

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*)
- dev; section C clarified in 2nd line item previously just said STE, clarify that just for construction materials and % applied to material costs; bond fin fees and STE are not necessarily mutually exclusive could be charged both, chose not to be mutually exclusive but most projects won't be charged both.

» **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.

Greg Flisram, Executive Secretary