
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.

Greg Flisram, Executive Secretary