
LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY
BOARD MEETING MINUTES

DATE: July 24, 2019
TIME: 9:30 a.m.
PLACE: 300 Wyandotte, 2nd Floor
Kansas City, Missouri

1. **Roll Call.**

Present: Faiza Alhambra
Daniel Edwards
Gabriel Okafor

Absent: Pat Contreras
Steve Hamilton

Staff: Greg Flisram, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Bob Long, EDC
Sandra Rayford, EDC

LCRA Legal Counsel: Brian Engel, Rouse Frets

Guests: Lance Carlton, Brookside East Apartments
Jerry Helmick, City of Kansas City, Human Relations Dept.
Dion Lewis, City of Kansas City, Human Relations Dept.
Joey Flickner, IUPAT DC3
Don Maxwell, Jr., Linwood Shopping Center Redevelopment Co.
Mike Hughes, TSI Geotechnical

Vice-Chairman Okafor called to order the monthly meeting of the Board of Commissioners of Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Alhambra and Edwards were present.

2. **Administrative.** - *Review and approval of Meeting Minutes for June 19, 2019 (Ex. 2)*

ACTION TAKEN: APPROVED THE MINUTES FOR JUNE 19, 2019, AS PRESENTED.
MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR.
EDWARDS, AND CARRIED UNANIMOUSLY.

3. **Financial** – *Audit update (Lee Brown)*

- Financial reports unavailable this month due to beginning of the annual audit (*Brown*)
 - LCRA expects no delays for this year's audit (*Alhambra/Brown*)

- LCRA always uses the City's choice of auditor for financial reasons (*Edwards/Brown*)

ACTION TAKEN: NONE; INFORMATIONAL ONLY

Mr. Long had distributed a newspaper article at the beginning of the meeting about the completion of the 3200 Gillham project. Mr. Okafor commended staff for the project's successful development and noted that LCRA incentives helped turn the once derelict and abandoned structure into a beautifully designed building.

4. **Linwood-Prospect URA** – *Consideration of Amendment to Ground Lease and Estoppel Agreement* (Brian Engel) (**Ex. 4A-4B**)

➤ ***Affirmative Action***

- Developer has received its professional but not its construction goals from the City's Human Relations Dept. (*Okafor/Maxwell*)
 - Developer assuming its hard construction goals will be the same as its professional percentages and has instructed its contractor accordingly (*Maxwell*)
 - Project is prevailing wage (*Okafor/Maxwell*)
- Ground breaking remains tentatively scheduled for mid-September (*Okafor/Maxwell*)

➤ ***UMB Bank Request***

- LCRA consent to the amendment is required as it owns and leases the ground to the developer via the Ground Lease (*Engel*)
 - Developer owns the project improvements (*Engel*)
- UMB requested the inclusion of standard estoppel language in the amendment in the event of developer default on its loan with the bank (*Engel*)
 - Developer is using the Lease as collateral for its loan with the Bank (*Engel*)
- UMB and LCRA would enter into a new Ground Lease with UMB as tenant in the event of developer default and the Ground Lease is terminated (*Engel*)
 - UMB and LCRA would then cooperate to find a new developer to take over and operate the project (*Engel*)
- Developer has also secured TIF funding for the project (*Engel*)

➤ ***PACE Financing***

- Counsel requests Board approval to negotiate appropriate language if the PACE financing should impact the LCRA (*Engel*)
 - Potential language would include developer's indemnification of the LCRA to ensure payment of the assessment (*Flisram/Engel*)
 - PACE financing details are not yet set as it is a separate piece of the project's financial package and details are still being determined (*Engel*)
 - Special assessment imposed by the PACE loan could impact only the developer- owned leasehold improvements (*Engel*)

- If assessment is placed on the LCRA-owned land, PACE lender could exercise its typical lender rights, such as foreclosure (*Engel*)
- Foreclosure rights are actually held by the County as the PACE assessment is essentially the same as any other tax valuation (*Okafor/Maxwell*)
- PACE finances 20-year loan by having additional tax assessment on property (*Edwards/Maxwell*)
 - PACE loan made in exchange for developer installing energy-efficient measures on the project (*Maxwell*)
 - PACE loan costs become part of annual costs as part of developer's debt service (*Maxwell*)
 - Impact to developer's debt service coverage or primary financing is positive as the PACE loan is not shown as an operating expense (*Okafor/Maxwell*)
 - PACE special assessment will also be partially paid by developer's tenants, as most tenant leases require them to pay a share of property taxes (*Maxwell*)
 - Loan advantages include lower overall costs and the ability to make payments over time (*Maxwell*)
- UMB would still have first financial position on the project (*Okafor/Maxwell*)

At Mr. Okafor's request, Ms. Alhambra made a motion to approve the Amendment to the Ground Lease and Estoppel Agreement. Mr. Engel asked that the motion be amended to include PACE financing language as needed as determined by counsel. Ms. Alhambra amended her motion accordingly.

ACTION TAKEN: APPROVED AMENDMENT TO GROUND LEASE AND ESTOPPEL AGREEMENT WITH THE ADDITION OF PACE FINANCING LANGUAGE AS NEEDED AS DETERMINED BY COUNSEL. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (*RES. NO. 7-1-19*)

5. **6434 Paseo Urban Renewal Area** – *Consideration of Collateral Assignment of Redevelopment Contract – Brookside East Apartments* (Brian Engel) (**Ex. 5A-5B**)

➤ ***Collateral Assignment to Mutual of Omaha Bank***

- LCRA's consent to the assignment is required by its ownership of the vacant land currently being used by developer to construct a senior housing project (*Engel*)
- Loan closing is planned for either today or tomorrow (*Okafor/Carlton*)
 - Project delayed because two prior banks offering project financing had backed out at the last minute (*Carlton*)

➤ ***Developer Default***

- Estoppel language in the Assignment requires the LCRA to affirm that no default currently exists under the lease (*Engel*)
- As the Redevelopment Agreement is being used as loan security, the Bank will become the project developer in the event of developer default (*Engel*)
- Assignments of collateral to lenders are becoming more frequent as developers proffer such leases (*Alhambra/Engel*)

- Assignment only effective if a default under the loan occurs (*Engel*)
- Depending on when a default occurs, lenders are able to take advantage of tax incentives (*Edwards/Engel*)
- Any subsequent assignment by a lender to a new developer would have to be approved by the LCRA (*Alhambra/Engel*)

ACTION TAKEN: APPROVED COLLATERAL ASSIGNMENT OF REDEVELOPMENT CONTRACT. MOTION MADE BY MS. ALHAMBRA, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (*RES. NO. 7-2-19*)

6. **Administrative.**

a. **Executive Director's Report** - *Active Projects Tracking System Report* (Greg Flisram) (**Ex. 6A**)

All comments made by Mr. Engel unless otherwise noted.

➤ ***Mark Twain***

- Developer plans to use equity funds to begin construction and close on the sale/leaseback transaction prior to closing on its construction loan
 - Closing is tentatively planned for the end of July or possibly August
- City has signed off on terminating the existing Chapter 353 contract, which was one of the conditions for developer to meet for the sale/leaseback

➤ ***Arterra***

- Developer's attorneys have advised that they have no objection to the proposed Settlement Agreement but have not yet returned the executed contract
 - Lease termination, title transfer, and other closing documentation have largely been prepared and can be finalized quickly once the Agreement is signed

ACTION TAKEN: NONE; INFORMATIONAL ONLY

b. **Affirmative Action Report** (Sandra Rayford) (**Ex. 6B**)

➤ ***600 Central***

- Developer has finally almost completed its required reporting (*Lewis*)

ACTION TAKEN: NONE; INFORMATIONAL ONLY

7. **Adjourn.**

There being no further business, the meeting adjourned at approximately 10:00 a.m.

Greg Flisram, Secretary