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**LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY  
BOARD MEETING MINUTES**

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

1. **Roll Call.**

**Present:** Andrea Bough  
Rob Gardner  
Melissa Hazley  
Tammy Henderson

**Staff:** Dan Moye, LCRA  
Susan Tumey, LCRA  
Lee Brown, EDC  
Bob Long, EDC  
T'Risa McCord, EDC  
Sandra Rayford, EDC  
Cynthia Wilson, EDC

**LCRA Legal Counsel:** Brian Engel, Rouse Frets

**Guests:** Steve Stroade, 620 Linwood Dev Co, LLC  
Matt Wilkes, City of Kansas City, Missouri  
Diane Botwin, Ice House Partners, LLC,  
Andrew Ganahl, Ice House Partners, LLC  
Jim Woodson, IUPAT DC3  
Janice Bolin, Kansas City Public Library  
Ron O'Kane, Leigh & O'Kane  
Jerry Riffel, Truman Medical Center  
Mike Hughes, TSI Engineering  
Cheryl O'Connor, Welltower, Inc. (*via telephone*)

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Mr. Moye called to order the monthly meeting of the Board of Commissioners of the Land Clearance for Redevelopment Authority and declared a quorum as Commissioners Bough, Gardner, and Henderson were present. Ms. Hazley arrived at a later time.

Mr. Moye gave a brief overview of LCRA tax abatement and policies.

- ***LCRA Tax Abatement (all statements made by Mr. Moye, unless otherwise noted)***
- Historically focused on smaller projects
  - Adhere to the City's Cap Ordinance, which limits abatement to 75%

- Exemptions include that a project have a high impact number on the AdvanceKC scorecard or be in a continually distressed census tract
  - As LCRA cannot statutorily grant less than a 10-year 100% abatement, a PILOT payment is required for projects receiving lesser abatement
  - Long-term sale/leasebacks are used strategically and can offer longer abatements
- ***Affordable Housing/LIHTC projects (all statements made by Mr. Moye, unless otherwise noted)***
- Board policy is to leverage affordable housing
    - 10% of affordable units within a project is the baseline to trigger the policy
    - LCRA uses the financial analysis which developers provide to the State in their LIHTC application rather than requiring an additional report
  - Historically involved in several LIHTC and affordable projects in partnership with the State
- ***Types of Financial Analyses (all statements made by Mr. Moye, unless otherwise noted)***
- In-house if projects costs are under \$2 Million
  - Baker Tilly, formerly Springsted, for projects between \$2 and \$15 Million
    - Worked with EDC and LCRA for several years
  - SB Friedman prepares a more detailed analysis for projects above \$15 Million
  - Attempt to keep same metrics for granting abatement through the different analyses
    - Projects achieving a rate of return above 9% are offered less than the full incentive

*Ms. Hazley arrived*

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

Mr. Moye noted that one of the five new Board members recently nominated by the Mayor had not accepted the appointment and that a replacement would be forthcoming. He then opened the nominations for Board officers.

Ms. Bough and Ms. Henderson each declined the chair nomination. Ms. Hazley volunteered to be the Vice-Chairman. Mr. Gardner accepted the position as Board Chair.

The elected 2020 officers of the Authority are as follows:

Chairman	Rob Gardner
Vice-Chairman	Melissa Hazley
Secretary	Daniel Moye
Assistant Secretary	Susan Tumey
Treasurer	Lee Brown

***ACTION TAKEN:*** ELECTED THE SLATE OF OFFICERS NOMINATED FOR THE 2020 CALENDAR YEAR. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HENDERSON, AND CARRIED UNANIMOUSLY. (*RES. NO. 3-1-20*)

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

Mr. Moye confirmed that there were no changes to the minutes as presented.

*ACTION TAKEN:* APPROVED THE MINUTES FOR JANUARY 29, 2020, AS PRESENTED. MOTION MADE BY MS. HENDERSON, SECONDED BY MR. GARDNER, AND CARRIED UNANIMOUSLY.

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

➤ ***Financial Overview (all statements made by Mr. Brown, unless otherwise noted)***

- LCRA has attempted in recent years to increase its fee revenues to pay more of its operating expenses normally covered by the EDC
- Legal fees are billed monthly to the developer (*Engel*)
- Monthly financial reports and yearly audits are required because LCRA is a statutory agency of the City (*Engel*)
  - Fees for larger, more public projects are generally remitted to the City (*Engel*)
- LCRA staff are considered to be EDC employees and their salaries are paid by EDC (*Henderson/Brown*)

*ACTION TAKEN:* ACCEPTED THE FINANCIAL REPORT FOR JANUARY, 2020 AS PRESENTED. MOTION MADE BY MS. HAZLEY, SECONDED BY MS. HENDERSON, AND CARRIED UNANIMOUSLY.

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)*

➤ ***Project Overview (All statements made by Mr. Engel unless otherwise noted)***

- Sales Tax Exemption for Construction Materials (STECM) and 25-year property tax exemption via a sale/leaseback agreement for the two parcels approved in 2014
  - When the sale/leaseback ends in 2039, LCRA will collapse the deal and transfer all its property interest to the medical office building to the tenant, HHMOB LLC, and to the parking garage to the tenant, TMC
  - After the sale/leaseback on the medical building expires, TMC will continue to own the medical office building land and HHMOB LLC will own the medical office building improvements under the Ground Lease (*Bough/Riffel*)

➤ ***Medical office building (MOB) ownership structure (All statements made by Mr. Engel unless otherwise noted)***

- TMC owns ground beneath the building and occupies at least 90% of the space for medical purposes
  - LCRA owns the improvements under the Ground Lease and leases them pursuant to the Master Lease to HHMOB LLC, which is currently controlled by Landmark, to manage

- County bases the building's property tax exemption on TMC's charitable use rather than LCRA's ownership
- Missouri Supreme Court previously ruled that the LCRA benefitted from the City's tax exemption as the agency carries out essential functions of the City
- Original existing Ground Lease for the medical office building site (but not the parking garage site) divided ownership of the land and the improvements. The County decided to exempt the building based on its use by TMC rather than its ownership by LCRA
- County considers the parking garage parcel as exempt based on LCRA's ownership
- Effect of sale/leaseback on taxing jurisdictions
  - Taxing jurisdictions were able to voice any concerns about the project at its initiation in 2014 when the financial analysis was performed (*Hazley/Engel*)
  - The LCRA has full discretion whether to extend the exemption beyond 2039
  - Capital One loan agreement specifies that the maturity date cannot be extended beyond the Master Lease's original expiration date of 2039 (*Bough/Engel*)
  - County's exemption based on the building's use could change if another tenant occupied the building (*Moye*)
- Ownership structure change caused by refinancing of loan and transfer of majority interest in HHMOB LLC from Landmark to Welltower (*Hazley/Engel*)
- ***Capital One Loan / Welltower (All statements made by Mr. Engel unless otherwise noted)***
  - LCRA was the borrower on a non-recourse loan to build the project as part of the sale/leaseback arrangement in 2014
    - Construction loan was converted in 2015 to permanent financing with Capital One, and matures this year
  - Landmark wishes to refinance the loan for an additional 5 years and transfer an indirect majority interest in the tenant entity which owns the MOB, in addition to a portfolio of other medical office buildings in other cities, to Welltower
    - LCRA will be the borrower on the Welltower non-recourse loan and will have no liability to pay the loan in case of any default
    - LCRA has granted or will grant separate Deeds of Trust on the medical office building improvements and the parking garage so the bank can foreclose on the collateral if any default occurs (*Bough/Engel*)

*ACTION TAKEN:* APPROVED CONSENT OF TRANSFER OF AN INDIRECT MAJORITY INTEREST IN HOSPITAL HILL MEDICAL OFFICE BUILDING, LLC, AND APPROVED REFINANCING OF CAPITAL ONE LOAN AND LOAN DOCUMENTS, SUBJECT TO LEGAL COUNSEL REVIEW, REGARDING PROJECT LOCATED AT 2101 CHARLOTTE. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HAZLEY, AND CARRIED UNANIMOUSLY. (*RES. NO. 3-2-20*)

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)*

➤ ***Project Overview***

- Developers have constructed several apartment projects in the City and are heavily invested in the Waldo through ownership and residency (*Botwin*)
- Rent prices are moderate for area, ranging from \$1,000 for a studio to \$1,600 for a two-bedroom (*Ganahl*)
- Footprint plans have been historically used on severely blighted sites (*Moye*)
  - Waldo area as a whole may be doing quite well but this site will soon begin to negatively affect its surroundings (*Moye*)
  - City Council almost unanimously approved the project after an initial rejection once Commissioners had an opportunity to view the site (*Moye*)
- Taxing jurisdiction support
  - Conferred with neighborhood association and the school district about the project and they had no objections (*Botwin*)
  - Support letters are usually not provided from taxing jurisdictions for projects (*Hazley/Moye*)

➤ ***Financial Analysis***

- Baker Tilly revised its initial analysis when construction costs increased from \$7.6 Million to \$9.3 Million without a corresponding increase in rents (*Long*)
  - Without tax abatement, the project is unable to achieve the debt coverage ratio required by banks to fund the development (*Long*)
  - Bank loan is conditioned on receipt of tax abatement and achieving a 1.3 debt coverage ratio (DCR) (*Ganahl*)
  - With abatement, the project achieves a 1.35 DCR, which leaves little margin for cost increases (*Ganahl*)
  - Unleveraged returns are used as the deciding factor for granting abatement as it removes the subjective metric of developer/bank relationships (*Moye*)
- Alternate cost scenarios reflecting different levels of abatement and project budgets will be clarified and highlighted in future project presentations (*Hazley/Moye*)
  - Tax abatements are granted based on the primary financial analysis at the time of the Board's consideration (*Ganahl/Moye*)
  - Subsequent requests by developers for an increase of incentives because of cost overruns would not be viewed favorably (*Moye/Ganahl*)
- LCRA does not track the level of profit developers may make on their projects as it assumes that they will make financial gains (*Hazley/Engel*)
- Redevelopment Agreement specifies that any new owner would have to be approved by the Board and would assume all benefits and obligations (*Hazley/Engel*)

***ACTION TAKEN:*** APPROVED 10 YEARS OF 75% PROPERTY TAX ABATEMENT FOR THE PROPOSED WALDO ICE HOUSE PROJECT IN THE WALDO ICE HOUSE URBAN RENEWAL AREA. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HENDERSON, AND CARRIED UNANIMOUSLY.

APPROVED A REDEVELOPMENT CONTRACT WITH ICE HOUSE PARTNERS, LLC FOR THE WALDO ICE HOUSE PROJECT IN THE WALDO ICE HOUSE URBAN RENEWAL AREA. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HENDERSON, AND CARRIED UNANIMOUSLY.

(RES. NO. 3-3-20)

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)*

➤ ***Project Overview***

- Developer purchased the property to be able to fix its water damage which was affecting his business in the attached building (*Stroade*)
  - Developer also needed the expansion space to stay in the same location (*Stroade*)

➤ ***Financial Analysis Waiver (all statements by Mr. Moye unless otherwise noted)***

- Financial analysis was conducted in-house although project development costs are slightly above the \$2 Million threshold
- Requested 10-year 100% tax abatement is warranted by the project's charitable use, low market rent, and location in a continually distressed census tract
  - Developer's intent to not develop and sell the project as he has been a resident and business owner in the location for almost 20 years

*ACTION TAKEN:* APPROVED PROPERTY TAX ABATEMENT AT 100% FOR 10 YEARS FOR THE 620 E. LINWOOD BOULEVARD COMMERCIAL MIXED-USE PROJECT. MOTION MADE BY MS. HAZLEY, SECONDED BY MS. BOUGH, AND CARRIED UNANIMOUSLY.

APPROVED 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. MOTION MADE BY MS. HENDERSON, SECONDED BY MR. GARDNER, AND CARRIED UNANIMOUSLY.

(RES. NO. 3-4-20)

*Ms. Henderson left the meeting at approximately 11:00 a.m.*

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

➤ ***Project Overview***

- Action requested will enable developer to take the next step in the sale process to perform due diligence and environmental cleanup (*Moye*)

- LCRA approved the sole developer's response to an RFP it issued last year for the two City-owned lots (*Moye*)
- City has also approved sale of the sites to the developer through the LCRA (*Moye*)
  - Developer's original purchase offer was \$10,000, countered by the City with \$30,000, which was the final agreed upon price (*Hazley/Moye*)

➤ ***Sale Considerations***

- Transfer of title will occur simultaneously from the City to the LCRA and then from the LCRA to the developer (*Engel*)
  - No tax abatement is included in either sale contract and any future incentive grant would require a financial analysis and Board approval. However, the developer anticipates it will obtain abatement incentive under the Beacon Hill 353 plan and not from LCRA (*Engel*)
- Taxable value of property is assumed to vary yearly and is calculated at about 10% every 5 years (*Hazley/Moye*)
- Sale value is harder to calculate due to its complexity (*Hazley/Moye*)
  - Escalators are included in all financial analyses and taxing jurisdictions have advised that they are comfortable with that calculation (*Moye*)
- To encourage development in distressed census tracts, the Cap Ordinance and the LCRA exempt projects from certain requirements (*Hazley/Moye*)

*ACTION TAKEN:* APPROVED 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. MOTION MADE BY MS. HAZLEY, SECONDED BY MS. BOUGH, AND CARRIED. (*RES. NO. 3-5-20*)

9. **Administrative.**

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

➤ ***LCRA Overview (Dan Moye)***

- LCRA will waive its normal requirement that the developer not begin work on the project unless emergency repairs are necessary (*Moye*)
- Vast majority of LCRA tax abatements are issued to single-family homeowners (*Moye*)
  - A listing is included in the monthly Board agendas of tax abatements issued the previous month (*Moye*)
- Financial analysis representatives will be available at each future meeting to answer questions per the discussions from today's meeting (*Moye*)

- Information within the financial analysis will also be clarified and increased to include data such as varying levels and terms of abatement (*Moye*)

*ACTION TAKEN:* NONE; INFORMATIONAL ONLY

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

*ACTION TAKEN:* NONE; INFORMATIONAL ONLY

10. **Adjourn.**

There being no further business, the meeting adjourned at approximately 11:30 a.m.

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Daniel Moye, Secretary