

MEMO

TO: Central City Economic Development Commission

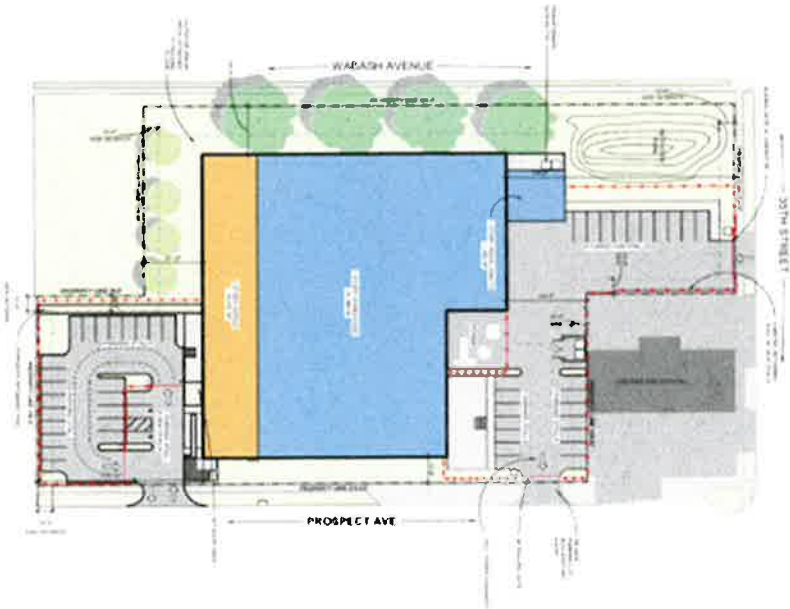
FROM: Lineage Properties Missouri, LLC

RE: Lineage Connect Facility Proposal

DATE: March 4, 2026

Project Narrative:

The proposed project will raise the former Thriftway grocery store at 3510 Prospect Ave and replace it with an approximately 45,000 square foot, newly constructed light industrial facility. The new facility will generate employment opportunities for residents within the CCED boundaries and improve the quality of life for residents living within the Prospect Corridor. In addition to the former Thriftway site, there are eight (8) residential lots immediately adjacent to the site on Wabash Avenue that are non-conforming and unsuited for constructing single-family residences. These residential lots have been vacant since the construction of the Thriftway building. These residential lots were acquired by the developer to be combined with the commercial lot to house the new facility. As a result, this project will convert what were once unbuildable, vacant lots into productive properties that will assist in creating jobs, generating tax revenue and improving the quality of the neighborhood. The site plan below demonstrates the scale of the proposed new facility and its placement on both the current Thriftway lot and the residential lots.



The existing building was constructed in 1963 and is now a severely blighting influence upon the neighborhood. The approximately 23,000 square foot building is in poor condition, with extensive mold, no functioning HVAC, plumbing, or electricity, and the roof and roof structures are in need of full replacement. On the exterior, the parking lot and drives need to be fully replaced and there is significant overgrowth of trees, grass and weeds. Because the building is poorly lit, it serves as an attractive nuisance and a haven for prostitution, drug use and other criminal activity. The conditions inside and outside the building are evidenced by the photos below.



Following the demolition of the existing structure and the construction the new facility, the new building will house Lineage Connect, an outsourcing, logistics and mail distribution company. Lineage is a faith driven business that has been in operation for 15 years. Lineage's strength is built upon its commitment to hiring second-chance employees seeking to reenter society from incarceration and/or recovery. Lineage has successfully hired and retained employees from Kansas City's 3rd and 5th Districts for over a decade. The key attraction of this location to Lineage is its location within the 3rd District where many of its employees live and its proximity to the Prospect Max bus line that will offer a safe and affordable means of transportation for its staff.

Upon completion, Lineage will staff the building with 81 employees working two shifts. These employees will be paid a living wage and participate in Lineage's employee benefits program which includes health care benefits, participation in its year-end profit-sharing plan and first-time home buyer program. While all Lineage employees are eligible to participate in the profit-sharing plan, Lineage offers a grant in the amount of \$10,000 toward the purchase of a new home for its employees who complete its first time home-buyer program (10 month program). The company encourages employees to purchase homes within the community they work in, which incentivizes families to purchase or build a home within the CCED boundaries.

This project will remove a significantly blighting influence from the Prospect corridor that is currently an attractive nuisance for criminal activity and replace it with a new, vibrant facility that will employ individuals from within the CCED boundaries. This project was strategically located within the CCED boundaries to offer employment to residents of the

district at a living wage, together with health care benefits and an opportunity for those individuals to purchase a home and improve their quality of life.



Request for Modification:

Lineage Properties Missouri, LLC requested a \$5,000,000 award for this project in CCED's Round VII RFP. The CCED Commission graciously awarded the project \$1,000,000 from the Round VII Application acknowledging the difference in the amount requested and the amount awarded. Following the award from CCED, Lineage performed value engineering to find cost savings, found creative ways to increase its sources of funding and applied for additional incentives to bolster its capital stack. Lineage now seeks to modify the amount of the award from \$1,000,000 to \$1,995,000.

At the time Lineage applied for CCED funding, the total project budget was just over \$18,000,000 and included the following funding sources in the following amounts:

Owner's Equity	\$1,000,000
Permanent Debt	\$5,000,000
PACE Loan Financing	\$1,600,000
New Markets Tax Credits	\$5,545,000
Central City Economic Development Grant	\$5,000,000
Total	\$18,145,000

The total construction and development costs for the project were, in the aggregate, \$18,136,000 leaving an approximate funding gap of \$8,000 to complete the project. Following the initial award of \$1,000,000 from CCED, the funding gap grew to approximately \$4,000,000 to complete the project.

In order to remedy the shortfall, the project team endeavored to increase its existing funding sources and seek additional incentives in order to complete the project. To date, the following revisions have been made to the project capital stack:

- a. PACE Financing: Lineage increased the amount of the PACE Loan from \$1,600,000 to \$2,200,000 adding \$600,000 of additional equity. Because the PACE loan is financed over a 22 year period and payable as a 22 year special tax assessment, the project is debt-constrained from having more PACE financing issued. If a larger loan amount is secured, Lineage will show an operating expense deficit resulting from the annual tax assessments.

- b. Equipment Financing/New Markets Tax Credits: Lineage is purchasing new industrial equipment to be installed in the facility upon completion. Because of the size, expense and presumed permanence of the equipment, it is classified as a fixture that is eligible to be included in the project costs for New Markets Tax Credits. By adding the cost of the equipment to the project budget, the overall project costs increased from \$18,145,000 to \$20,883,000. However, the equipment will be financed through an equipment lease that has been approved thereby offsetting the impact the expense will have on the uses of project funds. While the equipment lease offsets the cost (dollar for dollar) for the purchase and installation of the equipment, the increase in the total project costs for equipment results in a direct increase in eligible New Markets Tax Credit equity. The eligible New Markets Tax Credit equity thereby increased from \$5,545,000 to \$6,388,200. The increased New Markets Tax Credit Equity provides an additional \$800,000 of equity into the project.

- c. Community Development Block Grant: Prior to Lineage's application for CCED, it was denied an allocation of Community Development Block Grant (CDBG) funding from the spring 2025 NOFA. Lineage ranked #8 out of 65 respondents for CDBG funding following its response to the 2025 RFP. Lineage's application score was reduced because it had not received approval for its permanent financing at the time of the CDBG application. Since then, Lineage has been preliminarily approved for a permanent financing in the amount of \$5,000,000 from Busey Bank. On February 17, 2026, Lineage resubmitted its application for funding from CDBG in the amount of \$2,500,000. There is approximately \$2,600,000 of CDBG's 2025 fund balance available from the 2026 NOFA, and Lineage is positioned to receive the fund balance based upon its current financing commitments.

The current project cost is \$20,881,936 and Lineage has procured \$19,888,200 of project funding as follows:

Owner's Equity	\$1,000,000
Permanent Debt	\$5,000,000
PACE Loan Financing	\$2,200,000
New Markets Tax Credits	\$6,388,200
Equipment Lease	\$1,800,000
Community Development Block Grant	\$2,500,000

Central City Economic Development Grant	\$1,000,000
Total	\$19,888,200

As a result of the current gap in the project budget, Lineage now seeks a modification of the August 2025, Round VII CCED award by increasing the award from \$1,000,000 to \$1,995,000. The modification will increase the total sources of funding for the project to \$20,883,200 thereby covering the current budgetary shortfall. A full project budget is attached to this Memorandum as [Exhibit A](#).

Support for Requested Modification

An increase in the CCED award from \$1,000,000 to \$195,000 represents a sizable increase in the amount of the current award; however, it is necessary and urgent under the current circumstances. The modification would increase the aggregate amount of CCED's financing for the project from 5% to 9.5% of the total project cost, the project financing is well-sourced including a sizable equity contribution from the owner, the project is ready to proceed barring the current budgeting shortfall, and the development team has exhausted all other sources of additional funding.

1. **Shovel-Ready Project:** The development team has been working diligently on this project for more than 18 months and has secured a tax abatement for the project site, amended the zoning from residential/commercial to an approved URD for the project site, has had its preliminary plans reviewed and approved by the Kansas City, MO Development Assistance Team (DAT) and has architectural drawings 80% complete. The architect estimates drawings will be completed within thirty (30) days of its resumption of the final design of the space. During that time, the development team will move toward a financial closing of the project which is anticipated to take place by October of 2026.
2. **Contract Pending:** The development team further delayed the request for modification the Round VII CCED allocation and the initiation of contract negotiations with the City until all sources of funding were secured and the CDBG application was submitted. The developer is now actively negotiating the terms of a Funding Agreement with the City and anticipates executing an agreement following the approval of the current request for modification of this CCED allocation.
3. **Multiple Sources of Funding:** The capital stack for this project represents a complex mix of incentives, but it is important to note that the owner, Lineage Properties Missouri, LLC, has currently put \$1,000,000 of its own capital into the project. Additionally, due to the variety of sources of other funding, the aggregate percentage of the project being funded by CCED will be 9.5% of the total project costs following the approval of this request for modification. CCED will have invested less than 10% of the total equity required to complete this project. The developer sought and

received several other sources of funding including New Markets Tax Credits, PACE financing, CDBG funding and permanent debt.

4. **Unique Development Opportunity:** This project represents an opportunity for the 3rd District to house a facility that will employ 81 individuals upon completion. A majority of the development opportunities within the 3rd and 5th Districts are focused on affordable housing and service providers. This project creates an opportunity to employ residents of the 3rd District at a living wage. It also represents a company intentionally relocating its company headquarters to the 3rd District. With the success of this project, more companies will be encouraged to relocate their headquarters to the district.

5. **No Other Sources of Funding:** Following the initial CCED award, the development team explored every option available to it to close the financing gap. It has (i) created a way to increase its allocation of New Markets Tax Credits, (ii) increased its allocation of PACE financing, and (iii) added CDBG funding to the capital stack. This project is debt constrained to ensure Lineage remains cash-flow positive post-closing. As a result, there cannot be an increase in the permanent debt, nor can there be further increases in PACE financing. Therefore, CCED is the final potential source of funding to close the less than \$1,000,000 financing gap in order to complete the project.

Conclusion

The development of the Lineage Connect headquarters within Kansas City's 3rd City Council District serves as a vital cog in the type of catalytic development needed within the CCED boundaries. While it is vitally important to create opportunities for affordable housing within CCED, it is of the utmost importance to also create employment opportunities for the residents within the district. This project is catalytic as a result of its removal of a significantly blighting influence within the neighborhood, thereby displacing an attractive nuisance and haven for criminal activity, and replacing it with a business operator focused on providing living-wage job opportunities to residents within the CCED boundaries. This project is ready to deploy with a financial closing tentatively scheduled for the fall of 2026. Following a modification of the Round VII award, CCED will be invested for less than 10% of the total project costs in this transformational project.

Exhibit A

Projected Budget - Lineage Distribution Center
(w/out Modification)

Sources

Permanent Debt	\$ 5,000,000.00
Buyer's Equity	\$ 1,000,000.00
PACE Loan	\$ 2,200,000.00
New Markets Tax Credits	\$ 6,388,200.00
Equipment Lease	\$ 1,800,000.00
Community Dev Block Grant	\$ 2,500,000.00
Central City Economic Development Initiative	\$ 1,000,000.00

Total Sources

\$ 19,888,200.00

Uses

Land Acquisition

Purchase Option	\$100,000
Real Estate Purchase	\$ 1,200,000.00
Closing Cost	\$ 8,000.00

Total Acquisition Cost

\$ 1,308,000.00

Soft Cost

Architect/Design/MEP (5%)	\$ 688,600.00
Civil Engineer	\$ 137,720.00
PACE Loan Origination	\$ 200,000.00
NMTC Fees	\$ 1,200,000.00
Legal	\$ 125,000.00
Survey	\$ 6,000.00
Bank Legal Fees	\$ 85,000.00
Closing Costs	\$ 17,000.00
EDC Pre-Development Cost	\$ 13,500.00
Developer Fee (6%)	\$ 816,555.00
Project Contingency	\$ 419,841.60
Soft Cost Contingency	\$ 70,000.00

Total Soft Cost

\$ 3,779,216.60

Construction

Pre-Construction Services	\$ 10,000.00
Contractor Total	\$ 13,772,000.00
General Construction	\$ 11,772,000.00
PACE Components	\$ 2,000,000.00
Pre-Development Improvements	
FF&E	\$ 25,000.00
Tenant Improvements/Allowance	
Construction Contingency	
Owner's Rep/Project Management (1%)	\$ 137,720.00
Signage/Security	\$ 50,000.00

Total Construction

\$ 13,994,720.00

Equipment

<u>Equipment</u>	\$ 1,800,000.00
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\$ 1,800,000.00

Total Project Cost

\$ 20,881,936.60

Delta

-\$ 993,736.60

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(w Modification)**

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Total Construction

\$ 13,994,720.00

Equipment

<u>Equipment</u>	\$ 1,800,000.00	<u>\$ 1,800,000.00</u>
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Total Project Cost

\$ 20,881,936.60

Delta \$ 1,263.40