

MINUTES
SPECIAL TELECONFERENCE BOARD MEETING

DATE: January 5, 2018
TIME: 9:30 a.m.
PLACE: Clay Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. **Roll Call.**

Present: Pat Contreras (*via telephone*)
Daniel Edwards (*via telephone*)
Steve Hamilton (*via telephone*)

Absent: Faiza Alhambra
Gabriel Okafor

Staff: Greg Flisram, LCRA
Susan Turney, LCRA
Bob Langenkamp, EDC

LCRA Legal Counsel: Brian Engel

Guests: George Williford, First Southwest (*via telephone*)
Jason Hughes, Hilltop Securities (*via telephone*)
Brandon Keller, Jackson County (*via telephone*)
Kathy Peters, Kutak Rock (*via telephone*)
Roxsen Koch, Polsinelli (*via telephone*)
Kim Spies, White Goss (*via telephone*)

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

2. **Truman & Wyandotte Urban Renewal Plan** - *Consideration of Amendment to Bond Parameters Resolution* (Brian Engel) (Ex. 2A-2C)

» **First Southwest evaluation of increase:**

- Evaluated the reasonableness and justification for the requested increase (*Williford*)
 - Request is reasonable if the Board is comfortable with the developer's confirmation that it will provide increased equity so the overall project proceeds are in place for completion
- Effect of increased interest rate (*Williford*)
 - If pricing is done at a maximum level, the Series B issuance will produce less than the \$43 Million indicated to the Board at its November, 2017 meeting
 - Developer equity does not need to be altered but would also change in the limited offering memo

- First Southwest final evaluation
 - Conducted once pricing information is available and is dependent on all funds being made available at closing that are necessary in order to fund project (*Engel*)
 - Final analysis will evaluate and affirm reasonableness of pricing on the bonds and, based on actual percentage rates, will assess what level of proceeds are produced (*Williford*)
 - Determination of the reasonableness of the bond price is dependent on factors such as the market and the impact of tax reform (*Williford*)

» **Board Considerations:**

- How developer proposes to fulfill loss of \$4.4 Million to the project caused by the requested interest rate increase from 5.7% to 6.15% (*Hamilton*)
 - The request was made to give flexibility on the day of pricing because the Board would have to approve any deviation outside the approved parameters (*Koch*)
 - Developer is required, and is fully prepared, at closing to use its equity fund to replenish the escrow account for any amounts needed for project costs (*Koch*)
 - Developer's deposit into the escrow account in the amount stated does not also need to be increased as it is an estimated number rather than a limitation (*Koch*)
 - Developer obligated to deposit additional equity under the Master Financing Agreement and the Redevelopment Contract (*Koch*)

ACTION TAKEN: APPROVED AMENDMENT TO BOND AUTHORIZING RESOLUTION BY APPROVING REVISED BOND TERM PARAMETERS IN EXHIBIT D. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED BY THE FOLLOWING ROLL CALL VOTE:

MR. CONTRERAS	AYE
MR. EDWARDS	AYE
MR. HAMILTON	AYE

(RES. NO. 1-1-18)

3. **Adjourn.**

There being no further business, the meeting adjourned at 9:50 a.m.



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 Greg Flisram, Secretary

MINUTES

SPECIAL TELECONFERENCE BOARD MEETING

DATE: January 9, 2018
TIME: 2:00 p.m.
PLACE: Clay Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Faiza Alhambra (*via telephone*)
Pat Contreras (*via telephone*)
Daniel Edwards (*via telephone*)
Gabriel Okafor (*via telephone*)

Absent: Steve Hamilton

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA

LCRA Legal Counsel: Brian Engel (*via telephone*)

Guests: Tammy Queen, City of Kansas City, City Treasurer (*via telephone*)
Andrea Dorch, City of Kansas City, Human Relations Dept. (*via telephone*)
Jason Hughes, Hilltop Securities (*via telephone*)
Brandon Keller, Jackson County (*via telephone*)
Roxsen Koch, Polsinelli (*via telephone*)
Laura Radcliffe, Stifel (*via telephone*)
Kim Spies, White Goss (*via telephone*)

Ms. Tumey advised that a quorum was present for the special meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and Mr. Engel began his presentation.

2. Truman & Wyandotte Urban Renewal Plan - *Consideration of Amendment to Bond Parameters Resolution* (Brian Engel) (Ex. 2A)

» Reasons for request to increase maximum principal amount of Series A bonds

- Preliminary negotiations with potential bond buyers led to underwriter determination that the amount should be increased to \$65 Million from \$58 Million (*Engel*)
- Increase has to do with anticipated better than expected interest rate levels (*Hughes*)
 - No objection to request as repayment sources of Series A bonds are assessment based and should be covered by the revenue repayment stream

» Board Considerations

- Developer equity payments (*Edwards/Contreras*)

- Increase will decrease the amount of equity provided by the developer which has been agreed to by the City (*Hughes*)
- Amount of decrease will be determined once numbers are finalized (*Hughes*)
- If bonds are not upsized, developer equity will not be decreased (*Radcliffe*)
- Developer wanted the increase out of an abundance of caution (*Radcliffe*)
- Increase may not be for full amount (*Radcliffe*)
- Series B bonds (*Okafor*)
 - The maximum principal amount for the Series B bonds will not change (*Engel*)

ACTION TAKEN: APPROVED AMENDMENT TO BOND AUTHORIZING RESOLUTION 1-2-18 IN SUBSTANTIALLY THE FORM OF EXHIBIT 2A BY APPROVING REVISED BOND TERM PARAMETERS IN EXHIBIT D. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED BY THE FOLLOWING ROLL CALL VOTE:

MS. ALHAMBRA	AYE
MR. CONTRERAS	AYE
MR. EDWARDS	AYE
MR. OKAFOR	AYE

(RES. NO. 1-2-18)

3. **Adjourn.**

There being no further business, the meeting adjourned at 2:10 p.m.



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 Greg Flisram, Secretary

BOARD MEETING MINUTES

DATE: January 24, 2018
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Faiza Alhambra
Pat Contreras
Daniel Edwards
Steve Hamilton
Gabriel Okafor

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Aarron Knight, EDC
T'Risa McCord

LCRA Legal Counsel: Brian Engel

Guests: Diane Botwin, Botwin Commercial Development
Andrea Dorch, City of Kansas City, Human Relations
Stuart Bullington, City of Kansas City, Neighborhoods & Housing
Curtis Crenshaw, Crenshaw Painting
Mark Patel, Interstate Building, LLC
Brandon Keller, Jackson County
Bruce Eddy, Jackson County Community Mental Health Fund
Benjamin Easter, Martinez Law
Robin Martinez, Martinez Law
Roxsen Koch, Polsinelli
Mark Moberly, Sunflower Development Group

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Alhambra, Contreras, and Edwards were present.

2. Administrative – *Annual Election of Officers for 2018* (Steve Hamilton)

The current officers are:

Chairman	Steve Hamilton
Vice-Chairman	None
Secretary	Greg Flisram
Assistant Secretary	Susan Tumey
Treasurer	Lee Brown

» **2017 Unique Year for LCRA** (*Hamilton*)

- Hard work, dedication, and cooperation of Commissioners, staff and legal counsel enabled LCRA to seamlessly meet extraordinary challenges
 - Long standing Executive Director retired
 - Long standing Board Chair retired
 - Long standing Vice-Chair passed away
 - Welcomed two new Board members
 - Atypical challenges and problems with affirmative action for some projects
 - Convention Center Hotel project size and complicated nature

» **2018 Officer Election** (*Hamilton*)

- Nominated Mr. Okafor as Vice-Chair

ACTION TAKEN: ELECTED THE SLATE OF OFFICERS NOMINATED WITH THE ADDITION OF MR. OKAFOR AS VICE-CHAIR FOR THE 2018 CALENDAR YEAR. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED. (*RES. NO. 1-3-18*)

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

- a. *Minutes of the December 20, 2017 meeting were provided for review prior to the meeting. (Ex. 3A)*

ACTION TAKEN: APPROVED THE MINUTES FOR DECEMBER 20, 2017, AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED.

- b. *Minutes of the January 5, 2018 meeting were provided for review prior to the meeting. (Ex. 3B)*

ACTION TAKEN: APPROVED THE MINUTES FOR JANUARY 5, 2018, AS PRESENTED. MOTION MADE BY MR. CONTRERAS, SECONDED BY MR. EDWARDS, AND CARRIED.

- c. *Minutes of the January 9, 2018 meeting were provided for review prior to the meeting. (Ex. 3C)*

ACTION TAKEN: APPROVED THE MINUTES FOR JANUARY 9, 2018, AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED.

4. **Financial** – *Review and acceptance of Financial Report for the Month of December, 2017 (Lee Brown) (Ex. 4)*

- Account receivables have changed because the Convention Center Hotel project closed shortly after year-end and the developer remitted payment (*Brown*)

- Account payables subsequently changed and reduced the amount owed to White Goss
- Financial Statement (*Brown*)
 - YMCA PIAC project will close as the last draw has been issued
 - Columbus Park Phase 2 closed, resulting in \$220,741 of real estate income
 - Columbus Park Phase 1 will be complete once Water Services remits payment in February 2018
 - Blenheim School closed in December and the developer paid in full

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR DECEMBER, 2017, AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED.

(*Mr. Okafor arrived at the meeting.*)

5. **Hospital Hill No. II URP** - *Consideration of Property Transfers at 27th and Troost* (Brian Engel) (Ex. 5A-5D)

» **Milhaus/27th & Troost, LLC Redevelopment Contract**

- The City asked Mr. Flisram to execute the amendment prior to the contract's expiration on January 16, 2018 (*Engel*)
 - Closing rescheduled for end of January or early February
- Delay caused by developer's lender requirement to vacate City owned alley (*Engel*)
 - Ordinance is making its way through the City but will take time to finalize
 - Alley vacation is City's release of alley as public right of way so it can be appended to adjacent properties (*Flisram*)

ACTION TAKEN: RATIFIED AND APPROVED FIRST AMENDMENT TO COMMERCIAL REAL ESTATE SALES CONTRACT CLOSING DATE TO FEBRUARY 16, 2018, AND APPROVED ASSIGNMENT OF CONTRACT TO 27TH AND TROOST, LLC, A DELAWARE LIMITED LIABILITY COMPANY AND AFFILIATE OF MILHAUS PROPERTIES LLC. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. NO. 1-4-18*)

» **Botwin Commercial Real Estate Contract**

- LCRA acting as pass through for the sale between City and developer (*Engel*)
- LCRA to hold sale proceeds to repurchase the property if developer does not begin construction within 60 days (*Engel*)
 - Purchase price negotiated between City and developer
 - Escrow arrangement approved by City to minimize risk that development might not occur once title transferred to developer
 - Developer plans to use title to the property to obtain private funding when its loan closing occurs simultaneously with the real estate closing
- **Board Considerations**

- LCRA will take title to the property from the City prior to entering into the Redevelopment Contract, which still needs to be finalized (*Hamilton/Engel*)
- City Council recently approved transfer of the property to the LCRA (*Okafor/Engel/Bullington*)

ACTION TAKEN APPROVED COMMERCIAL REAL ESTATE SALES CONTRACT BETWEEN THE AUTHORITY AND BOTWIN FAMILY PARTNERS, L.P. IN SUBSTANTIALLY THE FORM CONTAINED IN THE BOARD PACKET, WITH SUCH REVISIONS AS MAY BE APPROVED BY LCRA COUNSEL, AND CONTINGENT ON THE ACQUISITION OF THE PROPERTIES FROM THE CITY. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. NO. 1-5-18*)

6. **East Crossroads URP** – *Consideration of Approval of an Amended Redevelopment Contract with 1707 Locust Investors, LLC* (Dan Moye) (**Ex. 6**)

ACTION TAKEN: TABLED TO FEBRUARY 28, 2018 LCRA BOARD MEETING

7. **13th & Locust URA** – *Consideration of Redevelopment Contract Amendment for the Interstate Building/417 E. 13th Street Project* (Bob Long) (**Ex. 7A-7B**)

» **Contract Extension**

- Developer requests extension of the project completion date from December 31, 2017 to June 30, 2018 (*Long*)
 - Developer has made substantial progress and hopes to complete project before June 30th (*Martinez*)

» **MBE/WBE Committee**

- HRD called for but inadvertently did not attend Committee meeting on January 12th because of staff turnover (*Okafor*)
 - Attempts to arrange a subsequent meeting were unsuccessful
 - Developer, his attorneys, and LCRA staff were present and discussed various resolutions to the situation
 - Problems should be discussed today for either Board resolution or referral to committee

» **Crenshaw Concrete**

- Subcontractor responsible for much of the project's concrete work (*Crenshaw*)
 - Alleged communication problems with developer as well as non-payment for satisfactory work performed
- Crenshaw is a small subcontractor who cannot afford legal options against the developer and viewed appearing today as a forum to request payment (*Dorch*)
 - Developer is asking for something not in the Redevelopment Contract and this is an opportunity for Crenshaw to receive his pay before they move forward (*Dorch*)
 - Object to extension (*Crenshaw*)

- Developer disputes Crenshaw’s allegations and agrees that the Board meeting is not the proper avenue to resolve the matter (*Martinez*)
 - Asks that the Board approve the extension and allow developer to attempt to resolve any affirmative action matters at the committee level

» **Board Considerations**

- Contract extension is not germane to M/WBE issues (*Okafor/Hamilton*)
 - HRD believes that extension is germane because developer’s problems with M/WBE subs may have contributed to project delays (*Dorch*)
- Traffic issues have been resolved because project’s exterior work has been completed (*Alhambra/Patel*)
- Disputes between developer and contractor are not issues for the LCRA Board unless the disagreement has affirmative action implications (*Hamilton*)
 - Non-payment to any sub should be a concern to Board in an LCRA project (*Dorch*)
- Committee will only consider issues of affirmative action non-compliance and will not address construction disputes or mechanics liens (*Hamilton*)
 - Developer is currently non-compliant and HRD is reviewing his Good Faith Effort report (*Dorch*)
 - No objection as long as assurance that this issue will be heard at least at the committee level and can get issue resolved (*Dorch*)
 - HRD has received several complaints from M/WBE subs about delayed and missing contractual payments (*Dorch/Contreras*)
 - Board should consider some type of penalty for developer, such as amount equal to unpaid subcontractors (*Dorch*)
- Extension of contract should not impact any remedies that subcontractors or HRD may need in seeking payments and/or penalties from developer (*Okafor*)

ACTION TAKEN: APPROVED AMENDMENT TO REDEVELOPMENT CONTRACT TO EXTEND THE COMPLETION DATE DEADLINE FROM DECEMBER 31, 2017 TO JUNE 30, 2018. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY. (*RES. NO. 1-6-18*)

8. **Truman Wyandotte URP** - *Designate LCRA Representatives for CID Board of Directors* (Brian Engel)

» **Board Considerations**

- CID Board is made up of 3 designees from the developer as tenant and operator of the hotel and 2 from the LCRA (*Hamilton/Engel*)
 - LCRA approved Lease Agreement which included CID Board makeup (*Contreras/Koch*)
 - State statute specifies that CID Board must be made up of legal representatives of either property or business owner within the CID area (*Okafor/Koch*)
 - CID funds are taxes paid by its customers which are then put back into the project and LCRA’s role does not involve active participation in project operations (*Hamilton/Engel*)

- Never intended for LCRA to control the Board as CID is actually a tenant under its LCRA lease and the developer is also a tenant and operates the hotel (*Okafor/Engel*)
- CID votes/actions
 - Annual or bi-annual meetings to approve, for example, administrative costs and financial reports monitoring the use of CID funds (*Hamilton/Koch*)
- Jan Parks memo
 - Requested that Board appointments be more diverse and residents of the district is a misunderstanding for this particular CID because appointees are residents and business owners (*Hamilton/Eddy*)

ACTION TAKEN: DESIGNATED BOB LANGENKAMP AND GREG FLISRAM AS LCRA REPRESENTATIVES FOR THE CID BOARD OF DIRECTORS. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. No. 1-7-18*)

9. **Administrative.**

a. **Executive Director's Report** - *Active Projects Tracking System Report (Greg Flisram) (Ex. 9A)*

- Mark Twain Redevelopment Agreement (*Flisram*)
 - Developer trying to restructure its financing and modify its building design
 - Strongly advised developer that Redevelopment Agreement would not be kept open indefinitely
- Valentine/Uptown (*Flisram*)
 - Application submitted for \$52 Million apartment, retail, and hotel development by Mr. Sells and lead developer Fred Compton of Lawrence, Kansas
 - Mr. Sells attempting to settle bond payment issue with City
 - A special meeting before February 12, 2018 may be needed

ACTION TAKEN: NONE; INFORMATIONAL ONLY

10. **Hospital Hill No. II Urban Renewal Plan** - *Consideration of Approval of Eighth Amendment to Commercial Real Estate Sale Contract to Beacon Hill Hotel Partners, LLC (Brian Engel) (Ex. 10A)*

» **Escrow Arrangement**

- 8th Amendment similar to prior amendments except for escrow arrangement (*Engel*)
 - LCRA to withhold \$300,000 of the \$345,000 purchase price in escrow to disburse to the developer per the terms of the as yet unfinalized Escrow Agreement
 - Purpose is to provide additional support to cover developer's financing gap and to cover additional construction costs
- City negotiates deal terms with all Beacon Hill developers and asks that the LCRA approve its agreement with the developer for this project (*Bullington*)
 - LCRA acting as pass through for land transfer from City to developer
 - Escrow monies are essentially a rebate from City proceeds to subsidize the project

- City must repay \$3 Million to HUD if this and other Beacon Hill projects are not completed
- Governor's removal of New Market Tax Credits, national tax reform, and HOA design requirements are primary reasons for increased costs

» **Board Considerations**

- LCRA approval of 7th Amendment on October 25, 2017 for closing on December 31, 2017 (*Hamilton/Bullington/Moberly*)
 - Various permitting problems delayed the December 31 closing
 - Asked HUD for extension based on project not being able to close
- HOA fees (*Alhambra/Koch*)
 - HOA has not responded to City's proposal for fee details
 - HOA has not yet assessed dues on other LCRA properties in the area
- Escrow Agreement uncertainties (*Hamilton/Engel/Bullington*)
 - Escrow Agreement has not yet been prepared
 - Agreement should acknowledge that the City and LCRA will need to sign off and agree to terms of disbursement and include standard indemnification provisions
- Escrow Agreement delay/abled (*Hamilton/Koch/Moberly*)
 - If revised plan to be submitted to City Planning Dept. this week is approved, may be able to close before next LCRA meeting
 - Developer asks that staff, legal counsel, and the City be authorized to work out the details of the agreement, including parameters for any necessary LCRA repayment and as a condition of closing to be in a form acceptable to all parties
- City/LCRA payment of costs for Beacon Hill projects (*Okafor/Engel/Bullington/Flisram*)
 - City has historically required LCRA to use ReBuild funds to pay such costs rather than through a Funding Agreement with the developer and required that such funds cannot be used outside the Beacon Hill area
 - Method was established several years ago by the City because such costs were ongoing and to streamline the payment process
 - LCRA provides general oversight and administrative support for the City in return for City funding of the EDC
 - If ReBuild monies are ever depleted, LCRA can request reimbursement from the City or developer
- Easement Agreements (*Hamilton/Engel*)
 - Developer requests separate easements on Tract G for landscaping, maintenance of the retaining wall on the boundary line with Tract H, and grading to support construction
 - Another easement on a separate tract is required for developer's maintenance of a stand of trees which the HOA wants to preserve
- Tract G ownership (*Hamilton/Engel/Koch/Bullington*)
 - LCRA previously authorized the transfer of Tract G to the City at the end of the two-year landscaping easement when construction and landscape installation is complete
 - The underground retention on the tract next to it requires that Tract G remain undeveloped

- Developer will not take title to Tract G until the amounts of the HOA fees are known
- LCRA obtained title of Tract G as a result of the HEDFC collapse
- LCRA and developer suggest that the LCRA transfer title to the City and that the Easement Agreement obligate the developer to maintain the property for the duration of the landscape easement

(Mr. Okafor and Mr. Edwards departed the meeting prior to conclusion of Board discussions and voting regarding Agenda item #10)

ACTION TAKEN: AUTHORIZED LEGAL COUNSEL, IN CONSULTATION WITH THE EXECUTIVE DIRECTOR, TO EXECUTE AN EIGHTH AMENDMENT TO THE COMMERCIAL REAL ESTATE SALES CONTRACT WITH BEACON HILL HOTEL PARTNERS, LLC FOR THE SALE OF PROPERTY AT 2321 TROOST WHICH (A) EXTENDS THE DEADLINES AS PROVIDED IN THE REDLINE DRAFT PROVIDED TODAY; (B) PROVIDES AS A CONDITION TO CLOSING, EXECUTION OF AN ESCROW AND DISBURSEMENT AGREEMENT FOR \$300,000 OF THE SALE PROCEEDS; AND (C) AUTHORIZES LEGAL COUNSEL AND THE EXECUTIVE DIRECTOR TO ENTER INTO AN EASEMENT AGREEMENT WITH THE DEVELOPER IF UNSUCCESSFUL IN GETTING THE CITY TO IMMEDIATELY TAKE TITLE TO TRACT G. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED. *(Res. No. 1-8-18)*

11. Adjourn.

There being no further business, the meeting adjourned at 11:40 a.m.

Greg Flisram, Secretary

BOARD MEETING MINUTES

DATE: February 28, 2018
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Daniel Edwards
Steve Hamilton
Gabriel Okafor

Absent: Faiza Alhambra
Pat Contreras

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Aarron Knight, EDC
Bob Langenkamp, EDC
Bob Long, EDC
Dan Moye, EDC

LCRA Legal Counsel: Brian Engel, White Goss

Guests: Marcus Whitworth, City of Kansas City, Finance Dept.
Brandon Keller, Jackson County

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Edwards and Okafor were present.

2. Administrative – *Review and Approval of Meeting Minutes for January 24, 2018 (Ex. 2)*

Mr. Hamilton asked that the words “the order” be removed from the first sentence of the first paragraph on page 1. There were no additional changes or corrections.

ACTION TAKEN: APPROVED THE MINUTES FOR JANUARY 24, 2018 AS REVISED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY.

3. Financial – *Review and acceptance of Financial Report for the Month of January, 2018 (Lee Brown) (Ex. 3)*

Mr. Brown advised that:

BOARD MEETING MINUTES

DATE: March 28, 2018
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Pat Contreras
Daniel Edwards
Steve Hamilton

Absent: Faiza Alhambra
Gabriel Okafor

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Aarron Knight, EDC
Bob Langenkamp, EDC
Bob Long, EDC
Dan Moye, EDC

LCRA Legal Counsel: Brian Engel, White Goss

Guests: Jon Copaken, 112 Redevelopers, LLC
Charles Miller, 112 Redevelopers, LLC
Jerry Helmick, City of Kansas City, Human Relations Dept.
Kevin Masters, City of Kansas City, School District
Bruce Eddy, Community Mental Health Fund
Brandon Keller, Jackson County
Tim Minson, Linwood Apartments, LLC
Colin O'Sullivan, Linwood Apartments, LLC

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Contreras and Edwards were present.

2. Administrative – *Review and Approval of Meeting Minutes for February 28, 2018 (Ex. 2)*

ACTION TAKEN: APPROVED THE MINUTES FOR FEBRUARY 28, 2018, AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

3. **Financial** – *Review and acceptance of Financial Report for the month of February, 2018* (Lee Brown) (Ex. 3)

- Most account receivables were cleared (*Brown*)
- Program income noted on the Income Fluctuation Analysis was received for the 27th and Troost closing, which will be returned to the City once the 60-day escrow period has expired per the developer’s agreement with the City (*Brown*)

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR FEBRUARY, 2018, AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

4. **Linwood Prospect URA** – *Consideration of Permanent Easement within Linwood Square Shopping Center* (Ex. 4A-4D) (Brian Engel)

» **Board Considerations**

- Developer’s consent should be a part of proposed easement because it is to be granted on land already leased to the developer (*Hamilton/Engel*)
- Lease Agreement between the developer and the LCRA does not prohibit LCRA granting an easement for part of the property to a third party (*Hamilton/Engel*)

ACTION TAKEN: APPROVED THE PERMANENT EASEMENT FOR SIDEWALK IMPROVEMENTS. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (RES. NO. 3-1-18)

5. **Gotham Apartments Urban Renewal Area** – *Consideration of Approval of Tax Abatement and a Redevelopment Contract for the proposed Gotham Apartments project in the Gotham Apartments Urban Renewal Area* (Ex. 5A – 5D) (Bob Long)

» **Public Considerations**

- Affordable Housing Rent Definition (*Eddy/O’Sullivan*)
 - Typically based on a percentage of market rates in the area, income of each tenant, and household size
 - Developer plans to maintain the affordable nature of the buildings
- Ownership/Management (*Eddy/O’Sullivan*)
 - Developer plans to own and manage the apartments for 30 years
- Current developer has no association with the old developer (*Masters/O’Sullivan*)

» **Board Considerations**

- Developer has acquired title to the six buildings and has already performed some stabilization work, such as roof repair (*Hamilton/Long*)
- Building appearances will not change much due to historic tax credit limitations (*Hamilton/O’Sullivan/Minson/Flisram*)

- Floor plans will not change except that one building's first floor will be ADA handicapped accessible
- Building interiors will be fully gutted and quality materials will replace previous subpar renovation
- Prior Development/Abatement (*Hamilton/Flisram/O'Sullivan*)
 - Need to monitor developments granted LCRA abatement after completion to ensure such rapid deterioration does not re-occur
 - Current project has at least three layers of supervision to ensure quality – National Park Service, MHDC, and HUD
- MBE/WBE Requirements (*Hamilton/Rayford/O'Sullivan*)
 - MHDC required percentages are 5% WBE and 10% MBE; project is currently at 11% and 15% respectively
 - i. City's Human Relations Dept. accepts MHDC requirements and asks developers to use City certified contractors
 - ii. Developer should immediately provide HRD with its MHDC standards to enable MBE/WBE monitoring by the City
- Redevelopment Contract (*Hamilton/Long*)
 - Contract will be finalized once developer's counsel has finished its review of the agreement
 - Staff asks for approval of the Contract in its substantial form as provided in the Board packet, subject to approval by legal counsel, the Executive Director, and/or the Chairman

ACTION TAKEN: APPROVED 10-YEAR ABATEMENT OF 100% OF THE INCREASED PROPERTY TAXES FOR THE GOTHAM APARTMENTS PROJECT IN THE GOTHAM APARTMENTS URBAN RENEWAL AREA. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

APPROVED A REDEVELOPMENT CONTRACT WITH LINWOOD APARTMENTS, LLC SUBSTANTIALLY IN THE FORM PROVIDED IN THE PACKET, AS MAY BE REVISED BY COUNSEL WITH CONSULTATION WITH THE CHAIR, FOR THE GOTHAM APARTMENTS PROJECT IN THE GOTHAM APARTMENTS URBAN RENEWAL AREA. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

(*RES. NO. 3-2-18*)

6. **Grand Avenue Campus URA** – *Consideration of Approval of a Sale and Redevelopment Contract for Redevelopment of Parking Lot 1207 Grand* (Brian Engel)

» **Overview** (*Engel*)

- City will retain certain property on the north and west of 1207 Grand for use by the KCATA when it transfers title to the LCRA via the Purchase Agreement
- LCRA will transfer title to 112 Redevelopers, LLC through the Sale & Redevelopment and Funding Contract
- Developer will use the 1207 Grand parking lot in its planned mix-use redevelopment project

» **Board Considerations**

- Declaration of Restrictions was required by the City to restrict the developer's use of the property for ten years, or until December 31, 2028 (*Contreras/Engel*)

ACTION TAKEN APPROVED THE SALE AND REDEVELOPMENT AND FUNDING CONTRACT FOR TRANSFER OF LOT PROPERTY AT 1207 GRAND TO 112 REDEVELOPERS, LLC. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. NO. 3-3-18*)

7. **Manual Outline Urban Renewal Area** - *Consideration of Termination and Release of Contract to Sell and Purchase (Ex. 7A-7E)* (Brian Engel)

» **Overview**

- Main restriction in the 1969 Sale and Purchase Agreement was that the property be used in accordance with the Manual Urban Renewal Plan (*Engel*)
 - Photo taken before the 2016 fire shows that the improvements contemplated in the Contract were completed
 - Church's attorney asks that the Agreement be terminated to ensure clean title

» **Board Considerations**

- Waiver of conflict of interest (*Hamilton/Engel*)
 - Mr. Engel prepared initial documentation prior to learning that his firm was acting as local counsel for the prospective buyer's Chicago attorney
 - Mr. Engel has had no contact with the Chicago attorney
 - No technical conflict of interest and would waive if there was because clean title benefits both buyer and seller

ACTION TAKEN: APPROVED THE TERMINATION AND RELEASE OF THE CONTRACT TO SELL AND PURCHASE DATED NOVEMBER 24, 1969 BETWEEN THE LCRA AND THE EVANGELISTIC CENTER CHURCH. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. NO. 3-4-18*)

8. Administrative.

a. Affordable Housing Discussion (*Greg Flisram/Dan Moye*)

» Data Overview/Reliability (*Moye/Flisram*)

- Board asked staff last month to obtain hard data about the City's affordable housing needs
- Information obtained mainly from the Downtown Council as the City had not yet aggregated its affordable housing data
- Factors which could skew numbers:
 - Analysis only used data from LIHTC projects although other properties could be considered affordable
 - i. LIHTC data was more readily available
 - Analysis assumes that the LIHTC units will convert to market rate at the end of their compliance period although they could remain affordable

» Board Considerations

- LIHTC Status (*Hamilton/Moye*)
 - State is reviewing the program but has not yet funded or terminated it
 - LIHTC market share is dwindling because it has remained stagnant while market rate units are steadily increasing
- Affordable Benchmarks (*Hamilton/Edwards/Moye/Flisram*)
 - Most large cities use 20% as a goal for their amount of affordable housing
 - i. Kansas City is currently at 16% and falling
 - Cities will always need affordable housing as long as it has a workforce population
 - i. Downtown affordable housing with its transportation opportunities could enable disadvantaged suburban populations to find employment and decrease their reliance on public assistance (*Eddy*)
 - Bigger question than the number of units is the quality of such housing
- Affordable/Market Rate (*Hamilton/Edwards/Moye/Flisram*)
 - Increase in luxury housing projects because labor and material costs have risen dramatically
 - i. Allows developers to recoup their costs through higher rents, etc.
 - Large subsidies may be required to encourage developers to build affordable housing
 - i. Adding affordability to a project increases a developer's risk
 - LCRA will not incentivize any affordable project changing to market rate
- Definition of Affordable (*Hamilton/Edwards/Moye*)
 - Termination of LIHTC program will require cities to create their own definitions and policies
 - City Council asked the City Manager for a definition by December 31, 2018

- A recently approved ordinance by the City Council to allow sales tax exemptions on construction materials also included some affordable housing definitions
 - i. Tied to HUD standards
- Standards should also be tied to tenant income as well as rent amounts to ensure someone making \$100,000 is not paying \$500 in rent
- Ways to Incentivize Developers to Include Affordable in Downtown Area
 - Goal is to encourage affordable by not enriching developers more than they would be in a traditional scenario but incent them enough to be able to include affordable (*Edwards/Moye*)
- Taxing Jurisdictions (*Edwards/Hamilton/Masters/Eddy*)
 - Prefer longer rather than deeper abatement because may receive some money
 - Market should dictate developer risk and the grant of standard and/or longer incentives should be reduced or stopped
 - i. Focusing on workforce/affordable housing doesn't have to include granting deeper or longer incentives
 - Automatic Incentive or Case by Case Basis (*Edwards/Hamilton/Masters/Flisram/Moye*)
 - i. Thresholds include amount of incentive, type of project, percentage of affordable units, financial analyses results, and other measures
 - ii. Marketing to developers to give reasonable assurance versus possibility might receive larger incentive will be challenging
 - iii. Requiring certain affordable standards for a LCRA project could hurt its financial feasibility given the ten-year limitation
 - iv. LCRA will give favorable additional consideration to projects which include a minimum of at least 10% affordable or workforce housing
- Policy Uniformity between Agencies (*Hamilton/Flisram*)
 - Use Agency Director Group to advise developers that all EDC agencies favor affordability
 - AdvanceKC process to reduce forum shopping through the EDC agencies is somewhat muted because the City is checkerboarded with other incentive districts
 - Developers need to understand definitions and expectations of affordable and workforce housing

ACTION TAKEN: RESOLVED THAT WITH RESPECT TO RESIDENTIAL PROJECTS SEEKING TAX ABATEMENT THROUGH THE LCRA, THE LCRA WILL GIVE FAVORABLE ADDITIONAL CONSIDERATION TO THOSE PROJECTS THAT INCLUDE A MINIMUM OF 10% OF AFFORDABLE OR WORKFORCE HOUSING. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. No. 3-5-18*)

b. **Executive Director's Report** - Active Projects Tracking System Report (**Ex. 8A**) (Greg Flisram)

» **Interstate Building**

- HRD asserted that developer did not make Good Faith Efforts to meet its goals and has recommended a \$470,000 liquidated damage penalty (*Flisram*)
- Developer required to present its response at the April 13, 2018 affirmative action subcommittee meeting for full Board determination on April 25, 2018 (*Hamilton*)


» **Beacon Hill/LaQuinta Hotel/2321 Troost**

- City granted the developer a final one-month extension today with the provision that it will exercise its reversion rights if the developer does not proceed with the project at that time s(*Flisram*)
- Board can authorize the one-month extension because the project is ongoing old business (*Engel*)

ACTION TAKEN: AUTHORIZED AN EXTENSION OF THE CLOSING DATE OF THE COMMERCIAL REAL ESTATE SALES CONTRACT DATED APRIL 11, 2014, AS AMENDED, REGARDING THE AUTHORITY'S SALE OF THE PROPERTY COMMONLY KNOWN AS 2321 TROOST OR "TRACT H" TO THE REDEVELOPER BEACON HILL HOTEL PARTNERS, LLC, FOR ONE MORE MONTH BEYOND THE EXISTING CLOSING DATE OF MARCH 30, 2018. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. NO. 3-6-18*)

9. **Adjourn.**

There being no further business, the meeting was adjourned at 11:10 a.m.

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Greg Flisram, Secretary
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- Subsequent to the end of the month, Columbus Park Developers were fully paid and Phase 1 was closed
- White Goss legal bills were paid when the convention center hotel project closed and subsequent reversal in revenue and expenses is shown as a large variance on the income statement

» **Board Considerations**

- University District Ventures has paid in full as promised (*Hamilton/Brown*)
- LCRA's current revenue consists of approximately \$30,000 in the general account, \$360,000 in the Beacon Hill program fund, and \$1,500 in the ReBuild program (*Okafor/Brown*)
 - LCRA plans to petition the City to use some of the \$360,000 to pay its legal bills on the Milhaus Beacon Hill project after the escrow date passes
- The \$260,000 which LCRA received as a bond closing fee on the convention center hotel project was passed through to the EDC as previously agreed by the LCRA Board (*Okafor/Brown*)
 - Such monies are used to pay EDC operating expenses and can also be used by the LCRA if the need arises

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR JANUARY, 2018, AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY.

4. **East Crossroads URP** – *Consideration of Approval of an Amended Redevelopment Contract with 1707 Locust Investors, LLC (Dan Moye) (Ex. 4)*

» **Board Considerations**

- Funding Agreement from 1707 Locust Investors (*Hamilton/Moye*)
 - Still working to obtain executed agreement but hope to have by end of this week
 - 1707 Locust Investors has paid White Goss' legal bills to date for the project
- Assignment of Redevelopment Contract from the original to the new developer is not required (*Hamilton/Okafor/Engel/Moye*)
 - The original developer already sold the property to the new developer
 - Both developers worked together after the sale of the property to improve the property pursuant to the Redevelopment Contract
 - The benefit of any redevelopment completed prior to the sale flows to the property owner
 - 1707 Locust Investors has agreed to assume the Redevelopment Contract between the LCRA and the original developer
- Remaining obligations under LCRA's Redevelopment Contract with the original developer (*Hamilton/Rayford/Moye*)
 - 1707 Locust Investors has agreed to perform any ongoing maintenance and assume payment of the PILOT as outlined in the contract

- City's Human Relations Dept.'s assertion that the original developer met its MBE/WBE goals will be confirmed when the new developer applies for the tax abatement certificate

ACTION TAKEN: APPROVED THE AMENDMENT TO AND ASSUMPTION OF REDEVELOPMENT CONTRACT IN SUBSTANTIALLY THE FORM OF EXHIBIT 4 WITH 1707 LOCUST INVESTORS, LLC. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY. (RES. NO. 2-1-18)

5. **Uptown Theater Urban Renewal Plan** - *Consideration of Third Amendment to Master Lease* (Brian Engel) (Ex. 5A-5B)

» **Third Amendment to Master Lease**

- Master Lease expires on earlier of full bond payment or October 1, 2018 (*Engel*)
 - City has verified that bonds will be paid in full on April 1, 2018
- Amendment requests a 6-month extension of lease termination date to allow full evaluation of potential development project for property (*Engel*)
 - Dispute between UGA and City about bond payment requirements affects lease provision regarding transfer of the property to UGA once bonds are fully paid
 - LCRA recently issued default notice to UGA alleging it failed to make bond payments as required under the lease
- Neither City nor LCRA waive any lease rights under the amendment (*Engel*)
 - Additional changes to the lease were proposed by UGA but were rejected as unacceptable and unnecessary
- Eliminates requirement that UGA submit its annual budget to the LCRA for its approval (*Engel*)
 - UGA still required to submit its budget before April 1 for the next fiscal year to the LCRA Executive Director

» **Board Considerations**

- Approval of Amendment does not waive any existing defaults or claims thereto (*Hamilton/Engel*)
 - No other changes to lease except changing date of termination and removing requirement that the Board approve UGA's annual budget
- Budget submission to Executive Director who has no approval authority (*Hamilton/Engel/Flisram*)
 - Impacts one shortened fiscal year – April 1, 2018 to October 1, 2018
 - May have technically already satisfied requirement due to his submission of the financial analysis for the proposed project
 - Technical default if budget is not submitted

- Budget requirement not removed entirely because other lease provisions are affected by the budget

ACTION TAKEN: APPROVED THE THIRD AMENDMENT TO MASTER LEASE IN SUBSTANTIALLY THE FORM OF EXHIBIT 5A. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (*RES. NO. 2-2-18*)

6. **Administrative.**

a. *Affordable housing discussion (Flisram)*

- Discussion at retreat in September 2017 regarding offering extraordinary incentive through sale/leaseback incentives to extend the tax abatement period (*Flisram*)
 - For projects delivering public goods, such as affordable housing
 - Includes reporting protocol requiring developer to submit financial info
- Ensure Board support for policy before promoting to developers (*Flisram*)

» **Board Considerations**

- Need for affordable housing downtown is all anecdotal (*Hamilton/Okafor/Flisram/Langenkamp*)
 - No statistical evidence proving need and its priority with the City is unknown
 - Need seems to be midtown/downtown centric, given the number of tax credit projects nearing expiration
 - Base need is existing amount of affordable housing because downtown projects typically employ people who require such accommodations
 - City Council recently directed the City Manager to form an affordable housing policy by the end of its fiscal year
 - Staff will contact City personnel and others to attempt to obtain hard evidence regarding affordable housing needs throughout the City to present at a future Board meeting
- Use of sale/leaseback for owner-occupied affordable housing (*Edwards/Flisram*)
 - Building owner-occupied housing stock rather than renter-occupied units using this and similar programs could help neighborhoods accept affordable housing
 - Sale/leasebacks are usually legally intensive which may require developers of larger projects with deeper pockets
 - A sale/leaseback during the construction period could enable developers to build new affordable single-family homes
 - 2-month housing supply in the Kansas City area greatly inflates sale prices and makes it extremely difficult for those with less money to even find homes
 - Staff will research further the use of sale/leasebacks for owner-occupied homes

ACTION TAKEN: NONE; DISCUSSION PURPOSES ONLY

- b. *Transfer of Heart Drive-In Site (40 Highway & I-70) to LCRA (Greg Flisram)*
- Blue Valley Corridor Policy (*Flisram*)
 - EDC working on long-term job strategy for Blue Valley corridor to ameliorate job/housing imbalance
 - Proposed initial implementation measure for Board consideration is a LCRA land bank to acquire and create housing parcels from former industrial land
 - Potential site is the former Heart Drive-In, which is now owned by the City’s Water Services Department

» **Board Considerations**

- Environmental status of any acquired industrial site (*Okafor/Flisram*)
 - Ensure that LCRA doesn’t inherit land with large environmental issues
 - Formal expression of interest in site could initiate City request for federal funding to perform any necessary clean-up
- Ownership and maintenance (*Hamilton/Okafor/Engel/Flisram/Keller*)
 - Cooperative agreement with City to maintain and/or own the parcel until a development is approved for a site
 - Ownership by a redevelopment agency can be more efficient and timely than the City’s overloaded real estate department to perform any necessary title and parcel modifications to a site
 - LCRA has already worked with the City and State to perform remediation and replatting in Columbus Park in a similar manner
 - Remediation needs to be complete before site can be marketed
 - City’s application to place the former Heart Drive-In site in an opportunity zone has not yet been submitted
 - Staff authorized to proceed with acquiring title to the site and enter into a cooperative agreement with the City, contingent on Board’s approval of any final documentation

ACTION TAKEN: NONE; DISCUSSION PURPOSES ONLY

7. **Truman Wyandotte URP** – *Consideration of Investment Advice Proposal* (Brian Engel)
(**Ex. 7A-7B**)

» **Overview** (*Engel*)

- Bonds were placed in a money market fund at the January 2018 closing as a temporary placeholder for the funds
- Permanent placement of the funds to maximize their returns can now take place
- City’s proposal is to invest in different types of securities as prescribed by each series of bonds and under federal law limitations

» **City Presentation** (*Whitworth*)

- Expenditures in either Option A or B would be approximately \$42.2 Million over two years for Series A bonds and \$46.3 Million for Series B

- Option A – leave funds in Money Market (ultraconservative approach)
 - Earnings about \$855,000 (\$307,000 for Series A and \$548,000 for Series B)
- Option B – invest in US Treasuries and Agency Securities (conservative approach)
 - Earnings about \$1.2 Million (\$394,000 for Series A and \$806,000 for Series B)
 - Increased earnings of \$346,000 could be used to pay off debt service
 - Increase caused by longer timeline for investments

» **Board Considerations**

- Investment returns (*Hamilton/Okafor/Engel/Whitworth*)
 - Planned to pay debt service on project and make semi-annual bond payments
 - LCRA oversight to monitor and ensure fund levels
- Use of earnings from bond proceeds (*Edwards/Okafor/Engel*)
 - Any income earned from bond proceeds is strictly limited to the project and cannot be used for any other purpose
 - Contractual obligations, tax regulations, and marketing necessities require such use
 - Funds can ensure the project’s high performance through high maintenance of its facilities
 - The Board should discuss how to use funds from future fee generating projects
- Staff, legal counsel, and the Bond Trustee will ensure the City receives the necessary monthly information to act as the LCRA’s investment advisors (*Engel/Whitworth*)
- Bond Pre-Payment (*Okafor/Engel*)
 - No pre-payment until after 10 years from date of issuance

ACTION TAKEN: APPROVED PROPOSAL FROM CITY OF KANSAS CITY, MISSOURI TO PROVIDE INVESTMENT ADVICE WITH RESPECT TO SERIES 2018A AND 2018B BONDS ISSUED BY THE AUTHORITY TO FUND, IN PART, CONSTRUCTION OF A CONVENTION CENTER HEADQUARTERS HOTEL WITHIN THE TRUMAN & WYANDOTTE URBAN RENEWAL AREA. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (*RES. NO. 2-3-18*)

Daniel Edwards has requested to serve as one of the LCRA representatives on the CID Board.

ACTION TAKEN: APPROVED THE SUBSTITUTION OF MR. EDWARDS FOR MR. FLISRAM AS THE LCRA REPRESENTATIVE FOR THE CID BOARD OF DIRECTORS. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. HAMILTON, AND CARRIED UNANIMOUSLY.

8. **Administrative.**

a. *Executive Director's Report - Active Projects Tracking System Report (Greg Flisram) (Ex. 8A)*

Mr. Hamilton asked that future reports show the date for the Board's last action

- Mark Twain (*Flisram*)
 - Redevelopment Contract has not yet been signed by the developer
 - Project may proceed as proposed or may incorporate a 20% affordable component
 - Developer continues to update staff about its progress
- Beacon Hill Hotel (*Flisram/Engel*)
 - 8th Amendment approved at the January 24, 2018 meeting extended closing to March 30, 2018
 - Draft Escrow Agreement is awaiting comments from the developer
 - City has verbally indicated that it is willing to take title of Tract G
 - Developer's attorney advised that they are resubmitting the rejected Contractor Utilization Plan and that they should meet their affirmative action goals

» **Status Updates by Chairman**

- Uniform Affirmative Action Policy (*Hamilton*)
 - Meeting between the Human Relations Dept., City Manager, and the agencies reached no resolution
 - Ordinance has been held in committee while the City Manager works with the City attorney on three apparent options:
 - (1) Completely remove agencies from the process now for inclusion later to allow City Council to pass the ordinance for application to the airport project's diversity study; or
 - (2) Revise ordinance to return control over good faith effort determinations to agencies due to their contractual obligations with the developer; or
 - (3) Completely remove agencies from the process and have the affirmative action requirements as a separate process maintained by the City
- Home Donation Program/Legal Aid (*Hamilton/Engel*)
 - City attorney initially resisted forgiveness of City taxes or special assessments for homes donated to the LCRA through the program
 - Resolved by amendment to the City Code to allow City Manager's waiver of such fees without requiring an appearance before the lien waiver committee
- Delinquent PILOT Payments (*Hamilton*)
 - Two property owners alleged non-receipt of PILOT bills as reason to forgive either the entire bill or their subsequent late penalties and interest
 - LCRA denied both requests
- Board Reappointments (*Hamilton/Flisram/Tumey*)
 - Mr. Hamilton and Mr. Edwards have been reappointed to the Board and their terms expire February 6, 2022 and December 15, 2021, respectively

ACTION TAKEN: NONE; INFORMATIONAL ONLY

b. *Affirmative Action Report (Ex. 8B)*

c. *Tax Abatements – There were two (2) tax abatements approved in January, 2018.*

Roll Call vote to move out of regular session:

Mr. Edwards Aye

Mr. Hamilton Aye

Mr. Okafor Aye

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

DIRECTIVES TAKEN IN

EXECUTIVE SESSION: DIRECTED THE EXECUTIVE DIRECTOR TO ISSUE A REQUEST FOR QUALIFICATIONS FOR LEGAL SERVICES TO THE LCRA TO BE FOLLOWED BY A REQUEST FOR PROPOSALS IF AND WHEN ANY ACCEPTABLE REQUESTS FOR QUALIFICATIONS ARE RECEIVED. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

10. **Adjourn.**

There being no further business, the meeting was adjourned at 11:20 a.m.

DocuSigned by:

Greg Flisram, Secretary
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BOARD MEETING MINUTES

DATE: April 25, 2018
TIME: 10:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Faiza Alhambra
Daniel Edwards
Steve Hamilton
Gabriel Okafor

Absent: Pat Contreras

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

LCRA Legal Counsel: Brian Engel, White Goss

Guests: Denece Eason, City of Kansas City, Human Relations Dept.
Claude Page, City of Kansas City, Urban Redevelopment
Manish Patel, Interstate Building, LLC
Adam Cox, JE Dunn
Benjamin Easter, Martinez Law Firm, LLC
Robin Martinez, Martinez Law Firm, LLC
Roxsen Koch, Polsinelli
Jim Woodson, Union Member, Painters

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Alhambra, Edwards, and Okafor were present.

2. Administrative – *Review and Approval of Meeting Minutes for March 28, 2018 (Ex. 2)*

ACTION TAKEN: APPROVED THE MINUTES FOR MARCH 28, 2018, AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

3. **Financial** – *Review and acceptance of Financial Report for the month of March, 2018* (Lee Brown) (**Ex. 3**)

- Account receivables have been reduced (*Brown*)
 - The receivable due for over 90 days was still unpaid
- Lack of revenue and amount of fees allocated to general fund helped put LCRA behind in payment of its legal fees (*Brown*)
 - Most general legal fees from counsel’s intensive work on Uniform Affirmative Action Ordinance (*Flisram*)
- Cash on hand is dedicated to the general and ReBuild KC funds (*Alhambra/Brown*)
- \$357,000 will be returned to the City after May 1, 2018 regarding the 27th and Troost project (*Brown*)

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR MARCH, 2018, AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

4. **Manual Urban Renewal Area** - *Consideration of Termination and Release of Contracts to Sell and Purchase* (**Ex. 4A-4C**) (Brian Engel)

- KCATA asked that the LCRA release and terminate its 1976 contract with YAC on 1819 Lydia and its 1980 contract with KCATA on 1831 Lydia to clear title for today’s closing of KCATA’s sale of the two properties to the City (*Engel*)
- Lots will be used as parking to serve the area and will be publicly owned after today’s sale (*Page*)
- City made improvements to the lots prior to the sale pursuant to a lease with KCATA (*Okafor/Page*)

ACTION TAKEN: APPROVED TERMINATION AND RELEASE OF CONTRACTS TO SELL AND PURCHASE. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY. (*RES. NO. 4-1-18*)

5. **Truman & Wyandotte Urban Renewal Plan** - *Consideration of License and Easement Agreement for Retaining Wall* (**Ex. 5A-5C**) (Brian Engel)

» **Retaining Wall** (*Engel*)

- City, JE Dunn, and hotel developer have determined that the retaining wall at the foot of a rock bluff needs to be replaced
- City will fund construction of new wall and the hotel developer will maintain it for 25 to 50 years (at option of City)

» **License and Easement Agreement**

- LCRA is party to the Agreement because part of the easement area is on property which LCRA owns and leases to the developer (*Engel*)
- City attorney asked that a license agreement be used instead of a temporary easement to cover the construction period to repair the wall (*Alhambra/Koch*)

- Easement part of Agreement covers the long-term maintenance of the wall

ACTION TAKEN: APPROVED LICENSE AND EASEMENT AGREEMENT FOR RETAINING WALL. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. NO. 4-2-18)

6. **Hospital Hill No. II Urban Renewal Plan** - *Consideration of Approval of Ninth Amendment to Commercial Real Estate Sale Contract to Beacon Hill Hotel Partners, LLC and Related Agreements (Ex. 6A-6D)* (Brian Engel)

» **Ninth Amendment**

- Extends closing date to May 31, 2018, construction commencement to July 16, 2018, and construction completion to September 16, 2019 (*Engel*)
- City added conditions to its approval of Ninth Amendment (*Engel*)
 - Approval of developer's Contractor Utilization Plan by HRD, which occurred on April 20, 2018 (*Flisram/Koch*)
 - Developer to provide proof of financing to the City (*Engel*)
 - ♦ All of developer's financing is in place and it is currently determining what information the City wishes to see (*Koch*)
 - ♦ Developer added a New Market Tax Credit piece to its financing, which should be approved in early May 2018 (*Hamilton/Koch*)
 - Disbursement Escrow Agreement (*Engel*)
 - ♦ LCRA to escrow \$300,000 of the purchase price to return to the developer as reimbursement for certain costs imposed by the HOA's design committee (*Hamilton/Engel/Koch*)

» **Easement Agreement**

- Plan is for LCRA to grant blanket easement on entire tract G for construction and maintenance of landscaping and retaining walls (*Engel*)
- Easement recorded at closing and LCRA will simultaneously transfer title of tract G to the City on same day that LCRA transfers title of the hotel site (*Engel*)

» **Board Considerations**

- Project's master developer has confirmed that the designs of the neighborhood association's design committee meet his requirements (*Okafor/Koch*)
 - Troost overlay requirements were also part of the discussion
- Despite numerous requests, City and developer still have not received information from the HOA regarding the amount of its dues (*Okafor/Koch*)
 - Counsel for developer has a high level of confidence that closing will still occur on May 31st even if the dues information is not forthcoming (*Hamilton/Koch*)
 - ♦ Only thing that would stop closing now would be something outside of the developer's control
 - ♦ Construction is planned to begin immediately after closing on June 1

ACTION TAKEN: APPROVED NINTH AMENDMENT TO COMMERCIAL REAL ESTATE SALES CONTRACT WITH BEACON HILL HOTEL PARTNERS, LLC FOR SALE OF PROPERTY AT 2321 TROOST (TRACT H). MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY.

APPROVED A DISBURSING ESCROW AGREEMENT WITH BEACON HILL HOTEL PARTNERS, LLC AND THE CITY OF KANSAS CITY, MISSOURI REGARDING DISPOSITION OF CERTAIN PROCEEDS FROM THE SALE OF 2321 TROOST (TRACT H). MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY.

APPROVED AN EASEMENT AGREEMENT WITH BEACON HILL HOTEL PARTNERS, LLC REGARDING LANDSCAPING IMPROVEMENTS ON THE ADJACENT TRACT G. MOTION MADE BY MR. OKAFOR, SECONDED BY MS. ALHAMBRA, AND CARRIED UNANIMOUSLY.

(RES. NO. 4-3-18)

7. Administrative.

a. Uniform Affirmative Action Ordinance No. 180099 – *Update* (Brian Engel)

» HRD Original Ordinance (*Engel*)

- Removes agencies from good faith effort and liquidated damages determinations and gives sole authority for the same to HRD’s director
- HRD’s attempt to alleviate inconsistent policy applications between agencies by exerting sole control
- Main concern of agencies because creates legal liabilities for agency if a third-party is able to declare defaults under its contract with developer
 - Agencies proposed that the City Manager cast the deciding vote in the event HRD and the agency disagree
 - ◆ Proposal met with mixed reaction so may not be viable alternative
- Multiple meetings between agencies, HRD, and City Manager to propose changes to the Ordinance which protect agency concerns and foster a greater sense of collaboration between agencies and HRD
- Fairness, Professional and Goods & Services Board
 - Created by HRD’s original ordinance to establish goals for non-construction contracts such as professional services
- Fairness & Construction Board
 - HRD’s original proposal provides that developers can appeal their decision to this Board
 - Board also takes a greater role in goal setting on agency projects
 - ◆ HRD director currently sets goals

- » **Developer modifications to proposed Ordinance** (*Engel*)
 - Agencies have agreed to several procedural changes proposed by development community
 - Procedural changes intended to create more accurate goals up front and thus avoid the massive efforts required by developers at the back end to rectify a negative HRD determination
 - Developers also proposed that 2 members from the respective agency be appointed to the Fairness & Construction Board if an appeal was made
- » **Ordinance's Several Versions**
 - Transportation & Infrastructure Committee
 - Agencies and development community submitted their version directly to the Committee, which will be presented at their meeting next week (*Engel*)
 - Developers advised Committee members that the specificity, clarification, and transparency added to the ordinance by their modifications would help ensure standard treatment throughout the agencies (*Koch*)
 - Original version, which agencies and developers have valid concerns (*Hamilton*)
 - Committee substitute, which addressed some of agency and developer concerns but not all (*Hamilton*)
 - Requires that developer receive an approved CUP plan from HRD before any incentives can be provided by the agency (*Engel*)
 - Developers will ask that any ordinance introduced to the City Council be held in committee if it is substantially different from their version (*Koch*)
 - Adds additional standards and specificity regarding what information is to be submitted by the developer
 - Developer could still be found to have made good faith efforts even if shortfall in one or two categories
 - Neither City nor HRD asked for agency or developer comment on the Ordinance is unfortunate because collaboration is needed to ensure goals are achieved

ACTION TAKEN: NONE; INFORMATIONAL ONLY

- b. **Executive Director's Report** - *Active Projects Tracking System Report (Ex. 7B)* (Greg Flisram)
 - Mark Twain Building/106 W. 11th
 - Redevelopment Contract is still unsigned after about one year, project is struggling to get financing and may need to give them a deadline (*Flisram*)
 - Financial report showed original project was just marginally feasible (*Long*)
 - ♦ Approximately 40% of building is non-revenue producing space
 - Revised version of could include affordable components (*Long*)
 - Developer owns property (*Long*)

- Commerce Tower/911 Main
 - HRD is working with developer because they did not meet their workforce hours goals (*Flisram*)

ACTION TAKEN: 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.*

Mr. Hamilton asked for a Motion to enter Executive Session to consider personnel and legal issues. He added that the Board would report on any actions taken in Executive Session upon its conclusion.

Motion to move out of public session and into Executive Session was made by Mr. Edwards and seconded by Ms. Alhambra.

Roll Call vote to move out of regular session:

Ms. Alhambra	Aye
Mr. Edwards	Aye
Mr. Hamilton	Aye
Mr. Okafor	Aye

RESUME BUSINESS SESSION

Mr. Hamilton asked that the record show that Mr. Edwards was present for most of the Executive Session but had to leave for other commitments before its conclusion. He stated that quorum was retained in the Executive Session as well as presently because three or more Commissioners were present at all times.

DIRECTIVES TAKEN IN

EXECUTIVE SESSION: AUTHORIZED THE CHAIR OR EXECUTIVE DIRECTOR TO ENTER INTO AN ENGAGEMENT LETTER WITH WHITE GOSS AS LEGAL COUNSEL FOR THE AUTHORITY IN ACCORDANCE WITH THEIR RESPONSE TO COST PROPOSALS DATED APRIL 12, 2018. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS AND CARRIED UNANIMOUSLY (*RES. NO. 4-4-18*)


AUTHORIZED LEGAL COUNSEL TO ISSUE A NOTICE OF DEFAULT UNDER THE REDEVELOPMENT CONTRACT TO THE DEVELOPER OF THE INTERSTATE BUILDING TEN (10) DAYS FROM APRIL 25, 2018 FOR FAILURE TO MAKE GOOD FAITH EFFORTS TO ENGAGE SUFFICIENT MINORITY AND WOMEN CONTRACTORS AND SUPPLIERS, AND TO ADVISE THE DEVELOPER THAT, IF SUCH DEFAULT IS NOT CURED WITHIN THIRTY (30)

DAYS, THE DEVELOPER WOULD BE ASSESSED DAMAGES
IN THE AMOUNT OF \$75,000. (RES. NO. 4-5-18)

Mr. Hamilton advised that the Board accepted HRD's recommendation about the Interstate Building developer's lack of good faith efforts but rejected HRD's proposal for damages, feeling it was excessive due to mitigating and extenuating circumstances and evidence discussed at the Affirmative Action subcommittee meeting.

9. **Adjourn.**

There being no further business, the meeting was adjourned at 12:35 p.m.

DocuSigned by:

Greg Flisram, Executive Secretary
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BOARD MEETING MINUTES

DATE: May 23, 2018
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Faiza Alhambra (*via telephone*)
Pat Contreras
Daniel Edwards
Steve Hamilton

Absent: Gabriel Okafor

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Cathleen Flournoy, EDC
Bob Long, EDC
Dan Moye, EDC
Sandra Rayford, EDC

LCRA Legal Counsel: Brian Engel, White Goss

Guests: Andrew Bolton, 905 Broadway, LLC/Milliner Lofts
Muhannad Dinn, Abbott Properties
Craig Donnell, Abbott Properties
Bailey Hyatt, Abbott Properties
Kevin Masters, City of Kansas City, Public School District
Kevin Collison, City Scene
Robert Andrew, MAC Corporation/BA Property, LLC
Roxsen Koch, Platform KC Club/Polsinelli
Evan Walsh, Platform KC Club
Lance Dorn, S.B. Friedman (*via telephone*)
Michael Lampl, S.B. Friedman (*via telephone*)
Fran Lefor Rood, S.B. Friedman (*via telephone*)

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Contreras and Edwards were present in person and Commissioner Alhambra was present via telephone.

2. Administrative – *Review and Approval of Meeting Minutes for April 25, 2018 (Ex. 2)*

ACTION TAKEN: APPROVED THE MINUTES FOR APRIL 25, 2018, AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

3. **Financial** – *Review and acceptance of Financial Report for the Month of April, 2018* (Lee Brown) (Ex. 3)

Mr. Brown advised about the April 2018 financial report:

- Not much financial activity in the month of April
- No 30-day past-due accounts on legal invoices
- Final financials for fiscal year 2017 before audit
- Bond issuance liability still needs to be recorded, which will adversely affect financial statements ending December 31, 2018

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR APRIL, 2018, AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

4. **Central Business District URA - 905 Broadway/Milliner Lofts** — *Consideration of Approval of the Second Amendment of the Redevelopment Contract with 905 BROADWAY, LLC* (Bob Long) (Ex. 4A-4B)

Mr. Long advised that the Milliner Loft project's:

- Redevelopment Agreement was originally approved on June 22, 2016
- First Amendment to the Redevelopment Contract was approved on March 22, 2017 to reschedule the project's completion date to June 30, 2018
- Developer is requesting a second amendment to extend the completion date to December 31, 2018 because of unexpected delays caused by structural and insurance issues
- Project is well underway and in accordance with what was originally approved

The Board had no questions or comments.

ACTION TAKEN: APPROVED THE SECOND AMENDMENT OF THE REDEVELOPMENT CONTRACT WITH 905 BROADWAY, LLC TO EXTEND THE PROJECT'S COMPLETION DATE TO DECEMBER 31, 2018. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (RES. NO. 5-1-18)

5. **Central Business District URA – KC Club/Consideration of Approval of Redevelopment Contracts with MFH Properties, LLC** (Dan Moye) (Ex. 5)

» **SB Friedman Financial Analysis - Kansas City Club ("KCC")** (All statements by Mr. Dorn unless otherwise noted)

• **General**

- Phase 1 renovation of KCC began in 2015 which created the Brass & Baltimore event space and some additional lobby improvements
- Phase 2 will convert the KCC to a 144-room upscale hotel to be completed in 2018 [Ms. Koch clarified in a later discussion that hotel completion would be in 2019]

- Developer Platform Ventures, LLC, f/k/a Mariner Real Estate Management, currently owns the KCC building and plans to hold it long-term
 - **Financing**
 - Construction costs and developer's fee estimated by McCown Gordon and within range of recent projects and comps
 - Friedman's adjustments to budget were recognizing the benefit of the STECM and unpacking developer's acquisition costs
 - 82% of construction financing is from conventional debt and ED5 financing
 - 12% of capital stack is cash equity from institutional and individual investors
 - Developer is also planning to finance \$3.2 Million of clean energy improvements with PACE financing and to secure historic tax credits from the State
 - **Cash Flow**
 - Developer's proforma aligned with the Colliers third-party market study it provided and was comparable with others in downtown Kansas City
 - Projected average daily hotel room rate in 2019 is \$192, increasing 3% annually
 - Developer assumed an aggressive stabilized occupancy of @ 76.8% as compared to the average downtown Kansas City rate of @ 72%
 - Exit cap rate changed to 8.5% because developer's 9.5% rate was too conservative
- » **SB Friedman Financial Analysis – Muehlebach Hotel** *(All statements by Mr. Dorn unless otherwise noted)*
- **General**
 - Developer plans to convert the Muehlebach to 117 apartments, 10% of which will meet affordability guidelines based on 80% AMI standards
 - Units are meant to partially replace the loft apartments which will be lost in the KCC conversion
 - Platform Ventures is entering into a partnership with the Muehlebach's current owner and is still working out the timeline for the project
 - **Financing**
 - Developer clarified that the low and out-of-range \$1.2 Million acquisition cost was the current owner's depreciable value in the building
 - No additional contributable land value was added to acquisition price
 - Friedman adjusted hard costs provided by third-party contractor to reflect STECM and reduced the developer fee to 4% of TDC
 - Developer's preliminary assumptions are 65% financing by conventional debt and 35% cash equity
 - **Cash Flow**
 - Projected rents were already in line with several non-luxury downtown projects but were very slightly reduced to reflect the 10% set aside of affordable units
 - Existing floor plate in old building so apartments won't have modern layouts
 - Targeting moderate income renters
 - Friedman adjustments included increasing real estate taxes per unit and lowering the terminal cap rate

» **SB Friedman Financial Analysis – Office/Parking Garage** *(All statements by Mr. Dorn unless otherwise noted)*

- **General**

- Project is new construction of a 360-stall parking garage and 4 story class A office building
- Developer is currently purchasing additional properties to assemble a large enough site and plans to begin construction shortly after the hotel's completion

- **Financing**

- Combined costs for the office and parking garage were within comparable ranges
- Friedman adjusted hard costs provided by third-party contractor to reflect STECM, reduced the developer fee to be in line with other two components, and separated the garage's acquisition cost from its prior inclusion with KCC's
- Financing sources were still preliminary, with the developer assuming 65% debt and 35% equity

- **Cash Flow**

- Friedman slightly increased developer's projected rent to be comparable to class A product because it is first new office construction in downtown area in several years and tax incentives were provided for new tenants
- New construction usually exceeds design features of existing product so can achieve higher rent (*Rood*)
- Remaining cash flow projections were reasonable
- Friedman also adjusted the terminal cap rate to be more in line with industry data
- City will contribute \$250,000 annually to the parking project for 20 years

» **SB Friedman Financial Analysis – Summary** *(All statements by Mr. Dorn unless otherwise noted)*

- Three separate project proformas with different financing sources and timelines were combined into one returns analysis

- Scenarios included:

- 1% CID and STECM – returns were at low end of market ranges
- Add in of parking grant achieves a midpoint benchmark return of 7.3%

- Developer's Assistance Request

- STECM on construction materials for all 3 components
- Reimbursement of CID tax on hotel component for 20 years
- LCRA tax abatement for 25 years at Ordinance level (75% for 10 years and 37.5% for remaining term) on apartment and garage components

- Conclusions

- Extended property tax abatement will require a sale/leaseback structure through the EDC/LCRA
- Project would achieve low end of market appropriate returns with just the CID and STECM incentives
- Add in of LCRA abatement achieved policy goals of affordable housing and free parking on nights and weekends without exceeding appropriate benchmark returns

» **Board Considerations**

- Purpose of informational only meeting is to give Board an understanding of the three-pronged project and to reduce length and complexity of future meetings (*Hamilton/Moye*)
 - Developer would also appreciate the feedback (*Hamilton/Flisram*)
- Financial analysis also presented to taxing jurisdictions which had no objections to the project based on Friedman's analysis (*Hamilton/Moye*)
- Only parking and office component is requesting LCRA property tax abatement (*Hamilton/Moye*)
- Converting KCC to hotel because it has some hotel features and has more space than the Muehlebach (*Hamilton/Walsh*)
- Each component of the project will have a separate legal description once the parcels are subdivided (*Hamilton/Moye*)

ACTION TAKEN: NONE; INFORMATIONAL ONLY

6. **Garfield URA - Independence Retail Plaza/2600 Independence Blvd** — *Consideration of Approval of Redevelopment Contracts with BA Property, LLC (Cathleen Flourney) (Ex. 6A-6C)*

» **Financial Analysis**

- Developer BA Property, LLC is proposing a \$1.8 Million new construction of a 1,170 square foot space for retail and other providers, which will create 48 jobs (*Flourney*)
- Developer originally asked for 100% abatement but inhouse financial analysis showed that return was too rich (*Flisram*)
 - Developer then provided additional information about its IRR and cash-on-cash restrictions and request was adjusted to 10-year 50% abatement (*Moye*)
 - 12.56% IRR may be higher than most projects, but given lack of comps and high-risk profile, staff recommends 50% abatement (*Flisram*)
 - Taxing jurisdictions approved 50% abatement for 10 years given the project's location and its potential to act as a catalyst for the area (*Flourney*)

» **Board Considerations**

- Mr. Hamilton confirmed that there was no public comment on the project
- Developer currently owns the property but did not own it at the time of the fire (*Hamilton/Flourney*)
- Marketing the site has not yet been aggressive because of uncertainties regarding tax abatement approval and subsequent inability to define rents (*Hamilton/Andrew*)
 - Owner is willing to take the risk to build the project as speculative with no pre-signed leases (*Hamilton/Andrew*)
- Financial commitment is tentative based on the receipt of some public assistance to minimize risk (*Hamilton/Andrew*)
 - Project will move forward once it receives City Council approval (*Andrew*)
- Developer has not yet met with HRD/City regarding M/WBE but will do so before construction begins (*Hamilton/Andrew*)
- Proposal for larger abatement

- Increase abatement to at least 75% so developer's proforma viewed more favorably by banks and to spark additional development in area (*Edwards/Contreras*)
- Concerns about changing recommendation are that (1) taxing jurisdictions are not present to consider change because assumed recommendation would be 50%/10 years and (2) but/for test shows that 50% is appropriate (*Hamilton/Edwards*)
- At its initial meeting with the developer, the school district recognized the need to incentivize the area to help its growth and development but also advised that its usual policy was to not favor incentives if need was not shown (*Edwards/Flournoy*)
- Project's need for larger assistance shown by 25% reduction of developer's projected rent revenues in staff's financial analysis (*Edwards/Moye*)
- Developer considerations about tabling the matter until next month to allow for further discussions with the taxing jurisdictions were (1) tenuous approval from lender based on 50% rather than 100% incentive and (2) construction timeline (*Hamilton/Andrew*)
- Board may or may not approve any motion to increase as it relies heavily on staff recommendation (*Hamilton/Andrew*)
- Developer's ultimate decision to continue with its request for 50%/10 years was based on its trust in staff's recommendation and to maintain project momentum (*Hamilton/Andrew*)

ACTION TAKEN: MR. EDWARDS MADE A MOTION, SECONDED BY MR. CONTRERAS, TO APPROVE 75% TAX ABATEMENT FOR TEN YEARS FOR THE INDEPENDENCE RETAIL PROJECT AT 2600 INDEPENDENCE BLVD. THE MOTION FAILED BY THE FOLLOWING VOTE:

MS. ALHAMBRA	NAY
MR. CONTRERAS	AYE
MR. EDWARDS	AYE
MR. HAMILTON	NAY

APPROVED 50% TAX ABATEMENT FOR TEN YEARS FOR THE INDEPENDENCE RETAIL PROJECT AT 2600 INDEPENDENCE BLVD. MOTION MADE BY MR. CONTRERAS, SECONDED BY MS. ALHAMBRA, AND CARRIED UNANIMOUSLY. (*RES. NO. 5-2-18*)

7. 13th & Locust URA - Interstate Building - Project Status Update (Brian Engel)

» Board Considerations

- Settlement Agreement
 - Settlement Agreement has been fully executed so the Board does not need to enter closed session to discuss the settlement (*Hamilton/Engel*)
 - Board members were individually polled by legal counsel and unanimously agreed to accept developer's proposed settlement (*Hamilton/Engel*)
- Amendment to Redevelopment Contract

- First Amendment, previously approved by the Authority, to extended the project's completion date to June 30, 2018 was never executed (*Hamilton/Engel*)
- Developer's second request to extend the project's completion date to September 30, 2018 will become the First Amendment (*Hamilton/Engel*)
- Board members declined to enter closed session to discuss the amendments although they were legal matters (*Contreras/Edwards/Hamilton*)

ACTION TAKEN APPROVED THE SETTLEMENT AGREEMENT BETWEEN THE AUTHORITY AND THE DEVELOPER INTERSTATE BUILDING, LLC, WHICH REQUIRED PAYMENT BY THE DEVELOPER OF DAMAGES IN THE AMOUNT OF \$51,000 PLUS REIMBURSEMENT OF THE AUTHORITY'S LEGAL FEES IN ORDER TO RESOLVE THE NOTICE OF DEFAULT ISSUED BY THE AUTHORITY ON MAY 5, 2018. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. NO. 5-3-18*)

APPROVED AN AMENDMENT OF THE REDEVELOPMENT CONTRACT BETWEEN THE AUTHORITY AND INTERSTATE BUILDING, LLC REGARDING THE INTERSTATE BUILDING PROJECT AT 417 EAST 13TH STREET IN THE 13TH & LOCUST URA EXTENDING THE PROJECT'S COMPLETION DATE TO SEPTEMBER 30, 2018. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. NO. 5-4-18*)

8. Administrative.

- a. Executive Director's Report - *Active Projects Tracking System Report (Ex. 8A)* (Greg Flisram)
- Mark Twain Tower
 - Staff is tracking project which continues to languish (*Flisram*)
 - Development group is apparently undergoing some sort of divorce, prompting recent newspaper article regarding the building's legal foreclosure (*Flisram/Contreras*)

ACTION TAKEN: NONE; INFORMATIONAL ONLY


Mr. Dinn, Mr. Donnell, and Ms. Hyatt of Abbott Properties asked that the Board grant them a few minutes to convey information about the company and how it operated. Mr. Hamilton agreed but asked that they contact staff to be put on the agenda for any future presentations.

- Want to open lines of communication between Abbott Properties ("Abbott") and the Authority to ensure working together efficiently and effectively (*Hyatt*)
- HRD MBE/WBE goals

- Abbott differentiates itself from other developers in that it self-performs 60% of its work inhouse which lowers financing and construction costs and keeps tenant rents at a reasonable level (*Dinn*)
- HRD goals set on 100% of project value become a requirement rather than a goal and are difficult to meet for self-performing developers (*Dinn*)
- Abbott is local company with national presence and plans to keep its headquarters in Kansas City but is unable to meet goals set on 100% of project value (*Donnell*)
- Understand that the Authority doesn't set the goals but Abbott wants to work with the agency and HRD as well as to retain its business model (*Donnell*)
- Uniform Affirmative Action Policy ("UAA")
 - City Council plans to vote tomorrow on a version of the proposed policy, which will determine who is responsible for what aspect of the HRD program (*Hamilton*)
 - Several different proposed policy versions between various City agencies, including version approved by the T&I Committee which included a provision to give more credit for self-performing (*Engel*)

9. **Adjourn.**

There being no further business, the meeting was adjourned at 11:40 a.m.

DocuSigned by:

Greg Flisram, Executive Secretary
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APPROVED 7/25/18



BOARD MEETING MINUTES

DATE: June 27, 2018
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Pat Contreras
Daniel Edwards
Steve Hamilton

Absent: Faiza Alhambra
Gabriel Okafor

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Bob Long, EDC
T'Risa McCord, EDC
Dan Moye, EDC
Sandra Rayford, EDC

LCRA Legal Counsel: Brian Engel, White Goss

Guests: Jerry Helmick, City of Kansas City, Human Relations Dept.
Kevin Masters, City of Kansas City, Public School District
Lance Carlton, UC-B Properties
John Hoffman, UC-B Properties
Tom McGee, Van Trust Real Estate

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Contreras and Edwards were present.

2. Administrative – *Review and Approval of Meeting Minutes for May 23, 2018 (Ex. 2)*

ACTION TAKEN: APPROVED THE MINUTES FOR MAY 23, 2018, AS PRESENTED.
MOTION MADE BY MR. EDWARDS, SECONDED BY MR.
CONTRERAS, AND CARRIED UNANIMOUSLY.

Mr. Brown advised that the financial report for June 2018 would not be forthcoming until this year's audit was complete. He also noted that LCRA's issuance of bonds for the convention center hotel would have a large but known negative financial impact. He anticipated that he would report on the finalized audit at next month's meeting.

3. **3200 Gillham Road URA** – *Consideration of Ratification and Approval of Amendment to Redevelopment Contract and Third-Party Consent to Assignment (Ex. 3A-3C) (Brian Engel)*

- Consent to Assignment and Amendment to Redevelopment Contract have already been vetted and executed (*Engel*)
 - Consent assigns Redevelopment Contract to developer’s lender
 - Amendment cleans up language in the contract
 - Both documents signed in advance of meeting to meet developer deadlines

ACTION TAKEN: RATIFIED AND APPROVED AMENDMENT TO REDEVELOPMENT CONTRACT AND THIRD-PARTY CONSENT TO ASSIGNMENT. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (RES. NO. 6-1-18)

Mr. Hamilton clarified with Mr. Edwards and Mr. Contreras that they had no objection to approval of previously executed perfunctory administrative matters.

4. **6434 Paseo URA** – *Consideration of Approval of Redevelopment Contracts with 6410 Paseo Blvd., LLC regarding Brookside East Senior Apartments (Bob Long) (Ex. 4A-4G)*

- » **Springsted Financial Analysis** [*All statements by Mr. Long, unless otherwise noted*]
 - Bank requiring developer to maintain at least a 1.25 debt coverage ratio and to inject 30% equity
 - Project’s average market rate of return was about 7.23%
 - Developer requesting two types of assistance – 10 year/100% tax abatement and sales tax exemption on construction materials
 - Without combination of incentives, project unable to meet required rates of return and debt coverage ratios
 - Analysis of tax abatement at 75% showed developer unable to maintain required debt coverage ratio
 - Sale tax exemption estimated to be about \$442,000
 - At developer’s meeting with the taxing jurisdictions, Mr. Masters proposed 100% abatement for the first 5 years and 50% for the remainder
 - Subsequent discussions resulted in developer’s acceptance of 100% abatement for 10 years, with PILOT payments of \$8,000 in year 7, \$16,000 in year 8, and \$20,000 in years 9 and 10
- » **Board Considerations**
 - 100% sales tax exemption results in above average return (*Hamilton*)
 - Springsted’s evaluation of Mr. Masters’ initial 100%/50% recommendation showed a lower leveraged rate of return (*Long*)
 - Developer says has reasons for requesting higher rate of return (*Long*)
 - Do construction period sale leaseback incentives actually work? (*Hamilton*)
 - Newer strategy for LCRA, PIEA uses more often (*Engel*)
 - Legal analysis the same whether long-term lease or lease tied to construction period (*Engel*)

- LCRA monies are required to be used during the exemption period, which can be shown by either LCRA serving as the borrower on construction loans or by its issuance of bonds (*Engel*)
 - Cost effects of developer's choice to issue bonds (*Hamilton*)
 - After meeting with LCRA staff and legal counsel, developer's attorney determined bond issuance would be more cost effective (*Flisram/Carlton*)
 - LCRA fee schedule formula tied to size of bond (*Engel*)
 - Any difference between sale/leaseback and bond methods should be minimal and bond issuance will be streamlined as much as possible (*Engel*)
 - Time periods of sale/leaseback and tax abatement are different (*Hamilton/Engel*)
 - Once construction is complete, the sale/leaseback will terminate and LCRA will then transfer title to developer and issue the tax abatement certificate (*Engel*)
 - LCRA statute requires issuance of a Request for Proposals for disposition of property (*Engel/Long*)
 - Developer's response will initiate preparation of sale/leaseback and other documents prior to bond issuance (*Engel*)
 - Developer will pay any additional costs and fees (*Long*)
- » **Developer Comments** [*All statements by Mr. Carlton, unless otherwise noted*]
- 6410 Paseo project may have similar issues to developer's project at 63rd & Holmes, which also received LCRA abatement
 - Lease-up for Holmes project took almost double their projections
 - Both projects are not market rate and are geared toward 80% median income residents from large employers nearby
 - Banks unwilling to finance non-market developments east of Troost unless higher equity and debt coverage ratios are contracted
 - Why City bisects streets into different tax incentive or opportunity zones
 - Hard boundaries of federal census tracts determine governor's ability to designate incentives for an area (*Flisram*)

ACTION TAKEN: APPROVED 100% TAX ABATEMENT IN YEARS 1-10 WITH PILOT PAYMENTS IN VARIOUS AMOUNTS IN YEARS 7-10, AND AUTHORIZED STAFF AND LEGAL COUNSEL TO PREPARE THE NECESSARY SALE/LEASEBACK DOCUMENTS WITH 6410 PASEO BLVD., LLC FOR THE BROOKSIDE EAST SENIOR APARTMENTS PROJECT IN THE 6434 PASEO URBAN RENEWAL AREA. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (RES. NO. 6-2-18)

5. **Hospital Hill No. II Urban Renewal Plan (Mount Prospect)** - *Approval of Amendment to Purchase and Redevelopment Contract with UC-B Properties, LLC (Ex. 5A-5C)* (Brian Engel)

- » **City's transfer of lots to developer through LCRA** [*All statements by Mr. Engel, unless otherwise noted*]

- LCRA owns the majority of the lots in northeast corner of Beacon Hill and City owns remaining properties
- LCRA waiting on City's determination if some lots can be included in transfer
 - Surveyor discrepancies have raised concerns about lots the City initially said it wanted to reserve for right of way purposes
 - Proposed Amendment assumes City's consent to including the lots in sale
- Amendment also extends closing date additional 60 days (current date is June 29, 2018)
- City Council consent required since transaction involves property transfer

ACTION TAKEN: APPROVED AMENDMENT TO PURCHASE AND REDEVELOPMENT CONTRACT, SUBJECT TO CITY APPROVAL. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (RES. NO. 6-3-18)

6. **Linwood-Prospect URA** – *Consideration of Amendment to Assignment, Assumption and Amendment of Ground Lease and Redevelopment Contract (Ex. 6A-6F) (Brian Engel)* .

» **Board Considerations**

- Project financing
 - A denial of developer's application for \$4 Million in funding from Central City Sales Tax Board could be determinative for the project (*Hamilton/Flisram*)
 - Developer also applied for TIF financing (*Hamilton/Flisram*)
- Project completion
 - Some new momentum in area from area grocery store opening (*Edwards/Flisram*)
 - In lieu of anyone else expressing interest in the property, no harm in extending dates for project completion (*Hamilton/Flisram*)

ACTION TAKEN: APPROVED AMENDMENT TO REDEVELOPMENT CONTRACT TO REVISE PROJECT SCHEDULE DEADLINES. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (RES. NO. 6-4-18)

7. **Blue Valley URA** – *Consideration of approval of Funding Agreement (Ex. 7) (Greg Flisram)*

» **Project Overview** [*All statements by Mr. Flisram, unless otherwise noted*]

- Property is surplus City-owned triangular piece of land which LCRA is trying to acquire to start industrial Blue Valley project
- Minority contracting company, Blue Nile Contractors, now owns building on part of triangle and has made inquiries about buying the remainder
 - Wants to bring 113 \$36 per hour full-time jobs to area
 - Sale of land from City to Blue Nile would pass through LCRA
- Staff requests approval to enter into a Funding Agreement with Blue Nile to ensure its payment of LCRA costs

- Costs include Phase 1 and 2 environmental surveys and legal costs

» **Board Considerations**

- City will give property to developer if its landscaping plan is acceptable (*Hamilton*)
 - Ordinance authorizing transaction has not yet been passed (*Flisram*)
 - City would prefer that developer use monies to develop and clean-up site rather than to purchase the property (*Flisram*)
- Payment responsibilities to remediate environmental issues is still being negotiated
 - If Phases I or II reports indicate contamination is worse than currently believed, developer may not pursue its purchase of the property (*Hamilton/Flisram*)
 - Enter into Funding Agreement with developer now and then wait on environmental reports to make future decisions (*Hamilton/Flisram*)
 - If developer reimburses LCRA costs, can approve project (*Edwards/Flisram*)
- Is a storage yard the best use for the property? (*Hamilton*)
 - Developer in process of acquiring building on property so remaining land would be of little use to anyone else (*Flisram*)
 - City condition for making deal is to have landscaping edge site to ensure view from I-70 is attractive (*Flisram*)

ACTION TAKEN: AUTHORIZED STAFF TO ENTER INTO A FUNDING AGREEMENT WITH YANA PROPERTIES, LLC D/B/A BLUE NILE CONTRACTORS REGARDING THE BLUE VALLEY PROJECT. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (RES. NO. 6-5-18)

8. **South Humboldt Urban Renewal Area - Consideration of Termination and Release of Contract to Sell and Purchase (Ex. 8A-8E)** (Brian Engel)

» **Project Overview** (*All statements by Mr. Engel, unless otherwise noted*)

- Buyer requested LCRA terminate and release its 1960 sale contract encumbering title (*Engel*)
- Buyer plans to hold the property for possible future development and continue its current use as a surface parking lot (*Engel*)

» **Board Considerations**

- If original developer fulfilled its obligations to construct improvements on the property as dictated by the 1960 sale contract is unknown (*Hamilton/Engel*)

ACTION TAKEN: APPROVED TERMINATION AND RELEASE OF CONTRACT TO SELL AND PURCHASE. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (RES. NO. 6-6-18)

9. **Administrative.**

Mr. Hamilton initiated discussions on the following administrative matters which were not on the agenda:

» *Status of Affirmative Action Ordinance*

Mr. Engel said that the City had not yet made a decision on the uniform affirmative action ordinance proposed by the City's Human Relations Dept. He advised that the joint version approved by developers and agencies was recently passed out of committee and was still being considered as were several other versions.

» *Chapter 353 Advisory Board/Three Light Project*

Because the members of the LCRA Board and the Chapter 353 Advisory Board are the same and because the Advisory Board meets only when considering a proposed plan, the Chairman took the opportunity to advise that the City Council had approved the Three Light project without including any of the Advisory Board's recommendations. At the Chairman's request, Dan Moye reported on his presentations of the Advisory Board's recommendations to the City Council Committee considering the ordinance, any discussions had by the City Council Committee regarding the Advisory Board's recommendations, and his discussions with City staff and the City Attorney's Office about the overall ordinance process. Kevin Masters (Kansas City Public School District) also provided comments on his impressions of the ordinance process in connection with this project.

b. *Administrative – Consideration of possible revisions to fee schedule* (Greg Flisram) (Ex. 9A-1 – 9A-2)

» *Proposed Changes [All statements by Mr. Moye, unless otherwise noted]*

- Current fees for projects over \$30 Million could be exorbitant or impinge on a project's financial feasibility (*Flisram*)
 - Change also made so LCRA fees comparable to fees charged by other agencies
- Box at top of form was added to make clear that any third-party costs incurred by the LCRA on behalf of the developer were payable by the developer
- Sections 1A and 1B were deleted and replaced with base fees for staff blight studies and eminent domain inclusion
- Section 2 was changed to more clearly show that the charge for recording the Redevelopment Contract was included in the fee
- Section 3's title was changed to clarify that fees applied if the requested incentive was an abatement or an exemption
- Section 3A was changed from 4% of hard construction costs to 3% of total development costs
 - Made to ensure that the fee would be reasonable for smaller projects and not exorbitant for larger ones
 - Fees were also capped at \$150,000 per line item and \$250,000 in the aggregate
- Eminent domain was added in Section 4B to reiterate that any legal costs would be passed onto the developer (*Engel/Moye*)

» **Board Considerations**

- Hard construction costs in Section 3A was replaced by total development costs because virtually all projects seeking incentives have hard construction costs over \$300,000 (*Hamilton/Moye*)
 - Total development costs can include soft and acquisition costs (*Flisram*)
- Fee cap of \$250,000 for the tax abatement certificate was considered to be pretty aggressive (*Hamilton/Moye*)
 - Construction costs would have to be \$50 Million before the \$250,000 cap was reached at .3%
- Bond fees (*Hamilton*)
 - Bond fees are not capped (*Moye*)
 - Bond and other fees were waived by the Board from their original amount of over \$340,000 for the convention center hotel (*Engel*)
 - Administrative fee was added to cover annual staff costs (*Engel*)

ACTION TAKEN: APPROVED REVISED FEE SCHEDULE. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. NO. 6-7-18*)

c. **Executive Director's Report** - *Active Projects Tracking System Report (Ex. 9B)* (Greg Flisram)

ACTION TAKEN: NONE; INFORMATIONAL ONLY

10. **Adjourn.**

There being no further business, the meeting was adjourned at 11:00 a.m.

DocuSigned by:

Greg Flisram, Executive Secretary
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BOARD MEETING MINUTES

DATE: July 25, 2018
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. Roll Call.

Present: Faiza Alhambra (*by telephone*)
Pat Contreras
Daniel Edwards
Steve Hamilton

Absent: Gabriel Okafor

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Bob Long, EDC
T'Risa McCord, EDC
Sandra Rayford, EDC

LCRA Legal Counsel: Brian Engel, White Goss

Guests: Jerry Helmick, City of Kansas City, Human Relations Dept.
Jan Parks, CKCEDR
Mike Hughes, TSI/MHCS
Lance Carlton, UC-B Properties

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as Commissioner Edwards was present in person and Commissioner Alhambra was present by telephone. Commissioner Contreras joined the meeting at a later time.

2. Administrative – *Review and Approval of Meeting Minutes for June 27, 2018 (Ex. 2)*

Mr. Hamilton noted that the last bullet in item 9b at the bottom of page 6 should be deleted. There were no other additions or corrections.

ACTION TAKEN: APPROVED THE MINUTES FOR JUNE 27, 2018 AS REVISED. MOTION MADE BY MR. EDWARDS, SECONDED BY MS. ALHAMBRA, AND CARRIED.

Mr. Brown advised that the financial report would not be given this month because the audit had not yet been finalized. He said that the auditors were still waiting on its national office to verify the debt placed on LCRA books from the convention center hotel bond issuance.

He added that day-to-day operations were proceeding and that he hoped monthly financial reports would resume in August.

3. **Manual Outline Urban Renewal Area** - *Consideration of Termination and Release of Purchase and Redevelopment Contract – Paseo YMCA Building* (Brian Engel) (Ex. 3A-3B)

- City will purchase and lease property to Negro League Baseball Museum and will otherwise assist financially with completion of the Buck O’Neil Education and Research Center (*Engel*)
 - Property was recently vandalized from flooding caused by having several pipes cut (*Engel*)
 - LCRA has not obtained detailed terms contained in the proposed contract between the City and NLBM as the Authority’s contract is simply a title issue (*Alhambra/Engel*)

ACTION TAKEN: APPROVED TERMINATION AND RELEASE OF PURCHASE AND REDEVELOPMENT CONTRACT, SUBJECT TO CITY ACQUISITION OF THE PROPERTY AND LEASE TO NLBM TO ASSIST DEVELOPMENT AND OPERATION OF THE BUCK O’NEIL EDUCATION AND RESEARCH CENTER. MOTION MADE BY MR. EDWARDS, SECONDED BY MS. ALHAMBRA, AND CARRIED. (*RES. NO. 7-1-18*)

4. **6434 Paseo Urban Renewal Area** – *Selection of Developer for Multi-Family Project* (Brian Engel) (Ex. 4A-4B)

- 6410 Paseo Blvd., LLC was the only respondent to the Request for Proposals and made its presentation for the project to the Board last month (*Hamilton/Long*)
 - Drafts of the contract and other financial documents are being prepared and will be sent to developer’s attorney for their review

ACTION TAKEN: SELECTED 6410 PASEO BLVD LLC AS REDEVELOPER OF PROJECT WITHIN 6434 PASEO URBAN RENEWAL AREA. MOTION MADE BY MR. EDWARDS, SECONDED BY MS. ALHAMBRA, AND CARRIED. (*RES. NO. 7-2-18*)

Mr. Contreras arrived at this time.

5. **Administrative.**

a. **Executive Director’s Report** - *Active Projects Tracking System Report* (Ex. 5A) (Greg Flisram)

- **Kansas City Club**
 - Moving forward slowly while developer is working to expire property leases so relocation processes are not triggered (*Flisram*)
 - Developer is also negotiating a different parking package with the City (*Flisram*)

- **Mark Twain**
 - Tax abatement was approved on February 22, 2017 but HH KC Mark Twain, LLC has not commenced the project (*Engel/Flisram*)
 - HH KC Mark Twain, LLC is no longer part of the project, which was purchased in a recent foreclosure action after the development stalled (*Flisram*)
 - New owner plans to sell the property so any future deal would require a new contract with any new developer (*Flisram*)
 - Redevelopment Contract with HH KC Mark Twain, LLC is still outstanding as the developer has neither signed the agreement nor provided comments to it (*Flisram*)
 - Legal counsel will notify HH KC Mark Twain, LLC in writing that LCRA's offered Redevelopment Contract has been rescinded because it was never signed (*Hamilton/Engel*)

ACTION TAKEN: TERMINATED ITS OFFER OF A REDEVELOPMENT CONTRACT WITH HH KC MARK TWAIN LP REGARDING THE MARK TWAIN BUILDING REHABILITATION AND MIXED-USE PROJECT AT 106 W. 11TH STREET IN THE CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. NO. 7-3-18*)

b. **Affirmative Action Report** (Sandra Rayford) (Ex. 5B-1 - 5B-2)

- **600 Central**
 - Employee assigned to do reporting no longer works for general contractor but another employee is scheduled to attend HRD training to do so (*Rayford*)
- **Morningstar**
 - Developer has asked for a good faith effort review on professional services which is not yet complete (*Rayford*)

Ms. Rayford advised that the Affirmative Action Subcommittee did not meet this month as there were no other unresolved issues on HRD's May 2018 report.

➤ **Uniform Affirmative Action Ordinance Update**

- Councilman Fowler version (*All statements by Mr. Engel unless otherwise noted*)
 - Transportation & Infrastructure Committee version supported by developers and agencies but voted down by City Council two weeks ago
 - Ordinance will return to committee for further review and discussion
 - Committee-approved version included provision that agencies make final determinations about good faith efforts and liquidated damages
- Councilman Reed version (*All statements by Mr. Engel unless otherwise noted*)
 - Reversion to HRD's original and includes no comments from developers or agencies


- Confusion over the different versions may have prompted return to starting over with the original proposal
 - Includes provision that developers turn in CUPs within 48 hours of bid date, which HRD won't remove and developers say is impossible due to the length of time to review numerous bids (*Rayford/Flisram*)
 - Councilman Wagner version (*All statements by Mr. Engel unless otherwise noted*)
 - Includes provisions critical to agencies regarding liquidated damage determinations but deletes the additions from the Fowler proposal
 - If HRD and the agency disagree about a good faith effort determination, an appeal can be made to the Fairness & Construction Board for a final decision
 - Agency decisions about liquidated damages would be final with no possibility of appeal
 - Includes provision that developers turn in CUPs within 48 hours of bid date, which HRD won't remove and developers say is impossible due to the length of time to review numerous bids (*Rayford/Flisram*)
- **Can Downtown and/or Crossroads areas be declared successes?**
- Question if abatement requests in these areas should face additional skepticism or even elimination (*Hamilton*)
 - Need statistical evidence such as maps or summaries of projects within last 5 years before can determine if any area is a success (*Alhambra/Contreras*)
 - Intra-agency work session to discuss goals, including transit-oriented agencies (*Contreras/Edwards*)
 - Project scrutiny can be more stringent rather than restricting or eliminating incentives (*Flisram*)
 - Tax abatement has been viewed as distorting area real estate markets because sellers factor in value of tax abatement in asking price (*Flisram*)
 - Restrictions without uniformity between the agencies may increase developer forum shopping (*Flisram*)
 - SB Friedman is already extremely thorough and vets every line item in its financial analyses (*Edwards/Flisram*)
 - Construction and labor costs have risen dramatically at this time which can mean projects can't be financed without incentives (*Flisram*)
 - Projects rarely disproved by Board because it depends on staff to pre-vet projects (*Hamilton*)
 - Affordable housing projects would be exempt from any restriction (*Hamilton/Edwards/Flisram*)
 - Some City projects which come to the Board prepackaged could be exception to standard abatement incentives (*Edwards/Alhambra/Flisram*)
- Proactive methods to incentivize development in other areas of City
- Lower or waive but/for test (*Edwards/Flisram*)
 - Cursory financial analysis to screen and vet project to enable smaller developers unable to afford \$10,000 to \$20,000 for a full analysis

- Additional screening methods and monitoring tools such as neighborhood and zoning approvals can help ensure that substandard projects are not developed
- Sale/leaseback tool to extend tax abatement time period (*Hamilton/Flisram*)
 - Currently in use sparingly as staff disseminates information via word of mouth
- Incentive transfer (*Edwards/Engel/Flisram*)
 - Can be used as long as don't violate cap ordinance 75% incentive percentage limit or statutorily authorized abatement term
- Modifying workable program in existing URAs (*Long/Engel*)
 - More latitude because already have blight designation
 - Board can amend its own workable program and but/for test
- Meet with current mayor to discuss proposed actions and obtain his approval (*Hamilton*)
- Need for more market rate east of Troost and other distressed census tracts (*Edwards*)
 - Warehousing poor people in one area just keeps that area poor and doesn't rebuild neighborhood

ACTION TAKEN: NONE; INFORMATIONAL ONLY

6. **Adjourn.**

There being no further business, the meeting was adjourned at 10:30 a.m.

DocuSigned by:

 Greg Flisram, Executive Secretary
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LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY

BOARD MEETING MINUTES

DATE: August 22, 2018
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. **Roll Call.**

Present: Faiza Alhambra
Daniel Edwards
Steve Hamilton
Gabriel Okafor

Absent: Pat Contreras

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Bob Long, EDC
T'Risa McCord, EDC
Sandra Rayford, EDC

LCRA Legal Counsel: Brian Engel, White Goss

Guests: Jeff Smith, BKD (*via telephone*)
Henok Tekeste, Blue Nile Contractors, Inc.
Jerry Helmick, City of Kansas City, Human Relations Dept.
Mara Pollets, Husch Blackwell
Jim Woodson, I-PAT
Roxsen Koch, Polsinelli
Chris Vukas, Sunflower Development
Mike Hughes, TSI/MHCS
Lance Carlton, UC-B Properties

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Alhambra, Edwards, and Okafor were present.

2. **Administrative** – *Review and Approval of Meeting Minutes for July 25, 2018 (Ex. 2)*

ACTION TAKEN: APPROVED THE MINUTES FOR JULY 25, 2018, AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

3. **Financial** – *Review of Financial Report* (Lee Brown)

Mr. Smith advised that the only holdup to completing LCRA’s audit was BKD’s review of the Convention Center Hotel’s complicated financial and bond transactions. He added that BKD would meet with City auditors to ensure that all parties accounted for project transactions correctly. Mr. Brown confirmed that LCRA’s monthly financial reports would resume once the audit was finalized.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

4. **Hospital Hill Urban Renewal Area** - *Consideration of Termination and Release of Contracts to Sell and Purchase – TMC Medical Office Building (Ex. 4A-4E)* (Brian Engel)

Mr. Engel advised that Truman Medical Center (TMC) had asked LCRA to terminate two of its old contracts from the property’s chain of title. He noted that TMC planned to build a new medical office building and improve an existing parking structure as part of the project. He confirmed that the LCRA had no interest in the property and that TMC was not asking for any additional LCRA incentives.

ACTION TAKEN: APPROVED TERMINATION AND RELEASE OF CONTRACTS TO SELL AND PURCHASE. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. NO. 8-1-18)

5. **Blue Valley Urban Renewal Area** – *Selection of Redeveloper for Contract to Acquire and Transfer Property for Redevelopment Project (Ex. 5)* (Brian Engel)

- Request for Proposals (RFP) (*Engel*)
 - LCRA issued an RFP pursuant to statute
 - Blue Nile was the only respondent
- Land Transfer
 - City will transfer the land to the LCRA which will then transfer it to Blue Nile at closing (*Engel*)
 - Blue Nile is not asking for any LCRA incentives or services other than the land transfer (*Tekeste*)
 - Land acquisition will allow Blue Nile to bring 125 good paying jobs to the under-employed area (*Flisram*)
- Environmental issues
 - Because of its proximity to the Blue River, LCRA is working with a surveyor to ensure the tract’s legal description is accurate (*Engel*)
 - Tract was split into two parts for purposes of environmental testing as southern portion may be more contaminated (*Flisram*)
 - Phase 1 environmental report on northern part is expected soon (*Flisram*)

ACTION TAKEN: SELECTED BLUE NILE CONTRACTORS, INC. AS REDEVELOPER OF PROJECT WITHIN BLUE VALLEY URBAN RENEWAL AREA AND AUTHORIZE LCRA AND LEGAL COUNSEL TO NEGOTIATE AGREEMENTS AND DOCUMENTS WITH THE CITY

AND THE DEVELOPER AS NEEDED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. NO. 8-2-18)

6. **Hospital Hill II Urban Renewal Area** - *Consideration of Termination and Release of Redevelopment Contract – Charlie’s House, Inc. (Ex. 6A-6C)* (Brian Engel)

- 1989 Redevelopment Contract Termination (*Engel*)
 - City requested that LCRA terminate its old contract because it is an encumbrance on the property’s title
 - TMC, as assignee under the contract, had no objection to the termination
 - Contract termination will also clear the encumbrance from the title of State-owned property across the street from the project
- Non-profits Charlie’s House and Turn the Page KC will share the new building, which will be a demonstration home for children with disabilities (*Engel*)

ACTION TAKEN: APPROVED TERMINATION AND RELEASE OF REDEVELOPMENT CONTRACT. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. NO. 8-3-18)

7. **6434 Paseo Urban Renewal Area** – *Consideration of Bond Authorizing Resolution for Multi-Family Project (Brookside East Apartments) (Ex. 7A-7I)* (Brian Engel)

➤ **Developer’s revised incentive requests** [*all statements by Mr. Engel unless otherwise noted*]

- Bonds
 - Bond documents have been prepared and are being reviewed by developer’s lender and Commerce Bank, the bond trustee
 - Developer was the only respondent to the request for bids published about the bond sale
- Sales tax exemption on construction materials during construction (STECM)
 - Requires that LCRA own and lease property to developer during construction
 - LCRA to transfer property title to developer on project completion
 - STECM documents are standard LCRA forms and are also being reviewed by developer’s lender and Commerce Bank
- 10-year 100% tax abatement
 - Developer will pay PILOT in years 7-10 as detailed in the proposed Redevelopment Agreement

➤ **Retaining wall issue** [*all statements by Mr. Engel unless otherwise noted*]

- Lot split allows developer to take ownership of retaining wall as the current owner (adjacent seminary) is unable to keep it maintained (*Carlton*)
 - Developer’s acquisition of property has been delayed by the City’s processing of its lot split application but is expected momentarily (*Carlton*)

- Portions of retaining wall are slightly outside Urban Renewal Area (URA) so issue is whether or not LCRA can acquire ownership of these areas
 - If property outside URA is to facilitate property within an URA, then LCRA can acquire it for lease to the developer as part of the project
 - Amending the URA would entail time and money as it would require City Council action, even if such support would probably not be withheld

➤ **Board considerations**

- Bond maturity date is 4/1/2020 (*Okafor/Engel*)
 - Construction completion will be also be by the same date
- Evidence demonstrating the project’s financial need for a change in incentives was presented by the developer at a prior meeting (*Alhambra/Flisram*)
- Bond purchase is a book entry only transaction as developer is sole purchaser (*Okafor/Engel*)
 - Developer is financing the bond from a separate construction loan
- Developer has established MBE/WBE goals for both construction and professional services with the City’s Human Relations Dept. (*Hamilton/Carlton*)

ACTION TAKEN: APPROVED RESOLUTION AUTHORIZING ISSUANCE OF BONDS IN MAXIMUM AMOUNT OF \$14,500,000 AND EXECUTION OF BOND AND PROJECT DOCUMENTS TO FUND DEVELOPMENT OF MULTI-FAMILY PROJECT WITHIN 6434 PASEO URBAN RENEWAL AREA. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (*RES. NO. 8-4-18*)

8. **Administrative.**

a. **Executive Director’s Report** - *Active Projects Tracking System Report (Ex. 8A)* (Greg Flisram)

- **Uptown Theater**
- **Kansas City Club**
 - Developer still working to vacate the building (*Flisram*)
 - Project will hopefully be on the Board’s agenda in September (*Koch*)
- **2600 Independence**
 - Project may be dead or proceed without the previously approved 50% LCRA tax abatement as developer encountered community resistance during UR zoning process (*Flisram*)
- **2020 Grand/Hotel Indigo**
 - Hotel will open in early October (*Flisram/Long*)

- **106 W. 11th/Mark Twain**
 - LCRA's redevelopment contract with the original developer has been terminated (*Flisram*)
- **2321 Troost/LaQuinta Hotel**
 - Groundbreaking is next week and some preliminary construction work has been completed (*Vukas/Sunflower Dev.*)

ACTION TAKEN: NONE; INFORMATIONAL ONLY

- b. **Beacon Hill** – *Consideration of Amendment No. 5 to Development Agreement for Services between the City, Authority, and Beacon Hill Developers, LC (Ex. 8B)* (Greg Flisram)

Mr. Flisram advised that the matter would be resolved through other methods than Board action.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

- c. **Affirmative Action Report (Ex. 8C)** (Sandra Rayford)

- Subcommittee did not meet this month as HRD advises that, overall, LCRA projects were meeting goals (*Rayford*)
 - Issues regarding one of the two projects highlighted on HRD's monthly report have been resolved while the other is still being reviewed (*Helmick/Rayford*)

ACTION TAKEN: NONE; INFORMATIONAL ONLY

Mr. Hamilton initiated discussions on the following administrative matters which were not on the agenda:

- **Uniform Affirmative Action Ordinance**

- City committee is still debating two versions of the Ordinance (*Engel*)
 - Councilman Reed's version mirrors HRD's original proposal
 - Councilman Wagner's version includes agency and developer comments
 - Committee consensus seems to be a compromise between the two
- Issues
 - Fears that the Wagner version could expose HRD to litigation and eventual destruction of the program are unfounded (*Okafor/Koch*)
 - Business size and self-performance, among other issues, still need to be resolved (*Engel/Koch*)
 - HRD rules should be published so that developers can be informed about which policies are applicable (*Okafor/Koch*)
 - HRD program should not exclude small developers without the financial means to hire an attorney to navigate the MBE/WBE process (*Okafor/Koch*)
 - HRD's original draft is totally untenable to the agencies (*Hamilton*)

➤ **But for financial analysis test**

- Board directed staff to draft a policy for future review by the Board regarding when the but for test could be waived or modified (*Hamilton*)
 - Important workable program policy providing accountability for Board regarding why a project should receive incentives (*Engel*)
 - Cost of financial analysis is often prohibitive to smaller developers (*Flisram*)
 - Board can decide not to require but for justification at its discretion (*Engel*)

➤ **A More Proactive LCRA**

- Most redevelopment authorities actively acquire and clear properties for sale to a developer or other party (*Flisram*)
 - Intent of statute (*Hamilton*)
 - EDC is working with the Industrial Development Authority (IDA) to create an industrial land bank fund to package and clean-up sites (*Flisram*)
- Jobs and/or housing
 - 1950's focus on housing should be updated to a focus on jobs (*Flisram*)
 - Single family homes create more jobs than multi-family housing (*Edwards*)
 - East side density is a problem (*Edwards*)
- Possible sources to finance LCRA proactivity
 - Shared Success Fund, which should begin receiving monies after the first of the year (*Edwards/Flisram*)
 - LCRA fees and other income, which are rolled into EDC's special initiative fund (*Flisram*)
- Heritage tax
 - Insulates long-term residents from rising property values and taxes as neighborhood improves (*Edwards/Flisram*)
 - High costs to create a blanket URA could be alleviated by changes in the City Council's requirements or in the LCRA's workable program (*Edwards/ Engel*)
 - Residents should also have to proactively remediate blight on their properties to be eligible for such benefits (*Edwards/Engel*)
- Transferable tax abatements
 - Transfer credit percentages cannot exceed statutory authority or caps Ordinance unless authorized by City Council (*Engel*)
 - Developers would still have to prove its need for abatement via the but for test (*Hamilton*)
 - Entails redirecting earnings tax to companies who are hiring disadvantaged workers as a wage support system (*Flisram*)
- Federal Opportunity Zones/Funds
 - Allows investors to defer/forgive capital gains tax if the monies are used proactively in a distressed area for a set time period (*Flisram*)
 - Need add-on incentives to make zones more competitive (*Flisram*)
 - LCRA could be fund manager for an opportunity zone fund (*Flisram*)

- Blight studies/findings
 - Finding of blight must be based on statute definition, which includes physical and non-physical characteristics (*Okafor/Engel*)
 - LCRA can acquire non-blighted property in certain housing projects but only for certain findings and reasons (*Engel*)
- Relationship with City
 - LCRA is a separate political entity from the City (*Hamilton*)
 - Investor and foundational funds are available for city entities such as the EDC/LCRA (*Edwards*)
 - City/LCRA relationship is necessary due to LCRA's ability to carry out essential city functions such as property tax exemption which aren't defined by the LCRA statute (*Engel*)
- Mr. Hamilton asked that Board members brainstorm for discussion at future meetings other ways how the LCRA could become more proactive
 - Ms. Alhambra advised that she would investigate the job programs offered through her employer to determine if any were applicable


➤ Valentine Shopping Center/Uptown Theater

- Financial analysis states that Phase 1 of the project will need full tax abatement, a STECM, and other incentives (*Moye*)
- Settlement agreement with the City and parking easements are still outstanding issues (*Flisram*)
- Project is slated to be on the September 26, 2018 agenda as the lease expires October 1, 2018 (*Engel*)
- Sale leaseback/affordable housing (*Flisram*)
 - Developer was advised that LCRA would be more amenable to sale leaseback if affordable housing included in the project

ACTION TAKEN: NONE; INFORMATIONAL ONLY

9. Adjourn.

There being no further business, the meeting was adjourned at 11:35 a.m.

DocuSigned by:

 Greg Flisram, Executive Secretary
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LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY
BOARD MEETING MINUTES

DATE: September 26, 2018
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. **Roll Call.**

Present: Faiza Alhambra
Pat Contreras
Daniel Edwards
Steve Hamilton
Gabriel Okafor

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA
Bob Long, EDC
Sandra Rayford, EDC

LCRA Legal Counsel: Brian Engel, White Goss

Guests: Randy Landes, City of Kansas City, Finance Dept.
Jerry Helmick, City of Kansas City, Human Relations Dept.
Shannon Jaax, City of Kansas City, Public Schools
Bill Fleming, Hawthorn/Treanor
Joey Flickner, IUPAT DC3
Jim Woodson, IUPAT DC3
Roxsen Koch, Polsinelli
Jason Swords, Sunflower Development Group
Mike Hughes, TSI/MHCS
Larry Sells, UGA

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as all five members of the Board were present.

2. **Administrative** – *Review and Approval of Meeting Minutes for August 22, 2018 (Ex. 2)*

ACTION TAKEN: APPROVED THE MINUTES FOR AUGUST 22, 2018, AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

3. **Uptown Theater Urban Renewal Plan** - *Consideration of Master Financing Agreement and Master Lease Extension (Ex. 3A-3C)* Brian Engel

- City Manager's recent changes not shown on exhibits in Board packet (*Engel*)
 - Mr. Engel distributed two handouts which detailed the differences - "Master Financing Agreement-Uptown Shoppes" and "Parking Easement Agreement-Uptown Shoppes"
- **Master Finance Agreement ("MFA")**
 - Intent
 - To transfer property title to development team so project can proceed (*Engel*)
 - To settle dispute regarding City's demand for \$2.2 Million bond repayment from UGA by City's full waiver of its assertion (*Engel*)
 - To redevelop property which positively impacts the neighborhood while still retaining parking for the Uptown Theater ("Theater") (*Koch*)
 - Real Estate Transactions
 - Several same day real estate transactions will begin with LCRA's transfer of property title to UGA and culminate in UGA's, Hawthorn's, and Treanor's ("Developer's") 20%/40%/40% respective ownership in the project (*Engel*)
 - Escrow deed will be signed by entity owning the property at that time and held in escrow pursuant to escrow agreement (*Hamilton/Engel/Koch*)
 - Parking Easement will also be recorded (*Hamilton/Koch*)
 - Incentive Package
 - Board is being asked to approve only the MFA at this time, and not the tax incentive package which is laid out in the agreement (*Engel*)
 - Developer is actively pursuing PIEA approval for the project (*Engel*)
 - LCRA would have to go through its normal procedures to formally select a developer and approve sale/leaseback documents to establish the STECM and property tax abatement if Developer sought its incentives (*Hamilton/Engel*)
 - Project is within a continually distressed census tract so is eligible for 100% abatement (*Koch/Landes*)
 - Closing/Timeline
 - Master Lease currently expires October 1, 2018, but if closing does not occur by October 1, 2018, it will be extended to December 15, 2018 (*Engel*)
 - Construction timeline is to break ground in early 2019 (*Alhambra/Engel*)
 - Developer presented a PowerPoint outlining its plans for the project (*Koch*)
 - Developer Financing/Costs
 - If financing is not obtained within two years after incentive approval, the CID revenue stream is assigned to the City going forward and the City has a 6-month option to repurchase and select another developer (*Engel*)
 - Construction financing separate and apart from \$3,000,000 mortgage loan by Hawthorn/Treanor to purchase 80% of the property (*Alhambra/Engel/Koch*)
 - Construction costs for Phase 1 are @ \$40 Million (*Alhambra/Koch*)
 - Developer plans to close on its construction loan for Phase 1 by early March (*Alhambra/Koch*)

- LCRA Costs
 - UGA will pay up to \$10,000 of LCRA's legal fees at closing and any remaining fees will be paid by Hawthorn and/or Treanor (*Engel*)
 - LCRA fee structure has been changed and adjusted to ensure problematic nature of this anomalous project does not reoccur (*Okafor/Flisram*)
- City Finance Committee and City Council both unanimously authorized City Manager to enter into the MFA (*Hamilton/Koch*)

➤ **Parking Easement**

- City will escrow UGA's \$301,000 purchase price to be drawn upon by UGA to pay for any temporary parking needs for the Theater during construction (*Okafor/Koch*)
 - Location of interim parking will be either on or off site (*Hamilton/Engel*)
 - Costs for interim parking are not known at this time (*Hamilton/Engel*)
- Intent is to preserve parking rights for the Theater for the Easement's 99-year term (*Koch*)
 - Theater will use its parking mainly for events but it has 24/7 rights for its designated spaces (*Hamilton/Koch*)
 - Proposed parking garage will have enough spaces for the Theater and other users (*Hamilton/Koch*)
 - 380 parking spaces are planned for the Theater, increasing its current allotment by 60 (*Engel/Koch*)
 - Parking is key issue for the neighborhood (*Okafor/Koch*)
- Neighborhood Support
 - Neighborhood representatives testified in support of the project at the City's Finance Committee meeting (*Okafor/Flisram*)
 - Developer has met with neighborhood groups several times (*Okafor/Koch*)
 - Key issue for neighborhood is parking due to overflow from Uptown events (*Okafor/Koch*)
- Easement is in favor of the land, no matter who owns the Theater (*Hamilton/Engel*)

➤ **Site History/Blight**

- PIEA has declared the site owned by the LCRA for almost 30 years as blighted (*Jaax*)
 - City and LCRA should ensure such a situation does not reoccur as site has been off tax rolls since 1988
- Neighborhood tax base has risen because the site has fulfilled its key purpose of destressing the area by providing parking for the Theater (*Koch*)
- Project Leasing
 - First Management will be management entity (*Swords*)
 - Hawthorn and Treanor, as majority stakeholders, will be in charge of authorizing leases and day-to-day decisions (*Fleming*)
 - Uptown Lofts, as minority stakeholder, will have no interest in any of the future leasing for the property (*Koch*)

➤ **Phase 2 Incentive**

- Financial Analysis of Project
 - MFA is ambiguous about Phase 2 requiring its own financial analysis (*Edwards/Hamilton/Engel/Flisram*)
 - Developer discussed what financial analysis said about Phase 2 with the City Manager and has shown commitment by proceeding with MFA before receiving PIEA approval (*Koch*)
 - City Council has already sanctioned incentives for both phases by its approval of the MFA (*Jaax*)
 - Separating Phase 2 from the MFA as written would be unfeasible (*Hamilton/Edwards*)
 - PILOT Payments
 - PILOT payments of \$7,000 begin in year 2, increasing to \$175,000 in year 25 (*Edwards/Swords*)
 - Payment levels were determined by City and Developer discussions (*Alhambra/Koch*)
 - Approval of MFA endorses non-compliance with AdvanceKC procedures for Phase 2 (*Jaax*)
 - Have previously discussed Ms. Jaax's concerns with her and agree that the endlessly debated language of the final MFA could be clearer (*Landes*)
 - City Council was advised of the gap in AdvanceKC procedures for Phase 2 but unanimously passed the project ordinance (*Landes*)
- Developer will comply with the City's MBE/WBE program (*Hamilton/Fleming*)
- City has 3 primary issues regarding the project (*Landes*)
- (1) Settle dispute between the City and UGA regarding lease under-payments on \$3.5 Million debt
 - (2) Ensure that Parking Easement is recorded and available
 - (3) Clear way for current developer
- City is being extraordinarily generous and it and the LCRA are minimally protected by MFA provisions (*Hamilton/Okafor/Alhambra*)
 - Need to replace failed project with a sustainable development and City Council approved the current proposal (*Hamilton/Contreras*)

ACTION TAKEN: APPROVED THE MASTER FINANCING AGREEMENT, INCLUDING AN EXTENSION OF THE MASTER LEASE TO DECEMBER 15, 2018, AND RELATED DOCUMENTS IN CONNECTION WITH TERMINATION OF MASTER LEASE AND TRANSFER OF PROPERTY TO FACILITATE REDEVELOPMENT OF PROPERTY. MOTION MADE BY MR. CONTRERAS, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY. (*RES. NO. 9-1-18*)

4. **Administrative.**

- a. **Executive Director’s Report** - *Active Projects Tracking System Report (Ex. 4A)* (Greg Flisram)

[Mr. Flisram gave his report after the Board’s discussion and vote on item 4(b) - Amendment to Workable Program – New Section 5(g).]

[All statements by Mr. Flisram unless otherwise noted]

- **Blue Nile/YANA Properties, LLC**
 - City Finance Committee has approved the project
 - Phase 1 environmental report is still outstanding
- **Kansas City Club/Muehlebach**
 - Developer continues the process of tenant removal
 - Hotel portion of project is no longer seeking LCRA incentives
- **Hotel Indigo/2020 Grand**
 - Grand opening on October 5, 2018
- **Beacon Hill - 2 Corners/Botwin**
 - Project has stalled and staff is attempting to obtain information from the developer about status
- **Mount Prospect/UC-B Home Builders**
 - Sale from LCRA to developer of several lots for neighborhood development closed last Friday
- **Liquidated Damages Payment**
 - Payment was received and is being held in the EDC Strategic Initiatives Fund (“SIF”) (formerly EDC Charitable Fund)
 - Staff will obtain clarification regarding obtaining funding from SIF for LCRA initiatives and report to the Board at its next monthly meeting
 - EDC has previously distributed SIF monies to programs such as the minority business accelerator program, the Blue Valley redevelopment initiative, and the apprenticeship and urban caps program
- **Uniform Affirmative Action Ordinance**
 - Both proposed Ordinances will be on the City Council’s agenda again this week as the proposals were passed out of committee with no recommendation (*Engel*)

ACTION TAKEN: NONE; INFORMATIONAL ONLY

- b. **Amendment to Workable Program – New Section 5(g)** – *Consideration of Amendment to Workable Program (Ex. 4B)* (Brian Engel)

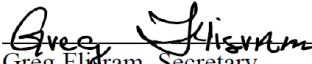
- **Project Qualifications**
 - Have construction costs under \$15 Million and be located east of Troost in a continually distressed census tract (*Flisram/Engel*)
 - Projects over \$15 Million can be waived at the Board’s discretion (*Engel*)

- \$15 Million was chosen as the benchmark because the same figure is used to delineate between the LCRA's levels of financial analyses (*Flisram/Jaax*)
- Projects must comply with all other LCRA restrictions, requirements, and policies (*Flisram*)
- **Intent**
 - Reduce red tape for smaller projects which may not be able to afford the cost of a financial analysis (*Flisram*)
- **Neighborhood support**
 - Not specifically defined in Workable Program (*Edwards/Hamilton*)
 - Projects must also comply with the neighborhood plan (*Flisram*)
- **End date**
 - Included to demonstrate that the exclusion could terminate if and when the east side is declared a success (*Hamilton/Jaax*)
- **Workable Program Policy**
 - Reviewed when issue needs to be addressed, which in this case, was the Board being more proactive to incentivize east side development (*Hamilton/Jaax*)
- **Taxing Jurisdiction Support**
 - Taxing jurisdictions were not included in staff meetings to formulate the policy (*Okafor/Hamilton/Jaax*)
 - Kevin Masters, a former school district representative, previously confirmed that taxing jurisdictions supported projects east of Troost (*Edwards/Jaax*)

ACTION TAKEN: APPROVED AMENDMENT TO WORKABLE PROGRAM. MOTION MADE BY MR. OKAFOR, SECONDED BY MS. ALHAMBRA, AND CARRIED UNANIMOUSLY. (*RES. NO. 9-2-18*)

5. **Adjourn.**

There being no further business, the meeting was adjourned at 11:15 a.m.

DocuSigned by:

 Greg Flisram, Secretary
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LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY

AMENDED BOARD MEETING MINUTES

DATE: October 24, 2018
TIME: 9:30 a.m.
PLACE: Jackson Room, 17th Floor, Town Pavilion
1100 Walnut, Kansas City, Missouri

1. **Roll Call.**

Present: Faiza Alhambra
Pat Contreras
Daniel Edwards
Steve Hamilton

Absent: Gabriel Okafor

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

LCRA Legal Counsel: Brian Engel, Rouse Frets

Guests: Henok Tekeste, Blue Nile Contractors, Inc.
Amelia McIntyre, City of Kansas City, City Attorney's Office
Jerry Helmick, City of Kansas City, Human Relations Dept.
Robin Martinez, Martinez Tobin & Redman LLC
Evan Welsh, Platform Ventures
Roxsen Koch, Polsinelli
Mike Hughes, TSI/MHCS

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Alhambra and Edwards were present. Commissioner Contreras arrived during the meeting.

2. **Administrative** – Review and Approval of Meeting Minutes for September 26, 2018 (**Ex. 2**)

ACTION TAKEN: APPROVED THE MINUTES FOR SEPTEMBER 26, 2018, AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED.

3. **Financial** – Review and acceptance of Financial Report for the Months of May, June, July, August, and September, 2018 (Lee Brown) (**Ex. 3A-3E**)

➤ **Audit**

- Finalization of the audit continues to be delayed by auditor concerns regarding ambiguity related to Series B bond default (*Brown*)
 - The Board is frustrated because the delay has caused it to have no financial reports for several months (*Hamilton*)

Mr. Brown will convey the Board’s frustrations about the delay to the auditors.

➤ **Financial Reports**

- Sale of 2321 Troost [*noted as 2322 Troost on financial report*] for \$300,000 was credited as revenue in June and as an expense in July when the monies were returned to the City (*Brown*)
- Account receivables and payables since the beginning of the year have been largely resolved (*Brown*)
 - Mr. Hamilton thanked Mr. Brown for the financial report notations which updated past-due account information after month-end closing
 - Developer for the Block 140 and Three Light projects is working with staff to bring the accounts current (*Brown*)
 - 64th and Paseo project and legal costs will be paid at closing, which was recently delayed by a month (*Brown*)
 - Developer for the 435 and Front Street project was difficult to contact but has since pledged to pay on the account (*Brown*)

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORTS FOR MAY, JUNE, JULY, AUGUST, AND SEPTEMBER, 2018, AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED.

4. **Blue Valley Urban Renewal Area** – Approve URP Amendment and Approve Property Transfer Documents with City and Redeveloper (Brian Engel and Greg Flisram) (**Ex. 4A-4F**)

➤ **Plan Renewal**

- Plan originally approved in 1998 for a 20-year term (*Engel*)
 - Blighting conditions present in 1998 still exist today (*Engel*)
- City and LCRA have agreed to a 15-year extension (*Edwards/Engel*)
 - Ordinance 180819, scheduled to be heard this afternoon in committee, also stipulates 15 years (*McIntyre*)
 - Plan can be extended again, if necessary (*Flisram*)
- Board approval of Plan extension is necessary before LCRA can own the property (*McIntyre/Engel*)
- Legal counsel and staff will continue to document plan termination dates, determine if plans merit extension, and advise the Board of the same (*Engel*)

ACTION TAKEN: APPROVED AMENDMENT TO BLUE VALLEY URBAN RENEWAL PLAN TO EXTEND TERM FOR AN ADDITIONAL FIFTEEN (15) YEARS. MOTION MADE BY MR. EDWARDS, SECONDED BY MS. ALHAMBRA, AND CARRIED. (RES. NO. 10-1-18)

➤ **Purchase Agreement / Sale and Redevelopment Contract**

- Exhibit documents may require additional minor modifications (*Engel*)

➤ **Environmental Concerns**

- Phase 1 report discovered fill on Blue River flood control site which covers part of tract 2 and most of tract 3 of the project area (*Engel*)
 - City agreement prohibits development on tracts 2 and 3 because the source of the fill is unknown and could pose an environmental risk
 - Prohibition can be lifted if a Phase 2 shows no contamination
- City must determine if the developer's improvement plans impact the fill area before the Purchase Agreement can be closed (*Engel*)
 - Once Developer's plans are finalized, agreement can be revised to match improvement locations so it doesn't adversely impact the project
- Developer assumes risk as property owner and indemnifies the LCRA in the Redevelopment Agreement (*Engel/Hamilton*)

ACTION TAKEN: APPROVED PURCHASE AGREEMENT WITH CITY AND APPROVED SALE AND REDEVELOPMENT CONTRACT WITH DEVELOPER FOR SALE OF THE PROPERTY TO THE DEVELOPER WITH SUCH NON-MATERIAL CHANGES AS COUNSEL MAY APPROVE. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED. (RES. NO. 10-2-18)

Mr. Contreras arrived just before the end of the discussion regarding the Blue Valley Purchase Agreement at @ 10:15 a.m.

5. **Central Business District URA** - *Consideration of Redevelopment Contract Proposal for Multi-Phase Project at 1219 and 1227 Wyandotte Street and 1200 Baltimore Avenue (Dan Moye)*

➤ **Additional Financial Analysis**

- Initial financial analysis included cap ordinance level sales tax exemption on hotel conversion, which the developer has removed from LCRA consideration (*Moye*)
- 40% increase in project size of two remaining portions necessitated an updated financial analysis (*Moye*)

➤ **Conflict Waivers**

- Mr. Engel's law firm merged with Rouse Frets, which created a conflict due to Rouse's representation of Platform Ventures on an unrelated project in Lee's Summit, Missouri (*Engel*)

- Ms. Koch confirmed that her client, Platform Ventures, waived the conflict (*Hamilton*)

ACTION TAKEN: APPROVED WAIVER OF CONFLICT OF INTEREST BY THE AUTHORITY REGARDING ROUSE FRETS' REPRESENTATION OF THE AUTHORITY REGARDING THE MULTI-PHASE PROJECT LOCATED AT 1219 AND 1227 WYANDOTTE STREET AND AT 1200 BALTIMORE AVENUE IN THE CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA. MOTION MADE BY MR. EDWARDS, SECONDED BY MS. ALHAMBRA, AND CARRIED UNANIMOUSLY. (*RES. NO. 10-3-18*)

- Mr. Contreras advised that his employer, McCown Gordon Construction, was working with Platform Ventures on the projects at issue and would therefore abstain from any votes on the same

➤ **Developer Presentation**

- Kansas City Club renovation to hotel
 - State and historic tax credits rather than LCRA abatement will incentivize the conversion (*Koch*)
 - Financial component of excluded portion will still benefit the overall project (*Koch*)
 - Hotel revenues will hopefully offset the parking garage renovation costs (*Koch*)
- Muehlebach renovation to apartments
 - 10% of the units will meet the 80% AMI affordability guideline while the remaining will meet affordable rent guidelines (*Koch/Moye*)
 - Developer's change to an affordable project was driven by the City's demands and desires for such apartments in the downtown area (*Koch*)
 - Building footprint remains unchanged while number of units increased (*Koch*)
 - Unit sizes were reduced to @ 600 square feet because of the number increase but amenity space was increased (*Flisram/Welsh*)
- Office tower and parking garage renovation
 - Speculative office project as no tenant has yet been identified (*Koch*)
 - KCADC advises that the lack of Class A office space is the biggest hindrance to attracting businesses to Kansas City (*Koch*)
- Community Improvement District (CID)
 - Developer plans to ask the City to expand the existing CID covering the office/garage and KC Club space to include the Muehlebach (*Koch*)

ACTION TAKEN: SELECTED PLATFORM VENTURES, LLC AS REDEVELOPER FOR THE PROJECT AT 1219 AND 1227 WYANDOTTE STREET AND 1200 BALTIMORE AVENUE, SUBJECT TO REVIEW OF REVISED PROJECT SCOPES AND INCENTIVES. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED BY THE FOLLOWING VOTE:

MS. ALHAMBRA AYE
MR. CONTRERAS ABSTAIN
MR. EDWARDS AYE
MR. HAMILTON AYE

(RES. NO. 10-4-18)

6. **13th & Locust URA** – *Consideration of Redevelopment Contract Amendment for the Interstate Building/417 E. 13th Street Project* (Bob Long/Brian Engel) (**Ex. 6A-6B**)

- Delay caused to buy time to restructure family holdings (*Martinez*)
 - Changes in ownership need to be done before placing the project in service to preserve its federal historic tax credits (*Martinez*)
 - No further delays beyond year-end are expected (*Martinez*)
- Project is nearly complete and blight has been remediated so the Board does not object to the extension (*Hamilton*)

ACTION TAKEN: APPROVED AMENDMENT TO REDEVELOPMENT CONTRACT TO EXTEND COMPLETION DEADLINE TO DECEMBER 31, 2018. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (RES. NO. 10-5-18)

7. **Columbus Park Urban Renewal Area – 515 Troost Avenue** - *Termination of Conservation Agreement* (Bob Long and Brian Engel) (**Ex. 7A-7B**)

- Agreement initiated in 1971 as a result of the house’s condition and an eminent domain threat by the LCRA (Long)
 - Owners at that time rehabbed the house and fulfilled all of the obligations under the agreement (*Hamilton/Long*)
- Current owners discovered that agreement was still on the chain of title as a result of refinancing the property (*Long*)
 - Property is owner-occupied (*Alhambra/Long*)

ACTION TAKEN: APPROVED THE TERMINATION OF THE CONSERVATION AGREEMENT FOR 515 TROOST AVENUE AND FULL RELEASE OF THE PROPERTY FROM RESTRICTIONS CONTAINED IN SAID AGREEMENT. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. NO. 10-6-18)

8. **Hospital Hill No. II Urban Renewal Area** - *Approval of Transfer of LCRA Lots to City* (**Ex. 8A-8B**) (Brian Engel)

- City requested that the LCRA transfer the lots to it for subsequent transfer to developers waiting on ownership to begin a project (*Engel*)
- Lots are among the last inherited from HEDFC (*Flisram*)

- Parcels are within the Hospital Hill 2 URA and the Beacon Hill Chapter 353 areas (*Long/Hamilton*)

ACTION TAKEN: APPROVED TRANSFER OF LCRA LOTS TO CITY. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS AND MR. EDWARDS, AND CARRIED UNANIMOUSLY. (*RES NO. 10-7-18*)

9. Administrative.

a. Executive Director's Report - *Active Projects Tracking System Report (Ex. 9A)* (Greg Flisram)

- A new buyer has the Mark Twain building under contract and plans to appear before the LCRA Board before year-end (*Flisram*)
 - Staff is also expediting the financial analysis process (*Flisram*)
 - Faster timeline because developer needs to spend 10% of its rehab costs before year-end or it will lose its historic tax credits (*Long*)

ACTION TAKEN: NONE; INFORMATIONAL ONLY

b. Affirmative Action Report (Ex. 9B) (Sandra Rayford)

- HRD will withdraw their request that the current developer for the Interstate Building submit a professional services CUP as a prior developer had already complied with the requirement (*Rayford*)
- A project cited for not reporting in August had experienced personnel turnover and will remedy the error (*Rayford*)

Mr. Hamilton initiated discussions on the following administrative matters which were not on the agenda:

➤ Uniform Affirmative Action Ordinance

- City Council tabled the ordinance last week and has scheduled the matter again for this week (*Engel*)
 - Two main versions were both passed out of committee (*Hamilton/Engel*)
- Remaining issues of contention include:
 - HRD doesn't want to publish its rules and regulations regarding how they make their decisions (*Rayford*)
 - Income of minority business owners because they can't be certified as MBE/WBE if it passes a certain level (*Engel*)

➤ Uptown Shoppes

- Project was closed last week and LCRA no longer owns the shopping center (*Engel*)
- Referendum Petition / City Ordinances
 - Filed by group after the City adopted an ordinance approving the Master Finance Agreement (MFA) (*Engel*)

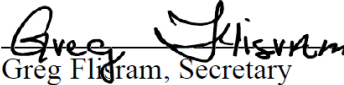
- Opposition based on the MFA's pre-approval of incentives for the project's 2nd phase without following AdvanceKC procedures (*Engel*)
- City adopted a new ordinance which required phase 2 tax abatement to be subject to a financial analysis (*Engel*)
- Developer's request for sales tax exemption in phase 2 was omitted from the new ordinance (*Flisram*)
- LCRA and City legal and finance departments had previously advocated that phase 2 should be fully subject to AdvanceKC (*Engel*)

➤ **Downtown Density**

- Density and vitality are still needed in the area to attract businesses necessary to declare downtown Kansas City a success (*Flisram*)
- Studio and one-bedroom apartments are not long-term options for families (*Edwards*)
- Frustration stems from lack of benefits for other areas caused by resistance as well as bureaucracy (*Edwards*)

10. **Adjourn.**

There being no further business, the meeting was adjourned at 11:10 a.m.

DocuSigned by:

Greg Flisram, Secretary
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LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY

BOARD MEETING MINUTES

DATE: November 28, 2018

TIME: 9:30 a.m.

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

1. Roll Call

Present: Faiza Alhambra
Pat Contreras
Steve Hamilton
Gabriel Okafor

Absent: Daniel Edwards

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Aarron Knight, EDC
Bob Long, EDC
T'Risa McCord, EDC
Dan Moye, EDC
Sandra Rayford, EDC

LCRA Legal Counsel: Brian Engel, Rouse Frets

Guests: Phil Aftuck Bernstein Company
Bob Mayer, Bernstein Company
Jerry Helmick, City of Kansas City, Human Relations Dept.
Shannon Jaax, City of Kansas City, School District
Claude Page, City of Kansas City, Urban Redevelopment
Jan Parks, Coalition for Economic Development Reform
Bruce Eddy, Community Mental Health Fund
Sean O'Byrne, Downtown Council
Andrea Bough, Lewis Rice
Scott Pedersen, Pedersen Development Co.
Roxsen Koch, Polsinelli
Lance Dorn, SB Friedman (*via telephone*)
Elizabeth Ginsberg, SB Friedman (*via telephone*)
Ryan Schmidt, SB Friedman (*via telephone*)
Tom McGee, Van Trust

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Alhambra, Contreras, and Okafor were present.

2. **Administrative** – *Review and Approval of Meeting Minutes for October 24, 2018 (Ex. 2)*

ACTION TAKEN: APPROVED THE MINUTES FOR OCTOBER 24, 2018, AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

Note: At the end of the Board’s discussions and vote regarding item #4 of this agenda, Mr. Hamilton noted a correction to the October 24, 2018 minutes, per Jan Parks’ memo. The sentence “*Filed by group apparently led by the Kansas City School District after the City adopted an ordinance approving the Master Finance Agreement (MFA)*” at the bottom of page 6 was changed to “*Filed after the City adopted an ordinance approving the Master Finance Agreement (MFA)*”. Mr. Hamilton confirmed with Mr. Okafor and Mr. Contreras that they had no objection to the change. Ms. Alhambra had left the meeting prior to the end of the Board’s discussion of item #4.

3. **Financial** - *Review and acceptance of the draft LCRA Audit for fiscal year 2018 (Lee Brown) (Ex. 3)*

Mr. Brown advised that:

- October 2018 revenue and expenses were much lower than the same amounts in October 2017 because of the closure and finalization of the Columbus Park project
- Accounts past-due 30 days or more
 - Items C and D have since been collected
 - Item A – Mr. Brown has recently spoken with the developer’s attorney, who will contact the developer about the past-due account
 - Item B – project’s sale will close shortly which will then remit funds directly to Rouse Frets as payment of their fees
- Mr. Brown would like to review the audit draft before it is presented to the Board, as he just received the report today

ACTION TAKEN: ACCEPTED THE OCTOBER 2018 FINANCIAL REPORT AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

4. **Central Business District URA – Hyatt House - 900 Broadway** - *Approval of Redevelopment Contracts with Pedersen Development Company LLC (Bob Long) (Ex. 4A-4E)*

- **SB Friedman (SBF) Financial Analysis** (*all statements made by Mr. Dorn unless otherwise noted*)
 - Project Overview
 - \$38 Million, 13 story, 153-room hotel project
 - Automatic 48-stall stackable parking system and lease of additional spaces from adjacent garages

- Construction planned to begin in Spring 2019, open in June 2020, with occupancy stabilization in 2022
- Cost Adjustments
 - Reduced costs for pre-opening and operations and developer’s purchase price allocation to be comparable with comps
 - Reallocated portion of price paid by developer for adjacent Google Fiber building (*Alhambra/Dorn*)
 - Hotel pad was a paved parking lot when developer purchased the two sites (*Hamilton/Long*)
- Estimated construction costs were not changed as they were provided by a third-party
 - Building site’s small footprint and Hyatt House franchisee requirements also contributed to the high costs
- Preliminary project financing loan to cost ratio, term, interest rates, and equity were in line with current financial market data for hotels, industry data, and comps
- CID calculations were changed to include room and food and beverage revenues
- Decreased real estate taxes and terminal cap rate as they were too conservative
- SBF recommends a cost check evaluation at project completion to determine if actual construction costs generated a need for the requested incentive
 - Furniture, fixture, and equipment (“FFE”) and parking system costs were substantial but not supported by outside data
 - Hyatt House letter attributed high FFE costs to the downtown location and as a means to compete with other downtown hotels
 - SBF conducted its own online research to estimate project parking costs
- **Hotel Valuation Services (HVS)** (*all statements made by Mr. Dorn unless otherwise noted*)
 - Developer assumptions about operating expenses were based mainly on a market study by HVS, a leader in evaluating hotel project feasibility
 - Operating, parking, and food and beverage costs appeared reasonable
 - Average Daily Rate (ADR) in HVS study attributed to high number of hotel rooms coming into market in downtown Kansas City in next several years
- **SB Friedman Abatement Request Analysis** (*all statements made by Mr. Dorn unless otherwise noted*)
 - STECM
 - Eligibility would result from LCRA ownership and lease of the property to the developer (*Okafor/Engel*)
 - Lease would run for the length of the abatement, including the additional 5 years, if approved (*Okafor/Engel*)
 - CID reimbursement of 100% of a 1% for 25 years
 - CID would be governed by a separate reimbursement agreement between the developer and the CID and is not part of the LCRA incentive (*Hamilton/Engel*)
 - LCRA tax abatement at 100% for 10 years and 37.5% for 5 years

- Project is eligible for 100% abatement because western end of downtown loop is in a continually distressed census tract (*Okafor/Long*)
- Housing within the same tract includes Quality Hill and several low-income senior housing sites (*Okafor/Long*)
- Evaluated project on an unleveraged internal rate of return (IRR) because finances were preliminary and developer planned to hold the project at least short-term
 - Unleveraged IRR is the best indicator of a project's overall feasibility
 - Project returns are below the appropriate rate of return without assistance
 - Anticipated revenues are appropriate but can't support construction costs
 - Full abatement is needed for project to achieve a viable rate of return

➤ **Taxing Jurisdiction Testimony**

- Kansas City School District (*all statements by Ms. Jaax unless otherwise noted*)
 - Taxing jurisdictions were only briefed on project last month
 - Need more clarity from City about when a sale/leaseback tool should be used so agencies aren't forced to perform guesswork on day of hearing
 - If City census tract maps had been updated timely, site would not be in a distressed census tract
 - 10 years of abatement will have no PILOT payment
 - Lack of subsidized parking places burden on taxing jurisdictions by driving up project costs and subsequent need for subsidies
 - Taxing jurisdiction revenue governed by City decisions, such as its refusal to distribute hotel taxes generated by this project to other taxing jurisdictions
- Jackson County representatives were not present at today's LCRA meeting (*Moye*)
 - Jackson County has recently condensed their economic department and has not been an active participant in agency decisions (*Moye*)
- Community Mental Health Fund (*all statements by Mr. Eddy unless otherwise noted*)
 - Clientele's perception of Kansas City's economic development is that they aren't included
 - Can't support project at 100% abatement and propose 75% level as matter of principle and to help blunt cumulative impact of delaying receipt of revenue
- Numerous and continuous complaints that taxing jurisdictions are not timely included in project vetting hinders and weakens agency review (*Contreras*)

➤ **City Testimony** (*all statements by Ms. Tyndall unless otherwise noted*)

- Support project, and willing to accept either developer's or taxing jurisdictions' offers or a compromise of the same, as long as no super TIF monies are involved
- City should perform market analysis to determine its current hotel/motel needs
 - Difficult to maintain incentives at current high level for this project as well as others
 - VisitKC's support for the convention center hotel included a suggested number for additional hotels, which is still much higher than the current amount (*Koch*)
 - Convention and Visitors Association can provide further information about the number of downtown hotels (*Tyndall/Parks*)

- **Downtown Council Testimony** (*all statements by Mr. O'Byrne, unless otherwise noted*)
 - Support project for three reasons:
 - Removal of surface parking lots prompted by infill development is important
 - Project is different market niche which will be successful on weekends as it is during the week
 - Business recruitment to the City requires speculative office space development, which can be sparked by a boom in hotel space

- **Board Considerations**
 - Project benefits to Kansas City
 - Immediate benefits to taxing jurisdictions from higher commercial taxes (*Pedersen/Koch*)
 - No new commercial construction in project area for almost 20 years (*Pedersen/Koch*)
 - Convention center hotel will create need for extended stay hotels (*Pedersen*)
 - Educational benefit through hotel's internship programs with Crossroads Academy (*Pedersen*)
 - Community benefit by attracting more tourism and conventions (*Koch*)
 - Project supported by both City Council members of the district, as well as by Downtown KC and neighborhood associations (*Pedersen*)
 - Staff's response to project's benefit to the City is that new hotel rooms support convention market (*Okafor/Flisram*)
 - VisitKC has been pressed to do a market study to determine if the City still needs more hotel rooms (*Flisram*)
 - From urban design standpoint, hotel will be an attractive building on a major gateway to the City (*Flisram*)
 - HVS studies, as well as related reports, are continually reviewed and have determined that this is the right development for this site (*Pedersen*)
 - Developer has no wish to build a \$30 Million hotel which will fail (*Pedersen*)
 - Extended stay hotels provide rooms for business travelers, temporary workers, and friends or family of small downtown apartment users (*Flisram/Koch*)
 - Kansas City in a special renaissance which won't last forever as construction costs and interest rates rise, so project should proceed (*Contreras*)
 - Possible perception that taxpayers being asked once again to subsidize a luxury hotel
 - Hotel is select-service, not a luxury full-service (*Pedersen*)
 - Room rates are mid-range at \$160 (*Pedersen*)
 - Project is a good infill redevelopment (*Pedersen*)
 - Perception that project is overly expensive
 - Building non-stick, concrete building, which will exist for hundreds of years (*Flisram/Pedersen*)
 - Costs are more expensive than airport hotels but are comparable with similar downtown projects (*Flisram*)
 - FFE and other costs are mandated substantially more by the market than by Hyatt House's franchisee requirements (*Okafor/Pedersen*)

- Competitors will be typical select service hotels and the convention center hotel (*Contreras/Pedersen/Koch*)
- Automated Stacker Parking System Expense
 - Cost for automated parking system is \$20,000 per space while structured parking is \$30,000 (*Koch*)
 - Auto parking system is a first for Kansas City and can be dismantled and sold off at some point in the future (*Okafor/Flisram*)
 - Surface parking lot has 34 spaces, stacker system will hold, depending on how configured, 12 SUVs or 16 sedans (*Contreras/Pedersen*)
 - Leaving site as surface parking lot doesn't further City development goals (*Okafor/Koch*)
 - City adopted new zoning codes with no parking requirements for downtown projects to encourage developments of this nature (*Okafor/Koch*)
- Why LCRA should grant a sale/leaseback, its ultimate incentive
 - Project has no housing component, a moderate AdvanceKC score, and is not on the eastside (*Hamilton*)
 - Developer request is for a modified use of the sale/leaseback (*Koch*)
 - Project's sustainability is high impact as a result of its construction durability and subsequent (*Koch*)
 - Project's financial analysis will remain the same no matter which agency incentives it receives (*Koch*)
 - Fees generated by the project and other similar developments can enable the LCRA to fund its eastside incentives (*Flisram/Koch*)
 - Balance between LCRA's funding its initiatives versus its principles about not awarding incentives to a project just because of the fees it would generate (*Okafor/Hamilton*)
 - Project fits within City's goal of increasing its hotel rooms and LCRA's sale/leaseback policy via by a 5-year old City ordinance encouraging agencies to use the tool (*Koch*)
 - Policy about reserving sale/leaseback tool in place for some time and well known to Ms. Koch and staff (*Hamilton/Pedersen*)
- Abatement Level
 - Project not able to support abatement lower than 100% abatement in its first 5 years (*Okafor/Pedersen/Jaax/Koch*)
 - Lower abatement percentage at front end also requires an extended abated time period at the end of the project (*Pedersen/Jaax*)
 - Additional abatement time is acceptable if corresponding percentage is lowered from 100% (*Eddy*)
 - Project cannot be completed without the sale/leaseback abatement (*Okafor/Pedersen*)
 - Impact of difference between 100% and 75% abatement is not huge given the number of years involved (*Flisram/Dorn*)
 - Project financing depends on abatement percentage (*Pedersen*)
- SBF Recommendation for Cost Reconciliation at Project End

- Abatement level language can be written into Redevelopment Agreement between the LCRA and developer (*Engel*)
- Concept not pursued more because of concern about what to do if costs increase (*Engel/Hamilton*)
- Similar cost reconciliation projects have been structured to resize the assistance if costs fall below a certain level to negate any possible cost inflation by developer (*Hamilton/Dorn*)
- Advantages include a more accurate cost analysis given market and other fluctuations from year to year (*Dorn/Pedersen*)
- Agencies do not increase abatements if construction costs increase (*Pedersen/Dorn*)

ACTION TAKEN: SELECTED PEDERSEN DEVELOPMENT COMPANY LLC (OR AN AFFILIATE) AS REDEVELOPER OF THE HYATT HOUSE PROJECT WITHIN CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA AND APPROVED A SALES TAX EXEMPTION ON CONSTRUCTION MATERIALS AND PROPERTY TAX ABATEMENT AT 100% FOR 10 YEARS AND AT 37.5% FOR THE FOLLOWING 5 YEARS FOR THE HYATT HOUSE PROJECT. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED. (*RES. NO. 11-1-18*)

5. **Central Business District Urban Renewal Area - 106 West 11th Street (Mark Twain Building)** — *Consideration of Approval of Redevelopment Contracts with KCAC Developers, LLC (Dan Moye) (Ex. 5A-5C)*

- **SB Friedman (SBF) Financial Analysis** (*all statements made by Mr. Dorn unless otherwise noted*)
 - Project Overview
 - Building originally built in 1915 as a hotel but converted to offices in 2001 at which time a 35-year Chapter 353 abatement was also granted
 - Renovation is first Kansas City project for KCAC Developers (KCAC), which has experience in commercial and historic rehab projects
 - Construction is planned to begin as soon as possible, with completion in November, 2020 and occupancy stabilization sometime in 2021
 - Project Challenges
 - KCAC must spend @ \$2.5 Million of the prior developer's historic tax credit award by December 15, 2018 to maintain the same
 - Efficiency and cost issues created by the 2-story ballroom and 3-story athletic club are non-revenue generating spaces
 - Other challenges include the high cost of historic tax renovations, flattening market rents, rising labor costs, and an over-supply of similar product currently in development
 - Cost Adjustments/Analysis

- Adjusted acquisition cost to \$35 per gross square foot, which is essentially the 2016 value inflated to 2018 dollars
- Reduced \$650,000 in unpaid consultant fees and liens to \$200,000 based on developer's documentation
- Hard and soft costs, developer fees, and project financing were all in reasonable ranges
- Changes in last year's tax codes widened the reasonable range for federal tax credits, which were originally considered to be at the low end
- State tax credits were also within reasonable ranges, even with the uncertainty regarding the state program
- Developer's rent assumption, which were comparable to other downtown projects, was increased to a higher level via a sensitivity analysis
- Retail rents, high vacancy assumptions, and expense and income inflation were deemed too conservative and adjusted
- Evaluated project based on yield on cost and overall returns rather than investor returns because financing was preliminary and developer's plans to hold the project long-term
- Conclusions were that the project needs the full requested abatement because costs were not fully supportable by rents and non-revenue generating space

➤ **City Testimony** *(all statements by Ms. Tyndall unless otherwise noted)*

- City staff supports the SBF and LCRA staff recommendations and believes it is imperative that the project be redeveloped
- A successful redevelopment is in everyone's best interest by returning the building to the tax rolls and avoiding higher incentives needed to rehab it in the future
- Adaptive re-use of historic buildings to maintain downtown's historic fabric is another policy consideration which merits extraordinary incentives
- City legal counsel agreed that the cap ordinance is applicable only to new plans
- Letters from the Downtown Council and Councilwoman Shields were received in support of the project (*Hamilton*)

➤ **Downtown Council Testimony** *(all statements by Mr. O'Byrne unless otherwise noted)*

- Previous leasing efforts were largely unsuccessful due to the building's inadequate office space design
- Residential conversion will save the building's historic façade and bring in businesses attracted by the workforce residing in the apartments
- Parking pressures on that intersection are problematic but will work with Bernstein to rectify
 - Residential and office users need 1 and 3 spaces, respectively, per 1,000 feet of square footage
 - Current generations are also less prone to owning an automobile

➤ **Board Considerations**

- City Council Approval/Cap Ordinance
 - LCRA project approval in existing URAs does not require City Council action (*Hamilton/Mayer/Flisram*)

- Councilwoman Shields indicated that historic projects were exempt from the cap ordinance (*Mayer*)
- Abatement Level/Chapter 353 Abatement
 - Staff recommended 90% level based on developer’s initial request and inconsistent analysis of cap level interpretation (*Hamilton/Moye/Flisram*)
 - Bernstein confirmed that it would not reduce the final Chapter 353 assessment payment of approximately \$92,000 (*Jaax/Mayer/Aftuck*)
 - Taxing jurisdictions understood that abatement level would be 75% based on last week’s project review (*Jaax*)
 - Taxing jurisdictions would support 90% over 100% (*Hamilton/Jaax*)
 - Chapter 353 abatement was granted on a very under-developed project (*Hamilton/Flisram*)
 - Bernstein confirmed that it would contact Brian Rabineau at the City to terminate the Chapter 353 abatement as stipulated in the prior developer’s redevelopment agreement (*Aftuck/Mayer*)
 - High expense to renovate a wrecked building apparently unavoidable despite its abatement 20 years prior (*Hamilton/Eddy*)
 - Question for Board is if it should grant incentive to another high-end, downtown apartment building with no affordable component (*Hamilton*)
- Project Challenges
 - Bernstein anticipates long-term gain with the project so willing to take short-term loss (*Aftuck/Mayer*)
 - Building sale price higher because of past financing and legal issues (*Mayer*)
 - SBF’s reference to an over-supply of similar product referred to high-end luxury grade apartments, which this project is not (*Hamilton/Mayer*)
 - Failure to approve the Bernstein development would increase the project’s need for future incentives as well as exacerbate its vacancy issues (*Flisram*)
 - Apartment units will be average size with high ceilings, although units will be smaller at lower levels because of elevator bank placement (*Hamilton/Mayer*)
 - Only the ballroom and pool will not require a complete overhaul due to the lack of maintenance in the building’s interior (*Hamilton/Aftuck*)
 - Building’s parking garage is now owned and used by another company, resulting in its reliance on the streetcar and other transportation modes for its residents (*Hamilton/Mayer*)
 - Newer redevelopments in the area have also increased parking demand (*Contreras/Mayer*)
- Historical Tax Credits
 - 10% amount based on historic costs, not on \$51.9 Million project budget (*Hamilton/Aftuck*)
 - Qualified reimbursements include only materials relative to historic preservation of the building (*Mayer/Hamilton*)
 - Bernstein’s national expertise with historic developments and knowledge of State requirements should enable it to comply with the \$5 Million stipulation (*Hamilton/Aftuck*)

- Bernstein's closing on its purchase of the building depends on the project's approval by the LCRA and its compliance with State historical tax regulations (*Hamilton/Contreras/Okafor/Aftuck/Mayer*)
- Federal tax credits are \$8.7 Million and State credits are @ \$4 Million (*Contreras/Moye*)
- Bernstein confirmed that it had already met with the City's Human Relations Department regarding MBE/WBE requirements (*Hamilton/Aftuck*)
- Mr. Hamilton and Mr. Flisram agreed that staff recommendations should be more specific

ACTION TAKEN: APPROVED DEVELOPER'S ORIGINAL REQUEST FOR 90% ABATEMENT AND APPROVED SALES TAX EXEMPTION AS REQUESTED, SUBJECT TO THE TERMS AND CONDITIONS OF THE PROJECT AND FINANCING DOCUMENTS, FOR THE MARK TWAIN PROJECT IN THE CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED. (*RES. NO. 11-2-18*)

6. **Columbus Park Urban Renewal Area – Columbus Park Development Group 2, LLC - Phase II** – *Consideration of Extension to Real Estate Sale Contract* (Brian Engel) (**Ex. 6A-6C**)

- Developer has requested to extend the closing date for the remaining 3 parcels of the Phase 2 property from April 30, 2018, as stipulated in the Sale Contract, to April 30, 2019 (*Engel*)

ACTION TAKEN: APPROVED AMENDMENT TO REAL ESTATE SALE CONTRACT FOR SALE OF REMAINING LCRA LAND TO COLUMBUS PARK DEVELOPMENT GROUP 2, LLC. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED. (*RES. NO. 11-3-18*)

7. **Grand Avenue Office Campus Urban Renewal Area** – *Consideration of Extension of Purchase Agreement and the Sale Contract Closing Date on 1207 Grand* (Brian Engel) (**Ex. 7**)

- Developer request to extend closing on sale of the 1207 Grand property and to amend the Purchase Agreement to reflect the date change (*Engel*)
 - Extend closing date from December 1, 2018 to March 1, 2019 (*Engel*)
 - KCATA improvements are still under construction at the intersection (*Okafor/Engel*)
- Developer is assembling the property with others in the area for a future project (*Okafor/Engel*)

ACTION TAKEN: APPROVED EXTENSION OF THE CLOSING DATE OF THE PURCHASE AGREEMENT AND SALE, DISPOSITION AND

FUNDING CONTRACT TO MARCH 1, 2019. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED. (RES. NO. 11-4-18)

8. **Eastside Urban Renewal Area** - *Consideration of Termination and Release of Conservation Agreement* (Brian Engel) (Ex. 8A-8C)

- Van Trust has contracted to purchase the site and requests that the LCRA clear the property's title of a 1962 LCRA Conservation Agreement (*Engel*)
- Van Trust's intent is to demolish the property for future redevelopment in the 7-block area around the site (*Okafor/McGee*)
 - Building is on the national historic register but can be demolished if no federal funds are involved (*McGee*)
 - Van Trust has been named master developer for the area by the City (*McGee*)

ACTION TAKEN: APPROVED TERMINATION AND RELEASE OF CONSERVATION AGREEMENT. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED. (RES. NO. 11-5-18)

9. **Little Sisters of the Poor Urban Renewal Area** – *Consideration of Approval of the URP's First Amendment* (Brian Engel and Bob Long) (Ex. 9)

- Original Little Sisters Plan was approved in 1999 and will expire on March 18, 2019 (*Long*)
- Plan's intent was to erect single-family homes, 14 of which have been built with 5 parcels remaining to be similarly developed (*Long*)
 - Remaining parcels are owned by the Homesteading Authority which is unable to finish their development before the Plan expires (*Long*)
 - Housing Authority is a semi-quasi statutory agency controlled by the City, similar to the City's Land Bank (*Okafor/Long*)
 - No additional property is being added to the Plan area (*Hamilton/Long*)
 - City Council approval will be required for the term extension (*Hamilton/Long*)

ACTION TAKEN: APPROVED AMENDMENT TO LITTLE SISTERS OF THE POOR URBAN RENEWAL PLAN TO EXTEND TERM FOR AN ADDITIONAL FIVE (5) YEARS. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED. (RES. NO. 11-6-18)

10. **Administrative.**

a. **Executive Director's Report** - *Active Projects Tracking System Report* (Greg Flisram) (Ex. 10A)

ACTION TAKEN: NONE; INFORMATIONAL ONLY

b. **Affirmative Action Ordinance** (Greg Flisram and Brian Engel) (**Ex. 10B**)

- Liquidated damage issues could become problematic as collection methods are not specified in the new ordinance
 - Penalties for breach of a developer’s MBE/WBE responsibilities should flow to the agency as its contract with the developer governs the same (Engel)

ACTION TAKEN: TABLED TO THE BOARD’S DECEMBER 19, 2018 MEETING.

Mr. Hamilton and Mr. Okafor initiated discussions on the following administrative matters which were not on the agenda:

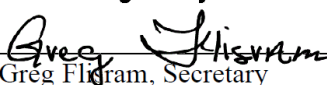
Mr. Engel and Mr. Flisram confirmed for Mr. Hamilton that a LCRA Board meeting was necessary in December to discuss the KC Club/Muehlebach and Mark Twain projects.

➤ **STECM Monitoring/Oversight of Expenditures**

- Use of a significant eastside incentive could be jeopardized if found to be invalid (*Okafor*)
 - Redevelopment Agreements include provisions that terminate a project’s STECM use if it is deemed invalid or illegal (*Engel*)
 - STECM use has become more popular as it faces less resistance from the taxing jurisdictions (*Engel*)
- LCRA has no direct role in a developer’s STECM purchases other than that its ownership of the property makes the purchases tax-exempt (*Hamilton/Engel*)
 - Redevelopment Agreement outlines the handling of invoices and other processes
- Cost certifiers can be required and paid for by the developer (*Rayford*)
 - LCRA usually relies on lender’s inspector to review all construction invoices and draws because our interests are aligned (*Engel*)

11. **Adjourn**

There being no further business, the meeting adjourned at 1:15 p.m.

DocuSigned by:

Greg Flisram, Secretary
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LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY

BOARD MEETING MINUTES

DATE: December 19, 2018

TIME: 9:30 a.m.

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

1. **Roll Call.**

Present: Pat Contreras
Daniel Edwards
Steve Hamilton
Gabriel Okafor

Absent: Faiza Alhambra

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Aarron Knight, EDC
Bob Long, EDC
T'Risa McCord, EDC
Dan Moye, EDC
Sandra Rayford, EDC

LCRA Legal Counsel: Brian Engel, Rouse Frets

Guests: Jeff Smith, BKD
Jim Noland, Central States
Jerry Helmick, City of Kansas City, Human Relations Dept.
Bruce Eddy, Community Mental Health Fund
Joey Flickner, IUPAT DC3
Jim Woodson, IUPAT DC3
Roxsen Koch, Platform Ventures
Evan Walsh, Platform Ventures
John Hoffman, UC-B Properties

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Contreras and Okafor were present. Commissioner Edwards arrived at a later time in the meeting.

Mr. Hamilton thanked EDC staff for their hard work and professionalism during the past year on behalf of the Authority. He also recognized Mr. Engel for his legal guidance and dedication throughout the year.

2. **Administrative** - *Review and Approval of Meeting Minutes for November 28, 2018 (Ex. 2)*

ACTION TAKEN: APPROVED THE MINUTES FOR NOVEMBER 28, 2018, AS PRESENTED. MOTION MADE BY MR. CONTRERAS, SECONDED BY MR. OKAFOR, AND CARRIED.

Mr. Edwards arrived at the meeting.

3. **Financial.**

Mr. Brown suggested that Jeff Smith of BKD present the audit findings prior to his report on the November 2018 financials and Mr. Hamilton agreed.

b. *Review and acceptance of the draft LCRA Audit for fiscal year 2018 (Lee Brown) (Ex. 3B)*

All statements made by Mr. Smith unless otherwise noted.

- Complicated nature of convention center hotel project (“Hotel”) financials caused delay in BKD’s finalization of audit
 - Information from EDC staff was accurate, timely, and caused no delays
 - BKD’s extended review was to ensure that the LCRA and City were on the same page regarding their respective Hotel reporting obligations
 - One minor adjustment was necessary to the audit to correct how a property sale was reported
 - Capital projects fund is new this year and is used to account for activity regarding the bond issue
- Independent Auditor’s Report (p. 1) gives opinion that the financial statements presented were materially correct
- Management’s Discussion and Analysis (p. 3) summarizes significant transactions for the year
- Statement of Net Position (p. 8) is equivalent to a balance sheet
 - Only major difference from past audits is amount of bond debt for the Hotel
 - Series 2018B bond proceeds are recorded as a liability because LCRA was the issuing entity and LCRA does not own the Hotel (*Okafor/Smith*)
- Statement of Activities (p. 9) is equivalent to an income statement, showing revenues earned and expenses incurred
- Balance Sheet - Governmental Fund (p. 10) is equivalent to a cash basis statement, showing cash balances and current payables
- Statement of Revenues, Expenditures and Changes – Governmental Fund (p. 11) is equivalent to a cash basis income statement, showing proceeds from Hotel bond issue
- Note 2 – Convention Center Hotel Financing (p. 16) details the different pieces of the Hotel’s financing
 - Includes short analysis regarding who reports liabilities and summarizes the transaction from LCRA standpoint
- Note 3 – Deposits and Investments (p. 17) outlines investments and cash deposits
 - Numbers are much higher due to unspent bond proceeds

ACTION TAKEN: ACCEPTED THE DRAFT LCRA AUDIT REPORT FOR FISCAL YEAR 2018. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

b. *Review and acceptance of the Financial Report for the month of November, 2018* (Lee Brown) (**Ex. 3A**)

- Brookside East Senior/6410 Paseo project closed yesterday and will be removed as a past-due account (*Brown*)
 - No past-due accounts are anticipated in the December 2018 report
- No anomalies in the income statement or balance sheet (*Brown*)
- Final audit numbers will be included in future financial reports (*Brown*)

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR NOVEMBER 2018, AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

4. **Central Business District Urban Renewal Area** – *Consideration of Bond Authorizing Resolution for Mixed-Use Project (Mark Twain Tower)* (Brian Engel) (**Ex. 4A-4E**)

All statements made by Mr. Engel unless otherwise noted.

➤ **Lease Agreement (LCRA/KCAC Properties)**

- Short-term lease during construction period to provide STECM

➤ **Bond Purchase Agreement**

- Governs developer's purchase of bonds
- LCRA would also enter into an indenture to govern the issuance and repayment of bonds with the bond trustee, BOK Financial

➤ **Sale/Leaseback and Redevelopment Contract**

- Standard LCRA contract modified to provide for property acquisition and leaseback to developer
 - Includes PILOT requirements

➤ **Chapter 353 Termination**

- Current 353 abatement on property must be terminated prior to LCRA's issuance of bonds and real estate closing
- Developer is working with the City to terminate the 353 prior to closing on the property's sale
- Developer can opt out of the 353 program under its Redevelopment Agreement so Chapter 353 Board action may not be necessary (*Hamilton/Engel*)

➤ **Bond Fees/Reduction**

- Developer requested partial relief from fees because its \$5 Million expenditure to preserve historic tax credits is not included in STECM
 - STECM exemption can only be granted upon LCRA's acquisition of the property and issuance of the bonds

- Developer and staff negotiated a fee reduction from @ \$100,000 to \$75,000, contingent on Board approval (*Flisram*)
- The \$5 Million already expended, as well as a remaining \$5 Million, were or will be used to purchase construction materials (*Contreras/Moye*)
- Reduction in expenditures does not reduce fees but does decrease the value of the abatement (*Okafor/Flisram*)
 - The \$425,000 sales tax savings from the remaining \$5 Million to be expended would be swiftly eroded by fees and legal costs (*Flisram*)
- Allowing developer to pay fees at a later date would necessitate some type of non-payment penalty (*Okafor/Engel*)
 - Question would be what type of penalty would be assessed, as withdrawing the STECM would be complicated (*Engel*)
 - Standard is for bond fees to be paid at closing (*Engel*)

➤ **Construction Materials Definition**

- Need to establish clear boundaries regarding how construction materials are defined to ensure use of the STECM incentive is not jeopardized by abuse (*Okafor*)
 - Definition should include safeguards against use of project-defined materials on non-related projects (*Flisram*)
- State statute specifies that STECM construction materials apply to any item or material incorporated or affixed to the project (*Engel*)
- Staff will propose a definition of construction materials and furniture, fixtures, and equipment at a future Board meeting

ACTION TAKEN: APPROVED FEE REDUCTION PAYABLE BY DEVELOPER KCAC PARTNERS, LLC AND RESOLUTION AUTHORIZING ISSUANCE OF BONDS IN MAXIMUM AMOUNT OF \$50 MILLION, EXECUTION OF BOND AND PROJECT DOCUMENTS TO FUND DEVELOPMENT OF A MIXED-USE PROJECT WITHIN CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. NO. 12-1-18*)

5. **Central Business District Urban Renewal Plan** - *KC Club* — *Consideration of Authorization of Incentive Package for MFH Properties, LLC* (Dan Moye) (**Ex. 5A-5B**)

All statements made by Mr. Moye, unless otherwise noted.

➤ **Project Changes**

- Developer removed the \$59 Million KC Club hotel from its EDC incentive request
- The \$30 Million Muehlebach Hotel apartment renovation will have 191 units rather than 120
- Construction costs for the new office building and parking garage increased by \$17 Million, partially due to increased square footage
- City has agreed in principle to make annual \$250,000 payments to the developer via a Parking Agreement

- Revised project was not resubmitted through AdvanceKC because the general structure of the plans remained the same
 - Taxing jurisdictions made no comment to the second SB Friedman analysis
- **EDC Abatement Request**
 - STECM for apartment and office/garage components
 - 10% of apartment units are affordable as dictated by Board policy
 - 25-year sale/leaseback on apartment and office/garage components
 - 75% abatement in years 1-10 and 37.5% in years 11-25
- **SB Friedman Second Analysis (Ex. 5A)**
 - Removal of hotel component reduced developer returns
 - Returns remain inside range of market rates
 - Addition of public parking and affordable housing warrant slightly higher returns for the apartment and office/garage components
 - Traditionally try to keep project incentives in mid-range rather than on the lower-end of spectrum

Mr. Contreras advised that his employer was in active conversation with the developer regarding the project and would recuse himself from any votes on the same.

ACTION TAKEN: APPROVED SALE LEASEBACK STRUCTURE TO FACILITATE A SALES TAX EXEMPTION AND REAL PROPERTY EXEMPTION REPRESENTATIVE OF 75% IN YEARS 1-10 AND 37.5% IN YEARS 11-25. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. EDWARDS, AND CARRIED BY THE FOLLOWING VOTE:

MR. CONTRERAS	ABSTAIN
MR. EDWARDS	AYE
MR. HAMILTON	AYE
MR. OKAFOR	AYE

(RES. NO. 12-2-18)

6. **Administrative.**

Mr. Hamilton and Mr. Flisram invited Mr. Hoffman to discuss his concerns about the impact of LCRA fees on smaller developers with the Board.

All statements made by Mr. Hoffman unless otherwise noted.

- LCRA legal bill for UC-B Properties' 6410 Paseo/Brookside East Senior Housing Project was twice the amount estimated by developer's attorneys
 - Staff explanation was that it cost 25¢ for each dollar of exemption
 - LCRA has no control over what developer's attorney tells its client (*Hamilton*)
 - Fee Schedule is public and attached to every Funding Agreement, including UC-B Properties' agreement regarding the project at issue (*Hamilton*)
 - LCRA legal counsel is experienced and his hourly rates are extremely low for the market (*Hamilton*)

- STECM documentation is not boilerplate, as it requires both a real estate and a financing transaction (*Engel*)
- Similar UC-B bond project was charged comparable fees by the PIEA (*Flisram*)
- Mr. Hoffman’s request to review the legal invoices was denied
 - Staff suggested that Mr. Hoffman could address these issues with the Board
 - Attorney-client privilege, which can be waived, governs what information can be released to a non-client (*Engel*)
 - Developers should be able to review charges as returns are often slim for smaller developers and in areas such as the eastside (*Okafor*)
- Neighborhood Concerns
 - Communication between developer and neighborhoods should be transparent as existing residents often have concerns about the impact of new developments (*Edwards*)
- Development east of Troost is not financially viable unless high predevelopment costs are ameliorated
 - Board appreciates and encourages UC-B’s willingness to develop projects in places other developers won’t (*Okafor*)
 - Need to find creative ways to assist development in problematic areas and can do so with developer input (*Contreras*)
 - Discounting STECM fees for projects under certain conditions can be discussed further (*Flisram*)
 - Prior downtown development received fee reduction because of their comparable benefit reduction (*Flisram*)
 - LCRA authorized 100% abatement for an unrelated UC-B project on the “wrong side” of Troost (*Edwards*)
 - Working proactively with smaller developers can spur beneficial changes in LCRA policy (*Edwards*)
 - LCRA is refocused on affordable and market rate housing in the eastside and other areas and appreciates Mr. Hoffman’s comments (*Hamilton*)

Mr. Okafor left the meeting

- b. **Executive Director’s Report** - *Active Projects Tracking System Report* (Greg Flisram) (Ex. 6A)

ACTION TAKEN: TABLED

- c. **Affirmative Action Ordinance** (Brian Engel) (Ex. 6B)

All statements made by Mr. Engel, unless otherwise noted

➤ **Board Oversight**

- A new Board, the Fairness in Special Services and Goods Board, will oversee professional services goals in contracts over \$160,000
- The existing Fairness in Construction Board will oversee construction services goals in contracts over \$300,000

➤ **Good Faith Efforts/Liquidated Damages**

- Many developer comments were incorporated into the new Ordinance
 - Developer presumed to be in compliance as long as good faith effort standards are met
- Applicable Board will now decide if the agency and HRD cannot agree on a default determination
 - Significant change from prior Ordinance which allowed agencies to make such decisions
- Liquidated damages are calculated by the difference between goals and actual performance and can be sizeable
 - Question remains about who receives liquidated damage payments after payment to the agency

➤ **Agency Legal Liability**

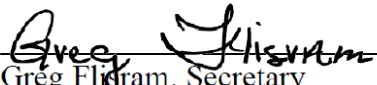
- HRD's ability to declare a default under the agency's Redevelopment Contract with the developer is problematic because HRD is not a party to the agreement
 - No mechanism in Ordinance to address issue that LCRA might be held legally or financially liable for rules made by other bodies (*Flisram*)
- LCRA has no direct control over the actions of the HRD or the two Boards, so its Redevelopment Contract should be revised to ensure developer payment of any resulting LCRA legal costs and fees (*Hamilton*)

➤ **LCRA Affirmative Action Policy**

- Legal counsel and Affirmative Action Subcommittee should update existing policy to ensure developers understand the new Ordinance (*Hamilton/Engel*)

7. **Adjourn.**

There being no further business, the meeting adjourned at 10:55 a.m.

DocuSigned by:

Greg Flisram, Secretary
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