

LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY **AMENDED BOARD MEETING AGENDA**

DATE: March 4, 2020
TIME: 9:30 a.m.
PLACE: 300 Wyandotte, 2nd Floor
Kansas City, Missouri

1. **Roll Call.**
2. **Administrative** – *Annual Election of Officers for 2020* (Dan Moye)

The current officers are:

Chairman	Vacant
Vice-Chairman	Vacant
Secretary	Daniel Moye
Assistant Secretary	Susan Tumey
Treasurer	Lee Brown

ACTION RECOMMENDED: ELECTION OF THE SLATE OF OFFICERS NOMINATED FOR THE 2020 CALENDAR YEAR.

3. **Administrative.** - *Review and approval of Meeting Minutes for January 29, 2020 (Ex. 3)*

ACTION RECOMMENDED: APPROVAL OF THE MINUTES FOR JANUARY 29, 2020, AS PRESENTED

4. **Financial** - *Review and acceptance of the Financial Report for January, 2020 (Lee Brown) (Ex. 4)*

ACTION RECOMMENDED: ACCEPTANCE OF THE FINANCIAL REPORT FOR JANUARY, 2020 AS PRESENTED

5. **Hospital Hill North URA - Landmark/Welltower/TMC/LCRA** – *Consideration of Consent to Transfer of Majority Interest in Developer and of Approval of Loan Refinancing Documents Regarding the Medical Office Building Located at 2101 Charlotte (Brian Engel) (Ex. 5A-5G)*

In 2014, as part of a 25-year sale-leaseback transaction among LCRA, Truman Medical Center (TMC) and Hospital Hill Medical Office Building, LLC (HHMOB), LCRA obtained a construction loan (Construction Loan) to acquire and construct an approximately 90,000 square foot medical office building and a parking structure and related improvements (Project) on property located at 2101 Charlotte. HHMOB is owned by Landmark Healthcare Properties, LLC (Landmark).

TMC and HHMOB entered into a Ground Lease (Ground Lease) dated March 4, 2014, pursuant to which TMC ground leased to HHMOB the property upon which the medical office building has been constructed (Ground Leased Property). The Ground Lease further

sets forth HHMOB's rights and obligations with respect to the medical office building and TMC's rights and obligations with respect to the parking structure. In addition to owning fee title to the Ground Leased Property, TMC previously owned fee title to the real property adjacent to the Ground Leased Property upon which the parking structure was constructed (Parking Structure Property).

HHMOB assigned its rights under the Ground Lease to LCRA and LCRA and HHMOB entered into a Master Lease of the Ground Leased Property. TMC conveyed title to the remainder of the Project property to LCRA and LCRA then leased back the property rights to HHMOB (as to the medical office building) and to TMC (as to the parking structure). In 2015, the construction loan was replaced with a loan from GE Capital, now Capital One. LCRA is the current borrower on the loan on a non-recourse basis.

Landmark owns medical office buildings in other cities across the country. Landmark is seeking consent to transfer an indirect majority interest in HHMOB to Welltower Inc. (Welltower), one of the largest medical office building REITs in the United States. The transfer to Welltower includes a portfolio of other medical office buildings. As part of the transfer to Welltower, the loan is being refinanced by Capital One and each facility's ownership entity will issue a promissory note evidencing a loan, which will total in the aggregate approximately \$288 million. A portion of that amount, approximately \$34.5 million, is allocated to the transfer of the Kansas City facility.

ACTION RECOMMENDED: APPROVE CONSENT OF TRANSFER OF AN INDIRECT MAJORITY INTEREST IN HOSPITAL HILL MEDICAL OFFICE BUILDING, LLC, AND APPROVE REFINANCING OF CAPITAL ONE LOAN AND LOAN DOCUMENTS, SUBJECT TO LEGAL COUNSEL REVIEW REGARDING PROJECT LOCATED AT 2101 CHARLOTTE.

6. **Waldo Ice House URA** – *Consideration of Approval of Tax Abatement and a Redevelopment Contract with Ice House Partners, LLC (Bob Long) (Ex. 6A-6C)*

Area Description: The Plan Area consists of a single parcel, 226 W. 75th Street, on the north side of W. 75th 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 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. 75th 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 five (5) – story mixed-use structure, with four (4) stories of approximately 44 apartments above ground floor commercial office spaces, along with approximately 33 parking spaces provided to the rear of the building. 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. 75th 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. 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.
- ***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 and 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 5C*). All budget items and proforma items were determined to be reasonable and in line with other current projects. The developer has since provided updated construction cost information (costs

increased \$450,000 or 6.3%) and Baker Tilly has prepared an updated memo (*Exhibit 5B*). 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. **Longfellow - Dutch Hill Neighborhood URA –620 E. Linwood Boulevard** – *Consideration of Approval of Redevelopment Contract with 620 Linwood Dev Co, LLC (Bob Long) (Ex. 7A-7C)*

Area Description: The Longfellow - Dutch Hill Neighborhood Urban Renewal Area is an area generally bound by E. 27th Street on the north, Troost Avenue on the east, E. Linwood Boulevard on the south, and Gillham Road on the west. The Project site consists of two parcels (2600 and 2618 Independence) on the northwest corner of Holmes Street and E. Linwood Boulevard.

Project Description: The applicant is 620 Linwood Dev Co, LLC, which is the owner of the property.

The 620 E. Linwood Boulevard building was initially built as a car dealership, but later became part of the adjacent dairy operation. Most recently, the building had been occupied by the Frosty Treats ice cream truck operation. The building fell into disrepair and the off-street parking lot across the street became a de facto salvage yard for inoperable ice cream trucks. The applicant was able to acquire the property from the bank.

The applicant’s project is a \$2,872,279 renovation of a vacant building into a 20,583 square foot, three-story, commercial project. There will be approximately 9,000 square feet of commercial space on the first floor, along with approximately 18,000 square feet for a potential expansion of a nonprofit medical clinic and offices on the second and third floors.

Off-street parking will be provided on the west side of the building, as well as in an off-street parking lot to east across Holmes Street.

Policy Considerations

- ***What is driving the need for an incentive?***
 - The unproven market for new commercial spaces within this portion of the E. Linwood Boulevard corridor poses a significant financial risk to the developers.
- ***What is unique about the location or the project?***
 - These properties are located near the Costco and Home Depot development at Linwood & Main. This blighted building and its off-street vehicle storage yard was previously occupied by the Frosty Treats ice cream truck operation. 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 Midtown/Plaza Area Plan by providing mixed-use development along the E. Linwood Boulevard corridor.
- ***Why is this project good in the long term for the City?***
 - This project promotes neighborhood stabilization through the removal of blight through the redevelopment of a vacant building and associated off-street parking for commercial use within the E. Linwood Boulevard 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

A financial analysis was completed by EDC staff. Staff’s review of the application revealed that without property tax abatement, the project would like achieve a -13.45% Cash-On-Cash Return on Investment in Year 10 and, with property tax abatement, would achieve an 8.35% Cash-On-Cash Return on Investment in Year 10. Given the high level of risk due to the unproven market for new commercial space in this portion of the E. Linwood Boulevard corridor, staff believes this satisfies the requirements of the Authority’s Workable Program.

Staff believes that the proposed project is in conformance with the Longfellow - Dutch Hill Neighborhood Urban Renewal Plan.

Affirmative Action Policy and MBE/WBE Participation: The applicant has already met with both Sandra Rayford of EDC staff and Dion Lewis 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 February 28 Agency Directors meeting.

Other government/statutory agency action: N/A

ACTION RECOMMENDED: APPROVAL OF PROPERTY TAX ABATEMENT AT 100% FOR 10 YEARS FOR THE 620 E. LINWOOD BOULEVARD COMMERCIAL MIXED-USE PROJECT.

APPROVAL OF A REDEVELOPMENT CONTRACT WITH 620 LINWOOD DEV CO, LLC FOR THE 620 E. LINWOOD BOULEVARD COMMERCIAL MIXED-USE PROJECT IN THE LONGFELLOW - DUTCH HILL NEIGHBORHOOD URBAN RENEWAL AREA.

8. **Hospital Hill II URA –Two Corners – 27th & Troost** – *Approval of Property Transfer Documents* (Brian Engel) (Ex. 8A-8C)

Area Description: The Hospital Hill II Urban Renewal Area is an irregularly-shaped area generally bound by E. 22nd Street on the north, 71 Hwy/Bruce R. Watkins on the east, E. 27th Street on the south, and Cherry/E. 25th 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. 27th Street and Troost Avenue.

Project Description: LCRA issued an RFP for the Two Corners site in 2019. Exact Partners, a developer based in Kansas City, was the sole respondent. The applicant's proposal is for the development of commercial/mixed-use buildings on both the southeast and southwest corners of E. 27th Street and Troost Avenue. At the December 2019 Board meeting, LCRA selected Exact Partners as the Developer for the project. The timing of the selection enabled the Developer to designate Opportunity Zone funds for the project prior to the end of 2019. LCRA conditioned selection of the Developer on the Developer submitting additional project details within 6 months and with the requirement that project be completed within 18 months.

The City currently owns the site. Drafts of a Purchase Agreement between the City and LCRA for the transfer of the property from the City to LCRA and of a Sale and Redevelopment Contract between LCRA and the Developer for the transfer of the property from LCRA to the Developer are enclosed in the meeting documents.

Other government/statutory agency action: The proposed Sixth Amendment of the Hospital Hill II Urban Renewal Plan is pending consideration by the City Council. The amendment is necessary to include the entire Two Corners project within the Hospital Hill II Urban Renewal Area.

ACTION RECOMMENDED: APPROVE A PURCHASE AGREEMENT AND A SALE AND REDEVELOPMENT CONTRACT FOR THE TRANSFER OF THE PROPERTY FROM THE CITY TO LCRA AND FROM LCRA TO THE DEVELOPER TO FACILITATE REDEVELOPMENT OF THE TWO CORNERS SITE IN THE HOSPITAL HILL II URBAN RENEWAL AREA, SUBJECT TO CITY COUNCIL'S APPROVAL OF THE SIXTH AMENDMENT TO HOSPITAL HILL II URBAN RENEWAL PLAN.

9. **Administrative.**

a. **Executive Director's Report** (Dan Moye)

- **LCRA Overview** (*Dan Moye*)

ACTION RECOMMENDED: NONE; INFORMATIONAL ONLY

- **Active Projects Tracking System Report** (*Dan Moye*) (*Ex. 9A*)

ACTION RECOMMENDED: NONE; INFORMATIONAL ONLY

b. **Tax Abatements** – There were eight (8) tax abatements approved in January, 2020.

URA	Address	Applicant	Category	Type
Boulevard Heights	2233 E. 69 th	Jolly & Associates, LLC	S/f Residential	Rehab
Columbus Park	563 Troost	Jean Fiorello & Mary Fasone	S/f Residential	Rehab
East Crossroads	1600 Cherry	Crossroads East, LLC	Commercial	Rehab
Garfield	1735 Pendleton	Holynest, Inc.	S/f Residential	Rehab
Hospital Hill II	1306 E. 26 th	Erik LaLande	S/f Residential	Rehab
Longfellow Dutch Hill	2931 Campbell	JSE Campbell, LLC	S/f Residential	Rehab
Longfellow Dutch Hill	2745 Holmes	MED Holmes, LLC	S/f Residential	Rehab
Oak Park	4606 S. Benton	Crowe Opportunity Fund, LLC	S/f Residential	Rehab

EXECUTIVE SESSION

10. 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

11. **Adjourn.**

Call in number: 816-691-2102
Password: 72106