CPC's and the Valentine Neighborhood Association's ("VNA") changes. He advised that the plan in the Board packet was the revised version. Mr. Long said that the developer planned to present the revised plan to the City Council rather than to the CPC a second time because of time concerns. Mr. Long provided the Board with a copy of the disposition letter from the City detailing why the plan was denied.

After review of the CPC letter, Mr. Hamilton noted that it did not address neighborhood concerns and cited only mechanical reasons for the denial, such as tree health and rezoning considerations. Mr. Duffy verified that no City staff were present at today's LCRA meeting who could comment on the CPC letter. Mr. Hedgepath advised that meeting arrangements and negotiations with the VNA delayed final plan revisions after the July 9, 2015 CPC denial letter. Ms. Jordan confirmed that the VNA met with the developer on November 11, 2015 and issued its letter of support on November 18. Mr. Okafor advised that the LCRA Board required a copy of the VNA letter prior to its consideration of the plan. Ms. Jordan and Mr. Hedgepath agreed that the mix of 2-bedroom to 1-bedroom units still needed to be negotiated.

Mr. Hedgepath advised that he purchased the building at auction in 2008 and any redevelopment at that time was put on hold because of the economy. He said that the building was almost uninsurable because of its present condition. He stated that the initial development plan was based on one-bedroom lofts because of market projections. Mr. Hedgepath advised that he worked closely with the VNA and revised the plan because of their concerns. He stated that the property was also placed on the National and State Historic Registers and that many project expenses dealt with saving historic pieces of the school. He said construction was planned to begin in summer 2016 for an average apartment size of approximately 750 square feet. Mr. Hedgepath advised his financing structure was comprised of federal and state historic credits and developer equity.

Mr. Hedgepath advised that the northeast side of the project abutted several 12-plexes. He added that the new additions and the existing 12-plexes would be of equal height because of State concerns. He said the project would adjoin three boarded up vacant single family bungalows on the west side. Mr. Long advised that the zoning and other minor changes to the final wording of the Plan would bring it into conformance with the new midtown area plan.

ACTION TAKEN: APPROVED THE FINDING OF BLIGHT IN THE PROPOSED NORMAN SCHOOL URBAN RENEWAL PLAN AND APPROVED THE NORMAN SCHOOL URBAN RENEWAL PLAN AND FORWARDING IT TO CITY COUNCIL WITH A RECOMMENDATION OF APPROVAL. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. NO. 01-04-16)

6. **East 23rd Urban Renewal Area - Kensington Heights Apartments** – Consideration of developer proposal and approval of amended Redevelopment Contract and Lease (Brian Engel) (Ex. 6A-6D)

At the December 16, 2015 LCRA meeting, the Board approved in concept the refinancing structure proposed by BLVD Capital, LLC as the prospective purchaser of Agent Kensington LP's leasehold interest in the affordable senior housing project located at 1600 Jackson. The Board also directed direct staff to solicit development proposals.

LCRA staff published a request for proposals and BLVD Capital, LLC timely submitted a proposal. No other proposals were received. Kensington Heights is an affordable housing project consisting of approximately 125 units which underwent rehabilitation in 2003-2004 pursuant to an LCRA urban renewal project undertaken by Agent Kensington LP. The project was financed through a MHDC bond issuance and a LCRA sale leaseback transaction. LCRA borrowed \$4.9 million of the bond proceeds from MHDC for the project costs pursuant to a loan agreement which may be prepaid after December 1, 2013. The project was completed by the Developer pursuant to the Lease Agreement, which expires on December 1, 2049.

The Agent Kensington LP is requesting the LCRA's approval to refinance the loan and sell its leasehold interest in the project to BLVD Capital, a real estate investment firm specializing in the acquisition, rehabilitation and asset management of value add and affordable housing properties across the country. Approval from MHDC and the bond enhancer is also required.

BLVD Capital intends to finance its acquisition with a Fannie Mae loan from PNC Bank. It is expected that the loan will have a 30-year amortization period and a balloon payment after 10 years. Depending on the final loan terms, BLVD Capital may request that the Lease term be extended but would agree to pay a PILOT equal to the taxes that would otherwise be assessed against the property for any period extending past the current Lease term. The Developer and BLVD Capital are working with HUD to renew the existing HAP contract, which will ensure that the current income restrictions for the property will remain in place for at least another 15 years.

DISCUSSION: Mr. Engel stated that the existing sale/leaseback project was acquired by Kensington, an entity created by the Wishcamper Group. He said the new entity, BLVD Capital ("BLVD"), purchased the leasehold interest of the project and had assumed the developer role. He advised that the current management company would remain in place. Mr. Engel said that the Board was being asked to approve BLVD as the developer because of LCRA's statutory requirement for the disposition of title of leased property. He stated that the Board was also being asked to approve the redevelopment contract and lease in substantially the form presented with the understanding that the lender and developer might have additional changes. He said the documents should be ready for final approval at next month's meeting.

Mr. Engel advised that the length of the lease term was still an item of debate among the parties. He said that the new loan would increase the lease term but that the tax exemption term would not be extended. He stated that once the exemption terminated, a PILOT equal to the tax amount owed without LCRA ownership would begin. He confirmed the PILOT would be calculated on the assessed value at the time of the PILOT's initiation. Ms. Koch advised that lender requirements for sale/leaseback projects required the lease extension. She explained that the loan would be underwritten as a 10 year loan with a 30 year option to either refinance through the same or different lender. Mr. Feldman confirmed that the County agreed with the proposed redevelopment and financing processes.

Mr. Okafor and Mr. Duffy discussed the Board's concerns about the project from prior meetings. Mr. Duffy asked that staff include the Board's prior questions and staff follow-up in future agendas for returning projects. Mr. Engel said he would check with Mr. Egan about the condition of the developer's Topeka properties.

Mr. Engel recommended that the Board approved BLVD as the developer. He also recommended that the Board approve the basic form of the amended and restated redevelopment contract and assignment of lease with the understanding that changes still needed to be made to each agreement. Ms. Koch agreed but stated that substantive changes to the documents might still be needed. Mr. Engel advised that one substantive change could include the assignment language from the ability to do so without LCRA consent to a reasonableness standard. Mr. Hamilton suggested that the Board approve the redeveloper selection and agreements with the caveat that any specific amendments require future Board approval. The Board agreed.

ACTION TAKEN: SELECTED BLVD CAPITAL, LLC AS REDEVELOPER TO PURCHASE LEASEHOLD INTEREST AND OPERATE THE EXISTING ELDERLY HOUSING PROJECT LOCATED AT 1600 JACKSON AVENUE WITHIN THE EAST 23RD STREET URBAN RENEWAL AREA; APPROVED AND AUTHORIZED ASSIGNMENT OF REDEVELOPMENT RIGHTS TO THE SELECTED DEVELOPER AND NEGOTIATION OF AMENDMENTS TO THE REDEVELOPMENT CONTRACT AND LEASE. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. NO. 01-06-16)

7. **Grand Avenue Office Campus Urban Renewal Area - Acquisition and Use of the Surface Parking Lots at 215 – 219 East 12th Street** - *Consideration of Approval of a Cooperative Agreement with the City of Kansas City, Missouri and Selection of a Developer (Bob Long) (Ex. 7A-7E)*

Area Description: The Grand Avenue Office Campus Urban Renewal Area is generally bound by East 12th/East 13th Streets on the North, Locust Street on the East, North Truman Road on the South, and Walnut Street on the West, in Kansas City, Jackson County, Missouri. The specific property addresses are 215 – 219 East 12th Street.

Project Description: In order to facilitate the adaptive reuse of the Traders on Grand building, 1125 Grand Boulevard, the City of Kansas City determined that additional off-street parking was needed. The City decided it was willing to transfer two small surface parking lots, 215 – 219 East 12th Street, to the Authority for sale to the selected developer for the Traders on Grand property. The City is requiring that these parking lots be sold for a pre-determined market-value of \$1,221,703. These parking lots are located within the existing Grand Avenue Office Campus Urban Renewal Area.

At its November 18, 2016 meeting, the Authority authorized the preparation and issuance of a Request for Proposals for the Acquisition and Use of the Surface Parking Lots at 215 – 219 East 12th Street (abbreviated copy attached).

Staff issued the RFP on December 9, 2015. The RFP had a proposal submittal deadline of 3:00 p.m., Wednesday, January 13, 2016. One proposal was submitted.

Sunflower Development Group, LLC's proposal proposes to acquire and use the two surface parking lots at 215 – 219 East 12th Street in support of its proposed \$51 Million acquisition and adaptive reuse of the Traders on Grand Building and its adjacent parking garage. The Traders on Grand Building would be rehabilitated into approximately 203 market-rate apartments, with the potential for offices and retail space on the first two floors. The adjacent parking garage is currently has only 137 parking spaces and is valet service only; this would provide only 57% of the parking spaces typically needed for the proposed Traders on Grand conversion project. Acquisition of the surface parking lots at 215 – 219 East 12th Street would provide all of the off-street parking needed.

While the surface parking lots are located within the existing Grand Avenue Office Campus URA and the Traders on Grand property is located within the Central Business District URA, staff understands that Sunflower Development intends to seek property tax abatement through the Planned Industrial Expansion Authority. In order to facilitate that process, the Authority needs to enter into a Cooperative Agreement with the City for the transfer of these lots and their eventual sale to the selected developer.

Affirmative Action Policy and MBE/WBE Participation: The proposed developer, Sunflower Development Group LLC, is scheduled to meet with Sandra Rayford to discuss the Traders on Grand project. A letter of intent to comply has been submitted.

Taxing Jurisdictions: The project information and financial analysis will be provided to the taxing jurisdiction representatives as the Traders on Grand project moves through the PIEA project approval process.

Other government/statutory agency action: City Council will need to approve the Cooperative Agreement to transfer the property to the City. The developer will also need to receive project approval through the Planned Industrial Expansion Authority.

DISCUSSION: Mr. Duffy stated that his firm was a tenant in the Traders building and, as such, he would have to recuse himself. Mr. Hamilton assumed the chair. Mr. Long gave an overview of his staff report and presented a PowerPoint illustrating the highlights of the project. He noted the City's determination that part of Traders on Grand's ("Traders") viability included additional parking. He advised that the two parking lots would provide about 40% of Traders' parking needs, with the additional 60% coming from its current parking garage. Mr. Swords added that the combined parking spaces equated to one parking space per apartment. He said that the KCATA was putting in a super stop in one lot which would delete four parking spaces.

Mr. Engel advised that additional steps were needed for this project beyond a simple sale of the lots from the LCRA to the developer. He explained that the redevelopment agreement was required to ensure the lots were used solely as support for Traders. Mr. Swords added that the building and parking garage would be closed as one parcel and closing on the parking lots would occur at a later date. Ms. Koch advised that the developer was still going through the AdvanceKC and PIEA processes. She said that the developer could not lock himself into due diligence for Traders until he was assured the City would release the lots to him for Traders' development. Mr. Engel stated that he was waiting on revisions to the Purchase Agreement from Mr. Buford at the City. He said that contingencies to close could still be added to the Redevelopment Agreement as it had not yet been drafted. He noted that the Traders' contract was modeled after the Argyle's documents which allowed City property to pass through the LCRA to the developer. He stated that a separate contract between the developer and LCRA would be prepared once the City/LCRA agreement was executed. Ms. Koch advised that the developer's lender required the redevelopment agreement to confirm transfer and ownership of the two parking lots. She said the redevelopment agreement should also include language allowing the developer to give LCRA thirty days' notice that all conditions had been met. She stated that the parking area would also need to be used as a construction staging area.

ACTION TAKEN: APPROVED COOPERATIVE AGREEMENT WITH THE CITY OF KANSAS CITY FOR THE TRANSFER AND SALE OF THE SURFACE PARKING LOTS AT 215 – 219 EAST 12TH STREET. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

SELECTED SUNFLOWER DEVELOPMENT GROUP, LLC (OR CONTROLLED AFFILIATE) AS DEVELOPER FOR ACQUISITION AND USE OF PARKING LOTS AT 215-219 EAST 12TH STREET AND NOTIFY CITY OF INTENT TO ENTER INTO REDEVELOPMENT CONTRACT. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

(RES. NO. 01-05-16)

8. **Uptown Theater URA** – *Consideration of Modification of Master Lease* (Joe Egan)

ACTION TAKEN: TABLED

9. **Administrative**

a. **Executive Director's Report** - *Active Projects Tracking System Report* (Joe Egan)
(Ex. 9A-1 and 9A-2)

ACTION TAKEN: TABLED

- b. **Housing Policy** – *Consideration of Incentive and Workforce Housing in Downtown Area* (Michael Duffy) (Ex. 9B)

DISCUSSION: Mr. Duffy stated that the Director’s Report and the Uptown Theater matters would be tabled because Mr. Egan had to leave the meeting early. Mr. Duffy advised that Ms. Tyndall called him to acknowledge receipt of the Board’s letter requesting City comment about downtown’s workforce housing policy. He said that Ms. Tyndall had discussed the letter with the City Manager who expressed concern about potentially depressing downtown rental rates. Ms. Tyndall further advised that the City Manager would consider the letter as part of the larger housing policy analysis and hoped to respond to the Board within the next 60 days.

- c. **But/For Financial Analysis** - *Consideration of In-House Financial Analysis Procedures* (Greg Flisram)

Board and staff discussed procedural details for analysis of projects under \$2,000,000.

DISCUSSION: Mr. Moyer distributed a spreadsheet illustrating an example of project information generated by the report. He noted that the spreadsheet showed projected rents, expenses, levy rates, returns for different scenarios, what each taxing jurisdiction contributed to the tax abatement, and the debt coverage. He advised that the benchmark for the rate of return with and without abatement was based on industry standards for larger projects. He said that information for niche projects was more difficult to obtain as staff did not have the same resources as larger third-party financial analysts. He stated that he would include a brief narrative to clarify the source of information used in the report. Mr. Moyer said that figures for development, construction, revenue, and acquisition costs could be obtained from past projects and additional research. He advised that staff calculations might not be as precise as those from larger third-party analysts and should be considered on a project-by-project basis. Mr. Moyer added that he might be able to solicit assistance from firms such as Springsted in determining expected reasonable return ranges. He said that he would include comments about the reasonableness of project costs and expenses and also contrast leveraged versus unleveraged financing scenarios in future spreadsheets. He suggested that leveraged projects would be the norm because financing for smaller developers was usually an important issue. He concluded his report by advising he would add a binary analysis with and without full tax abatement on the report. Mr. Feldman advised that he had reviewed the proposed spreadsheet at an agency directors’ meeting and approved the same.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

d. **Central Business District URA – Pickwick Renaissance, LLC** – *Consideration of Monthly Compliance Reports* (Joe Egan, Sandra Rayford) (Ex. 9D)

At its August 26, 2015 meeting, the Authority reached an agreement with Pickwick Renaissance, LLC (“Redeveloper”) regarding the project generally located at 903, 933 and 937 McGee Street (“Project”). Redeveloper agreed to report on a monthly basis until the completion of said Project to Authority staff and the Human Relations Department of the City of Kansas City, Missouri (“HRD”) about its efforts to maximize its MBE/WBE participation.

DISCUSSION: Ms. Rayford advised that Pickwick was continuing to follow through with its reporting requirements, good faith efforts and work with Ms. Dorch of the City’s Human Relations Department.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

10. **Administrative** - *Review and Approval of Meeting Minutes* (Ex. 10)

Minutes of the December 16, 2015 meeting were provided for review prior to the meeting.

ACTION TAKEN: APPROVED THE MINUTES FOR DECEMBER 16, 2015 AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

11. **Financial Report**. (Ex. 11)

The financial report for December, 2015, was provided for review prior to the meeting.

DISCUSSION: Mr. Keenan of Cochran Head Vick introduced Mr. Brown, the EDC’s new controller. Mr. Brown then gave the financial report. He stated that \$118,000 of the \$213,000 available cash was restricted. He advised that the Key Coalition project appropriated PIAC funds in the amount of \$30,000. He said that the property sale to KCPL generated \$390,000 for the Greater Kansas City Charitable Foundation and \$10,000 for the LCRA. Mr. Brown stated that developer revenue was higher than last year because of increased legal and consulting fees charged to the corresponding financial agreements. He advised that intergovernmental revenue was higher due to the construction phase with the City and resultant increase in construction expenses. He concluded his report by noting that disposition costs increased because of the \$600,000 property sale to Columbus Park.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR DECEMBER, 2015, AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

EXECUTIVE SESSION

12. *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

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





Joseph F. Egan, Secretary

SPECIAL TELECONFERENCE BOARD MEETING MINUTES

DATE: February 9, 2016
TIME: 10:00 a.m.
PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor
Kansas City, Missouri

1. Roll Call.

Present: Michael Duffy
Steve Hamilton (*via telephone*)
James White (*via telephone*)
Gabriel Okafor (*via telephone, left shortly after commencement*)

Absent: Daniel Edwards

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Carl Boyd, EDC
Bob Long, EDC

Guests: Kerrie Tyndall, City of Kansas City (*via telephone*)
Jack Feldman, Jackson County (*via telephone*)
Rob Roberts, Kansas City Business Journal
Kevin Masters, Kansas City, Missouri School District (*via telephone*)
Gene Kelley, Sheet & Metal Workers
Tom Denaway, Springsted (*via telephone*)
Brian Engel, White Goss
Matt Coates, Yarco-Devco
Mike Grube, Yarco-Devco

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority at 10:00 a.m. and declared a quorum was present.

2. Administrative - Consideration of transfer of \$25,000 from the LCRA to EDC (Joe Egan)

At its October 28, 2015 meeting, the LCRA Board approved the transfer of \$50,000 to the EDC to offset its administrative costs. Payment was to be made in two installments, the first in October, 2015 and the second prior to the end of the fiscal year. This is the second installment.

ACTION TAKEN: APPROVED SECOND \$25,000 TRANSFER FROM LCRA TO THE EDC. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. NO. 02-01-16)

3. **Administrative** – *Consideration of \$1,500 Sponsorship of Annual EDC Cornerstone Event (non-profit rate)* (Joe Egan)

ACTION TAKEN: APPROVED THE PAYMENT OF \$1,500 FOR SPONSORSHIP OF EDC CORNERSTONE AWARD EVENT. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. NO. 02-02-16)

4. **Central Business District Urban Renewal Plan 911-915-917 Broadway** – *Consideration of Approval of a Redevelopment Contract with Yarco-Devco, LLC* (Bob Long) (Ex. 4A-4D)

Area Description: The Central Business District Urban Renewal Area is generally bound by I-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 addresses are 911–915–917 Broadway.

Project Description: The applicant is Yarco-Devco, LLC.

The applicants' project is a \$10.5 Million historic rehabilitation of two vacant commercial buildings into 44 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, deferred Developer Fee and equity to finance the acquisition and rehabilitation of these commercial buildings. This project will provide 26 one-bedroom and 18 two-bedroom market-rate apartments within the Central Business District.

A copy of the financial analysis by Springsted, Inc. is attached, as well as a follow-up e-mail. It shows the project would generate a 5.72% leveraged Internal Rate of Return (“IRR”) and a 1.14 Debt Coverage Ratio (“DCR”) without any incentives. With Chapter 99 property tax abatement, the project would generate a 6.06% leveraged IRR and a 1.21 DCR.

It should be noted that the developer chose to use the project's existing property taxes as a base assumption. Reclassification of the property from commercial to residential would have resulted in a loss of property tax revenues to the taxing jurisdictions.

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, Yarco-Devco, 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. The taxing jurisdictions and the developer met on February 2, 2016 to discuss the proposed project.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Long gave an overview of his staff presentation and presented a PowerPoint illustrating the highlights of the project. He introduced Mr. Grube, Director of Development for Yarco-Devco, and Mr. Coates, its Project Manager. He advised that 917 Broadway, the existing surface parking lot would be converted into 33 gated secure parking spaces for the site with additional parking offsite. Mr. Long said that the 5-story 911 and the 3-story 915 Broadway would be converted into 26 one-bedroom and 18 two-bedroom market rate apartments. He stated that the average rent would be \$1.35 per square foot. He added that both buildings had been vacant for at least eight years. He noted that the \$10.5 million dollar project had received state and federal historic tax credits and a \$150,000 grant from TIF for sod, streetscape and parking improvements. He confirmed that no tax revenue from the project would become part of a TIF allocation fund.

Mr. Long advised that the developers deferred their developer fee as part of their effort to facilitate the project. He said additional financing included a \$4.9 million dollar first mortgage loan. He stated a leveraged 5.72% IRR without assistance resulted in a 1.14% DCR in year 1 and an average DCR of 1.19% in years 1 through 10. Mr. Long advised that 6.06% IRR with abatement generated a DCR of 1.21% in year 1 and an average 1.32% DCR in years 1 through 10. Mr. White countered that the 1.19% DCR was not shown in the financial documents and only referenced in Mr. Denaway's e-mail to Mr. Feldman. Mr. Grube acknowledged that the first year of debt service was inflated as it was interest only. Mr. White argued that the resulting 1.27% DCR for the first year of regular operations was decent coverage. Mr. Grube responded that lenders typically preferred much higher DCR than 1.20% and that the 1.27% figure was for the second year. He stated that the first year figure was probably closer to 1.25% if principal was included. Mr. Coates suggested using the Springsted analysis rather than the developer's because of Mr. Denaway's accounting expertise.

Mr. Denaway advised that the Springsted spreadsheet showed both his and the developer's calculations. He noted the base first mortgage amount of \$4.8 million with tax abatement allowed the developer to borrow \$4.8 million at a sustainable DCR. He said that without abatement, the borrowed amount would have to be lowered in order to maintain a sustainable DCR. Mr. Grube added that the developer's proformas automatically adjusted the DCR as expenses fluctuated.

Mr. Long advised that the developer met with the taxing jurisdictions on Tuesday, February 2, 2016. He said that he had received no additional comments from the taxing jurisdictions since the February 2nd meeting. Mr. Feldman stated that Mr. Denaway's explanation of Springsted's methodology alleviated their concerns about the but/for calculations. He said he questioned the developer's need for abatement in year 6 because the DCR was over 1.2%. He advised their counter-argument was a preference for a 1.25% DCR which essentially covered the life of the abatement. Ms. Tyndall confirmed with Mr. Feldman that the property's increased value from increased rents would benefit taxing jurisdictions only after the expiration of the abatement.

Mr. Masters suggested the developer's projected 2% annual rent increases should be stipulated in the Redevelopment Contract. Mr. Grube replied that the floor plates for the 3- and 5-story buildings made it difficult to develop a viable floor plan. He advised that the developer's market study and appraisal showed average rents of \$1.35 per square foot. Mr. Coates said the proposed apartments would be affordable for those with an annual income of \$40,000. Mr. Grube stated that 3,770 housing units were soon to come online in the downtown area. He advised that the market would then show resultant appreciation and depreciation in rental rates. He said a 2.5% rent increase could create cash flow for tenant benefit, but that stagnant rates did not allow any increase in tax abatement. He also rejected the idea of a clawback for the same reason. Mr. Grube argued that public subsidies did not completely counter the developer's risk in the project. He reiterated the developer's deferral of its \$850,000 management fee and that the DCR and taxes would still have to be paid even if rents became flat.

Mr. Grube noted that the Missouri Housing Development Commission ("MHDC") had not approved a LIHTC deal in downtown Kansas City since 2011. He later explained that the MHDC was hesitant to blend low income tax credits with historic credits and that some believed that there were enough affordable units in the downtown area.

Mr. Grube explained the \$3.5 million valuation for the property despite the \$10.4 million price and \$7 million construction budget. He advised that the fair market value did not equal total development cost and was based on net operating income and the \$1.35 average rent number for fair market rents. He said that average market rent for Class A spaces such as One Light were about \$2.00 per square foot. He stated that rents for Class B spaces such as historic rehabs were about \$1.50 per square foot. Mr. Grube advised the difference in square footage figures between the developer and Springsted reports was probably due to the amount of net rentable square footage included in such figures. He explained that the project included a lot of common areas because of floor plate mismatch. Mr. Coates noted that the project's gross square footage was approximately 61,600.

Mr. White noted that the developer's pledge to continue using the existing commercial tax rate was not stipulated to in the Redevelopment Contract. Mr. Engel advised that the standard LCRA contract could be revised to include the provision for the present and future developers. Mr. Egan recommended that the

Board approve standard 100% tax abatement for ten years and the redevelopment contract as amended. Mr. White advised he supported the project because of its workforce housing intent. He motioned that the Board approve the project as requested. He stated that, however, as the developer was under no obligation to keep rents affordable and the Board did not have the DCR numbers being relied upon, he would abstain from the vote. Mr. Duffy asked the staff to draft policy recommendations for discussion purposes at a Board retreat addressing the taxing jurisdictions' share of positive market changes on a project. Mr. Egan commented that the initial ten year abatement and possible increase through Chapter 353 could be an option.

ACTION TAKEN: APPROVED REDEVELOPMENT CONTRACT WITH YARCO-DEVCO, LLC. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND PASSED WITH THE FOLLOWING VOTE:

MR. DUFFY	AYE
MR. HAMILTON	AYE
MR. WHITE	ABSTAIN

(RES. NO. 02-03-16)

5. **Administrative** - *Single Family Infill (Joe Egan/Greg Flisram)*

Expand administrative tax abatement to small (6 or less) for sale townhouse developments in targeted neighborhoods.

DISCUSSION: Mr. Egan advised that the LCRA's existing policy allowed for administrative tax abatement for owner-occupied single-family and owner-occupied duplexes. He said a developer recently asked the LCRA to consider abatement for attached six-plex, owner-occupied townhouses as if they were individual separate properties. Mr. Egan stated that the abatement should be granted only if small townhouses proved more economical for the site than single-family detached homes. He said the developer currently building the aforementioned six-plexes as well as vacant land in the east side of the City could serve as beta neighborhoods for consideration of such administrative abatement. He advised staff would have to be convinced that townhouses were the only method of placing housing into certain neighborhoods. He asked the Board for its thoughts about the suggested modification.

Mr. Long advised that the existing duplex policy allowed approval of a mixed-use building when the owner occupied one unit and operated a business in the second unit. He stated that duplex abatement could also be approved if the owner lived in one of the two units. He clarified that each six-plex unit would be individually sold as well as owner-occupied. The Board verbally confirmed its support of further staff investigation into the suggested modification.

ACTION TAKEN: NONE; FOR DISCUSSION ONLY

EXECUTIVE SESSION

- 6. *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

- 7. There being no further business, the meeting was adjourned at 11:02 p.m.



Joseph F. Egan

Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: February 24, 2016
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
Steve Hamilton
Gabriel Okafor
James White

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Carl Boyd, EDC
Lee Brown, EDC
Greg Flisram, EDC
Bob Long, EDC
Sandra Rayford, EDC

Guests: Aarron Knight, Cochran, Head & Vick
Jim Malle, Jackson County
Kerrie Tyndall, Kansas City Economic Development Dept.
Jan Parks, MORE²
Rosa James, NAACP/Black Agenda
Bill Kimble, NAACP/Urban Summit and Neighborhoods United
Brian Hattaway, Procure
Pat Sterrett, Sterrett Urban
Joyce Murray, Uptown Shoppes
Larry Sells, Uptown Shoppes
Clinton Adams, Urban Summit
Brian Engel, White Goss

Chairman Duffy called to order the Board of Commissioners of Land Clearance for Redevelopment Authority at 9:30 a.m. and declared a quorum was present.

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

- a. Minutes of the January 27, 2016 meeting were provided for review prior to the meeting. (Ex. 2A)

ACTION TAKEN: APPROVED THE MINUTES FOR JANUARY 27, 2016 AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE AND CARRIED UNANIMOUSLY.

- b. Minutes of the February 9, 2016 meeting were provided for review prior to the meeting. (Ex. 2B)

ACTION TAKEN: APPROVED THE MINUTES FOR FEBRUARY 9, 2016 AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE AND CARRIED UNANIMOUSLY.

3. **Financial Report** - Review and acceptance of Financial Report for the Month of January, 2016 (Lee Brown) (Ex. 3)

Mr. Brown gave a brief overview of the draft financial report for January, 2016, which was provided for review prior to the meeting.

DISCUSSION: Mr. Brown advised that the restricted cash balance was \$211,413 and the unrestricted cash balance was \$92,000. He stated that there were no significant movements from last month's balance or income statements. Mr. Egan said that March's account receivables would be greatly reduced because several payments were received in February. He further advised that EDC's funding would change significantly on May 1, 2016 when the City took over TIF accounting responsibilities. Mr. Egan stated that the EDC would no longer have to rely on TIF funding for its revenues but would instead receive an allocation from the City for its expenses. He asked that the Board consider for discussion at next month's meeting the need for a separate LCRA budget accounting. He suggested that any monies or bills the LCRA received would be allocated to the EDC for distribution or payment. He said the basic method for banking surpluses and EDC coverage of LCRA deficits would not change.

Mr. Egan then asked for Mr. Duffy's comment on the EDC funding change because of his EDC Finance & Audit Committee membership. Mr. Duffy noted that City funding was vulnerable to political ups and downs as well as the City's and/or public's perception of the EDC. He added that TIF funding had its own volatility so the impact of City funding was unclear. He said the change was driven by concerns about accounting irregularities and whether or not TIF fees belonged to the EDC, the City, or taxing jurisdictions. Mr. Duffy concluded by stating that the City was now claiming a portion of the TIF monies as payment for EDC overhead administrative costs.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR JANUARY, 2016 AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

4. **Key Coalition Urban Renewal Plan** – *Consideration of Approval of a Revised Finding of Blight for the Key Coalition Urban Renewal Plan (Bob Long) (Ex. 4A and 4B)*

Area Description: The Key Coalition Urban Renewal Area is generally bound by East 27th Street on the North, Prospect Avenue on the East, East Linwood Boulevard on the South, and Woodland Avenue on the West, exclusive of Spring Valley Park, in Kansas City, Jackson County, Missouri.

The specific area covered by the revised blight study is generally bound by East 30th Street on the North, Prospect Avenue on the East, East 31st Street on the South, and Olive Street on the West.

Plan Description: The proponent for the revised Finding of Blight for the Key Coalition Urban Renewal Plan is the City of Kansas City.

The Plan's proponent is investigating residential development within the area of the revised blight study as a means of encouraging and supporting the redevelopment of the Linwood Shopping Center, which is located on the southern edge of Key Coalition URA.

APD Urban Planning & Management prepared a blight analysis of the Plan Area. The following excerpt is from the consultant's blight study:

All of the components of the Chapter 99 definitions were present in the proposed Key Coalition Neighborhood Urban Renewal Area. Although some portions of the Study Area are in adequate or sound condition, there exist deteriorated and substandard conditions throughout the Study Area as a whole, which could lead the legislative body to a finding that the proposed redevelopment area is blighted.

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 Study Area; 3) deteriorated public improvements in the Study Area, including uneven or cracked sidewalks; 4) high residential vacancies; and 5) a high number of vacant lots. These factors result in unsafe conditions in the proposed redevelopment area, and hinder private investment and redevelopment of the area.

Neighborhood and safety issues include vacant buildings, graffiti, trash and vermin, and deterioration of aging improvements and public infrastructure. The decline in population and the non-existent growth in construction in the Study Area, particularly as it relates to the neighborhoods adjacent to the proposed redevelopment area to the north and west near and at the 18th & Vine entertainment district where growth has been taking place over the past decade, indicate blight is present within this portion of the Key Coalition Neighborhood

Urban Renewal Area. All of the above combine to create economic underutilization and an inability to generate reasonable taxes.

Therefore, the consultant has determined that the proposed Key Coalition Neighborhood Urban Renewal Area of Kansas City, Missouri, as of December 18, 2015, is a “blighted area” according to the definition provided in Missouri’s Land Clearance for Redevelopment Law in the Missouri Revised Statutes (RSMo. Ch. 99) and is a menace to the health, safety, morals, and welfare of the city.

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

The Plan’s proponents believe that assistance from the Land Clearance for Redevelopment Authority (the “Authority”), potentially consisting of property tax abatement, and, if necessary, eminent domain will present opportunities to redevelop this portion of the Key Coalition Plan Area for residential uses.

Other government/statutory agency action: City Council will need to approve the Revised Finding of Blight for the Key Coalition Urban Renewal Plan.

DISCUSSION: Mr. Egan advised that the Board approved the Key Coalition URP and blight finding at its December, 2014 meeting. He said that condemnation power was excluded from the original URP at the request of area neighborhood associations. He stated that the City now wished to redevelop the Linwood Shopping Center and adjacent properties, which could require LCRA’s condemnation power. Mr. Engel confirmed an amendment of the Plan was not necessary at this time because the Board was only considering the updated blight finding. He stated that the project’s timing would dictate if condemnation was used on a parcel-by-parcel basis. Mr. Egan advised that notices about today’s hearing were not sent to area residents because the basic Plan was not being changed. Mr. Sterrett said that the area was comprised of mostly vacant lots and 25-30 residences. He did not know which residences were owner-occupied but suspected that many were rentals. Mr. Egan stated the matter could be postponed until notices were sent to residents as the updated blight study did not include the shopping center.

Ms. Tyndall advised that the City was in negotiations with the shopping center owner, Don Maxwell, to purchase the shopping center. She said the City recognized the location as a key intersect and was looking at its broader redevelopment. She stated that she would have to check with the Housing Department to determine if it could handle resident relocation. Mr. Egan said the LCRA also owned the shops across the street from the center but could not proceed with the project without residential participation. Mr. Duffy asked to table the matter until notice could be given to the center’s neighbors. He also requested that Mr. Bullington prepare an outline of the project to allow the Board to view the project as a whole.

ACTION TAKEN: TABLED UNTIL FURTHER NOTICE.

5. **Uptown Theater URA.**

a. *Consideration of Modification of Master Lease (Joe Egan) (Handout)*

DISCUSSION: Mr. Egan stated that the Board wanted to ensure UGA's compliance with the occupancy requirements of the Master Lease ("Lease") before its consideration of the proposed CID. He advised that Section 7.3(c) of the Lease required leasing for twelve consecutive months of at least 75% of the gross leasable area. He added that the former bank space was excluded from the subsection's provisions. Mr. Egan said that the former grocery store comprised 31,000 square feet of the center's 73,350 leasable square footage. He advised that UGA's proposed 60 day tenancy for the grocery area yielded an occupancy percentage of 61.5%. Mr. Egan stated that existing leases would have to remain in place and that the entire grocery store area would have to be leased for at least 180 days for UGA to meet the 75% occupancy rate. He suggested the occupancy requirements run from April 1, 2016 to March 31, 2017, with a penalty assessment if rates fell below acceptable levels. Mr. Duffy noted that the intent of any shopping center was to have permanent tenants. He said short-term occupancy might be better than vacancy but was not in the neighborhood's best interests. Mr. Hamilton stated that short-term rental agreements were contrary to the intent of the Lease.

Mr. Sells advised that rents for leasable areas were either flat rates or percentages. He said the Uptown Theater was currently booked for 200 to 250 days. He stated that the center's non-leasable areas required major and costly renovations before they could be leased. Mr. Sells affirmed that he was in compliance with the Lease because the leasable area was fully occupied. He contested Mr. Egan's method of computing compliance and advised that UGA had never violated the Lease's 12 consecutive months' requirement. Mr. Sells argued that even a one-day rental met the legal definition for occupancy requirements because it interrupted the consecutive 12-month period. He pointed out that the Board approved the 2009 Lease as written. Mr. Sells said he did not understand the Board's refusal to approve the CID given the center's success and continued compliance with the Lease. He stated that the center had undergone several costly renovations in the last four years to enable more leases for the obsolete building. He advised the large grocery space was not leasable to normal tenants because of its 160 foot length.

Mr. Sells stated that Mr. Patterson, an area real estate broker who had tried for years to lease the center, could appear before the Board next month to testify on behalf of UGA's efforts. He said that UGA could not pay for any tenant improvements if the City stopped making bond payments. Mr. Sells agreed that the City followed regular procedures by setting aside monies from its general fund to cover bond payments not made by UGA. He stated that UGA was projecting a zero bond payment for this year but cited a footnote stating the payment could be as much as \$200,000 depending on the center's structural problems.

Mr. Sells then advised the center's parking spaces were leased to several types of people and entities. He said that Mac Property's lease of parking spaces was critical to their business. He stated that Mac Property was also one of five developers considering a remodel of the center.

Mr. Engel advised that he would have to compare Mr. Egan's analysis to the Lease to determine its viability. He noted that Mr. Sells' contention of one-day lease compliance was a unique argument. Mr. Sells replied that the inclusion of short-term leases had been discussed for several years. Mr. Duffy advised that the question was how to count such short leases in the 25% occupancy requirement. Mr. Sells questioned if a one-day lease in a 12-month consecutive period could be counted toward occupancy requirements. Mr. Engel countered that only 30 to 60 day short-term leases were previously considered and that a one-day lease was a new concept.

Mr. Sells suggested that the Board postpone its decision on the occupancy issue until its March, 2016 meeting when it planned to consider UGA's budget. He explained that the delay would allow review of Mr. Egan's proposal as well as invite several developers to testify on UGA's behalf. He advised that the 180 day/6 month requirement could not be met in 2016/2017. He stated that the addition of new leases to reduce the occupancy percentage was also not possible because all leasable space was currently leased. He noted that only one space was not yet occupied because the lessee lacked final funding to move in fully. Mr. Sells advised that he did not wish to terminate their lease because they had already expended over \$130,000 on the site.

Ms. Murray agreed that all of the center's leasable space was occupied. She advised that the grocery store's 160 foot bay depth required a big user but that only users requiring 2,000 to 5,000 foot bays had shown interest in the site. Ms. Murray stated that the infrastructure was remodeled two years ago to allow the grocery store space to break into smaller leasable spaces. She questioned how costs for any white-boxing of those smaller spaces would be paid. Mr. Sells stated that the store's vacancy allowed for short-term leases and festivals at the site. Ms. Murray said a landlord's offer to pay for improvements could be dangerous. She advised one possible tenant was initially offered \$4.00 per square foot if they paid for site improvements. She stated that the tenant considered the space for over a year and was now demanding that the landlord pay the estimated \$800,000 improvement costs.

Ms. Murray stated she also did not understand the Board's refusal to sign the CID. She said the CID would be a plus to the market as well as an inducement to developers. Mr. Duffy replied that the Board had not yet heard arguments on the CID. He explained that as the Board was being asked to approve an additional funding source, it should ensure the center's management was in compliance with the existing Master Lease. Mr. Sells argued that the Board supported the previous CID proposal and that the current City Council supported the new CID proposal.

ACTION TAKEN: TABLED UNTIL THE AUTHORITY'S MARCH 2016 MEETING.

- b. *Review/Discussion of FY17 Uptown Shoppes budget for 2016-2017 (Joe Egan) (Ex. 5B)*

ACTION TAKEN: TABLED UNTIL THE AUTHORITY'S MARCH 2016 MEETING.

6. **Administrative.**

- a. **Executive Director's Report** - *Active Projects Tracking System Report (Joe Egan) (Ex. 6A-1 and 6A-2)*

DISCUSSION: Mr. Egan and staff reported on the following projects:

63rd & Holmes - Mr. Egan said the framing was complete and the project had stimulated activity across the street at the long vacant Cleveland Chiropractic College buildings.

Arterra 21 – Mr. Engel advised closing was planned for later this week.

801 Walnut/Gumbel – Mr. Egan said the project was complete and active but that there were still some MBE/WBE issues which Ms. Rayford would discuss in her report.

903-933-937 McGee/Pickwick Hotel – Mr. Egan stated that construction on the project was well under way.

911 Main/Commerce Tower – Mr. Egan reported that the project was under construction but that no final agreement had been reached regarding relocating tenants.

911-15 Broadway/Yarco-Devco – Mr. Egan stated the Board approved the project at last month's meeting.

East 23rd Kensington – Mr. Engel advised that the buyer opted out and rescinded its offer at the last minute. He said the buyer gave no reason for its withdrawal.

East Crossroads URA – Mr. Egan stated that the City Council recently approved the URA. He said that 1707, LLC recently signed a Funding Agreement for the EDC to conduct a financial analysis to determine if any incentive program would be appropriate for a project at 1707 Locust.

215-219 E. 12th Street/Traders on Grand – Mr. Egan reported the parking lot transaction was waiting on the Traders on Grand construction.

2020 Grand Hotel – Mr. Egan said the Redevelopment Contract was still being reviewed and finalized.

27th & Troost/Three Corners – Mr. Egan advised that five developers responded to the RFP for the project. He said two of the five proposals included mixed-use or mixed-income development using LIHTC. He stated that MHDC policy was to not issue tax credits for a project if it was within one mile of another tax credit development. He advised that some exceptions existed but that neither applicant had applied for tax credits. Mr. Okafor noted that the Faxon School project experienced similar tax credit issues.

2121 Charlotte/TMC – Mr. Engel stated that the project was complete, but that discussions with the County about its treatment of the ground lease were ongoing.

YMCA Linwood – Mr. Long said the URP was still awaiting introduction to the City Council. He advised that Delano School was within the URP but that no development plans were in place for the school.

Morningstar/Linwood-Prospect – Mr. Egan stated that the project was very close to completion. Mr. Boyd advised that the general contractor had not received payment for its subs for almost two months. He said the subs were understandably reluctant to continue work on the project. He stated that the work was also suspended on the project's main building as it lacked power because of a dispute with KCPL. Ms. Rayford advised that she would contact the developer regarding why the general contractor was not receiving payment.

Truman & Wyandotte URP – Mr. Egan noted that the court case was concluded so the project would renew its progress.

Housing Policy – Ms. Tyndall said she and Mr. Duffy had discussed the issue about two weeks ago and she hoped that the report would be presented to the Board in about two months.

3521 Summit/Norman School – Mr. Long said the Plan would be presented to PZED next Wednesday.

1810 Madison/Switzer Lofts – Mr. Egan reported that the project was under construction.

5103 Cleveland/Mount Cleveland Heights Apts. – Mr. Egan advised that documents had been finalized and the project was under construction.

St. Michael's Phase II – Mr. Egan noted that Phase II was advancing rapidly.

Clay/Bailey – Mr. Engel asked that the Board enter Executive Session to discuss the Clay/Bailey matter. The Board affirmed that it would do so as soon as it completed the remainder of the agenda.

- b. **But/For Financial Analysis** - *Consideration of In-House Financial Analysis Procedures* (Dan Moye)

ACTION TAKEN: TABLED UNTIL FURTHER NOTICE.

- c. **Single Family Infill** – *Consideration of Expansion of Ministerial Townhouse Tax Abatement* (Joe Egan/Greg Flisram)

Expand ministerial tax abatement to small (6 or less) for sale townhouse developments in targeted neighborhoods.

DISCUSSION: Mr. Egan advised that staff was attempting to obtain information about the townhouse project being considered for the beta test of six-unit ministerial tax abatement. He said the data would include construction cost comparisons and affordability. He confirmed that each townhouse unit would be owner-occupied. Mr. Duffy requested staff to draft a policy for Board review on the matter.

ACTION TAKEN: NONE; INFORMATIONAL ONLY.

- d. **Affirmative Action Report** (Sandra Rayford and Carl Boyd) (**Ex. 6D-1, 6D-2, 6D-3 and 6D-4**)

The Affirmative Action Subcommittee met on Friday, February 12, 2016 at the EDC offices. In attendance were Commissioner Gabriel Okafor with Commissioner Steve Hamilton presiding, EDC staff Joseph Egan, Sandra L. Rayford, and Carl Boyd.

December 2015 MBE/WBE Executive Summary – A review of the December 2015 MBE/WBE Executive Summary of Professional and Construction Services expenditure activity was conducted. A copy of the report is in your board packet for your review.

Project Site Visits - Staff presented to the Subcommittee site visit reports for the Oak Point housing project, the Morning Star Youth and Family Center, LAMP, and the TMC Ambulatory Care Center. A copy of the reports is included within your board packet for your review.

Pickwick Apartments - Staff advised that the General Contractor, Haren Laughlin has communicated that they are still working with Humana Relations to identify Minority and Women Business Enterprises to fill any open scopes of services that have not been contracted out. They will continue to keep staff posted of any new additions to the MBE/WBE contracting.

The Executive Director advised the Subcommittee that he has been participating in meetings with other Executive Directors of EDC agencies exploring the advantages and/or disadvantages of developing policies related to the possible requirement of prevailing wages in certain circumstances on tax incentive projects. Mr. Egan advised that there will need to be several more meetings before he will be able to present a recommendation to the Subcommittee, but wanted to let the Subcommittee know the topic was being discussed and wanted to get their input.

DISCUSSION: Ms. Rayford stated there were no outstanding substantial MBE/WBE issues except for the Gumbel Building's good faith effort problems. She said Gumbel was 80% complete but was delayed because HRD had identified additional MBE/WBE firms which could be involved in its final clean. She advised that the Gillham project would be in full compliance once their final payment was made. Mr. Boyd said he conducted weekly site visits on both LCRA and TIF projects. He advised the site visits were to determine project status and expected completion date. He identified Morningstar, Oak Point, LAMP, and TMC as the LCRA projects he recently visited. Ms. Rayford advised that the goals could be added to the information sheet. She stated that HRD monitored workforce composition and had to approve the information for public distribution. She said the committee had not met recently because of scheduling conflicts and she could only present the reports to the Board as drafts.

7. **Administrative** – *EDC tracking system* (Michael Duffy)

DISCUSSION: Mr. Duffy acknowledged that the EDC tracking system was not on the formal agenda. He advised that the system was being developed to assist staff, Board members, and the public to track development projects. He introduced Mr. Hattaway, who then spoke briefly about the proposed software. Mr. Hattaway advised that the software allowed for universal applications, including logging conversations, monitoring project management activities, and gathering specific information for each project. He said that final installation of the software was slated for late summer or early fall and that the data would not be public in its initial stages. Mr. Flisram added that the EDC had non-disclosure agreements with certain developers but would be as transparent with the data as it could legally do so. Mr. Hattaway stated that the data for current projects would be initially installed but plans for the inclusion of past projects were also being formulated. Mr. Duffy asked Board members to send e-mails detailing their suggestions and concerns about the proposed tracking system to Mr. Egan for dissemination to Mr. Hattaway. Mr. Egan added that Mr. Hattaway would present a lengthier presentation about the tracking system to the EDC Board at its February 26th meeting.

Ms. Tyndall advised that the present upgrade to EDC's analytical tools came at an opportune time because several 20- to 25-year abatement projects were ending. She said the Mayor and City Council recently directed staff to undertake a comprehensive analysis of TIF projects, tax abatement redirection, and City contributions in an effort to assess the City's use of tax incentives. She stated that

she would discuss with Mr. Hattaway how EDC and the City could work collectively.

8. **Public Comment.**

DISCUSSION: Mr. Egan directed Mr. Kimble to contact Mr. Flisram for a sample of a non-disclosure agreement as such agreements were not used for redevelopment projects.

Ms. Parks expressed concern about the number and percentage of tax abatements while the school district had to defer maintenance because it lacked funds. She stated she was impressed with the number of LCRA projects east of Troost but also questioned the prevalence of projects in already developed areas. She advised that the taxing jurisdictions were attempting to present a resolution to the City Council to cap abatements at 75% for ten years.

Mr. Adams also expressed his concern about the proliferation of abated projects in developed areas. He advised that LCRA appeared more diligent and less abrasive than other agencies, such as TIF, PIEA, and Port KC. Mr. Duffy stated that the LCRA did not have sufficient public review and faulted EDC for their part in not publicizing its programs in areas which needed development. Mr. Adams said that under-developed areas had the necessary tools for projects but lacked the necessary equity partners.

Mr. Kimble stated that he planned to attend future meetings to learn the processes of the various agencies as well as to be proactive in efforts to revitalize the urban core. Mr. Edwards noted that public participation in decisions affecting the economic development of the east side was historically deficient. He advised that the LCRA could not consider public feedback if there was none. Ms. Parks agreed with Mr. Okafor that the school district's lack of participation in tax abatement discussions was frustrating.

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.

Mr. Duffy advised that to discuss a legal matter, he would entertain a motion to move into executive session. Motion made by Mr. Okafor and seconded by Mr. Edwards to move out of public session and into executive session.

Roll Call to move out of regular session:

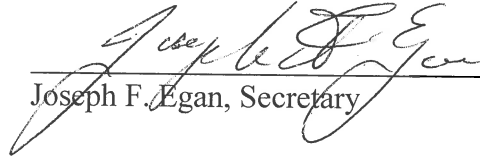
Mr. Edwards	Aye
Mr. Okafor	Aye
Mr. Duffy	Aye
Mr. Hamilton	Aye
Mr. White	Aye

RESUME BUSINESS SESSION

DIRECTIVES TAKEN
IN EXECUTIVE SESSION: NONE; FOR INFORMATIONAL PURPOSES ONLY

There being no further business, the meeting was adjourned at 11:56 a.m.





Joseph F. Egan, Secretary



APPROVED
4/27/16



LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY

BOARD MEETING MINUTES

DATE: March 23, 2016
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
Gabriel Okafor
James White
- Absent:** Steve Hamilton
- Staff:** Joe Egan, LCRA
Susan Tumey, LCRA
Carl Boyd, EDC
Lee Brown, EDC
Greg Flisram, EDC
Bob Long, EDC
Sandra Rayford, EDC
- Guests:** Mike Burke, Burke Payne, LLC
Jan Parks, Coalition for Kansas City Economic Development Reform
Jon Copaken, Copaken Brooks
Del Hedgepath, Del Properties
Ken Jagers, Integra Realty Resources
Jim Malle, Jackson County
Rob Roberts, Kansas City Business Journal
Kerrie Tyndall, Kansas City Economic Development Dept.
Randall Landes, Director of City Finance (via telephone)
Kevin Masters, Kansas City School District
Diane Stafford, Kansas City Star
Jennifer Wolfsie, KCIPS DAC
Charles Miller, Lewis Rice
Richard Cook, Stinson Leonard Street LLP
Jason Swords, Sunflower Development Group
Joyce Murray, Uptown Shoppes
Larry Sells, Uptown Shoppes
Brian Engel, White Goss

2. **Norman School Lofts – 3521 Summit– Norman School Urban Renewal Plan – Consideration of Approval of a Redevelopment Contract with Norman School Lofts, LLC (Bob Long) (Ex. 2A and 2B)**

Area Description: The Norman School Urban Renewal Area is generally bound by West 35th Street on the North, Jefferson Street on the East, West 36th Street/Joe Cigas Way on the South, and Southwest Trafficway/Summit Street on the West, in Kansas City, Jackson County, Missouri. The specific project address is 3521 Summit Street.

Project Description: The applicant is Norman School Lofts, LLC. Del Hedgepath is the principal of Norman School Lofts, LLC.

The applicant's project is a \$13 Million historic rehabilitation of the long-vacant Norman School and construction of two (2) additions to the north façade of Norman School in order to create sixty-one (61) apartments. Forty-eight (48) of the units will be one-bedroom, with thirteen (13) units being two-bedroom units. The applicant will utilize a first mortgage, Federal and state historic investment tax credits, and equity to finance the project.

A copy of the 2015 financial analysis by Integra Realty Resources, Inc. is attached. It shows the project would generate a -1.80% unleveraged return and -8.32% leveraged return without any incentives. With historic tax credits only, the project would generate 3.17% unleveraged return and a 1.24% leveraged return. With Federal and state historic tax credits and Chap. 99 property tax abatement, the project would generate a 4.45% unleveraged return and a 4.48% leveraged return. Integra believes that the market would expect an 8.00 – 10% unleveraged return and an 11.0 – 12.0% leveraged for this type of project.

Please note that since the time of the issuance of this financial analysis report in 2015, total project costs have increased approximately \$500,000 due to the project changes resulting from neighborhood input, while the average rent per square foot has decreased from \$1.27 to \$1.17. These changes will decrease the projected return to the developer.

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 Norman School Urban Renewal Plan. The proposed Redevelopment Contract is attached for the Authority's consideration.

Affirmative Action Policy and MBE/WBE Participation: The proponent, Norman School Lofts, LLC, has 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 EDC staff prior to a February 17th meeting to discuss the Norman School Lofts project.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Long then gave an overview of his staff report and presented a PowerPoint presentation illustrating the highlights of the project. He advised the project was approved by the City Council in early March. He said that rents would

range from \$1,000 for a one-bedroom to \$1,300 for a two-bedroom. Mr. Long stated that discussions with the Valentine Neighborhood Association necessitated design changes which added about \$500,000 to the project's budget. He detailed the design modifications as including changing the mix of one- and two-bedroom units, the movement of access points, and the increase of parking spaces. Mr. Long said the increase of two-bedroom units also decreased the overall rental rates. He explained that the rental rate for one two-bedroom unit was less than two one-bedroom units. He reminded the Board that the Valentine Neighborhood Association spoke in support of the project at the LCRA's January, 2016 meeting.

Mr. Long advised that the draft Redevelopment Agreement's January, 2017 construction start date was used to allow the developer sufficient time to navigate the permitting process as well as any unforeseen issues. Mr. Hedgepath added that the start date was not indicative of any structural or other major issues.

Mr. Jagers said the financial analysis was completed in March, 2015 before the project was redesigned. He advised that the project's rate of return was projected without incentive, with historic tax credits, and with Chapter 99 and 353/PIEA incentives. He stated that construction costs made the leveraged rate of return almost identical to the unleveraged rate. He said that the net operating costs were not raised significantly by the changes requested by the neighborhood association. Mr. Jagers stated that Norman School's \$30 per square foot acquisition price was out of line with reality based on Integra's appraisals of other schools sold by the district. He added that the high but reasonable \$200,000 cost per unit was caused by high historic rehab and soft costs as well as difficulties in getting contractors and sub-contractors.

Mr. Burke stated that the school was acquired for \$1.4 million just prior to the recession. Mr. Hedgepath advised that the site had been vacant for at least 10 years, was in very poor shape, and suffered from weekly break-ins and vandalism. He acknowledged that the project would need to be pristine in order to obtain the requested rents. He said that the project would probably not require in-house maintenance for its first five years. He explained that maintenance personnel from his other in-town projects could easily maintain the site. Mr. Egan stated that staff had inspected and found Mr. Hedgepath's other projects to be in good shape. Mr. Engel advised that he had reviewed the contract and, except for a few clean-up items, the document was ready for execution.

ACTION TAKEN: APPROVED PROPERTY TAX ABATEMENT AT 100% FOR 10 YEARS FOR THE NORMAN SCHOOL LOFTS PROJECT. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

APPROVED REDEVELOPMENT CONTRACT WITH NORMAN SCHOOL LOFTS, LLC SUBJECT TO LEGAL COUNSEL REVIEW. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

(RES. NO. 3-1-16)

3. **Administrative** - *Review and Approval of Meeting Minutes (Ex. 3)*

ACTION TAKEN: APPROVED THE MINUTES FOR FEBRUARY 24, 2016, AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

4. **Financial Report** - *Review and acceptance of Financial Report for the Month of February, 2016 (Lee Brown) (Ex. 4)*

DISCUSSION: Mr. Egan gave a brief overview of the restricted \$220,248 cash balance. He said the updated blight study for the Key Coalition URA would hopefully be completed in time for the April, 2016 Board meeting. Mr. Egan stated that the \$8,076 related to unspent funding agreements was payment for as yet unreceived invoices on current projects. He said the \$92,328 from the Longfellow proceeds was payoff from a subordinate debt on Phase 3 of the project. He advised that the funds would be distributed once the original City/LCRA contract was modified. He stated that the \$110,411 from the ReBuild KC program would be used to develop infrastructure in Beacon Hill. Mr. Brown said that future financial reports would note the status of payables and receivables as some were resolved with monies received just days after the end of the fiscal month.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR FEBRUARY, 2016, AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

FURTHER DISCUSSION: Mr. Duffy suggested the Board also discuss item 10(d) regarding LCRA budget accounting practices. Mr. Egan advised that, as of May 1, 2016, EDC's funding would come from the City rather than from TIF. He recommended that LCRA no longer keep a separate accounting and funnel its funds and expenses directly through the EDC. Mr. Brown agreed that the elimination of a separate accounting for LCRA would simplify the accounting process. He advised that the annual EDC audit would still encapsulate LCRA revenues and expenses for Board review. Mr. Langenkamp commented that the change would be constructive.

ACTION TAKEN: APPROVED THAT, EFFECTIVE MAY 1, 2016, ALL LCRA REVENUE, BILLINGS, AND INVOICES, WILL BE DIRECTED TO THE EDC FOR DEPOSIT OR PAYMENT. MOTION MADE BY MR. WHITE, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

5. **Arterra 21/2100 Wyandotte Urban Renewal Area** – *Consideration of Ratification and Approval of Prior Actions and Findings of LCRA in Connection with Plan (Brian Engel) (Ex. 5)*

In November 2014, LCRA found that the Arterra 21/2100 Wyandotte Urban Renewal Area is a blighted area and in need of redevelopment and rehabilitation and is appropriate for an urban renewal project and approved the Arterra 21/2100 Wyandotte Urban Renewal Plan

("Plan") to facilitate development of a building located at 2100 Wyandotte containing approximately 115 market rate apartments, associated parking, and first floor commercial space ("Project"). The City Council approved the Plan by Ordinance No. 150077 dated February 19, 2015, pursuant to which the City Council found, among other things, that the Plan Area is a blighted area and in need of redevelopment and rehabilitation and is appropriate for an urban renewal project. In March 2015, LCRA approved ten (10) year tax abatement under the LCRA Law for the Project and approved a redevelopment contract (the "Redevelopment Contract") between LCRA and Arterra 21, LLC ("Original Developer"). LCRA and the Original Developer entered into the Redevelopment Contract dated as of March 25, 2015 and recorded on May 18, 2015 as Document No. 2015E0041702.

The Original Developer and Arterra, LLC ("New Developer") entered into a purchase agreement pursuant to which the New Developer intends to acquire the Project. In light of the new partnership arrangement, the Original Developer and the New Developer requested that LCRA consent to an assignment and assumption of the Redevelopment Contract. LCRA approved the assignment and assumption in December 2015.

The Original Developer and the New Developer subsequently advised the City and LCRA that, as part of the New Developer's due diligence in acquiring the Project, the New Developer discovered that there was improper notice of the public hearing before the Planning, Zoning & Economic Development Committee ("PZED") of the City Council when PZED considered the Plan. To ensure compliance with the City Council public hearing notice requirement of the LCRA Law, the Original Developer and the New Developer requested that the City Council notice a new public hearing for the purpose of ratifying and approving the Plan and the findings previously made by the City Council in connection with the Plan. PZED scheduled a public hearing for March 23, 2016 to consider the Plan and the City Council intends to ratify and approve the Plan and the findings previously made by the City Council in connection with the Plan at its meeting scheduled for March 24, 2016.

DISCUSSION: Mr. Engel advised that the new developer, Arterra, LLC, requested that the Board confirm its prior actions and project findings, even if such measures were not affected by the City Council's notice failure. He stated that the Board did not have to follow its original URA and URP approval timeline or wait on City action to confirm its actions. Mr. Egan advised that the developer's attorney was closely monitoring the timeline to ensure all parties were in compliance.

Mr. Miller introduced himself as Arterra's attorney, and noted that Mr. Copaken and Mr. Cook, the developer and his attorney, were also in attendance. He said that Arterra, LLC wished to avoid any argument, particularly from lenders, that any part of the approval process was deficient. He stated that the cancellation of today's PZED meeting would not affect City support of the project. Mr. Miller said the proposed Resolution provided for conditional ratification based on the City Council moving forward with the project. He advised that the developer also asked that the LCRA act today because construction season was beginning.

ACTION TAKEN: RATIFIED, CONFIRMED AND APPROVED ACTIONS TAKEN BY LCRA AND FINDINGS MADE BY LCRA IN CONNECTION WITH PLAN APPROVAL AND PROJECT AND ASSIGNMENT OF DEVELOPMENT RIGHTS TO ARTERRA, LLC, INCLUDING TAX ABATEMENT, PURSUANT TO REDEVELOPMENT CONTRACT, SUBJECT TO CITY COUNCIL'S RATIFICATION AND APPROVAL OF PLAN AND FINDINGS PREVIOUSLY MADE BY THE CITY COUNCIL IN CONNECTION WITH THE PLAN. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. NO. 3-2-16)

6. **Hospital Hill North Urban Renewal Area** - *Consideration of Assignment of Redevelopment Contract, Estoppel and New Funding Agreement (Brian Engel) (Ex. 6A-6D)*

In 2014, LCRA approved the Amended and Restated Redevelopment Contract with HDP One, LLC for development of a dialysis clinic at 900 E. 21st Street. At the time of the contract, LCRA had earlier issued a tax abatement certificate for the benefit of Overland Investors, LLC, pursuant to a separate contract. HDP One, LLC subsequently purchased the property from Overland Investors, LLC, and developed the dialysis clinic and assumed the existing tax abatement benefit. HDP One, LLC is in compliance with the Amended and Restated Redevelopment Contract and LCRA staff issued a Certificate of Compliance dated March 2, 2016.

HDP One, LLC seeks LCRA's consent to an assignment of the Amended and Restated Redevelopment Contract, and accompanying tax abatement rights, to 900 21st Street Investors, LLC. The property is subject to a lease with DaVita Dialysis and no change in use is expected. LCRA tax abatement is scheduled to run through 2020.

DISCUSSION: Mr. Engel gave a brief overview of his staff report and advised that HDP One, LLC wished to assign the Redevelopment Contract to 900 21st Street Investors, LLC. He said the only information currently known about the assignee was that it was not a related party and planned no change in use of the facility. Ms. Rayford also advised that she had no MBE/WBE information on the project due to its age. Mr. Duffy questioned the minimal information about and the absence of the assignee from the meeting. Mr. White questioned the lack of information about the financial transaction between HDP and 900 21st Street Investors.

Mr. Duffy suggested postponing the matter until next month to hear evidence about the capacity of the assignee and details of the financial transaction. Mr. Engel requested a special meeting because closing was scheduled for the end of the month. Mr. Masters commented that staff should follow its established processes about contract review to ensure the developer's compliance with MBE/WBE guidelines. Mr. Okafor expressed his opposition to special meetings. He stated that developers should be ready to answer questions at regular meetings if they requested tax incentives. Mr. Duffy did not object to a special meeting given the applicant's possible hardship caused by its misunderstanding of the process. Mr. Egan advised

that the previously approved tax abatement would expire soon. Mr. Engel added that LCRA had also recently issued a Certificate of Completion for the project.

ACTION TAKEN: TABLED UNTIL THE LCRA'S APRIL 27, 2016 MEETING OR UNTIL A SPECIAL MEETING AS ADVISED BY THE LCRA'S EXECUTIVE DIRECTOR.

7. **Grand Avenue Campus URA** - *Consideration of Approval of Sale and Redevelopment Contract for Redevelopment of Parking Lots at 215 and 219 E. 12th Street (Brian Engel) (Ex. 7A-7B)*

The City owns two surface parking lots located at 215 and 219 E. 12th Street. To provide additional off-site parking to assist the redevelopment of the Traders on Grand building located at 1125 Grand by Sunflower Development Group, LLC, the City has agreed to transfer the two parking lots to LCRA, subject to these conveyance restrictions: (1) developer agrees to pay to LCRA \$1,221,700.00 as fair value for the two parking lots; (2) LCRA agrees to pay the sale proceeds to the City, less LCRA's administrative costs; (3) the City being able to convey the two parking lots free and clear of all leases, liens and encumbrances unacceptable to LCRA and the developer; and (4) the existing north-south alley is preserved. In addition, the approximately northern 13 feet of each tract would be retained by the City for a planned Kansas City Area Transportation Authority bus shelter expansion. LCRA will then transfer the parking lots to Sunflower Development Group, LLC (or affiliated entity) pursuant to terms of a Sale and Redevelopment Contract. In January, LCRA approved Sunflower Development Group, LLC as the redeveloper of the parking lots and approved a Purchase Agreement with the City.

DISCUSSION: Mr. Engel advised the LCRA contract complied with the PIEA/developer agreement. He stated that the process contained two steps, the first of which involved LCRA's approval of a Purchase Agreement for conveyance of the two lots from the City to the LCRA. He said the second step was the LCRA/developer sale and redevelopment contract once all conditions were satisfied. Mr. Engel stated that there were no property clawback provisions if the project failed after the property was transferred. He advised that the transfers' simultaneous natures rendered losing title to the two parcels after the project's failure unlikely. Mr. Engel said that the deed placed a ten-year use restriction on the lots as parking areas for Traders. He noted that the contract version in the Board packet did not include a recent use change modification request from the developer. He advised that the developer requested the flexibility to change the lots' use if it could prove the lost parking was provided elsewhere. Mr. Engel stated that LCRA could reasonably approve or deny any such request. Mr. Swords said that his plan to build structured parking on the site was the sole reason for the change request.

Mr. Egan advised that the LCRA did not charge the City any fees beyond actual expenses for this or similar transactions. He said the payment policy was dictated by EDC's annual contract with the City. Mr. Langenkamp said that the City provided most of EDC's funding, and charging the City was essentially transferring money from one pocket to another.

Mr. Engel advised that the Resolution included in the Board packet would be revised to show the developer's management agreement with Block for the redevelopment of Traders. Mr. Swords confirmed the new entity's sole purpose would be to own and manage Traders and the parking lots. He advised that developer anticipated taking title to Traders on or before December 31, 2016. He said the site was therefore anticipated to be on the tax rolls by January 1, 2017.

ACTION TAKEN: APPROVED SALE AND REDEVELOPMENT CONTRACT OF PARKING LOTS TO THE SELECTED REDEVELOPER IN SUPPORT OF REDEVELOPMENT OF TRADERS ON GRAND BUILDING, SUBJECT TO LEGAL COUNSEL'S AMENDMENT. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED BY THE FOLLOWING VOTE:

MR. DUFFY	ABSTAIN
MR. EDWARDS	AYE
MR. OKAFOR	AYE
MR. WHITE	AYE

(RES. NO. 3-3-16)

8. **Uptown Theater URA** – *Consideration of the Uptown Shoppes Annual Budget and Review of Master Lease Provisions* (Joe Egan)

DISCUSSION: Mr. Egan advised that this year's annual budget approval would be affected by UGA's compliance with Master Lease occupancy requirements and the City's demands for bond payment. He said the City Finance Manager recently requested UGA pay the full \$314,680 bond expense in 2016. He then distributed copies of a budget revised by UGA to include a \$125,000 bond payment. Mr. Sells stated that the draft budget presented at last month's meeting requested the City make full bond payment to allow UGA's use the funds to prepare the center for sale. He noted that UGA paid \$5,000 more than its \$125,000 guaranteed bond payment in 2015. He advised that the present UGA budget would not support a full bond payment. Mr. Sells said that the full payment could be made only if the center received \$100,000 from new tenants, \$70,000 from asset sales such as books from the bookstore, and \$35,000 from a greater number of short-term festivals. He acknowledged that the current budget projected no payment for tenant improvements. He stated that if he could provide \$100,000 in tenant improvements and obtain a long-term tenant, he could net \$15,000 to \$20,000 per month. He added that such determinations for increased revenue were highly speculative and that only a partial bond payment could be guaranteed.

Mr. Sells advised that several potential buyers were interested in purchasing the center. He said that all proposed deals included parking for the Uptown and were both clean sales and joint ventures. He stated that most buyers wanted to add some type of residential component to the site, but that others were considering retail options. Mr. Sells countered Mr. Duffy's statement about prior testimony alleging that the unleased spaces could not be used as retail because of their size. He

explained that the previous unleaseable spaces were now being considered by potential retail tenants who could use the deeper bays, an option which had not occurred for some time.

Mr. Sells advocated passage of the CID as a method of generating \$40,000 to \$70,000 annually. He advised the CID funds were not included in the proposed budget because of the Board's concerns about occupancy. Mr. Duffy noted that the Board withheld determination to ensure the project's viability before it received additional public monies. Mr. Duffy stated that he did not agree with Mr. Sells' interpretation of occupancy compliance and advised that the Board might need to enter executive session to confer with legal counsel on the matter. He added that the failure to submit proposed short-term leases to LCRA for approval meant that such leases could not be included in the 75% occupancy requirement. Mr. Sells countered that the topic was resolved several years prior and resulted in the inclusion of short-term leases in tenancy requirements. He argued that the Board previously agreed monies from such short-term leases, if used for tenant improvements, waived submission and form requirements. Mr. Duffy stated that the Board's approval of short-term uses had not waived the requirements for full-time tenants. Mr. Sells advised that the meanings of definitions could be argued in court. Because of Mr. Sells' statement about possible litigation, Mr. Duffy motioned that the Board enter executive session.

Ms. Murray asked to clarify her previous statements about the center's leaseable space. She said that about 30% of the depth was unleaseable to tenants who range from 2,000 to 5,000 square feet. She advised that the north wing was successfully leased but that the west wing was more challenging. Ms. Murray stated that the proposed budget included a ten-year lease for a prospective tenant for the space at a gross rental rate of \$30,000 to \$32,000 per month.

Mr. Okafor stated that the CID matter should not be delayed. He said the CID would generate sales tax monies for a city in need of revenue. Mr. Duffy advised that the Board should enter executive session to discuss the review prepared by legal counsel on the matter. Mr. Egan asked that the Board consider the 27th & Troost – Three Corners item prior to the Uptown issues in executive session. He explained that Three Corners also dealt with real estate and was a more time sensitive matter.

Mr. Duffy reiterated his Motion to move into executive session and Mr. Okafor seconded the Motion. Roll Call to move out of regular session:

Mr. Duffy	Aye
Mr. Edwards	Aye
Mr. Okafor	Aye
Mr. White	Aye

DIRECTIVES TAKEN

IN EXECUTIVE SESSION: ACCEPTED THE SELECTION COMMITTEE'S RECOMMENDATION FOR THE SUB-DEVELOPER(S) FOR THE THREE CORNERS AT 27TH & TROOST PROJECT. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY (*RES. NO. 3-4-16*)

RESUME BUSINESS SESSION:

FURTHER DISCUSSION: Mr. Duffy stated that the Board had returned to public session. He advised that the Board had discussed with the City its demand for a full bond payment by UGA in 2016. He said the City also seriously considered legal remedies if the full bond payment was not made. Mr. Duffy advised that, after discussions with its legal counsel, UGA was probably not in compliance with its short-term leases. He stated that the Board would not take legal action at this point but reserved the right to do so in the future.

Mr. Sells reiterated his recommendation that UGA's full bond payment was not probable and only possible if projected revenues were achieved. Mr. Egan advised that the City's approved 2016 budget included the full bond payment amount. He noted the bond payment amount on the proposed UGA budget should be corrected from \$316,680 to \$314,680. Mr. Sells stated that a full bond payment was possible if UGA could meet with the City and the LCRA throughout the next few months. Mr. Duffy advised that meaningful progress on bond payments by UGA could affect the Board's interpretation of the 75% occupancy compliance requirement.

ACTION TAKEN: APPROVED THE VSC-UPTOWN SHOPPES' ANNUAL BUDGET AS AMENDED TO INCLUDE UGA'S FULL PAYMENT ON THE BONDS IN THE YEAR 2016. MOTION MADE BY MR. WHITE, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (*RES. NO. 3-5-16*)

APPROVED UGA, LLC APPLYING TO FORM A COMMUNITY IMPROVEMENT DISTRICT TO ENCOMPASS THE UPTOWN SHOPPES AND THE UPTOWN THEATER. (*RES. NO. 3-6-16*)

9. **Oak Park Urban Renewal Area – 1215 Brush Creek Blvd.** – *Consideration of Approval of Ten Year Tax Abatement and Redevelopment Contract (Dan Moye) (Ex. 9A-9B)*

1215 Brush Creek is the rehab of a residential building into 12 one-bedroom units of multifamily housing. The total budget for the project is \$561,490. The average square footage of these units is approximately 590 square feet which establishes an average rent of approximately \$.89/square foot. Financial analysis indicates that the developer will realize an internal rate of return of .26% with 10 years of abatement.

ACTION TAKEN: TABLED UNTIL THE LCRA'S APRIL 27, 2016 BOARD MEETING.

10. **Administrative.**

- a. **Executive Director's Report** - *Active Projects Tracking System Report* (Joe Egan) (**Ex. 10A-1 and 10A-2**)

ACTION TAKEN: TABLED UNTIL THE LCRA'S APRIL 27, 2016 BOARD MEETING

- b. **Columbus Park** – *Consideration of the First Amended Cooperative Agreement Between the City's Water Services Department and LCRA for the Construction of Water and Sanitary Sewer Improvement for the Columbus Park-Phase I Project* (Joe Egan) (**Ex. 10B-1 and 10B-2**)

At its April, 2015 meeting, the Authority approved the Cooperative Agreement between the City and the LCRA regarding water and sanitary sewer improvements for the first phase of the Columbus Park/Guinnotte Manor Phase III project. The parties now wish to amend the Cooperative Agreement as detailed in the attached Exhibit 10B-2.

DISCUSSION: Mr. Egan advised that the amendment added about \$115,000 to the existing contract. He said the additional funds would allow Phase I infrastructure to be finished. He stated that Mr. Engel reviewed and worked with the City to finish the amendment.

ACTION TAKEN: APPROVED THE FIRST AMENDED COOPERATIVE AGREEMENT BETWEEN THE CITY'S WATER SERVICES DEPARTMENT AND LCRA FOR THE CONSTRUCTION OF WATER AND SANITARY SEWER IMPROVEMENT FOR THE COLUMBUS PARK-PHASE I PROJECT. MOTION MADE BY MR. WHITE, SECONDED BY MR. OKAFOR, AND CARRIED BY THE FOLLOWING VOTE:

MR. DUFFY	AYE
MR. EDWARDS	ABSTAIN
MR. OKAFOR	AYE
MR. WHITE	AYE

(RES. NO. 3-7-16)

- c. **Targeted Infill New Construction** – *Consideration of Expansion of Ministerial Townhouse Tax Abatement* (Joe Egan/Greg Flisram) (**Ex. 10C**)

LCRA policy for ministerial approval of tax abatement includes detached single-family and owner-occupied duplexes, both new construction and rehab. Given the significant number of vacant land in infill, new construction is necessary. However, stick building detached new construction is too expensive. The attached reflects possible guidelines for such attached, owner-occupied single-family housing.

ACTION TAKEN: TABLED UNTIL THE LCRA'S APRIL 27, 2016 BOARD MEETING.

d. **Administrative** – *Consideration of LCRA Budget Accounting Practices* (Joe Egan)

At the February 24, 2016 meeting, Mr. Egan advised that EDC's funding would change significantly on May 1, 2016 when the City took over TIF accounting responsibilities. The EDC will receive an allocation from the City for its expenses rather than relying on TIF revenues for its funding. The need for a separate budget accounting for LCRA is therefore unnecessary. Any monies or bills the LCRA received would be allocated to the EDC for distribution or payment. The basic method for banking surpluses and EDC coverage of LCRA deficits would not change.

ACTION TAKEN: PREVIOUSLY DISCUSSED IN AGENDA ITEM NO. 4.

e. **AdvanceKC Guidelines for Taxing Jurisdiction Meetings**. (Greg Flisram)

ACTION TAKEN: TABLED UNTIL THE LCRA'S APRIL 27, 2016 BOARD MEETING.

f. **Tax Abatements** – There were no tax abatements issued in February, 2016.

EXECUTIVE SESSION

11. *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

DISCUSSION: Mr. White asked staff to provide information about prior tax credit financing for 1215 Brush Creek to determine if any public funds had previously been invested in the property.

Mr. Egan advised Mr. Masters that he would discuss the proposed expansion of ministerial townhouse tax abatement for targeted infill new construction with the taxing jurisdictions once the Board decided on its validity.

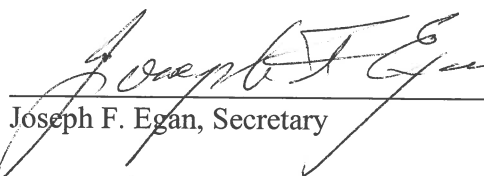
Mr. Duffy requested additional information from past Minutes about the proposed items for the retreat agenda. Mr. White suggested that Mr. Duffy take responsibility for preparing the agenda and to solicit other Board members for their input. Mr. Duffy agreed.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

12. **Adjourn.**

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





Joseph F. Egan, Secretary

SPECIAL TELECONFERENCE BOARD MEETING MINUTES

DATE: March 30, 2016
TIME: 11:00 a.m.
PLACE: Town Pavilion, Clay Room
1100 Walnut, 17th Floor, Kansas City, Missouri

1. Roll Call.

Present: Michael Duffy (*via telephone*)
Gabriel Okafor (*via telephone*)
James White (*via telephone*)

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Sandra Rayford, EDC

Guests: Charlie Smith, 900 E. 21st Street Investors, LLC (*via telephone*)
Jeff Oberg, HDP One, LLC (*via telephone*)
Janet Perlstein, HDP One, LLC (*via telephone*)
Jack Feldman, Jackson County (*via telephone*)
Jimmy Ryan, Jackson County (*via telephone*)
Brian Engel, White Goss

2. Hospital Hill North Urban Renewal Area - Consideration of Assignment of Redevelopment Contract, Estoppel and New Funding Agreement (Brian Engel) (Ex. 2A-2D)

In 2014, LCRA approved the Amended and Restated Redevelopment Contract with HDP One, LLC for development of a dialysis clinic at 900 E. 21st Street. At the time of the contract, LCRA had earlier issued a tax abatement certificate for the benefit of Overland Investors, LLC, pursuant to a separate contract. HDP One, LLC subsequently purchased the property from Overland Investors, LLC, and developed the dialysis clinic and assumed the existing tax abatement benefit. HDP One, LLC is in compliance with the Amended and Restated Redevelopment Contract and LCRA staff issued a Certificate of Compliance dated March 2, 2016.

HDP One, LLC seeks LCRA's consent to an assignment of the Amended and Restated Redevelopment Contract, and accompanying tax abatement rights, to 900 E. 21st Street Investors, LLC. The property is subject to a lease with DaVita Dialysis and no change in use is expected. LCRA tax abatement is scheduled to run through 2020.

DISCUSSION: Mr. Engel advised that the Board expressed concerns about the lack of information regarding the buyer and seller of the project at the March 23rd meeting. He said that a letter from Mr. Smith, which gave background information about his

client, was e-mailed to Board members and other interested parties late in the afternoon of March 29. Mr. Engel said that Merritt Realty Capital, LLC created 900 E. 21st Street Investors, LLC (“900 E. 21st Street”) as a single purpose entity to acquire the property. He said the property would continue to be leased to DaVita Dialysis under the long-term lease initiated by HDP One, LLC once it was assumed by 900 E. 21st Street. He advised that DaVita Dialysis was a division of a Fortune 500 company which operated over 2,000 outpatient dialysis clinics in the U.S. and other countries. Mr. Engel also noted Mr. Merritt’s academic and professional experiences as detailed in Mr. Smith’s letter.

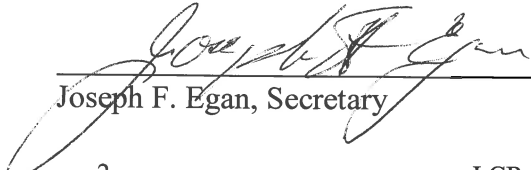
Mr. Engel then recounted a brief history of the project. He advised that the original developer converted the historic Burge Ice Building into residential and work space for artists in 2008. He stated that the Board approved the site’s assignment to HDP One and its plan to demolish the building for replacement by the DaVita Dialysis clinic in 2014. He confirmed that the existing tax abatement would be assumed by 900 E. 21st Street but would retain its original termination date of 2020. Mr. Engel verified for Mr. White that no legal issues remained from the HDP One Redevelopment Contract when it bought and demolished the Burge Ice Building. Mr. Egan added that the Board approved the building’s replacement by a medical facility in 2014 based on its proximity to Truman Medical Center and its inclusion in the Hospital Hill North URA. Mr. Engel said LCRA issued a Certificate of Completion which was recorded by the LCRA earlier in the month. He advised that the LCRA’s responsibilities under the new 900 E. 21st Street Redevelopment Contract were to ensure that the developer maintained the property.

Mr. Engel confirmed for Mr. White that there were no legal concerns caused by the March 28, 2016 sale closing date between HDP One and 900 E. 21st Street prior to Board action. Mr. Egan noted that the timing for the LCRA meeting occurred because quorum was attained late Monday afternoon and today was the earliest time available to satisfy the 24-hour public notice requirement. He advised that the sale closing date was dictated by the strict 1031 exchange deadlines. He explained that the buyer would incur a significant tax burden if the sale was not closed prior to March 30. Mr. Duffy asked if there was any public comment, but received no response, and therefore called for a vote on the matter.

ACTION TAKEN: APPROVED FUNDING AGREEMENT WITH NEW DEVELOPER, APPROVED ESTOPPEL, AND APPROVED ASSIGNMENT AND ASSUMPTION OF AMENDED AND RESTATED REDEVELOPMENT CONTRACT, ALL SUBJECT TO FINAL LEGAL AND STAFF REVIEW. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. NO. 3-8-16)

There being no further business, the meeting was adjourned at 11:19 a.m.





Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: April 27, 2016
TIME: 1:30 p.m.
PLACE: Town Pavilion, Jackson Room
1100 Walnut, 17th Floor, Kansas City, Missouri

1. Roll Call.

Present: Michael Duffy
Daniel Edwards
Steve Hamilton
James White

Absent: Gabriel Okafor

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Carl Boyd, EDC
Bob Long, EDC
Lorraine McGinnis, EDC
Dan Moye, EDC
Sandra Rayford, EDC

Guests: John Bennett, Jr., New England Lofts
Ursula Brandt, City of Kansas City, Missouri
Stuart Bullington, City of Kansas City, Missouri
Joan Clark, Property Owner
William Clark, Property Owner
Tim Clemons, Clemons Real Estate
Richard Eley, E.S. Eley Funeral Home
Brian Engel, White Goss
Mark Hulet, YMCA
Patricia Jensen, White Goss
Samantha Kania, Jackson County
Gene Kelley, Sheet Metal Local #2
Jim Malle, Jackson County
Deborah Mann, Enhanced Family & Credit Education Center
Kevin Masters, Kansas City Public Schools
Arlestia McDaniel, Property Owner
Levi McDaniel, Property Owner
Patrick Patterson, Property Owner
Milton Phillips, Property Owner
Michele Pickens, Property Owner
Amina Powell, Property Owner
Telester Powell, Property Owner
Jerry Riffel, Lathrop & Gage
Rob Roberts, Kansas City Business Journal
Leon Slaughter, Jr., Property Owner
Diane Stafford, Kansas City Star
Pearlie B. Taylor, Property Owner
Colleen White, Strategic Workplace Solutions, Inc.
Bryan Wilson, Property Owner Representative
Jerry Woods, Property Owner

2. **Administrative.**

a. *Review and Approval of Meeting Minutes for March 23, 2016 (Ex. 2A)*

ACTION TAKEN: APPROVED THE MINUTES FOR MARCH 23, 2016, AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

b. *Review and Approval of Meeting Minutes for March 30, 2016 (Ex. 2B)*

ACTION TAKEN: APPROVED THE MINUTES FOR MARCH 30, 2016, AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

3. **Financial Report - Review and acceptance of Financial Report for the Month of March, 2016 (Lee Brown) (Ex. 3)**

Mr. Brown gave a brief overview of the draft financial report for March, 2016, which will be provided for review prior to the meeting.

DISCUSSION: Mr. Brown advised that the only large entry for the month was the \$28,000 revenue stream from Rebuild KC. He stated that the \$198,000 revenue stream from Columbus Park was offset by rehab expenses. He said that accounting staff had contacted developers regarding any accounts which were due for over 90 days. He advised that Columbus Park and the City comprised the majority of the 90 day overdue accounts. Mr. Brown then introduced Ms. McGinnis as the new accountant for the LCRA.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR MARCH, 2016, AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

4. **Key Coalition Urban Renewal Plan – (Bob Long) (Ex. 5)**

Area Description: The Key Coalition Urban Renewal Area is generally bound by East 27th Street on the North, Prospect Avenue on the East, East Linwood Boulevard on the South, and Woodland Avenue on the West, exclusive of Spring Valley Park, in Kansas City, Jackson County, Missouri.

The specific area covered by the revised blight study is generally bound by East 30th Street on the North, Prospect Avenue on the East, East 31st Street on the South, and Park Street on the West.

Plan Description: The proponent for the revised Finding of Blight for the Key Coalition Urban Renewal Plan is the City of Kansas City.

The Plan's proponent is investigating residential development within the area of the revised blight study as a means of encouraging and support the redevelopment of the Linwood Shopping Center, which is located directly south of the area covered by the revised blight study.

APD Urban Planning & Management prepared a blight analysis of the Plan Area. The following excerpt is from the consultant's blight study:

All of the components of the Chapter 99 definitions were present in the proposed Key Coalition Neighborhood Urban Renewal Area. Although some portions of the Study Area are in adequate or sound condition, there exist deteriorated and substandard conditions throughout the Study Area as a whole, which could lead the legislative body to a finding that the proposed redevelopment area is blighted.

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 Study Area; 3) deteriorated public improvements in the Study Area, including uneven or cracked sidewalks; 4) high residential vacancies; and 5) a high number of vacant lots. These factors result in unsafe conditions in the proposed redevelopment area, and hinder private investment and redevelopment of the area.

Neighborhood and safety issues include vacant buildings, graffiti, trash and vermin, and deterioration of aging improvements and public infrastructure. The decline in population and the non-existent growth in construction in the Study Area, particularly as it relates to the neighborhoods adjacent to the proposed redevelopment area to the north and west near and at the 18th & Vine entertainment district where growth has been taking place over the past decade, indicate blight is present within this portion of the Key Coalition Neighborhood Urban Renewal Area. All of the above combine to create economic underutilization and an inability to generate reasonable taxes.

Therefore, the consultant has determined that the proposed Key Coalition Neighborhood Urban Renewal Area of Kansas City, Missouri, as of December 18, 2015, is a "blighted area" according to the definition provided in Missouri's Land Clearance for Redevelopment Law in the Missouri Revised Statutes (RSMo. Ch. 99) and is a menace to the health, safety, morals, and welfare of the city.

Staff believes that blighting conditions exist.

The Plan's proponents believe that assistance from the Land Clearance for Redevelopment Authority (the "Authority"), potentially consisting of property tax abatement, and, if necessary, eminent domain will present opportunities to redevelop this portion of the Key Coalition Plan Area for residential uses.

Other government/statutory agency action: City Council will need to approve the Revised Finding of Blight for the Key Coalition Urban Renewal Plan.

DISCUSSION: Mr. Long gave an overview of his staff presentation and presented a PowerPoint illustrating the highlights of the project. Mr. Long and Mr. Egan clarified that the City requested the updated blight finding to allow for possible eminent domain in the specified three-block area. Mr. Long advised that the 400+

pages of the blight finding's appendices, which included the required parcel-by-parcel information for eminent domain, were not included in the Board packet because of its size.

Mr. Bullington stated that development plans around the Linwood Shopping Center ("Center") and the Bluford Library ("Library") area stalled about two years ago. He said the City currently planned to use \$350,000 Community Development Block Grant ("CDBG") funds for single-family infill housing development between 30th and 31st Streets from Park to the east side of Wabash. He advised that the City and neighborhood wanted to improve the area around the Center to attract shoppers and to create more parking for the Library. Mr. Bullington stated that only 11% of the parcels in the area were owner-occupied. He said that ownership of the rental and/or vacant parcels would be required in order to create any of the amenities requested by the neighborhood along 31st Street. He confirmed that eminent domain would not be exercised against any owner-occupied property. Mr. Bullington added that eminent domain would be used only with the prior approval of the neighborhood and City Council. He advised that he discussed the City's intentions about the use of eminent domain with Ms. Slaughter at their April 8, 2016 meeting.

Mr. Bullington advised that acquiring the non-owner-occupied properties would probably require two rounds of funding and take two to three years to complete. He stated that monies for minor home repair were also available to Key Coalition residents. He advised that the CDBG funds were not sufficient to pay for whole house rehab, which could cost over \$100,000 for one residence. Mr. Bullington added that a Request for Qualifications for general contractors was issued to take advantage of the \$800,000 New Rehab Housing Funds available for home repair. He said the City also had about \$3,000,000 for minor home repairs.

Mr. Bullington objected to the deletion of owner-occupied parcels from the blight study. He stated that payments to sellers under the Uniform Relocation Act ("Act") would probably be much more than proceeds from any other type of sale. He cited, as an example, an elderly owner who wished to downsize, who would receive moving expenses as well as a higher amount of sales proceeds for their home. He stressed that the CDBG funds would be used to acquire properties rather than to condemn them. Mr. Bullington advised that the neighborhood also wished to visually improve the area by getting rid of abandoned homes and vacant lots.

Mr. Engel stated that the blight finding did not require every parcel within the area to be blighted. He advised that the consultant reviewed each parcel to determine if more than 50% of the parcels were blighted. He said that if the area was deemed blighted, any parcel in the area could be subject to condemnation. Mr. Engel emphasized that today's hearing was the first step of many before any condemnation procedure could occur.

Ms. Pickens identified herself as a property owner at 35th and Wabash and requested clarification of the blight definition. Mr. Duffy advised that the LCRA was authorized by state statute to determine if properties were blighted. He said that the definition of blighting conditions was ambiguous and broad, and included physical deterioration, obsolescence of design, significant depreciation valuations, and crime.

Ms. Pickens stated that several things were not done in the past to keep the area from becoming blighted. She advised that she inherited her property and planned to pass it to her children or grandchildren. She noted that the black culture passed property through generations in the hopes that it would eventually attain financial worth. She said that her property was adjacent to 4 or 5 vacant homes and could therefore be subject to condemnation. She said that if the property was condemned, the developers would make millions while she would have to start over. Ms. Pickens stated that she received a letter advising that she should attend today's LCRA meeting even though her property was not in the Key Coalition area. Mr. Engel replied that her property was probably covered by one of the other plans on the agenda.

Mr. Woods asked if the LCRA had anything to do with the Center. Mr. Duffy replied that the City wanted to develop the area around the Center. Mr. Bullington stated that the LCRA had no legal or financing connections with the Center, but that it was on track for development. Mr. Woods said the Center should be condemned because the area had enough blight.

Ms. Amina Powell stated that she owned property but did not live in the area. She advised that she was present at the meeting because Ms. Slaughter could not attend. She asked that the Board table the matter until the neighborhood association could discuss the plans with its residents. She objected to EDC's alleged failure to notify Key Coalition residents about its plans to expand beyond the Center. She stated that the notification letter sent to residents contained the wrong time and date for today's LCRA meeting. Mr. Long acknowledged that the letter quoted the meeting time as 1:30 a.m. rather than 1:30 p.m. Ms. Amina Powell also questioned the EDC's involvement because the current Key Coalition Plan specified that eminent domain could not be used against property owners. She confirmed that property owners meant owner-occupied properties. She added that the Plan needed no amendment because of Mr. Bullington's assurances that eminent domain would not be used.

Mr. Slaughter identified himself as Karen Slaughter's husband. He said that his wife's understood, after meeting with Mr. Woods and Mr. Bullington, that eminent domain would not be used. He advised that neither he nor his wife were notified about the meeting. Mr. Egan stated that notices were mailed only to affected property owners in the area. Mr. Slaughter reported that the City held meetings with the neighborhood association about plans for the entire Key Coalition area, but that specific plans for the area behind the library were not discussed.

Ms. Telester Powell stated that she was a long-time resident of the neighborhood. She advised that the Key Coalition Plan mandated that all residents receive notification about redevelopment plans. She said that the focus should be on rehabbing existing housing rather than changing the Plan. Ms. Telester Powell advised that an existing program, Come Grow With Us, already existed to obtain blighted properties for rehabbing and resale to families. She questioned if Mr. Bullington's rehab plans involved more than just roof repair or weatherization and if the City could verify the legitimacy of its contractors.

Mr. Patterson advised that his family owned a vacant lot within the three block area. He said that his family currently had no intended uses for the vacant lot and asked how eminent domain payments were calculated. Mr. Duffy responded that the eminent domain payments were calculated on the appraised fair market value based on comparisons to similar lots in the area. Mr. Patterson stated that his family might be interested in selling the lot to the City.

Mr. Egan advised that the current blight finding in the Key Coalition URP did not meet the stringent definition for eminent domain procedures. He stated that the City was requesting the possible use of eminent domain only within the specified three block area. He said the existence of dilapidated housing in the area would defeat the purpose of the redeveloped Center.

Mr. Edwards reiterated that eminent domain would not apply to owner-occupied homes. He stated that the City was attempting to revitalize the Center for the residents and the area. Ms. Telester Powell replied that the Plan already allowed for eminent-domain and prohibited its use against owner-occupied residences. Mr. Long advised that the current blight study needed to be updated to allow for condemnation. Mr. Egan stated that the approval for eminent domain would be a detailed, stringent process. Mr. Phillips asked if his properties were on the blighted properties list. Mr. Duffy requested that staff post the Key Coalition and Oak Park updated blight study appendices online.

Mr. Hamilton stated that the law change required the adoption of the updated blight study to return the Plan to its original state. Mr. White noted that the original Key Coalition Plan did not provide for condemnation of owner-occupied properties. He advised that the City requested the power of eminent domain for use only against vacant property and dilapidated rental homes. Mr. Duffy agreed but said he recognized resident concerns that such authority might be the first step toward future condemnation. Mr. Bullington reiterated that no owner-occupied residence would be condemned. He said that if any owner wished to sell, and if the City was interested in buying, the owner could receive relocation expenses as well as the sale price of their property. He advised that the provision of relocation expenses was allowable even if eminent domain was not a possibility. Mr. Bullington clarified that he had no objection to the removal of the nine owner-occupied parcels from the blight finding. Mr. Engel advised that removing the nine parcels might alter the preponderance of blighted parcels and thus obviate the proposed updated blight finding. He suggested exempting the owner-occupied parcels from condemnation but retaining the properties in the blighted area. He further noted that state law provided for a 50% bonus payment to the owner if their property was condemned. [Update: 50% heritage value; 25% homestead taking.]

Mr. Duffy stated that the Board did not have enough information to verify the prevalence of blight if certain parcels were exempted. Mr. White and Mr. Egan countered that the preponderance definition was not jeopardized because vacant parcels were by definition blighted and occupied over 50% of the area. Mr. Duffy stated that the property list provided to the Board at today's meeting was neither timely nor indicated the type of property. Mr. Bullington advised that he did not object to the continuance of the Key Coalition or Oak Park matters.

Mr. Edwards advised that he would attend the next Key Coalition neighborhood association meeting to explain the blight and condemnation process.

ACTION TAKEN: TABLED UNTIL THE BOARD'S MAY 25, 2016 MEETING.

5. **Oak Park Urban Renewal Plan** – *Consideration of Approval of a Revised Finding of Blight for the Oak Park Urban Renewal Plan (Bob Long) (Ex. 6)*

Area Description: The Oak Park Urban Renewal Area is generally bound by East Linwood Boulevard on the North, Elmwood Avenue on the East, 45th Street and Brush Creek Boulevard on the South, and Paseo Boulevard on the West, in Kansas City, Jackson County, Missouri.

The specific area covered by the revised blight study is generally bound by East Linwood Boulevard on the North, Prospect Avenue and Montgall Avenue on the East, East 35th Street on the South, and Olive Street and Wabash Street on the West.

Plan Description: The proponent for the revised Finding of Blight for the Oak Park Urban Renewal Plan is the City of Kansas City.

The Plan's proponent is investigating additional commercial and residential development within the area of the revised blight study as a means of encouraging and support the redevelopment of the Linwood Shopping Center, which is located directly north of the area covered by the revised blight study.

APD Urban Planning & Management prepared a blight analysis of the Plan Area. The following excerpt is from the consultant's blight study:

Most of the components of the Chapter 99 definitions were present in the proposed Oak Park Redevelopment Area. Although some portions of the Study Area are in adequate or sound condition, there exist deteriorated and substandard conditions throughout the Study Area as a whole, which could lead the legislative body to a finding that the proposed redevelopment area is blighted.

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 cracked/uneven sidewalks, overgrown vegetation and trash and debris; 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 Study Area; 3) deteriorated public improvements in the Study Area, including uneven or cracked sidewalks; 4) high residential vacancies; and 5) a large number of vacant lots. These factors result in unsafe conditions in the proposed redevelopment area, and hinder private investment and redevelopment of the area.

Neighborhood and safety issues include vacant buildings, graffiti, overgrown vegetation, trash and vermin, and deterioration of aging improvements and public infrastructure. The decline in population and the non-existent growth in construction in the Study Area, particularly as it relates to the neighborhoods

adjacent to the proposed redevelopment area to the north and west near and at the 18th & Vine entertainment district where growth has been taking place over the past decade, indicate blight is present within this portion of the Oak Park Neighborhood Urban Renewal Area. All of the above combine to create economic underutilization and an inability to generate reasonable taxes.

Therefore, the consultant has determined that the proposed Oak Park Neighborhood Urban Renewal Area of Kansas City, Missouri, as of December 18, 2015, is a “blighted area” according to the definition provided in Missouri’s Land Clearance for Redevelopment Law in the Missouri Revised Statutes (RSMo. Ch. 99) and is a menace to the health, safety, morals, and welfare of the city.

Staff believes that blighting conditions exist.

The Plan’s proponents believe that assistance from the Land Clearance for Redevelopment Authority (the “Authority”), potentially consisting of property tax abatement, and, if necessary, eminent domain will present opportunities to redevelop this portion of the Oak Park Plan Area for residential uses.

Other government/statutory agency action: City Council will need to approve the Revised Finding of Blight for the Oak Park Urban Renewal Plan.

DISCUSSION: During its discussion about the Key Coalition updated blight study, the Board requested that the Oak Park matter also be tabled until additional information could be obtained.

ACTION TAKEN: TABLED UNTIL THE BOARD’S MAY 25, 2016 MEETING

6. **Troost Paseo URA – 1215 Brush Creek Blvd.** – *Consideration of Ten Year Tax Abatement (Dan Moye) (Ex. 4)*

Area Description: 1215 Brush Creek is the rehab of a residential building into 12 one-bedroom units of multifamily housing. The total budget for the project is \$561,490. The average square footage of these units is approximately 590 square feet which establishes an average rent of approximately \$.89/square foot. Financial analysis indicates that the developer will realize an internal rate of return of .26% with 10 years of abatement.

AdvanceKC denied the project because renovation is complete. The developer is appealing their decision to the Board. The staff recommends denial.

DISCUSSION: Mr. Moye advised that the EDC’s Agency Directors group (“Agency Directors”) found the project worthy but denied tax abatement because the project was substantially complete at its time of application. He said the staff also supported the denial because the project went forward without tax abatement. Mr. Moye advised that EDC staff and taxing jurisdiction representatives comprised the Agency Directors group. He said that the Agency Directors initially reviewed each assistance application to decide which EDC agency was appropriate for the project. He stated he saw no strong reason to overrule the Board decision.

Mr. Clemons advised the project at issue included the two adjoining triplexes. He said he partnered with the owner of the three properties to allow her to retain the middle property as her home. He stated that he began the application process in July, 2014, through the submission of a one-page application and had discussed the situation with several staff members in the interim. Mr. Moyer advised that he received the full, complete application in early November, 2015, while project renovations were ongoing. Mr. Clemons stated that the project's rate of return was .26% with ten year tax abatement and -1.9% without abatement. He advised that he spent over \$800,000 to renovate the properties and should not be punished for misunderstanding the bureaucratic process and staff turnover. Mr. White agreed and noted that the but/for test was not applicable to such smaller development projects. Mr. Edwards stated that Mr. Clemons' work benefitted property values for the neighborhood as well as for him personally, because he lived nearby.

Mr. Egan stated that the rates of return were verified by staff. He said that the but/for test was applicable to the project but was negated because the project's completion occurred before the abatement application. He advised that the Board historically denied retroactive tax abatement except in emergency situations. Mr. Egan stated that Ms. Tyndall explored several options for Mr. Clemons through the City but experienced the same post-tax abatement obstructions. Mr. Masters advised that the taxing jurisdictions opposed the grant of tax abatement to the project because it was completed prior to application.

Mr. Egan confirmed that the MBE/WBE thresholds applied to the project. Ms. Rayford stated that she had no prior knowledge of the project. Mr. Egan said that he was confident former staff advised Mr. Clemons of the MBE/WBE requirements. Mr. Clemons denied that he was notified about the MBE/WBE regulations. He advised that he believed the abatement was automatic for projects within an URA and that the other two sites submitted at the same time were easily approved. He stated that his relationship with the owner and her family to save their home offset the minimal .26% rate of return. He said that making money on his projects was not important. Mr. Clemons advised that the building's renovations would have proceeded without abatement but at a much lower and less costly level.

Mr. White stated that he was willing to make an exception for Mr. Clemons because there were reasonable doubts he received proper direction about the abatement application process. Mr. Edwards agreed the process was cumbersome and that similar east side projects should be encouraged. Mr. Duffy noted that abatement was not applied retroactively because the project was completed without assistance. He asked that the application process be placed on the Board's Retreat Agenda. Mr. Hamilton expressed his sympathy for Mr. Clemons but agreed that abatement should not be retroactive.

ACTION TAKEN: MR. WHITE MADE A MOTION, SECONDED BY MR. EDWARDS, TO APPROVE TEN YEAR TAX ABATEMENT FOR 1215 BRUSH CREEK BLVD. THE MOTION FAILED BY THE FOLLOWING VOTE:

MR. DUFFY	NAY
MR. EDWARDS	AYE
MR. HAMILTON	NAY
MR. WHITE	AYE

7. **Linwood & Cleveland Urban Renewal Plan – Linwood YMCA/TMC Clinic & Off-Street Parking** – *Consideration of Approval of a Redevelopment Contract with Young Men’s Christian Association Of Greater Kansas City (Bob Long) (Ex. 7A – 7D)*

Area Description: The Linwood & Cleveland Urban Renewal Area is generally bound by East 31st Street on the North, Mersington Avenue on the East, East Linwood Boulevard on the South, and Central Park on the West, in Kansas City, Jackson County, Missouri. The specific addresses are 3800 East Linwood Boulevard and 3112-3114-3116-3120-3124-3126 Mersington Avenue.

Project Description: On behalf of the Authority, EDC staff published a Request For Redevelopment Contract Proposals for Implementation of the Linwood & Cleveland Urban Renewal Plan on April 4 and 5, 2016. The purpose of the RFP was to solicit proposals to acquire and use all properties within the redevelopment project area to renovate and expand the Linwood YMCA and develop a medical clinic by Truman Medical Center, along with adequate off-street parking, in the Linwood & Cleveland Urban Renewal Area. One proposal was submitted prior to the 3:00 p.m., Friday, April 15, 2016 submittal deadline.

The applicant is the Young Men’s Christian Association Of Greater Kansas City (YMCA).

The applicant’s project is a \$15 Million renovation and expansion of the Linwood YMCA, construction of a new medical clinic for Truman Medical Center, development of a public parking lot to serve both the YMCA and the medical clinic, as well as associated infrastructure improvements. Infrastructure improvements will include landscaping, curbs, gutters and storm water detention facilities. The developer further proposes that the off-street parking lot, which will be funded with PIAC funding, will be conveyed to the Authority upon completion.

The YMCA will be responsible for all costs associated with the renovation and expansion of the Linwood YMCA. Truman Medical Center will be responsible for costs associated with the construction of the proposed medical clinic, which will be adjacent to the east side of the Linwood YMCA facility. \$2.9 Million of New Market Tax Credits have also been secured for the Linwood YMCA project. The City of Kansas City has committed \$600,000 of CDBG funding to the Linwood YMCA project, with \$1,240,000 of PIAC funding also committed.

The Linwood & Cleveland Urban Renewal Plan included five parcels (3112-3114-3116-3120-3124 Mersington Avenue) in the acquisition category. The applicant is seeking acquisition assistance from the LCRA, if necessary, by contract or eminent domain.

Staff believes that the proposal submitted by the YMCA is responsive to the RFP. Staff also believes that the proposed project is in conformance with the Linwood & Cleveland Urban Renewal Plan. The proposed Redevelopment Contract is attached for the Authority's consideration.

Affirmative Action Policy and MBE/WBE Participation: The proponent, Young Men's Christian Association Of Greater Kansas City, met with Sandra Rayford to discuss the project. A letter of intent to comply has been submitted.

Taxing Jurisdictions: Not Applicable.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Long gave an overview of his staff presentation and presented a PowerPoint illustrating the highlights of the project. He advised that renovation costs would be \$10.4 Million for the YMCA, \$3.3 Million for the TMC Clinic and \$1.4 Million for the parking lot. He stated that the YMCA was using pledges and PIAC funds for the lot's renovation and was also requesting acquisition and sale/leaseback assistance through the LCRA. Mr. Egan advised that LCRA ownership of the parking lot was necessitated by PIAC public infrastructure requirements.

Mr. Hulet presented a PowerPoint illustrating the various stages of the project. He advised that Phase I construction began in December, 2015 and final property acquisitions would be completed by August, 2016. He stated that the YMCA would be completed in late 2017 and the TMC clinic in mid-2018. Mr. Hulet said the parking lot would be open to the public as well as to users of the YMCA and the TMC clinic. Mr. Riffel advised that the TMC clinic would not be built without LCRA acquisition assistance and PIAC funds. He presented an April 14, 2016 letter of support from Councilman Quinton Lucas for the project. Mr. Hulet stated that negotiations with homeowners who could be located were apparently successful and that he did not foresee using condemnation. Mr. Riffel qualified that condemnation was not probable but still possible. He added that homeowners would probably receive buyouts above the market basis.

Mr. Riffel stated that the Delano School was not part of the current plan area. Mr. Hulet confirmed that the affected homeowners were notified of today's meeting. Mr. Duffy asked for public testimony about the issue but received no response. Mr. Egan stated that LCRA would lease the parking lot to a yet to be created joint YMCA/TMC entity. He said that the lease term would be coterminous with the plan duration and that condemned owners would be eligible for URA benefits. Mr. Riffel reiterated that the parking lot would be open to public use and not restricted to either the YMCA or the TMC clinic.

Mr. Engel advised that several details of the Redevelopment Contract remained to be clarified, specifically how parking lot responsibilities would be divided between the YMCA and TMC. He stated that further discussions with the City were needed due to the unique nature of the project. He said that rent structure also needed to be determined to allow for the possibility of either party's vacancy of the site and the addition of a new non-charitable user. Mr. Riffel suggested that the lease could

terminate on the earlier of when neither party occupied the site or on another specified date.

ACTION TAKEN: APPROVED THE ACQUISITION FUNDING AND SALE/LEASEBACK REDEVELOPMENT CONTRACT AMONG THE LCRA AND THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER KANSAS CITY AND TRUMAN MEDICAL CENTER, INCORPORATED FOR THE DEVELOPMENT OF PUBLIC OFF-STREET PARKING AND NECESSARY PUBLIC INFRASTRUCTURE IN THE LINWOOD & CLEVELAND URBAN RENEWAL PLAN AND THE FUTURE TRANSFER OF THE PARKING LOT TO THE LCRA SUBJECT TO FURTHER NEGOTIATION BY LEGAL COUNSEL AND STAFF. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. NO. 4-1-16).

8. **Central Business District URA - New England Lofts** – *Consideration of Approval of Tax Abatement and Redevelopment Contract (Bob Long) (Ex. 8A-8C)*

Area Description: The Central Business District Urban Renewal Area is generally bound by EI-35/70 the 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 addresses are 112 – 120 West 9th Street and 817 Wyandotte Street.

Project Description: The applicant is NEW ENGLAND LOFTS, LLC.

The applicant's project is an \$8.5 Million historic rehabilitation of a predominantly-vacant historic commercial building into 32 apartments. The applicant will utilize a first mortgage, Federal and state historic investment tax credits, and owner equity to finance the acquisition and rehabilitation of the historic New England Building. This project will create 32 studio, one-bedroom and two-bedroom market-rate apartments within the Central Business District, less than two blocks from the streetcar line. The overall average rental rate is projected at \$1.38 per square foot. The existing annex, located on the north side of the New England Building and which is currently occupied by Gastinger Walker Harden architects, will be tuck-pointed and reroofed as part of the project.

A copy of the financial analysis by Springsted, Inc. is attached. Springsted noted a current range of unleveraged market returns for similar projects of 5.00 – 10.00%, with an average of 7.28%. It shows the project without any incentives would generate a 5.69% unleveraged IRR and a 7.22% leveraged IRR, but with an average 1.02 DCR over 10 years. With Chapter 99 property tax abatement, the project would generate a 6.82% unleveraged IRR and an 11.68% leveraged IRR and an average 1.24 DCR over 10 years.

It should be noted that the developer chose to use the project's existing property taxes as a base assumption. Reclassification of the property from commercial to residential would have resulted in a loss of property tax revenues to the taxing jurisdictions.

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, NEW ENGLAND 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 prior to an April 14, 2016 project discussion with the developer.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Engel advised that he could not represent the LCRA on this matter as Ms. Jensen represented the applicant, New England Lofts, LLC. Mr. Long then gave an overview of the project and presented a PowerPoint illustrating the highlights of the project. He stated that the building would be converted into 38 market rate apartments, with rents of about \$1,100 for a one-bedroom. Mr. Long advised that if the debt coverage ratio (“DCR”) was 10.02% over 10 years, the unleveraged rate of return without tax abatement was 5.69% and the leveraged rate was 7.02%. He said that a 1.24 DCR for 10 years yielded a 6.28% unleveraged and 11.68% leveraged rate. Mr. Long advised Springsted no longer provided leveraged rates of return unless requested because of the wide variety of projects. Mr. Long stated that he also requested Springsted calculate the rate for 50% tax abatement, which showed a net present value \$225,000 lower than the 100% abatement. He said that the unleveraged rates of return with 50% or 100% tax abatement were in the normal range of 5% - 10%, with respective DCR of 1.13% and 1.24%. Mr. Long advised that the developer could not obtain financing with a 1.13% DCR as most banks required at least a 1.24% rate.

Mr. Long said the deferred developer’s fee range of 11% - 12% was consistent with similar rehab projects. Mr. Egan noted that the developer provided some of its own equity to the project. Mr. Long advised that the developer and taxing jurisdictions had also agreed to a \$12,000 PILOT for years 6 – 10 of the tax abatement. He added that the developer used the building’s higher commercial tax rate in its calculations even though the property would be rezoned to residential after its renovation. He advised that draft Redevelopment Agreement distributed at today’s meeting included the suggested PILOT language.

Mr. Duffy suggested that a tax abatement of less than 10 years might be merited. Ms. Jensen confirmed that most lenders required a DCR of at least 1.25%. She said the developer may have to increase its equity in the project to meet such requirements. She stated that the PILOT equaled about 10%-15% of the taxes on the project. Ms. Jensen advised that the developer would pay the higher commercial tax rate after the residential rezoning. She said that if the taxes were decreased, the developer would then pay the PILOT to make up the difference.

Mr. Bennett advised that 3% rent increases spread over 10 years were planned for the development. He stated that downtown rental occupancy rates were currently about 95% and that rents typically decreased as occupancy rates increased. Ms. Jensen noted that Springsted projected no vacancies in the building’s commercial space, which was currently occupied by an architectural firm. Mr. Bennett added that the

firm's lease expired in 3 years and would pose a significant budget issue if it vacated the building. He said that the building also faced risk from the interest rate projected by Springsted. Mr. White commented that the Springsted analysis was deficient because it failed to find enough data to determine the rehab cost of the building. He noted that Springsted's projected \$66 per square foot redevelopment costs were far below the normal \$140 - \$164 square foot cost. Mr. Bennett replied that his projections were in range and based on experience in redeveloping over 30 projects in downtown Kansas City. He added that the requirements for rehab of a historic building also increased costs. He said that if Springsted's numbers were used, the project would not be feasible. Mr. Malle confirmed the County's support for the project and the \$12,000 PILOT payment in years 6-10 of the tax abatement.

ACTION TAKEN: APPROVED 100% PROPERTY TAX ABATEMENT FOR TEN (10) YEARS FOR THE NEW ENGLAND LOFTS PROJECT SUBJECT TO A \$12,000 PILOT PAYMENT IN YEARS 6 THROUGH 10. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

APPROVED THE REDEVELOPMENT CONTRACT WITH NEW ENGLAND LOFTS, LLC FOR THE NEW ENGLAND LOFTS PROJECT AT 112-120 WEST 9TH STREET AND 817 WYANDOTTE STREET. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

(RES. NO. 4-2-16)

9. **4601 Madison URA – 4601 Madison** – *Consideration of Approval of Lease Termination and Property Transfer Documents* (Brian Engel) (Ex. 9A-9C)

In 2006, as part of a 10-year sale/leaseback transaction between LCRA and Madison Avenue, LLC, LCRA obtained a construction loan (Construction Loan) from Commerce Bank for \$4,500,000 to acquire and rehabilitate the office building located at 4601 Madison. LCRA later obtained a permanent loan (Permanent Loan) from Colonial Life for \$4,470,000 to pay off the Construction Loan.

LCRA and Madison Avenue, LLC entered into a Sale/Leaseback and Redevelopment Contract, pursuant to which Madison Avenue, LLC conveyed title to the land and improvements to LCRA and LCRA leased the property back to Madison Avenue, LLC under the Lease. In 2015, LCRA approved a refinancing of the Permanent Loan through a loan from Missouri Bank for \$5,015,000 (Missouri Bank Loan).

The Lease is scheduled to terminate and the Missouri Bank Loan is scheduled to mature on June 1, 2016. Madison Avenue, LLC has advised LCRA that it intends to exercise its right under the Lease to purchase the property from LCRA for One Dollar (\$1.00), subject to full satisfaction of the Missouri Bank Loan and release of the LCRA financing documents.

DISCUSSION: Mr. Egan advised that the sale/leaseback term had expired and that the buyer was not interested in maintaining the lease.

ACTION TAKEN: APPROVED TRANSFER OF 4601 MADISON PROPERTY TO MADISON AVENUE, LLC TO LEASE AND APPROVED TERMINATION OF LEASE AND REDEVELOPMENT CONTRACT. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. NO. 4-3-16)

10. **Administrative.**

- a. **Executive Director's Report** - *Active Projects Tracking System Report* (Joe Egan) (Ex. 11A-1 and 11A-2)

DISCUSSION: Mr. Egan reported on the following projects:

- **Truman Wyandotte** – the convention hotel was moving slowly forward.
- **Housing Policy Incentive** – still awaiting response from City Manager. Mr. Duffy asked that PIEA's request for a joint consideration with the LCRA about prevailing wage standards be placed on the May, 2016 agenda. Mr. Egan stated that any standards needed to be across the board for all incentive programs. Ms. Rayford advised that PIEA voted at their last Board meeting for a 30 day comment period for the development and construction community and that 50% of construction projects over \$2,000,000 should be prevailing wage. She acknowledged the problems inherent in implementing the policy.
- **63rd & Holmes** – was almost complete.
- **Townhome Administrative Policy** – awaiting construction and developer input to ensure prices would be affordable on the east side. Mr. Masters stated that taxing jurisdictions needed more information and notice about LCRA's ministerial projects.
- **2100 Wyandotte** – was going vertical.
- **Pickwick** – Ms. Rayford advised that the developer's MBE was now \$419,409, an increase to 1.5%, and its WBE was \$1,894,848, an increase to 7.1%. She said that Pickwick still had several open scopes and hoped to further increase its numbers. Mr. Duffy asked that Ms. Rayford check with the developer on completion of the building about the ethnic diversity of the tenant population. Mr. Hamilton and Mr. Engel cautioned that race and gender could not be used as tenancy requirements and that Fair Housing Act standards were stringent. Mr. Duffy advised his request was based on verbal assurances from the developer prior to construction and any data collected would be self-reported.
- **Columbus Park** – infrastructure proceeding smoothly and offers to purchase the remaining land owned by the LCRA were received.
- **Traders and Grand** – agreements were executed.

- **2020 Grand/Hotel Indigo** – Ms. Rayford advised that the developer recently closed its professional services.
- **Three Corners at Beacon Hill** – the City was negotiating with the developer.
- **Hospital Hill/MOB** – Mr. Engel stated the project still had legal issues but that settlement discussions were ongoing.
- **Morningstar** – almost complete.
- **St. Michael's** – well ahead of schedule and already had a waiting list.
- **Switzer West** – Mr. Duffy asked staff to begin comparing developer rent assertions from their abatement applications to rents charged post-completion. Mr. Engel advised that the current form redevelopment contract contained no remedy for LCRA sanctions against developers post-completion. Mr. Duffy stated that if developer pre-contract representations were proven false, the LCRA needed contractual remedies it could take post-completion.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

b. **Targeted Infill New Construction** – *Consideration of Expansion of Ministerial Townhouse Tax Abatement (Joe Egan/Greg Flisram) (Ex. 11B)*

LCRA policy for ministerial approval of tax abatement includes detached single-family and owner-occupied duplexes, both new construction and rehab. Given the significant number of vacant land in infill, new construction is necessary. However, stick building detached new construction is too expensive. The attached reflects possible guidelines for such attached, owner-occupied single-family housing.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

c. **Affirmative Action Subcommittee Report** (Sandra Rayford) (Ex. 11C-1 – 11C-2)

The Affirmative Action Subcommittee did not meet during its regular meeting time. However, enclosed with your board packets are copies of Project Site visit reports for the Faxon School Apartments, the Gilham Park Row Apartments, and the Switzer School Lofts for your review.

The next Affirmative Action Subcommittee meeting is scheduled for May 13, 2016.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

d. **Tax Abatements** – There were five (5) tax abatements issued in March, 2016.

URA	Address	Applicant	Category	Type
Oak Park	4341 Cypress	Habitat for Humanity	Single Family	New
Oak Park	4339 Cypress	Habitat for Humanity	Single Family	New
Scarritt Renaissance	3625 Gladstone Blvd.	Keith Schoen and Kerrie Emig	Single Family	Rehab
Indian Mound Lykins	5009 Gladstone Blvd.	Thomas and Lacey Henggeler	Single Family	Rehab
Longfellow Dutch Hill	2836 Campbell	Broker Construction	Single Family	New

EXECUTIVE SESSION

11. 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

There being no further business, the meeting was adjourned at 4:23 p.m.



Joseph F. Egan

 Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: May 25, 2016
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor
Town Pavilion, 1100 Walnut, Kansas City, Missouri

1. **Roll Call.**

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

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Greg Flisram, EDC
Bob Long, EDC
Lorraine McGinnis, EDC
Dan Moye, EDC
Sandra Rayford, EDC

Guests: Aaron Clemons, Old Hyde Park Apts.
Andrea Dorch, City of Kansas City, Missouri
Brian Engel, White Goss
Richard Kaiser, Jr., Property Owner
Gene Kelley, Sheet Metal Local #2
Jim Malle, Jackson County
Kevin Masters, Kansas City Public Schools
Verlin Paris, Property Owner
Jan Parks, Coalition for Kansas City Economic Development Reform
Jimmy Ryan, Jackson County
Colleen White, SWS

2. **Administrative** - *Review and Approval of Meeting Minutes for April 27, 2016 (Ex. 2)*

ACTION TAKEN: APPROVED MINUTES FOR APRIL 27, 2016, AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

3. **Financial Report** - *Review and acceptance of Financial Report for the Month of April, 2016 (Lee Brown) (Ex. 3)*

DISCUSSION: Mr. Brown advised that the April report represented the final financial statement for the fiscal year and that he expected no issues from this year's audit. He noted that the largest account receivable had been contacted about its past-due LCRA balance and had recently paid its account with the EDC Loan Corp. Mr. Engel added that he would follow-up with Polsinelli about fees owed to the LCRA for the terminated Kensington project.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR APRIL, 2016, AS PRESENTED. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

FURTHER DISCUSSION: Mr. Egan asked the Board to approve a \$1,000 Silver Sponsorship for the 2016 Annual MEDFA Conference. He advised that staff should attend because MEDFA monitored legislation which affected tax abatement programs at the state level.

ACTION TAKEN: APPROVED \$1,000 SILVER SPONSORSHIP OF THE 2016 ANNUAL MEDFA CONFERENCE. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY.

4. **Key Coalition Urban Renewal Plan** – *Consideration of Approval of a Revised Finding of Blight for the Key Coalition Urban Renewal Plan (Bob Long) (Ex. 4A – 4B)*

Area Description: The Key Coalition Urban Renewal Area is generally bound by E. 27th Street on the North, Prospect Avenue on the East, E. Linwood Boulevard on the South, and Woodland Avenue on the West, exclusive of Spring Valley Park, in Kansas City, Jackson County, Missouri.

The specific area covered by the revised blight study is generally bound by East 30th Street on the North, Prospect Avenue on the East, East 31st Street on the South, and Park Street on the West.

Plan Description: The proponent for the revised Finding of Blight for the Key Coalition Urban Renewal Plan is the City of Kansas City.

The Plan's proponent is investigating residential redevelopment within the area of the revised blight study as a means of encouraging and supporting the redevelopment of the Linwood Shopping Center, which is located directly south of the area covered by the revised blight study.

APD Urban Planning & Management prepared a blight analysis of the Plan Area. The following excerpt is from the consultant's blight study:

All of the components of the Chapter 99 definitions were present in the proposed Key Coalition Neighborhood Urban Renewal Area. Although some portions of the Study Area are in adequate or sound condition, there exist deteriorated and substandard conditions throughout the Study Area as a whole, which could lead the legislative body to a finding that the proposed redevelopment area is blighted.

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 Study Area; 3) deteriorated public improvements in the Study Area, including uneven or cracked sidewalks; 4) high residential vacancies; and 5) a high number of vacant lots. These factors result in unsafe conditions in the proposed redevelopment area, and hinder private investment and redevelopment of the area.

Neighborhood and safety issues include vacant buildings, graffiti, trash and vermin, and deterioration of aging improvements and public infrastructure. The decline in population and the non-existent growth in construction in the Study Area, particularly as it relates to the neighborhoods adjacent to the proposed redevelopment area to the north and west near and at the 18th & Vine entertainment district where growth has been taking place over the past decade, indicate blight is present within this portion of the Key Coalition Neighborhood Urban Renewal Area. All of the above combine to create economic underutilization and an inability to generate reasonable taxes.

Therefore, the consultant has determined that the proposed Key Coalition Neighborhood Urban Renewal Area of Kansas City, Missouri, as of December 18, 2015, is a “blighted area” according to the definition provided in Missouri’s Land Clearance for Redevelopment Law in the Missouri Revised Statutes (RSMo. Ch. 99) and is a menace to the health, safety, morals, and welfare of the city.

Staff believes that blighting conditions exist.

The Plan’s proponents believe that assistance from the Land Clearance for Redevelopment Authority (the “Authority”), potentially consisting of property tax abatement, and, if necessary, eminent domain will present opportunities to redevelop this portion of the Key Coalition Plan Area for residential uses.

Additional Information: Staff mailed an updated meeting notice letter to the property owners within the target area (copy attached). After discussions with both the blight study consultant and legal counsel, staff advises the Authority not to remove owner-occupied properties from the blight study since some of them may, in fact, be blighted. Staff believes that the existing prohibition against the use of eminent domain to acquire owner-occupied residences that is contained within the Key Coalition Urban Renewal Plan, together with the requirement that the use of eminent domain also be supported by the neighborhood

association that is also contained within that Plan, offer adequate protection for owner-occupants within the target area.

Other government/statutory agency action: City Council will need to approve the Revised Finding of Blight for a Portion of the Key Coalition Urban Renewal Plan.

DISCUSSION: Mr. Egan stated that the City's plans for the area were still in flux. He advised that Key Coalition residents were concerned about the newness of the urban renewal area and police station issues as well as condemnation and eminent domain. He stated that the City planned to meet with the Key Coalition and Oak Park neighborhood associations to confirm that acquisition would not be used on owner occupied properties and would focus on vacant properties. He said the City planned to identify at the Board's June meeting which vacant lots were slated for new construction for low and moderate income families. Mr. Egan added that the City notified LCRA on Monday morning, May 23, 2016, of its decision to postpone the Key Coalition and Oak Park matters from today's agenda. He said notice of the postponement was e-mailed on Monday to all affected property owners and community leaders. Mr. Edwards stated that he met with Key Coalition residents at their neighborhood association meeting on Saturday, May 21, 2016, to discuss the eminent domain process. Mr. Duffy confirmed that no one was present at the meeting to testify on the Key Coalition matter.

ACTION TAKEN: TABLED UNTIL THE LCRA BOARD MEETING ON JUNE 22, 2016.

5. **Oak Park Urban Renewal Plan** – *Consideration of Approval of a Revised Finding of Blight for the Oak Park Urban Renewal Plan (Bob Long) (Ex. 5A – 5B)*

Area Description: The Oak Park Urban Renewal Area is generally bound by East Linwood Boulevard on the North, Elmwood Avenue on the East, 45th Street and Brush Creek Boulevard on the South, and Paseo Boulevard on the West, in Kansas City, Jackson County, Missouri.

The specific area covered by the revised blight study is generally bound by East Linwood Boulevard on the North, Prospect Avenue and Montgall Avenue on the East, East 35th Street on the South, and Olive Street and Wabash Street on the West.

Plan Description: The proponent for the revised Finding of Blight for the Oak Park Urban Renewal Plan is the City of Kansas City.

The Plan's proponent is investigating additional commercial and residential development within the area of the revised blight study as a means of encouraging and supporting the redevelopment of the Linwood Shopping Center, which is located directly north of the area covered by the revised blight study.

APD Urban Planning & Management prepared a blight analysis of the Plan Area. The following excerpt is from the consultant's blight study:

Most of the components of the Chapter 99 definitions were present in the proposed Oak Park Redevelopment Area. Although some portions of the Study Area are in adequate or sound condition, there exist deteriorated and substandard conditions throughout the Study Area as a whole, which could lead the legislative body to a finding that the proposed redevelopment area is blighted.

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 cracked/uneven sidewalks, overgrown vegetation and trash and debris; 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 Study Area; 3) deteriorated public improvements in the Study Area, including uneven or cracked sidewalks; 4) high residential vacancies; and 5) a large number of vacant lots. These factors result in unsafe conditions in the proposed redevelopment area, and hinder private investment and redevelopment of the area.

Neighborhood and safety issues include vacant buildings, graffiti, overgrown vegetation, trash and vermin, and deterioration of aging improvements and public infrastructure. The decline in population and the non-existent growth in construction in the Study Area, particularly as it relates to the neighborhoods adjacent to the proposed redevelopment area to the north and west near and at the 18th & Vine entertainment district where growth has been taking place over the past decade, indicate blight is present within this portion of the Oak Park Neighborhood Urban Renewal Area. All of the above combine to create economic underutilization and an inability to generate reasonable taxes.

Therefore, the consultant has determined that the proposed Oak Park Neighborhood Urban Renewal Area of Kansas City, Missouri, as of December 18, 2015, is a “blighted area” according to the definition provided in Missouri’s Land Clearance for Redevelopment Law in the Missouri Revised Statutes (RSMo. Ch. 99) and is a menace to the health, safety, morals, and welfare of the city.

Staff believes that blighting conditions exist.

The Plan’s proponents believe that assistance from the Land Clearance for Redevelopment Authority (the “Authority”), potentially consisting of property tax abatement, and, if necessary, eminent domain will present opportunities to redevelop this portion of the Oak Park Plan Area for residential uses.

Additional Information: Staff mailed an updated meeting notice letter to the property owners within the target area (copy attached). After discussions with both the blight study consultant and legal counsel, staff advises the Authority not to remove owner-occupied properties from the blight study since some of them may, in fact, be blighted. Staff believes that a prohibition against the use of eminent domain to acquire owner-occupied residences be included within any amendment of the Oak Park Urban Renewal Plan, together with a requirement that the use of eminent domain also be supported by the neighborhood

association also be contained within any amendment of that Plan, would offer adequate protection for owner-occupants within the target area.

Other government/statutory agency action: City Council will need to approve the Revised Finding of Blight for a portion of the Oak Park Urban Renewal Plan.

DISCUSSION: Mr. Paris identified himself as a property owner in the area and stated that a letter from the Key Coalition Neighborhood Association incorrectly alleged his property was abandoned. Mr. Duffy replied that, while the LCRA considered the association's concerns before taking action, it was not involved with its interactions with its residents. He suggested that Mr. Paris contact the association directly to discuss the letter. Mr. Kaiser requested a listing of all organizations involved in the area's development and/or eminent domain process. Mr. Duffy advised that the City's Housing Department initiated the plan. He said that Draw Architecture assisted the City with its redevelopment options for each two-block site. He stated that LCRA's involvement was to provide the City with eminent domain authority if needed. Ms. Tyndall identified Stuart Bullington as the Housing Department's contact person and provided his phone number and e-mail. Mr. Egan confirmed that both blight studies were available online at EDC's website. Mr. Duffy expressed concern that the owner-occupied definition included homeowners with no title record and heirs who inherited property after an owner's death.

Mr. Allen identified himself as the owner of 3015 Olive and asked about owner compensation whose property was condemned. Mr. Duffy advised that compensation amounts were dictated by the Uniform Relocation Act. He said the City would purchase the property at fair market value and also pay relocation expenses. Mr. Egan added that the property's fair market value was obtained through appraisals which were regulated by State law. He stressed that owner-occupied properties would not be condemned as the City's intent was to build new housing on vacant lots to increase the value of the Linwood Shopping Center. He advised that the City could also provide funds for rehabilitation of owner-occupied homes.

ACTION TAKEN: TABLED UNTIL THE LCRA BOARD MEETING ON JUNE 22, 2016.

6. **13th & Locust URA - Interstate Building 417 E. 13th Street** – *Consideration of Assignment and Assumption of Redevelopment Contract (Brian Engel) (Ex. 6)*

Abbott Properties, LLC (“Original Redeveloper”) and the Authority entered into a Redevelopment Contract dated July 26, 2013 and recorded on October 15, 2013 (the “Redevelopment Contract”), pursuant to which the Authority agreed to issue a Certificate of Qualification for Tax Abatement to facilitate the historic redevelopment of the Interstate Building located at 417 E. 13th Street into an approximately 74-room Holiday Inn Express hotel (or comparable extended stay suite concept) for the public purpose of eliminating blighting conditions found to exist within the 13th & Locust URA (the “Project”).

In December 2014, Interstate Building, LLC (“Redeveloper”) acquired the Property from Original Redeveloper. By its Resolution No. 4-03-15 dated April 22, 2015, the Authority

consented to the assignment of the Redevelopment Contract to Redeveloper and to Redeveloper's assumption of the Redevelopment Contract.

Under the Redevelopment Contract, the Project is required to be completed by December 31, 2016. Redeveloper has not commenced work on the Project and has requested that the Redevelopment Contract be amended to update the Completion Date and the notice provision. The Authority and Redeveloper desire to assign and assume the Project redevelopment rights under the Redevelopment Contract and to amend the Redevelopment Contract as stated in the Assignment, Assumption and Amendment of Redevelopment Contract.

DISCUSSION: Mr. Egan stated that the previously approved conversion of the Interstate Building to a boutique hotel by Abbott Properties never proceeded. He advised that Mr. Patel purchased the building from Abbott Properties and requested that the Board extend the December 31, 2016 construction completion date. He said that Mr. Patel was unable to attend today's meeting because of an out-of-town family emergency. Mr. Engel advised that the Assignment agreement shown as Exhibit 6 was approved but never signed because Interstate Building, LLC had concentrated on another project's development.

ACTION TAKEN: TABLED UNTIL THE LCRA BOARD MEETING ON JUNE 22, 2016.

7. **36th & Gillham URA – 3635 Warwick Blvd.** - *Consideration of Approval of a Redevelopment Contract with Old Hyde Apartments, LLC (Dan Moye) (Ex. 7A – 7B)*

Area Description: The Plan Area is generally bound by 36th Street on the North, 37th Street on the South, Gillham Road on the East, and Warwick Boulevard on the West.

Project Description: The applicant is Old Hyde Apartments, LLC.

The applicants' project is a \$1.9 Million rehabilitation of a vacant former apartment building into 23 apartments. This project will provide 1 one-bedroom and 22 two-bedroom apartments which will supply reasonable market rate housing within the Midtown area.

A copy of the financial analysis, prepared by EDC staff is attached. It shows the project would generate a 6.19% leveraged IRR and a .9 DSCR at stabilization (year 3) without any incentives. With Chap. 99 property tax abatement, the project would generate an 8.88% leveraged IRR and a 1.01 DSCR.

The financial analysis demonstrates that the project conforms to the Authority's "Workable Program." Staff believes that the proposed project is in conformance with the 36th & Gillham Urban Renewal Plan. The proposed Redevelopment Contract is attached for the Authority's consideration.

Affirmative Action Policy and MBE/WBE Participation: The proponent, Old Hyde Apartments, LLC, met with Sandra Rayford to discuss the project.

Taxing Jurisdictions: The project information and financial analysis were provided to the taxing jurisdiction representatives by staff and the developer has been available on multiple occasions for discussion with the taxing jurisdictions.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Moyer stated that rents for the project would be about \$975, or \$1.08 per square foot. He advised that the building needed significant work and rehabilitation. He said the financial analysis showed a non-feasible 6.19% return without tax abatement and that the developer met with the taxing jurisdictions to discuss the project. Mr. Clemons reported that the property was purchased for \$1,000,000 about one year ago and was financed by a third party lender. Mr. Duffy questioned the project's need for tax abatement given that the purchase price was greater than the proposed construction budget. Mr. Moyer noted that the purchase price was not unreasonable as the market in the area was depressed. Mr. Duffy countered that \$1,000,000 was a high purchase price for a depressed market.

Mr. Clemons advised that an appraisal was conducted on the property which was occupied at the time of purchase. He said the appraisal had not been provided to staff for review. He added that the property was purchased when the adjoining site was in its own early stages of development. He said the project at issue was a class B, mid-level renovation and was acquired through an arms-length transaction. Mr. Clemons advised that the property was not profitable when occupied and was vacated for renovation purposes. He stated that the loan was obtained despite a negative cash flow because the property was purchased as a package with two other properties. Mr. Clemons agreed that the loan's 15-year amortization significantly impacted cash flow but that most traditional lenders used 15-20 year paybacks. Mr. Egan noted that 30-year amortizations were traditionally used for single-family residential properties and that the property was in bad shape and had tenancy issues. He said that the project's benefit to the neighborhood also needed to be considered.

Mr. Clemons stated that exterior repairs were previously performed on the building to protect it from winter weather. He said the redevelopment might continue without tax abatement if another method could be developed to do so. He advised the building's renovations were more intensive than originally believed at its initial purchase. Mr. Clemons said the tax abatement process should have begun sooner but had believed that abatement could be obtained because the building was in an URA. He advised that he lived in the neighborhood for over 13 years and also managed other multi-family projects in the area. Mr. Clemons stated he had discussed the other multi-family projects with staff but that none had been inspected.

Mr. Okafor noted that the project should be encouraged to move forward to support a significant LCRA project directly behind the same. Mr. Malle advised that he had not reviewed the financials but supported the project as it was in a distressed area. Mr. Masters stated that he supported the project but that the financing package for the three buildings should be reviewed. Mr. Ryan said that he also supported the project because of its low rental rate. Mr. Flisram commented that the building would not support a 30 year loan because of its age and construction quality.

Mr. Duffy proposed tabling the matter until the June meeting because of the following concerns and questions about the project:

1. Staff inspection and verification of applicant's satisfactory management of his other multi-family sites.
2. Staff review of the appraisal conducted as part of the three building financial package to determine appropriateness of the acquisition price for the building in question.
3. Staff determination that sufficient monies are provided for the renovation and construction of the building.

Mr. Clemons did not object to the continuance. Ms. Dorch advised that she would discuss the project's eligibility for the Small Local Business Enterprise program with the developer and present the results to the Board at its next meeting. Mr. Edwards outlined his frustrations with the incentive hurdles faced by smaller developers. He explained that larger developers were able to hire attorneys who understood the abatement and MBE/WBE processes. He noted that Mr. Clemons was a resident of the community and was therefore unlikely to build a shoddy project.

ACTION TAKEN: TABLED UNTIL THE LCRA BOARD MEETING ON JUNE 22, 2016

8. **Administrative** – *Consideration of Proposed Prevailing Wage Policy In Conjunction With PIEA* (Joe Egan)

The PIEA is proposing that LCRA submit a similar prevailing wage policy proposal for public comment and consideration:

“All PIEA projects shall require at least 50% of all construction wages, including but not limited to all construction wages paid to MBE and WBE contractors certified as such by the City of Kansas City, to be paid at the trade-appropriate wage rates determined under the Davis-Bacon Act. Projects whose professional service, construction, and construction material costs collectively totaling at or under \$2,000,000 may apply with PIEA's Prevailing Wage subcommittee for exemption from PIEA's prevailing wage requirement.”

DISCUSSION: Mr. Egan outlined the varied prevailing wage policies between the Chapter 353, LCRA, PIEA, and TIF agencies. He said that a consistent policy should be developed to forestall forum shopping by developers. Mr. Okafor strongly opposed the 50% PIEA requirement. He stated that without full compliance, developers could forum shop which scopes of work were covered by the 50% requirement and block minority contractors from participation. Mr. Macoubrie advised he was still fielding responses to the proposed e-mailed policy. He said that developers seemed to oppose the 100% rule on the grounds that it would kill deals and force projects to neighboring cities with less restrictive policies. He agreed with Mr. Okafor that developers were forum shopping their work scopes and suggested a review 12

months after completion of the project to determine which scopes were prevailing wage. Mr. Edwards noted that any review period would preclude access by minority contractors to other projects.

Mr. Duffy also noted that the small project exemption was formerly automatic. He stated that the prevailing wage requirement would have a much larger impact on LCRA versus PIEA or TIF projects because of the varying lengths of tax abatement. Mr. Macoubrie agreed and advised that the policy was an initial draft and subject to change. Mr. Duffy suggested the use of historical data showing stagnation in wages or the comparability of wages on projects in revising the policy. Mr. Okafor agreed that smaller projects could receive exemptions but argued that developers not complying with 100% prevailing wage coverage should be denied public incentives. He said that without such pressure, developers would not pay living wages to their workers. He stated that, despite developer arguments to the contrary, minority contractors often had lower overhead costs and competitive prices. Mr. Okafor stated that the City needed to make a decision on the issue as the damage to minority contractors was quite evident and ongoing.

Ms. Dorch agreed with Mr. Okafor that large developers tended not to use minority owned companies for some scopes of work. She added that the proposed PIEA policy would allow for the use of scopes with low prevailing wages. Mr. Elliott stated that attaching prevailing wage requirements to public assistance would enable local contractors a greater opportunity to win area contracts. He argued that many projects used public monies for infrastructure but used out-of-state contractors to actually erect the building. He cited a UMKC study which concluded that monies spent in Kansas City generated taxes seven times as they progressed from one entity to another.

Mr. Macoubrie stated that monitoring projects for adherence to prevailing wage policies could be prohibitively expensive. Ms. Dorch advised that HRD monitored prevailing wage adherence for City and TIF projects. She said HRD might be able to monitor LCRA projects with costs charged to the developer. Mr. Duffy and Mr. Macoubrie agreed that affordable housing and not-for-profit projects should be exempt from the substantial costs added by Davis Bacon.

Ms. Tyndall stated that AdvanceKC represented a consistent process for tax abatement agencies to prevent forum shopping. She agreed that the EDC Universal Application negated some forum shopping but that other issues such as MBE/WBE allowed for it. She cautioned that the downside to the "one size fits all" doctrine allowed for no flexibility and required a waiver for extenuating circumstances. She added that developers might seek longer and deeper abatements if prevailing wage requirements added costs to their projects. Ms. Tyndall said that the benefits of such longer and deeper incentives would have to be a policy decision made by the agency.

Ms. White identified herself as the prevailing wage monitor for PIEA. She advised that Davis Bacon was chosen over comparable state regulations because of its similarity to HUD guidelines and the numerous conversion rate scenarios between the various states. She stated that some monitoring problems were created by Davis

Bacon's inability to list every occupational classification. Ms. White said that state regulations were often used because they listed more occupational classifications and provided clear title rules which spelled out the scope of work for each level. She advised that her monitoring costs were paid by the developer as part of the development agreement. She was uncertain about the percentage of monitoring costs as compared to other developer expenditures but advised she would review the same and report back to the Board.

ACTION TAKEN: NONE; INFORMATIONAL ONLY.

9. **Administrative.**

a. **Executive Director's Report** - *Active Projects Tracking System Report* (Joe Egan) (Ex. 9A-1 and 9A-2)

DISCUSSION: Mr. Egan reported the following status on ongoing projects:

- **Truman Wyandotte** – the convention hotel was still slowly moving forward.
- **4601 Madison** – Mr. Engel advised the project was closing this week and that he had additional documents for Mr. Duffy's signature. Mr. Egan noted the project would change from sale/leaseback to full taxation.
- **Housing Policy Incentive** – Ms. Tyndall advised that staff from several City departments were coordinating efforts to research national housing policies to formulate a joint recommendation of "best practices" to elected officials. She said that City staff would then work collaboratively with the elected officials to develop processes regarding how to move forward. She stated that City staff should hopefully make policy recommendations to the Housing Committee and economic development committees of the City within the next sixty (60) days. Ms. Tyndall advised that the LCRA Board's recommendation for 20% workforce housing would be considered as a part of the City's future housing policies. She said that the City was attempting to develop a comprehensive policy to encourage the right type of housing for future demands. Ms. Tyndall stated that the City would consider all types of housing, including market rate, affordable, low to moderate income, and set asides, to develop its housing policies.
- **Arterra** – The project was still under construction.
- **New England Lofts** – The redevelopment contract was being finalized.
- **Pickwick** – Ms. Rayford reported that it was still under construction and their MBE/WBE status report from last month still had several open scopes.
- **Commerce Tower** – A ribbon cutting opening ceremony was held this week.
- **911-915 Broadway** – The Yarco/Devco redevelopment contract needed to be executed.

- **Columbus Park** – The contract was received from the City and an offer was made to purchase the remaining properties for Phase II of the project. A RFP was issued for the appraisal bid and once finalized, negotiations will begin with the development team.
- **Traders on Grand** – Mr. Engel advised the transfer was still underway and once completed, would trigger the sale of the lots to the LCRA.
- **Uptown CID** – City Council will not consider the CID application until the LCRA, City Manager, and the Valentine Neighborhood Association support the same. The Valentine Neighborhood Association did not currently support the application because it does not identify how the CID benefits the community. A meeting with the neighborhood association is set for July 7, 2016 to discuss the matter. The LCRA and the City Manager questioned the proposed makeup of the CID Board and have drafted a letter to the applicant.
- **YMCA/TMC** – Mr. Engel advised that the redevelopment contract was still under negotiations. He stated that the City had approved the PIAC funds.
- **St. Michael's Phase II** – The project is proceeding so quickly that it will be the second year in a row that it can ask for tax credits. The project has a wait list of over 130 applicants for its 59 units.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

- b. **Targeted Infill New Construction** – *Consideration of Expansion of Ministerial Townhouse Tax Abatement (Joe Egan/Greg Flisram) (Ex. 9B)*

LCRA policy for ministerial approval of tax abatement includes detached single-family and owner-occupied 1-4 family residential buildings, both new construction and rehab. Given the significant number of vacant land in infill, new construction is necessary. However, stick building detached new construction is too expensive. The attached reflects possible guidelines for such attached, owner-occupied single-family housing.

DISCUSSION: Mr. Egan advised that replicating successful stick-built single family home projects such as Beacon Hill was difficult in other areas of the City. He cited financial issues and the amount of vacant land in the Troost area as examples of such prohibitive factors. He suggested that small attached townhouse development would be feasible in the Initial Target Areas listed on Exhibit 9B. He said the townhouses would be 3 to 6 units, under the \$2,000,000 threshold for financial analyses, and receive the standard LCRA 100% abatement for ten years. Mr. Egan stated that the Initial Target Areas might also be eligible to receive additional funding to remediate old foundations, buried fuel tanks, and other items outside developer recoverable costs.

Mr. Masters advised that he was unclear about LCRA methodology for its ministerial grants of abatement for smaller projects. He questioned why such incentives were given and if they were truly needed by the developer. He

acknowledged that the suggested Initial Target Areas were distressed, but wished to ensure that any financial assistance was the minimal needed.

Mr. Masters also asked if the City's proposed 75% incentive limitation would apply to LCRA. Mr. Duffy stated he could not comment as LCRA was not involved in any discussions about limiting incentives. Ms. Tyndall advised that the 75% ordinance was sponsored by Councilman Lucas and six other council members and still debated at the committee level. She said one reason for the 75% limit appeared to be the phased abatements utilized by some tax abatement agencies. She stated that the limit was phrased as a PILOT payment rather than as a limitation on tax abatement.

Mr. Engel advised he also monitored the proposed ordinance. He acknowledged that LCRA was governed by state statute, but that it had accepted other conditions imposed by the City, such as MBE/WBE or financial analyses guidelines. Mr. Egan noted that the imposition of prevailing wage might negatively affect developers if incentives were limited.

Mr. Edwards stated that the proposed incentives would encourage families to move to the area. He recommended the addition of the Wendell Phillips area to the initial proposed neighborhoods. He said that, although not an urban renewal area, Wendell Phillips had lost 80% of its housing stock, 84% of its population, and 20% of its 3,000 housing units were vacant.

Mr. White advised that townhouse development historically became rental properties. He acknowledged that outside factors, such as market fluctuations, dictated rental growth. Mr. Egan agreed, and stated that options such as zero lot line could be explored after the base concept received Board approval.

ACTION TAKEN: DIRECTED STAFF TO DRAFT POLICY REGARDING MINISTERIAL TREATMENT OF UP TO SIX (6) UNIT TOWNHOUSE DEVELOPMENT FOR PRESENTATION TO BOARD FOR APPROVAL.

EXECUTIVE SESSION

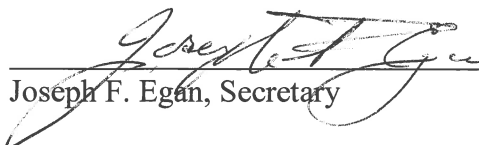
10. Consideration of legal, real estate and personnel issues, and other matters related thereto, pursuant to Sections 610.021(1)(2)(3) RSMo.

RESUME BUSINESS SESSION

11. Adjourn.

There being no further business, the meeting was adjourned at 11:25 a.m.




Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: June 22, 2016
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor
Town Pavilion, 1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Michael Duffy
Steve Hamilton
Gabriel Okafor
James White

Absent: Daniel Edwards

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Jim Erickson, EDC
Greg Flisram, EDC
Morgan Franklin, EDC
Bob Langenkamp, EDC
Dan Moye, EDC
Sandra Rayford, EDC

Guests: Andrew Bolton, 905 Broadway
Jaclyn Maloney, 905 Broadway, Bushyhead Law, LLC
Lynn McIntosh, 1707 Locust
Allison Bergman, 1707 Locust, LLC, Hardwick Law Firm, LLC
Carl Boyd, City of Kansas City, Missouri
Stuart Bullington, City of Kansas City, Missouri
Ursula Brandt, City of Kansas City, Missouri
Andrea Dorch, City of Kansas City, Missouri
Amelia McIntyre, City of Kansas City, Missouri
Deborah Mann, Emmanuel Family & Child Development Center
Matt Fulson, Fulson Housing Group
Jim Malle, Jackson County
James Ryan, Jackson County
Kevin Masters, Kansas City Public Schools
Steve Vockrodt, Kansas City Star
Aaron Clemons, Old Hyde Park Apartments
Ron Knox, Pitch Weekly
Hester Alfred, Property Owner
Robyne Stevenson, Property Owner
Brian Wilson, Property Owner
Pat Sterrett, Sterrett Urban
Brian Engel, White Goss

2. **Administrative** - *Review and Approval of Meeting Minutes for May 25, 2016 (Ex. 2)*

ACTION TAKEN: APPROVED THE MINUTES FOR MAY 25, 2016, AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

3. **Financial Report** - *Financial Report for the Month of May, 2016*

The financial report for May, 2016 was not presented at this time as the EDC is undergoing its annual audit.

ACTION TAKEN: NONE; INFORMATIONAL ONLY.

4. **Key Coalition Urban Renewal Plan** – *Consideration of Approval of a Revised Finding of Blight for the Key Coalition Urban Renewal Plan (Greg Flisram) (Ex. 4A – 4B)*

Area Description: The Key Coalition Urban Renewal Area is generally bound by E. 27th Street on the North, Prospect Avenue on the East, East Linwood Boulevard on the South, and Woodland Avenue on the West, exclusive of Spring Valley Park, in Kansas City, Jackson County, Missouri.

The specific area covered by the revised blight study is generally bound by East 30th Street on the North, Prospect Avenue on the East, East 31st Street on the South, and Park Street on the West.

Plan Description: The proponent for the revised Finding of Blight for the Key Coalition Urban Renewal Plan is the City of Kansas City.

The Plan's proponent is investigating residential development within the area of the revised blight study as a means of encouraging and support the redevelopment of the Linwood Shopping Center, which is located directly south of the area covered by the revised blight study.

APD Urban Planning & Management prepared a blight analysis of the Plan Area. The following excerpt is from the consultant's blight study:

All of the components of the Chapter 99 definitions were present in the proposed Key Coalition Neighborhood Urban Renewal Area. Although some portions of the Study Area are in adequate or sound condition, there exist deteriorated and substandard conditions throughout the Study Area as a whole, which could lead the legislative body to a finding that the proposed redevelopment area is blighted.

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 Study Area; 3) deteriorated public improvements in the Study Area, including uneven or cracked sidewalks; 4) high residential vacancies; and 5) a high number of vacant lots. These factors result in unsafe conditions in the proposed redevelopment area, and hinder private investment and redevelopment of the area.

Neighborhood and safety issues include vacant buildings, graffiti, trash and vermin, and deterioration of aging improvements and public infrastructure. The decline in population and the non-existent growth in construction in the Study Area, particularly as it relates to the neighborhoods adjacent to the proposed redevelopment area to the north and west near and at the 18th & Vine entertainment district where growth has been taking place over the past decade, indicate blight is present within this portion of the Key Coalition Neighborhood Urban Renewal Area. All of the above combine to create economic underutilization and an inability to generate reasonable taxes.

Therefore, the consultant has determined that the proposed Key Coalition Neighborhood Urban Renewal Area of Kansas City, Missouri, as of December 18, 2015, is a “blighted area” according to the definition provided in Missouri’s Land Clearance for Redevelopment Law in the Missouri Revised Statutes (RSMo. Ch. 99) and is a menace to the health, safety, morals, and welfare of the city.

Staff believes that blighting conditions exist.

The Plan’s proponents believe that assistance from the Land Clearance for Redevelopment Authority (the “Authority”), potentially consisting of property tax abatement, and, if necessary, eminent domain will present opportunities to redevelop this portion of the Key Coalition Plan Area for residential uses.

Additional Information: Staff mailed an updated meeting notice letter to the property owners within the target area (copy attached). After discussions with both the blight study consultant and legal counsel, staff advises the Authority not to remove owner-occupied properties from the blight study since some of them may, in fact, be blighted. Staff believes that the existing prohibition against the use of eminent domain to acquire owner-occupied residences that is contained within the Key Coalition Urban Renewal Plan, together with the requirement that the use of eminent domain also be supported by the neighborhood association that is also contained within that Plan, offer adequate protection for owner-occupants within the target area.

Other government/statutory agency action: City Council will need to approve the Revised Finding of Blight for a Portion of the Key Coalition Urban Renewal Plan.

LCRA Board 5/25/16 Meeting Action: City staff met with the neighborhood associations and residents in an attempt to ease fears regarding eminent domain and condemnation. The City plans to identify which vacant lots are slated for new construction for low and moderate income families at the LCRA’s June 22, 2016 meeting.

DISCUSSION: Mr. Egan said the City recently requested that the Board make no decision at today’s hearing on the Key Coalition matter because it had not yet finalized its

plan for the area. Mr. Flisram confirmed that notices about today's meeting were mailed to affected residents in the Key Coalition and Oak Park areas. Mr. Bullington identified himself as the Deputy Director of Housing for the City. He cited the Key Coalition area as an example of how the City wished to proceed with the rehabilitation of small scale residential areas. He advised that the City worked closely with the Key Coalition Neighborhood Association over the past year to alleviate the area's 85% absentee ownership and accompanying blight. Mr. Bullington said the City hoped to have a plan from Draw Architecture ready for presentation at the Board's August, 2016 meeting. He confirmed that the plan would include the rehabilitation of existing parcels as well as new housing.

Mr. Wilson stated that his family owned property at 30th and Olive since the 1960's and requested a time frame for the use of eminent domain. Mr. Bullington advised that eminent domain would not be used against any owner-occupied residence. He noted that the plan's intent was to create home ownership and not to demolish existing owner-occupied homes. Mr. Bullington outlined the approval process for the proposed blight plan as progressing from the Neighborhood Association's initial acceptance, to approval by the LCRA Board at its August, 2016 meeting, and then finally to the City Council for approval and action. Mr. Bullington then provided Mr. Wilson with information about City programs to assist homeowners with repairs. Mr. Duffy added that homeowners were also eligible for LCRA tax abatement under certain guidelines.

Mr. Duffy requested clarification about the staff's recommendation to include owner-occupied residences in the updated blight study given the City's assurances that eminent domain would not be used against them. Mr. Egan advised that their inclusion was to ensure that blight percentage requirements were met. Mr. Engel added that the exclusion of owner-occupied residences might also negatively affect the blight square footage requirement. He said that he would work with the consultant to determine if owner-occupied properties could be excluded and still maintain the necessary requirements. Mr. Hamilton asked that the issue not appear on the agenda again until the City was ready to proceed, in deference to the residents of the Key Coalition and Oak Park areas.

ACTION TAKEN: TABLED UNTIL AUGUST 24, 2016 LCRA BOARD MEETING.

5. **Oak Park Urban Renewal Plan** – *Consideration of Approval of a Revised Finding of Blight for the Oak Park Urban Renewal Plan* (Greg Flisram) (Ex. 5A – 5B)

Area Description: The Oak Park Urban Renewal Area is generally bound by East Linwood Boulevard on the North, Elmwood Avenue on the East, 45th Street and Brush Creek Boulevard on the South, and Paseo Boulevard on the West, in Kansas City, Jackson County, Missouri.

The specific area covered by the revised blight study is generally bound by East Linwood Boulevard on the North, Prospect Avenue and Montgall Avenue on the East, East 35th Street on the South, and Olive Street and Wabash Street on the West.

Plan Description: The proponent for the revised Finding of Blight for the Oak Park Urban Renewal Plan is the City of Kansas City.

The Plan's proponent is investigating additional commercial and residential development within the area of the revised blight study as a means of encouraging and support the redevelopment of the Linwood Shopping Center, which is located directly north of the area covered by the revised blight study.

APD Urban Planning & Management prepared a blight analysis of the Plan Area. The following excerpt is from the consultant's blight study:

Most of the components of the Chapter 99 definitions were present in the proposed Oak Park Redevelopment Area. Although some portions of the Study Area are in adequate or sound condition, there exist deteriorated and substandard conditions throughout the Study Area as a whole, which could lead the legislative body to a finding that the proposed redevelopment area is blighted.

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 cracked/uneven sidewalks, overgrown vegetation and trash and debris; 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 Study Area; 3) deteriorated public improvements in the Study Area, including uneven or cracked sidewalks; 4) high residential vacancies; and 5) a large number of vacant lots. These factors result in unsafe conditions in the proposed redevelopment area, and hinder private investment and redevelopment of the area.

Neighborhood and safety issues include vacant buildings, graffiti, overgrown vegetation, trash and vermin, and deterioration of aging improvements and public infrastructure. The decline in population and the non-existent growth in construction in the Study Area, particularly as it relates to the neighborhoods adjacent to the proposed redevelopment area to the north and west near and at the 18th & Vine entertainment district where growth has been taking place over the past decade, indicate blight is present within this portion of the Oak Park Neighborhood Urban Renewal Area. All of the above combine to create economic underutilization and an inability to generate reasonable taxes.

Therefore, the consultant has determined that the proposed Oak Park Neighborhood Urban Renewal Area of Kansas City, Missouri, as of December 18, 2015, is a "blighted area" according to the definition provided in Missouri's Land Clearance for Redevelopment Law in the Missouri Revised Statutes (RSMo. Ch. 99) and is a menace to the health, safety, morals, and welfare of the city

Staff believes that blighting conditions exist.

The Plan's proponents believe that assistance from the Land Clearance for Redevelopment Authority (the "Authority"), potentially consisting of property tax abatement, and, if

necessary, eminent domain will present opportunities to redevelop this portion of the Oak Park Plan Area for residential uses.

Additional Information: Staff mailed an updated meeting notice letter to the property owners within the target area (copy attached). After discussions with both the blight study consultant and legal counsel, staff advises the Authority not to remove owner-occupied properties from the blight study since some of them may, in fact, be blighted. Staff believes that a prohibition against the use of eminent domain to acquire owner-occupied residences be included within any amendment of the Oak Park Urban Renewal Plan, together with a requirement that the use of eminent domain also be supported by the neighborhood association also be contained within any amendment of that Plan, would offer adequate protection for owner-occupants within the target area.

Other government/statutory agency action: City Council will need to approve the Revised Finding of Blight for a portion of the Oak Park Urban Renewal Plan.

LCRA Board 5/25/16 Meeting Action: City staff met with the neighborhood associations and residents in an attempt to ease fears regarding eminent domain and condemnation. The City plans to identify which vacant lots are slated for new construction for low and moderate income families at the LCRA's June 22, 2016 meeting.

DISCUSSION: Ms. Stevenson stated that her home was in the proposed blight area but within the Ivanhoe Neighborhood. She advised that neither she, nor the president of the Ivanhoe Neighborhood Association, received notice from the LCRA Board about its proposed actions in the area. Ms. Stevenson then gave a prepared speech about the validity of the blight study, its methods, and its impact on property owners. She also noted several possible errors made by the updated blight study. A copy of Ms. Stevenson's speech is attached hereto as Exhibit A and incorporated herein. Mr. White commented that the faults of urban renewal outlined by Ms. Stevenson began decades ago when the urban renewal areas were initiated.

Ms. Mann asked about the effects of a blight designation on commercial buildings. Mr. Duffy replied that a blight designation did not generally distinguish in its findings between commercial and residential properties. Mr. Egan advised that commercial properties underwent a more complicated application process than residential sites to determine their eligibility for LCRA benefits. He noted that the Ivanhoe neighborhood was not included in an urban renewal area which negated the possibility of LCRA assistance.

Mr. Egan confirmed that the residents of the Ivanhoe neighborhood, and any other surrounding neighborhoods, would be notified about future meetings about the plans for Key Coalition. Mr. Bullington stated that he would meet with the Oak Park and Ivanhoe Neighborhood Associations and suggested that Ms. Mann attend both meetings. He advised that the City had no current plans or funds for either the Oak Park or Ivanhoe areas. He stated that the City's plans were dependent on the needs of the area and, even if funds were available, those needs might not include Oak Park.

Mr. Hamilton pointed out the inconsistency of the City's request to proceed with the Oak Park vote despite the lack of a plan when it postponed the Key Coalition vote because it did not have a plan. He stated that a blight finding and the existence of a plan were not dependent on each other. Mr. Egan said that Oak Park was included because it was directly south of the Linwood Shopping Center. Mr. Duffy said that the plan's purpose was to determine the use of funds in the Key Coalition area. He said the fact that no monies were currently available should not deter the Board from moving forward. Mr. White argued that the new blight study required an update of the 40-50 year old plan to delineate areas for redevelopment. He stated that he opposed proceeding with the Oak Park vote until the City had resources to include the neighborhood association in its redevelopment plan. Mr. Okafor stated that a synopsis detailing and explaining the City's efforts for the area would be sufficient. He noted that monetary solutions were not always needed to resolve the area's many problems. Mr. Bullington stated that the City would not return to the LCRA until it wanted approval of the Key Coalition plan. He advised that he could not guarantee completion of a full scale plan for the Oak Park area if the Board required it at the August, 2016 LCRA meeting. He said that the City would proceed with only the Key Coalition blight study plan as soon as possible to assist with the Linwood Shopping Center's development. Mr. Duffy advised Mr. Bullington that he would have to decide how to proceed in August given the Board members' varied attitudes.

ACTION TAKEN: TABLED UNTIL AUGUST 24, 2016 LCRA BOARD MEETING.

6. **13th & Locust URA - Interstate Building 417 E. 13th Street** – *Consideration of Assignment and Assumption of Redevelopment Contract* (Brian Engel) (Ex. 6)

Abbott Properties, LLC (“Original Redeveloper”) and the Authority entered into a Redevelopment Contract dated July 26, 2013 and recorded on October 15, 2013 (the “Redevelopment Contract”), pursuant to which the Authority agreed to issue a Certificate of Qualification for Tax Abatement to facilitate the historic redevelopment of the Interstate Building located at 417 E. 13th Street into an approximately 74-room Holiday Inn Express hotel (or comparable extended stay suite concept) for the public purpose of eliminating blighting conditions found to exist within the 13th & Locust URA (the “Project”).

In December 2014, Interstate Building, LLC (“Redeveloper”) acquired the Property from Original Redeveloper. By its Resolution No. 4-03-15 dated April 22, 2015, the Authority consented to the assignment of the Redevelopment Contract to Redeveloper and to Redeveloper's assumption of the Redevelopment Contract.

Under the Redevelopment Contract, the Project is required to be completed by December 31, 2016. Redeveloper has not commenced work on the Project and has requested that the Redevelopment Contract be amended to update the Completion Date and the notice provision. The Authority and Redeveloper desire to assign and assume the Project redevelopment rights under the Redevelopment Contract and to amend the Redevelopment Contract as stated in the Assignment, Assumption and Amendment of Redevelopment Contract.

DISCUSSION: Mr. Engel advised that the Board had previously approved the assignment of the Redevelopment Agreement from Abbott Properties to Interstate Building, LLC. He stated that Mr. Patel was requesting an extension of the December 31, 2016 construction date because he had not yet commenced work on the project. Mr. White questioned why the new developer should be granted any dispensation given his lack of timely performance. Mr. Egan advised that Mr. Patel wished to complete the Gumbel Building, also a limited service hotel, prior to engaging another project. Mr. Engel added that the item could be tabled as Mr. Patel was also waiting on the construction schedule for the Interstate Building.

ACTION TAKEN: TABLED UNTIL FURTHER NOTICE.

7. **36th & Gillham URA – 3635 Warwick Blvd.** - *Consideration of Approval of a Redevelopment Contract with Old Hyde Apartments, LLC (Dan Moye) (Ex. 7A – 7B)*

Area Description: The Plan Area is generally bound by 36th Street on the North, 37th Street on the South, Gillham Road on the East, and Warwick Boulevard on the West.

Project Description: The applicant is Old Hyde Apartments, LLC.

The applicants' project is a \$1.9 Million rehabilitation of a vacant former apartment building into 23 apartments. This project will provide 1 one-bedroom and 22 two-bedroom apartments which will supply reasonable market rate housing within the Midtown area.

A copy of the financial analysis, prepared by EDC staff is attached. It shows the project would generate a 6.19% leveraged IRR and a .9 DSCR at stabilization (year 3) without any incentives. With Chap. 99 property tax abatement, the project would generate an 8.88% leveraged IRR and a 1.01 DSCR.

The financial analysis demonstrates that the project conforms to the Authority's "Workable Program." Staff believes that the proposed project is in conformance with the 36th & Gillham Urban Renewal Plan. The proposed Redevelopment Contract is attached for the Authority's consideration.

Affirmative Action Policy and MBE/WBE Participation: The proponent, Old Hyde Apartments, LLC, met with Sandra Rayford to discuss the project.

Taxing Jurisdictions: The project information and financial analysis were provided to the taxing jurisdiction representatives by staff and the developer has been available on multiple occasions for discussion with the taxing jurisdictions.

Other government/statutory agency action: None required.

LCRA Board 5/25/16 Meeting Action: The Board tabled the matter and requested the following additional information from the applicant:

1. Staff inspection and verification of applicant's satisfactory management of his other multi-family sites.

2. Staff review of the appraisal conducted as part of the three building financial package to determine appropriateness of the acquisition price for the building in question.
3. Staff determination that sufficient monies are provided for the renovation and construction of the building.

DISCUSSION: Mr. Moye advised that the appraisal raised no concerns about the purchase of the property. He stated that the structure required significant interior work to ensure the amount of rent projected by the developer. He said his tour of the developer's other sites revealed them to be well managed and of good quality. Mr. Clemons advised that each site was 100% leased but a few units were not yet occupied. Mr. Moye stated that the renovation budget was sufficient and was determined to be about 50% of the property's purchase price. Mr. Duffy commented that the large percentage of acquisition versus rehab costs in the total development budget was unusual.

ACTION TAKEN: APPROVED REDEVELOPMENT CONTRACT WITH OLD HYDE APARTMENTS, LLC. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

APPROVED 100% PROPERTY TAX ABATEMENT FOR TEN (10) YEARS FOR THE 3635 WARWICK BLVD. PROJECT. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

(RES. NO. 6-1-16)

8. **Attucks East Urban Renewal Area** – *Consideration of Approval of a Release of Contract to Sell and Purchase (Brian Engel) (Ex. 8A and 8B)*

On February 10, 1978, LCRA, as seller, and the City, as buyer, entered into a Contract to Sell and Purchase property located at 2700 E. 18th Street. The former Pioneer College building was constructed on the site. The building is now vacant and the City desires to sell the property to facilitate its reuse and redevelopment as an educational facility. To clear a title exception, the City requested that LCRA release the Contract to Sell and Purchase, which was originally recorded and remains a title encumbrance. Enclosed is a Release of Contract to Sell and Purchase approved by the title company.

DISCUSSION: Mr. Engel advised that LCRA sold the property to the City in 1978 and that the City still owned the now vacant site. He said that the property's title showed the LCRA sale contract as a title encumbrance hindering the City's sale of the property to another educational user. He stated that the City had performed all post-closing obligations. Ms. McIntyre identified the address as 1701 Prospect and advised the contract was recorded before the City's purchase. She said the City developed the site and leased it to the Metropolitan Community Colleges which no

longer needed the property. Ms. McIntyre said the City had selected a new user via its RFP process and that the new user required a clear title to satisfy its lender.

ACTION TAKEN: APPROVED AND AUTHORIZED EXECUTION OF RELEASE OF CONTRACT TO SELL AND PURCHASE REGARDING THE 2700 EAST 18TH STREET PROPERTY. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY. (RES. NO. 6-2-16)

9. **East 23rd Urban Renewal Area - Kensington Heights Apartments** – *Update on Proposed Sale of Project* (Brian Engel)

LCRA previously approved BLVD. Capital as the developer to purchase Agent Kensington, LP's leasehold interest in this sale/leaseback project at 1600 Jackson Avenue. BLVD. Capital exercised its escape clause under its contract with Agent Kensington, LP and elected not to acquire the project. Since then, Agent Kensington, LP has continued marketing the project and has identified a new prospective buyer, Millennia Housing Development, L.L.C., an affiliate of Millennia Housing Development, LTD based in Cleveland, Ohio. Millennia is a national affordable housing developer and currently operates nine properties in Missouri, including three in Kansas City. LCRA staff has requested that Millennia and Agent Kensington sign a new Funding Agreement. LCRA staff intends to issue a RFP for development proposals and submit the proposals to the board for developer selection and project approval at the July meeting. Additional information concerning Millennia and the proposed transaction with Agent Kensington will be available at the July meeting.

DISCUSSION: Mr. Engel advised that the Board would not be asked to vote on this matter at this time. He explained that information about the new buyer, Millennia Housing, was still forthcoming. He said that the LCRA would issue a RFP for a developer for the project and that Millennia Housing would probably be the only respondent. He stated that other respondents were unlikely given the nature of the project and the ongoing negotiations between Agent Kensington and Millennia Housing. Mr. Engel advised that once the RFP proposal was complete, it would be presented to the Board for consideration.

ACTION TAKEN: TABLED UNTIL FURTHER NOTICE.

10. **Central Business District Urban Renewal Plan – 905 Broadway/Milliner Lofts** – *Consideration of Approval of a Redevelopment Contract with 905 BROADWAY, LLC* (Bob Long, Greg Flisram) (Ex. 10A – 10C)

Area Description: The Central Business District Urban Renewal Area is generally bound by East I-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 905 Broadway.

Project Description: The applicant is 905 BROADWAY, LLC.

The applicants' project is a \$7.2 Million historic rehabilitation of a five-story historic commercial building into 26 apartments. The applicant will utilize a first mortgage, Federal and state historic investment tax credits, and Developer equity to finance the acquisition and rehabilitation of this commercial building. This project will provide 9 studio, 13 one-bedroom and 4 two-bedroom market-rate apartments within the Central Business District. The overall average rental rate is \$1.51 per square foot. Eleven parking spaces will be provided in the basement.

A copy of the financial analysis by Springsted, Inc. is attached. It shows the project would generate a 1.89% leveraged IRR and a 1.04 DCR without any incentives. With 10 – year, 100% Chap. 99 property tax abatement, the project would generate a 7.17% leveraged IRR and a 1.21 DCR.

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, 905 BROADWAY, 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 prior to a June 14th meeting with the developer. Although conference call information was also provided, only City representatives participated in meeting with the developer. No other taxing jurisdiction representatives were present or participated in the conference call. The developer indicated they had not been contacted by any of the taxing jurisdictions.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Flisram gave a brief overview of the staff report and presented a PowerPoint illustrating the highlights of the project. He advised that Mr. Denaway from Springsted was available by phone if necessary. He stated that Springsted used the debt coverage metric to evaluate the project. He said that the project's 5.44% IRR with 100% tax abatement was on the low end of the 5%-10% target range. Mr. Bolton stated that developers were still working with several lenders to obtain a loan commitment. He advised that most lenders would not consider debt coverage ratios below the 1.3% standard. Mr. Flisram noted that the development had a low AdvanceKC score because it was a housing project. Mr. Langenkamp advised that Councilman Lucas was coordinating the development of a new AdvanceKC scorecard which would allow for the differences between housing developments and job programs.

Mr. Malle stated that the developer agreed to a PILOT of 2% of the base tax per year to begin in year 5 of the tax abatement period. Mr. Bolton advised that the project could sustain the PILOT in its latter years even if the debt coverage ratio increased as it aged.

Mr. Bolton advised that the underground parking cost added more than \$400,000 to the development's budget. He stated that the inclusion of the 11 underground spaces relieved pressure on the development's second open air parking site as well as added to the amenities of the small development. He said that the only other amenities the development could offer were an open air rooftop deck and a small exercise space, at a cost of about \$175,000. He explained that the amenities were necessary to compete with larger developments.

Mr. Bolton stated that the \$300,000 per unit construction cost and the \$930,000 acquisition price were based on hard numbers from his contractor. Mr. Flisram advised that Springsted would be asked to analyze the reasonableness of acquisition prices in future reports. Mr. Bolton argued that tax abatement would not reward either the seller or buyer of the project. He cited the difference between his acquisition price and the seller's original \$1,800,000 purchase amount as an example of the site's development problems. He added that the \$23 per square foot cost was comparable to neighborhood projects. Mr. Duffy noted that the costs for a project which requested tax abatement could not be compared to its market rate neighbors.

Mr. White expressed his dissatisfaction with the quality of Springsted's financial reports, specifically their failure to use comparable downtown buildings to analyze square footage costs. Mr. Flisram stated that Springsted was chosen by committee as one of two firms from a pool of six who responded to a national RFP issued by the EDC. He said that committee representatives included Mr. Duffy as well as taxing jurisdiction representatives. He advised that financial analyses were distributed in a tiered fashion between Springsted and Friedman, the second firm selected, based on project construction costs. Mr. White suggested that Springsted use the RS Means 140-160 per square foot basis to determine financial viability. He stated that the grant of tax abatements for luxury apartments necessitated the use of local rather than national costs. He said the reasonableness of acquisition prices as well as construction costs should also be decisive in the grant of any tax incentive. Mr. White advised that Springsted's analyses should include market rents for comparable units to determine a project's viability. Mr. Flisram said he would contact Springsted for their charges for the more detailed reports.

Mr. Bolton said the majority of the developer's fee would be deferred but would be paid from year to year cash flow. Ms. Maloney advised that half of the developer's fee would continue to be deferred until after year 5 if cash flow was not sufficient. Mr. Bolton advised that the historic renovation expenses greatly contributed to the project's costs. He stated that the ten-year rent increase projections were not limited to 1% and were realistic and conservative. Ms. Maloney advised that the Jackson County Assessor's determination of the land's fair market value as \$133,000 was used on the development application.

ACTION TAKEN: APPROVED REDEVELOPMENT CONTRACT WITH 905 BROADWAY, LLC AND APPROVED 10 – YEAR, 100% PROPERTY TAX ABATEMENT SUBJECT TO A PILOT PAYMENT BASED ON THE BASE TAX PLUS TWO

PERCENT (2%), TO INCREASE EACH YEAR BY TWO PERCENT (2%) IN YEARS FIVE (5) THROUGH TEN (10) FOR THE MILLINER LOFTS PROJECT AT 905 BROADWAY IN THE CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. NO. 6-3-16)

11. **Linwood-Prospect Urban Renewal Plan - Morningstar Senior Apartments** - *Consideration of Approval of a Redevelopment Contract with Morningstar Senior, LP* (Dan Moye) (Ex. 11A - 11B)

Area Description: The project is generally bounded by 27th Street on the North, Prospect Avenue on the East, 28th Street on the south, and Wabash Avenue on the West, all within the existing Linwood-Prospect Urban Renewal Area.

Project Description: The applicant is Morningstar Senior, LP.

The applicants' project is the new construction of an \$8.4 million, 3-story elevator building containing 40 mixed-incomes, 2 bedroom senior apartments.

A copy of the financial analysis, prepared by Springsted Inc. is attached. It shows the project would generate an operating income (loss) of \$(22,506) and be unable to support debt without any incentives. With Chap. 99 property tax abatement, the project would generate an operating income of \$33,414 and debt service coverage of 1.25.

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

Affirmative Action Policy and MBE/WBE Participation: The proponent, Morningstar Senior, LP, has contacted HRD to discuss the project.

Taxing Jurisdictions: The project information and financial analysis were provided to the taxing jurisdiction representatives by staff and the developer has been available on multiple occasions for discussion with the taxing jurisdictions.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Moye stated that the project received conditional MHDC approval. He advised that the Springsted used the LIHTC analysis rather than the traditional IRR basis and analyzed cash flow and various tax abatement scenarios. Mr. Moye stated that Springsted found the purchase price, developer fee schedule, and rents to be justified. He noted that the taxing jurisdictions had not raised any concerns with the financial analysis. He advised that one of the reasons LCRA was chosen over Chapter 353 was that no 353 area covered the site. Mr. Fulson added that MHDC timing and pressure to close the transaction also necessitated choosing the simpler LCRA process. He stated that no commercial users had used the site for at least 15

years and that neither the Phase I nor the pending Phase II had uncovered any issues. Mr. Fulson advised that his firm would manage the site for a minimum of 15 years. He stated construction would begin approximately September 1, 2016 and finish in about 18 months. Mr. Engel advised that he had a few minor revisions for the Redevelopment Contract which the developer had not yet reviewed. He said the taxing jurisdictions appeared to have no objection to the lack of a PILOT.

Ms. Dorch stated that because MHDC had its own affirmative action guidelines, the City requested clarification from MHDC regarding which requirements the developer should follow. Ms. Rayford advised that HRD allowed the use of MHDC goals on another project and were still attempting to work out the details with this developer. Ms. Dorch said that the LCRA policy would govern until HRD's legal counsel issued its legal opinion as to proper utilization. She suggested that the developer provide its budget to HRD to enable HRD to work with MHDC through its legal counsel. Mr. Fulson confirmed his understanding that he should follow HRD guidelines until further notice.

Mr. Fulson advised that rental rates were 50% of median due to the home funding part of the developer's financing. He said that rent levels needed to compete with existing tax credit properties in the central city. He stated that the LIHTC tax credit process was competitive and a developer needed to ensure it had not requested too many credits. Mr. Fulson advised that he had no comment as to the disparity of LIHTC grants between Kansas City and St. Louis because his business was statewide.

Mr. Fulson acknowledged that the State and City often approved such projects sight unseen. He replied that every developer met with City housing staff prior to submission of their MHDC applications. He said that City staff were therefore very familiar with LIHTC deals and any developer shortcuts such as the use of non-quality materials would be easily discoverable. Mr. Okafor stated that the LCRA should work more closely with the City about design issues to ensure neighborhood continuity. He advised that certain neighborhoods, such as Ward Parkway, would not receive tax credits before initial plan review. Mr. Duffy noted that the design issue was a long-standing debate. He said that LCRA had design standards but deferred to the City Planning Commission for final decisions. Mr. Egan added that urban renewal plans also stipulated that developers comply with the City's rigorous zoning and design standards.

ACTION TAKEN: APPROVED REDEVELOPMENT CONTRACT WITH MORNINGSTAR SENIOR, LP, SUBJECT TO LEGAL COUNSEL REVIEW AND DIRECTION TO REDEVELOPER TO CONTACT THE HUMAN RESOURCES DEVELOPMENT DEPARTMENT OF KANSAS CITY, MISSOURI REGARDING AFFIRMATIVE ACTION GOALS. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. NO. 6-4-16)

12. **East Crossroads Urban Renewal Plan – 1707 Locust** - *Consideration of Approval of a Redevelopment Contract with 1707, LLC (Dan Moye) (Ex. 12A – 12B)*

Area Description: The Plan Area is generally bounded by I-670 on the North, 71 Hwy/Bruce R. Watkins Drive on the East, the Kansas City Terminal Railway tracks on the south, and Oak Street on the West, plus two parcels on the southwest corner of East 21st & Grand.

Project Description: The applicant is 1707, LLC.

The applicants' project is the renovation of a 2 story building that was originally warehouse/office that currently has no utility access into a "warm shell" office building with 2 leasable, commercial units.

A copy of the financial analysis, prepared by EDC staff is attached. It shows the project would generate a 4.88% leveraged IRR without any incentives. With Chap. 99 property tax abatement, the project would generate a 9.3% leveraged IRR.

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

Affirmative Action Policy and MBE/WBE Participation: The proponent, 1707, LLC, has contacted HRD to discuss the project.

Taxing Jurisdictions: The project information and financial analysis were provided to the taxing jurisdiction representatives by staff and the developer has been available on multiple occasions for discussion with the taxing jurisdictions.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Moye advised that the project underwent an in-house financial analysis because of its \$800,000 budget. He said changes were made to the developer's budget because the project was bought as a vacant asset with an existing loan. He said the existing loan was aggressive, based on a 10.5 year amortization, and consisted of 5 years of penalty and interest and an already expired interest only 6th year, followed by a balloon payment. He explained that it was assumed the existing loan would be refinanced into a more conservative loan. He said the developer did not object to the substitution of a 4.75%, 30 year loan for financial analysis. He stated that rents were also increased from \$9.30 to \$13 per square foot to compete with comparable projects. Mr. Moye advised that the developer also agreed to an aggregated 25% PILOT which equated to a flat 100% for years 1 through 8 and lump-sum payments of \$10,000 in year 9 and \$23,000 in year 10. Ms. Bergman explained that the PILOT schedule would enable Dr. McIntosh to obtain occupancy stabilization after the balloon and refinance periods had elapsed. She said that construction would last about 12 to 18 months so no income would be generated until year 3.

Dr. McIntosh said the building had been vacant for 30 years and had no utility hookups or heating and cooling. She advised that the building's intended use was to house 1 commercial tenant each on the 1st and 2nd floors. She said the building's finish level would be white box as no tenants were yet identified. Mr. Moye stated that the previous use was comprised of one tenant floor and one warehouse floor, which never experienced heavy tenant usage. He said a significant amount of weatherization was already installed to protect the building last winter. Ms. Bergman advised that her discussions with staff ensured that the installed weatherization did not remediate blight sufficiently to negate LCRA tax abatement. She added that the lender was required to remove other environmental contaminants in the building prior to Dr. McIntosh's acquisition of the site. Dr. McIntosh stated that, upon the advice of her electrician, electrical systems would not be installed until after a tenant was identified for the site. She explained that tech firms often preferred the open floor plans and high ceilings offered by the building but also required greater electrical than standard installations. Ms. Bergman advised that Dr. McIntosh would meet with Ms. Rayford and the City to determine if the development's financial thresholds were too low to initiate MBE/WBE protocols. Dr. McIntosh stated that the developer's equity was comprised of \$100,000 cash and \$140,000 bank loans. Mr. Moye said the redevelopment contract would be revised to reflect the addition of the PILOT.

ACTION TAKEN: APPROVED REDEVELOPMENT CONTRACT WITH 1707, LLC AND APPROVED TEN (10) YEAR, 100% PROPERTY TAX ABATEMENT SUBJECT TO A 100% FLAT PILOT PAYMENT FOR YEARS ONE (1) THROUGH EIGHT (8) AND THE EQUIVALENT OF AMORTIZATION OF 25% OVER THE ENTIRE TERM FOR YEAR NINE (9) WITH AN ADDITIONAL LUMP SUM PAYMENT OF \$10,000 AND FOR YEAR TEN (10) WITH AN ADDITIONAL LUMP SUM PAYMENT OF \$23,000 FOR THE PROJECT AT 1707 LOCUST IN THE EAST CROSSROADS URBAN RENEWAL AREA. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. NO. 6-5-16)

13. **Administrative.**

- a. **Executive Director's Report** - *Active Projects Tracking System Report* (Joe Egan) (Ex. 13A-1 and 13A-2)

DISCUSSION: Mr. Egan stated that Columbus Park was now 50% complete and would be 100% completed and fully rented by the end of the year.

Mr. Duffy proposed that the Board consider a response to Ordinance No. 160383 which required the imposition of a 25% PILOT on all projects granted tax incentives. He stated that exceptions in highly distressed areas to the 75% cap could be granted, but would be difficult to obtain. He noted that the Mayor proposed a 50% cap two years ago as a similar "one size fits all" solution. Mr.

Engel advised that the ordinance appeared to propose using the monies generated by the 25% PILOT for developments on the east side of the city. He said that the mechanics for such distributions as well as accounting for agency differences was still in the discussion stage. Mr. Duffy advised that the ordinance remained on committee docket but that a vote was not expected.

Mr. White agreed with the exception for low income tracts. He argued that many approved projects would not be financially viable if a 25% PILOT was imposed. Mr. Okafor countered that developers would adjust to the new financial restrictions if the ordinance was passed. He acknowledged that the ordinance's goal seemed worthy but that the mechanics were unclear. Mr. Hamilton perceived the ordinance as offensive in that it portrayed the Boards as out of control and reckless with their grants of tax abatement. He supported the exception for low income tracts but added that it could hinder development as another bureaucratic hurdle. Mr. Duffy agreed that the LCRA Board and staff crafted incentive appropriately and sized any tax credit to the specific needs of the project. He noted that a 25% PILOT assumed a 25% level of fat in everything approved by the Board. He stated that the normal slippage which occurred was not at the level of one-fourth of each project.

Mr. Egan stated that the ordinance appeared to be a solution chasing a problem. He advised that the but/for analysis and tax credit concept were overwhelmed with the perception that the public schools suffered because developers paid lower taxes. He noted that projects produced zero or much lower tax money prior to their development. He acknowledged an analysis should be performed of some neighborhoods to determine if future abatements were needed. Mr. Hamilton commented that the proposed cap was an easy way to appease the public and taxing jurisdictions. He opposed the negotiation of PILOTS with taxing jurisdictions which supplied no budgetary justification or analysis for the amount of the requested payment.

Mr. Egan and Mr. Duffy discussed if the letter should come from the EDC, the LCRA, or should be a joint effort. Mr. Okafor said that more information was needed to determine why the ordinance was proposed and how it would work in practical terms. Mr. Duffy and Mr. Hamilton stated that the LCRA Board, as mayoral appointees, should issue the letter so as to go on record as opposing the ordinance.

ACTION TAKEN: AUTHORIZED THE CHAIRMAN OF THE AUTHORITY TO SEND A LETTER TO THE CHAIRMAN OF THE PLANNING, ZONING, AND ECONOMIC DEVELOPMENT COMMITTEE OF THE CITY OF KANSAS CITY, MISSOURI, TO EXPRESS THE AUTHORITY'S RESERVATIONS TO PROPOSED ORDINANCE NO. 160383. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED BY THE FOLLOWING VOTE:

MR. DUFFY: AYE
MR. HAMILTON: AYE
MR. OKAFOR: ABSTAIN
MR. WHITE: AYE

(RES. NO. 6-6-16)

FURTHER DISCUSSION: Ms. Rayford advised that an affirmative action report would not be presented at this time because EDC recently transferred MBE/WBE monitoring to HRD. Ms. Dorch stated that the Director of HRD would meet with each agency's executive director to establish policy for presentation to each Board. She said that Mr. Boyd would present the LCRA report at the July, 2016 meeting at which time policy meetings would hopefully have been held.

EXECUTIVE SESSION

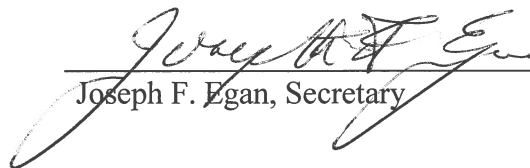
14. *Consideration of legal, real estate and personnel issues, and other matters related thereto, pursuant to Sections 610.021(1)(2)(3) RSMo.*

RESUME BUSINESS SESSION

15. *Adjourn.*

There being no further business, the meeting was adjourned at 11:54 a.m.





Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: July 27, 2016
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor
Town Pavilion, 1100 Walnut, Kansas City, Missouri

1. Roll Call.

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

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Bob Langenkamp, EDC
Bob Long, EDC
Sandra Rayford, EDC

Guests: Carl Boyd, City of Kansas City, Missouri
Aaron Shroyer, City of Kansas City, Missouri
Jan Parks, CKCEDR
John Graham, Interstate Building, LLC
Mark Patel, Interstate Building, LLC
Jim Malle, Jackson County
Kevin Masters, Kansas City Public Schools
Pat Sterrett, LAMP
Steve Mitchell, LFG
Robin Martinez, Martinez Law
Julie Bartold, Millennia Housing
Roxsen Koch, Polsinelli
Cathy Knotts, Truman Medical Center
Brian Engel, White Goss
Mark Hulett, YMCA

2. Administrative - Review and Approval of Meeting Minutes for June 22, 2016 (Ex. 2)

ACTION TAKEN: APPROVED THE MINUTES FOR JUNE 22, 2016, AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

3. **Financial Report** - *Review and acceptance of Financial Report for the Month of June, 2016* (Lee Brown) (Ex. 3)

DISCUSSION: Mr. Brown gave a brief overview of the draft financial report for June, 2016. He advised that several scattered accounts were consolidated or eliminated to allow for more fluid budget reporting. He explained that the Springsted payment was overdue because the LCRA was waiting on another company to reimburse the \$8,360 expense.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR JUNE, 2016, AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

FURTHER DISCUSSION: Mr. Brown stated that the LCRA audit for fiscal year 2016 would be finalized once a City billing for \$181,000 was clarified. He advised that the audit would be presented to the Board in either August or September. Mr. Egan said that Arnold Development's ambitious and complicated Second & Delaware project was not proceeding as quickly as forecasted and asked Mr. Long to contact the developer to discuss.

4. **13th & Locust URA - Interstate Building 417 E. 13th Street** – *Consideration of Assignment and Assumption of Redevelopment Contract* (Brian Engel) (Ex. 4)

Abbott Properties, LLC (“Original Redeveloper”) and the Authority entered into a Redevelopment Contract dated July 26, 2013 and recorded on October 15, 2013 (the “Redevelopment Contract”), pursuant to which the Authority agreed to issue a Certificate of Qualification for Tax Abatement to facilitate the historic redevelopment of the Interstate Building located at 417 E. 13th Street into an approximately 74-room Holiday Inn Express hotel (or comparable extended stay suite concept) for the public purpose of eliminating blighting conditions found to exist within the 13th & Locust URA (the “Project”).

In December 2014, Interstate Building, LLC (“Redeveloper”) acquired the Property from Original Redeveloper. By its Resolution No. 4-03-15 dated April 22, 2015, the Authority consented to the assignment of the Redevelopment Contract to Redeveloper and to Redeveloper's assumption of the Redevelopment Contract.

Under the Redevelopment Contract, the Project is required to be completed by December 31, 2016. Redeveloper has not commenced work on the Project and has requested that the Redevelopment Contract be amended to update the Completion Date and the notice provision. The Authority and Redeveloper desire to assign and assume the Project redevelopment rights under the Redevelopment Contract and to amend the Redevelopment Contract as stated in the Assignment, Assumption and Amendment of Redevelopment Contract.

LCRA Board Action June 22, 2016: The Board tabled action on the Interstate Building project because Mr. Patel was still waiting on the project's construction schedule.

DISCUSSION: Mr. Engel reminded the Board that it previously approved the Assignment of the Redevelopment Contract from Abbott Properties to Interstate Building, LLC. He advised that the Assignment was never executed because the Interstate Building project was not developed at that time. He said that the Assignment was now combined with an Amendment to the Redevelopment Contract because the developer requested an extension of the Interstate's completion date. Mr. Martinez stated that the Interstate project was temporarily suspended because Mr. Patel encountered unexpected issues with the Hampton Inn development. He advised that the third party financing for the Interstate Building project would close in about 45 days. Mr. Patel added that a commitment letter was already issued for the Interstate project and that he expected no difficulties in closing the financing. He advised that the loan closing and beginning of construction on the Interstate project would be simultaneous. He stated that the Hampton Inn had a soft opening on June 10, 2016 and he could now focus on the Interstate project.

Mr. Martinez and Mr. Patel advised that they met with the Human Relations Department ("HRD") to discuss MBE and WBE ("M/WBE") goals for both projects. Mr. Martinez stated that the Hampton project did not meet its goals but was attempting to increase participation through its post-construction projects. He asserted that the lack of competitive bids by M/WBE firms as well as difficulties in attracting such firms to the non-union project contributed to the goal deficiency. Mr. Boyd stated that the Hampton experienced a 5% shortage in its goal performance and that HRD was still reviewing Mr. Patel's good faith and post-construction efforts to determine their sufficiency. Mr. Okafor countered that non-competitive M/WBE bids were a myth propagated by developers and general contractors who did not want to use M/WBE contractors. He stated that M/WBE bids were normally lower than majority firms because of their smaller size and lower overhead. Mr. Patel advised that some M/WBE companies were also not able to wait for payment as a result of Interstate's billing processes. He explained that the late month pay app cutoff date often resulted in a one or two month delay in receiving bank funds to make such payments. Mr. Patel clarified that no Kansas City firm was certified to install the LG brand system in the Hampton building. He stated that a non-certified installer voided the system warranty and he was therefore forced to use a company which could send personnel to Dallas, Texas for certification.

Mr. Hamilton stated that the developer's M/WBE efforts on prior developments were indicative of its future compliance. He suggested that the Board stop discussing the Hampton's proposed good faith efforts because LCRA had no role in judging their acceptability. He noted that the discussion should indicate the importance and significance of M/WBE standards to the developer. Mr. Okafor stated that the developer should also understand that the Board closely monitored M/WBE compliance. He stressed that the developer should also discard any myths about M/WBE contractors for its future projects. Mr. Patel stated that he foresaw no problems regarding compliance with the Interstate project. He said that he changed his processes to initially package the work as a whole so jobs could be scheduled months in advance. He advised that his previous processes failed

because contractors were often unavailable at the time the work was actually performed.

ACTION TAKEN: APPROVED THE ASSIGNMENT, ASSUMPTION AND AMENDMENT OF REDEVELOPMENT CONTRACT BETWEEN THE LCRA AND INTERSTATE BUILDING, LLC REGARDING THE INTERSTATE BUILDING PROJECT AT 417 E. 13TH STREET IN THE 13TH & LOCUST URA, TO INCORPORATE THE ONE (1) YEAR EXTENSION OF THE PROJECT'S COMPLETION DATE FROM DECEMBER 31, 2016 TO DECEMBER 31, 2017. (RES. No. 7-1-16)

5. **East 23rd URA - Kensington Heights Apartments** – *Approval of Assignment, Selection of New Tenant and Redeveloper and Approval of LCRA Documents* (Brian Engel) (Ex. 5A – 5D)

LCRA previously approved BLVD. Capital as the developer to purchase Agent Kensington, LP's leasehold interest in this sale/leaseback project at 1600 Jackson Avenue. BLVD. Capital exercised its escape clause under its contract with Agent Kensington, LP and elected not to acquire the project. Since then, Agent Kensington, LP has continued marketing the project and has identified a new prospective buyer, Kensington Heights MO, LLC, an affiliate of Millennia Housing Development, LTD based in Cleveland, Ohio. Millennia is a national affordable housing developer and currently operates nine properties in Missouri, including three in Kansas City. LCRA staff has requested that Kensington Heights MO, LLC and Agent Kensington sign a new Funding Agreement. LCRA staff issued a RFP for development proposals and received one proposal from Kensington Heights MO, LLC.

LCRA Board Action June 22, 2016: The Board tabled action on the Kensington project because information about the new buyer was still forthcoming. A RFP was issued, to which Kensington Heights MO, LLC was the only respondent. Exhibit 5 is the cover letter from developer's counsel detailing the RFP contents. A copy of the complete RFP is available online and is also included in the Commissioner Board packets.

DISCUSSION: Ms. Koch advised that the sale/leaseback would terminate in 2049. She said the lease could be extended but that taxes would be paid in full via PILOT payments for the one time ten-year extension. She stated that Millennia Housing Management Co. had operated in 18 states for over 20 years and formed Kensington Heights MO, LLC to acquire the leasehold interest in Kensington Heights. Ms. Koch advised that the Millennia proposal was similar to the failed contract proposed last year by BLVD Capital with the exception that the borrower would replace LCRA as the tenant under the loan. She then introduced Ms. Bartold as a vice-president with Millennia Housing. Mr. Bartold advised that Millennia specialized in troubled affordable housing and would assume management of Kensington. She stated that Millennia already owned and managed three other properties in the Kansas City area - Englewood, Blue Valley, and St. Regis. She added that St. Regis was similar to Kensington in that it consisted of elderly and

disabled persons. She said that Millennia also planned to close on a fourth housing project in the Kansas City area, Olive Park, in the next few months.

Ms. Koch stated that the project's acquisition price was \$.625 million with anticipated deferred maintenance costing an additional \$500,000. She advised that Millennia would obtain a loan from a Fannie Mae lender to acquire the leasehold interest and LCRA's loan would be paid in full. She said that the leasehold mortgage and lease payments would secure the loan and LCRA would also sign a joinder to pledge the underlying fee interest. She stated that the financing terms were for a 10 year maturity with a 30 year AM and the interest rate was a fixed 3.83%. She advised that the lender was currently reviewing a draft appraisal as part of its due diligence with the borrower. She noted that the borrower had not yet seen the draft appraisal and that a complete appraisal was due within two weeks. Ms. Koch stated that the loan was expected to close in November. She advised that the LCRA would remain the owner which should negate any questions by the County regarding tax abatement. She cautioned that the County could view the bonus value or leasehold interest as taxable because of the ownership by a for profit entity. Ms. Koch advised that Kensington Heights would pay the current outstanding \$4,000,000 rent payment to LCRA as well as any additional payments to pay the balance of the loan. She reiterated that the tenant's obligation was to make the loan payments even if the LCRA was technically no longer the borrower. Ms. Koch stated that no cash or equity distribution would be taken out by the owner or tenant.

Ms. Bartold advised that the \$500,000 deferred maintenance would be used to upgrade the exterior and common areas of the building. She said that the repairs included the parking lot, lighting, landscaping, access to the roof, boiler replacement, and painting. She stated that no interior apartment work would be performed although apartment conditions were only fair because of past management problems. Ms. Bartold advised that Millennia had a high standard for turning units and performed quarterly inspections to ensure there were no housekeeping or pest control issues. Mr. White noted that LCRA did not have the capacity to determine the quality of long-term maintenance provided by owners receiving public benefits. Mr. Duffy added that an asset manager was a long-standing ongoing need for LCRA as well as the other agencies. Mr. Langenkamp stated that the budget would not support a full-time employee for such a position. He added that a contractual position could be considered dependent on the number of inspections required. Mr. White countered that LCRA may not have a large volume of projects, but shared an interest in maintaining the multi-million dollar projects from other EDC agencies. Mr. Okafor stated that all agencies had an obligation to inspect their projects and suggested that such costs could be built into the EDC fee structure. Mr. Langenkamp advised that he would look into how and if the EDC could support an asset manager position.

Mr. Long advised that the Englewood property managed by Millennia appeared to be in much better condition. Ms. Bartold stated that management maintained a

close relationship with police on their various properties and an arrest elsewhere could lead to lease violations or even eviction.

Mr. Edwards questioned if the LCRA had any redress against the prior owner for its failure to remove blight from the property. Mr. Engel stated that the lease could be terminated if the tenant failed its obligation to maintain the property, which would collapse the tax exemption and probably negatively affect the new tenant's financing. He said that the clawback provisions available through the redevelopment contract could survive the lease termination but would also impact Millennia's attempts to purchase the project. Mr. Engel stated that the clawback provision from the redevelopment contract would survive termination of the lease. He said the lease termination would trigger transfer of the property and collection of any back taxes. He advised, however, that in this case, the lease was being assigned and not terminated, which released the prior tenant from culpability for any past failures.

Mr. White suggested reduction of the sale price as a method to obtain leverage over the prior tenant. Mr. Duffy noted that LCRA would have little input on sale price negotiations if it was not a party to the contract. Mr. Egan suggested the Board approve Millennia's proposal and consider revisions to sale/leaseback contracts at a future date. Ms. Koch advised that the addition of equity partners probably contributed to the \$2,100,000 equity figure. She assumed the investors received returns from the project's cash flow but was not familiar with the provisions of the investor agreement. Mr. Engel clarified that the Assignment and Amendment basically replaced Agent Kensington with Millennia so the existing lease was not terminated. He said the Amended and Restated Lease was not yet in final form due to the lack of information from the loan documentation. He noted that the provision confirming LCRA's sole discretion for assignment of the Lease would be reinstated.

Mr. Engel advised that HRD had not yet determined if the maintenance list scope of work triggered M/WBE requirements. Mr. Egan stated that staff would inspect the site to ensure compliance if no M/WBE oversight was mandated. Ms. Koch said that language could be added to the contract to strengthen triggers to staff inspections. Ms. Bartold advised that maintenance reserves requirements varied widely and agreed that the new lender would probably require a similar reserve.

ACTION TAKEN: SELECTED KENSINGTON HEIGHTS MO, LLC AS THE DEVELOPER TO PURCHASE LEASEHOLD INTEREST AND OPERATE THE EXISTING ELDERLY HOUSING PROJECT LOCATED AT 1600 JACKSON AVENUE WITHIN THE EAST 23RD STREET URBAN RENEWAL AREA; APPROVED AND AUTHORIZED EXECUTION AND DELIVERY OF DOCUMENTS SUBJECT TO FINAL REVIEW BY COUNSEL IN CONNECTION WITH THE REFINANCING OF EXISTING DEBT OBLIGATIONS RELATED TO THE PROJECT AND THE ASSIGNMENT OF REDEVELOPMENT RIGHTS TO THE SELECTED DEVELOPER.

MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

(RES. NO. 7-2-16)

6. **Linwood & Cleveland URA - Linwood YMCA/TMC Clinic & Off-Street Parking - Consideration of Revised Redevelopment Contract and updated Resolution (Brian Engel) (Ex. 6A – 6B)**

Area Description: The Linwood & Cleveland Urban Renewal Area is generally bound by E. 31st Street on the North, Mersington Avenue on the East, E. Linwood Boulevard on the South, and Central Park on the West, in Kansas City, Jackson County, Missouri. The specific addresses are 3800 E. Linwood Boulevard and 3112-3114-3116-3120-3124-3126 Mersington Avenue.

Project Description: On behalf of the Authority, EDC staff published a Request for Redevelopment Contract Proposals for Implementation of the Linwood & Cleveland Urban Renewal Plan on April 4th and 5th, 2016. The purpose of the RFP was to solicit proposals to acquire and use all properties within the redevelopment project area to renovate and expand the Linwood YMCA and develop a medical clinic by Truman Medical Center (TMC), along with adequate off-street parking, in the Linwood & Cleveland Urban Renewal Area. One proposal was submitted prior to the 3:00 p.m., Friday, July 15, 2016 submittal deadline.

The applicant is the YOUNG MEN’S CHRISTIAN ASSOCIATION OF GREATER KANSAS CITY (YMCA).

The applicants’ project is a \$15 Million renovation and expansion of the Linwood YMCA, construction of a new medical clinic for Truman Medical Center, development of a public parking lot to serve both the YMCA and the medical clinic, as well as associated infrastructure improvements. Infrastructure improvements will include landscaping, curbs, gutters and storm water detention facilities. The developer further proposes that the off-street parking lot, which will be funded with PIAC funding, will be conveyed to LCRA and leased back to YMCA for shared use by YMCA and TMC and the general public. Acquisition of the property necessary for the public parking lot and LCRA’s ownership of the public parking lot will be the defined project in the redevelopment contract.

The YMCA will be responsible for all costs associated with the renovation and expansion of the Linwood YMCA. TMC will be responsible for costs associated with the construction of the proposed medical clinic, which will be adjacent to the east side of the Linwood YMCA facility. \$2.9 Million of New Market Tax Credits have also been secured for the Linwood YMCA project. The City of Kansas City has committed \$600,000 of CDBG funding to the Linwood YMCA project, with \$1,240,000 of PIAC funding also committed.

The Linwood & Cleveland Urban Renewal Plan included five parcels (3112-3114-3116-3120-3124 Mersington Avenue) in the acquisition category. The applicant is seeking acquisition assistance from the LCRA by contract or, if necessary, eminent domain.

At the April 2016 meeting, LCRA selected YMCA and TMC as co-redevelopers. Since then, negotiations with YMCA and TMC as to the redevelopment contract revealed that the roles of the parties have shifted and that it is appropriate to narrow the scope of the project to only the public parking lot as it is the only component requiring LCRA assistance. In addition, YMCA desires to be named as the sole redeveloper of the public parking lot. The public parking lot will be a shared amenity for use by YMCA and TMC pursuant to a separate agreement between YMCA and TMC. This has resulted in substantive changes to the redevelopment contract as originally presented to LCRA.

Affirmative Action Policy and MBE/WBE Participation: The proponent, YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER KANSAS CITY, met with Sandra Rayford to discuss the project. A letter of intent to comply has been submitted.

Taxing Jurisdictions: Not applicable.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Hulet advised that five properties originally occupied the project site. He said that the YMCA had acquired two of the properties and was in negotiations with the final three, only one of which was owner-occupied. He agreed with Mr. Duffy that substantial good faith efforts should be made before considering eminent domain against any owner-occupied property. He advised that eminent domain was not expected to be used at this time. Mr. Engel stated that TMC and the YMCA partnership changed to require only acquisition assistance from the LCRA for the parking lot. He advised the Board discussed the restricted assistance at a prior meeting but the contract was restructured because of YMCA's sole responsibility on behalf of the LCRA for construction and maintenance of the parking lot. Mr. Duffy noted Ms. Knotts' presence because she wore a TMC identification badge. She stated she had no objection to the project. There was no further public testimony.

ACTION TAKEN: RESCINDED RESOLUTION 4-1-16 AND APPROVED REPLACEMENT RESOLUTION NAMING YMCA AS SOLE REDEVELOPER OF THE PUBLIC PARKING LOT PROJECT WITHIN THE LINWOOD & CLEVELAND URBAN RENEWAL PLAN; AND APPROVED THE ACQUISITION FUNDING AGREEMENT AND REVISED SALE/LEASEBACK REDEVELOPMENT CONTRACT WITH REDEVELOPER. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. NO. 7-3-16)

7. **Columbus Park** – *Consideration of Funding Phase 2 Master Planning Design Services* (Joe Egan) (Ex. 7)

The original Master Plan by Gastinger Walker Architects was funded by LCRA with funds from the City of Kansas City. Now that Phase I is nearing completion (December 31, 2016), Columbus Park Developers is requesting that LCRA assist in the Plan's update for Phase II. The bid of \$20,000 does not include ancillary services that may be required.

DISCUSSION: Mr. Egan stated that the updates and revisions to the master plan were based on market changes. He explained that the LCRA would use program income to pay up to \$12,500 for any costs, with the developer paying the remaining half. He said that program income would come from monies received from the 401 Charlotte lease. Mr. Egan suggested the Board view the Columbus Park project and noted that it already had a wait list of over 100 persons for the 108 units.

ACTION TAKEN: APPROVED FUNDING OF UP TO, BUT NOT EXCEEDING \$12,500, FOR ONE-HALF OF THE COST OF AN UPDATE OF THE COLUMBUS PARK PHASE II MASTER PLAN DESIGN SERVICES. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. No. 7-4-16)

8. **Truman & Wyandotte URA** - *Update on LCRA Bonds for Convention Center Hotel* (Brian Engel) (Ex. 8)

On August 11, 2015, LCRA selected Stifel, Nicolaus & Company, Inc. to provide underwriter services in connection with the planned issuance of bonds by LCRA to finance, in part, the convention center headquarters hotel project. As part of the selection, LCRA authorized an engagement letter with the underwriter. For your information, included in the board packet is the engagement letter negotiated by legal counsel. A bond team meeting was held on July 19, 2016. Additional updates will be provided as information becomes available.

DISCUSSION: Mr. Engel asked that the Board consider if Stifel, the selected bond underwriter firm, should be required to partner with a minority underwriting firm and a minority underwriter legal counsel. He said that Stifel was currently working with a law firm it had worked with many times previously, Thompson Coburn from St. Louis. He explained that the Stifel engagement letter, which contained a provision for minority co-counsel, was never executed because the project stalled for several months. Mr. Hamilton noted that the Board discussed the requirement previously and had decided not to enforce the provision. Mr. Egan stated that the LCRA was following City requirements which did not require minority participation for bond underwriters. Ms. Rayford confirmed that the bond underwriter RFP was submitted electronically to the M/WBE database and there were no responses. Mr. Okafor likened the classification of the bond structure as unique as an attempt to portray minority firms as incapable of performing bond underwriter duties.

Mr. Egan stated that the question was if the City wished to require Stifel to engage a minority bond underwriting firm. Mr. Hamilton commented that bond underwriting costs would increase with the addition of a second firm because of the resultant work overlap. Mr. Engel advised that the engagement letter initially contained the minority partner clause and that neither the developer nor Stifel had objected to the same in the ensuing year. He said that the Stifel agreement was structured to ensure that any out-of-pocket LCRA costs would be paid from bond proceeds. He stated that any outside costs would be assumed by the developer, which had its own determinations about costs and decision making. Mr. Engel stated that the current Stifel engagement letter was substantially different than its initial counterpart. He advised that the minority partner clause in the current letter appeared watered down and ambiguous. Mr. Okafor stated that the City should require the inclusion of a minority partner. Mr. Duffy said that staff should discuss the requirement with Stifel and the developer as the addition or exclusion of a minority partner should not be solely determined by cost concerns.

Mr. White opined that Stifel might have a conflict of interest if it controlled the purchase and selling of the bonds. Mr. Engel stated that Stifel would recoup their fee by purchasing the bonds at an upfront discount and then selling them to one or more buyers. Mr. Egan advised that Stifel was selected partially on its ability to hold the bonds for a period of time, thus assisting the developer. Mr. Engel said there were four different series of bonds with different revenue streams and interest rates which resulted in varying risk differences. He stated that the details and, particularly, the bond interest rates, were still being formulated. He countered the conflict of interest argument that Stifel's intent was to find buyers rather than to hold the bonds and drive up interest or purchase rates. Mr. White suggested that Stifel could make an educated estimate so the developer would be able to determine the amount of bond monies for the project. He added that Stifel should use the educated estimate as its baseline for purchasing the bonds if they were not sold to another purchaser. Mr. Langenkamp suggested that someone from City Finance attend the August, 2016 meeting to explain the bond financing process to the Board.

Mr. Engel requested that the Board also approve the issuance of a RFP for bond trustee services. He said the results would be discussed at the August 24, 2016 meeting. He advised that M/WBE requirements would not apply as there were no minority bond trustee firms.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

9. **Administrative.**

- a. **Executive Director's Report** - *Active Projects Tracking System Report (Joe Egan) (Ex. 9A-1 and 9A-2)*

DISCUSSION: Mr. Egan reported on the following projects:

- **Key Coalition and Oak Park** – the City met with the community but has postponed any decision until the Board’s September 28, 2016 meeting.
- **708 E. 18th Street/Holtman Heights** – Mr. Long advised that the project would appear before the Board at its August meeting and was wrapping up its AdvanceKC financial processes.
- **Workforce Housing Incentive** – Mr. Shroyer stated that the policy was still being developed and that there was no firm timeline for finalizing the same. Mr. Egan requested that Ms. Tyndall attend the Board’s August meeting to give a status report on the matter. Mr. White commented that the City appeared to think there was already enough affordable downtown housing. He said that much of the affordable housing which was approved 20 years ago would soon become market rate as the tax credits expired. Mr. White defined workforce housing as a tax credit which governed rent amounts. Mr. Egan questioned how the LCRA could control rents. Mr. Edwards noted that workforce housing limits ranged from 60% to 110%.
- **Ministerial 6-plex tax abatement** – Mr. Egan advised that he had not yet had the opportunity to discuss the proposal with developers.
- **Arterra, New England Lofts, the Pickwick, and 3635 Warwick** are under construction.
- **Columbus Park** – Mr. Egan stated that the next step was negotiations for purchase of the remaining LCRA lots. He advised that one low offer the City was considering assumed responsibility from the City to construct Phase II infrastructure.
- **Uptown** – Mr. Egan advised that two LCRA representatives were required to be on the CID Board. Mr. Edwards volunteered to be the second LCRA member on the Uptown CID Board. Mr. Egan said Mr. Sells also agreed to the other requirement to invest Uptown CID monies into adjacent public infrastructure such as sidewalks and signage.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

b. **Affirmative Action Subcommittee Report** (Sandra Rayford) (Ex. 9B-1 – 9B-5)

The Affirmative Action Subcommittee met on Friday, July 15, 2016 at the EDC offices. In attendance were Commissioner Steve Hamilton presiding Chairperson, EDC staff Joseph Egan, Sandra L. Rayford, and Susan Tumey, and Carl Boyd of the Human Relations Department.

Linwood Area Ministry Project (LAMP) – Pat Sterrett, the consultant to the LAMP Project attended the meeting at the request of Carl Boyd of the Human Relations Department. Mr. Boyd advised that LAMP had never converted their reporting over to the City’s B2GNOW online reporting system. While the project was completed in

August 2015, in order for the Human Relations Department to process a final close-out of the project in their system, they need for Mr. Sterrett to input all of the contractor payments that occurred during construction of the project. Mr. Sterrett explained to the Subcommittee that since the project had been completed last year he was having difficulty in getting some information from subcontractors, but that he was close to being able to begin inputting the data required by HRD. Commissioner Hamilton asked Mr. Sterrett to try to have that completed before the July 27, 2016 board meeting.

Linwood-Prospect URP/Morning Star Senior Apts. - The Subcommittee reviewed and accepted Professional and Construction Services goal assignments from HRD and recommends the acceptance of the full Commission. A copy of the goal assignments is attached with this report for your review.

Central Business District URP/905 Broadway - The Subcommittee reviewed and accepted the Construction Services goal assignment from HRD and recommends the acceptance of the full Commission. A copy of the goal assignments is attached with this report for your review.

June 2016 2015 HRD MBE/WBE Report – Carl Boyd presented a narrative report of the status of active LCRA projects. He also provided the Board with an Executive Summary of MBE/WBE utilization on those projects.

Commissioner Hamilton questioned the need for regular monthly meetings of the Subcommittee. After discussion regarding this matter it was decided that the Subcommittee would only convene if there was a need to address any non-compliance matters brought to its attention by HRD.

DISCUSSION: Ms. Rayford stated that Morningstar’s construction goals were 15% MBE and 9% WBE as calculated on a \$5,438,597 budget. She reported that the project’s professional goals were 15% MBE and 10% WBE from a \$1,567,860 budget. She said that 905 Broadway’s construction goals were 16% MBE and 8% WBE from a \$3,501.792 budget. She added that Mr. Boyd provided a status update and summary report for active LCRA projects.

Mr. Hamilton advised that the Affirmative Action Subcommittee decided at its last meeting that only HRD could set or change goals. He qualified that the subcommittee could vet goals it found questionable and that the Board could then refuse to accept the report.

Ms. Rayford stated that the LAMP project was currently not in compliance with HRD requirements. She explained that HRD recently switched its reporting system to the online B2G Now program. She said that Mr. Sterrett had provided the data via HRD’s prior paper system but was now required to input LAMP’s data into B2G Now for a final closeout. Ms. Rayford advised that the subcommittee asked Mr. Sterrett to complete the data input before today’s meeting. Mr. Sterrett reported that the professional service and construction service goals would be completed within a few days. Mr. Boyd agreed that Mr.

Sterrett was making progress to become compliant. He advised that developers, such as Morningstar, may set higher goals than those approved by HRD, which then became the goals for the project. Mr. Hamilton questioned why Morningstar achieved only 2.8% from its self-projected 20.8% goal setting. Mr. Okafor commented that a project's initially approved goals should be compared to its end goals.

ACTION TAKEN: ACCEPTED THE PROFESSIONAL AND CONSTRUCTION SERVICES GOAL ASSIGNMENT FOR THE LINWOOD-PROSPECT URP/MORNING STAR SENIOR APTS; ACCEPTED THE CONSTRUCTION SERVICES GOAL ASSIGNMENT FOR THE CENTRAL BUSINESS DISTRICT URP/905 BROADWAY PROJECT; AND ACCEPTED THE AFFIRMATIVE ACTION REPORT. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

FURTHER DISCUSSION: Mr. Duffy asked that HRD work closely with Mr. Patel to ensure the Interstate project did not encounter the same difficulties as the Hampton. Mr. Boyd stated that he had conducted several site visits, met with workers, and provided advice to Mr. Patel during the Hampton project. Mr. Duffy suggested that HRD intervene if Mr. Patel appeared to veer away from meeting his goals on the Interstate development. Mr. Hamilton also requested that Mr. Boyd maintain close contact with Mr. Patel and that if an issue arose, the subcommittee could discuss any issues. Mr. Egan stated that staff would ask Mr. Patel to contact HRD and the LCRA when bid packets were distributed so the LCRA could assist in reviewing the bids to determine their viability. Mr. White asked that Mr. Flisram follow up with the Board about the Springsted matter.

EXECUTIVE SESSION

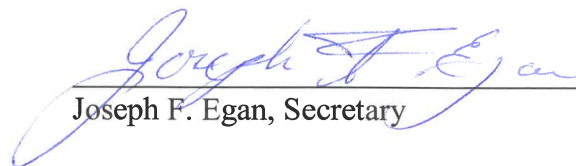
10. *Consideration of legal, real estate and personnel issues, and other matters related thereto, pursuant to Sections 610.021(1)(2)(3) RSMo.*

RESUME BUSINESS SESSION

11. **Adjourn.**

There being no further business, the meeting was adjourned at 11:44 a.m.





Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: August 24, 2016
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor
Town Pavilion, 1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Michael Duffy
Daniel Edwards
Steve Hamilton
James White

Absent: Gabriel Okafor

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Greg Flisram, EDC
Cathleen Flournoy, EDC
Morgan Franklin, EDC
Bob Long, EDC
Sandra Rayford, EDC

Guests: Todd Lieberman, Brinshore Development
Carl Boyd, City of Kansas City, Missouri
Quinton Lucas, City of Kansas City, Missouri
Kerrie Tyndall, City of Kansas City, Missouri
Jan Parks, CKCEDR
Karla Jones-Wilson, Holtman Heights
Steve Foutch, Holtman Heights
Jim Malle, Jackson County
Kevin Masters, Kansas City Public Schools
Lance Dorn, SB Friedman (by telephone)
Tony Smith, SB Friedman (by telephone)
Brian Engel, White Goss

2. Administrative - Review and Approval of Meeting Minutes for July 27, 2016 (Ex. 2)

DISCUSSION: Mr. White requested the following changes to a sentence under “Workforce Housing Incentive”: “He said that much of the any affordable housing which was approved 20 years ago would soon become market rate as the

tax credits expire” (l. 6, p. 11). He also asked that the last line of the “Workforce Housing Incentive” section be stricken (“Mr. White reiterated ...making under \$65,000.”) (l. 11-13, p. 11).

ACTION TAKEN: APPROVED THE MINUTES FOR JULY 27, 2016, AS REVISED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

3. **Financial Report** - *Review and acceptance of Financial Report for the Month of July, 2016* (Lee Brown) (Ex. 3)

Mr. Brown gave a brief overview of the draft financial report for July, 2016, which was provided for review prior to the meeting.

DISCUSSION: Mr. Brown advised that the sale of the ReBuild KC properties in Beacon Hill helped create the profit shown in the July, 2016 financials. Mr. Egan said that all of the northwest quadrant lots in Beacon Hill had been sold and were either under construction or completed. He advised that the Colonnades’ receivership would hopefully be resolved soon. He stated that the City interviewed developers for the 27th & Troost project RFP on August 23, 2016. Mr. Brown noted that several July account receivables would show as paid in the August report. Mr. Engel confirmed that the Clay Bailey account was paid in full.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR JULY, 2016, AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

4. **Administrative** – *Downtown Workforce Housing Policy* (Michael Duffy)

DISCUSSION – Mr. Lucas apologized for the delay in responding to the Board’s January, 2016 letter regarding the future of affordable housing in Kansas City. He advised that the delay was because the Housing Committee, City, and EDC staffs were trying to develop a uniform incentive policy ordinance. He stated that the City’s housing policy would include: a housing trust fund to support housing incentives; an analysis conducted by City staff to review marketing needs for different areas and incomes; working with the Neighborhood Housing Services Department about fair housing reports; and the development of a five-year plan by early 2017. Mr. Lucas advised that the City planned to have a joint meeting with the various incentive agencies in December, 2016, to discuss a draft of the housing policy.

Mr. Lucas stated that the City hoped to use the market analysis and possible modification of incentive policies to address the lack of affordable/workforce housing in the downtown area. He agreed that an analysis of housing approaching its 20-year LIHTC termination as well as the impact of the recent housing crisis on home repair should be conducted. Ms. Tyndall indicated she would provide the

Board with the research documentation and summaries as City staff completed the same for review prior to the joint meeting.

ACTION TAKEN: NONE; INFORMATIONAL ONLY.

5. **Pendleton Flats – Garfield Urban Renewal Plan** – *Consideration of Approval of a Redevelopment Contract with Pendleton Flats KC, LLC (Bob Long) (Ex. 4A – 4D)*

Area Description: The Garfield Urban Renewal Area is generally bound by Cliff Drive/Kessler Park on the North, Chestnut Trafficway on the East, Independence Boulevard on the South, and Paseo Boulevard on the West, in Kansas City, Jackson County, Missouri. The specific addresses are 533 – 541 Brooklyn Avenue.

Project Description: The applicant is Pendleton Flats KC, LLC.

The applicants' project is a \$4.83 Million renovation of an existing three building apartment complex into 30 apartments. The applicant will utilize Federal and state low-income housing investment tax credits, a HOME loan from MHDC and Developer equity to finance the acquisition and renovation of this largely vacant apartment complex. This project will provide 30 apartments - 2 one-bedroom and 28 two-bedroom apartments within the Pendleton Heights neighborhood. Twenty-four (24) units will be income-restricted, with six (6) units at market-rate. Twenty-two (22) parking spaces will be provided on site. Scuola Vita Nuova charter school is directly across Brooklyn Avenue to the west.

Pendleton Flats is a joint project of Brinshore Development, based in Northbrook, Illinois, and Affordable Housing of Kansas City, Inc., a subsidiary of the Housing Authority of Kansas City. The Pendleton Flats apartments are the first project of the Paseo Gateway/Choice Neighborhood project to replace HAKC's Chouteau Courts development. MHDC has already allocated both federal and state low-income housing tax credits to this project, as well as provided a \$400,000 HOME loan. The developer built-in a 3% annual increase to the base taxes as part of the project's proforma. The MHDC loan will be repaid out of project cash flow, with any remaining cash flow being either utilized to support tenant services or placed into capital reserves for maintenance.

A copy of the financial analysis by Springsted, Inc. is attached. It shows the project would generate a 1.20 Income/Expense ratio and a 1.35 DCR without any incentives. With 10 – year, 100% Chap. 99 property tax abatement, the project would generate a 1.25 Income/Expense ratio and a 1.65 DCR.

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 Garfield Urban Renewal Plan. The proposed Redevelopment Contract is attached for the Authority's consideration.

Affirmative Action Policy and MBE/WBE Participation: The proponent, Pendleton Flats KC, 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 prior to an August 16th meeting with the developer.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Long gave an overview of his staff report and presented a PowerPoint illustrating the highlights of the project. He advised that Pendleton Flats was the second project sponsored by Paseo Gateway/Choice Neighborhood to replace the Chouteau Courts development. Mr. Long said that Springsted was available by phone if the Board had questions about the project's financing. He stated that a traditional IRR was not necessary as the property was non-profit. He advised that the income to expense ratios were compared to ensure cash flow was adequate to cover the project's minimal debt. Mr. Long said the HOME loan would be paid out of the net cash flow only after funds for supportive services and capital reserves were assured.

Mr. Lieberman stated that the PILOT was built on the 3% automatic default in real estate taxes. Mr. Engel advised that the PILOT language in the Redevelopment Contract was still being finalized but that no specific amount would be specified. Mr. Lieberman said that the debt service ratio was an inadequate measure of the project's financial status because it had very little debt. He advised that the income to expense ratio was a more adequate means to measure the project's operating cash. He stated that year 15 financials were an important measure of a project's operating performance because expenses increased faster than rents. He noted that the income to expense ratio in year 1 was 1.25, but that the ratio in year 15 was 1.1, which was appropriate coverage to underwrite.

Mr. Lieberman advised that \$10,000 was allotted for supportive service expenses during the project's first year. He stated that a full-time staff person, provided by the Mattie Rhodes Center, would divide their time between Pendleton Flats and another project. He said the 3% PILOT, although numerically small, matched the MHDC underwriting and enabled consistency throughout their funding applications. Mr. Egan commented that the 3% PILOT would ease the "sticker shock" once the abatement burned off in the 11th year. Mr. Lieberman stated that House Bill 613 required assessors use a restricted income approach when analyzing properties with land-use restrictions. He advised that although project costs were \$4.8 Million, the project could only support a certain amount of income. He explained that the capitalization rate would be much lower than replacement costs when using an income approach to analyze income restricted projects. Mr. Lieberman said that any difference would be paid for with tax credit equity. He agreed that the lower assessed value granted by tax abatement would help maintain the project's affordability. Mr. Malle supported the ten year tax abatement given the downward trend of the debt coverage ratio and the 15-year proforma. Mr.

Flisram advised that he would contact Springsted about their omission of a proforma based on their analysis rather than simply analyzing the developer's calculations.

Mr. Long stated that the City's Human Relations Department ("HRD") would use MHDC MBE/WBE requirements. He added that the MHDC goals were similar to those of HRD. Mr. Lieberman advised that the Housing Authority needed to submit one more HUD document about how subsidies were layered and that closing would occur shortly thereafter. He said that steps had already been taken to protect the property from the weather before the start of construction. He commented that the developer hoped to beat the 9 month construction deadline. Mr. Lieberman responded that he understood that the clawback provisions in the Redevelopment Contract allowed for repayment of abated taxes under certain circumstances.

Ms. Tyndall stated that the City was invested in all Choice projects as it had committed significant capital improvement dollars into each development. She added that the City was also a co-applicant on the grant and mutually responsible to HUD for complying with the project's guidelines. Mr. Duffy and Mr. Egan agreed to exclude the PILOT from the Redevelopment Contract because administrative costs for its collection exceeded its amount.

ACTION TAKEN: APPROVED 10-YEAR, 100% PROPERTY TAX ABATEMENT WITH NO PILOT FOR THE PENDLETON FLATS PROJECT AT 533-541 GARFIELD AVENUE IN THE GARFIELD URBAN RENEWAL AREA. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

APPROVED A REDEVELOPMENT CONTRACT WITH PENDLETON FLATS KC, LLC FOR THE PENDLETON FLATS PROJECT AT 533-541 GARFIELD AVENUE IN THE GARFIELD URBAN RENEWAL AREA SUBJECT TO ANY MODIFICATIONS APPROVED BY THE EXECUTIVE DIRECTOR, LEGAL COUNSEL AND THE CHAIRMAN. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

(RES. NO. 8-1-16)

6. **Holtman Heights – East Crossroads Urban Renewal Plan** – *Consideration of Approval of a Redevelopment Contract with Holtman Heights, LLC (Bob Long) (Ex. 5A – 5D)*

Area Description: The East Crossroads Urban Renewal Area is generally bound by I-670 on the North, 71 Hwy/Bruce R. Watkins on the East, Kansas City Terminal Railway tracks

on the South, and Oak Street on the West, in Kansas City, Jackson County, Missouri. The specific addresses are 701 and 708 E. 18th Street.

Project Description: The applicant is Holtman Heights, LLC.

The applicants' project is a \$22.95 Million renovation and expansion of a two-story commercial building at 708 E. 18th Street and the construction of a six (6) story building at 701 E. 18th Street. The applicant will utilize a first mortgage and Developer equity to finance the acquisition and development of this mixed-use project. This project will provide a total of 104 apartments - 80 one-bedroom, 6 two-bedroom/1-bath and 18 two-bedroom/2-bath market-rate apartments, approximately 3,366 square feet of ground -floor commercial space within the East Crossroads neighborhood. The overall average rental rate is \$1.47 per square foot. Sixty-eight (68) parking spaces will be provided, with some in the basement of 708 E. 18th Street and the remainder on the ground-floor of the 701 E. 18th Street building to be built.

A copy of the financial analysis by S.B. Friedman ("Friedman") is attached. It shows the project would generate a 5.8% yield on cost and a 1.06 DCR in Year 2 (1.12 DCR in Year 5) without any incentives. With 10 – year, 100% Chap. 99 property tax abatement, the project would generate a 6.9% yield on cost and a 1.27 DCR in Year 2 (1.34 DCR in Year 5). S.B. Friedman cited industry benchmarks of 1.20 – 1.25 DCR and 6.0 – 7.0% yields on cost. S.B. Friedman recommended 97% abatement for 5 years, followed by 55% abatement for the remaining 5 years. For the ease of administration, staff recommends 100% abatement for the first 5 years, followed by 50% abatement for the remaining 5 years.

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 East Crossroads Urban Renewal Plan. The proposed Redevelopment Contract is attached for the Authority's consideration.

Affirmative Action Policy and MBE/WBE Participation: The proponent, Holtman Heights, 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 prior to an August 16th meeting with the developer. There are on-going discussions between the developer and the taxing jurisdictions which may impact the level of tax abatement.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Long gave an overview of his staff report and presented a PowerPoint illustrating the highlights of the project. He advised that Holtman Heights was an affiliate of Foutch Brothers ("Foutch"). Mr. Dorn and Mr. Smith joined the meeting through a conference call. Mr. Dorn stated that Foutch used in-house architectural services and focused on historic rehab and adaptive re-use projects. He noted that the existing Priority Printing structure would be turned into

residential units by adding three stories onto the top of the building. He said the second building would be a ground-up development, comprised of five stories and house residential and commercial units. Mr. Dorn advised that the developer requested full LCRA tax abatement primarily because the property location was an unproven submarket.

Mr. Dorn stated that Foutch's self-reported development and construction costs appeared reasonable when compared to industry sources. He said the straight land value cost of \$27 per square foot was comparable to similar projects. He advised that, except for the developer's fee, the remaining budget appeared reasonable. Mr. Dorn explained that Foutch included 7% of hard costs in its developer fee calculations which was higher than market sources. He advised that Friedman changed the fee to 4.5% of total development costs, which reduced the budget by \$350,000. Mr. Smith stated that Friedman reviewed several mixed-use and multi-family projects in Kansas City and the Midwest to quantify the developer fee.

Mr. Dorn noted that the project's 70% debt/30% equity split was typical and comparable to other developments. He said that the project's lenders required a 20-year term at 5% interest with a debt coverage ratio ("DCR") of 1.35-1.4 because of the project's location. He advised that Friedman did not accept the lenders' terms as they were too conservative and above market.

Mr. Dorn advised that the project's residential rental rates of \$1.40 to \$1.50 per square foot were conservative but within market rates. He explained that the location as well as the amount of future rental units coming online dictated the project's rental rates. He noted that the rents in phase 1 for a one-bedroom were \$1,300 and \$1,600 to \$1,733 for a two-bedroom. He said that phase 2 rents were \$1,450 and \$1,750 respectively. Mr. Dorn stated that the discounted \$15 per square foot commercial rents were appropriate but were lower than other areas. He cited the lack of commercial units in the surrounding area as a contributing factor to the low rates.

Mr. Dorn stated that Friedman also made adjustments to the proposed tax payment and assessed value. He said that Friedman calculated the DCR as 1.06 without tax abatement and 1.27 with full abatement. Mr. Dorn advised that Friedman determined the project required some type of abatement and recommended 97%/55% if the amortization period was increased to 25 years.

Mr. Foutch advised that talks with the owner of the printing business about development had been ongoing for over a year. He stated that she withdrew after reviewing the financials. Mr. Foutch contested Friedman's rent projections given that the project offered no parking and was in close proximity to a KCPL substation. Mr. Malle agreed and reiterated the project's primary status in an under-developed area. He stated that Friedman used 3% as an escalator for expenses when 2% was the norm. Mr. Dorn acknowledged that Friedman questioned the developer's annual 2% rent and 3% expense increase assumptions, but ultimately decided to use the figures provided by the developer's proforma.

Ms. Jones-Wilson noted the Friedman report's incorrect use of 3% as an annual tax assessment increase. She advised that properties were assessed every other year which created a 1.5% increase every other year. Mr. Dorn agreed but demonstrated that the developer proformas provided for a 15-year 3% annual real estate tax increase. Mr. Foutch responded that the ten-year abatement with a 2% escalation could be a compromise to allow the project to reach the required DCR. He contended that banks were unwilling to grant longer amortization to the project. Mr. Dorn acknowledged that Friedman reduced the property tax assumption as it was deemed high when compared to other Kansas City projects. Mr. Smith reiterated that Friedman did not change project rent levels. He suggested the difference might have occurred because the developer quoted 103 apartments to Friedman when there were actually 104. Mr. Foutch explained that one apartment was used as the manager's office/model unit and so incurred no rent.

Mr. Dorn advised that the developer's \$2,000,000 purchase price for the occupied site was competitive. Mr. Egan noted that the parking lot had remained vacant for at least 20 years. Mr. Dorn stated that the reuse of the existing building aided the developer's construction costs. Mr. Foutch said that he had a contract with the owner of the print shop but had not yet closed the sale. He added that the owner planned to sell the property because she was relocating out of state. Ms. Jones-Wilson advised that the owner approached Foutch about the sale, thus making the transaction arm's length. Mr. Duffy questioned providing incentives to incent the displacement of an existing business. Ms. Jones-Wilson noted that the owner entered into a redevelopment contract with the LCRA in 2009 but had not proceeded with the project at that time. Mr. Egan added that no tax abatement was issued for the printing business.

ACTION TAKEN: APPROVED PROPERTY TAX ABATEMENT OF 100% FOR FIVE (5) YEARS, FOLLOWED BY A 50% PROPERTY TAX ABATEMENT FOR THE FOLLOWING FIVE (5) YEARS, FOR THE HOLTMAN HEIGHTS PROJECT AT 701 AND 708 E. 18TH STREET IN THE EAST CROSSROADS URBAN RENEWAL AREA. MOTION MADE BY MR. WHITE, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

FURTHER DISCUSSION: Immediately after the Board's decision, Mr. Foutch stated that he would not proceed with the project and left the room. After the Executive Director's report, Mr. Duffy asked the Board to consider approval of the project's Redevelopment Contract. He advocated that the developer could make the project feasible if he obtained a more realistic purchase price for the occupied building. Mr. Hamilton suggested delaying the vote to avoid any consequences if the contract was rejected. Mr. Duffy advised that the Board would not rehear the tax abatement issue. Mr. Egan said that if the Board approved the Redevelopment Contract at today's meeting, the project could proceed without additional hearing because the Board had already approved the tax abatement.

APPROVAL OF A REDEVELOPMENT CONTRACT WITH HOLTMAN HEIGHTS, LLC FOR THE HOLTMAN HEIGHTS PROJECT AT 701 AND 708 E. 18TH STREET IN THE EAST CROSSROADS URBAN RENEWAL AREA. MOTION MADE BY MR. WHITE, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

(RES. NO. 8-2-16)

7. **Administrative.**

- a. **Executive Director's Report** - *Active Projects Tracking System Report* (Joe Egan) (Ex. 6A-1 and 6A-2)

DISCUSSION: Mr. Egan introduced Cathleen Flournoy and advised she would divide her time as a Business Development Officer and as a Development Services Specialist for Clay and Platte Counties. He then reported on the following projects:

- **Key Coalition and Oak Park** - The City met with the community but has postponed any decision on the modified blight studies until the Board's September 28, 2016 meeting.
- **Truman Wyandotte** – Mr. Landes would explain bond financing procedures and structure to the Board at the September 28, 2016 meeting.
- **13th & Locust, 36th & Gillham, New England Lofts** – Projects are under construction.
- **Ministerial Tax Abatement** – Marketing needed to be done to notify developers about this option.
- **Website Map Update** – Mr. Moyer was working with the City to update the EDC online maps through the City's GIS software.
- **Proposed Ordinance No. 160383** – Mr. Duffy stated that he was discussing a possible joint, but as yet undrafted, letter with PIEA.
- **Arterra 21** – Mr. Engel advised that he and Mr. Egan met with the new owner of the property to discuss the Redevelopment Contract.
- **Pickwick** – Mr. Egan will check on status to determine if project completed.
- **Milliner Lofts** – Mr. Long advised that construction should begin fairly quickly.
- **Commerce Tower** – The project still experienced relocation issues but their attorneys had not contacted the LCRA recently for any assistance.

- **Columbus Park** – The infrastructure was almost complete and the 108 units already had a waiting list of over 150 applicants. Proposals to purchase the remaining LCRA property were scheduled to be heard by the Board at its September 28, 2016 meeting. He stated that the proposals might include an additional interest in the commercial building, which was unexpected because of its square footage cost.
- **2020 Grand** – Mr. Long stated that construction on the project should begin shortly. Mr. Egan noted the move of KC Costume contributed to the delay.
- **Three Corners** – Mr. Egan said that the City was reviewing proposals for the northeast corner of this Beacon Hills project known as Mount Prospect.
- **TMC/Landmark** – Mr. Engel advised that the tenant requested that documents be submitted to the County under a confidentiality agreement.
- **YMCA/TMC** – The documentation to institute the sale/leaseback between the LCRA and the YMCA was progressing.
- **Norman School** – Demolition was beginning.
- **St. Michael's** – Mr. Egan stated that because Phase 1 and 2 received tax credits in 2015 and 2016, that Phase 3's eligibility may have to be delayed until 2017.
- **Switzer** – Mr. Long said the project was proceeding rapidly and that one building was already partially occupied.
- **Uptown Shoppes** – Mr. Sells executed the CID petition and accepted the composition of the CID Board. Mr. Landes discussed with Mr. Sells the issues of bond maturity in 1.5 years and a possible lease extension.
- **Kensington Heights** - Mr. Hamilton reported that at the time of the Board's July, 2016 meeting, he was unaware his firm represented Millennia Housing. He explained that Millennia Housing was an affiliate of Kensington Heights, LLC, the entity selected to operate the Kensington Heights project. He stated that he would have to recuse himself from all discussions about Kensington Heights, LLC in any future meetings.

ACTION RECOMMENDED: NONE; INFORMATIONAL ONLY

b. **Affirmative Action Subcommittee Report** (Sandra Rayford) (Ex. 6B-1 – 6B-5)

The Affirmative Action Report will be reviewed by the Subcommittee and presented to the Board at the September, 2016 meeting.

DISCUSSION: Mr. Egan advised that HRD had agreed that State MBE/WBE goals would apply to LIHTC projects. Mr. Hamilton noted that HUD projects also had different requirements. He explained that if the project was a direct HUD activity, HUD used goals under disadvantaged business categories rather than

the City's MBE/WBE system. He added that the City goals would govern if the HUD monies were processed through the City.

Mr. Boyd expressed concern that the B2G reporting system cutoff date might prohibit the Affirmative Action Subcommittee's approval of the HRD report. Mr. Egan and Mr. Hamilton replied that the Subcommittee needed to meet only if a developer experienced problems. Mr. Hamilton requested that the Subcommittee meet next month to discuss a spreadsheet provided by HRD. Mr. White requested to also attend said meeting.

ACTION RECOMMENDED: NONE; INFORMATIONAL ONLY

EXECUTIVE SESSION

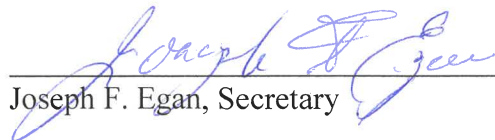
8. Consideration of legal, real estate and personnel issues, and other matters related thereto, pursuant to Sections 610.021(1)(2)(3) RSMo.

RESUME BUSINESS SESSION

9. **Adjourn.**

There being no further business, the meeting was adjourned at 11:19 a.m.





Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: September 28, 2016
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Michael Duffy
Steve Hamilton
Gabriel Okafor (by telephone)
James White

Absent: Daniel Edwards

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Greg Flisram, EDC
Bob Langenkamp, EDC
Bob Long, EDC
Sandra Rayford, EDC

Guests: Andrew Homoly, 600 Central Apartments, LLC
Ted Murray, 600 Central Apartments, LLC
Douglas Bell, Church of God
Carl Boyd, City of Kansas City, Missouri
Stuart Bullington, City of Kansas City, Missouri
Kerrie Tyndall, City of Kansas City, Missouri
Jim Malle, Jackson County
Kevin Masters, Kansas City Public Schools
Jerry Kendrick, Key Coalition property owner
Roxsen Koch, Polsinelli
Pat Sterrett, Sterrett Urban
Dave Frantze, Stinson Leonard Street
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 for August 24, 2016 (Ex. 2)*

ACTION TAKEN: APPROVED THE MINUTES FOR AUGUST 24, 2016, AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

3. **Financial Report**. - *Review and acceptance of Financial Report for the Month of August, 2016 (Lee Brown) (Ex. 3)*

DISCUSSION: Mr. Brown advised that several Columbus Park payments were received this month. He added that a list of payments and receivables made after the monthly cutoff date was added to the report to ensure the most up to date information. He noted that White Goss payables were reduced by \$29,000 because both KC Hotel Developers and UGA had paid in full. Mr. Brown advised that none of the remaining \$31,000 monthly receivables were uncollectable at this point. He reported that a preliminary draft of the audit would be presented to the Board via phone conference before the October, 2016 meeting.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR AUGUST, 2016, AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

4. **Key Coalition Urban Renewal Plan** – *Consideration of Approval of a Revised Finding of Blight for the Key Coalition Urban Renewal Plan (Bob Long) (Ex. 4A – 4B)*

Area Description: The Key Coalition Urban Renewal Area is generally bound by E. 27th Street on the North, Prospect Avenue on the East, East Linwood Boulevard on the South, and Woodland Avenue on the West, exclusive of Spring Valley Park, in Kansas City, Jackson County, Missouri.

The specific area covered by the revised blight study is generally bound by East 30th Street on the North, Prospect Avenue on the East, East 31st Street on the South, and Park Street on the West.

Plan Description: The proponent for the revised Finding of Blight for the Key Coalition Urban Renewal Plan is the City of Kansas City.

The Plan's proponent is investigating residential development within the area of the revised blight study as a means of encouraging and support the redevelopment of the Linwood Shopping Center, which is located directly south of the area covered by the revised blight study.

APD Urban Planning & Management prepared a blight analysis of the Plan Area. The following excerpt is from the consultant's blight study:

All of the components of the Chapter 99 definitions were present in the proposed Key Coalition Neighborhood Urban Renewal Area. Although some portions of the Study Area

are in adequate or sound condition, there exist deteriorated and substandard conditions throughout the Study Area as a whole, which could lead the legislative body to a finding that the proposed redevelopment area is blighted.

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 Study Area; 3) deteriorated public improvements in the Study Area, including uneven or cracked sidewalks; 4) high residential vacancies; and 5) a high number of vacant lots. These factors result in unsafe conditions in the proposed redevelopment area, and hinder private investment and redevelopment of the area.

Neighborhood and safety issues include vacant buildings, graffiti, trash and vermin, and deterioration of aging improvements and public infrastructure. The decline in population and the non-existent growth in construction in the Study Area, particularly as it relates to the neighborhoods adjacent to the proposed redevelopment area to the north and west near and at the 18th & Vine entertainment district where growth has been taking place over the past decade, indicate blight is present within this portion of the Key Coalition Neighborhood Urban Renewal Area. All of the above combine to create economic underutilization and an inability to generate reasonable taxes.

Therefore, the consultant has determined that the proposed Key Coalition Neighborhood Urban Renewal Area of Kansas City, Missouri, as of December 18, 2015, is a “blighted area” according to the definition provided in Missouri’s Land Clearance for Redevelopment Law in the Missouri Revised Statutes (RSMo. Ch. 99) and is a menace to the health, safety, morals, and welfare of the city.

Staff believes that blighting conditions exist.

The Plan’s proponents believe that assistance from the Land Clearance for Redevelopment Authority (the “Authority”), potentially consisting of property tax abatement, and, if necessary, eminent domain will present opportunities to redevelop this portion of the Key Coalition Plan Area for residential uses.

Additional Information: Staff mailed an updated meeting notice letter to the property owners within the target area (copy attached). After discussions with both the blight study consultant and legal counsel, staff advises the Authority not to remove owner-occupied properties from the blight study since some of them may, in fact, be blighted. Staff believes that the existing prohibition against the use of eminent domain to acquire owner-occupied residences that is contained within the Key Coalition Urban Renewal Plan, together with the requirement that the use of eminent domain also be supported by the neighborhood association that is also contained within that Plan, offer adequate protection for owner-occupants within the target area.

Other government/statutory agency action: City Council will need to approve the Revised Finding of Blight for a Portion of the Key Coalition Urban Renewal Plan.

DISCUSSION: Mr. Long gave a brief overview of his staff report and advised that no substantive changes had occurred since the item was initially introduced to the Board earlier in the year. Mr. Okafor joined the meeting via telephone.

Mr. Bullington reviewed the Final Neighborhood Design Plan prepared by Draw Architecture with the Board. He stated that the City developed the plan with input from the neighborhood to maintain the area's existing character. He emphasized that eminent domain would not be used against any of the owner-occupied homes. He added that the plan could not effectively proceed to acquire vacant lots without the potential use of eminent domain. Mr. Bullington advised that an area homeowner could negotiate the purchase of their home with the City if they wished to do so. He suggested that the new homeowners could help revitalize the area but agreed with Mr. Okafor that the long-term homeowners acted as anchors for the neighborhood.

Mr. Bullington stated that the north side of 31st Street zoning would be changed to allow multi-family and commercial space per a recent compromise between the Neighborhood Association and the Missionary Baptist Church. He noted that any commercial areas would have to meld with the housing preferences as well as the planned grocery store in the shopping center. He further emphasized that the multi-family structures would be limited to three stories or less because the plan's primary focus was the creation of single family homes. He said that the City planned to build 28 single family homes and 26 detached duplexes in the area. Mr. Bullington stated that residents of owner-occupied homes could also receive rehab assistance. He advised that the \$6,486,526 funding gap would need to be absorbed on the front end of the project as it was caused by the difference between home sale prices and per lot development costs. He stated that the Bluford Library would also be redeveloped and expanded to enable additional parking and activities.

Mr. Bullington advised that the project's first step would be to acquire property and assemble lots. He said he had discussed a contract with the EDC to assist with the acquisition of properties. Mr. Bullington stated a RFP would be issued to choose a developer for the neighborhood based project. He advised that one developer would be used rather than several to ensure the simultaneous construction of multiple homes as opposed to piecemeal production. Mr. Bullington stated that the gap funds plus about \$1,000,000 for infrastructure improvement would be provided by CDBG and HOME federal monies phased in over ten years.

Mr. Sterrett advised the previous blight study remained unchanged and recapped the site by site report for the Board. He said that 80 of the 83 properties had unsafe or unsanitary conditions, such as overgrown vegetation and broken sidewalks. He advised that deterioration of site improvements affected 45 properties, or 62% of the land area, and 47 properties showed a preponderance of blight. Mr. Sterrett stated that one-fourth of the properties which paid taxes were delinquent and assessed values remained stagnant or declined.

Pastor Bell advised that the Church of God maintained three vacant lots at 30th and Olive for potential future growth of the Church. He stated that the Church did not anticipate construction on the lots in the near future. Mr. Bullington replied that the City would discuss with the Church its development plans, but noted that it would not indefinitely delay the lots' development. Mr. Kendrick questioned the City's timetable for its current plan, given the area's previous unfulfilled improvement promises from the City. Mr. Bullington stated that the market would dictate the project's progress, but hoped completion would occur before the end of its planned ten year period. He added that the project would appear inactive in its initial phases as financing and other details were finalized.

ACTION TAKEN: APPROVED THE REVISED FINDING OF BLIGHT IN A PORTION OF THE KEY COALITION URBAN RENEWAL PLAN AND FORWARDING IT TO CITY COUNCIL WITH A RECOMMENDATION OF APPROVAL. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (*RES. NO. 9-1-16*)

5. **Central Business District Urban Renewal Plan – 600 Central/600 Central Apartments**
- Consideration of Approval of a Redevelopment Contract with 600 Central Apartments, LLC (Bob Long) (Ex. 5A – 5H)

Area Description: The Central Business District Urban Renewal Area is generally bound by EI-35/70 the 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 addresses are 600 Central.

Project Description: The applicant is 600 Central Apartments, LLC.

The applicants' project is a \$5.7 Million historic rehabilitation of a four-story historic commercial building into 25 apartments. This commercial building has been vacant for at least five years. The applicant will utilize a first mortgage, Federal and state historic investment tax credits, and Developer equity to finance the acquisition and rehabilitation of this commercial building. This project will provide 1 studio, 21 one-bedroom and 3 two-bedroom market-rate apartments within the Central Business District. The overall average rental rate is \$1.73 per square foot. Twenty-seven (27) parking spaces will be provided on site.

A copy of the financial analysis by Springsted, Inc. is attached. It shows the project would generate a 9.14% leveraged IRR and a 0.93 DCR in Year Two without any incentives. With 10 – year, 100% Chap. 99 property tax abatement, the project would generate a 6.71 unleveraged return and a 13.57% leveraged IRR and a 1.20 DCR in Year Two. The market unleveraged range of return for similar projects is 5.50 – 10.0%, while the market leveraged range of returns for similar projects is 10.0 – 20.0%.

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, 600 Central, 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 via e-mail on September 12th prior to a September 19th meeting with the developer. Only one taxing jurisdiction representative expressed an inability to attend the September 19th meeting. The developer and the taxing jurisdictions agreed to meet on September 21; it should, however, be noted that EDC staff was notified of this change by the developer's attorney, not by any of the taxing jurisdiction representatives. There are on-going discussions between the developer and the taxing jurisdiction representatives at the time of submittal of this staff report.

Other government/statutory agency action: None required.

DISCUSSION: Mr. Engel advised that he had a conflict of interest with the project because Ms. Jensen from his firm represented the developers. Mr. Long gave an overview of his staff report and presented a PowerPoint to illustrate the highlights of the project. He advised that the developer and County agreed yesterday to ten year abatement at 100% for the first five years and 75% for the second five years. Ms. Jensen provided an updated financial analysis detailing various abatement scenarios, including the newly suggested 75% compromise. She stated that the 75% rate, with rents at \$1.73 per square foot, enabled the developer to achieve the Debt Coverage Ratio ("DCR") required by its lender, Enterprise Bank. She noted that the differences between the developer's and Springsted's calculations began in year 6 when the abatement dropped to 75%. Ms. Jensen stated that the Kansas City School District rejected the 75% compromise and proposed 75% abatement for the entire ten year period or 50% subsidy in the last five years. She said the developer could not agree to the School District's proposals because the risk was too high.

Ms. Jensen agreed that the proposed \$1.73 rent was in the high range for the Kansas City area, especially given the project's location. She said that rental rates for the building could drop to 90% if 95% occupancy was not achieved by the fifth year. Mr. Homoly advised that the \$1.73 rate equated to monthly rents ranging from \$600 for a studio apartment to \$1,700 for a two-bedroom. He stated that Enterprise Bank had not objected to the projected rental amounts. He said a source and use budget had not yet been prepared for the project.

Mr. Murray stated that market speculation was not subsidized by the use of public monies to pay the difference between sale prices and tax abatement amounts. He argued that the abatement request would be skewed if the developer paid a higher sale price. He added that the developer faced higher premium payments because the \$1.7 Million purchase price was owner financed. Mr. Murray advised that the building would be gutted and could not proceed without historic tax credits and other abatements. Mr. Homoly stated that the building's \$50 square footage price included the basement in its 15,000 square foot calculation. He said that the installation of green technology on the building would be challenging because of historic tax credit requirements. He agreed that the building's prices, as well as

several other recent downtown projects, could exclude workforce housing. He countered that supply and demand drove property values.

Mr. Homoly listed the project's benefits to the City as curing blight, remedying a 5-year vacancy, invigorating the area, helping to draw residents downtown, and increasing property values. Ms. Jensen stated that the building had no other current use and would remain vacant if the project were to fail. Mr. Homoly noted that sale price negotiations with the owner were irrelevant as the building was already purchased. He agreed that the downtown area was approaching the cutoff point for tax subsidy as evidenced by its increasing rents and the City's recently proposed 75% tax incentive limit. He cautioned that the City's redevelopment momentum should be phased out rather than halted too quickly. Mr. Egan added that the project's but/for criteria was met, that no City monies were being used or diverted from another area, and that the project would generate higher taxes once the building was no longer vacant.

Mr. Masters stated that the school district disagreed with the project's requested abatement because it was larger than the minimum required. He said that 50% for years 6 to 10 placed the project within its required DCR of 1.2 for the first five years and allowed for sufficient growth in the remaining five years. He argued that the grant of subsidies should not enable a project to hedge its losses in case of failure. Mr. Masters cited scenario #2 from Ms. Jensen's spreadsheets as the basis for his assertions. He acknowledged that the school district had not performed its own financial analysis of the project. Ms. Jensen clarified that scenario #2 calculations were based on 50% abatement with 100% rent. She said that scenario #3, with rents at 90%, showed that the developer could not achieve its necessary DCR. Mr. Egan stated that the developer showed prudent planning in its examination of various abatement and rent scenarios. Mr. White criticized the Springsted report for using suburban price estimations instead of comparing actual rehab costs for this project with other downtown rehab costs. He noted further that the proposed rents were 26% higher than most class A rents in the downtown area.

Mr. Flisram suggested that the taxing jurisdictions should air their grievances about a project at the AdvanceKC meetings prior to the Board hearing. Mr. Masters replied that the EDC had ignored numerous multi-year requests to offer several meeting time selections rather than one-time only choice scheduled just days prior to the Board meeting. Mr. Flisram countered that ample notice was given as well as opportunities for in-person or telephone participation in the bi-weekly EDC director meetings. Mr. Duffy suggested that the staff and taxing jurisdictions should further discuss the matter but that these decisions were outside the Board's purview.

Mr. Hamilton commented that some projects ultimately charged higher rents than initially reported to the LCRA, leading to over-incentivized projects. Mr. Murray noted that their bank loan would have to be refinanced in five years, which could lead to higher interest rates. He agreed that rental rates might also increase in five years, but added that the various scenario analyses provided by the developer indicated its preparation for changing financial conditions. Mr. Duffy and Mr.

White stated that underwriting inflated purchase prices was not justification for developers to request higher incentives. Mr. Duffy added that the property appraisal price was probably based on incentivized downtown comparables which collectively helped to increase sale prices. He said that the LCRA should develop a policy or guideline to determine the reasonableness of acquisition prices for future projects. Mr. Egan replied that he would discuss with appraisers the myriad and conflicting details involved in determining acquisition prices.

ACTION TAKEN: APPROVED 100% PROPERTY TAX ABATEMENT IN YEARS ONE (1) THROUGH FIVE (5) AND 75% PROPERTY TAX ABATEMENT FOR YEARS SIX (6) THROUGH TEN (10) AND APPROVED THE REDEVELOPMENT CONTRACT WITH 600 CENTRAL APARTMENTS, LLC FOR THE 600 CENTRAL APARTMENTS PROJECT AT 600 CENTRAL IN THE CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (**RES. NO. 9-2-16**)

6. **Truman & Wyandotte Urban Renewal Plan** – *Consideration of Redevelopment Agreement, Selection of Bond Trustee and Other Related Matters* (Brian Engel)

The LCRA solicited proposals from investment bankers to provide bond trustee services in connection with the planned issuance of bonds to assist in financing construction of downtown convention center hotel within the Truman & Wyandotte Urban Renewal Area. The LCRA received 6 proposals from pre-qualified investment bankers and a committee organized by staff has reviewed the proposals and will make recommendations to assist the board in selecting a bond trustee.

The LCRA previously selected Stifel, Nicolaus & Company, Inc. to provide underwriter services and the engagement letter is ready for approval. After discussions with Stifel and City officials, the engagement letter was revised to include selection of a minority underwriter firm certified by the City. Selection of a minority underwriter firm is consistent with City bond professional procurement policies. The LCRA previously received a proposal from a pre-qualified underwriter firm that is also certified by the City's Human Relations Department.

Work is continuing to further refine the financing terms and plan for construction of the hotel. Based on current projections, the total principal amount of bonds to be issued in multiple series is likely to exceed the \$160 million amount cited in Resolution No. 6-03-15 dated June 24, 2016. The projected amount of tax-exempt bonds is still well below the original amount, but it is recommended that the LCRA amend and restate its original bond intent resolution to increase the total principal amount to an amount not to exceed \$200 million. In addition, two agreements to which the LCRA is a party have been substantially negotiated. First, a redevelopment agreement among the LCRA, the TIF Commission and KC Hotel Developers, LLC, as developer, is presented for consideration. It sets forth the respective obligations of the parties for implementing the project in accordance with the approved LCRA and TIF plans. Second, a cooperative agreement among the LCRA, Jackson County and the Kansas City Headquarters Convention Center Hotel Community

Improvement District (“CID”). The City approved formation of the CID to provide additional funding sources for the project, including a 1.0% sales tax and a special assessment. The CID special assessments will be assessed against property owned by the LCRA and the collection agreement provides for collection of the CID special assessment by the county.

Finally, KC Hotel Developers, LLC has requested clarification on the applicability of certain LCRA fees in the schedule attached to the Funding Agreement between LCRA and the developer.

DISCUSSION: Mr. Duffy advised that Mr. Okafor agreed to be the LCRA Board’s point person for the Truman Wyandotte project. Mr. Engel stated that the first request before the Board was the selection of a bond trustee. He noted that the City Financial Department had also reviewed the RFP responses summarized on Exhibit 9B. He advised that the bond trustee would be responsible for setting up each account for the various funds generated by the bond issuance as well as distribution of the funds as outlined by the bond documents. Mr. Engel advised that the City Financial Department recommended US Bank based in St. Louis because of its low fees and experience. He advised that the City Financial Department also recommended the Bank of Kansas City (“BOKF”) based on its local presence. He said that the bond trustee’s annual fees to administer accounts and make disbursements were minimal when compared to the costs for bond issuance and other such costs.

Mr. Landes advised that the City Treasurer maintained a revolving listing of bond trustees to conduct the City’s bond bookkeeping matters. Mr. Engel compared US Bank’s fees to BOKF, which had the second lowest fees. He said that US Bank charged administration fees of \$500 and annual administration fees of \$750 per series. He advised that the BOKF administration fees were \$1,200 for the first series and \$1,000 for each additional series. He added that BOKF’s annual fees were \$1,750 for the first series and \$1,250 for each additional. Mr. Engel stated that each bank had lengthy experience in handling bond matters. Mr. Landes noted that most bookkeeping was done electronically. Mr. Egan stated that it would be financially prudent to use US Bank because of its lower fees.

ACTION TAKEN RATIFIED AND APPROVED PROCESS FOR REQUESTING PROPOSALS FOR BOND TRUSTEE SERVICES IN CONNECTION WITH ISSUANCE OF BONDS FOR CONSTRUCTION OF A PROPOSED CONVENTION CENTER HOTEL AND RELATED IMPROVEMENTS IN THE CITY; AND SELECTED US BANK AS THE BOND TRUSTEE TO PROVIDE BOND TRUSTEE SERVICES. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. **(RES. NO. 9-3-16)**

FURTHER DISCUSSION: Mr. Engel advised that the second matter before the Board was its approval of the Stifel engagement letter. He stated that LCRA previously approved Stifel as the bond underwriter and its engagement letter had been in negotiations in the ensuing months. He said that the requirement for Stifel

to use a minority firm as a co-bond underwriter remained unresolved. Mr. Engel advised that Valdes & Moreno (“Valdes”) was the only minority firm certified by the City as a bond underwriter. Mr. Landes explained that only Valdes met the City’s MBE/WBE requirement that it maintain certain capital as a bond underwriter. He recommended Valdes because it had assisted the City numerous times in the past with various funds and bonds matters. Mr. Engel noted that Valdes had 30-35 years of experience working with Stifel on bond issues and distributed Valdes’ proposal from last year. Mr. Landes stated that the agreement between Valdes and Stifel could be reviewed by the Board at a later date to ensure Valdes’ participation was more than symbolic. He advised that such review could occur as the date for the bond sale approached. Mr. Landes agreed with Mr. Okafor that the Board might not have much influence on the bond underwriter agreement. The Board was assured Stifel would negotiate a contract with a MBE/WBE certified co-bond underwriter.

APPROVED ENGAGEMENT LETTER WITH STIFEL FOR UNDERWRITING SERVICES. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

APPROVED SELECTION OF CO-UNDERWRITER CONNECTION WITH ISSUANCE OF BONDS TO ASSIST IN DEVELOPMENT OF THE DOWNTOWN CONVENTION CENTER HOTEL. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

RES. NO. 9-4-16

FURTHER DISCUSSION: Mr. Engel advised that the third issue before the Board was a request to amend and restate the bond intent resolution. He indicated that the existing Resolution limited bond issuance in an aggregate amount not to exceed \$160 Million. He explained that the current working issuance amount of about \$172 Million would fluctuate as costs rose and fell. He said the requested \$200 Million cap was intended to give plenty of cushion and allow the issuer to reimburse costs 60 days prior to the date of the Resolution.

APPROVED AMENDED AND RESTATED BOND INTENT RESOLUTION. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (***RES. NO. 9-5-16***)

FURTHER DISCUSSION: Mr. Engel requested that the Board postpone its review of the proposed Redevelopment Agreement and Cooperative Agreement as both remained under negotiation. He stated that the Redevelopment Agreement would also have to be approved by the TIF Commission at its October 12, 2016 meeting. He said the developer requested a special LCRA Board meeting on October 17, 2016 to allow joint approval of the Redevelopment Agreement by both agencies.

TABLED APPROVAL OF THE PROPOSED REDEVELOPMENT AGREEMENT, SUBJECT TO FINAL LEGAL AND STAFF REVIEW. [PENDING RECEIPT OF FINAL DRAFT]

TABLED APPROVAL OF THE COOPERATIVE AGREEMENT FOR COLLECTION OF SPECIAL ASSESSMENTS, SUBJECT TO FINAL LEGAL AND STAFF REVIEW. [PENDING RECEIPT OF FINAL DRAFT]

FURTHER DISCUSSION: Mr. Engel stated that the fourth and final issue before the Board was the application of LCRA's fee schedule to the project. He explained that the existing schedule was divided into two categories – bond financing and final plan review. He advised that the total fees could be about \$2 Million because of the size of the project. Mr. Engel proposed that the bond financing fees be considered as a lump-sum payment rather than a calculation on each bond series. He suggested that an appropriate lump-sum fee would be \$260,000, based on the \$172 Million current working issuance amount. He said that the fees would be \$370,000 if calculated separately for each bond series.

Mr. Okafor strongly objected to any reduction of the approved fee schedule. He advised that the original fee would allow the LCRA to take a more progressive and active role in redevelopment activity. Mr. Duffy commented that the monies could also be used to hire an asset manager for the LCRA as had been discussed in prior meetings. Mr. Langenkamp replied that while he understood Mr. Okafor's position, the EDC received its funding from the City and was being asked to support the convention hotel as a City project.

Ms. Koch stated that it was unclear as to which fees would be applicable because of the unique nature of the project. She argued that the developer was not asking the LCRA to forgive \$1.6 Million in fees but instead was requesting that the project be considered in its entirety rather than as separate pieces. She noted that it was rare for a project to consist of the TIF and LCRA agencies, as well as bond issuance, a sale/leaseback and a CID. Mr. Egan confirmed that the only potential out-of-pocket cost would be legal expenses because the City already covered staff costs and overhead. Ms. Koch added that the developer requested an estimate of legal fees but had not requested a cap of the same.

Mr. Okafor stated that the fee issue should be tabled until he was able to discuss the matter further with Mr. Egan and Mr. Langenkamp. Mr. White noted that monies generated by the LCRA or the EDC would return to the City as the City controlled the gap financing for the EDC budget. He added that there did not appear to be any public or administrative resolve to support LCRA's proactive role in development. Mr. Hamilton also asked that the numbers and calculations should be explained in further detail. Mr. Engel stated that the percentage symbol after the .0025 figure appeared to be a typographical error as it would generate microscopic plan review fees. Mr. Duffy agreed that the matter should be tabled until the October 17, 2016 Special Board meeting. Ms. Koch advised that a sources and uses budget would also be submitted to the Board for its review at the special meeting.

ACTION TAKEN: TABLED MODIFICATION OF THE LCRA FEE SCHEDULE ATTACHED TO FUNDING AGREEMENT UNTIL THE SPECIAL BOARD MEETING SCHEDULED FOR OCTOBER 17, 2016

7. **Truman & Wyandotte URA** - *Update on LCRA Bonds for Convention Center Hotel (Randall Landes)*

Mr. Landes explained bond financing procedures and structure as it pertains to the Convention Center Hotel project.

DISCUSSION: Mr. Landes stated that the City and developer had each retained an independent financial advisor for various reasons. He suggested that the LCRA should retain First Southwest, the City's financial advisor, in a limited engagement, to monitor Stifel's actions on LCRA's behalf. He advised that First Southwest's fee would be about \$10,000 to \$20,000. Mr. Landes said that, pursuant to SEC regulations, the bond underwriter could not act as LCRA's representative. Mr. Engel supported the recommendation, stating that the SEC had previously held members of government bodies liable for damages in egregious cases. Mr. White also voiced his support by saying that the LCRA assumed a fiduciary responsibility for oversight of public investment and should therefore be well versed in its financial complexities. Ms. Koch advised that the developer had no objection to paying the fee for a LCRA independent financial advisor as long as the cost was not exorbitant. Mr. Engel also advised that the organizational chart provided by Ms. Koch would be explained in further detail at the October 17th meeting.

ACTION TAKEN: AUTHORIZED STAFF TO NEGOTIATE AN AGREEMENT WITH FIRST SOUTHWEST TO ADVISE THE LCRA REGARDING BOND PRICING FOR THE CONVENTION CENTER HOTEL MATTER IN THE TRUMAN & WYANDOTTE URA. MOTION MADE BY MR. DUFFY, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. NO. 9-6-16)

8. **Central Business District Urban Renewal Area** - *Proposed Project to Renovate Marriott-Muehlebach Hotel Complex (Brian Engel)*

Kansas City Downtown Hotel Group, LLC ("KCDH") is the owner of the Marriott-Muehlebach hotel complex containing a total of approximately 990 hotel rooms. LCRA owns the land upon which the Marriott Hotel (formerly Allis Plaza Hotel) was built. KCDH owns the building. LCRA also owns both (i) the multi-level, underground parking garage, and (ii) the land located immediately beneath the Marriott Hotel. LCRA leases these parcels to KCDH (formerly Heartland Hotel Associates, LP). KCDH has requested the City finance 50% of a planned \$32.8 million renovation to the Marriott and Muehlebach hotels, plus interest, using portions of City convention and visitor sales tax revenues from sales of rooms and food and beverages. Sales tax revenue from a proposed new community improvement district would offset city payments. LCRA is being asked to participate in the project by: (i) passing City payments through to KCDH; (ii) approving reduction in purchase under leases from approximately \$3.4 million to \$1,000; (iii) signing

CID formation petition if City is willing to approve formation; and (iv) certify project costs, although the City may agree to assume this responsibility. The project financing is under consideration by the City.

DISCUSSION: Mr. Hamilton stated that he would have to recuse himself on this matter because his law firm represented the applicant. Mr. Okafor also terminated his participation. Mr. Engel advised that the meeting could continue with the remaining two Board members. He said that the developer was working with the City to renovate the rooms at the hotel complex. He acknowledged a sale/leaseback was requested and received by the Marriott 15 years ago for interior renovations. Mr. Engel advised that because the City had assumed the cost certification role for developer payments from convention sales taxes, LCRA would be asked to verify its approval and participation in the project. He noted that the hotel owner requested the LCRA to reduce the purchase price under the leases.

Mr. Frantze identified himself as the attorney for the developer. He said the proposal was designed to assist the City's tourism business in conjunction with the new convention hotel. He advised that the Marriott Muehlbach would remain the area's largest hotel, even following the completion of the Hyatt. Mr. Frantze stated that the City would elevate itself as a convention destination if it could market 980 completely remodeled hotel rooms in addition to its new 800-room convention hotel. He added that the hotel industry agreed with this analysis and claimed it would be a "game changer." Mr. Frantze said the proposal was funded by private equity through the ownership group, a CID and the City's convention and tourism tax. He advised that the LCRA bonds issued 15 years prior were used to renovate and construct the tower, Barney Allis Plaza, and the garage. He stated that the City also issued bonds at that time to fund bond costs and to pay for further renovation of Barney Allis Plaza and the garage. Mr. Frantze advised that these renovations were now obsolete because of changes in the hotel industry. He said the City also wished to increase its hotel and tourism industry through the presentation of 1,800 new hotel rooms adjacent to its convention center. He stated that the City required room block agreements with the hotels which tied the majority of rooms to Visit KC for marketing. He explained that the hotels were unable to market the blocked rooms until Visit KC released them. He advised that no new parking structures were required and that the City planned to introduce an ordinance tomorrow to authorize the project. Mr. Frantze stated that the project would not affect taxing jurisdiction revenues and would provide significant value to the community.

Mr. Frantze stated that LCRA consent was required for the lease amendment as well as for approval of the CID. He advised that establishment of the CID was a better method to raise the necessary funds as opposed to raising room rates. He said that the ownership would reimburse the funding over time from its own resources. He agreed that neither the CID or room rents were guaranteed income, but added that the room rate could be lowered to attract previously uninterested buyers. He said the CID tax could not be waived and would also be taxed as income upon payment to the property owner. He added that room rate taxes would happen if it resulted in more net income to the property.

Mr. Frantze advised that the \$3.4 Million figure was a sale purchase price established in 1987 and was carried on the balance sheet as a future payable. He stated that the recipient of the purchase price would be determined once the title report was received. Mr. Egan noted that any monies received from a City funded project would be returned to the City. Mr. Langenkamp stated that the City Manager had approved the project. He said the CID was important to the City because of its one to one reduction of City obligations. He advised that CID revenues allowed the City to use tourism and convention funds on unrelated projects. Mr. Frantze added that any costs would be reimbursed by the developer.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

9. **East 23rd Urban Renewal Area - Kensington Heights Apartments** – *Approval of Transaction Documents* (Brian Engel) (Ex. 7A – 7E)

In July, LCRA selected Kensington Heights MO, LLC (“Developer”), an affiliate of Millennia Housing Development, Ltd., to acquire the leasehold interest and operate the Project. LCRA, Developer and Developer’s lender have continued negotiating and refining the Amended and Restated Sale/Leaseback Redevelopment Contract, the Amended and Restated Lease, and lender documents related to LCRA’s fee ownership interest in the property as collateral. The transaction documents are now being presented to the Board for approval and authorization to execute in substantial form.

DISCUSSION: Mr. Hamilton advised that he would also have to recuse himself from the Kensington Heights matter because his law firm represented Millennia Property. Mr. Egan stated that two Board members were sufficient for a vote if necessary because the issues had been previously discussed. Mr. Engel advised that the new tenant was proposing a cap of three years on the clawback provision detailed in Section 6.02 of the Amended and Restated Redevelopment Agreement. He said the original 2005 lease had no clawback provision, but because of changes in LCRA policy, such provisions were now required. He added that because the lease expired in 2049, a three year cap was appropriate. Mr. White stated that prior experience with blighted sale/leaseback projects illustrated the need for a 30 year clawback for maximum leverage against poor ownership. Ms. Koch advised that the blight of the current project was caused by deferred maintenance and that the clawback was an unexpected development for the buyer. She stated that even a three year clawback term made it difficult for lenders to underwrite the buyer’s loan. She said that the property’s value would be determined once the County assessed the property but would be in excess of \$100,000. Mr. Duffy and Mr. White considered the need for leverage against a developer who acquired a blighted property. Ms. Koch stated that the buyer was basing the purchase price on the new lease although its terms sometimes conflicted with the existing lease. She advised that a harsher clawback could negatively affect the buyer’s loan terms.

Mr. Engel confirmed that the provisions of the new lease also allowed for termination. He added that the clawback provision would not apply in the event of a tenant bankruptcy, but that other remedies would apply. Mr. Engel said that the fee ownership was tax exempt but that the leasehold interest could be taxable if the

County determines that bonus value exists. He advised that the new tenant was acquiring the obligation to make rent payments under the current lease which were equivalent to the debt service on the existing loan. He stated that the County would review the lease to determine if any bonus value was generated. Mr. Engel advised that the Redevelopment Contract included the affirmative action requirement because its scope of improvements was high enough to trigger the City's requirement.

ACTION TAKEN: APPROVED AND AUTHORIZED EXECUTION OF AMENDED AND RESTATED SALE/LEASEBACK REDEVELOPMENT CONTRACT, AMENDED AND RESTATED LEASE, AND LENDER DOCUMENTS RELATED TO LCRA'S FEE OWNERSHIP INTEREST AS COLLATERAL FOR PROJECT FINANCINGS IN SUBSTANTIALLY THE FORMS AS PRESENTED TO THE BOARD, SUBJECT TO FINAL NEGOTIATION BY LEGAL COUNSEL. MOTION MADE BY MR. WHITE, SECONDED BY MR. DUFFY, AND CARRIED BY THE FOLLOWING VOTE:

MR. DUFFY: AYE
MR. WHITE: AYE
MR. HAMILTON: RECUSED

(RES. No. 9-7-16)

10. **Administrative.**

- a. **Executive Director's Report** - *Active Projects Tracking System Report* (Joe Egan) (Ex. 8A-1 and 8A-2)

DISCUSSION: Mr. Egan reported that the Uptown CID would be heard by the Committee at City Hall on October 20, 2016 and that it appeared to face no opposition.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

EXECUTIVE SESSION

11. 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

12. **Adjourn.**

There being no further business, the meeting was adjourned at 1:02 p.m.



Joseph F. Egan, Secretary



BOARD MEETING MINUTES

DATE: October 17, 2016
TIME: 1:30 p.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Michael Duffy
Daniel Edwards
Steve Hamilton
James White

Absent: Gabriel Okafor

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Lee Brown, EDC

Guests: Jeff Smith, BKD
Wesley Fields, Bryan Cave
Randall Landes, City of Kansas City, Finance Dept.
Tammy Queen, City of Kansas City, Finance Dept.
George Williford, First Southwest (via telephone)
Mike Burke, KC Hotel Developers
Colin O'Byrne, KC Hotel Developers
Tim O'Byrne, KC Hotel Developers
Steve Rattner, KC Hotel Developers
Roxsen Koch, Polsinelli
Laura Radcliffe, Stifel
Brian Engel, White Goss
Steff Hedenkamp

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

2. Financial – *Review and acceptance of the draft LCRA Audit for fiscal year 2016.* (Lee Brown) (Ex. 2)

DISCUSSION: Mr. Duffy advised that he had previously reviewed the audit at a Finance Committee meeting. Mr. Smith stated that the audit for fiscal year 2016 was very clean and had no significant deficiencies. He commended Mr. Brown and his

accounting staff for their work in preparing the audit. He also thanked Cochran Head for their assistance when LCRA was short-staffed. Mr. Smith noted that the first section of the audit remained in draft form as it was still pending the updated management discussion and analysis. He confirmed that Mr. Brown's monthly reports and the audit contained identical information. Mr. Duffy commented that this year represented the last separate LCRA audit as the Board had previously approved an accounting change to incorporate LCRA's budget into the overall EDC budget.

ACTION TAKEN: ACCEPTED THE DRAFT LCRA AUDIT REPORT FOR FISCAL YEAR 2016. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

3. **Truman & Wyandotte Urban Renewal Plan** – *Downtown Convention Center Hotel Project and Bonds.* (Brian Engel) (Ex. 3A - 3G)

A representative of Stifel, Nicolaus & Company, Inc. will describe the bond financing structure for the project. A diagram showing the deal structure and identifying the major players and their roles is included in the board packet. In addition, the City's financial advisor, First Southwest, has submitted a fee proposal to provide a possible range of services to LCRA in connection with the planned issuance of hotel bonds. A First Southwest representative is expected to be available by conference call to explain the range of services and fees and to answer questions.

Attached for LCRA consideration is the Redevelopment Agreement among LCRA, TIF Commission and KC Hotel Developers, LLC, which sets out the parties' obligations to finance and develop a new convention center hotel in accordance with the approved Truman & Wyandotte Urban Renewal Plan (LCRA Plan) and Kansas City Convention Center Headquarters Hotel Tax Increment Financing Plan (TIF Plan).

Finally, KC Hotel Developers, LLC has requested clarification on the applicability of certain LCRA fees in the schedule attached to the Funding Agreement between LCRA and the developer.

BOND FINANCING STRUCTURE: Ms. Radcliffe advised that she created the diagram to illustrate the project's financing structure as it was fairly well-established. She stated that the project's amounts would fluctuate because they were dependent on interest rate changes. She said that the initial step for the project was LCRA's acquisition of the two parcels currently owned by the City and the American Hereford. Ms. Radcliffe stated that the LCRA would then lease the combined properties to the developer for construction of the hotel. She advised that the Certificate of Occupancy ("COO"), issued by the LCRA once construction was completed, triggered the Catering and Operating Agreements. She said that LCRA's ownership and subsequent property tax exemption would be negated by the collection of CID special assessments stipulated by the Special Assessment Collection Agreement with the County. Ms. Koch stated that LCRA ownership

was chosen because TIF excluded two levies which equated to an almost 50% tax loss. She theorized that the tax loss had developed because the County wide replacement tax still used the previous tax's formula to calculate its charges. Ms. Koch added that the LCRA sale/leaseback's 30 year tax exemption also surpassed the 23 year TIF exemption.

Ms. Radcliffe stated that the Operating Agreement would be between the developer and the Hyatt. She said that revenues from the Operating Agreement would be used to pay the special assessments and sales taxes imposed by the CID. She advised that the Exclusive Catering Agreement, between the developer and the City, would generate revenue as well as economy activity sales taxes ("EATS").

Mr. Radcliffe advised that the bonds were divided into four series to match their different revenue sources. She said that Series A were taxable special assessment bonds paid from CID special assessments. She stated that Series B bonds, to be funded with TIF revenues, would be tax exempt because they were generated by government revenue streams. She cited EATS and County and City sales taxes as examples of TIF funding sources to repay the Series B bonds. Ms. Radcliffe advised that Series C bonds were City payments to the developer for catering services made pursuant to contracts between the City and the developer. She explained that City payments to the developer under the City contracts were considered income to the developer and were therefore taxable by the IRS. A portion of the City payments will be used to fund the Series C bonds and other City payments will be split off under the City contracts to fund a fourth series, the Series D bonds. Ms. Radcliffe said that the Series D bonds would be funded by certain City payments and CID sales tax revenues. She advised that the CID sale tax revenues were divided from the special assessment because the former were more volatile and emitted from a single point of sale. She added that special assessments were fixed for 30 years and similar to property taxes in that, if not paid, foreclosure was possible. Ms. Radcliffe stated that catering fees were taxable because they were business payments to the developer by the City.

Ms. Radcliffe advised that the \$10 Million catering payments were originally included with the \$55 Million management fee made to the developer under the Master Financing Agreement. Mr. Landes stated that IRS standards for management fees necessitated the split of catering fees from their management counterparts. He said that the IRS would accept \$10 Million over 15 years, which also preserved tax exempt status of outstanding Bartle Hall bonds. He clarified that the \$10 Million payment was designated for the Series C bonds while the remaining \$55 Million payment was designated for the Series D bonds. Ms. Koch noted that the IRS reasonableness guideline was not made to judge the efficacy of the business deal between the City and the developer. She said the IRS rules were set to determine the tax exempt status for the bond payments. Ms. Radcliffe stated that the four series of bonds were deemed to be the most attractive way to offer the bonds to the biggest group of buyers. She conceded that the identity of buyers for some bonds was not yet known but noted that bonds backed by catering fees for a convention center across the street from a hotel were unique and uncommon.

Ms. Radcliffe advised that Standard & Poor's, Moody's, and Fitch were the three major agencies which rated the credit worthiness of bonds. She stated that bonds were rated based on the issuer's ability and willingness to repay the debt. She said that the agencies also defined credit ratings and determined a bond's investment grade. Ms. Radcliffe advised that the convention center bonds were considered non-investment grade for several reasons. She cited the diversity of the tax base, the single site scenario, and the newness of operations as examples. She stated that new projects often issued non-rated bonds because they were usually refinanced within a few years and were rated at that time. She added that non-investment grade bonds might yield more even though the issuer was not paying an agency for a rating analysis. Ms. Radcliffe noted that insurance companies often had their own internal investment grade rating system for bonds they purchased.

Ms. Koch stated that JE Dunn was chosen as the contractor for the project for several reasons. She cited the contractor's local presence and its ability to establish a gross maximum price ("GMP") as reasons for its selection. She said that the lender and several other parties would review significant design work by the lead architect, HNTB, before agreement could be reached on the GMP. She advised that usage costs and their subsequent financing structure would be determined in about 17 or 18 weeks after design work was initiated. Ms. Koch said that design work should begin in about 2 weeks once HNTB and JE Dunn finalized their contract. She advised that price negotiations to purchase the American Hereford property were almost successfully completed.

FINANCIAL ADVISOR: Mr. Engel stated that the City Finance Department recommended First Southwest act as an independent financial advisor for the LCRA in this matter. He advised that First Southwest offered 3 levels of services, the first of which was similar to the full financial advisor role it provided to the City. He said that the second level was a scaled down version of the first and that First Southwest acted only as a pricing agent in its third tier of services. Mr. Engel stated that the variable levels were based on bond size and each had a payment cap. Mr. Williford advised that First Southwest was a division of Hilltop Securities, was created in 1947, and had offices throughout the country. Mr. Williford and Mr. Engel (based on recommendation of the City Finance Department) recommended the company's middle level of services to the Board. Mr. Williford explained that the middle level examined market preparations for the transactions and determined how purchasers were found. He said he would need to review the legal documentation and consult with bond counsel and underwriters to ensure structure conformity. He advised that his most important role was to ensure that revenues supported each bond's specific size, were proforma based, and provided excess support for debt service. He added that he would also confirm that credit and repayment structures were reasonable and valid. Mr. Williford stated that the Board should retain his services until the ultimate closing of the transaction. He advised he would issue a final report detailing the results of the bond process prior to closing and prior to LCRA approval of issuance. He said he could provide additional periodic reports if the Board so desired. Mr. Landes confirmed that First Southwest's services to the City and the LCRA were not duplicative. He said that

First Southwest would act as the City's and LCRA's fiduciary advisor but perform separate tasks for each.

Mr. Landes noted that he had originally recommended that LCRA did not need to retain a separate financial advisor. He explained that the recent rapid expansion and complexity of the deal, as well as LCRA's role as conduit issuer, necessitated the need for an independent consultant. Mr. Landes further noted LCRA's need for a fiduciary as an issuer and the non-prohibitive cost. Mr. Egan reported that the developer was not consulted about its costs for a LCRA advisor. Mr. Landes said the additional analysis would directly benefit the developer because it would theoretically produce more proceeds.

ACTION TAKEN: APPROVED IN PRINCIPLE THE RESOLUTION TO SELECT THE CITY'S FINANCIAL ADVISOR, FIRST SOUTHWEST, TO PROVIDE ITS MIDDLE LEVEL OF SERVICES TO THE AUTHORITY IN CONNECTION WITH THE ISSUANCE OF BONDS FOR CONSTRUCTION OF A CONVENTION CENTER HEADQUARTERS HOTEL AS DESCRIBED IN ITS PROPOSAL TO SERVE AS FINANCIAL ADVISOR OR PRICING AGENT (EXHIBIT 3B), SUBJECT TO THE CONSTRUCTION OF AN APPROPRIATE AGREEMENT NEGOTIATED BETWEEN FIRST SOUTHWEST, AND THE AUTHORITY'S EXECUTIVE DIRECTOR AND LEGAL COUNSEL. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. NO. 10-1-16)

STABILIZATION PERIOD: Mr. Engel advised that the Redevelopment Agreement between TIF, the LCRA, and KC Hotel Developers was approved by the TIF Commission ("Commission") at its October 12, 2016 meeting. He stated that Exhibit 3F listed additional comments from the developer which were not reflected in the draft agreement in the Board packet. He said that the developer had requested the extension of the sales tax exemption period for 6 years after the COO was issued to act as a "Stabilization Period" for the hotel. Mr. Engel stated that the exemption would be limited to capital expenditures, fixtures, furniture, equipment and supplies but would not include consumable items such as food, beverages and toiletries. He advised that the Agreement, as written, allowed the sales tax exemption once stabilization was achieved at any time during the 6 year period. He stated that the City Manager favored the full 6-year extension to avoid the complexities of monitoring developer expenditures throughout the extended period.

Mr. Engel advised that the term "supplies" was not separately defined within the contract. Ms. Koch defined supplies as anything other than pure consumables, which enabled the hotel to operate. She explained that it was the industry norm for a hotel of this size and nature to take up to 6 years to determine the supplies it would need to operate at optimum occupancy. She acknowledged that the request for a post-construction stabilization period was unique.

Ms. Koch advised that the LCRA would own the supplies during and after the stabilization period until the termination of the lease or until the supply item was replaced. She noted that the LCRA could pull the sales tax certificate at the end of the six year period to release the sales tax exemption. Mr. Egan stated that staff did not have the resources to monitor an extensive list of as yet undefined supplies or to make complicated calculations about their sufficiency to establish hotel stabilization. Ms. Koch argued that the IRS definition of durable items did not apply to the matter and cited sheets and towels as non-capital expenses as an example.

Mr. Engel stated that the phrase “Stabilization Period” was defined in the definition of materials. He advised that the contractual need for LCRA to hire an independent expert if it disagreed with the owner about exempted expenses would be eliminated if the Stabilization Period was set for a specific time period. Ms. Koch advised that the LCRA could extend the management procedures it used during the construction period through the additional 6 year extension. Mr. Egan noted that the cost certification was performed by the Commission. Mr. Fields advised that he would have to consult with the Commission to determine if it was willing to perform cost certifications during the Stabilization Period. Mr. Engel suggested that the LCRA could use the same third party used by TIF for their certification process. Mr. Hamilton proposed that it would be simpler for LCRA to review what was not on the list rather than to determine if the item was exempt. Ms. Koch consulted with her clients and advised that the developer was willing to accept as eligible for the sales tax exemption only the items on their balance sheet which qualify as capital expenditures under IRS regulations. The Board agreed to accept the full 6 year period as the Stabilization Period for capital expenditures only.

CLAWBACK LIMIT: Mr. Engel advised that the developer had requested the limitation of the clawback penalty to 5 years and with a cap of \$2 Million. He reminded the Board that the developer was paying an estimated average of \$5 Million in special assessments annually for 30 years via the CID. Mr. Engel stated that a second alternative proposed by the developer to any clawback limit was that it pay the difference between special assessments and property taxes that would be assessed but for LCRA’s ownership. He advised separately that the developer also proposed that the clawback would cover only breaches in only the construction and maintenance of the project and not breaches of other contract obligations. He said that the default provisions would cover breaches of other contract obligations, such as under the MBE/WBE provisions. Mr. White expressed his concern about the proposed limit because two previous hotel projects recently sought public assistance to cure years of blight caused by lack of maintenance. He added that the proposed \$2 Million cap was too low. Mr. Egan advised that the LCRA could also terminate the tax exemption for any future breaches by the developer, which would result in double taxation due to CID special assessments.

Ms. Koch stated that the developer’s reasons for requesting a set clawback limit included its lender’s underwriting requirements. She advised that the loan documentation would be reviewed by the LCRA once the same was finalized. She

noted that the CID payment was the developer's upfront commitment to pay a set amount. She admitted the \$2 Million figure was an arbitrary amount but said it was based on the lender's expected reserve requirements. Mr. O'Byrne advised that the lender would require two reserves, one for replacement and maintenance and another for anything above and beyond what could not be underwritten. He stated that the complexity of the project necessitated an amount which would not derail the project. Ms. Koch noted that the Master Financing Agreement required a brand name, such as the Hyatt, to operate the convention hotel. She acknowledged Mr. White's concerns but cited the difference between the legal definition of blight and the point where the City began issuing citations. Mr. Landes advised that the City had no similar clawback provision but added that the Management Agreement required an improvement program to maintain the property. Mr. O'Byrne stated that brand management ensured greater stability and quality as opposed to franchisee ownership. He explained that the brand manager must consider the national and international, as well as the local, impact of his or her actions. Mr. O'Byrne advised that several remedies were available if the hotel encountered future financial difficulties. He also cited the City's agreement to not move the convention center as evidence of the hotel's continued stability. Ms. Koch responded that the lender would not underwrite Mr. Hamilton's proposal for a \$10 Million cap. Mr. Duffy countered that the amount could be placed in a reserve requirement as a cost item to the developer. Mr. O'Byrne conferred with his partners and proposed a \$5 Million cap, to which the Board members agreed.

AFFIRMATIVE ACTION COMMITTEE: Mr. Engel stated that TIF proposed that the Affirmative Action Committee ("AAC") should be comprised of 5 members from the Commission and 2 members from the LCRA. Ms. Koch stated that the AAC would review the developer's good faith efforts to determine if they were sufficient and advise a joint TIF/LCRA meeting if any penalty should be assessed. She said the developer wanted the right to appeal a negative AAC decision to the joint TIF/LCRA meeting. Mr. Hamilton advised that LCRA's normal procedures were to accept the City's good faith decision and determine only if penalties should be assessed. Ms. Koch said she would confirm the affirmative action procedures with the City. Mr. Hamilton and Mr. White stated that they had no objection to TIF's majority in the AAC.

CERTIFICATE OF COMPLETION AND COMPLIANCE: Mr. Engel advised that the Commission wished to approve the Certificate of Completion and Compliance ("COC"), after consultation with the LCRA. He stated that LCRA's consent to the COC certified that the developer had satisfied its LCRA obligations under the contract. He advised that the City Architect would also certify the successful completion of public improvements, such as the link connecting the hotel and convention center. Mr. Landes stated that the City Architect would issue a Request for Proposals for construction management services to ensure the COC was executed by a third party.

Mr. Engel said that the developer requested the phrase "in consultation" should be defined as informal communication between the executive directors of the two

agencies, their legal counsels, and, as needed, Board members. He advised that the developer wished to avoid formal Board action(s). Mr. Fields said that the Commission wanted to retain the full Board review option. Mr. Hamilton noted that the Commission was the primary decision maker throughout the Redevelopment Agreement and would consult with the LCRA only if necessary. The Board accepted the Commission's choice to allow for full Board review of matters regarding COC certification.

UNPAID TAXES: Ms. Koch advised that the developer had accepted the standard TIF language despite its concerns that a minority investor or partner could stall the project because they had not paid their taxes. Mr. Engel added that this provision did not directly impact the LCRA because it did not have a similar requirement.

PREVAILING WAGE: Ms. Koch stated that the developer had also resolved this issue with the Commission and accepted the TIF standard language. Mr. Fields confirmed that the developer would indemnify the Commission and the LCRA from any third party claims on this issue.

LENDER CURE PERIOD: Mr. Engel advised that the Commission set a 90 day cure period for the developer. He stated that the Commission would also set a cure period for the lender to run consecutively or concurrently with the developer's. He said that the Commission would review the lender's request for anything longer than 30 days. Mr. Duffy stated that the LCRA did not need to reconsider any changes in the lender's cure period.

COMPETING FACILITIES: Mr. Engel stated that the language concerning competing facilities from the Master Financing Agreement was in Section 58 of the Redevelopment Agreement. He said the Commission and LCRA could not grant any incentives to new projects if their conference facilities would have an adverse economic impact on the conference services provided by the convention hotel. He advised that the airport was excluded from the non-compete provision. Ms. Koch clarified that the adverse economic prohibition applied to the TIF revenues of the convention hotel. She explained that the hotel wanted to preserve the income it relied on to purchase bonds. Mr. Landes added that the provision applied mainly to the LCRA because some of its actions did not require City Council approval. He said that hotel limit was for 10 years for new projects within 2 miles of the convention hotel and that the conference space limit lasted the 30 year term of the sale/leaseback agreement. He noted that if the convention hotel was sufficiently stable in 3 or 4 years, the hotel prohibition might not need to be enforced. Mr. Landes advised that existing hotel projects underway as of June 9, 2015 were grandfathered and exempted. He stated that the City would pay for a third party to determine if projects negatively impacted the convention hotel or conference facilities. Mr. Hamilton noted that the term "public contribution" was missing from Section 6.01(a).

Mr. Egan suggested that the non-compete prohibition should define square footage and number of room limits. Ms. Koch replied that the adverse economic test

applied to any competing convention facility, no matter their size. She stressed the importance of negative economic impact over the physical characteristics of a competing convention center. Mr. Burke advised that the adverse economic test required that the convention center experience a 10% reduction or more in TIF revenue for a new facility to be prohibited. He said that the sole revenue to pay for the unguaranteed bonds came from the hotel's operating income which was dependent on its vicinity to Bartle Hall. He explained that the City had agreed not to move its facilities from Bartle Hall, which should help assure bond purchasers.

Ms. Koch advised that section 6.01(b) applied to hotel facilities in possible contention with the convention hotel. She stated that the size limit for such hotels was 350 hotel rooms or 25 square footage or more per room of meeting space. Mr. Egan said that the easiest way for staff to apply the provision was to embed the non-compete parameters into its policies and procedures. Mr. Edwards expressed his concerns about the impact the size restrictions would have on development east of Troost. He noted that the 1,870 square footage limitation was especially onerous in the Troost and 18th and Vine areas as each contained several sites which could be developed into meeting spaces. Ms. Koch replied that the ultimate goal of the non-compete provisions was to prohibit a competing convention center from being built. She said that the developer did not wish to hinder development and would work with the City regarding projects which failed the economic hardship test. Ms. Koch stated that the non-compete restrictions were integral to its agreement with the City. Mr. Duffy posited that any new developer would want assurances that its project would not trigger the non-compete test. He suggested a time limit should be imposed on the adverse economic decision to ensure a timely response. He had no objection to Mr. Burke's request to restrict the time limitation to the LCRA agreement. Mr. Burke explained that a global change would entail numerous documents with varying effects. The Board agreed that 30 days was sufficient time for the developer to perform a good faith review to determine the impact of another development.

MISCELLANEOUS: Ms. Koch stated that cost overruns would be taken care of by the developer per the Master Financing Agreement. She advised that the GMP and substantial design work prior to closing should help to alleviate such overruns. Mr. Engel stated that the Master Financing Agreement, the Catering Agreement, and the Super TIF Agreement were recently amended and approved by the City Council. Mr. Landes noted that the recent amendments were not approved by the City Council but by the City Manager under authority of the City Council's ordinance approving the original agreements, which ordinance provides that the amendments could be approved by the City Manager as long as the changes were not material. Mr. Engel advised that LCRA's authority in the Operating Agreement between the City and the developer carried through to the Redevelopment Agreement from the Master Financing Agreement's definition of a qualified lessee.

ACTION TAKEN: APPROVED REDEVELOPMENT AGREEMENT AMONG THE
AUTHORITY, THE TAX INCREMENT FINANCING

COMMISSION OF KANSAS CITY, MISSOURI AND KC HOTEL DEVELOPERS, LLC IN CONNECTION WITH THE DEVELOPMENT OF A HEADQUARTERS CONVENTION CENTER HOTEL AND RELATED IMPROVEMENTS, AS REVISED PER BOARD DISCUSSION, SUBJECT TO FINAL LEGAL AND STAFF REVIEW. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. NO. 10-2-16)

FURTHER DISCUSSION: Mr. Egan advised that he and Mr. Engel recently discussed the developer's fee requests with Mr. Okafor and Mr. Langenkamp. He stated that the parties agreed to a \$259,642.75 fee per the formula applied to the aggregate amount of bonds which was assumed to be \$172,717,000. He said that the LCRA fees for the final inspections and cost certifications could be waived because TIF would perform those functions. Mr. Egan advised that the LCRA would keep \$50,000 of the final plan review fee as TIF would also perform the bulk of the evaluation. He said that the developer had already paid the bond application and financing fees. Mr. Engel stated that the financial advisor's fee would be paid from bond proceeds. Mr. Landes clarified that the advisor fee would be paid from the issuance costs, which were a sub category of the bond proceeds.

ACTION TAKEN: APPROVED A MODIFIED LCRA FEE SCHEDULE ATTACHED AS EXHIBIT A TO THE FUNDING AGREEMENT BETWEEN THE AUTHORITY AND KC HOTEL DEVELOPERS, LLC REGARDING THE DEVELOPMENT OF A HEADQUARTERS CONVENTION CENTER HOTEL AND RELATED IMPROVEMENTS. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY. (RES. NO. 10-3-16)

EXECUTIVE SESSION

4. 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

5. **Adjourn.**

There being no further business, the meeting was adjourned at 4:25 p.m.





Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: October 26, 2016
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Michael Duffy
Daniel Edwards
Steve Hamilton
James White

Absent: Gabriel Okafor

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Lee Brown, EDC

Guests: Kerrie Tyndall, City of Kansas City, Missouri
Patrick Reavey, NAVAC, LLC
David Frantze, Stinson Leonard Street
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 for September 28, 2016 (Ex. 2)

DISCUSSION: Mr. Hamilton noted on the Agenda that Mr. White was not shown as attending the October 14, 2016 Affirmative Action meeting. Mr. White advised that the paragraph on page 7 should be corrected to read that he criticized the Springsted report for using suburban price estimations instead of comparing actual rehab costs for this project with other downtown rehab costs.

ACTION TAKEN: APPROVED THE MINUTES FOR SEPTEMBER 28, 2016, AS REVISED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

3. **Financial Report.** - Review and acceptance of Financial Report for the Month of September, 2016 (Lee Brown) (Ex. 3)

Mr. Brown gave a brief overview of the draft financial report for September, 2016, which was provided for review prior to the meeting.

DISCUSSION: Mr. Brown advised that the Longfellow Heights payable would be moving back to the City once the ordinance was finalized. He stated that the \$11,172 shown as deferred revenue on unspent Funding Agreements would become unrestricted funds. He said that the convention hotel developer had paid all past-due amounts. Mr. Brown advised that Millennia Housing had agreed to pay the past-due bills for Kensington Heights. He said that the account receivables were further reduced by Prairie Fire's payment for four months of rent. Mr. Brown stated that he would contact Truman Medical again about their unpaid bill for LCRA legal costs. Mr. Brown also introduced Mr. Knight as a new member of the Accounting Department.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR SEPTEMBER, 2016, AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

4. **Truman & Wyandotte Urban Renewal Plan** - *Downtown Convention Center Hotel Project* (Briand Engel) (Ex. 4)

The City approved formation of the Kansas City Headquarters Convention Center Hotel Community Improvement District ("CID") to provide additional funding sources for the project, including a 1.0% sales tax and a special assessment. The CID special assessments will be assessed against property owned by the LCRA and the collection agreement provides for collection of the CID special assessment by the county at more frequent intervals than once per year. The cooperative agreement is a three-party agreement among the CID, LCRA and Jackson County.

DISCUSSION: Mr. Engel stated that the County requested that the Board table this item as discussions were ongoing. He advised that substantive provisions of the Agreement, including issues related to project financing, were not yet finalized. He said the major point was the collection of CID assessments twice a year rather than the County's standard method of once a year. Mr. Engel advised that the County had no objection to the more frequent collection schedule. He noted that the City had already formed the CID and that the LCRA had voluntarily accepted assessment on the property despite its exempt status. He stated that additional documents, including a sale/leaseback agreement and real and personal property leases, were still being prepared and would be available for Board review at a later date.

ACTION TAKEN: TABLED.

5. **Central Business District Urban Renewal Area - Marriott-Muehlebach Hotel Complex Renovation Project** (Brian Engel) (Ex. 5A – 5C)

Kansas City Downtown Hotel Group, LLC (“KCDH”) is the owner of the Marriott-Muehlebach hotel complex (“Hotel”) located on the northwest and southeast corners of 12th Street and Wyandotte Street, and across the street from the Barney Allis Plaza, in Kansas City, Missouri. The Hotel contains a total of approximately 990 hotel rooms (“Hotel Rooms”). The City acquired from LCRA the land upon which that portion of the Hotel located on the northwest corner of 12th Street and Wyandotte Street (known as the Marriott Hotel and originally known as the Allis Plaza Hotel) was built (“Hotel Parcel”). The City also acquired from LCRA both (i) the multi-level, underground parking garage (the “Hotel Garage”), and (ii) the land (the “Hotel Garage Parcel”) located immediately beneath the Hotel Parcel.

KCDH, as the successor-in-interest to Heartland Hotel Associates, L.P. (“Heartland”), leases the Hotel Parcel from the City pursuant to a certain Hotel Lease dated as of December 1, 1987, as assigned by LCRA to the City (“Hotel Lease”). KCDH also leases the Hotel Garage and the Hotel Garage Parcel from the City pursuant to a certain Parking Garage Lease dated as of December 1, 1987, as assigned by LCRA to the City (“Hotel Parking Garage Lease”). The terms of the Hotel Lease and the Hotel Parking Garage Lease both end on November 30, 2037.

From 2009 through 2015, KCDH invested approximately \$24 million in capital improvements to the Hotel, including a complete renovation of public areas, ballrooms and meeting rooms. Neither the City nor LCRA participated in the funding of those capital improvements. KCDH currently intends to proceed with an additional capital investment, in the form of replacement of much of the existing furnishings within the Hotel Rooms, at an estimated cost of approximately \$1.7 million in private funds (with no public funding). KCDH has considered another substantial additional capital investment in the Hotel, consisting of a complete renovation of all of the Hotel Rooms and adjacent guest spaces (“Renovation”) at an estimated cost of approximately \$32.8 million. The City has agreed to fund a portion of the cost of the Renovation up to \$16.4 million, plus interest costs, payable out of: (i) 45% of City’s 7.5% convention and tourism sales tax on hotel rooms; and (ii) 90% of City’s 2.0% convention and tourism sales tax on food and beverages generated by the project. The City is also considering approval of a community improvement district (CID) that would impose a 1.0% sales tax at the hotels. CID sales tax revenue would reduce the City payments on a dollar for dollar basis. In addition, a proposed amendment to the Hotel Parking Garage Lease would reduce KCDH Purchase Price for the City-owned property from \$3,426,370.00 to \$1,000.

Finally, LCRA owns a parking garage (“Wyandotte Garage”) on the block bounded by 10th Street on the north, Baltimore Avenue on the east, 11th Street on the south, and Wyandotte Street on the west, in Kansas City, Missouri. Broadway Square Partners, LLP (“BSP”), as successor-in-interest to and assignee of Wyandotte Garage Corporation, leases the Wyandotte Garage from LCRA pursuant to a Parking Garage Lease and Development Agreement dated as of December 1, 1985 (“Wyandotte Parking Garage Lease”). The City is also considering acquiring a long-term right to grant to third parties the right to use up to

200 parking spaces within the Wyandotte Garage. BSP is willing to grant such rights to City if the City agrees to provide a portion of the funding for the Renovation. LCRA is being asked to consent to the grant of rights to the City under the Wyandotte Parking Garage Lease. KCDH has agreed to pay LCRA's costs incurred in connection with the project pursuant to terms of a Funding Agreement.

DISCUSSION: Mr. Hamilton reminded the Board that he was recused from this matter.

Mr. Engel advised that the LCRA's role in the project was greatly reduced because additional title work revealed that the City owned the land beneath the Marriott hotel and the garage beneath the hotel. He stated that the City had agreed to fund approximately 50% of the planned improvements and had approved the CID to offset some of those costs. He said that the City planned to use convention and visitor tax revenues to pay the developer for a portion of the improvements. Mr. Engel advised that title work showed the original LCRA lease had been assigned to the City. In addition, the LCRA ownership interest in the land beneath the hotel and the subsurface garage was conveyed to the City. Mr. Egan said he would verify that past audits had not carried the site as a LCRA asset.

Mr. Engel stated that the LCRA is the owner of the Wyandotte Garage at 10th and Walnut and that the tenant agreed to the City's request for the use of up to 200 spaces in the Wyandotte Garage. The LCRA, as landlord under the Wyandotte Garage lease, is being asked to consent to the grant of rights to the City. Mr. Frantze said that although public bonds were issued to fund the Wyandotte Garage development, they had been paid in full and the garage now acted as private enterprise. He explained that the LCRA leased the entire facility to the developer, which had complete control and ownership. He estimated that the lease ran to 2057 [Note: the Wyandotte Garage lease runs to 2084] so no public rights to the garage were expected. Ms. Tyndall advised that the City requested the spaces for lease for other adjacent and nearby development projects. Mr. Frantze stated that the lease with the tenant, Broadway Square Partners, required LCRA's consent to the assignment of the same. He advised that the City wished to avoid the \$6 Million cost to construct another parking garage through its utilization of the available existing spaces. Mr. Frantze stated that the Marriott and the Muehlebach were not the primary users of the parking garage. He noted that private companies, such as DST and KC Southern, also used the garage for their employees. Mr. Frantze advised that the owner could grant month-to-month rights to the City under the lease, but that the 30-year assignment would allow the cost to be financeable. He said that he had not provided a copy of the Cooperative Agreement to the Board because LCRA was not a party to the same. He added that LCRA counsel had previously reviewed the Cooperative Agreement. Mr. Frantze stated that the Cooperative Agreement provided for creation of the CID, reimbursement of renovation expenses, certification processes for costs, and MBE/WBE requirements. He stressed that the garage had the capacity to maintain 200 spaces for the City. He noted that the price would be adjusted to market costs on an annual basis.

Mr. Frantze stated that the City's agreement to sell the parking garage to the Muehlebach for \$1,000 was part of its room block agreement with the hotel. He explained that the assignment of parking and room rights allowed the City to avoid the multi-million dollar cost to construct a parking structure as well as boosted its image as a convention location. Mr. Frantze advised that the parking spaces not subject to market rates were used by employees of surrounding businesses. He stated that no renovations were planned for the Wyandotte Garage as it was considered functional. He said the City retained the right to pass its costs to the user. He advised that the City would pay the \$16.5 Million developer fee from a percentage of the tourism tax on hotel rooms as well as the convention and tourism sales tax on food and beverages. He added that any shortfall would be borne by the developer.

Mr. Frantze advised that the only change in the Marriot hotel lease was its reduction of the garage sale price. He reiterated that the City had no access to other parking except for the Wyandotte Garage. He added that parking garages always required subsidy as they were not operationally efficient.

ACTION TAKEN: CONSENTED TO GRANT OF PARKING RIGHTS TO THE CITY UNDER THE WYANDOTTE GARAGE LEASE AND APPROVED THE FUNDING AGREEMENT BETWEEN LCRA AND THE KANSAS CITY DOWNTOWN HOTEL GROUP, LLC. MOTION MADE BY MR. WHITE, SECONDED BY MR. EDWARDS, AND CARRIED BY THE FOLLOWING VOTE:

MR. DUFFY	AYE
MR. EDWARDS	AYE
MR. HAMILTON	RECUSED
MR. WHITE	AYE

(RES. NO. 10-4-16)

6. **Hospital Hill II Urban Renewal Plan** - *Consideration of Sale of Property to Milhaus Properties, LLC (Brian Engel) (Ex. 6)*

On March 23, 2016, the LCRA, by adoption of Resolution 3-4-16, approved the selection of Milhaus Properties, LLC and UC-B Properties for development of the Three Corners site at 27th Street and Troost Avenue. LCRA owns title to approximately 3.9 acres of property within the Three Corners site generally bounded by Troost Avenue on the west, 26th Street on the north, Forest Avenue on the east, and 27th Street within the Hospital Hill II Urban Renewal Area. LCRA, in conjunction with the City and the Beacon Hill master developer, Beacon Hill Developers, LP ("Master Developer"), has received a letter of intent and a proposed to commercial real estate sales contract from Milhaus Properties, LLC to acquire the property from LCRA for construction of a mixed-use residential, office and retail project as described in the redevelopment proposal. UC-B Properties proposal is

limited to the property located at 2701 Troost, which is owned by the City and is not part of the proposed sale.

The subject property and the surrounding Beacon Hill redevelopment area is located within and subject to a number of existing agreements and plans relating to the use of the Beacon Hill project area, which includes (1) the Beacon Hill Chapter 353 Plan (the “353 Plan”), (2) the Hospital Hill II Urban Renewal Plan, (3) the Re-Build Kansas City Neighborhoods Contract among the City, the Economic Development Corporation (“EDC”), LCRA, the EDC Charitable Fund (“EDCCF”), and the EDC Loan Corporation dated May 24, 2011, as amended (the “Re-Build KC Contract”), (4) certain Declaration of Covenants, Conditions and Restrictions dated February 12, 2007 (the “CCRs”), made by the City and granting authority to the HOA, and (4) a Development Contract dated October 17, 2006 (the “Master Development Agreement”) among the City, the Master Developer, and the Kansas City, Missouri Homesteading Authority (collectively, “Project Area Documents”). It is anticipated that the developer will seek Chapter 353 tax abatement and will be required to implement the mixed-use project in compliance with the requirements set forth in each of the Project Area Documents.

DISCUSSION: Mr. Engel reminded the Board that it had previously reviewed UC-B’s and Milhaus’ joint proposal to develop the 27th & Troost project. He advised that LCRA acquired the Three Corners property through the HEDFC property disposition program. He noted that previous plans for the site included a grocery store which was never developed. Mr. Egan stated that some parcels remained federalized under the blight provision. He advised that the contract was not included in the Board packet for consideration because the document was not yet finalized. He explained that the developer was still deciding if it should enter into a redevelopment contract with the LCRA or proceed with a simple sale contract under the existing Chapter 353 plan for Beacon Hill. He noted that the main difference between the two options was the inclusion of prevailing wage standards in the Chapter 353 requirements. He explained that the Board was being asked to approve the contract to allow the developer to proceed once it decided between the LCRA and Chapter 353 programs. Mr. Engel explained that the real estate contract prepared by the master developer was a standard realtor form and that he had reviewed the same. He advised that the City confirmed it would not enter into a separate development contract with the developer, in contradiction of language included in the realtor form contract referencing a separate city development contract. The reference to the separate city development contract will be deleted. Mr. Egan said that the 2701 Troost site was not included in the proposed sale and that UC-B Properties was determining if the building was salvageable. The Board declined to take action until the contingencies were resolved.

ACTION TAKEN: TABLED UNTIL FURTHER NOTICE.

7. **Columbus Park URA - NAVAC LLC** – *Termination of Redevelopment Agreement* (Bob Long)

Description: Staff recommends the termination of the Redevelopment Contract with NAVAC, LLC due to the failure to complete the project in a timely manner.

Project description: NAVAC, LLC originally proposed the \$1,171,566 acquisition and rehabilitation of the deteriorated commercial building at 1048 - 1050 E. 5th Street. EDC staff's in-house financial analysis was completed in December 2011. The analysis projected an Internal Rate of Return of 3.5% in the tenth year with property tax abatement and -13.71% in the tenth year without property tax abatement. Staff felt that the project was not feasible without assistance. The Authority approved the proposed Redevelopment Contract in 2011. An amendment to that Redevelopment Contract, which extended the completion date to September 30, 2014, was approved in November 2012.

The proposed project has not been completed and no Certificate of Tax Abatement has been issued.

Previous LCRA action: The Authority approved a Redevelopment Contract with NAVAC LLC in January 2011. An amendment to that Redevelopment Contract, which extended the completion date to September 30, 2014, was approved in November 2012.

Preliminary Project Discussion: N/A

Other governmental/statutory agency action: N/A

DISCUSSION: Mr. Long advised that the project's initial in-house financial analysis showed that the project was not feasible without tax abatement. He stated that the Redevelopment Contract was amended in 2012 to extend the project's completion date one year to September 30, 2014. He stated that the work performed on the project to date was not sufficient and recommended termination of the Redevelopment Agreement due to non-compliance.

Mr. Reavey advised that he originally planned for his law firm to occupy one side of the divided structure and that his wife would maintain an artist space in the adjoining area. He stated that he detailed the extensive work already completed in an e-mail to Mr. Long. He said that he had to rely on his personal finances because banks would not loan him the necessary money to fully renovate the building. Mr. Reavey advised that the banks based their refusals on an argument that the after value of the building was not sufficient to support the loan. He outlined his previous expenditures for the building's purchase, stabilization, tuck pointing, and brick parapet walls. He added that he submitted a bid for roof repair to the entire MBE/WBE City database but received only one bid. He explained that the bid was not feasible without a bank loan. Mr. Reavey stated that the two inquiries about purchasing the site did not support his vision for the building. He advised that the loss of the tax abatement would drastically affect the project.

Mr. Reavey concurred that he was in default and that the two completion deadlines were expired. He suggested an automatic termination if the project was not sufficiently completed at the end of a one-year period. He believed that

he could obtain the resources to make the roof repairs from his law firm's resources. He advised that sale of the building would result in a huge financial loss for him. He added that the building mortgage was almost completely paid. He commented that if the building was not rehabilitated, it would probably be torn down or a cheap renovation put in place. Mr. Reavey stated that the normal rehab and MBE/WBE processes did not work for this project. He advised that he and his wife remained committed to the project financially as well as emotionally. Mr. Reavey committed to following the MBE/WBE requirements for future work on the project.

Mr. Engel confirmed that the contract could be terminated, following notice and opportunity to cure, based on the developer's failure to complete the project.. Mr. Egan stated that the tax abatement would have no impact on the property because its market value had not changed since 2011. Mr. Reavey stated his belief that the appraised value would significantly increase once improvements were complete. Mr. Egan reiterated that a one-year extension would make no difference given the developer's restricted cash flow and five year inaction. He suggested that the Board could consider a 30-day cure period. Mr. Reavey advised that he was not adverse to any proposal which could recoup his losses.

Mr. Duffy stated that he could not justify the continued promise of public assistance for several reasons. He cited the vagueness of concrete plans for both the development and financing of the project as an example. He noted that the developer had not acted in bad faith but had gotten in over his head. Mr. Hamilton agreed. Mr. White disagreed and stated that he was not opposed to the one-year extension. He said that the developer's past financial influx into the project showed his commitment to the development. He suggested that Mr. Reavey restore the front of the building so that it was not in blighted condition. Mr. Reavey agreed that restoring the building's front would enhance its position in the neighborhood. He added that he would not have opposed termination if he did not believe he could obtain the necessary funds to continue the project. He stated that restoring the building's exterior would cost approximately \$40,000 and added that he already had architectural plans for the property. Mr. Egan suggested that a Certificate of Occupancy ("COO") and a sources and uses budget would be a more effective measure to gauge the project. He said that without the COO or budget, the developer's sluggish process would remain unchanged.

Mr. Edwards stated that the matter should be tabled to allow the developer time to present strategies for obtaining the necessary funds as well as a sources and uses budget to the Board. Mr. Engel advised that a formal notice of default with a set cure period would need to be issued before the Board could terminate its contract with Mr. Reavey. Mr. Egan stated that completing the façade of an unoccupied building could have negative repercussions. Mr. Reavey argued that one building would not affect the overall development of Columbus Park. He added that the building had historical significance and once housed the

Democratic Social Club. Mr. Duffy suggested that the developer should find a buyer to purchase the property.

Mr. Egan recommended that the Board table the matter until its December 21, 2016 meeting. He said that the developer could present his plan with attendant costs and plans to obtain sufficient funding for a COO to be issued for the building. He advised that the notice of default would be issued in the interim to allow for termination of the Redevelopment Contract at the December meeting should the Board decide to do so.

ACTION TAKEN: TABLED UNTIL DECEMBER 21, 2016 LCRA BOARD MEETING.

8. Administrative.

- a. Executive Director's Report - *Active Projects Tracking System Report* (Joe Egan) (Ex. 8A-1 and 8A-2)

DISCUSSION: Mr. Egan reported on the following projects:

- Uptown – Mr. Egan advised that the CID proposal would be heard today by the PZ&ED. He stated that he met with the Valentine Neighborhood Association to discuss their concerns about the CID's board structure.
- 13th & Locust/Interstate Building – Monitoring construction.
- 36th & Gillham/Warwick Building – Monitoring construction
- EDC Asset Manager – Mr. Egan said the issue may be readdressed once additional payables have been received. Mr. White noted that Mr. Reynolds acted as the TIF Commission's asset manager.
- Housing Policy – Ms. Tyndall advised that the City was researching several policy issues for the Housing Committee. She hoped that a more specific update could be presented to the Board at its November meeting. She agreed to contact the Philadelphia consultant used by the City to discuss workforce housing.
- 2100 Wyandotte/Arterra 21 – Mr. Egan advised that the owner planned to resubmit the project to the Board as a sale/leaseback project. Mr. Long stated that the developer decided against PIEA because of the time it would take to create a PIEA district. He said that another analysis of the project's funding revealed a \$12 Million gap caused by the unexpected lack of projected revenues. Mr. Long stated that the developer wished to continue the project if it could obtain sales tax assistance during the project's construction. He explained that the developer may also have to input more equity or obtain additional financing to help close the gap. Ms. Tyndall said that the City Manager supported the developer's sales tax exemption request. She noted that PIEA would increase the developer's initial out-of-pocket costs. Mr. Long

stated that the blight finding could become a political issue either for the City Council or the potential petitioners when amending a PIEA.

- **933 McGee/Pickwick** – Mr. Boyd reported that the project’s overall goals were 2.3% below its set standards. He said that the construction goals for WBE were 3.3% and MBE was .73%. He stated that he made a visit to the site about three weeks ago and it was about 15% complete.
- **Columbus Park** – Mr. Egan advised that occupancy should begin about November 1, 2016 and that there was already a wait list for the units. He stated that the developer wanted to purchase the remaining LCRA land and would meet with the community on November 1, 2016 to discuss Phase II of the project. He said that the developer had also contacted the Housing Authority about purchasing land owned by that entity. He added that staff inspections of the units revealed them to be of good quality.
- **Key Coalition** – Mr. Egan reminded the Board that the LCRA owned property in the Linwood Prospect shops area across the street from some of the residences contained in the Key Coalition URA. He advised that several calls had already been received asking about the development timeline for the Linwood shops. He said that Mr. Engel was drafting the necessary documentation under the ground lease for the project. Mr. Engel stated that the City Manager asked the developer for detailed specifications to ensure that funds were sufficient to develop both sides of the street.
- **3521 Summit/Norman School** – Mr. Long advised that the project was still in its permitting stages but that physical activity should begin soon.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

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

The Affirmative Action Subcommittee met on Friday, October 14, 2016 at the EDC offices. In attendance were Commissioner Steve Hamilton presiding Chairperson, Commissioner Gabriel Okafor, Commissioner James White, EDC staff Joseph Egan, Sandra L. Rayford, and Carl Boyd and Denice Eason of the Human Relations Department.

August 2016 HRD MBE/WBE Report – Carl Boyd presented a narrative report of the status of active LCRA projects. He also provided the Board with an Executive Summary spreadsheet of MBE/WBE utilization on those projects. The meeting primarily consisted of Human Relations staff reviewing the format of the report with the Commissioners. Included in your board packet is a copy of the reports provided.

DISCUSSION: Mr. Boyd advised that HRD was reviewing the Commissioners’ requests for a more streamlined report. He noted that Norman School had not yet submitted its contract utilization plan.

ACTION TAKEN: NONE; INFORMATIONAL ONLY


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 11:20 a.m.



Joseph F. Egan, Secretary



BOARD MEETING MINUTES

DATE: November 16, 2016
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Michael Duffy
Daniel Edwards (by telephone)
Steve Hamilton
James White

Absent: Gabriel Okafor

Staff: Joe Egan, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Greg Flisram, EDC
Bob Langenkamp, EDC
Robert Long, EDC
Sandra Rayford, EDC

Guests: Rich Cook, Arterra, LLC
Josh Udelhofen, Arterra, LLC
Jan Parks, CKCEDR
Jon Copaken, Copaken Brooks
Rob Roberts, Kansas City Star
Steve Vockrodt, Kansas City Star
David Frantze, Stinson Leonard Street
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. 2A and 2B)

- a. Minutes of the October 17, 2016 special meeting were provided for review prior to the meeting. (Ex. 2A)

ACTION TAKEN: APPROVED THE MINUTES FOR OCTOBER 17, 2016, AS PRESENTED. MOTION MADE BY MR. WHITE, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

- b. Minutes of the October 26, 2016 monthly meeting were provided for review prior to the meeting. (Ex. 2B)

ACTION TAKEN: APPROVED THE MINUTES FOR OCTOBER 26, 2016, 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 August, 2016* (Lee Brown) (Ex. 3)

DISCUSSION: Mr. Brown gave a brief overview of the draft financial report for October, 2016, which was provided for review prior to the meeting. He advised that revenues for the current year were down because revenues and expenses for the first phase of Columbus Park were completed in fiscal year 2014-2015. He noted that LCRA's costs for the Traders on Grand project would be recouped when it closed in February, 2017.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR OCTOBER, 2016, AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY.

4. **Arterra21/2100 Wyandotte URA; Arterra LLC** – *Authorize Preparation of a Short-Term Sale/Leaseback* (Bob Long) (Ex. 4A-4D)

Description: Staff recommends the approval of a short-term sale/leaseback with ARTERRA, LLC in order to facilitate a sales tax exemption on construction materials used in the project.

Project Description: The original Arterra21 project called for the development of a multistory mixed-use building with ground floor commercial space, structured parking an approximately 110 – 115 market-rate apartments. This project was approved by the Authority in March 2015 and subsequently approved the assignment and assumption of the Redevelopment Contract by a new affiliated developer. Due to technical issues, both the Authority and City Council reaffirmed their previous findings and approvals earlier this year.

ARTERRA, LLC, the new developer, has worked diligently to move the project forward; however, the transfer of ownership, change of contractor, and the need to reaffirm the Authority and City Council's previous actions have resulted in delays. During this time, there has been a significant increase in construction costs, resulting in the total project costs increasing from \$27.4 Million to nearly \$40.7 Million. Projected Net Operating Income has increased from \$1,698,277 to \$2,293,109. The increased costs have not been offset by the increased revenues.

ARTERRA, LLC has proposed a sales tax exemption on construction materials as a means of reducing the total project costs. This will still result in a decreased return to the developer, but the developer has indicated that this would be acceptable. In order for the Authority to grant a sales tax exemption during the construction period, it will be necessary for the Authority and ARTERRA, LLC to enter into a sale/leaseback arrangement for the duration of the construction period. The City has indicated it is supportive of this request.

The developer has not requested any change to the tax abatement previously approved (10 years at 100% of the increased property taxes with a 2% annual increase throughout the term of the abatement).

Springsted, Inc., which performed the initial financial analysis of the Arterra project, has prepared a memo updating their financial analysis to reflect the current project financials and the impact of a sales tax-exemption through the proposed short-term sale/leaseback (copy attached).

Previous LCRA Action: The Authority originally approved the Arterra21/2100 Wyandotte Urban Renewal Plan in November 2015; City Council approved the Plan in February 2015. The Authority subsequently approved a Redevelopment Contract with the original developer in March 2015 and subsequently affirmed its previous findings and approvals of the Plan and approved the assignment and assumption of the Redevelopment Contract to the new developer in March 2016. City Council reaffirmed its approval of the Plan in March 2016.

Preliminary Project Discussion: Copies of the Universal Application, Cost Comparison, AdvanceKC scorecard, and Springsted's memo updating the financial analysis were provided to the taxing jurisdiction representatives on Monday, November 7, 2016 as part of the AdvanceKC policy review process.

Other Governmental/Statutory Agency Action: N/A

DISCUSSION: Mr. Hamilton stated that he had to recuse himself from this matter because his law firm represented the applicant. Mr. Egan reminded the Board that it had previously approved standard LCRA property tax abatement for the project. He said that the developer was requesting an additional exemption for construction materials because its costs had risen dramatically. Mr. Copaken explained that the project's original numbers were unrealistic and that previously unknown and expensive structural issues caused the dramatic cost increase. Mr. Egan added that the sales tax exemption would be limited to the 1.5 year construction period.

Mr. Long advised that Springsted was available by phone to answer any questions but was not actively participating in the meeting in an effort to preserve costs for the developer. He presented a PowerPoint which highlighted the project changes. He acknowledged that the increase in costs over just one year might not seem credible, but stated that many local developers were experiencing comparable material and construction cost inflation. Mr. Udelhofen added that the original Springsted report also recognized the original developer's figures were much lower

than the RS Means range for this type of project. He advised that previously undiscovered infrastructure and necessary subsequent design changes contributed to the increase.

Mr. Copaken stated that the developer tried to offset its increased hard costs by charging higher rents. He advised that the 13% rent increase resulted in square footage increases from \$1.90 to \$2.15. He advised that the Arterra project might surpass market rates given its unique features. Mr. Udelhofen added that their market study supported the rent increase. He cited St. Louis as an example of product creating demand for luxury units as more people embraced the urban lifestyle. He stated that the 13% spike in rents generated over the past year would not be sustainable.

Mr. White stated that the higher rents skewed the return on investment which did not support further subsidy. Mr. Frantze advised that equalized numbers were used in the market overall because, as rates increased in the short-term, more product would be introduced to meet the demand. He said that rents were still rising because the equilibrium between short supply/increased demand versus supply glut/increased demand had not yet been reached. Mr. Frantze advised that the safe approach would be to determine when rent growth was consistent and then to rethink projections and subsidies. He noted that \$2 square footage rents had been standard for the last 6 to 9 months and had replaced the \$1.50 square footage rents from the past 2 to 3 years. Mr. Udelhofen added that rents for non-luxury units remained fairly flat. He confirmed that the developer had advised its lender that it expected rent growth for the first two to three years followed by flat rent growth thereafter. Mr. Copaken argued that the developer's hoped for 5.6% return did not negate its need for subsidy. He cited the relatively untested downtown market area for luxury units and unmatched rent requests as an argument against generalization.

Mr. Duffy supported the developer's case for additional incentive during the project's construction period. He questioned, however, its need for the full ten years of abatement. Mr. Egan and Mr. Duffy discussed the possibility of an initial 5-year abatement grant with a second 5-year option if the Board agreed that the project's yields warranted continued abatement. Mr. Egan argued that the Board could not offer anything more than its statutory 10 years if a project was in worse shape at its five year mark. Mr. Duffy expressed his belief that the healthy rent market for investors would persist throughout the City. Mr. Egan stated that lender uncertainty was created by the ambiguity of predicting future rent projections. He advised that the developer's projected rent increases did not offset its need for abatement. He explained that lender requirements probably required the developer's 2% to 3% projected increases for 3 to 4 years followed by flat growth.

Mr. Duffy and Mr. White cited several shortcomings of Springsted's one page updated report, including mathematical errors and lack of comparative analyses. Mr. Flisram argued that the initial Springsted report was issued 18 months ago when Arterra was the only luxury project proposed for the downtown area. He stated that Arterra could be more confident that the market would support its higher

rent projections because luxury projects such as One Light were performing much better than expected. Mr. Duffy and Mr. White also expressed their frustrations with Springsted's lack of documentation supporting its conclusions in the revised analysis. Mr. White said that the lack of local and historical comparable rent information affected the proforma and return on investment. Mr. Flisram replied that staff believed the project to be straight forward and the \$15,000 cost for an updated 18-month old Springsted report an unnecessary expense. Mr. Duffy stated that an updated report was necessary to explain the impact significant revenue increases would have on the financial analysis. He said the sale/leaseback switch opened up new questions about revenue projection which Springsted did nothing to address. Mr. Egan advised that the Springsted issues should be discussed by staff but did not materially affect the project at issue. He added that JE Dunn's payment of prevailing wages, unlike the developer's previous general contractor, also increased costs.

Mr. White asked that he and Mr. Flisram have a second discussion about Springsted's reporting. He stated that actual rehab costs from the downtown or crossroads areas should be used rather than the RS Means use of metro for comparison purposes. He acknowledged that an updated report could create additional cost for the developer. He stressed, however, the need for real time market information as opposed to the automatic assumption of a 2% increase. Mr. Flisram advised that the EDC did not have the capacity to collect data so it could analyze costs for rehab projects. Mr. Langenkamp suggested tracking post-construction project numbers through the MBE/WBE system maintained by the City. Mr. Duffy noted that the City's system did not track rental rates.

Mr. Copaken advised that the developer's application mistakenly stated that the project would not be feasible even with abatement. Mr. Frantze said that the developer based its rates of return on Springsted's definition of reasonable amounts. He asked that the record reflect that the developer requested no change in the awarded property tax abatement and that the City and sales tax jurisdictions supported its request for the construction exemption. Mr. Engel confirmed that the sale/leaseback documents were still in preliminary discussions with the developer. He said several structural issues which remained to be discussed were closing provisions in the standard sale/leaseback redevelopment contract and LCRA's role as borrower under the loan documentation. Mr. Engel advised that the developer would pay a PILOT during the construction period and that the tax abatement would commence once LCRA completed transfer of the property to the developer.

ACTION TAKEN: AUTHORIZED PREPARATION OF A SHORT-TERM SALE/LEASEBACK WITH ARTERRA LLC FOR THE CONSTRUCTION OF THE ARTERRA PROJECT WITHIN THE ARTERRA21/2100 WYANDOTTE URBAN RENEWAL AREA. MOTION MADE BY MR. WHITE, SECONDED BY MR. EDWARDS, AND CARRIED BY THE FOLLOWING VOTE:

MR. DUFFY AYE
MR. EDWARDS AYE
MR. HAMILTON RECUSED
MR. WHITE AYE

(RES. NO. 11-1-16)

5. **Administrative.**

- a. **Executive Director's Report** - *Active Projects Tracking System Report* (Joe Egan) (Ex. 5A-1 and 5A-2)

DISCUSSION: Mr. Egan reported on the following projects:

- **Columbus Park** – Mr. Egan advised that 108 units were complete and would be leased within the month. He would meet with the City and developer this afternoon to discuss funding the next phase of infrastructure. He stated that the developer wanted to buy the remaining LCRA lots in the area to continue development. He said the developer's proposal would hopefully be presented at the Board's December 21, 2016 meeting. He added that 25% of the units were affordable housing.
- **Uptown CID** – Mr. Egan stated that the City Council approved the CID which would become effective on April 1, 2017. He advised that the CID Board's first public meeting would be this Friday, November 18, 2016. He noted that the Valentine Neighborhood Association was kept apprised about the CID's progress and meetings.
- **Prevailing Wage** – Mr. Egan stated that the recent City approval of reduced tax abatement could impact a project's ability to pay prevailing wage. Mr. Duffy noted that the EEZ program was mistakenly omitted from the 75% requirement by the City Council. Mr. Egan replied that the City would have to determine how job programs such as EEZ would or should be affected by its new limits on subsidy programs.
- **Downtown Workforce Housing Policy** – Mr. Duffy commented that the City had not responded to the LCRA's January 5, 2016 letter suggesting that redevelopers set aside 20% of its downtown residential units for renters meeting LIHTC income guidelines. Mr. Egan added that many workforce housing requirements were expiring which would allow such units to become market rate. He noted that the lack of affordable housing in the downtown area could hinder retail businesses from finding employees. Mr. White commented that since the existing units were being pulled off the market, reaching a threshold for workforce housing in a certain area would not be a problem. The Board members agreed that a workforce housing policy applicable to LCRA projects should be formulated. Mr. Egan advised that the City's newly adopted 75% abatement restriction applied only to new urban renewal plans. He stated that issues such as enforcement and management to ensure projects maintained their

workforce status would need to be addressed. He said that the Authority's form redevelopment contract would have to be redone to terminate tax abatement if the developer failed to provide such workforce housing. Ms. Rayford suggested that the Authority follow HUD procedure and require owners seek approval for any rent increase. Mr. Duffy cautioned that unlike the LCRA, MHDC had an administrative mechanism in place to monitor rent increases.

- **HRD** – Mr. Hamilton advised that HRD was not responsive to developers regarding setting goals after the developer sent in its budget. Ms. Rayford agreed and said that developers were not technically supposed to contract or advertise until HRD provided its goals. She stated that HRD often took a year to respond to contractors who, because of time schedules, had not waited for a response and had begun development of their projects. Mr. Egan stated that he would ask Mr. Langenkamp to bring the matter to the attention of City management. Mr. Hamilton also noted that HRD had requested a policy change already enacted by the LCRA almost one year ago. He explained that a policy proposed by HRD asked that it determine good faith efforts and that the agencies either accept or deny HRD's determination and then apply remedies, if any. Mr. Engel advised that HRD was requesting such a policy change for all agencies as City ordinances were silent on the issue.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

- b. **Tax Abatements** – There were no tax abatements approved in October, 2016.

EXECUTIVE SESSION

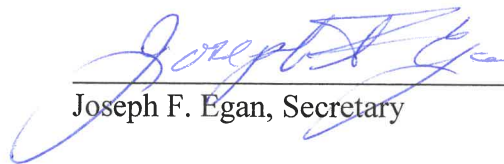
- 6. Consideration of legal, real estate and personnel issues, and other matters related thereto, pursuant to Sections 610.021(1)(2)(3) RSMo.

RESUME BUSINESS SESSION

- 7. Adjourn.

There being no further business, the meeting was adjourned at 11:30 a.m.





Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: December 19, 2016
TIME: 9:00 a.m.
PLACE: Clay Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Michael Duffy (via telephone)
Daniel Edwards (via telephone)
Gabriel Okafor (via telephone)
James White (via telephone)

Absent: Steve Hamilton

Staff: Joe Egan, LCRA
Susan Tuney, LCRA
Bob Langenkamp, EDC

Guests: Mike Burke, Burke Payne
Rob Roberts, Kansas City Business Journal
Steve Vockrodt, Kansas City Star
Steve Rattner, KC Hotel Developers, LLC
Roxsen Koch, Polsinelli
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. Truman & Wyandotte URP - *Consideration of Lease Purchase Agreement for Downtown Convention Center Headquarters Hotel Project* (Brian Engel) (Ex. 2A-2B)

LCRA and the City Council previously approved the Truman & Wyandotte Urban Renewal Plan, which is generally bounded by Truman Road on the north, Baltimore Avenue on the east, W. 16th Street on the south, and Wyandotte Street on the west, to provide assistance for the planned development of a convention center headquarters hotel and to eliminate blighting conditions found to exist on the site. The hotel project is to be funded by: 1) proceeds from bonds issued by LCRA in multiple taxable and tax-exempt series, (2) proceeds from a mortgage loan pursuant to a note issued by LCRA, (3) a city contribution of \$35 million generated from proceeds of bonds issued by the City, and (4) developer equity. LCRA also approved a resolution expressing its intent to issue bonds in an original principal amount not to exceed \$200 million to fund a portion of the project costs and LCRA has selected a team of bond financing professionals.

In October, 2016, LCRA approved a Redevelopment Agreement among LCRA, TIF Commission and KC Hotel Developers, LLC for the development of the hotel, which agreement, among other things, contemplates that LCRA will acquire the property within the Urban Renewal Area from the City and the developer and lease the property to the developer in accordance with a separate Sale/Leaseback and Redevelopment Contract and a Lease Purchase Agreement. It is anticipated that the real estate and financing transactions will close at the same time when all of the conditions precedent to such transactions have occurred. In the LCRA board packet today are the Lease Purchase Agreement and a resolution approving the Lease Purchase Agreement.

DISCUSSION: Ms. Koch and Mr. Engel advised that the First Amended Master Financing Agreement required approval of the Lease within 120 days of August 22, 2016, or by December 20, 2016. Ms. Koch stated that either the City or the developer could terminate the Master Financing Agreement or extend the due diligence date if the Lease was not approved by such date. She said that the LCRA had reviewed but not approved the Master Financing Agreement because it was not a party to the same. Mr. Engel advised that the lender would also review the Lease once the project's financing was finalized. Mr. Engel noted that it was standard in LCRA's sale/leaseback agreements for the LCRA to act as borrower and pledge its ownership interest in the project as collateral. He said that the developer would be responsible for the mortgage payments as well as additional expenses such as the CID. Mr. Engel stated that the mortgage was referenced in the Lease recitals and Section 3.1 regarding Base Rent. Ms. Koch added that the Redevelopment Contract outlined the financial plans for the hotel and had been previously approved by the Board. She noted that LCRA would review and approve the loan documentation once the developer finalized the same. Mr. Engel and Ms. Tumey confirmed that they would e-mail the Master Financing Agreement and the flowchart prepared by Stifel to Mr. Okafor.

Mr. Engel advised that Item E on page 2 referenced the Sale/Leaseback Redevelopment and Acquisition Funding Agreement, which would be reviewed by the Board at a later date. He stated that the purpose of the Sale/Leaseback Agreement was to govern the acquisition of the properties from the City and Hereford House. He said that a separate agreement covered the transfer of the City's property to the LCRA. Mr. Engel advised that the developer was still in negotiations with the American Hereford Association for its property. He explained that the LCRA would own both properties once the Sale/Leaseback Agreement and Lease became effective at the closing of the bond financing and loan transactions in spring 2017.

Mr. Engel advised that the lender would dictate any extensions for any late rent payments as described in Section 3.4. He noted that Section 15.1.9 provided that the tenant would not be in default if the Bank notified the Landlord/LCRA that it was in negotiations with the tenant about the payment failure. Mr. Engel stated that some lender provisions could change once the lender reviewed the Lease. He cited the catch-all phrase "[o]ther insurance" in Section 8.2.8 as an example of a condition which could change depending on the insurer's

requirements for projects of this size. Ms. Koch added that the 30-day notification and cancellation provisions in Section 8.3 regarding Policy Criteria were also boilerplate insurance industry verbiage.

Mr. Engel confirmed that Sections 10 and 17 outlined the conditions for reversion of the property to the developer and the tenant's purchase of the property at any time during the term of the Lease Purchase Agreement. Mr. Egan and Ms. Koch advised that the reversion language was standard in the LCRA's sale/leaseback agreements. Mr. Egan stated that no public interest accrued in the appreciation of the property through public financing. He explained that the bonds were not backed and that the borrower was using private debt to help finance the project. He said that any public interest in property appreciation at the end of the term would probably be eclipsed by the site's capital expenses to keep the project current. Ms. Koch added that, for IRS purposes, the triple net capital lease structure allowed the LCRA to own the property and the tenant to deduct the appreciation.

Mr. Engel verified that the tenant could transfer hotel operations without LCRA consent to a Qualified Lessee per Section 11.1 of the Lease Agreement. He added that provisions in the Master Financing and Redevelopment Agreements also allowed such transfer. Ms. Koch explained that Section 11.2 prohibited the tenant from transferring controlling interest of its corporate ownership without prior LCRA approval.

Mr. Egan suggested that the tenant notify the LCRA when it made its monthly rent payment to the bank to ensure LCRA's monitoring responsibilities outlined in Section 15.1.1 were successfully enabled. He stressed the skyline imprint of the hotel project and need to ensure no party became financially insolvent. Mr. Rattner agreed to notify the LCRA when the developer made its rent payments. Ms. Koch advised that the lender would also automatically notify the LCRA if the tenant failed to make a payment. She stated that any default notifications given by LCRA under Section 15.1.8 were given by election but LCRA was under no obligation to place the tenant in default.

Mr. Engel advised that the loan would always be non-recourse to the Landlord in the event of default as described in Section 15.1.9 because LCRA's only collateral interest was the land and improvements. He stated that the bond payments were not referenced in this Section because each bond had its own stream of revenue and security. Ms. Koch clarified that the tenant was obligated to make Basic Rent Payments as well as additional obligations such as taxes and special assessments.

Mr. Engel stated that Section 15.2 regarding Remedies had been revised and distributed the new draft page. He said the phrase "exercise such remedies as are set forth in...(if permitted under such Agreements)" was eliminated and replaced with a new sentence - "Landlord and Tenant shall cooperate to modify Section 15.2 for consistency with other Agreements to be negotiated as part of

project financing.” He advised that the Intercreditor Agreement and Master Covenants Agreement would govern the flow of funds for the project and would be finalized once such the different sources of funding and disbursements were coordinated.

Mr. White questioned the standard policy of allowing the tenant to purchase the premises for \$1.00 as outlined in Section 17.1. Mr. Duffy suggested that the policy should be discussed at a later date as the project at issue had progressed too far to make changes on this issue. Ms. Koch advised that the First Amended and Restated Master Financing Agreement provided for the City’s public participation in value once certain conditions were met. She stated that the Master Financing Agreement had no expiration date so the tenant remained indefinitely obligated to the City to provide such valuation. Mr. Okafor noted that the LCRA was not involved in the negotiations between the City and the developer about this matter.

Ms. Koch advised that the lender would probably not seek additional guarantors for the payment of bonus value taxes as described in Section 9.1. She stated that Missouri law stipulated that bonus value could only be taxed against leasehold interest which was held by the tenant. She said that the lender would underwrite payment of any taxes or liens against the property. Ms. Koch added that she expected no tax challenges from the County because it was extremely supportive of the project. She noted that the County or lender could foreclose on the property if taxes were not paid. She said that the lender could also require an escrow account for the taxes.

Mr. Engel stated that the LCRA had the ultimate option of transferring the property even if no default had occurred under Section 17.2. He advised that the LCRA must allow the tenant and/or the lender time to cure the problem before the transfer could occur. He said that once LCRA transferred the property, its obligation to cooperate with tenant in any tax dispute under Section 9.2 would terminate. Ms. Koch disagreed and stated that LCRA had a good faith requirement to work with the tenant on any tax challenge. She advised that LCRA incurred no risk because the tenant paid all of LCRA’s costs incurred in the challenge. Ms. Koch noted that because LCRA owned the property, it would have to participate in any tax contest. She proposed that the LCRA, if it still felt at risk after exhaustion of its Section 9.2 obligations, could then exercise its Section 17.2 right to transfer the property. Mr. Engel suggested that the phrase “good faith effort” should be defined to ensure agreement among the parties. Ms. Koch stated that the language should provide that LCRA exhaust all reasonable efforts to contest a tax, culminating in its participation in a legal challenge at the Missouri Supreme Court level. Mr. Egan advised that the LCRA should participate in any tax contest to protect its statutory interests and ability to provide tax relief as a redevelopment tool for blight removal.

Mr. Engel advised that reasonableness standards requiring the LCRA to cooperate with the tenant regarding tax contests were included in both Sections

9.2 and 17.2. Ms. Koch stated that as long as the tenant was diligently pursuing its tax case in accordance with Missouri law, the LCRA should not exercise its transfer ability. Mr. Rattner questioned why the LCRA would not work with the tenant in the normal tax appeal process. Mr. Egan acknowledged that LCRA's interests might be better utilized in another tax case, but noted that the LCRA was merely cooperating with the tenant as main litigator. Ms. Koch cautioned that changing the standard sale/leaseback language regarding LCRA's transfer abilities could make or break the hotel's tax-exempt status or become an underwriting issue for its lenders. She clarified with Mr. Duffy that as long as the LCRA followed the existing reasonableness standards, language could be added to the agreement to exempt the LCRA from participation in a tax contest once its transfer option was exercised.

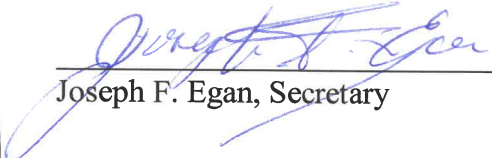
Mr. Engel and Ms. Koch confirmed that the Board was being asked for approval of the agreement subject to further legal and staff review. Ms. Koch added that the agreement would also be subject to review by the lender. Mr. Engel noted that the proposed Resolution said the lease was being approved in substantial form and would become effective only upon LCRA's ownership of the property. Ms. Koch advised that the Board's approval of the loan documents would in effect approve the changes in the Lease Agreement. Mr. Engel requested that the changes in Section 24 to broaden the scope of indemnification also be noted for the record. Ms. Koch said she had no objections to the changes in Section 24.

ACTION TAKEN: APPROVED LEASE PURCHASE AGREEMENT, SUBJECT TO FURTHER LEGAL, LENDER, STAFF, AND BOARD REVIEW. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. WHITE, AND CARRIED UNANIMOUSLY. (RES. NO. 12-1-16)

3. Adjourn.

There being no further business, the meeting was adjourned at 10:37 a.m.





Joseph F. Egan, Secretary

BOARD MEETING MINUTES

DATE: December 21, 2016
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Michael Duffy
Daniel Edwards
Steve Hamilton
James White

Absent: Gabriel Okafor

Staff: Joseph Egan, LCRA
Susan Tumey, LCRA
Bob Langenkamp, EDC
Bob Long, EDC

Guests: Don Lee, Community Development Center of Kansas City
Eric Wyancko, Copaken Brooks
Carl Boyd, City of Kansas City, Missouri
Andrea Dorch, City of Kansas City, Missouri
Claude Page, City of Kansas City, Missouri
Herb Hardwick, Hardwick Law
Don Maxwell, Linwood Center
Hillary Zimmerman, McCormack Baron (by telephone)
Rich Cook, Stinson Leonard Street
Brian Engel, White Goss

Vice-Chairman White 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 November 16, 2016 special meeting were provided for review prior to the meeting.

ACTION TAKEN: APPROVED THE MINUTES FOR NOVEMBER 16, 2016, AS PRESENTED. MOTION MADE BY MR. DUFFY, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

3. **Financial** – *Review and acceptance of Financial Report for the Month of November, 2016* (Lee Brown) (Ex. 3)

Mr. Brown gave a brief overview of the draft financial report for November, 2016, which was provided for review prior to the meeting.

DISCUSSION: Mr. Brown advised that Prairie Fire, Holtman Heights, and Arterra had submitted payments after the financial report was finalized. He noted that LCRA's current operating loss was less than last year's because Columbus Park Phase I construction costs had contributed to last year's increase. Mr. Egan confirmed that he had contacted both the developer and his attorney regarding the amounts due for the Interstate Building project.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR NOVEMBER, 2016, AS PRESENTED. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

4. **Central Business District** – *Consideration of A Proposal For The Application Of Remaining Loan Funds to Quality Hill* (Joe Egan) (Ex. 4)

In 1988, the Authority made a loan to McCormack Baron in the amount of \$1,755,000. The purpose of the loan was the purchase of additional properties in the Quality Hill Redevelopment Area for future phases of development, following the development of Phase I beginning in 1985. The loan was secured by a Deed of Trust on those additional properties. LCRA's records show that the source of these funds was Section 108 through the City.

By 1992, following the development of Phase IIA of Quality Hill (being Block 54 and The Cordova Hotel), the balance of the loan was \$540,000. The only remaining security for the \$540,000 loan was the parking property adjoining Phase IIB.

Ownership of the parking property transferred from McCormack Baron to the Quality Hill Parking Partnership in 1992. Title work from that time shows ownership in the Quality Hill Parking Partnership, subject to a first mortgage in favor of the Hall Family Foundation in the amount of \$650,000 and a second mortgage in favor of LCRA for the balance of \$540,000.

In 2006, the Quality Hill IIB Partnership obtained a Private Letter Ruling from the IRS to convert the 84 LIHTC units in QHIIB to affordable condos. At the time of the anticipated condo conversion, the investor, SunAmerica, purchased all of the subordinate debt, including soft debt from the City, the DMDC, the Hall Family Foundation and LCRA. LCRA gave a full release of its Deed of Trust in 2008. In addition, LCRA supported the affordable condo conversion effort with a deposit of \$252,000 into escrow at the title company, under an escrow agreement that provided \$3,000 to each condo buyer to be used toward "down payment and/or closing cost assistance."

Sales efforts began in 2008 (at the onset of the worst time in the home sales market), with the result that only 18 units were sold. Not only was it almost impossible to find mortgage financing for affordable income buyers, but finding interested buyers was surprisingly difficult. At the present time, only a couple of units are still rented, and the buildings have remained largely vacant over the past few years.

In 2014, we reviewed these results with MHOC, whose support for the Private Letter Ruling had been instrumental. MHDC agreed with our conclusion that the conversion effort had not worked, and they agreed to and subsequently released the LURA which had required continuing affordability on all rental units and condo sales and resales.

Currently, SunAmerica, in cooperation with the Quality Hill IIB Partnership, has instituted a program for the preservation of Quality Hill Square (as it is now known), to include: (1) a modest rehab of the rental units for necessary repairs and updates in order to “retenant” the project; (2) the rehab of various common elements in the buildings; and (3) the marketing of certain condo units in the buildings containing a concentration of condo units, to minimize the mixing of rental and sales units within buildings. Approximately \$1,200,000 will be invested in the property to rehab and remarket rental units and to repair and rehab common elements of the buildings.

Brokers Title, LLC in Overland Park, Kansas holds the escrow of LCRA funds. They report a balance of approximately \$200,000 left in the account. The Agreement calls for the return to LCRA of any funds remaining after July 1, 2014.

Given the on-going effort to preserve Quality Hill Square as a decent and safe community of both rental and condo units, we request that the balance in the escrow be used as follows:

- (1) Extend the termination date from July 1, 2014, to December 31, 2018, to provide assistance to approximately 7-10 future additional buyers, so that approximately \$30,000 would remain in the escrow account with the title company; and
- (2) Direct that the approximately \$170,000 balance be granted in equal shares to the Quality Hill IIB Partnership (the owner of the rental units) and to the Quality Hill Square Condo Association (still managed by McCormack Baron) to apply toward the rehab of rental units and the rehab of common elements.

Our proposal to use the remaining LCRA escrowed funds for the uses outlined above over the next two years is entirely consistent with the CDBG regulations when taken in context over the entire history of Quality Hill. The required percentage of affordable use has more than completely been met, both in terms of elapsed time (more than 25 years) and dollars remaining (\$200,000 out of \$1,750,000).

DISCUSSION: Mr. Egan gave a brief overview of the staff report. Ms. Zimmerman stated that the project consisted of 84 units in 8 buildings in the Quality Hill district west of Broadway. Mr. Egan advised that McCormack Baron planned to use about \$170,000 of the escrowed funds for repairs on the condo units. He said the remaining \$30,000 would be used by Quality Hill Square for low to moderate rent

assistance. Ms. Zimmerman said that the funds would be returned to the City if the Board disallowed their use by McCormack Baron of the escrowed Section 108 monies. She confirmed that two of the buildings would offer condo units for sale after the project was renovated. She stated that the remaining six buildings would rent units at monthly rates of \$900 to \$1,200. Ms. Zimmerman cited the 2008 housing recession and buyers' subsequent inability to obtain financing as reasons for past marketing failures. She advised that MHDC prohibited rental of the units and they therefore had to remain empty until they were sold. She said that MHDC had only recently agreed to lift the rental restriction because of the difficulties in selling the units since the 2008 recession. Ms. Zimmerman acknowledged the lack of sales during the recent rebound of the rental and housing markets. She cited a recent investor's willingness to capitalize the project and the sale of two condos as indications of currently successful marketing.

Ms. Zimmerman advised that the \$30,000 used for low to moderate assistance equated to about \$3,000 per purchaser for closing and down payment costs. She stated that affordable housing was not feasible for the project because of the carved-up nature of the units. Mr. Egan added that the original tax credit time frame had expired. Ms. Zimmerman said that McCormack Baron wished to extend the timeline for the return of the funds under the original Escrow Agreement to December 31, 2018. She stated that condo sales were expected to be complete by the end of 2018. Mr. Egan acknowledged that the 84 units were being converted from affordable to market rate housing. He reiterated that the MHDC affordable restriction required the units to be unrented and vacant until they were sold. He also noted that the surrounding areas of Hospital Hill and Longfellow Heights contained several affordable housing units. He explained that the two-year delay since the original 2014 expiration date resulted from McCormack Baron's attempts to work with the MHDC in an attempt to remedy the situation. Ms. Zimmerman stated that the rents should be considered affordable given the current market and their attempt to preserve the Quality Hill area. She advised that McCormack Baron could not commit to maintaining the rents at the stated level.

Mr. Duffy and Mr. White expressed concerns about changing the project to market rates because of the lack of affordable housing in the downtown area. Mr. Egan noted that the project would proceed without the LCRA monies. Mr. White suggested that the escrowed funds could be transferred to McCormack Baron with an affordable restriction. Because of the Board's concerns and the unstable phone connection with Ms. Zimmerman, the Board tabled the matter until its January, 2017 meeting.

ACTION TAKEN: TABLED TO JANUARY 25, 2017 LCRA BOARD MEETING.

5. Arterra21/2100 Wyandotte URA – *Proposed Selection of Developer (Bob Long) (Ex. 5A-5B)*

Description: Staff recommends the selection of a developer for the development of a multi-story mixed-use building with off-street parking within the Arterra21/2100 Wyandotte URA.

Project description: The original Arterra21 project called for the development of a multistory mixed-use building with ground floor commercial space, structured parking an approximately 110 – 115 market-rate apartments. ARTerra, LLC, the new developer, has seen a significant increase in construction costs, resulting in the total project costs increasing from \$27.4 Million to nearly \$40.7 Million. Projected Net Operating Income has increased from \$1,698,277 to \$2,293,109. The increased costs have not been offset by the increased revenues.

ARTerra, LLC proposed a sale/leaseback arrangement with the Authority for the duration of the construction period. The City has indicated it is supportive of this request. At its November 16, 2016 meeting, the Authority authorized the preparation of sale/leaseback documents for this project.

Staff prepared and issued a Request For Proposals (copy attached) for the development of a multi-story mixed-use building with off-street parking within the Arterra21/2100 Wyandotte URA on November 28, 2016 with proposals due by 3:00 p.m., Friday, December 9, 2016. One proposal was submitted prior to the submittal deadline.

ARTerra, LLC's proposal (copy attached) appears to be responsive to the RFP. Staff believes selection of ARTerra, LLC as the developer would lead to the successful completion of the proposed project in accordance with the Arterra21/2100 Wyandotte URA.

Previous LCRA Action: The Authority originally approved the Arterra21/2100 Wyandotte Urban Renewal Plan in November 2015; City Council approved the Plan in February 2015. The Authority subsequently approved a Redevelopment Contract with the original developer in March 2015 and subsequently affirmed its previous findings and approvals of the Plan and approved the assignment and assumption of the Redevelopment Contract to the new developer in March 2016. City Council reaffirmed its approval of the Plan in March 2016. The Authority authorized the preparation of sale/leaseback documents at its November 16, 2016 meeting.

Preliminary Project Discussion: N/A

Other governmental/statutory agency action: N/A

DISCUSSION: Mr. Hamilton recused himself from this matter for the record because his firm represents the developer. Mr. Long reminded the Board that it authorized the sale/leaseback for the project at its November, 2016 meeting. He advised that a Request for Proposal for a developer was issued in the interim, to which ARTerra, LLC provided the only response.

ACTION TAKEN: SELECTED ARTERRA, LLC AS DEVELOPER FOR THE CONSTRUCTION OF THE ARTERRA PROJECT WITHIN

THE ARTERRA21/2100 WYANDOTTE URBAN RENEWAL AREA. MOTION MADE BY MR. DUFFY, SECONDED BY MR. EDWARDS, AND CARRIED BY THE FOLLOWING VOTE:

MR. DUFFY AYE
MR. EDWARDS AYE
MR. HAMILTON RECUSED
MR. WHITE AYE

(RES. NO. 12-2-16)

6. **Columbus Park URA - NAVAC LLC** – *Termination of Redevelopment Agreement* (Bob Long) (Ex. 6)

Description: Staff recommends the termination of the Redevelopment Contract with NAVAC, LLC due to the failure to complete the project in a timely manner.

Project description: NAVAC, LLC originally proposed the \$1,171,566 acquisition and rehabilitation of the deteriorated commercial building at 1048 - 1050 E. 5th Street. EDC staff's in-house financial analysis was completed in December 2011. The analysis projected an Internal Rate of Return of 3.5% in the tenth year with property tax abatement and -13.71% in the tenth year without property tax abatement. Staff felt that the project was not feasible without assistance. The Authority approved the proposed Redevelopment Contract in 2011. An amendment to that Redevelopment Contract, which extended the completion date to September 30, 2014, was approved in November 2012.

The proposed project has not been completed and no Certificate of Tax Abatement has been issued.

Previous LCRA Action: The Authority approved a Redevelopment Contract with NAVAC LLC in January 2011. An amendment to that Redevelopment Contract, which extended the completion date to September 30, 2014, was approved in November 2012. A Notice of Default/Termination was issued to the Developer via certified mail, return receipt requested on November 9, 2016. The Developer received the Notice on November 14, 2016 but has not yet responded. A copy of the Notice is attached as Exhibit 6.

Preliminary Project Discussion: N/A

Other governmental/statutory agency action: N/A

DISCUSSION: Mr. Long recommended termination of the Redevelopment Contract with NAVAC LLC regarding the project at 1048-1050 E. 5th Street. He advised that a Notice of Default was issued to the developer on November 9, 2016, as indicated by Exhibit 6. He said that the developer had neither contacted staff nor provided any additional documentation to protest the default since his appearance at the October 26, 2016 LCRA Board meeting. Mr. Egan stated that the property's tax

bill indicated it had slightly decreased in assessed and market value during the past six years, which obviated its need for tax abatement.

ACTION TAKEN: APPROVED TERMINATION OF THE REDEVELOPMENT CONTRACT WITH NAVAC LLC AND ANY TAX ABATEMENT FOR THE REHABILITATION OF 1048 – 1050 E. 5TH STREET WITHIN THE COLUMBUS PARK URBAN RENEWAL AREA. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

(RES. NO. 12-3-16)

7. **Administrative.**

- a. **Affirmative Action Policy** – *Consideration of HRD Proposal for Uniform Affirmative Action Policy (Joe Egan) (Ex. 7A-1 – 7A-2)*

DISCUSSION: Mr. Engel and Mr. Hamilton advised that the determination of a developer’s Good Faith Efforts (“GFE”) needed to be clarified. Mr. Engel said that the proposed policy provided for the Human Relations Department (“HRD”) director to determine GFE but allowed the developer to appeal any deficiency to the HRD. He stated that the proposed policy also appeared to let the LCRA Board determine if GFE were met as well as if any penalty should be imposed. Ms. Dorch confirmed that Mr. Yelder and Mr. Langenkamp had recently agreed that HRD would determine GFE while the LCRA would determine only the penalty. Mr. Hamilton stated that the LCRA should have exclusive determination regarding any damages with no input from HRD. Ms. Dorch replied that HRD would consider the suggestion with its legal department. She added that the uniform policy was an attempt to eliminate confusion for developers between the varying agency policies as well as alleviate any adversarial role between staff and HRD.

Mr. Hamilton advised that disagreement between HRD and the LCRA could create political difficulties. He cited as an example a circumstance where the LCRA, despite a negative GFE from HRD, did not impose a penalty or imposed a penalty considered weak by the trades. Ms. Dorch stated that the LCRA might have remedies unknown to HRD which supported its selection as sole determiners of any penalties. Mr. Egan and Mr. Engel stated that the Board already had authority to assess liquidated damages for breach of the Affirmative Action Policy. Mr. Engel advised that he would need to review the Contract’s language to determine if any penalties allowed for non-termination of the Contract. Mr. Hamilton suggested that future Redevelopment Contracts include language allowing the LCRA to take whatever action it deemed appropriate. He reiterated that LCRA’s rejection of a HRD negative assessment could put the LCRA in an awkward position.

Mr. Hardwick stated that the TIF Commission reviewed the GFE analyses to determine if it disagreed with HRD's report. He said that TIF historically factored their disagreement into its decision regarding any actions against the developer. Mr. Hamilton noted that the LCRA and TIF policies could conflict if the LCRA ceded GFE determination to HRD. He added that the LCRA did not have the staff to review voluminous GFE information. Mr. Hardwick said that the TIF subcommittee reviewed the HRD determinations but also allowed the developer to present its arguments.

Mr. Egan and Mr. Hamilton stated that the LCRA should oppose the proposed condition that MBE/WBE subcontractors could be third-party beneficiaries under the Redevelopment Contract. Mr. Engel explained that the requirement allowed only MBE/WBE subcontractors engaged on a project to include the LCRA as a party in their legal actions against the developer. He advised that TIF had already adopted the MBE/WBE third-party requirement. Mr. Egan stated that TIF policies and procedures enabled increment and direct payments and could thus easily adopt the third-party requirement. He explained that LCRA only issued tax abatement and exchanged no monies with the developer. Ms. Dorch advised that the uniform policy would contain individualized sections pertaining to each agency's unique procedures. Mr. Engel said that he would prepare language for review by the City detailing the LCRA issues regarding the GFE, its penalty phases, and opposition to the MBE/WBE third-party beneficiary requirement.

ACTION TAKEN: APPROVED RECOMMENDATION TO THE CITY'S HUMAN RELATIONS DEPARTMENT THAT IT (1) REMOVE FROM ITS PROPOSED UNIFORM AFFIRMATIVE ACTION POLICY PROVISIONS ALLOWING MBE/WBE SUBCONTRACTORS TO ACT AS THIRD-PARTY BENEFICIARIES UNDER LCRA REDEVELOPMENT CONTRACTS; (2) HAVE SOLE AUTHORITY TO DETERMINE IF GOOD FAITH EFFORTS WERE MADE BY A DEVELOPER(S) ON A LCRA PROJECT; AND (3) GRANT SOLE AUTHORITY TO THE LCRA BOARD TO DETERMINE IF ANY DAMAGES SHOULD BE ASSESSED TO DEVELOPER(S) ON A LCRA PROJECT. MOTION MADE BY MR. HAMILTON, SECONDED BY MR. DUFFY, AND CARRIED UNANIMOUSLY.

FURTHER DISCUSSION: Mr. Langenkamp advised that a conference committee would be formed at some point in the future to review and negotiate the details of the proposed HRD policy with the City. Mr. Hamilton stated that the policy should also stipulate that the LCRA Affirmative Action Subcommittee should review any correspondence alleging GFE failure between HRD and a developer. He said that the HRD letter should also not include any recommendation for penalties against the developer. Ms. Dorch advised that HRD sent monthly

letters to developers advising if goals were not met. Mr. Hamilton noted that the LCRA subcommittee should meet only if and when HRD efforts were not getting the developer to comply,

b. **Executive Director's Report** - *Active Projects Tracking System Report* (Joe Egan) (Ex. 7B-1 – 7B-2)

DISCUSSION: Mr. Egan reported the following on current LCRA projects:

- **Interstate Building** – The project's construction was being monitored.
- **36th & Gillham** – The project was almost finished and had greatly improved the area.
- **EDC/LCRA Asset Manager** – The position was still being discussed.
- **Housing Policy Incentive Workforce** – Mr. Egan would contact Ms. Tyndall to determine the status. Mr. Duffy also asked for copies of the research used to formulate the City's policy.
- **Columbus Park** - Phase I was completed. The Board would be asked at its January 25, 2017 meeting to approve the sale price of the remaining parcels in Phase I. A financial analyst had updated the sale cost breakdown for the four remaining parcels. The 60 residential units of Phase 2 would begin once construction season started. A second commercial building would also be constructed which would further enhance the area as several businesses had also inquired about space in Columbus Park.
- **TMC/YMCA** – Mr. Engel advised that the agreements were almost finalized. He stated that the LCRA would own the parking lot and that the project had not used eminent domain. He said that the PIAC funds would flow through the LCRA because of its ownership of the parking lot.
- **Norman School** – Mr. Egan advised that he would ask Mr. Long to check with the developer about the project's apparent lack of progress.
- **Uptown Theater CID** – The mechanics to establish the CID were complete. A few minor expenditures had been incurred which were paid by the Uptown Theater. Taxation would not start until April 1, 2017 and the project was conducting its due diligence under State Statute.
- **27th & Troost/Milhaus** – Mr. Engel advised that the Sale Contract was still being drafted.
- **Colonnades at Beacon Hill** – The City has taken ownership of the Colonnades and Mr. Bullington had advised that there were sufficient monies to renovate

and complete the project. Mr. Egan said he would inquire about the project's impact on its tax credit investors.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

- c. **Linwood-Prospect URA** – *Consideration of CDCKC's Request To Assign Lease for Linwood Square Shopping Center from Community Development Corporation of Kansas City to Donald Maxwell, LLC (Joe Egan) (Ex. 7C)*

Donald Maxwell, LLC is a business entity that is purchasing all the remaining assets of the defunct Community Development Corporation of Kansas City (CDCKC), a non-profit entity. The LCRA purchased and cleared the land on which CDCKC built the Linwood Square Shops. The LCRA and CDCKC entered into a 99 year ground lease. CDCKC is requesting that LCRA assign the lease to Linwood Shopping Center Redevelopment Company, LLC.

DISCUSSION: Mr. Egan advised that the Ground Lease provided for the assignment and/or sale of the ground and the Lease. He stated that Mr. Maxwell and Mr. Lee requested the transfer of the Lease from CDCKC to the Linwood Shopping Center Redevelopment Company, LLC ("LSCRC"). He noted that the Lease required nominal rent and an occupancy rate of 70% for 6 months before default could be found. Mr. Egan advised that the developers had provided an outline of its sources and uses budget which provided no specificity regarding their plans for the shopping center. He reported that the City had advised that it had no available funds at this time for the project. Mr. Egan stated that staff supported the Lease assignment contingent on evidence of sufficient financing on the part of the assignees. He added that plan and occupancy details should also be provided before the Lease was assigned.

Mr. Egan stated that several other activities and plans impacted the Center's development. He advised that the parcel was part of the Linwood Prospect TIF which was assisting development of the grocery store on the west side of Prospect. He explained that LCRA's actions should dovetail those of the TIF plan for the area. He added that possible City funding as well as KCATA's request for a mobility hub at the location also complicated the issue.

Mr. Maxwell stated that the project's occupancy had fallen below the 70% benchmark because the absence of a blight finding would jeopardize the amount of funds which could be put together for the TIF project. He explained that no leasing attempts had therefore been made for the past one-and-one-half years. Mr. Maxwell said that the City had previously provided a letter of support for the project. Mr. Maxwell stated that the transfer was necessitated by CDCKC's purchase of the Linwood Shopping Center project on the west side of the street. He confirmed that the only relationship between CDCKC and Linwood Shopping Center Redevelopment Company, LLC was their participation in developments on the east and west sides of Prospect. Mr. Maxwell stated that

clauses in several of the remaining tenants' leases enabled them to cancel their leases and vacate the property if occupancy fell below the required level.

Mr. Maxwell advised that any delay in assigning the Lease could jeopardize the \$1.2 Million loan obtained almost 90 days prior for the project. He stressed the difficulty of obtaining funding and loans for projects in the Prospect corridor. He added that without the Lease transfer, the Bank would not finalize the loan because parking for the project would not be assured without the same.

Mr. Lee stated that the City would be an active participant in both development and funding of the project. He said that they had discussed PIAC assistance and other avenues of funding with the City Manager about 5 to 6 weeks prior to the LCRA meeting. Mr. Page confirmed the City's interest in the project. He agreed with Mr. Egan that further information about the transfer was needed, including sources and uses details, prior to the City's support of the transfer. He said that Arvest Bank had no objection to waiting one month to finalize the \$1.2 Million loan. He advised that the City would also consider return of the land back to the City.

Mr. Egan requested that the Board postpone consideration of the transfer request. He said that the Lease would need to be revised to include provisions allowing site leasing even if occupancy fell below the cutoff level. He also cited further discussions with the KCATA and the City as well as the PIAC request and funding verification as reasons for the continuance request. Mr. Maxwell advised that the \$1.2 Million loan would be used to pay off the outstanding mortgage on the project. He said that financing for future developments also depended on today's expedited decision by the Board. Mr. Maxwell and Mr. Lee confirmed that CDCKC would be administratively dissolved once the project was complete. Mr. Maxwell added that it would be difficult for the for-profit LSCRC entity to acquire the assets of the not-for-profit CDCKC entity.

The Board agreed that on the importance and their support of the project. They also agreed to table the matter for at least 30 days given the need to determine the details of the project's funding and public assistance, the City's support of the same, and the bank's willingness to hold the loan. Mr. Lee advised that he may not be able to attend the January 25, 2017 Board meeting but wished to state for the record his support for the transfer of ownership.

ACTION TAKEN: TABLED UNTIL FURTHER NOTICE

- d. **Tax Abatements** – There were three (3) tax abatements approved in November, 2016.

URA	Address	Applicant	Category	Type
Key Coalition	2710 Olive	Ruby Berry	Single family	Rehab
Longfellow	2920 Charlotte	Danny & Charity Hibberd	Single family	Rehab
Longfellow/Dutch Hill	2840 Campbell	Michelle Boehm	Single family	Rehab

EXECUTIVE SESSION

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

Mr. Engel requested that the Board move into executive session to discuss legal, real estate and/or personnel issues. Motion made by Mr. Hamilton and seconded by Mr. Duffy to move out of public session and into executive session pursuant to Section 610.021(1)(2)(3) RSMo.

Roll Call to Move Out of Regular Session:

Mr. Duffy	Aye
Mr. Edwards	Aye
Mr. Hamilton	Aye
Mr. White	Aye

RESUME BUSINESS SESSION

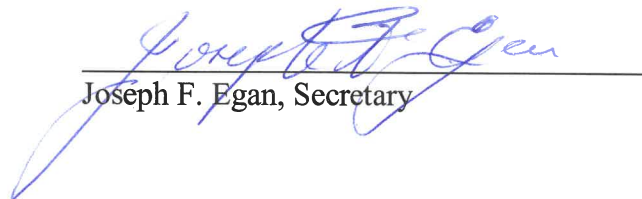
ACTION TAKEN IN

EXECUTIVE SESSION: NONE; INFORMATIONAL ONLY

9. **Adjourn.**

There being no further business, the meeting was adjourned at 11:37 a.m.





Joseph F. Egan, Secretary