

CHAPTER 353 BOARD MEETING

VIDEO-CONFERENCE MEETING ON JULY 26, 2022

MINUTES

1. Roll Call.

Present: Andrea Bough (*in person*)
Melissa Hazley (*in person*)
Tammy Henderson (*in person*)
David Kemper (*in person*)

Absent: Rob Gardner

Staff: Dan Moye, LCRA (*in person*)
Bob Long, LCRA (*in person*)
Susan Tumey, LCRA (*in person*)
David Leader, EDC (*via Zoom*)
Tracy Lewis, EDC (*in person*)
Sandra Rayford, EDC (*in person*)
Nathan Vanice, EDC (*via Zoom*)

Chapter 353 Legal Counsel: Brian Engel, Rouse Frets (*via Zoom*)

Guests: Monique Arolano (*via Zoom*)
Grant Baumgartner (*via Zoom*)
Sean Carroll, City of Kansas City, Missouri (*via Zoom*)
Michael Duffy, Westside (*in person*)
Joey Flickner, IUPAT DC (*via Zoom*)
Chris Frantze, Stinson (*in person*)
Bobby Hernandez, Westside (*in person*)
Colleen Hernandez, Westside (*in person*)
Anne Jordan, Mayor's Office (*via Zoom*)
Jeff Kuehne, Westside Resident (*via Zoom*)
Brandon Mason, Legal Aid (*via Zoom*)
Kathleen Pointer, KCMO Public School (*via Zoom*)

The monthly meeting of the Chapter 353 Board began at approximately 10:00 a.m. when Mr. Moye declared quorum as four (4) of the five (5) Commissioners were present.

2. Administrative.

- a. *Review and approval of Meeting Minutes for March 22, 2022 (Ex. 2A)*

ACTION TAKEN: APPROVED THE MINUTES FOR MARCH 22, 2022 AS PRESENTED. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HAZLEY, AND CARRIED UNANIMOUSLY.

b. *Review and approval of Meeting Minutes for June 28, 2022 (Ex. 2B)*

ACTION TAKEN: APPROVED THE MINUTES FOR JUNE 28, 2022 AS PRESENTED. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HAZLEY, AND CARRIED UNANIMOUSLY.

3. **Westside Owner-Occupant Residential Property Chapter 353 Development Plan** - *Presentation by Westside Redevelopment Corporation (Dan Moye)*

➤ **Westside Housing Organization (WHO)** *[all statements made by Mr. Hernandez unless otherwise noted]*

- Not-for-profit organization staffed by unpaid volunteers
- WHO was formed in the 1970's and is the oldest, most active and successful CDC in the City (*Duffy*)
 - Community involvement helped to alleviate chronic problems such as segregation and redlining
 - Kansas City's "west side" became a vibrant Mexican-American community over 100 years
 - Community activists were able to reverse HUD's 1970s decision that the community was non-viable and thus unable to receive federal funds
 - Public demonstrations also helped block the City's 1970s plan to use 23rd Street as the access point for the newly built Kemper Arena

➤ **Proposed Chapter 353 Plan** *[all statements made by Mr. Duffy unless otherwise noted]*

- WHO has a 30-year history of managing these kinds of projects via Chapter 353, including those requiring income certification
 - Proposal has been shared with the city manager's and mayor's offices and plans to talk with the Council are in place (*Moye*)
- 25-year tax abatement would be predicated on household income
 - Incomes between \$0 to \$14,999 would pay only the land tax for the first 10 years and an average tax for the following 15 years
 - Incomes of \$15,000 to \$74,999 would pay an average tax for 25 years
 - Households earning \$75,000 to \$149,000 would pay 60% of their normal taxes for 7 years and then 100% of their normal taxes for 18 years
 - Households earning \$150,000 or more would pay 90% of their normal taxes for 7 years and then 100% of their normal taxes for the remaining 18 years
 - Household income would be verified and their annual payments could fluctuate if their incomes vary
- Tax payments will be divided between the taxing jurisdictions and a fund used to help pay program costs and property taxes (*Frantze*)
 - Payment of a real property's land taxes, which can be higher than the average tax rate, is a minimum requirement of Chapter 353 (*Frantze*)
 - Fund monies would come from various sources, including neighborhood support fees, application fees, and charitable donations (*Frantze*)

- Payments to the taxing jurisdictions from the fund would be considered as PILOTS (*Frantze*)
- Program is financially lean as the vast majority of any monies generated are going to direct assistance of low- to moderate-income homeowners (*Frantze*)
 - Initial income certifications and validation of homeowner improvements help year 3 incur the highest costs (*Frantze*)
- Title to the real property is required to be passed through the Chapter 353 corporation to trigger the abatement
 - Explaining the title conveyance issue is the most stress inducing procedure in the 353 process (*Frantze*)
 - WHO has engendered trust by being active in the neighborhood for decades on behalf of the community (*Frantze*)
 - Such Chapter 353 title transfers have occurred 5,499 times in Jackson County and no one has ever lost their property (*Frantze*)
 - Lenders may require their consent to a pass-through deed as it transfers title of the property (*Engel/Duffy*)
 - Most of the lower-income residents in the westside don't have mortgages as the properties were passed from generation to generation (*Duffy*)
 - Previous redlining by financial institutions also limited the number of mortgages in the area (*Duffy*)
- Various solutions have been enacted in other states, primarily on the east and west coasts
 - Taxes have been deferred until after the homeowner dies or caps were placed on the amount of taxes for elderly owners
 - Cities have been unable to emulate such State programs, especially since tax rates are fixed by the State's constitution statutes
 - Chapter 99 10-year abatement could be an alternative but it could leave elderly homeowners financially vulnerable in year 11
- Taxing Jurisdictions
 - Developer met with the Kansas City School District (KCSD), which often takes a leadership role for the other taxing jurisdictions
 - Plan was modified to address concerns that the highest income homeowners did not receive extreme benefits
 - Developer also provided the KCSD with research to show that the westside faced unique problems
 - What impacts one taxing jurisdiction can often result in an impact on another (*Henderson*)
 - KCSD representative acknowledged that her position to neither support or oppose the proposal was unusual
- Precedent
 - Proposed program could be applied to other neighborhoods, depending on circumstances and applicable safeguards and parameters
 - Program should only be applied to rapidly gentrifying neighborhoods, which are in only a few areas of the City

➤ **Jackson County Reassessment** [all statements made by Mr. Duffy unless otherwise noted]

- Assessor followed normal procedures in 2019 by using comparable neighborhood sales to determine property values
 - Small modest generational homes were suddenly appraised as much as neighboring brand new million-dollar homes
 - Average assessment increase in Jackson County in 2019 was 18%, but was 128% in Westside (*Mr. Hernandez*)
 - Goal was to improve property values but there is a major mismatch on the west side between the property taxes and most families' ability to pay
 - About 115 of the 528 owner-occupied homeowners make less than \$25,000 annually
- If homeowners become delinquent in paying their real property taxes for 3 years, their property can be subject to a tax sale by the County
 - Tax delinquencies increased as penalty and interest charges accrued
 - Over 25% (136 of 528) area homeowners are currently delinquent on their real property taxes for at least one or more years (*Mr. Hernandez*)
 - Board of Equalization reduced the higher assessments in almost every case appealed to it by Legal Aid
- Properties may be able to sold for a higher price, but relocation is problematic when your annual income is \$20,000 (*Frantze*)

➤ **Blight Study**

- Chapter 353 developed in the 1950s as a redevelopment tool to encourage remediation of blighted areas through tax incentives
- Page 10 of WHO's Plan addresses the two sections of the blight study no longer applicable under recent changes to Missouri statutes (*Frantze*)
- Determination of blight is a legislative decision, not solely based on the area's blight study (*Frantze*)
- Hispanic Economic Development Corporation (HEDC)
 - HEDC's prior submission of the blight study to the 353 Board as a public document negates its contention that our inclusion of the same was inappropriate (*Frantze*)
 - WHO has an ethical obligation to use every publicly available tool to pursue tax relief for low-income residents who are going to lose their homes (*Frantze*)
 - WHO has built community support for its 353 Plan through neighborhood meetings and going door to door to explain it person to person (*Frantze*)
 - Contact LCRA staff to obtain a copy of HEDC's handout to the City Manager's office (*Moye*)

➤ **Budget / Revenue**

- Budget begins at about \$200,000 per year with an end balance of \$250,000 to \$300,000 (*Hazley/Frantze*)

- Payments to Taxing Jurisdictions (*Kemper/Frantze*)
 - In year 8, 100% of the support fees paid by the highest income group are remitted to the taxing jurisdictions
 - In year 11, 100% of the support fees disbursed by the next highest income group are paid to the taxing jurisdictions
- The infusion of charitable funding is also integral to the success of the proposed Plan (*Ms. Hernandez*)
 - The \$75,000 WHO has currently raised can help bring most residents current on their taxes (*Ms. Hernandez*)

➤ **Board Considerations**

- Data regarding when a tax delinquency was incurred should be noted to determine if it was the result of the 2019 assessment (*Hazley/Duffy*)
 - Information regarding when a delinquency began may be difficult to obtain as the Assessor’s monthly report does not provide such information (*Duffy*)
 - Residents who were already behind on their taxes before 2019 greatly exacerbated their existing delinquencies (*Frantze*)
- Almost all high-income residents want to join the program as they want to preserve the community diversity (*Hazley/Mr. Hernandez*)
- Incentives will not be provided to newly constructed homes as the intent is to only protect low-income existing owner-occupied residents (*Hazley/Duffy*)
 - If an existing home already within the program was sold, the property would be excluded unless the buyer’s income qualified (*Duffy*)
- A three-year launch period is assumed because it would take time for the complexities of the program to be understood (*Duffy*)
- EDC should ensure that the City and its elected officials understand the complex financial issues of this 25-year proposal (*Lewis*)
 - The proposed Plan could set the standard for the rest of the City (*Lewis*)
 - EDC may need to be more proactive with aggregated information to ensure City Hall can make responsible decisions (*Lewis*)
 - WHO can provide a detailed budget showing anticipated revenues and expenses for each of the 25-years to EDC staff (*Duffy*)

ACTION TAKEN: NONE; FOR INFORMATIONAL PURPOSES ONLY

There being no further business, the meeting adjourned at approximately 10:45 a.m.

Daniel Moye, Secretary