

## LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY

### BOARD MEETING AGENDA

**DATE:** November 28, 2018  
**TIME:** 9:30 a.m.  
**PLACE:** Jackson Room, 17<sup>th</sup> Floor, Town Pavilion  
1100 Walnut, Kansas City, Missouri

1. **Roll Call**

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

*ACTION RECOMMENDED:* APPROVAL OF THE MINUTES FOR OCTOBER 24, 2018, AS PRESENTED.

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

*ACTION RECOMMENDED:* ACCEPTANCE OF THE DRAFT LCRA AUDIT REPORT FOR FISCAL YEAR 2018

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

**Area Description:** The Central Business District Urban Renewal Area is an irregularly-shaped area generally bound by I-35 on the north, Locust/East 12<sup>th</sup>/Grand/East 13<sup>th</sup> on the east, I-670 on the south, and I-35 on the west. The Project site consists of two parcels – 900 Broadway and a parcel adjacent to the north – south alley between West 9<sup>th</sup> and West 10<sup>th</sup> Streets and is generally located at the southwest corner of West 9<sup>th</sup> Street and Broadway Boulevard.

**Project Description:** The applicant is Pedersen Development Company, LLC, based in Boulder, Colorado.

The applicants' project is a \$39 million development of a 13-story, 153 - room extended-stay, select-service Hyatt House hotel. 900 Broadway is currently an existing surface parking lot for tenants and visitors of the 908 Broadway building; there is also a small off-street parking lot along the alley. Off-street parking for hotel guests will be provided via valet parking in existing nearby parking garages; parking for tenants of the 908 Broadway building will be parked in a vertical stacking parking system to be developed on the small alley parking lot. The project is located within the northwest portion of the Central Business District Urban Renewal Area.

### **Policy Considerations**

- *What is driving the need for an incentive?*

- The small footprint of the 900 Broadway parking lot requires mid-rise, concrete construction, with its higher costs, the high cost of the 48-vehicle automated vertical stacking parking system, and higher finish costs associated with the Hyatt House brand.
- *What is unique about the location or the project?*
  - The proposed Hyatt House hotel will be conveniently located for business travelers arriving in Downtown Kansas City via I-35 and Broadway Boulevard and is just a few blocks from Bartle Hall and the convention center. The streetcar, DST Systems, the Financial District, and other downtown amenities and attractions are also within comfortable walking distance. This project is eligible to receive a 100% abatement since it is located within a “continuously distressed census tract in accordance with the city’s incentive cap ordinance.
- *How does this project fit into the City’s economic development strategy?*
  - The project conforms with the Greater Downtown Area Plan by providing infill development. The proposed project is also in compliance with FOCUS, the City’s comprehensive plan, by providing infill development along Broadway Boulevard, one of the City’s “Great Streets.”
- *Why is this project good in the long term for the City?*
  - The project creates infill development with the redevelopment of a surface parking lot into 153-room hotel and is expected to create a number of hospitality jobs. The project is also projected to create significant property tax revenues for the taxing jurisdictions during the second phase (5 years/37.5%) of the proposed tax abatement.
- *Why is this specific level of incentives being recommended?*
  - The Developer is requesting a sales leaseback for the sales tax exemption on construction materials for the project, a 1% CID sales tax reimbursement, and a 100%/10 year and 37.5%/5-year property tax abatement due to the level of risk. A lower level of assistance may not be adequate to attract the private equity necessary to undertake this project.
- *How is this incentive different than one that might have been granted ten years ago?*
  - Historically, a developer would have pursued either tax increment financing (TIF) or 25 years of property tax abatement.
- *What is the likely consequence of not granting an incentive (if known)?*
  - It is highly unlikely that this project would move forward without the requested assistance.

### **Financial Analysis**

The project was subject to a financial analysis by SB Friedman. SSBF cited a market range of yields on cost for similar projects of 7.5% - 8.5% and an Unleveraged IRR range of 8.0 – 10.0%. Without assistance, the project would achieve a Yield on Cost of 6.5% and an unleveraged IRR of 6.1%. With the sales tax exemption on construction materials, a 1% CID sales tax reimbursement, and 10 year/100% and 5 year/37.5% property tax abatement, the project would achieve a yield on cost of 8.1% and an

unleveraged IRR of 8.3%. Staff believes this satisfies the requirements of the Authority's Workable Program.

Staff believes that the proposed project is in conformance with the Central Business District Urban Renewal Plan.

**Affirmative Action Policy and MBE/WBE Participation:** The proponent has met with HRD and work towards setting goals for the project prior to commencement.

**Taxing Jurisdictions:** The developer's representatives were scheduling a project discussion with the taxing jurisdictions.

**Other government/statutory agency action:** None required.

*ACTION RECOMMENDED:* SELECT PEDERSEN DEVELOPMENT COMPANY LLC (OR AN AFFILIATE) AS REDEVELOPER OF THE HYATT HOUSE PROJECT WITHIN CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA.

APPROVAL OF A SALES TAX EXEMPTION ON CONSTRUCTION MATERIALS, REIMBURSEMENT OF A 1% CID SALES TAX FOR 25 YEARS, AND PROPERTY TAX ABATEMENT AT 100% FOR 10 YEARS AND AT 37.5% FOR THE FOLLOWING 5 YEARS FOR THE HYATT HOUSE PROJECT.

AUTHORIZATION FOR STAFF AND LEGAL COUNSEL TO PREPARE THE NECESSARY SALE/LEASEBACK DOCUMENTS WITH PEDERSEN DEVELOPMENT, LLC (OR AN AFFILIATE) FOR THE HYATT HOUSE HOTEL PROJECT IN THE CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA.

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

**Area Description:** The Project is located on the northwest corner of Baltimore and 11<sup>th</sup> Street at 106 W. 11<sup>th</sup> Street.

**Project Description:** The applicant is KCAC Developers, LLC.

The applicants' project is an approximately \$50 million redevelopment of the historic Mark Twain Tower. The development is proposed to convert the existing office tower into 202 apartments, including 141 one-bedroom and 61 two-bedroom units, along with 18,000 square feet of ground floor retail.

## **Policy Considerations**

- *What is driving the need for an incentive?*
  - The need to remediate blight on the site as well as the high costs associated with historic redevelopment.
- *What is unique about the location or the project?*
  - The project adds dense residential to a building that has been vacant for over 5 years. The building is on the historic register.
- *How does this project fit into the City's economic development strategy?*
  - The project conforms with the Greater Downtown Area Plan.
- *Why is this project good in the long term for the City?*
  - The project adds multifamily to the downtown core and provides infill development to a building that has sat vacant for years. Failure to approve the requested incentive could result in a protracted foreclosure/receivership spiral and the intensification of blight conditions.
- *Why is this specific level of incentives being recommended?*
  - The request is not financially feasible below a 90% real property abatement. A third-party analysis from S.B. Friedman shows that the project would receive below market returns at any level of support from the LCRA.
- *How is this incentive different than one that might have been granted ten years ago?*
  - Historically, a developer could have pursued 10 years of maximum abatement at 100%. This project will only receive a 90% abatement.
- *What is the likely consequence of not granting an incentive (if known)*
  - The developer would likely not be able to procure financing for an area that is untested by new construction. Additionally, the developer risks seeing their entitlement to historic tax credits expire if they cannot be claimed in the near future.

## **Financial Analysis**

The project was subject to a financial analysis by SB Friedman. A calculation of stabilized yield on cost was performed attached as Exhibit 1. The analysis shows that a typical market range for stabilized yield on cost for a project of this type is 6-7%. The developer is able to achieve a stabilized yield on cost of 5.5% with the 75% abatement while achieving 5.7% with their requested abatement. A 100% abatement would return a 5.8% yield on cost. As this is below the market rate, SB Friedman found that the request was warranted.

The financial analysis shows a need for financial assistance to meet a market rate of return. Staff believes that the proposed project is in conformance with the Central Business District Urban Renewal Plan.

**Affirmative Action Policy and MBE/WBE Participation:** The proponent has agreed to meet with HRD and work towards setting goals for the project prior to commencement.

**Taxing Jurisdictions:** The project information and financial analysis were provided to the taxing jurisdiction representatives by staff and the developer has met for discussion with the taxing jurisdictions.

**Other government/statutory agency action:** None required.

*ACTION RECOMMENDED:* APPROVAL OF DEVELOPER AND INCENTIVES,  
SUBJECT TO TERMS AND CONDITIONS OF PROJECT  
AND FINANCING DOCUMENTS

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)

By Resolution No. 4-3-17 dated May 31, 2017, LCRA approved: (a) an amendment to the Redevelopment Contract to facilitate the transfer of the Phase Two Property to Columbus Park Development Group 2, LLC (“Redeveloper”); (b) the transfer of the Phase Two Property to Redeveloper subject to the terms and conditions of the Real Estate Sale Contract; (c) ten (10)-year tax abatement for the Phase Two Property as specified in accordance with the Columbus Park Urban Renewal Plan and the Redevelopment Contract, as amended; (d) the Redevelopment Plan for Phase Two and establish the Plan Approval Date for Phase Two; and (e) authorized the Executive Director to reimburse the City for approximately \$292,000 to fund public infrastructure improvements within the Urban Renewal Area with proceeds from the sale of the Phase Two Property and to utilize the remaining proceeds from the sale of the Phase Two Property for payment of other public infrastructure improvement costs or eligible project costs within the Urban Renewal Area in accordance with the Redevelopment Contract.

By Resolution No. 5-4-17 dated April 26, 2017, LCRA approved and authorized execution of: (a) the Amendment to Amended and Restated Redevelopment Contract dated July 7, 2017 and recorded as Document No. 2017E0087115 (“Amendment to Redevelopment Contract”); (b) the Real Estate Sale Contract dated July 7, 2017 (“Real Estate Sale Contract”) between LCRA and the Redeveloper; (c) the Assignment, Assumption and Implementation Agreement dated July 7, 2017 and recorded as Document No. 2017E0087121 (“Assignment”) of the Redevelopment Contract, as amended, from Columbus Park Development Group, LLC to the Redeveloper; (d) its prior approvals as stated in Resolution No. 4-3-17; and (e) a Funding Agreement between LCRA and the Redeveloper for the purpose of providing a revenue source to fund costs, including legal fees, incurred by LCRA in connection with LCRA’s performance of rights and obligations under the Redevelopment Contract, as may be further amended in the future to accommodate future phases, and the transactions contemplated thereunder, all in furtherance of the Urban Renewal Plan.

The Real Estate Sale Contract contemplates that LCRA will sell the Phase Two Property to the Redeveloper in one or more transactions. The first transaction closed on or about December 15, 2017. The Redeveloper has requested that LCRA transfer the remainder of the Phase Two Property. Under the Real Estate Sale Contract, the deadline for completing the transfer all of the Phase Two Property was April 30, 2018. The Amendment to Real Estate Sale Contract extends the deadline to April 30, 2019.

*ACTION RECOMMENDED:* APPROVE AMENDMENT TO REAL ESTATE SALE CONTRACT FOR SALE OF REMAINING LCRA LAND TO COLUMBUS PARK DEVELOPMENT GROUP 2, LLC.

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)

By Resolution No. 8-01-17 dated August 23, 2017, the Authority selected 112 Redevelopers, LLC (“Redeveloper”) as the redeveloper regarding the transfer of the City-owned surface parking lot at 1207 Grand (“Parking Lot Property”). The Authority also approved the Purchase Agreement (“Purchase Agreement”) dated March 28, 2018 between the Authority and the City regarding the transfer of the Parking Lot Property from the City to the Authority for sale to the Redeveloper. The Redeveloper proposes to integrate the Parking Lot Property with adjacent property owned by affiliates of the Redeveloper for construction of a mixed-use project for office, hotel or residential use, retail space, a parking garage, and related improvements (“Project”).

By Resolution No. 3-3-18 dated March 28, 2018, the Authority approved the Sale, Disposition and Funding Contract (“Sale Contract”) dated June 12, 2018 between the Authority and the Redeveloper regarding the sale of the Parking Lot Property to the Redeveloper in accordance with its terms and conditions. The closing deadline stipulated in the Purchase Agreement and the Sale Contract is December 31, 2018.

The Redeveloper requests the extension of the closing deadline to March 1, 2019 to allow time for it to refinance and restructure the membership of the LLC.

City approval is pending further investigation regarding the City’s reliance on the sale proceeds to replenish the bond trust account from which funds were used to purchase the property.

*ACTION RECOMMENDED:* APPROVAL OF EXTENSION OF THE CLOSING DATE OF THE PURCHASE AGREEMENT AND SALE, DISPOSITION AND FUNDING CONTRACT TO MARCH 1, 2019.

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

On September 10, 1962, LCRA entered into the Conservation Agreement with the then owners of the property located at 703 E. 10<sup>th</sup> Street, located at the southeast corner of 10<sup>th</sup> Street and Holmes. Pursuant to the agreement, LCRA agreed to not acquire the property in exchange for the then owners making certain improvements, including correcting building code deficiencies. The property is the site of the Wiltshire Apartments and the current owner has entered into a contract to sell the property and the buyer has requested that LCRA terminate and release the agreement to remove it as a title encumbrance. The buyer’s plan is to hold the property for future development.

*ACTION RECOMMENDED:* APPROVE TERMINATION AND RELEASE OF CONSERVATION AGREEMENT.

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**)

The Little Sisters of the Poor Urban Renewal Plan was approved by the City Council in 1999 for a twenty-year term. The Plan Area is generally bound by East 53<sup>rd</sup>, Highland, East 54<sup>th</sup>, and Woodland. The Plan was intended to redevelop the blighted Little Sisters of the Poor property as affordable single-family housing. Using a variety of funding sources and organizations, a total of fourteen homes were built by the end of 2004.

The City's Homesteading Authority owns the five remaining vacant parcels within the Little Sisters of the Poor Urban Renewal Area and intends to seek the construction of four additional single-family homes to complete the Plan's intent. Unfortunately, the Plan is set to expire on March 18, 2019, which does not allow adequate time for planning and the proposed construction.

Staff believe that a five (5) year extension of the Plan would allow adequate time for completion of the affordable single-family development envisioned in the Plan.

If the Authority approves the proposed First Amendment, the City Council is expected to consider an ordinance amending the Little Sisters of the Poor Urban Renewal Plan by extending its term for an additional five (5) years in furtherance of the goals and purposes of the Plan.

*ACTION RECOMMENDED:* APPROVE AMENDMENT TO LITTLE SISTERS OF THE POOR URBAN RENEWAL PLAN TO EXTEND TERM FOR AN ADDITIONAL FIVE (5) YEARS.

10. **Administrative.**

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

*ACTION RECOMMENDED:* NONE; INFORMATIONAL ONLY

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

c. **Tax Abatements** – There were four (4) tax abatements approved in October, 2018.

URA	Address	Applicant	Category	Type
Longfellow/Dutch Hill Neighborhood	918 E. 28 <sup>th</sup>	Greenovate Construction	S/F Residential	New
Garfield	210 Olive	Jennifer & Bryan Clark	S/F Residential	Rehab
Longfellow/Dutch Hill Neighborhood	2801 Harrison	Sarah Yang	S/F Residential	Rehab
Longfellow/Dutch Hill Neighborhood	817 E. 29 <sup>th</sup>	Blanche Thomas	S/F Residential	Rehab

***EXECUTIVE SESSION***

11. 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***

12. Adjourn.