EXHIBIT 2
LCRA 12/19/18

LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY

BOARD MEETING MINUTES

DATE: November 28, 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
Steve Hamilton
Gabriel Okafor

Absent: Daniel Edwards

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Aarron Knight, EDC
Bob Long, EDC
T'Risa McCord, EDC
Dan Moye, EDC
Sandra Rayford, EDC

LCRA Legal Counsel: Brian Engel, Rouse Frets

Guests: Phil Aftuck Bernstein Company
Bob Mayer, Bernstein Company
Jerry Helmick, City of Kansas City, Human Relations Dept.
Shannon Jaax, City of Kansas City, School District
Claude Page, City of Kansas City, Urban Redevelopment
Jan Parks, Coalition for Economic Development Reform
Bruce Eddy, Community Mental Health Fund
Sean O'Byrne, Downtown Council
Andrea Bough, Lewis Rice
Scott Pedersen, Pedersen Development Co.
Roxsen Koch, Polsinelli
Lance Dorn, SB Friedman (*via telephone*)
Elizabeth Ginsberg, SB Friedman (*via telephone*)
Ryan Schmidt, SB Friedman (*via telephone*)
Tom McGee, Van Trust

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 Alhambra, Contreras, and Okafor were present.

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

ACTION TAKEN: APPROVED THE MINUTES FOR OCTOBER 24, 2018, AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

<u>Note</u>: At the end of the Board's discussions and vote regarding item #4 of this agenda, Mr. Hamilton noted a correction to the October 24, 2018 minutes, per Jan Parks' memo. The sentence *"Filed by group apparently led by the Kansas City School District after the City adopted an ordinance approving the Master Finance Agreement (MFA)"* at the bottom of page 6 was changed to *"Filed after the City adopted an ordinance approving the Master Finance Agreement (MFA)"*. Mr. Hamilton confirmed with Mr. Okafor and Mr. Contreras that they had no objection to the change. Ms. Alhambra had left the meeting prior to the end of the Board's discussion of item #4.

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

Mr. Brown advised that:

- October 2018 revenue and expenses were much lower than the same amounts in October 2017 because of the closure and finalization of the Columbus Park project
- Accounts past-due 30 days or more
  - Items C and D have since been collected
  - Item A – Mr. Brown has recently spoken with the developer's attorney, who will contact the developer about the past-due account
  - Item B – project's sale will close shortly which will then remit funds directly to Rouse Frets as payment of their fees
- Mr. Brown would like to review the audit draft before it is presented to the Board, as he just received the report today

ACTION TAKEN: ACCEPTED THE OCTOBER 2018 FINANCIAL REPORT AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

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

➢ **SB Friedman (SBF) Financial Analysis** (*all statements made by Mr. Dorn unless otherwise noted*)

- Project Overview
  - $38 Million, 13 story, 153-room hotel project
  - Automatic 48-stall stackable parking system and lease of additional spaces from adjacent garages

- Construction planned to begin in Spring 2019, open in June 2020, with occupancy stabilization in 2022

- Cost Adjustments
  - Reduced costs for pre-opening and operations and developer's purchase price allocation to be comparable with comps
  - Reallocated portion of price paid by developer for adjacent Google Fiber building (*Alhambra/Dorn*)
  - Hotel pad was a paved parking lot when developer purchased the two sites (*Hamilton/Long*)

- Estimated construction costs were not changed as they were provided by a third-party
  - Building site's small footprint and Hyatt House franchisee requirements also contributed to the high costs

- Preliminary project financing loan to cost ratio, term, interest rates, and equity were in line with current financial market data for hotels, industry data, and comps
- CID calculations were changed to include room and food and beverage revenues
- Decreased real estate taxes and terminal cap rate as they were too conservative
- SBF recommends a cost check evaluation at project completion to determine if actual construction costs generated a need for the requested incentive
  - Furniture, fixture, and equipment ("FFE") and parking system costs were substantial but not supported by outside data
  - Hyatt House letter attributed high FFE costs to the downtown location and as a means to compete with other downtown hotels
  - SBF conducted its own online research to estimate project parking costs

- **Hotel Valuation Services** (HVS) (*all statements made by Mr. Dorn unless otherwise noted*)
  - Developer assumptions about operating expenses were based mainly on a market study by HVS, a leader in evaluating hotel project feasibility
  - Operating, parking, and food and beverage costs appeared reasonable
  - Average Daily Rate (ADR) in HVS study attributed to high number of hotel rooms coming into market in downtown Kansas City in next several years

➢ **SB Friedman Abatement Request Analysis** (*all statements made by Mr. Dorn unless otherwise noted*)

- STECM
  - Eligibility would result from LCRA ownership and lease of the property to the developer (*Okafor/Engel*)
  - Lease would run for the length of the abatement, including the additional 5 years, if approved *(Okafor/Engel*)

- CID reimbursement of 100% of a 1% for 25 years
  - CID would be governed by a separate reimbursement agreement between the developer and the CID and is not part of the LCRA incentive (*Hamilton/Engel*)

- LCRA tax abatement at 100% for 10 years and 37.5% for 5 years

  - Project is eligible for 100% abatement because western end of downtown loop is in a continually distressed census tract (*Okafor/Long*)
  - Housing within the same tract includes Quality Hill and several low-income senior housing sites (*Okafor/Long*)

- Evaluated project on an unleveraged internal rate of return (IRR) because finances were preliminary and developer planned to hold the project at least short-term
  - Unleveraged IRR is the best indicator of a project's overall feasibility
  - Project returns are below the appropriate rate of return without assistance
  - Anticipated revenues are appropriate but can't support construction costs
  - Full abatement is needed for project to achieve a viable rate of return

➢ **<u>Taxing Jurisdiction Testimony</u>**

- Kansas City School District (*all statements by Ms. Jaax unless otherwise noted*)
  - Taxing jurisdictions were only briefed on project last month
  - Need more clarity from City about when a sale/leaseback tool should be used so agencies aren't forced to perform guesswork on day of hearing
  - If City census tract maps had been updated timely, site would not be in a distressed census tract
  - 10 years of abatement will have no PILOT payment
  - Lack of subsidized parking places burden on taxing jurisdictions by driving up project costs and subsequent need for subsidies
  - Taxing jurisdiction revenue governed by City decisions, such as its refusal to distribute hotel taxes generated by this project to other taxing jurisdictions

- Jackson County representatives were not present at today's LCRA meeting (*Moye*)
  - Jackson County has recently condensed their economic department and has not been an active participant in agency decisions (*Moye*)

- Community Mental Health Fund (*all statements by Mr. Eddy unless otherwise noted*)
  - Clientele's perception of Kansas City's economic development is that they aren't included
  - Can't support project at 100% abatement and propose 75% level as matter of principle and to help blunt cumulative impact of delaying receipt of revenue

- Numerous and continuous complaints that taxing jurisdictions are not timely included in project vetting hinders and weakens agency review (*Contreras*)

➢ **<u>City Testimony</u>** (*all statements by Ms. Tyndall unless otherwise noted*)

- Support project, and willing to accept either developer's or taxing jurisdictions' offers or a compromise of the same, as long as no super TIF monies are involved
- City should perform market analysis to determine its current hotel/motel needs
  - Difficult to maintain incentives at current high level for this project as well as others
  - VisitKC's support for the convention center hotel included a suggested number for additional hotels, which is still much higher than the current amount (*Koch*)
  - Convention and Visitors Association can provide further information about the number of downtown hotels (*Tyndall/Parks*)

- **<u>Downtown Council Testimony</u>** (*all statements by Mr. O'Byrne, unless otherwise noted*)
  - Support project for three reasons:
    - Removal of surface parking lots prompted by infill development is important
    - Project is different market niche which will be successful on weekends as it is during the week
    - Business recruitment to the City requires speculative office space development, which can be sparked by a boom in hotel space

- **<u>Board Considerations</u>**
  - Project benefits to Kansas City
    - Immediate benefits to taxing jurisdictions from higher commercial taxes (*Pedersen/Koch*)
    - No new commercial construction in project area for almost 20 years (*Pedersen/Koch*)
    - Convention center hotel will create need for extended stay hotels (*Pedersen*)
    - Educational benefit through hotel's internship programs with Crossroads Academy (*Pedersen*)
    - Community benefit by attracting more tourism and conventions (*Koch*)
    - Project supported by both City Council members of the district, as well as by Downtown KC and neighborhood associations (*Pedersen*)
    - Staff's response to project's benefit to the City is that new hotel rooms support convention market (*Okafor/Flisram*)
    - VisitKC has been pressed to do a market study to determine if the City still needs more hotel rooms (*Flisram*)
    - From urban design standpoint, hotel will be an attractive building on a major gateway to the City (*Flisram*)
    - HVS studies, as well as related reports, are continually reviewed and have determined that this is the right development for this site (*Pedersen*)
    - Developer has no wish to build a $30 Million hotel which will fail (*Pedersen*)
    - Extended stay hotels provide rooms for business travelers, temporary workers, and friends or family of small downtown apartment users (*Flisram/Koch*)
    - Kansas City in a special renaissance which won't last forever as construction costs and interest rates rise, so project should proceed (*Contreras*)

  - Possible perception that taxpayers being asked once again to subsidize a luxury hotel
    - Hotel is select-service, not a luxury full-service (*Pedersen*)
    - Room rates are mid-range at $160 (*Pedersen*)
    - Project is a good infill redevelopment (*Pedersen*)

  - Perception that project is overly expensive
    - Building non-stick, concrete building, which will exist for hundreds of years (*Flisram/Pedersen*)
    - Costs are more expensive than airport hotels but are comparable with similar downtown projects (*Flisram*)
    - FFE and other costs are mandated substantially more by the market than by Hyatt House's franchisee requirements (*Okafor/Pedersen*)

- Competitors will be typical select service hotels and the convention center hotel (*Contreras/Pedersen/Koch*)

- Automated Stacker Parking System Expense
  - Cost for automated parking system is $20,000 per space while structured parking is $30,000 (*Koch*)
  - Auto parking system is a first for Kansas City and can be dismantled and sold off at some point in the future (*Okafor/Flisram*)
  - Surface parking lot has 34 spaces, stacker system will hold, depending on how configured, 12 SUVs or 16 sedans (*Contreras/Pedersen*)
  - Leaving site as surface parking lot doesn't further City development goals (*Okafor/Koch)*
  - City adopted new zoning codes with no parking requirements for downtown projects to encourage developments of this nature (*Okafor/Koch*)

- Why LCRA should grant a sale/leaseback, its ultimate incentive
  - Project has no housing component, a moderate AdvanceKC score, and is not on the eastside (*Hamilton*)
  - Developer request is for a modified use of the sale/leaseback (*Koch*)
  - Project's sustainability is high impact as a result of its construction durability and subsequent (*Koch*)
  - Project's financial analysis will remain the same no matter which agency incentives it receives (*Koch*)
  - Fees generated by the project and other similar developments can enable the LCRA to fund its eastside incentives (*Flisram/Koch*)
  - Balance between LCRA's funding its initiatives versus its principles about not awarding incentives to a project just because of the fees it would generate (*Okafor/Hamilton*)
  - Project fits within City's goal of increasing its hotel rooms and LCRA's sale/leaseback policy via by a 5-year old City ordinance encouraging agencies to use the tool (*Koch*)
  - Policy about reserving sale/leaseback tool in place for some time and well known to Ms. Koch and staff (*Hamilton/Pedersen*)

- Abatement Level
  - Project not able to support abatement lower than 100% abatement in its first 5 years (*Okafor/Pedersen/Jaax/Koch*)
  - Lower abatement percentage at front end also requires an extended abated time period at the end of the project (*Pedersen/Jaax*)
  - Additional abatement time is acceptable if corresponding percentage is lowered from 100% (*Eddy*)
  - Project cannot be completed without the sale/leaseback abatement (*Okafor/Pedersen*)
  - Impact of difference between 100% and 75% abatement is not huge given the number of years involved (*Flisram/Dorn*)
  - Project financing depends on abatement percentage (*Pedersen*)

- SBF Recommendation for Cost Reconciliation at Project End

- Abatement level language can be written into Redevelopment Agreement between the LCRA and developer (*Engel*)
- Concept not pursued more because of concern about what to do if costs increase (*Engel/Hamilton*)
- Similar cost reconciliation projects have been structured to resize the assistance if costs fall below a certain level to negate any possible cost inflation by developer (*Hamilton/Dorn*)
- Advantages include a more accurate cost analysis given market and other fluctuations from year to year (*Dorn/Pedersen*)
- Agencies do not increase abatements if construction costs increase (*Pedersen/ Dorn*)

ACTION TAKEN: SELECTED PEDERSEN DEVELOPMENT COMPANY LLC (OR AN AFFILIATE) AS REDEVELOPER OF THE HYATT HOUSE PROJECT WITHIN CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA AND APPROVED A SALES TAX EXEMPTION ON CONSTRUCTION MATERIALS AND PROPERTY TAX ABATEMENT AT 100% FOR 10 YEARS AND AT 37.5% FOR THE FOLLOWING 5 YEARS FOR THE HYATT HOUSE PROJECT. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED. (*RES. NO. 11-1-18*)

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

➢ **SB Friedman (SBF) Financial Analysis** (*all statements made by Mr. Dorn unless otherwise noted*)

- Project Overview
  - Building originally built in 1915 as a hotel but converted to offices in 2001 at which time a 35-year Chapter 353 abatement was also granted
  - Renovation is first Kansas City project for KCAC Developers (KCAC), which has experience in commercial and historic rehab projects
  - Construction is planned to begin as soon as possible, with completion in November, 2020 and occupancy stabilization sometime in 2021

- Project Challenges
  - KCAC must spend @ $2.5 Million of the prior developer's historic tax credit award by December 15, 2018 to maintain the same
  - Efficiency and cost issues created by the 2-story ballroom and 3-story athletic club are non-revenue generating spaces
  - Other challenges include the high cost of historic tax renovations, flattening market rents, rising labor costs, and an over-supply of similar product currently in development

- Cost Adjustments/Analysis

- Adjusted acquisition cost to $35 per gross square foot, which is essentially the 2016 value inflated to 2018 dollars
- Reduced $650,000 in unpaid consultant fees and liens to $200,000 based on developer's documentation
- Hard and soft costs, developer fees, and project financing were all in reasonable ranges
- Changes in last year's tax codes widened the reasonable range for federal tax credits, which were originally considered to be at the low end
- State tax credits were also within reasonable ranges, even with the uncertainty regarding the state program
- Developer's rent assumption, which were comparable to other downtown projects, was increased to a higher level via a sensitivity analysis
- Retail rents, high vacancy assumptions, and expense and income inflation were deemed too conservative and adjusted
- Evaluated project based on yield on cost and overall returns rather than investor returns because financing was preliminary and developer's plans to hold the project long-term
- Conclusions were that the project needs the full requested abatement because costs were not fully supportable by rents and non-revenue generating space

➢ **City Testimony** (*all statements by Ms. Tyndall unless otherwise noted*)

- City staff supports the SBF and LCRA staff recommendations and believes it is imperative that the project be redeveloped
- A successful redevelopment is in everyone's best interest by returning the building to the tax rolls and avoiding higher incentives needed to rehab it in the future
- Adaptive re-use of historic buildings to maintain downtown's historic fabric is another policy consideration which merits extraordinary incentives
- City legal counsel agreed that the cap ordinance is applicable only to new plans
- Letters from the Downtown Council and Councilwoman Shields were received in support of the project (*Hamilton*)

➢ **Downtown Council Testimony** (*all statements by Mr. O'Byrne unless otherwise noted*)

- Previous leasing efforts were largely unsuccessful due to the building's inadequate office space design
- Residential conversion will save the building's historic façade and bring in businesses attracted by the workforce residing in the apartments
- Parking pressures on that intersection are problematic but will work with Bernstein to rectify
  - Residential and office users need 1 and 3 spaces, respectively, per 1,000 feet of square footage
  - Current generations are also less prone to owning an automobile

➢ **Board Considerations**

- City Council Approval/Cap Ordinance
  - LCRA project approval in existing URAs does not require City Council action (*Hamilton/Mayer/Flisram*)

- Councilwoman Shields indicated that historic projects were exempt from the cap ordinance (*Mayer*)

- Abatement Level/Chapter 353 Abatement
  - Staff recommended 90% level based on developer's initial request and inconsistent analysis of cap level interpretation (*Hamilton/Moye/Flisram*)
  - Bernstein confirmed that it would not reduce the final Chapter 353 assessment payment of approximately $92,000 (*Jaax/Mayer/Aftuck*)
  - Taxing jurisdictions understood that abatement level would be 75% based on last week's project review (*Jaax*)
  - Taxing jurisdictions would support 90% over 100% (*Hamilton/Jaax*)
  - Chapter 353 abatement was granted on a very under-developed project (*Hamilton/Flisram*)
  - Bernstein confirmed that it would contact Brian Rabineau at the City to terminate the Chapter 353 abatement as stipulated in the prior developer's redevelopment agreement (*Aftuck/Mayer*)
  - High expense to renovate a wrecked building apparently unavoidable despite its abatement 20 years prior (*Hamilton/Eddy*)
  - Question for Board is if it should grant incentive to another high-end, downtown apartment building with no affordable component (*Hamilton*)

- Project Challenges
  - Bernstein anticipates long-term gain with the project so willing to take short-term loss (*Aftuck/Mayer*)
  - Building sale price higher because of past financing and legal issues (*Mayer*)
  - SBF's reference to an over-supply of similar product referred to high-end luxury grade apartments, which this project is not (*Hamilton/Mayer*)
  - Failure to approve the Bernstein development would increase the project's need for future incentives as well as exacerbate its vacancy issues (*Flisram*)
  - Apartment units will be average size with high ceilings, although units will be smaller at lower levels because of elevator bank placement (*Hamilton/Mayer*)
  - Only the ballroom and pool will not require a complete overhaul due to the lack of maintenance in the building's interior (*Hamilton/Aftuck*)
  - Building's parking garage is now owned and used by another company, resulting in its reliance on the streetcar and other transportation modes for its residents (*Hamilton/Mayer*)
  - Newer redevelopments in the area have also increased parking demand (*Contreras/Mayer*)

- Historical Tax Credits
  - 10% amount based on historic costs, not on $51.9 Million project budget (*Hamilton/Aftuck*)
  - Qualified reimbursements include only materials relative to historic preservation of the building (*Mayer/Hamilton*)
  - Bernstein's national expertise with historic developments and knowledge of State requirements should enable it to comply with the $5 Million stipulation (*Hamilton/Aftuck*)

- Bernstein's closing on its purchase of the building depends on the project's approval by the LCRA and its compliance with State historical tax regulations (*Hamilton/Contreras/Okafor/Aftuck/Mayer*)
- Federal tax credits are $8.7 Million and State credits are @ $4 Million (*Contreras/Moye*)

- Bernstein confirmed that it had already met with the City's Human Relations Department regarding MBE/WBE requirements (*Hamilton/Aftuck*)
- Mr. Hamilton and Mr. Flisram agreed that staff recommendations should be more specific

ACTION TAKEN: APPROVED DEVELOPER'S ORIGINAL REQUEST FOR 90% ABATEMENT AND APPROVED SALES TAX EXEMPTION AS REQUESTED, SUBJECT TO THE TERMS AND CONDITIONS OF THE PROJECT AND FINANCING DOCUMENTS, FOR THE MARK TWAIN PROJECT IN THE CENTRAL BUSINESS DISTRICT URBAN RENEWAL AREA. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED. (*RES. NO. 11-2-18*)

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**)

- Developer has requested to extend the closing date for the remaining 3 parcels of the Phase 2 property from April 30, 2018, as stipulated in the Sale Contract, to April 30, 2019 (*Engel*)

ACTION TAKEN: APPROVED AMENDMENT TO REAL ESTATE SALE CONTRACT FOR SALE OF REMAINING LCRA LAND TO COLUMBUS PARK DEVELOPMENT GROUP 2, LLC. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED. (*RES. NO. 11-3-18*)

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**)

- Developer request to extend closing on sale of the 1207 Grand property and to amend the Purchase Agreement to reflect the date change (*Engel*)
  - Extend closing date from December 1, 2018 to March 1, 2019 (*Engel*)
  - KCATA improvements are still under construction at the intersection (*Okafor/Engel*)
- Developer is assembling the property with others in the area for a future project (*Okafor/Engel*)

ACTION TAKEN: APPROVED EXTENSION OF THE CLOSING DATE OF THE PURCHASE AGREEMENT AND SALE, DISPOSITION AND

FUNDING CONTRACT TO MARCH 1, 2019. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED. (*RES. NO. 11-4-18*)

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

- Van Trust has contracted to purchase the site and requests that the LCRA clear the property's title of a 1962 LCRA Conservation Agreement (*Engel*)
- Van Trust's intent is to demolish the property for future redevelopment in the 7-block area around the site (*Okafor/McGee*)
  - Building is on the national historic register but can be demolished if no federal funds are involved (*McGee*)
  - Van Trust has been named master developer for the area by the City (*McGee*)

ACTION TAKEN: APPROVED TERMINATION AND RELEASE OF CONSERVATION AGREEMENT. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED. (*RES. NO. 11-5-18*)

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**)

- Original Little Sisters Plan was approved in 1999 and will expire on March 18, 2019 (Long)
- Plan's intent was to erect single-family homes, 14 of which have been built with 5 parcels remaining to be similarly developed (*Long*)
  - Remaining parcels are owned by the Homesteading Authority which is unable to finish their development before the Plan expires (*Long*)
  - Housing Authority is a semi-quasi statutory agency controlled by the City, similar to the City's Land Bank (*Okafor/Long*)
  - No additional property is being added to the Plan area (*Hamilton/Long*)
  - City Council approval will be required for the term extension (*Hamilton/Long*)

ACTION TAKEN: APPROVED AMENDMENT TO LITTLE SISTERS OF THE POOR URBAN RENEWAL PLAN TO EXTEND TERM FOR AN ADDITIONAL FIVE (5) YEARS. MOTION MADE BY MR. OKAFOR, SECONDED BY MR. CONTRERAS, AND CARRIED. (*RES. NO. 11-6-18*)

10. **Administrative.**

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

ACTION TAKEN: NONE; INFORMATIONAL ONLY

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

- Liquidated damage issues could become problematic as collection methods are not specified in the new ordinance
  - Penalties for breach of a developer's MBE/WBE responsibilities should flow to the agency as its contract with the developer governs the same (Engel)

ACTION TAKEN: TABLED TO THE BOARD'S DECEMBER 19, 2018 MEETING.

Mr. Hamilton and Mr. Okafor initiated discussions on the following administrative matters which were not on the agenda:

Mr. Engel and Mr. Flisram confirmed for Mr. Hamilton that a LCRA Board meeting was necessary in December to discuss the KC Club/Muehlebach and Mark Twain projects.

➢ **<u>STECM Monitoring/Oversight of Expenditures</u>**

- Use of a significant eastside incentive could be jeopardized if found to be invalid (*Okafor*)
  - Redevelopment Agreements include provisions that terminate a project's STECM use if it is deemed invalid or illegal (*Engel*)
  - STECM use has become more popular as it faces less resistance from the taxing jurisdictions (*Engel*)
- LCRA has no direct role in a developer's STECM purchases other than that its ownership of the property makes the purchases tax-exempt (*Hamilton/Engel*)
  - Redevelopment Agreement outlines the handling of invoices and other processes
- Cost certifiers can be required and paid for by the developer (*Rayford*)
  - LCRA usually relies on lender's inspector to review all construction invoices and draws because our interests are aligned (*Engel*)

11. **<u>Adjourn</u>**

There being no further business, the meeting adjourned at 1:15 p.m.

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Greg Flisram