
LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY

BOARD MEETING MINUTES

DATE: January 23, 2019
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
Lee Brown, EDC
Bob Long, EDC
Sandra Rayford, EDC

LCRA Legal Counsel: Brian Engel, Rouse Frets

Guests: Jerry Helmick, City of Kansas City, Human Relations Dept.
John Snyder, Dentons
Ian DeGalan, GSSW
Joey Flickner, IUPAT DC3
Jim Woodson, IUPAT DC3
Donald Maxwell, Maxwell Law
Lance Dorn, SB Friedman (*via telephone*)
Elizabeth Ginsberg, SB Friedman (*via telephone*)
Fran Rood, SB Friedman (*via telephone*)
Mike Hughes, TSI Geotechnical

Chairman Hamilton called to order the monthly meeting of the Board of Commissioners of the Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Alhambra, Contreras, and Okafor were present. Mr. Edwards arrived at a later time.

2. Administrative – *Annual Election of Officers for 2019* (Steve Hamilton)

Mr. Hamilton confirmed that there were no other nominations and that current officers still wished to serve.

ACTION TAKEN: ELECTED THE SLATE OF OFFICERS NOMINATED FOR THE 2019 CALENDAR YEAR. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED. (RES. NO. 1-1-19)

3. **Administrative** – *Review and Approval of Meeting Minutes for November 28, 2018 (Ex. 3)*

ACTION TAKEN: APPROVED THE MINUTES FOR DECEMBER 19, 2018, AS PRESENTED. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED.

4. **Financial** - *Review and acceptance of the Financial Report for the month of December, 2018 (Lee Brown) (Ex. 4)*

Mr. Brown advised that:

- No payables or receivables over 30 days
- Items of note from the 6-month income fluctuation statement (p. 5) were:
 - \$53,000 bond closing fee received from 6410 Paseo
 - \$97,000 escrow payment when the LaQuinta in Beacon Hill closed, as the cost was not included in the final closing

Mr. Hamilton noted that this was possibly the first time in his years on the Board that no payables or receivables were 30 days overdue and commended Mr. Brown.

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

5. **Hospital Hill II URA – 2500-Block Troost Avenue** - *Consideration of Approval of Redevelopment Contracts with GSSW WR III, LLC (Bob Long) (Ex. 5A-5F)*

» ***Project Overview***

- \$44 Million project on a vacant lot in a continually distressed census tract east of Troost with an affordable housing component (*Long*)
- Timeline is to begin construction in the Spring 2019, with completion in 2020, and stabilization in 2022 (*Rood*)
- Developer has several years of experience in multi-family projects, including in the Kansas City area, and intends to own the project long-term (*Rood*)

» ***Project Budget [all statements by Mr. Dorn, unless otherwise noted]***

- High-end amenities include pool, lounge, coffee shop, fitness area, and a dog park (*Rood*)
- Square footage and construction costs were impacted by significant grading issues
 - A large portion of the first floor of the 124-unit building can't be leased to tenants as it will be underground
- Per unit basis costs and soft costs were compared to comps and industry data and found to be reasonable

- Square-foot land acquisition costs were low as compared to other area projects and recent sales transactions in the market
 - Acquisition costs as a percentage of total development costs were reasonable
 - Developer purchased a portion of the property from the City
 - 65% debt and 35% equity project financing are common for residential projects, although the finding was preliminary because no term sheets were provided
 - 35% cash equity will be provided by the developer, friends and family
 - Rents of \$1.65 per square foot were in the mid-range of comparable projects
 - LCRA staff and the developer believed that the site's location made rent levels uncertain
 - Payroll costs caused operating expenses to be relatively high as a percentage of revenue due to developer's plans for high maintenance of the buildings
 - Building upkeep expenses were high but reasonable
 - Adjustments to Developer's Proforma
 - 6% vacancy assumption was considered too conservative and lowered to 5%
 - Real estate taxes were changed from \$27,000 to \$20,000 per unit after some parcels were removed because they weren't part of the project
 - Property tax rate was changed to the most recent amount
 - STECM assumptions were increased slightly by \$50,000 after a recalculation
- » ***Tax Incentive Request [all statements by Mr. Dorn, unless otherwise noted]***
- Project evaluated on a stabilized yield-on-cost (YOC) basis because financing was preliminary
 - The full incentive request is needed to raise the overall feasibility from a 5.6% YOC to an appropriate risk level of 6.9%
 - Full abatement request is worth \$6.4 Million in undiscounted value
 - 10-year LCRA abatement is \$5.3 Million and the STECM is \$1.1 Million
 - Taxing jurisdictions will receive \$11.7 Million over 25 years of the project, with \$5.3 Million during the 10-year LCRA abatement (*Rood*)
 - Base taxes paid during the 10-year abatement will be low due to the parcels' vacancy (*Rood*)
- » ***Board Considerations***
- 195 parking spaces for 248 units should not be problematic as area bus service is excellent and three large employers are in close proximity (*Hamilton/Long*)
 - City's Planning and Zoning Department reviewed and approved the plan (*Hamilton/Flisram*)
 - Parking revenue of \$30 per space is reasonable (*Dorn*)
 - No PILOTS are planned during the 10-year LCRA abatement (*Hamilton/Long*)
 - Developer requested LCRA incentive because the abatement could be designed to work with the project (*Hamilton/DeGalan*)
 - Developer confirmed that he had already met with the City's Human Relations Department (*Hamilton/DeGalan*)
 - Goals have been assigned to the project (*Rayford*)

- 120 studio units with rents at \$1,100 will be defined as the affordable component of the project (*Alhambra/DeGalan*)
- Developer fees were 3.1% of total development costs, which is at the low end of the range and normal for residential projects (*Okafor/Rood*)
- Furniture, fixtures and equipment (FFE)
 - Pre-development soft costs were 10% of total development amount and included some FFE for core spaces (*Okafor/Rood*)
 - FFE was not, and is not typically, included in the STECM (*Okafor/Rood*)
 - FFE criteria is defined by State sales tax statute (*Engel*)
 - Developers sign a certification when the State issues a STECM exemption, but proceed mostly on the honor system (*Flisram*)
 - LCRA Redevelopment Contract can provide for a cost certifier either at developer's expense or through the developer's lender (*Engel*)
 - FFE are not included in construction costs (*DeGalan*)
- Project is not prevailing wage, which is not a LCRA requirement (*Okafor/Flisram*)
- Developer is not asking for any other incentives (*Okafor/DeGalan*)

SB Friedman disconnected their call at approximately this time.

ACTION TAKEN: (1) SELECTED GSSW WR III, LLC (OR AN AFFILIATE) AS THE REDEVELOPER; (2) APPROVED A SALES TAX EXEMPTION ON CONSTRUCTION MATERIALS AND PROPERTY TAX ABATEMENT AT 100% FOR 10 YEARS; AND (3) AUTHORIZED STAFF AND LEGAL COUNSEL TO PREPARE THE NECESSARY SALE/LEASEBACK DOCUMENTS WITH GSSW WR III, LLC (OR AN AFFILIATE) FOR THE 2500-BLOCK OF TROOST MULTI-FAMILY PROJECT WITHIN THE HOSPITAL HILL II URBAN RENEWAL AREA. MOTION MADE BY MR. OKAFOR, SECONDED BY MS. ALHAMBRA, MR. CONTRERAS, AND MR. EDWARDS, AND CARRIED UNANIMOUSLY. (RES. NO. 1-2-19)

6. **Linwood-Prospect URA** – *Consideration of Amendment to Assignment, Assumption and Amendment of Ground Lease and Redevelopment Contract* (Brian Engel) (**Ex. 6A-6B**)

- Central City Sales Tax Initiative Award
 - Northern part of shopping center is excluded from eligibility because 31st Street, the boundary for the Santa Fe historical district, divides the center (*Alhambra/Maxwell*)
 - Primary purpose for extension is to allow developer more time to secure funding to make up \$2 Million shortfall (*Engel*)
 - Project will be considered contiguous to lower costs, but Central City funds will only be used on the southern portion (*Edwards/Maxwell*)
- Developer Financing

- Developer anticipates an approval letter by month-end from lenders competing for its request to increase permanent debt (*Edwards/Maxwell*)
- Developer plans to seek an amendment and funds from the TIF Commission in February, pending receipt of a lender's approval letter (*Edwards/Maxwell*)
- June 2018 Amendment
 - Legal fees to prepare a second amendment were minimal (*Hamilton/Engel*)
 - June 2018 Amendment has not been recorded and the original cannot be located (*Hamilton/Engel/Maxwell*)

ACTION TAKEN: APPROVED AMENDMENT TO ASSIGNMENT, ASSUMPTION AND AMENDMENT OF GROUND LEASE AND REDEVELOPMENT CONTRACT. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. OKAFOR, AND CARRIED UNANIMOUSLY. (*RES. NO. 1-3-19*)

7. **Eastside Urban Renewal Area** - Consideration of Release of Contract to Sell and Purchase (Brian Engel) (**Ex. 7A-7C**)

- Buyer and seller requested release of the 1961 LCRA Contract as a title encumbrance on the property (*Engel*)
 - Seller and buyer are not requesting any other incentives from the LCRA (*Engel*)
 - The purpose of the 1961 contract was fulfilled, and property owners have no outstanding obligations from the original contract (*Hamilton/Engel*)

ACTION TAKEN: APPROVED RELEASE OF THE CONTRACT TO SELL AND PURCHASE. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. NO. 1-4-19*)

8. **Manual Urban Renewal Area** - Consideration of Release of Contract to Sell and Purchase – 1115 E. 18th Street (Brian Engel) (**Ex. 8A-8C**)

- KCATA requested release of the 1977 LCRA Contract as a title encumbrance on the property (*Engel*)
 - Seller and buyer are not requesting any other incentives from the LCRA (*Engel*)
 - The purpose of the 1977 contract was fulfilled, and property owners have no outstanding obligations from the original contract (*Hamilton/Engel*)
- KCATA attorney recently advised that the sale was now a lower priority and had no objection if the Board wished to table the matter for more information (*Engel*)
 - KCATA's plan is to accrue land in the area for development as an innovation district intended to tie the East Crossroads to 18th and Vine (*Flisram*)
 - Incentives for the project have not been requested so the Board will release the contract at this time (*Hamilton/Engel*)

ACTION TAKEN: APPROVED RELEASE OF CONTRACT TO SELL AND PURCHASE. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (RES. NO. 1-5-19)

9. **Administrative.**

a. **Executive Director's Report** - *Active Projects Tracking System Report* (Greg Flisram) (Ex. 9A)

- Arterra project has officially opened (*Flisram*)
- Mark Twain project
 - Developer's previous urgency about the project has seemingly diminished as they have not responded to draft documents provided to them in November (*Engel*)
 - Fees for the project were capped by the Board at its December 2018 meeting and the initial funds provided by the developer under its Funding Agreement with the LCRA have largely been expended (*Engel*)
 - Developer should be asked to provide an additional amount similar to the sum it initially provided (*Hamilton/Flisram*)

ACTION TAKEN: NONE; INFORMATIONAL ONLY

b. **Affirmative Action Report** (Sandra Rayford) (Ex. 9B)

- Affirmative Action Committee report
 - Only one project was noted as not reporting on HRD's October 31, 2018 report, which has subsequently been found in compliance (*Rayford*)
 - Committee plans to meet on an as-needed basis, rather than monthly (*Okafor/Rayford*)
- City Ordinance 180535 – Uniform Affirmative Action Policy
 - LCRA agreements need to be changed to ensure LCRA is held harmless and indemnified by the developer and/or City from any adverse determinations by HRD or the two appeal boards (*Hamilton*)
 - A draft update to LCRA's affirmative action policy will soon be presented for approval (*Engel*)

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

- Public referendum for 50% cap on development incentives for non-distressed census tracts
 - On August ballot for approval (*Flisram*)
 - Possible public perception problem as popular belief is that incentives enrich rich developers (*Hamilton/Flisram*)
 - Review of recent LCRA projects showed that none would proceed with a 50% cap (*Flisram*)

- LCRA Board Retreat
 - Retreat topics include general policies, procedures, administrative matters and/or potential proactive initiatives (*Hamilton*)
 - Board members should submit their topics to Mr. Hamilton and Mr. Flisram within the next two weeks (*Hamilton*)

ACTION TAKEN: NONE; INFORMATIONAL ONLY

10. **Adjourn.**

There being no further business, the meeting adjourned at 10:55 a.m.

Greg Flisram, Secretary