
LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY
BOARD MEETING MINUTES

DATE: November 20, 2019
TIME: 9:30 a.m.
PLACE: 300 Wyandotte, 2nd Floor
Kansas City, Missouri

1. **Roll Call.**

Present: Steve Hamilton
Pat Contreras
Daniel Edwards

Absent: Faiza Alhambra
Gabriel Okafor

Staff: Dan Moye, LCRA
Susan Tumey, LCRA
Lee Brown, EDC
Bob Long, EDC
Sandra Rayford, EDC

LCRA Legal Counsel: Brian Engel, Rouse Frets

Guests: Phil Aftuck, Bernstein Company (*via telephone*)
Jim Woodson, IUPAT DC3

Chairman Hamilton called to order the meeting of the Board of Commissioners of the Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Contreras and Edwards were present in person.

2. **Administrative.** - *Review and approval of Meeting Minutes for October 23, 2019 (Ex. 2)*

The Minutes were approved immediately after Mr. Brown gave the financial report.

ACTION TAKEN: APPROVED THE MINUTES FOR OCTOBER 23, 2019, AS PRESENTED. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY.

3. **Financial** - *Review and acceptance of the Financial Report for October, 2019 (Lee Brown) (Ex. 3)*

Mr. Hamilton asked that Mr. Brown give the financial report prior to the Board's consideration of the October 23, 2019 minutes in item #2.

Mr. Brown advised that the only issues of note in this month's financials were the Hyatt House closing and a developer's delinquency in paying its bill. He confirmed that the developer's delinquency was just over 30 days in arrears and that payment should be forthcoming soon.

ACTION TAKEN: ACCEPTED THE FINANCIAL REPORT FOR OCTOBER, 2019 AS PRESENTED. MOTION MADE BY MR. CONTRERAS, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY.

4. **Walnut Grove Apartments URP – Walnut Grove Apartments, Limited Partnership – Consideration of Termination of Lease** (Brian Engel) (Ex. 4A-4D)

➤ ***Project Overview***

- Sale/leaseback agreement in 2000 initiated the 99-year lease and property's tax exemption via LCRA ownership (*Engel*)
 - Termination of the lease would change ownership of the property to the developer, effectively placing the property on tax rolls (*Engel*)
 - Lease provisions allowed for its termination by the Authority after June 22, 2015 (*Engel*)
 - Board denied developer's request in 2011 to extend the lease (*Engel*)
- Walnut Grove Apts. URP expires in May 2020 and would need to be extended if the Board wished to maintain the lease (*Engel*)
- IDA bonds used to initially finance the project were paid off in October, 2019 (*Engel*)

➤ ***Board Considerations***

- The Board confirmed that neither the developer or its representatives attended the current meeting, either in person or by phone (*Edwards/Hamilton*)
 - Staff confirmed that the property's current manager, Cohen Esrey, had been timely notified of today's meeting and had responded via e-mail (*Moye*)
 - Developer would have participated in today's meeting if the lease termination issue was important to the project (*Hamilton*)
 - Developer's non-participation also diminishes the need to table the matter to allow staff to acquire additional rental information (*Hamilton*)
 - Board's denial of developer's requested lease extension in 2011 indicated insufficient financial need to do so at that time (*Hamilton*)
- Counsel advised that his law firm represents a limited partner in the project. After internal discussions, that client will retain other counsel regarding the lease termination (*Engel*)
- Provisional extension of lease to ensure the project maintains affordable rents (*Edwards*)
 - Developer will pass any tax cost increase to its tenants, possibly forcing out lower income residents (*Edwards*)

- Depending on how the State calculated the project's LIHTC guidelines, its 15-year compliance period may have already expired (*Edwards/Moye*)
- In its limited conversations with staff, developer did not indicate its LIHTC would be at risk if the lease was terminated (*Moye*)
- Project's reversion to market rate is inevitable (*Hamilton*)

ACTION TAKEN: APPROVED TERMINATION OF LEASE AND UNWIND SALE/LEASEBACK AND RELATED FINANCING TRANSACTIONS. MOTION MADE BY MR. CONTRERAS, SECONDED BY MR. EDWARDS, AND CARRIED UNANIMOUSLY. (*RES. NO. 11-1-19*)

5. Administrative.

- a. Central Business District – *Status update regarding Mark Twain, 106 W. 11th Street* (Brian Engel)

➤ *Incentive Reduction Request*

- Financial benefit of the previously approved incentives for the project was subsequently reduced by:
 - Developer's required payment of @ \$10 Million before mid-December 2018 to preserve the project's historic tax credits (*Engel/Aftuck*)
 - Title insurance policy and payment bond premium costs (*Hamilton/Aftuck*)
- Developer used equity funds to perform some construction work at the project until it stopped the sale/leaseback closing in August, 2019 (*Engel*)
 - Developer is working with HRD to establish and report on the project's professional and construction affirmative action goals (*Engel*)
- Developer confirmed that it had requested the elimination of all previously approved LCRA incentives for the project except for the 10-year 90% tax abatement (*Hamilton/Aftuck*)
 - Developer will be able to forego paying a potential 6-figure amount for title insurance policies and payment bond fees if the sale/leaseback component is eliminated (*Moye/Engel*)
 - Developer benefit will accrue after the building is reassessed and the 90% abatement is applied to its improved value (*Engel*)
 - As of January 1, 2019, property is fully taxed at its pre-improvement value (*Engel*)
 - Developer has also opted out of a prior Chapter 353 abatement on the property (*Engel*)
- Notice requirements
 - Board's prior approval of tax abatement and sales tax exemption on construction materials for the project as a whole enables its ability today to reduce part of the incentive despite the agenda not explicitly stating the proposed action (*Hamilton/Engel*)

➤ ***Redevelopment Contract***

- Removal of bond sale/leaseback and sales tax exemption on construction materials also required the revision of the previously executed Redevelopment Contract (*Engel*)
 - Developer has agreed to pay all back legal fees incurred by the LCRA for preparation of bond and sale/leaseback documents by December 31, 2019 (*Hamilton/Engel*)

ACTION TAKEN: APPROVED DEVELOPER'S REQUEST TO RESCIND THE PREVIOUSLY APPROVED LCRA INCENTIVES FOR THE MARK TWAIN PROJECT AND APPROVED REVISION OF THE PREVIOUSLY APPROVED REDEVELOPMENT CONTRACT TO PROVIDE 10-YEAR 90% TAX ABATEMENT AS THE ONLY INCENTIVE. MOTION MADE BY MR. EDWARDS, SECONDED BY MR. CONTRERAS, AND CARRIED UNANIMOUSLY. (*RES. No. 11-2-19*)

b. **Executive Director's Report** - *Active Projects Tracking System Report* (Dan Moye) (**Ex. 5B**)

- 27th & Troost RFP received only one response and may be on December's agenda for Board approval (*Moye*)
 - Mixed-use commercial project asking for approval of the RFP response as an acknowledgment by the Authority that it wants to proceed (*Moye*)
 - Specific plan and incentive approval will be considered at a later date (*Moye*)
- Muehlebach Apartment project may also be on the December agenda (*Engel*)
- Mechanic's lien lawsuit filed against the Pendleton ArtsBlock project included the Authority as an additional defendant, but the developer and contractor have since resolved their dispute (*Engel*)

Ms. Rayford confirmed that there were no affirmative action issues to discuss this month.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

6. **Adjourn.**

There being no further business, the meeting adjourned at approximately 10:45 a.m.

Daniel Moye, Secretary