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## LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY BOARD MEETING AGENDA

**DATE:** December 18, 2019  
**TIME:** 9:30 a.m.  
**PLACE:** 300 Wyandotte, 2<sup>nd</sup> Floor  
Kansas City, Missouri

1. **Roll Call.**
2. **Administrative.** - Review and approval of Meeting Minutes for November 20, 2019 (**Ex. 2**)  

*ACTION RECOMMENDED:* APPROVAL OF THE MINUTES FOR NOVEMBER 20, 2019,  
AS PRESENTED
3. **Financial** - Review and acceptance of the Financial Report for November, 2019 (Lee Brown) (**Ex. 3**)  

*ACTION RECOMMENDED:* ACCEPTANCE OF THE FINANCIAL REPORT FOR  
NOVEMBER, 2019 AS PRESENTED
4. **Garfield URA –2600 – 2618 Independence Avenue** – *Approval of Redevelopment Contract with BA Properties, LLC* (Bob Long) (**Ex. 4A-4B**)

**Area Description:** The Garfield Urban Renewal Area is an area generally bound by Kessler Park on the north, Chestnut Avenue on the east, Independence Boulevard/Avenue on the south, and Paseo Boulevard on the west. The Project site consists of two parcels (2600 and 2618 Independence) on the northeast corner of Independence and Prospect Avenues.

**Project Description:** The applicant is BA Properties, LLC, which is the owner of the property.

The applicant's project is a \$3,270,245 redevelopment of a vacant site into a 20,583 square foot, two-story, mixed-use project. There will be approximately 10,887 square feet of commercial space, divided into seven double-fronted storefronts, along with 15 one-bedroom apartments on the second floor. Off-street parking with 55 parking spaces will be provided on the north side of the building. The apartment rental rate of \$1 per square foot results in all 15 of the units meeting the City's definition of affordable housing. The project will feature a seating area for the memorial honoring the two firefighters who lost their lives battling an arson fire at this site.

The Authority previously approved a 50% tax abatement and Redevelopment Contract in June 2018 for a smaller, suburban-style commercial redevelopment project at this site; however, that Redevelopment Contract was never signed. The property owner has since changed architects and has now proposed a two-story, mixed-use project that better fits the neighborhood.

## **Policy Considerations**

- ***What is driving the need for an incentive?***
  - The unproven market for new commercial spaces within this portion of the Independence Avenue corridor poses a significant financial risk to the developers.
- ***What is unique about the location or the project?***
  - These properties are located at the intersection of Independence & Prospect, which will provide good exposure and good traffic counts. 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?***
  - This project conforms with the Truman Plaza Area Plan by providing mixed-use development along the Independence Avenue corridor.
- ***Why is this project good in the long term for the City?***
  - The project promotes neighborhood stabilization through the redevelopment of a vacant site for commercial and residential use within the Independence Avenue corridor.
- ***Why is this specific level of incentives being recommended?***
  - The Developer is requesting a 100%/10 - year property tax abatement due to the risks involved with this small commercial project. Staff believes that supporting mixed-use redevelopment projects with property tax abatement, particularly within distressed neighborhoods, is appropriate.
- ***How is this incentive different than one that might have been granted ten years ago?***
  - Historically, a developer would have either pursued 25 years of property tax abatement through the creation of a Planned Industrial Expansion Area (PIEA), or would not have considered redeveloping this property due to the high level of risk.

## **Financial Review**

Per LCRA policy regarding URA projects adjacent to or east of Troost and located within “continuously distressed” census tracts, the project was not subject to a financial analysis by EDC staff. Staff’s review of the application revealed that without property tax abatement, the project would like achieve a 6.69% IRR in Year 10 and, with property tax abatement, would achieve an 10.40% IRR in Year 10. Given the level of risk due to the unproven market for new commercial space in this portion of the Independence Avenue corridor, staff believes this satisfies the requirements of the Authority’s Workable Program.

Staff believes that the proposed project is in conformance with the Garfield Urban Renewal Plan.

**Affirmative Action Policy and MBE/WBE Participation:** The applicant has already met with both Sandra Rayford of EDC staff and Dion Waldon of the City Human Relations Dept. regarding the LCRA's MBE/WBE and construction workforce requirements.

**Taxing Jurisdictions:** The project was presented for review at the December 6, 2019 Agency Directors meeting.

**Other government/statutory agency action:** The property must be rezoned to UR.

*ACTION RECOMMENDED:* APPROVAL OF PROPERTY TAX ABATEMENT AT 100% FOR 10 YEARS FOR THE 2600 - 2602 INDEPENDENCE AVENUE MIXED-USE PROJECT.

APPROVAL OF A REDEVELOPMENT CONTRACT WITH BA PROPERTIES, LLC FOR THE 2600 - 2602 INDEPENDENCE AVENUE MIXED-USE PROJECT IN THE GARFIELD URBAN RENEWAL AREA.

5. **E. 23<sup>rd</sup> Street URA & Independence Plaza URA –multiple properties** – *Consideration of Approval of Sale/Leaseback Redevelopment Contract with Steele Blue Eagle, LLC (Bob Long) (Ex. 5A-5D)*

**Area Description:** The Project include of 9 properties in two Urban Renewal Areas, as follows:

2601 2603 E. 10<sup>th</sup> Street,  
2610 E. 11<sup>th</sup> Street,  
1013 – 1017 Prospect Avenue,  
913 – 917 Prospect Avenue,  
2625 E. 11<sup>th</sup> Street, and  
2700 Perry Avenue

all in the Independence Plaza Urban Renewal Area, which is generally bound by Independence Boulevard on the north, Benton Boulevard on the east, I-70 on the south, and Brooklyn/Garfield/Euclid/E. 12<sup>th</sup>/Brooklyn on the west;

As well as:

2423 – 2429 Brighton Avenue,  
2415 – 2421 Brighton Avenue, and  
5015 E. 24<sup>th</sup> Street

all in the E. 23<sup>rd</sup> Street Urban Renewal Area, which is generally bound by Truman Road on the north, Van Brunt Boulevard on the east, and I-70 on the south and west

**Project Description:** The applicant is Steele Blue Eagle, LLC, an affiliate of Steele Development, an affordable housing developer, based in Denver, that specializes in acquisition/rehab projects.

The applicants' project is a \$11.2 million acquisition and rehabilitation of 82 affordable multifamily housing units and 9 buildings (8 residential). All 82 units are HUD Section 8

units. The units are targeted to single individuals and small families who are generally below 30% of AMI.

The properties are in need of significant renovation work to the housing units, as well as major security and energy-efficiency improvements. This work is expected to improve quality of life for both residents and the neighborhood. The Applicant is in discussions with the Missouri Housing Development Corporation (MHDC) regarding an allocation of 4% low-income housing tax credits to support this acquisition and renovation project.

Please note the applicant has proposed the complete elimination of real estate property taxes during at least the 15 - year compliance period of the proposed 4% LIHTC allocation. This would require a sale/leaseback arrangement. These properties are located within existing Urban Renewal Areas and “continuously distressed” census tracts and would qualify for 100% tax abatement; however, City policy typically does not support the elimination of existing real estate property taxes. Staff’s recommendation is in keeping with City policy.

### **Policy Considerations**

- ***What is driving the need for an incentive?***
  - Affordable housing projects cannot support the payment of full real estate property taxes due to the restricted cash flows they produce.
- ***What is unique about the location or the project?***
  - The proposed 82–unit affordable housing renovation project will result in significant improvements to multiple properties in both the Independence Plaza and E. 23<sup>rd</sup> Street Urban Renewal Areas. 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 Truman Plaza Area Plan by preserving the supply of affordable housing. The preservation of existing affordable housing units, especially those for very low-income households, is a critical component of the City’s emerging housing strategy.
- ***Why is this project good in the long term for the City?***
  - The project preserves the supply of affordable housing intended for very low-income households with Sec. 8 housing vouchers. Five of the units will be ADA compliant, with two additional units converted to support hearing impaired tenants
- ***Why is this specific level of incentives being recommended?***
  - The Developer is requesting a 100%/15 - year property tax abatement due to the reduced cash flows experienced by affordable housing projects, as well as a sales tax exemption on construction materials. Staff generally believes that supporting affordable housing projects with property tax abatement during the 15 – or 30 – year affordability compliance period is appropriate. The proposed sales tax exemption on construction materials also reduces development costs.

- ***How is this incentive different than one that might have been granted ten years ago?***
  - Historically, a developer would have pursued 25 years of property tax abatement through either a Chap. 353 Plan or a Planned Industrial Expansion Area (PIEA). Neither option is in-place currently and would have required an additional investment of time and funds.
- ***What is the likely consequence of not granting an incentive (if known)?***
  - It seems unlikely that this project would move forward without the requested assistance.

### **Financial Review**

Per EDC policy regarding affordable housing projects, the project was subject to a financial review by EDC staff. Staff's review revealed that the developer will seek a 4% low-income housing tax credit allocation from the Missouri Housing Development Corporation (MHDC). Staff believes the project is in conformance with MHDC's guidelines and standards.

Staff believes that the proposed project is in conformance with the Authority's Independence Plaza and E. 23<sup>rd</sup> Street Urban Renewal Plans.

**Affirmative Action Policy and MBE/WBE Participation:** The proponent will be subject to MHDC's MBE/WBE participation goals and has started discussions regarding the reporting process with HRD.

**Taxing Jurisdictions:** The project was presented for review at the December 6, 2019 Agency Directors meeting.

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

***ACTION RECOMMENDED:*** APPROVAL OF SALES TAX EXEMPTION ON CONSTRUCTION MATERIALS AND PROPERTY TAX ABATEMENT AT 100% FOR 15 YEARS FOR THE STEELE BLUE EAGLE APARTMENTS AFFORDABLE MULTI-FAMILY PROJECTS, SUBJECT TO VERIFICATION OF AN MHDC ALLOCATION OF LOW-INCOME HOUSING TAX CREDITS.

### 6. **Waldo Ice House Mixed-Use Project** – *Consideration of Approval of Tax Abatement and a Redevelopment Contract with Ice House Partners, LLC (Bob Long) (Ex. 6A-6B)*

**Area Description:** The Plan Area consists of a single parcel, 226 W. 75<sup>th</sup> Street, on the north side of W. 75<sup>th</sup> Street, between Broadway and Wyandotte Street, in the Waldo business district portion of the Tower Homes neighborhood.

**Plan Description:** The proponent of the Waldo Ice House is the Ice House Partners, LLC, which is a joint venture of Linden Street Partners and Botwin Real Estate.

The Waldo Ice House, 226 W. 75<sup>th</sup> Street, is located within the Waldo business district. The Waldo business district is home to a diverse mixture of restaurants, bars, offices, service businesses, light industrial uses, retail shops, galleries, vacant buildings, and surface parking lots. 226 W. 75<sup>th</sup> Street was the Waldo Ice House for many years, but was remodeled for retail use, most recently as an “antiques mall”. The building has been vacant and deteriorating for a few years.

The Plan’s proponents have proposed the demolition of the former Waldo Ice House building and the construction of a four (4) – story mixed-use structure, with three (3) stories of approximately 33 apartments above ground floor commercial office spaces, along with approximately 33 parking spaces provided to the rear of the building. At least three (3) of the apartments will be affordable to households at or below 70% of the area median income. In order to strengthen the streetscape/façade wall of the Waldo business district, the new mixed-use building will be close to the W. 75th Street right-of-way, with its’ off-street parking to the rear. The Plan’s proponents believe that this proposed project is well-positioned to attract new residents to Waldo because of the new housing units being constructed and its location in the heart of the Waldo business district.

The former Waldo Ice House, 226 W. 75<sup>th</sup> Street, is not located within a “continuously distressed” census tract and is, therefore, only eligible for up to 75% property tax abatement. This provision was incorporated into the Urban Renewal Plan.

### **Policy Considerations**

- ***What is driving the need for an incentive?***
  - High construction costs cannot be covered achievable rents without assistance.
- ***What is unique about the location or the project?***
  - The proposed mixed-use project will remove blight and create a new, mixed-use project with ground floor commercial space and 33 apartments on the upper three floors. Three apartments will be affordable to households at 70% of AMI. This project is eligible to receive a 75% abatement since it is not 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 Country Club/Waldo Area Plan by providing a new mixed-use project within an existing business district and expanding the supply of multifamily housing. The creation of new affordable housing units, targeted for households at 70% of AMI (which is lower than required), is part of the City’s emerging housing strategy.
- ***Why is this project good in the long term for the City?***
  - The project both removes blight and expands the supply of multifamily housing within an existing business district.

- ***Why is this specific level of incentives being recommended?***
  - The Developer is requesting a 75%/10 - year property tax abatement due to the higher than anticipated construction costs, which cannot be supported by achievable rents. Staff believes that the requested abatement will allow the Developer to achieve a reasonable return.
- ***How is this incentive different than one that might have been granted ten years ago?***
  - Historically, a developer would have pursued 25 years of property tax abatement through either a Chap. 353 Plan or a Planned Industrial Expansion Area (PIEA). Neither option is in-place currently and would have required an additional investment of time and funds.
- ***What is the likely consequence of not granting an incentive (if known)?***
  - It seems unlikely that this project would move forward without the requested assistance.

**Financial Analysis:** Baker Tilly performed the financial analysis (Exhibit \_\_). All budget items and proforma items were determined to be reasonable and in line with other current projects. Baker Tilly's original report cited a range of 5.25% - 10.0% for similar projects, with an average return of 7.11%. The unleveraged IRR without assistance was 4.84%, which falls below the bottom of the range of returns. With 10-year tax abatement at 75%, the unleveraged IRR was 8.67%, which is within the range cited.

The developer has since provided updated construction cost information (costs increased \$450,000 or 6.3%) and Baker Tilly has prepared an update memo (attached). Without tax abatement, the project would generate a 4.1% unleveraged return; with 10 – year, 75% tax abatement, the project would generate a 7.85% unleveraged return. Staff believes the 7.85% return is appropriate given the level of risk since this is the first residential mixed-use project within the Waldo business district.

**Affirmative Action Policy and MBE/WBE Participation:** The applicants have been in contact with the EDC's MBE/WBE Compliance Officer and HRD to discuss their project and the LCRA's Affirmative Action Policy and MBE/WBE Participation requirements.

**Taxing Jurisdictions:** A copy of all project information, financial analysis and draft staff report were sent to the taxing jurisdiction representatives as part of the City's AdvanceKC process.

**Other government/statutory agency action:** N/A.

*ACTION RECOMMENDED:* APPROVAL OF 10 YEARS OF 75% PROPERTY TAX ABATEMENT FOR THE PROPOSED WALDO ICE HOUSE PROJECT IN THE WALDO ICE HOUSE URBAN RENEWAL AREA.

APPROVAL OF A REDEVELOPMENT CONTRACT WITH ICE HOUSE PARTNERS, LLC FOR THE WALDO ICE

HOUSE PROJECT IN THE WALDO ICE HOUSE URBAN  
RENEWAL AREA.

7. **Linwood-Prospect URA – Linwood Square Shopping Center** - *Consideration of Recognition, Non-Disturbance and Attornment Agreement* (Brian Engel) (Ex. 7A-7B)

LCRA owns the property known as the Linwood Square Shopping Center generally located on the east side of Prospect Avenue between E. 30<sup>th</sup> Street on the north and E. Linwood Boulevard on the south. LCRA leases the land to Linwood Center Redevelopment Company, LLC (“Developer”), a Missouri limited liability company, pursuant to the Ground Lease and the Redevelopment Contract (each dated February 14, 1992), which LCRA assigned to the Developer, and the Developer assumed, by the Assignment, Assumption and Amendment of Ground Lease and Redevelopment Contract dated January 31, 2017.

The Developer has secured financing to move forward with its rehabilitation of the shopping center. As part of the project, the Developer seeks to enter into a sublease with Citi Trends, Inc. and is requesting that LCRA approve a Recognition, Non-Disturbance and Attornment Agreement among LCRA, the Developer and Citi Trends, Inc.

*ACTION RECOMMENDED:* APPROVE RECOGNITION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT.

8. **Hospital Hill II URA – Two Corners – 27th & Troost** – *Selection of Exact as Developer* (Bob Long) (Ex. 8)

Area Description: The Hospital Hill II Urban Renewal Area is an irregularly-shaped area generally bound by E. 22<sup>nd</sup> Street on the north, 71 Hwy/Bruce R. Watkins on the east, E. 27<sup>th</sup> Street on the south, and Cherry/E. 25<sup>th</sup> and Charlotte Streets on the west. The Project site consists of two parcels – 2701 Troost Avenue and 2702 Troost Avenue, which are generally located at the southeast and southwest corners of E. 27<sup>th</sup> Street and Troost Avenue.

**Project Description:** The applicant is Exact, based here in Kansas City.

The Authority issued an RFP for the Two Corners earlier this year. The applicant was the sole respondent. The applicants’ proposal is for the development of commercial/mixed-use buildings on both the southeast and southwest corners of E. 27<sup>th</sup> Street and Troost Avenue. Formal selection of the applicant as the Developer will enable the applicant to designate Opportunity Zone funds for the project prior to the end of the year. Specific project proposals will be brought forward by the applicant in the next few months as the applicant completes its due diligence. The projects are located within the south-central portion of the Hospital Hill II Urban Renewal Area.

Staff believes that the proposed project is responsive to the RFP and the potential commercial/mixed-use projects would be in conformance with the Hospital Hill II Urban Renewal Plan.



**Affirmative Action Policy and MBE/WBE Participation:** The applicant will need to meet with EDC staff and HRD to discuss the LCRA's MBE/WBE and Construction Workforce requirements. The applicant has previous experience working with EDC staff and HRD on previous projects.

**Taxing Jurisdictions:** As the final projects are brought forward for consideration, project information will be shared with the taxing jurisdictions as part of the AdvanceKC process.

**Other government/statutory agency action:** The proposed Sixth Amendment of the Hospital Hill II Urban Renewal Plan is still pending consideration by the City Plan Commission and City Council.

*ACTION RECOMMENDED:* SELECT EXACT (OR AN AFFILIATE) AS REDEVELOPER OF THE TWO CORNERS PROJECTS WITHIN HOSPITAL HILL II URBAN RENEWAL AREA.

9. **16<sup>th</sup> & Jefferson Urban Renewal Area** – *Approve URP's First Amendment* (Bob Long)

The 16<sup>th</sup> & Jefferson Urban Renewal Plan was approved by the City Council in 2000 for a twenty-year term. The Plan Area is generally bound by E. 16<sup>th</sup> Street/I-35 on the north, Jefferson Street on the west, E. 17<sup>th</sup> Street on the south, and I-35 on the east. The Plan was intended to redevelop the blighted 16<sup>th</sup> & Jefferson properties as single-family homes.

At this time, there is only one (1) tax abatement still active. It will end in 2023. Staff has had no recent inquiries regarding proposed projects within the 16<sup>th</sup> & Jefferson URA. The 16<sup>th</sup> & Jefferson URA is set to terminate February 1, 2020.

The Authority believes that a five (5) year extension of the Plan would allow adequate time for the existing tax abatement granted through the Plan to terminate.

If the Authority approves the proposed First Amendment, the City Council is expected to consider an ordinance amending the 16<sup>th</sup> & Jefferson 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 16<sup>TH</sup> & JEFFERSON URBAN RENEWAL PLAN TO EXTEND TERM FOR AN ADDITIONAL FIVE (5) YEARS.

10. **Manheim Park Urban Renewal Area** – *Approve URP's Second Amendment* (Bob Long)

The Manheim Park Urban Renewal Plan was approved by the City Council in 2005 with a fifteen-year term, and was later amended to include an affordable multifamily project. The Plan Area is generally bound by E. 39<sup>th</sup> Street on the north, Troost Avenue on the west, E. 42<sup>nd</sup> Street on the south, and Paseo Boulevard on the east. The Plan was intended to revitalize the blighted Manheim Park neighborhood through housing rehabilitation and the construction of new housing.

At this time, there are five (5) active tax abatements. The most recent tax abatement will end in 2028. The Manheim Park neighborhood continues to evolve and staff continues to receive inquiries regarding proposed projects within the Manheim Park URA. The Manheim Park URA is set to terminate January 13, 2020.

The Authority believes that a 15 (15) year extension of the Plan would allow adequate time for the existing tax abatements granted through the Plan to terminate and for additional projects to be proposed.

If the Authority approves the proposed Second Amendment, the City Council is expected to consider an ordinance amending the Manheim Park Urban Renewal Plan by extending its term for an additional fifteen (15) years in furtherance of the goals and purposes of the Plan.

*ACTION RECOMMENDED:* APPROVE THE SECOND AMENDMENT TO THE MANHEIM PARK URBAN RENEWAL PLAN TO EXTEND TERM FOR AN ADDITIONAL FIFTEEN (15) YEARS.

11. **23<sup>rd</sup> & Jarboe Urban Renewal Area** – *Approve Termination of the Urban Renewal Plan* (Bob Long)

The 23<sup>rd</sup> & Jarboe Urban Renewal Plan was approved by the City Council in 2000 with a twenty-year (20) term. The Plan Area is generally bound by W. 23<sup>rd</sup> Street on the north, Street on the west, W. 24<sup>th</sup> Street on the south, and Belleview Avenue on the east. The Plan was intended to revitalize the blighted 23<sup>rd</sup> & Jarboe neighborhood through housing rehabilitation and the construction of new housing.

At this time, there are no active tax abatements. The most recent tax abatement terminated in 2012. Staff has received no inquiries regarding proposed projects within the 23<sup>rd</sup> & Jarboe URA. The 23<sup>rd</sup> & Jarboe URA is set to terminate February 1, 2020.

If the Authority approves the proposed Termination, the City Council is expected to consider an ordinance terminating the 23<sup>rd</sup> & Jarboe Urban Renewal Plan.

*ACTION RECOMMENDED:* APPROVE THE TERMINATION TO THE 23<sup>RD</sup> & JARBOE URBAN RENEWAL PLAN AND FORWARD THE RECOMMENDATION TO CITY COUNCIL.

12. **Administrative.**

a. **Executive Director's Report** - *Active Projects Tracking System Report* (Dan Moye) (Ex. 12A)

*ACTION RECOMMENDED:* NONE; INFORMATIONAL ONLY

- b. **Tax Abatements** – There were ten (10) tax abatements approved in November, 2019.

URA	Address	Applicant	Category	Type
Columbus Park	1034 E. Missouri Ave.	Thomas & Maren Morefield	S/f Residential	New
Columbus Park	1036 E. Missouri Ave.	Thomas & Maren Morefield	S/f Residential	New
Garfield	224 Olive	Lawrence & Deborah Reeves	S/f Residential	Rehab
Indian Mound-Lykins	511 Van Brunt Blvd.	Trupiano Real Estate	S/f Residential	Rehab
Indian Mound-Lykins	401 Cypress	Neighborhoods of Hope Community Housing	S/f Residential	Rehab
Indian Mound-Lykins	501 Cypress	Neighborhoods of Hope Community Housing	S/f Residential	Rehab
Longfellow Dutch Hill	2826 Harrison	Arif & Affan Ahmad	S/f Residential	Rehab
Longfellow Dutch Hill	2918 Campbell	David & Kelli McKinney	S/f Residential	Rehab
Oak Park	4120 S. Benton Blvd.	Crowe Opportunity Fund	S/f Residential	Rehab
Oak Park	3335 Monroe Ave.	JPC Property Holdings, LLC	S/f Residential	Rehab

### ***EXECUTIVE SESSION***

13. 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***

14. Adjourn.

To access the meeting by phone:  
Call in number - 816-691-2102  
Password - 72106