
**LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY BOARD
VIDEO-CONFERENCE MEETING ON MARCH 22, 2022**

MINUTES

1. **Roll Call.**

Present: Andrea Bough
Rob Gardner
Melissa Hazley
Tammy Henderson

Staff: Dan Moye, LCRA
Bob Long, LCRA
Susan Tumey, LCRA
Steven Anthony, EDC
David Leader, EDC
David Macoubrie, PIEA
Sandra Rayford, EDC

LCRA Legal Counsel: Brian Engel, Rouse Frets

Guests: Phil Aftuck
Emalea Black
Janice Bolin, Kansas City Public Library
Diane Botwin
Jared Campbell, Downtown Council
Sean Carroll
Lance Dorn, SB Friedman
Daniel Ferguson-Leon, UMKC
Tom Friestad
Andrew Ganahl
Kevin Hardy
Stephanie Isaacson, New Horizons Enterprises
Kevin Klinkenberg
Katie Martin
Bob Mayer
Kathleen Pointer
Fran Rood, SB Friedman
Pat Sterrett
Mary Szeliga

The monthly meeting of the Board of Commissioners of the Land Clearance for Redevelopment Authority began at approximately 10:20 a.m. when Mr. Gardner declared quorum as Commissioners Bough and Hazley were present. Ms. Henderson joined at a later time. [All Board members, staff, and guests participated in the meeting via videoconference.]

2. **Administrative** - Review and approval of Meeting Minutes for February 22, 2022 as presented (Ex. 2)

ACTION TAKEN: APPROVED THE MINUTES FOR FEBRUARY 22, 2022, AS PRESENTED. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HAZLEY, AND CARRIED UNANIMOUSLY.

3. **Habitat For Humanity Scattered – Site I URA** – Proposed First Amendment (Bob Long) (Ex. 3)

- Removal of 3320 and 3322 Tracy Avenue from the Plan would remove a title exception from these properties and allow their redevelopment (*Long*)
 - Amendment deletes the two parcels from the legal description and leaves the rest of the Plan intact (*Long*)
- Developer is not seeking tax abatement for the two parcels (*Long*)

ACTION TAKEN: APPROVED THE FIRST AMENDMENT OF THE HABITAT FOR HUMANITY SCATTERED - SITE URBAN RENEWAL PLAN AND FORWARDING IT TO CITY COUNCIL WITH A RECOMMENDATION OF APPROVAL. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HAZLEY, AND CARRIED UNANIMOUSLY. (*RES. NO. 3-1-22*)

4. **Eastside URA – AT&T Building/500 E. 8th Street** – Consideration of Approval of Redevelopment Contract with Well TBC Kansas City JV, LLC (Bob Long) (Ex. 4A-4C)

Financial Analysis

- **General** (*All statements made by Mr. Dorn, unless otherwise noted*)
 - Two floors of the building will not be built out as they don't contain windows
 - Project expected to begin in the 3rd quarter of 2022 and stabilize in 2025
 - Amenities include a fitness center, yoga room, remote workspace for residents, a lounge, game room, movie room, and a party room
 - Building has six floors of underground parking or 575 spaces
 - Project's AdvanceKC score was 70, which puts it in the standard range of impact (*Long*)
- **Tax Abatement** (*All statements made by Mr. Dorn, unless otherwise noted*)
 - Developer is seeking to maximize its use of historic tax credits (HTC) so is not requesting a STECM which would reduce the qualified rehabilitation expense

- Developer is requesting an abatement of real property taxes for 15 years (above current predevelopment taxes) including:
 - 100% abatement in Years 1-10; and
 - 50% abatement in Years 11-15
- Developer alleges project feasibility is challenged by the blighted condition of the building and substantial additional costs associated with historic preservation
- Factors contributing to the Project's need for assistance include:
 - Market rents which do not support the construction costs related to historic preservation, remediation and level of finish contemplated
 - Acquisition costs which do not deduct extraordinary redevelopment costs such as demolition or environmental remediation from the purchase price
 - Developer's purchase price which is at a significant premium relative to the 2019 acquisition of the site by another developer
 - Inclusion of 25 studio units affordable to households at 80% AMI
- Project, as presented, would require public assistance to be financially viable and attract debt and equity investors
- Two alternative assistance scenarios were analyzed:
 - 100% abatement for 10 years
 - 75% abatement for 10 years
 - Under each scenario, the Project achieved a yield on cost and an unleveraged IRR below the benchmark range
 - Below benchmark returns may be acceptable to investors given the tax benefits of the project's location in an Opportunity Zone
- Sensitivity Analysis
 - Conducted to understand the impact of higher rents on Project returns
 - If 1- and 2-bedroom rents were increased by 10% to be in line with comps, returns would increase but continue to be at the low end of benchmarks
- 10 year / 75% abatement was recommended at the March 11, 2022 agency directors meeting

➤ **Costs** *(All statements made by Mr. Dorn, unless otherwise noted)*

- Developer successfully purchased the building in February 2022 with its bid of \$13 Million
 - Prior developer purchased the site for \$6.5 Million in 2019
 - \$13 Million purchase price was somewhat higher than the average acquisition price for vacant shell buildings in the downtown area
 - Higher acquisition costs typically mean lower construction costs, but this project has high acquisition and hard costs relative to our benchmarks
- Unclear if the extraordinary environmental remediation costs are being deducted from acquisition costs
- Hard costs at this project are based on Developer's experience at one of its other projects, the Mark Twain tower
 - No detailed construction cost estimates have been prepared specific to this building

- Compared to our comps, this project's hard costs for recent multifamily conversions in the downtown area are at the high end of the range
 - No backups for the historic rehab cost estimates were provided
 - Historic rehab costs are difficult to benchmark because conditions vary by property
 - Developer has had only preliminary discussions with lenders
 - Developer proposes to finance the project with conventional debt, cash equity, historic tax credits, and funds from the Housing Trust Fund
 - Debt coverage ratio appears aggressive but the interest rate and amortization assumptions are within typical ranges
- **Rents** *(All statements made by Mr. Dorn, unless otherwise noted)*
- Developer bases the project's rents on comparable 2022 projects
 - Developer assumed a parking rent of \$65 per unit per month
 - Project's yield on cost without assistance was below benchmark ranges
 - Project's yield on cost with the full amount of requested assistance would increase to the low end of the range
 - With 10 years of abatement at either 100% or 75%, yield on cost continues to be at the low end or just below the benchmark range
 - With 10 years of abatement, yield on costs would drop in year 11 which is below our benchmark range.
- **Conclusions** *(All statements made by Mr. Dorn, unless otherwise noted)*
- Estimated construction costs are at the higher end of the benchmark range and the Project is early in predevelopment
 - Developer's pro forma assumptions will likely continue to evolve as the Project progresses through predevelopment
 - The ongoing public assistance should be recalibrated if cost savings are achieved relative to the current budget at project completion
 - If more than 10 years of assistance is provided, and the Project is outperforming current assumptions, public assistance could be recalibrated
- **Developer Comments**
- Developer plans to open the Mark Twain building in August 2022, which it successfully converted to multifamily (*Mayer*)
 - Several other developers had previously failed to convert the Mark Twain to multifamily or had avoided the project altogether (*Mayer*)
 - Developer is committed to projects such as the Mark Twain to enhance the reasonable rent rate market in the downtown area (*Mayer*)
 - Kansas City's market is becoming stronger, but at the same time, neglected areas still exist (*Mayer*)
 - General contractor for the AT&T project will probably be the same one who developed the Mark Twain building (*Aftuck*)
 - Developer is ready to make the investment and move forward with the project (*Aftuck*)

- Conjecture about the project being a future windfall for a possible downtown baseball stadium because of its parking availability is unrealistic (*Mayer/Carroll*)
 - The possibility of a future downtown stadium is highly speculative and the Royals' current lease lasts until 2032 (*Mayer*)
- The building could remain vacant and be prone to continued decay if it remains undeveloped (*Mayer*)
 - Crime and vandalism have already caused about \$1.3 Million damage in the building (*Aftuck*)
 - When vandals cause damage to pipe insulation, they are also creating a health hazard (*Isaacson*)
- Developer is still waiting on approval of its historic tax credit application (*Aftuck*)
- AT&T project is extremely environmentally contaminated (*Aftuck*)
 - Foam asbestos was used heavily throughout the building (*Aftuck*)
 - No way to renovate this building without touching the asbestos (*Isaacson*)
 - Project is the most expensive building for environmental remediation in the downtown area for at least 20 years (*Isaacson*)
- Prospective tenants are those who want to live downtown by themselves in a building with parking that has amenities (*Aftuck*)
 - One-bedroom units are 677 square feet and are projected to rent for 78% of the MFI (*Aftuck*)

➤ **Taxing District Comments**

- Covid has had a crippling effect on downtown development, stalling at least 4 multi-million-dollar projects in the past two years (*Carroll*)
 - Developer paid \$6 Million more than the prior sale price (*Pointer*)
 - Stalled projects have also suffered millions of dollars in damages from vandals and scrappers (*Carroll*)
 - Such deterioration affects the value of surrounding properties (*Carroll*)
- Vacant buildings do not appreciate in value as they go without basic maintenance and suffer constant criminal attacks from vandals (*Carroll*)
 - This is truly an opportunity to rehab a historic building that otherwise will just sit vacant (*Campbell*)
- Demand for starter or entry level residential housing is a primary need in Kansas City (*Carroll*)
 - Buildings are at the end of their economic lives as offices because of their antiquated infrastructure and limited parking (*Carroll*)
 - The demand for hotels in the downtown area is also limited because it will take several decades for the need to sufficiently increase (*Carroll*)
- Oppose tax abatement for the project at anything more than 100% for 10 years (*Pointer*)
 - Developer's request for more than staff's recommendation is extremely concerning (*Pointer*)

- School district requests more time to analyze the project given that their conversations with the developer occurred only yesterday (*Pointer*)
Staff's recommendation of 10 years and 75% came after conversations with the AdvanceKC group, which includes the taxing jurisdictions, the city manager's office and the mayor's office (*Moye*)
- Need new, current appraisal given Developer's possible over-payment of the purchase price (*Pointer*)
 - Developer requested financial support but also overpaid to purchase the building (*Bolin*)
 - Absence of an appraisal to support the purchase price is balanced by the fact that it is a historic renovation, which is a priority of the city (*Moye*)
- If rents are raised, the need for incentive should be re-evaluated (*Pointer / Bolin*)
 - Rent rates should be kept at today's quoted levels for the entirety of the tax abatement period (*Pointer*)
 - Project rents are not affordable to most people within the Kansas City Public School District (*Pointer*)
 - Re-evaluation of the project's finances is a significant non-starter for the Developer, as it would make it difficult for it to work with potential financial partners (*Mayer*)

ACTION TAKEN: APPROVED PROPERTY TAX ABATEMENT AT 75% OF THE INCREASED PROPERTY TAXES FOR 10 YEARS FOR THE AT&T BUILDING MULTIFAMILY PROJECT. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HAZLEY, AND CARRIED UNANIMOUSLY.

APPROVED A REDEVELOPMENT CONTRACT WITH WELL TBC KANSAS CITY JV, LLC FOR THE AT&T BUILDING MULTIFAMILY PROJECT IN EASTSIDE URBAN RENEWAL AREA. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HAZLEY, AND CARRIED UNANIMOUSLY.

(RES. NO. 3-2-22)

5. **Columbus Park URA – Columbus Park Apartments** – *Consideration of Approval of Redevelopment Contract with DAK Pacific, LLC* (Bob Long) (Ex. 5A-5B)

➤ **Project Overview**

- Mixed use project of 2 buildings of for sale townhomes, 10 apartments at the rear of the property for lease, and a small commercial building at the corner (*Long*)
- Project's debt and equity financing may not be necessarily committed yet, but Developer has had discussions with lenders and equity providers (*Long*)
- The project's AdvanceKC was 62, which is in standard impact range (*Long*)

➤ **Unexpected Costs**

- Extensive site work is needed to rebuild the site to allow for construction (*Long*)
- City requires the replacement of an 1897 water main line so it can support the 20 housing units on the site (*Ganahl*)
- Previous buildings on the site were not demolished properly as they were basically pushed into the ground and covered up (*Ganahl*)
- Can no longer build anything revenue producing on the west side of the alley because of City requirements (*Ganahl*)
- Stormwater retention and installation adds \$450,000 to \$500,000 in costs (*Ganahl*)
- Site costs have risen from Developer's original proposal of \$6.6 Million to \$7.4 Million (*Ganahl*)

➤ **Tax Abatement**

- Columbus Park is part of a continuously distressed census tract which makes it eligible for 10 years and 100% tax abatement (*Long*)
- As there are only 10 rental units, the Project is exempt from the City's prevailing wage and affordable housing requirements (*Long*)
- A financial analysis was not required because the project is in a continuously distressed census tract and directly adjacent to Troost (*Long*)
- Developer requested 10-year 100% tax abatement for the rental units and 10-year 75% abatement for the for-sale townhome (*Long*)
 - Developer revised its abatement request as a result of its conversations with the taxing jurisdictions (*Long*)
 - School district has significant concerns about giving property tax abatement to purchase half-million-dollar homes (*Pointer*)
- Tax abatement used as incentive to buyers to purchase for-sale homes and to establish a market in the area (*Hazley/Moye*)
- Meets City's goal for adding housing along the Troost corridor and in a continuously distressed census tract (*Moye*)
 - City does not need housing which a fairly wealthy person can purchase for a half-million dollars (*Hazley*)
- Abated project will at least generate some taxes, which is better than no taxes being generated by the current vacant space (*Hazley/Moye*)
- If high costs necessitate a project must receive abatement to be constructed, then the project should be stopped or revised (*Hazley/Ganahl*)

ACTION TAKEN: APPROVED PROPERTY TAX ABATEMENT AT 100% FOR 10 YEARS FOR THE RENTAL DUPLEXES AND SMALL COMMERCIAL BUILDING AND 75% FOR 10 YEARS FOR THE FOR-SALE TOWNHOMES IN THE COLUMBUS PARK APARTMENTS PROJECT. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HAZLEY, AND CARRIED UNANIMOUSLY.

APPROVED A REDEVELOPMENT CONTRACT WITH DAK PACIFIC, LLC FOR THE COLUMBUS PARK APARTMENTS PROJECT IN COLUMBUS PARK URBAN RENEWAL AREA. MOTION MADE BY MS. BOUGH, SECONDED BY Ms. Hazley, AND CARRIED UNANIMOUSLY.

(RES. NO. 3-3-22)

6. **43rd & Belleview Urban Renewal Area** – *Approve Termination of the Urban Renewal Plan* (Bob Long)

- URA was created to facilitate the rehabbing of an office building and the construction of off-street parking behind it (*Long*)
- URA does not currently appear on the City’s parcel viewer (*Long*)

[Ms. Henderson jointed the meeting at approximately 11:30 a.m.]

ACTION TAKEN: APPROVED THE TERMINATION OF THE 43RD & BELLEVIEW URBAN RENEWAL PLAN AND FORWARDING THE RECOMMENDATION TO CITY COUNCIL. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HAZLEY, AND CARRIED UNANIMOUSLY. (RES. NO. 3-4-22)

7. **Scarritt Renaissance I URA** –*Proposed First Amendment* (Bob Long)

- URA was created in 2007 with a fifteen-year term to cover the western half of the square neighborhood (*Long*)
 - The First Amendment would extend the term of the URA for ten years to allow existing abatements to expire prior to the termination of the plan (*Long*)
 - Western half of the neighborhood is covered by the Scarritt Renaissance II URA (*Long*)
- URA was designed to encourage housing rehab and neighborhood revitalization (*Long*)
- 40 tax abatements have been issued within the URA and 22 of those are still active (*Long*)

ACTION TAKEN: APPROVED THE FIRST AMENDMENT OF THE SCARRITT RENAISSANCE I URBAN RENEWAL PLAN AND FORWARDING IT TO CITY COUNCIL WITH A RECOMMENDATION OF APPROVAL. MOTION MADE BY MS. BOUGH, SECONDED BY MS. HAZLEY, AND CARRIED UNANIMOUSLY. (RES. NO. 3-5-22)

8. **Administrative.**

a. **Executive Director's Report** - *Active Projects Tracking System Report* (Dan Moye) (Ex. 8A)

Mr. Moye advised that he had asked a developer to talk with the Board at its April meeting about work he is interested in doing on the east side. He noted that this would be a good opportunity for the Board to talk about projects in a way that didn't require a vote.

Mr. Moye added that he had also invited the City's new Director of Policy, Anne Jordan, to attend the Board's May 24, 2022 meeting to discuss housing. He stated that Ms. Jordan had worked for a Washington, DC group which had focused on affordable housing.

ACTION TAKEN: NONE; INFORMATIONAL ONLY

9. **Adjourn.**

There being no further business, the meeting adjourned at approximately 11:45 a.m.

Daniel Moye, Secretary