

**THE WORKABLE PROGRAM
OF
LAND CLEARANCE FOR REDEVELOPMENT
AUTHORITY OF KANSAS CITY, MISSOURI**

RECITALS

- A. Land Clearance for Redevelopment Authority of Kansas City, Missouri (the “Authority”) is a public body corporate and politic created by the Land Clearance for Redevelopment Authority Law, RSMo, 99.300, et seq. (“LCRA Law”), and is transacting business and exercising the powers granted by the LCRA Law by virtue of Committee Substitute for Ordinance No. 16120, passed by the City Council of Kansas City, Missouri (“City Council”) on November 21, 1952.
- B. The LCRA Law, Section 99.420 (5), authorizes the Authority to prepare a Workable Program.
- C. Workable Program is defined in LCRA Law, Section 99.320 (23), as:

“An official plan of action, as it exists from time to time, for effectively dealing with the problem in insanitary, blighted, deteriorated or deteriorating areas within the community and for the establishment and preservation of a well-planned community with well-organized residential neighborhoods of decent homes and suitable living environment for adequate family life, for utilizing appropriate private and public resources to eliminate and prevent the development or spread of insanitary, blighted, deteriorated or deteriorating areas, to encourage needed urban rehabilitation, to provide for the redevelopment of blighted, insanitary, deteriorated and deteriorating areas, or to undertake such of the aforesaid activities or other feasible community activities as may be suitably employed to achieve the objectives of such a program.
- D. The Authority’s “area of operation” (as defined in the LCRA Law) is the City of Kansas City, Missouri (“City”).
- E. In carrying out its responsibilities under the LCRA Law the Authority has, from time-to-time, recommended that the City Council adopt, and the City Council has adopted, various urban renewal and/or redevelopment plans (together referred to as “Urban Renewal Plans”).
- F. The Authority expects to continue to recommend that the city adopt and/or amend Urban Renewal Plans necessary to the redevelopment of blighted and insanitary areas of the City.
- G. The LCRA Law, Section 99.320 (20) and (21), requires Urban Renewal Plans to “...be in compliance with a workable program.”
- H. The Authority has adopted this Workable Program, pursuant to which it intends to judge future Urban Renewal Plans and any proposed amendments to existing Urban Renewal Plans.

- I. The City, by Committee Substitute for Resolution No. 971268, adopted October 30, 1997, approved The Kansas City Missouri FOCUS Plan (“FOCUS”) to guide the development and growth of the City, including but not limited to the economic development of the City.
- J. The Authority has reviewed FOCUS and intends that this Workable Program, to the extent permitted by the LCRA Law, be consistent with FOCUS, and as the Authority implements this Workable Program, it intends to do so in a manner consistent with FOCUS.
- K. Capitalized terms used in this Workable Program shall have the meanings indicated. Other terms used shall have the meanings found in the LCRA Law.

THE WORKABLE PROGRAM

This Workable Program, as initially adopted and as amended from time to time by the Authority, shall include such components as are deemed necessary or desirable to achieve the purposes and goals of the Authority.

1.0 Impact of LCRA Benefits on development.

- 1.1 All urban renewal and redevelopment plans (together referred to as “Urban Renewal Plans”) shall provide that the Authority shall not grant to any person (“Applicant”) any of the benefits (“LCRA Benefits”) the Authority has the power to grant under the LCRA Law unless the Authority shall have first determined whether the project proposed by the Applicant (“Project”), for which the Applicant has applied to the Authority for LCRA Benefits, would be economically viable without the granting of the LCRA Benefits sought by the Applicant. (*Exhibit 1 – Financial Analysis Procedure, Multi-family Affordably Priced Housing*)
- 1.2 Before the Authority considers granting LCRA Benefits under an Urban Renewal Plan adopted pursuant to the LCRA Law, the Applicant shall first submit an application (“Application”) that shall include analysis of the Project as required by this Workable Program. The Urban Renewal Plans shall require that each Application include a Project budget and sufficient financial information to enable the Authority to determine whether the Project would not be economically viable without the granting of the LCRA Benefits sought by the Applicant. If the requested LCRA Benefit is tax abatement, the applicant will outline how the abatement will benefit the project and specify the term and level requested.
- 1.3 Applications shall include commitments from the private sector evidencing private financing for the Project, in the form of private lender commitments and/or commitments for private equity participation (“Private Commitments”). The applicant shall specifically describe the project financing gap, with and without LCRA Benefit. The Private Commitments shall be submitted as part of the Application in a form approved by the Authority and must include a complete development budget, including all funding sources. A development schedule shall be

provided prior to approval of tax abatement for incorporation in the Redevelopment Contract.

- 1.4 Except as otherwise provided in this Workable Program, LCRA Benefits shall be granted to the Applicant for a Project only to the extent the Authority deems the LCRA Benefits necessary in order to fill a Gap in Financing and to make the Project financially feasible. For the purpose of this Workable Program, a “Gap in Financing” shall exist to the extent that there is a difference between the total development cost of the Project and the amount of the Private Commitment secured by the Applicant. The Authority may, in its discretion, grant LCRA Benefits to eliminate all or part of the Gap in Financing.
- 1.5 To ascertain Gap in Financing, the LCRA or qualified third party, will utilize an accepted financial analysis (internal rate of return or other appropriate basis for project viability determination with and without LCRA Benefits). The LCRA may conduct an in-house financial analysis for projects with total development costs totaling \$2 million or less.

No financial analysis will be conducted for owner-occupied and investor-owned single family rehabilitation and in-fill single family construction projects and the Executive Director is authorized to approve and execute a Certificate of Tax Abatement for such projects, except, however, that investor-owned single-family home projects must also document that an amount equal to or greater than 50% of the **market** value of the property or \$10,000, whichever is greater, has been spent, that all code violations have been corrected, and that the property is registered as a rental property with the City.

- 1.6 The Authority will not consider an Application for LCRA Benefits if an Applicant has already commenced construction/rehabilitation of a Project at the time an Applicant submits its Application to the Authority and before obtaining the Authority’s approval, except that: (a) the Authority may consider an Application for LCRA Benefits after an Applicant has commenced mitigation measures (environmental control/structural stabilization or other similar site work) if such measures are necessary to avoid additional expense that would otherwise result from a delay in mitigation while the Authority's decision is pending; or (b) the Authority may consider an Application for LCRA Benefits after an Applicant has commenced construction/rehabilitation of a Project if the Applicant initially chose not to seek LCRA Benefits for the Project but discovered the existence of significant site conditions (environmental or other material defect) during the course of such work that would prevent the Applicant from completing the Project without LCRA Benefits due to increased costs. The Applicant shall provide to the Authority written justification or any such other related information requested by the Authority before the Authority will consider an Application under this Section. Should the Authority decide to consider such an Application, the Authority may reject or approve the Application in accordance with the LCRA Law, this Workable Program and the Workable Program Rules.

- 2.0 **Compliance with FOCUS.** The Authority shall review the Application and compare the proposed Project with FOCUS to determine whether the Project is consistent with the purposes and goals of FOCUS, and LCRA Benefits shall be granted only if the Authority finds the project to be consistent with the purposes and goals of FOCUS.
- 3.0 **Assuring the Realization of Public Benefits.**
- 3.1 Urban Renewal Plans, and redevelopment agreements (“Redevelopment Contracts”) entered into between the Authority and Applicants for Projects to be developed pursuant to an Urban Renewal Plan, shall require that during the life of any LCRA Benefits granted by the Authority to an Applicant, the Authority shall monitor the Project to assure that the City realizes the benefits to its tax and employment bases and physical improvements (“Public Benefits”) of the Project promised by the Applicant when the LCRA Benefits were granted.
- 3.2 Urban Renewal Plans and Redevelopment Contracts shall provide that in the event the city does not, in the opinion of the Authority, realize the Public Benefits, then the Applicant shall be obligated to pay to the authority a sum (“Liquidated Public Benefit”) equal to the value of the LCRA Benefits, which were realized by the recipient of those benefits.
- 3.3 Urban Renewal Plans and Redevelopment Contracts shall also provide that if the Applicant shall demonstrate to the satisfaction of the Authority that the Public Benefits have not been realized due to unforeseen economic events, then the Authority may waive repayment of some or all of the Liquidated Public Benefits.
- 3.4 Examples of unrealized Public Benefit may include, but are not limited to, re-blighting of property, reduction of market value initiated by owner developer, and change of use resulting in decreased value.
- 4.0 **Minority Business Enterprises/Women’s Business Enterprises.** Urban Renewal Plans and Redevelopment Contracts shall require Applicants to comply with ordinances of the City that relate to minority business enterprises and women’s business enterprises.
- 5.0 **Equal Employment Opportunity.** Urban Renewal Plan and Redevelopment Contracts shall require Applicants and their subcontractors to provide equal employment opportunity.
- 6.0 **Americans With Disabilities Act.** Urban Renewal Plans and Redevelopment Contracts shall require Applicants and their subcontractors to comply with the Americans with Disabilities Act.
- 7.0 **Rules.** The Board of Commissioners of the Authority may, from time to time, adopt and amend rules (“Workable Program Rules”) governing the implementation of this Workable Program.

**RULES FOR THE IMPLEMENTATION
OF
THE WORKABLE PROGRAM
OF
LAND CLEARANCE FOR REDEVELOPMENT
AUTHORITY OF KANSAS CITY, MISSOURI**

RECITALS

- A. The Land Clearance for Redevelopment Authority of Kansas City, Missouri (“Authority”), by Resolution No. 10-10-00 adopted October 4, 2000, adopted a Workable Program as permitted by the Missouri Land Clearance for Redevelopment Law, RSMo, 99.300 through 99.660.
- B. Section 8.0 of the Workable Program authorized the Board of Commissioners of the Authority (“Board”) to adopt and promulgate rules to govern implementation of the Workable Program.
- C. These Rules have been adopted and promulgated by the Board pursuant to Section 7.0 of the Workable Program by Resolution No. 10-9-00 adopted October 4, 2000.
- D. Capitalized terms shall have the same meaning as they have in the Workable Program. Other terms shall have the same meaning as they have in the LCRA Law.

1. FOCUS Themes and Principles.

Each Application for LCRA Benefits that may be granted by the Authority shall be evaluated by the Authority to determine whether the proposed Project is consistent with the fourteen (14) major themes and statements of philosophy set forth in FOCUS, with special attention to whether the Project:

- Reaffirms and revitalizes the Urban Core
- Advances and encourages Suburban Development
- Strengthens neighborhoods
- Ensures environmental stewardship
- Develops jobs for the future
- Targets financial investments strategically

To ensure compliance with FOCUS, a copy of the Project Application will be forwarded to the City Planning and Development Department at least 30 days prior to LCRA hearing.

2. Historic Preservation.

- (a) Each Project shall be evaluated to determine whether that Project promotes the rehabilitation and preservation of historic residential, commercial and industrial structures.

- (b) Each Application shall show whether the Project is to be located within an area with existing public infrastructure or whether significant replacement or new public infrastructure will be required.
- (c) Each application shall state whether the success of the proposed Project can be enhanced by combining the LCRA Benefits with other public incentives, and if so, what benefits and from what public source.
- (d) Each Application shall state whether the proposed Project will include rehabilitation of Kansas City Registered Historic designated properties.

3. City Framework Plan.

Each Application shall show whether the proposed Project is located within one (or more) of the nine (9) Development Priority Zones identified in FOCUS.

4. Environmental Stewardship.

- (a) Each Application shall describe the environmental impacts of the proposed Project, including whether the proposed Project will include:
 - i. The remediation of brownfields or other environmentally contaminated sites
 - ii. The judicious use and wise management of energy and natural resources

5. Financial Analysis.

- (a) Each Application shall be reviewed within an analytical framework approved by the Board that permits the Board and the Authority staff to evaluate the return on the investment of the LCRA Benefits in the proposed Project. This framework may include an internal rate of return (IRR) calculation, or debt coverage ratio (DCR) or City fiscal model or other analysis acceptable to the Authority.
- (b) The proposed outlay of the LCRA Benefits shall be evaluated by the same standard that a reasonable person would apply to a personal or business investment, and LCRA Benefits shall be granted only if the Board concludes that such LCRA Benefits are reasonable and appropriate in light of the Public Benefits which the granting of the LCRA Benefits are intended to produce.
- (c) The performance of approved Projects shall be monitored by the Authority in accordance with the Workable Program to determine whether the Public Benefits that justified the grant of LCRA Benefits are being realized. The maintenance of tax abatement should be based on the completion of the proposed development and achievement of anticipated increased property value. Once the abatement term has commenced, any decrease in the market value of the development property as established by the County Assessor as a result of the owner/developer's action maybe considered a factor by LCRA in determining whether the project has failed to achieve the Public Benefits approved by LCRA when the LCRA Benefits were granted.

- (d) The Authority may develop or adopt a Community Impact Statement that must be completed by the Applicant as part of the Application, the purpose of which will be to provide useful data to enable the Authority to evaluate the proposed Project, and which shall include an economic impact analysis and a strategic analysis to determine to what extent the requested LCRA Benefits and the proposed Project are consistent with the fourteen (14) principles of FOCUS and the seven (7) FOCUS Strategic and Comprehensive Plans.
- (e) Each Applicant shall be required to pay for the preparation of a fiscal impact analysis in accordance with 5(a) above by the staff of the Authority or by another party selected by the Authority. The fiscal impact analysis may include, but need not be limited to, an evaluation of the direct and indirect private and public investment in the proposed Project, the financing methods and structure for the proposed Project (including sources of projected revenue to fund the Public Benefits), the potential for the proposed Project through LCRA Benefits for tax exemption or abatement savings and the generation of additional revenue, an analysis of any lost opportunity costs, and a cost/benefit analysis of the Project as a whole (including the impact on jurisdictions other than the City from the relocation of economic activities).
- (f) The Workable Program shall apply also when a single developer proposes a multi-building project that is either contiguous or proximate to another project owned and developed by the same developer or related developer. Proximity shall be defined as being located within the same existing or proposed Urban Renewal Area (URA.) (This policy became effective 1/24/05.) The Applicant must inform LCRA of other projects of that applicant or any affiliate within or proximate to the proposed development site.
- (g) To further stimulate investment and redevelopment on the traditional “East Side” of Kansas City, Missouri – generally described as properties on both the west and east sides of and facing Troost Avenue and east of Troost Avenue – that are located within urban renewal areas and in continuously distressed census tracts, the Authority will no longer require that a developer of projects of up to \$15 million in total development costs within such area submit or pay for a financial analysis in connection with an application for standard tax abatement from the Authority. For projects over \$15 million in total development costs within such area, the Authority, in its sole discretion, may waive the requirement that a developer submit or pay for a financial analysis in connection with an application for standard tax abatement from the Authority. All such projects must comply with all other LCRA restrictions, requirements, and policies, applicable neighborhood plans, and must demonstrate a consensus of neighborhood support. This exception to the financial analysis requirement in the Workable Program shall remain in effect until further action of the Board of Commissioners of the Authority. (*Added September 26, 2018*)

6. Coordination and Cooperation.

- (a) The staff of the Authority shall coordinate the review and analysis of Applications and the evaluation of proposed and approved Projects with similar efforts undertaken by the staffs of the City and other governmental agencies. The City's Finance Department shall be given the opportunity to review the applicant's request for tax abatement and any financial analysis, including a "but for" analysis, conducted by LCRA or third-party, as part of the City's project plan review. The project application and financial analysis shall be given to the City Finance Department a minimum of 30 days before a redevelopment project in an existing Urban Renewal Area is submitted for tax abatement consideration by the LCRA Board and, if appropriate, a minimum of 30 days before a new Plan or Plan Amendment is brought before RCC or before the LCRA Board, whichever is first.
- (b) In considering whether to grant LCRA Benefits to an Applicant, the Authority will give due consideration to the actions of the City and other governmental agencies in granting or denying requests by the Applicant for other public incentives or benefits. An incentive overlay map of the plan/project area will be included in the Project Plan to determine if there is an overlap in incentives for the area.

EXHIBIT 1 The Workable Program

Memorandum

To: Board of Commissioners, LCRA

CC: Jeffrey Kaczmarek, President, EDC

From: Joseph F. Egan, Executive Director, LCRA

Date: 11/03/2006

Re: Financial Analysis Procedure, Multi-family Affordably Priced Housing

1. MHDC 2013 forms used for submission of development and operating costs.
2. Staff does cost reasonableness review. (see attached standards)
3. Compare operating proforma with and without tax abatement.
4. Assuming all key cost are within range, tax abatement will be granted if debt coverage ratio is less than 1.15 without tax abatement.
5. If developer includes a deferred developer fee as equity to be paid by cash flow, initial cash on cash return should be no greater than 8%.
6. This policy is applicable to properties in which rents do not exceed MHDC guidelines for LIHTCs (attached)

Residential (Multi-family) Development Cost Standards

<u>Item</u>	<u>Standard</u>
Development:	
Acquisition (building)	\$22.5K to \$27.5K per unit
Hard (construction) costs – rehab	\$139-\$147 of leasable sq. ft. (assume 75%-80% of gross)
Hard (construction) costs – new	\$122 per leasable sq. ft.
Soft (design, dev fees, legal, etc.)	\$35K to \$50K per unit
Architect Fees (design & supervision)	5%-8% of construction cost
Builder's Profit	8% of construction budget
Builder's Overhead	2% of construction budget
General Requirements	6% of construction budget
Developer Fee	8%-15%* of total replacement costs

* Developer fee includes developer overhead and consultant fees

Operating:	
Income increase P/A	3% market rate; 2% affordable
Expense increase P/A	3% all
Vacancy at stabilized rent	5%-7%
Property tax PUPA	\$500
Insurance PUPA	\$200
Replacement reserve PUPA	\$300
Management fee	\$1,500 p/m or 6% of rents collected, whichever is greater
Operations/Maintenance PUPA	\$3,100
Acceptable DCR	1.15 to 1.25

Other – Rental Limits:	
MHDC published rents by unit size per 60% median income guidelines	

Budget Analysis

Alexandria Apartments

Development: 55 units, elevator building, 31,163 leasable space

Actual		Standard	Evaluation
Acquisition.	\$1,000,000	\$20-25K per unit	\$18,182
Hard costs	\$4,400,000	\$139-147 psf	\$4,331,650-4,581,000
Construction contract	\$3,793,104	N/A	N/A
Soft costs	\$1,891,890	\$35-50K per unit	\$34,398
Architect fee	\$155,000	5-8% constr contract	4.10%
Builder's profit	\$303,448	8% constr contract	8%
Builder's overhead	\$75,862	2% constr contract	2%
General requirements	\$227,586	6% constr contract	6%
Developer fee	\$843,827	8-15% repl cost	13.75%

Operating Per Annum

Management fee	\$18,000	>\$1500pm/6% rents	\$1,500 pm
Ops & Maintenance	\$152,820	\$3,100 PUPA	\$2,779 PUPA
RE taxes (abated)	\$7,000	\$500 PUPA	\$127
Insurance	\$13,000	\$200 PUPA	\$236
Replacement resv	\$16,500	\$300 PUPA	\$300

Other Operating Costs:

Audit/Partnership Services	\$12,000	(HUD required audit - reasonable)
Administration	\$12,500	
Utilities*	\$35,000	

*(Owner pays gas, common area electric, water/sewer, trash - reasonable)