I. Call to Order / Roll Call

II. Approval of standing committee minutes for June 4, 2012.

III. Committee Agenda

Item No. 1 - NRA PLAN: FOUTCH BROTHERS FOR HORACE MANN CONVERSION

Synopsis:
NRA tax rebate application submitted by Foutch Brothers, LLC, for the Boiler Makers/Horace Mann building located at 824 State Avenue, a registered historic property, submitted by Charles Brockman, Economic Development. The plan calls for 30 market rate apartments at a cost of $4.2 million, consisting of 12 1-bedroom and 18 2-bedroom units, with a rental rate between $665 - $900/month.

Tracking #: 120166
Item No. 2 - NRA PLAN: FOUTCH BROTHERS FOR OLD ST. MARGARET'S HOSPITAL

Synopsis:
NRA tax rebate application submitted by Foutch Brothers, LLC, for the old St. Margaret's Hospital building located at 759 Vermont, submitted by Charles Brockman, Economic Development. The plan calls for a 108-unit independent living elderly facility at an estimated cost of $11.6 million, consisting of 49 LIHTC and 59 market rate units, with a rental rate between $430 - 900/month.

Tracking #: 120167

Item No. 3 - DISCUSSION: SECTION 42 CRITERIA FOR GOLD, SILVER OR BRONZE

Synopsis:
Discussion of resolution of support for Section 42 applications, requested by Commissioner McKiernan. No objective criteria was given for assigning the applications as gold, silver or bronze.

Tracking #: 120181

IV. Goals and Objectives

Item No. 1 - GOALS AND OBJECTIVES

Synopsis:
The Unified Government Commission conducted a strategic planning process resulting in specific goals and objectives adopted by the commission on May 17, 2012. Commission has directed that the goals and objectives appear monthly on respective standing committee agendas to assure follow-up and action toward implementation.

Economic Development: Foster an environment in which small and large businesses thrive, jobs are created, redevelopment continues, tourism continues to grow, and businesses locate in the community.

Tracking #: 120137

V. Adjourn
The meeting of the Economic Development and Finance Standing Committee was held on Monday, June 4, 2012, at 5:50 p.m., in the 6th Floor Human Resources Training Room of the Municipal Office Building. The following members were present: Commissioner Holland, Chair; Commissioners Maddox, McKiernan, and Barnes. Commissioner Kane and BPU Board Member Alvey were absent.

Chair Holland called the meeting to order. Roll call was taken and members were present as shown above.

II. Approval of standing committee minutes for April 2 and April 30, 2012. On motion of Commissioner McKiernan, seconded by Commissioner Holland, the minutes were approved. Motion carried unanimously.

III. Committee Agenda:

Item No. 1 – 120134… Presentation of the 2011 Comprehensive Annual Financial Report (CAFR) by staff from Allen, Gibbs & Houlik, LC, the UG's independent auditor.

Lew Levin, Chief Financial Officer, stated Shelly Hammond of Allen, Gibbs & Houlik, prepared the audit and Rick Mikesic, Accounting Manager. The audit is one of the most important financial documents prepared for the government. We engaged AGH formally last fall through a RFP process. They were selected based on several factors. Their experience with the Unified Government; they have strong Kansas governmental audit experience and they provided a strong staff that they identified for this particular project. It’s important to recognize that the
audit team works directly for the Board of Commissioners. The audit product is a product for the board.

This past January we selected Rich Mikesic to work as Accounting Manager. He comes from the Legislative Auditor’s office and brings a high level of experience to that position and has placed particular emphasis on essentially in the last six months and working with the preparation of our financial statement and working directly with our auditing firm. The audit and CAFR, which is the large document you have in your packet, we will ask to be forwarded to the full Board of Commissioners. Some of the things the audit does is reviews our internal control procedures. Our final audit product goes directly to credit agencies, investment firms that invest in our government financings. Federal government requires the audit for grants that they provide to us. The audit ensures that our financial statements are prepared accurately and finally it’s the basis for our budget preparation as we enter into the budget cycle.

**Shelly Hammond, Allen, Gibbs & Houlik,** stated as Lew mentioned, you have two documents in front of you. I think they were provided in the budget packets. The bigger of the those two documents is the Comprehensive Annual Financial Report draft itself and there is a shorter document that I’ll focus on here in just a moment that is our formal communication, otherwise known as our management letter that is addressed to the governing body.

As Lew mentioned, we were formally contracted to conduct the audit last fall as a result of a RFP process. Our firm does a number of larger governmental audits within the state of Kansas. The Unified Government is considered one of the larger governments from an audit perspective and a financial reporting perspective within the state and certainly from a Unified Government perspective, they are unique in that aspect. The scope and size of the organization in terms of the complex operation does add additional complexity to the financial report and the preparation of that report. I will tell you that we are providing what’s called an unqualified opinion on the audited financial statements. That is the highest level of opinion you can achieve from your audit. Basically, in summary, what an unqualified opinion tells you is that we are providing reasonable assurance that the financial statements prepared by your management group are free of any material misstatements. Again, to boil that down, that is the highest level of opinion you can achieve from your audit.

I will tell you that our opinion letter is not actually in this draft document. It will be in there in its final form. That’s just a logistical fact. We’re not allowed to provide our opinion
until the document is finally printed. I can tell you what that opinion is going to say. If you are looking for our opinion in this document, you’re not going to find it but it is an unqualified opinion. I generally don’t cover the Comprehensive Annual Financial Report itself. It is a very large document. It would be very time consuming to go through the whole thing at a commission meeting or in this setting. I would recommend to you; however, if you’re interested in reading a small part of it because it is so large and you want to have something that you can read that kind of condenses it down, there is a section near the beginning of the document called the Management Discussion and Analysis, starts on page 4 and I think ends on page 10 or 11. It’s a high level summary of the financial results of your organization for the past year as written by your management team. Again, if you wanted to focus on something that gives you a good snapshot picture, that’s a great place to start. If you want to go into further details, you can look at those details. I think the Management Discussion and Analysis is always a good place to start. I would refer you to the Management letter.

If you happen to have your materials from the Clerk’s Office that were provided previously, there is a letter that is addressed to the Mayor and Commissioners. On the first page it has a statement across the front that says Required Communications. This is the letter I will focus on. It has two sections in it. The first section is the required communications and there are certain things under the auditing standards that we follow that we are required to communicate to the governing body. The second part of the letter talks about internal control matters and we will cover those. To hit the highlights of the required communications, these required communications are similar to what we have reported in the past so I’m going over it in a high level. We do prepare our financial statements and our audits in accordance with generally accepted auditing standards. We are following audit standards that all firms must follow when conducting audits. We are required to talk to you about whether any new accounting practices have been adopted by the organization and usually that occurs when the standard setters, the National Standards Setters who set standards for accounting and financial reporting occasionally change those standards. There was one change in accounting policies that was adopted this year to be in line with those standard setters and the changes that they had made relates to fund balance reporting. As I understand it, within the last month, the Commission was presented with a new fund balance policy that was approved in this committee as well as through the Commission so that was in relation to this new accounting practice that was adopted.
We are also required to provide a brief summary of what are called different accounting estimates because not all the numbers in your financial statements are hard and fast numbers. Some things are estimated by management. I’m not going to go through these in detail but basically each one of them provides a very high level summary of what the nature of the estimate is and what we did to audit it. At the end of the day, the end result of our audit procedures is that we found those estimates to be reasonably and fairly stated. That’s the important thing for you to hear is that we found those to be reasonable.

We are also required to communicate if there have been any audit adjustments to the books and records that were provided to us when we started the audit. There were a number of those and those are listed on page 3.

There are also some issues called Uncollected Misstatements. What happens during the audit process is that occasionally we will come across something that for one reason or another in discussing that adjustment with management, they elect not to make that adjustment. We, as your auditors, have to evaluate whether that’s okay to do because we have to be able to provide an opinion on your financial statements that says they are fairly stated. We look at those items and if we don’t feel that they are material to the financial statements, we will concur with management and not insist that they make a correction. However, we are required to communicate what those are to you as the governing body. What you will find at the back of the letter is there are about five pages of summary schedules that just summarize what those uncorrected misstatements were. Again, if we felt there was something in there that was material to the financial statements or somehow misstated the financial statements, we would insist that management make the correction. Because we did not do that, I want you to have comfort in knowing that we did not feel those in anyway—the fact that they were not corrected in any way mistakes the financial statements or we would not have allowed them to be on these schedules.

We are required to communicate if we had any disagreements with management, any difficulties in conducting the audit and that sort of thing and we did not. Management team, as always, has been fantastic to work with. We did not have any disagreements. We had full access to all books and records and timely responses to all of our questions and never felt at any point during the process that we were not able to get the information we needed to get to.

Page 4 in the second section of our letter talks about Internal Control matters. When there has been a control deficiency in the organization, we evaluate the significance of that issue and the audit standards require that we classify it based on the severity or significance of the control
weakness. We did have two items in this year’s letter that fall into the category of being what’s called a material weakness. In layman’s terms, a material weakness is the most significant of those control deficiencies. It’s the type of deficiency that we are required to communicate to you because it has the potential for resulting in a material misstatement to the financial statements.

We do not feel that during the course of the audit that occurred or we would not be able to provide an unqualified opinion on your financial statements. It’s just we are recommending some improvements and processes. Both of these items are repeat items from last year although they have changed substantially since last year so I want to hit on what has changed.

As I mentioned, this document that is prepared by your management team, the Comprehensive Annual Financial Report, is a complex document to put together. It’s only done once a year at the end of the year. There are multiple basis of accounting in here and things that are more detailed than you want to have me get into here this evening. Having said that, the books and records that the Unified Government maintains on a monthly basis throughout the course of the year, we didn’t have any issues with those. None of our controlled weaknesses and controlled concerns has anything to do with the daily processing of transactions, the preparation of the budgetary statements that you see on a periodic basis and the monthly financial statements that you might get. These comments pertain solely to the preparation of this document at the end of the year, which is on what’s called a Generally Accepted Accounting Principles basis. It’s not budgetary basis like you are used to seeing on a regular basis, but its called GAP or Generally Accepted Accounting Principles. Management is responsible for preparing this document. Our controlled weakness that we have identified is that there have not always been sufficient processes and procedures in place to put together all the components of this. Again, this is a complex document to put together. What we have observed; however, over the last couple of years is a significant improvement towards getting to a point where the accounting and finance department can perhaps have procedures in place to do that.

This year the most significant change, Lew already touched on, was actually the hiring of the Accounting Manager, Rick Mikesic, starting in January 2012. Having him in place to help oversee the year-end closing process, review year-end journal entries and work with us to help put together the document was a substantial improvement compared to what we have observed during the audit process in the past. As a result of that, we have substantially fewer adjusting entries during the audit process than what we have had in the past. We still have this categorized as a material weakness because, as I stated before, there is a lot to do to put this document

June 4, 2012
together. Rick started in January. He has made substantial progress, in my opinion, in that time and has made substantial improvement but there are still a few things left to be done to be able to put this entire document together.

While this comment is a repeat from last year I would say it’s a repeat with significant improvement. You will also find in Appendix A which follows on about page 7, management responses for their continued corrective actions that they are planning to take over the course of the next year. I also wanted to refer you to that. Lew and Rick might speak to those management response items in just a moment when I’m finished. I also want to refer you to that so that you can see what other corrective actions or further corrective actions management plans on taking going forward.

The second material weakness is described on page 5. It relates to Capital Assets and I would say it’s actually kind of similar to the first issue. It relates to the accumulation of capital asset data that is needed for the preparation of the Year-end Comprehensive Annual Financial Report. Again, it relates to tying in to preparation of that year-end document and we did have some adjusting entries related to the capturing of all the capital asset data. Again, we recognize that Rick has already made steps in putting processes and procedures in place within the Accounting Department. We saw improvements during this year’s audit, but there are still a few things left to be done to get to where we think the organization really needs to be.

On page 6 there are two other items that we identified that are not in the material weakness category. These are lesser, less significant control efficiencies but are still items we need to bring to your attention. They are not as significant as the first two but they are still significant matters. The first relates to the Municipal Court area and we have two items here. This is actually also similar to what we had in last year’s letter. The first part relates to doing a reconciliation of outstanding bonds that have been posted to the funds that are held in the bank for repayment of those bonds and making sure that there is a reconciliation done timely for that. The second part relates to what we call a lack of segregation of duty issues within the Municipal Court department which means, in this particular case, there are individuals within the department who have access to receive cash and also have access to make adjustments or to void transactions within the system. They are currently individuals who are in supervisory roles who are reviewing and approving that activity but those supervisors also have access to make corrections within the system. We continue to recommend that there be another outside party reviewing some of that activity. I think when you look at the Corrective Action Plan by

June 4, 2012
management, that’s what they have talked about doing. Again, I’ll let Lew touch on those in just a moment.

The last item on page 6 is the only new item we have on here this year. It’s called the Bank Reconciliation for Inmate Trust Fund. What we identified is this is a specific bank account for the inmate trust accounts and what we identified was that the bank reconciliations were being done but they weren’t really being done accurately. Our recommendation was to revisit that process and make sure that a new process is maybe put in place to make corrections as needed. As I noted previously, if you flip over to page 7, those are management’s responses. I’ll let Lew and Rick address those. I would also point to page 9 which is a new page that we added this year. Appendix B includes a summary of information related to items that you may have seen in last year’s letter that got fully corrected during the course of last year. These two items that were reported to you last year, and based on our observation and review of procedures taken during 2011, we determined that those had been fully corrected. We wanted to communicate those back to you so you understood that those had been corrected in full.

Commissioner Barnes asked isn’t that the same thing you said last year though? They had people that were the supervisors in charge of the money that were still…Ms. Hammond asked on the Municipal Court matters specifically? Commissioner Barnes asked didn’t you make that recommendation last year? Ms. Hammond stated yes. Commissioner Barnes asked and it hadn’t been corrected? Ms. Hammond stated I’m going to let Lew speak to that. There is a challenge and we fully recognize there is a challenge within that department for when individuals might be on vacation or taking a day off. Certain people do need to have access to those things from a practical daily processing standpoint. It’s kind of a challenge to come up with a totally independent party to help oversee that and I might let Lew touch on that as well.

Mr. Levin stated you’re correct Commissioner, that was an item that was addressed last year. We tried working with Municipal Court and they put effort in trying. The problem relates to the person who oversees the operation of all the clerks in Municipal Court. She was unable to. They still need to have limited access to the system. She needs to have access to the system. What we have put in place is we are going to assign an individual from the Finance Department to do any review of any voided entries that this individual is involved with. That’s what we are going to do going forward. The same person we are assigning from Finance is also going to
work on the reconciliation of the bond accounts for Municipal Court, and we started that process in the last month. If I may, I’m going to let Rick address the other corrective actions that we’re implementing.

**Rick Mikesic, Accounting Manager**, stated with regards to the issues of the accounting and financial reporting and the capital assets, we have a plan put together that over the balance of this year of reviewing every function inside the accounting division—and I’m going to develop a written document fully comprehensive set of policy and procedures based upon the GFOA best recommendations and their practices. I’ll be working with Shelly and her team to make sure that what we implement is going to have the desired effect. Part of that setup of that system is also going to include a detailed training process of the entire accounting division so that they can fully implement the policies and procedures that are setup and established. It’s the expectations that by doing these two steps alone, we will make significant improvements in the accounting financial reporting and the capital asset section. We will be using as many internal sources as we have at our disposal to try to make sure that we try and keep those costs down with regard to any training as we can.

**Commissioner McKiernan** stated I remember this conversation from last year because we had almost the same wording here as last year. As recent as 2008, the department had nine now we have seven employees. My question last year is the same one I have this year. Is some in-service training going to make up for two employees? Is that the solution? If it is, great. If it’s not, do we need to consider staffing levels instead of in-service training? **Mr. Mikesic** stated I believe it will help. I don’t know if we can offset that completely.

**Commissioner Holland** stated this is an issue with the first one as well; Municipal Court in terms of staffing levels, having adequate people there covering vacation times and having people there to do it. Our staffing level has affected the ability of us to do our financial work.

**Commissioner McKiernan** stated I’d love to see some comparisons as we go through our process. We talked about this last year. If we’re doing some temp hiring, if we’re doing some in-service training even at a low cost, what’s the cost of that versus the staff position? What’s the relative return on investment to that?

June 4, 2012
Commissioner Holland stated one of the impacts that we’ve had is the Accounting Manager being a full-time position now in that office. It’s a step up. It’s an improvement. A hiring freeze sounds like a really good idea during down economic times. This is the cost of a hiring freeze in this department. It’s one of the costs.

Commissioner McKiernan stated I’d love to see just for the sake of conjecture. We are taking steps to try and address the problem that’s created by the hiring freeze by in-servicing and by doing some temp hiring. What are the relative costs of doing that?

Commissioner Holland stated I think the financial people should be able to get us those numbers.

Commissioner Barnes stated even in addition to that, when you advise us about corrective actions, we don’t correct them. Does that have any effect on our financial standing over a certain period of time when you just keep on telling us to do something or we should be doing a certain practice and we don’t do it? Does that have any effect on your opinion of the organization as a whole? Ms. Hammond stated I think our opinion that we provide on the financial statements—every year we design our audit procedures to be able to address anything that we consider to be a risk within the organization. These items that are here in this letter would be considered for us, from a risk perspective, additional risks for us when we go to prepare our audit plan for the audit. What that means is during the course of the audit, we might be in a position where we have to do additional procedures to make sure that we feel comfortable that everything is correctly recorded and accurately recorded so that we can provide you at the end of the day that unqualified opinion that I mentioned previously. It does have an effect on us in the sense that there may be additional procedures that we wind up performing to ensure that these issues are properly addressed. Even though we are giving you a material weakness on your accounting and financial reporting process, that doesn’t affect our opinion on the financial statements. Commissioner Barnes stated in order to issue that opinion, you have to go an extra step.

Commissioner Holland asked do extra steps cost us extra money. Ms. Hammond stated at the end of the day potentially, yes. We haven’t completed our billings for this year’s audit, and I
don’t remember the dollar amount, but the last two years we have billed the Unified Government some extra amounts above the base cost of our audit because of the extra work that we had to perform during the course of the audit that we would not have otherwise had to perform. I don’t necessarily expect to have to do that this year in large part because of Rick being in place. We didn’t have to do a lot of that extra work. To give you an example for some context, we were here on-site in April doing the audit for about three works. There’s always obviously some prep work before that and some wrap-up work after that. The time spent here on-site was about three weeks. In the past, that has been four, five, sometimes six weeks. That just gives you some context for the issues that we’ve kind of dealt with the past two years and the fact that some improvements within that department this year have, in fact, had an improvement on the overall efficiency and timeliness of the audit process.

**Commissioner Holland** stated I think one of the things would be helpful, Commissioner McKiernan’s point and your point are well taken, if we can quantify the costs of the in-service training, quantify the costs of the temp hiring, quantify the costs of the additional billing hours from the accounting firm that we incurred the last couple of years and compare that to a position. I think I would like to see that dollar and cents. If we are spending extra money, and we have found this in a number of departments, it’s costing us more money to save money. That’s not saving money. If it’s costing us more money to work around the positions that we need, then we need to figure out how to do that. I would like to have those numbers. Anytime you have those, if you could bring them to this committee, I think that would be helpful. If you could have it by our next meeting, that would be helpful because as we are in the middle of this budget cycle for 2013, it would be helpful to know how much money it’s going to cost us to not fill. Two out of nine people, that’s 25% staffing reduction. That’s a pretty high percentage. If we took 25% out of our street department, we would feel that, wouldn’t we? Or 25% of our police department, we would probably notice that. That kind of percentage reduction I think we need to evaluate for this budget coming up.

**Mr. Levin** stated we are going to ask the full commission to formally accept the Comprehensive Annual Financial Report so I would ask that you forward this to the full commission.


**Commissioner Barnes** asked if we vote to approve it, will it show up on the Consent Agenda. I don’t think it’s an approval. It’s just to move on to the full commission.

**Commissioner Holland** stated I think this presentation has been helpful. It’s an important conversation to understand the commission’s role in providing the audit and the auditor’s work for the commission that we do this on behalf of the citizens of the community. Every organization needs this check and balance. It’s an unqualified opinion, but it’s the highest opinion that they can give. There are some weaknesses that, in part, that we’ve helped create. If our organization has weaknesses as identified it’s because we’ve helped create those weaknesses. I think the full commission needs to hear that. I think we also need to commend our staff for the excellent work they’ve done in receiving this opinion and for the effort in getting this forward. I think this presentation will be helpful for the whole commission.

**Jody Boeding, Chief Counsel,** stated in motioning forward, if it’s unanimous, it will go on the Consent Agenda. It can be set-aside.

**Action:** Commissioner McKiernan made a motion, seconded by Commissioner Barnes, to forward this financial report to the entire Commission. Roll call was taken and there were four “Ayes,” Maddox, McKiernan, Barnes, Holland.

**Ms. Boeding** stated it will go on the Consent Agenda. After discussion it was decided Commissioner McKiernan will have the item set-aside because everyone needs to have this information.

**Item No. 2 - 120130…** Requesting consideration of a resolution to adopt a revised Cash Management and Investment Policy for the UG, submitted by Lew Levin, Chief Financial Officer.

**Mr. Levin** stated what you have before you are proposed changes in our cash management policy and investment policy. As you might remember, the Unified Government has expanded investment powers. We obtained that designation from the state of Kansas Pooled Money Investment Board. Additional authority is extremely important. It allows us to actually structure
our investments or maturities for up to four years. In times of lean investment earnings, those additional years help us generate additional income and actually when interest rates are more significant, we are really able to generate a higher level of income. It is a status we want to maintain. In our last review with the state, they approved our policy and we submit our policy to the state on an annual basis. They asked for some changes to the policy going forward and that’s really the reason we are before you today. There were areas that they asked we address in our policy. They want to require an annual review by the governing body to specifically describe the qualifications of the Cash Manager position and provide additional detail on liquidity and majority of investments. I can go through the changes in the policy document. The changes appear in red.

On page 2 Section 5, that change essentially says that we will go before the board on an annual basis for review of our policy.

On page 3, we were providing detail on the job description and qualifications of the Cash Manager.

On page 6 Section 3, we changed the percentages that we can invest in money market funds and repurchase agreements. We’ve described the reasoning why we want to have additional authority for it, especially in those two areas. Short-term rates or even length of investments for six months, three months, the interest earnings we receive on those investments through competitive bidding is very low. We’ve negotiated a contract with our depository operating bank that for over nine investments, we are actually earning more money than we could on a three or six month investment so we want to maintain the flexibility of investing a higher portion of our portfolio in money market or repurchase agreements.

Section C and D, we set out specific ranges for the liquidity of our investments and that’s really the amount of money we maintain to have available on an immediate need or on an overnight basis.

Maturity, under Section 2, we set targets for the structuring of investments. In a zero to twelve month period, we expect to have a higher percentage of our investments maturing in the shorter period. However, we’d still, as a target for that 30 to 48 month period, be able to invest 10% to 20% of our idle funds.

The last point, Section 11, is just a minor change to the policy that we really implemented last year that we’re reporting our investment reports to this committee on a quarterly basis as

June 4, 2012
opposed to a monthly basis. Essentially those are the policy changes that we are bringing before you this evening.

**Commissioner Barnes** asked where the recommendations come from. **Mr. Levin** stated I attached to the RFA a letter from Scott Miller, Director of Investments. **Commissioner Barnes** stated this is almost like a play-by-play process is what I’m saying. Does any other department have these kinds of specifications spelled out? I noticed on page 3 under C, it states specific qualifications include a bachelor’s degree in Finance, Accounting, Economic, Business or Public Administration and two years of progressively responsible investing and on and on. That’s pretty detailed here and I know that there are positions here at City Hall where we have been under the assumption that you are required to have a college degree of some sort. We have not followed that procedure. We’ve substituted that with service or time served or whatever it is or the understanding might be. **Mr. Levin** stated I think we tried to give ourselves some latitude by saying any equivalent combination of education and experience, but what the state is looking for, they want to see the specific qualifications for that position. **Commissioner Holland** asked that is a state request? **Mr. Levin** stated correct. Jody is here also. She may want to offer some comments. She worked closely with me on these changes.

**Commissioner Barnes** asked what is the penalty for not doing so. **Mr. Levin** stated the penalty is simple. They can deny our ability to have the expanded investment powers. If they do so, then we’re limited to structuring our investments for just simply up to two years.

**Action:** **Commissioner McKiernan made a motion, seconded by Commissioner Barnes, to approve.** Roll call was taken and there were four ayes, “Maddox, McKiernan, Barnes, Holland.

**Item No. 3 – 120131…** Requesting consideration of a Section 42 tax credit application submitted by Cordi-Marian Sisters, Inc. for St. Mary's Senior Living Facility at 800 N. 5th Street, submitted by Charles Brockman, Economic Development. The applicant obtained a score of 53 points and is eligible to receive a resolution of support from the UG, if approved.

June 4, 2012
George Brajkovic, Economic Development Director, stated I’m going to try and keep my comments brief because the development team is actually here. If you have any specific questions about their project, I’m sure they would be more than happy to talk about it. I’m going to keep my comments in line with something you approved initially on tonight’s agenda and that was the April 2 minutes and that’s when this committee heard some of the proposed changes to our Section 42 policy. I have three main areas of those changes and how that’s reflected in this which is the first project for consideration under that new policy.

The first change we made was a submission deadline change where we were very specific about receiving applications in the early part of the year to a year long process so here we are.

The second one was some changes to the scoring matrix and specific line items that were added. This project’s matrix is included in that package and as such, received a qualifying score.

The third was the standing committee would recommend a gold, bronze or silver status to this project because in the past our process had been if a project received a qualifying score, we would provide a resolution of support to send to the state and it didn’t really give us an opportunity to tell the state which projects we considered more important or if that was a better project for our community. Part of tonight’s process is to try to secure some sort of status from you as a group. Again, whether it is a gold, bronze or silver project.

The project area is the rehab of the former St. Mary’s Catholic Church located here on North 5th St. It is about a $6.5 million project to convert the church into sixteen units, senior living. I think it is a mix of two and one bedroom units. Again, $6.5 million project and the developers are here if you have any specific questions. That’s what we are here for tonight.

Commissioner Barnes stated the 53 points. What’s the average? Mr. Brajkovic stated I don’t know if we really have an average but anything above 50 is considered a qualifying score.

Matt Dennis, Advisors Destination Development, stated when you look at the acronym of our development, my wife has never sat through the previous two presentations or she wouldn’t call me ADD anymore. It was a very interesting part of the process of the public process.

Pete Marrone, Comprise Community Development, stated I am also representing the developer.

June 4, 2012
Mr. Dennis stated for the 16 units we have a total of 42 parking spaces, 5th St., Ann St., the alley north. We have 16 parking spaces. We have basement and first floor units and there are eight on each floor, two are one-bedroom and six one-bedrooms per floor. Amenities include a fitness room, laundry on both floors, storage on the third floor, TV room, library, sitting room, and range in size from 644 sq. ft. to 751 sq. ft. The second floor is very similar to the basement level with a TV area reserving as much of the existing windows as we can and preserving the exterior. One of the concerns with a building like this is the open space that makes up the church, and the State Preservation Office raised concerns with that which is why our original plan was actually to do three stories of apartments with basement, first floor and second floor. Because there were concerns about the open space, we cut that second floor. It will have that open space feel that the church had.

Commissioner McKiernan stated I want to commend the developers for bringing forward this proposal. I drove you past the church on our tour so you have all seen it on the outside. I’ve been in it about nine months ago and for them to pull this off inside that church will be absolutely spectacular. I think that something like this could be a real linchpin toward really getting some traction on making major redevelopment in the downtown area. I am tremendously excited.

Commissioner Holland stated I don’t know how this works but I marvel at the notion that it’s Section 42 tax credits. It requires everyone to be low-income that lives here. Mr. Dennis stated that is correct. Mr. Marrone stated 100% of the units will be at or below 60% of the area medium income. It will be 55 and older. Commissioner Holland stated I marvel that it’s a lower-income development which is great and at $400,000 a unit, it’s an impressive amount of money. Financially it works, right? Mr. Marrone stated it does but that’s largely because not only are we asking for low-income tax credits, but because it’s a historic structure, we’ll get federal and state historic tax credits as well. Stacking those tax credits up and really allowing us to do what we need to. You’ve been in the building. It’s in pretty rough shape inside and out. It’s a beautiful building but it just needs a lot of work. The water damage has really wrecked the basement. There’s not even a floor there, its dirt. The combination of the fact that we have to spend so much to preserve the building as it once was in addition to the common space we provide, especially with an elderly project like this, we want to provide a lot of amenities, things

June 4, 2012
to get them out of their home and be a part of the community. I would add that cost also includes reserves, that tax credit fee, things like that. It’s big but we believe in our budget and feel really good about it.

**Rick Warner, Eppehimer**, stated I recruited these guys to do this project. I hope to be back in another 60 to 90 days. I don’t know whose district it is to talk about some other projects in the northeast area. This is just one of what I hope to do three or four additional projects in KCK. What I preach to these guys is let’s close one first. You can’t do six until you close the first one. Just like I recruited Nebraska Furniture Mart, I’m recruiting these guys to do this project here.

**Commissioner McKiernan** stated we have to assign a level here, right. Let this be a lesson to everybody about talking in these meetings. I thought the night that I mentioned gold, silver and bronze I was simply throwing out some items for consideration and discussion and it made it into the ordinance.

**Commissioner Holland** asked the gold, silver, bronze is it quantifiable by the number score or do we assign that irrespective, if you will, of the scoring? Maybe they just barely pass our criteria but we really like it or we think these guys are super nice guys so we want to give them an upgrade. Is it subjective or objective? **Mr. Brajkovic** stated I think the intent was to give this group a tool other than a score from a matrix to say let’s judge how important something is to our community. **Commissioner Holland** stated so it’s subjective. One of the reasons we had to come up with a scoring process was because we got sued because we had a subjective process. So now are taking an objective process and we’re resubjectifying it. I thought that the gold, silver, bronze was based on how high they scored on the matrix, that if you scored over x number of points you get this, if you score this many…

**Commissioner Barnes** stated you are partially right because I thought it was about the local things we incorporated. The things we wanted to see them do was the LBE/WBE/MBE and being in the right area and the request of the neighborhood rather than somebody forcing their way into a neighborhood and forcing something down the people’s throat. This is something that the neighborhood wanted and the neighborhood supported and the whole nine yards. That was the criteria that I thought we laid out.

**June 4, 2012**
Mr. Marrone stated this binder was submitted before your change happened and we do intend to
do prevailing wage as well as minimum 25% of LBE/MBE/WBE. We will aspire to the 35%. I
assume that would make changes to our score so if it becomes an objective process, I would ask
you to allow the change.

Commissioner Holland stated we are hearing this because we did change our timeline. This is
the first one we’ve heard outside of our normal timeline. We said why wait until the end of the
year; why not deal with them as they come forward. The benefit to that is that it gets people’s
application out there and you can start working your project and not waiting for the full year as
you’ll have our stamp of approval. The challenge is if we’re going to give our gold, silver,
bronze and that’s subjective, it’s related to the other projects that come forward that we haven’t
seen yet. This one might be gold because it is the first one. The next one is even better so that
one is gold and this one is silver. Can we downgrade them because if someone is going to do
$600,000 per unit in your district and we like this commissioner better so we want to upgrade
that. See the difficulty of this subjective? This is how we got sued the last time.

Mr. Brajkovic stated maybe there is a way to incorporate what Commissioner Barnes
said. Should you choose to say this is a gold status project, we can say because of the following
reasons, it’s going to participate in a LMW, pay prevailing wages; it’s in a highly distressed part
of our community. If you gave a list of why this is gold, any other project that came forward that
was of the same matrix and met those type goals, I don’t know if you could give them.

Commissioner Holland stated I just want to suggest this, we have three pages of criteria
that we give points for. That’s the standard we’ve been using. If we wanted to weigh our points,
for instance, to say if those are the things that matter to us—Commissioner Barnes stated they
have been weighted on there. Those are all weighted. Commissioner Holland stated those are
already weighted. Presumably the score someone achieves is the score and we could say to the
state our priority is based on the highest scores. Mr. Brajkovic stated I think part of the
disconnect was let’s say as a community we had 20 submissions and of those 20, 18 achieved a
qualifying score. All the state sees is a push of 18 resolutions of support from the local
government. The disconnect doesn’t mean what projects are really viable, what projects are
important to the community, what projects are really ready to go, those kinds of issues. I think
that was the nature of the discussion how do we overcome that disconnect. Here are all of the
ones that received a qualifying score.

June 4, 2012
Commissioner Holland stated I can’t say this one is my favorite when this is the first one I’ve seen. Commissioner Barnes stated the motion should be from the District Commissioner that I’m moving this one forward with the recommendation to go for the following reasons and has support of the neighborhood and go down the list. Commissioner Holland stated we have 18 gold ones.

Commissioner McKiernan stated Commissioner Holland you asked is the state already looking at our point system and Mr. Bach stated no, they just take our endorsement and they don’t really reflect back on where we scored it. Then somebody said what if we gave gold, silver and bronze, would they take that into account, and Mr. Bach stated yes and here we are.

Commissioner Holland stated I would feel more comfortable if we quantified our gold, silver and bronze. I think there would be a difference between a group that scored a 60 on our weighted objectives. These are the things that we value and we’ve given them a proportional weight to how important we think they are. If someone got a 60 which is objective verses someone that got a 51 and they barely qualified, but they qualified then I would want to give—I’m making this up but 50 to 54 would be a bronze, 55 to 57 would be silver, and 58 and above would be gold.

Commissioner Barnes stated I think that policy requires some more work, but I think we can give this one a gold because this is the first one.

Commissioner McKiernan stated Commissioner Holland stated we did get sued over this very issue. It’s in the minutes. Commissioner Holland stated yes. Commissioner McKiernan stated if someone comes in at 51 and someone else at 59 and we give our gold seal 51 because they did these things… Commissioner Holland stated I have a problem with that. I have a problem with resubjectifying our policy. Commissioner Barnes stated then we need to hold up on the gold, silver and bronze. Commissioner Holland asked we have some time, right? All you need is our approval and you can start working your deal.
Action: Commissioner McKiernan made a motion to approve and hold any further ratings until they are better objectified. Commissioner Barnes seconded the motion. Commissioner Holland stated or until we’ve seen them all.

Commissioner Barnes stated that’s not going to help. If you wait until you’ve seen them all, the whole purpose of us doing what we are doing early right now is so they can submit. Commissioner Holland stated they can submit now. The point is though the state has their timeline right. The state is not going to speed up their process just because we did.

Mr. Warner stated one of the reasons why we are proceeding with this now is that, although the state has awarded this year’s, there is discussion at the state level that certain projects, not necessarily in Wyandotte County, won’t get funded. Although they were awarded tax credits, the developer doesn’t have the wherewithal. By approving this today it puts us in line that if somebody falls out, that we could get this before the next formal submission next year. Commissioner McKiernan stated they’ve got our letter of endorsement. Commissioner Holland stated right. They’ve got everything they need. Commissioner Barnes stated except gold. Commissioner Holland asked we’re not putting any gold into this project, are we? No.

Commissioner Holland stated we have a motion for approval. I just don’t have a comfort level yet with this subjective gold, silver, bronze thing that we are just tossing around. I think we have a good objective process. That’s all they need. They are the only ones so far so they are the gold standard of Wyandotte County right now. They are the only one.

Ms. Boeding stated they would score higher too if you were bringing them under the parking.

Commissioner Holland stated let’s approve them now but I would also say let’s rerate them so as we look at our new ones coming forward, that you do apples to apples comparison to the other projects that are coming forward. If you are adding prevailing wage, LBE/MBE/WBE, I think we would like to see that in the proposal and give you the benefit of the doubt. As we rate all the ones coming forward, it’s apples to apples.

June 4, 2012
Mr. Brajkovic stated the policy does require to give some sort of status. Commissioner Barnes stated even though it requires us to do that but it doesn’t say when we have to do it. We can move forward with the resolution and do the status later.

Roll call was taken on the motion and there were four “Ayes,” Maddox, McKiernan, Barnes, Holland.

Item No. 4 – 120132… A resolution determining the intent of the UG to issue approximately $15M in IRBs for Assisted Living Associates, LLC, Hazelwood Villas project, located at 2309 N. 113th Court (113th and Parallel), submitted by Charles Brockman, Economic Development. The applicant has requested the exemption of sales tax for construction materials only and no tax abatement for the 120-unit assisted living facility with a separate wing for memory care.

George Brajkovic, Economic Development Director, stated I will try to keep my comments as brief as possible because again the development team for this project is here. Hazelwood Villas you are probably familiar with the project at 113th & Parallel. That project experienced quite a bit of success early on and kind of the way the housing fell with the economy being what it was, the project stalled out. These folks have already gone through the Planning and Zoning process and received approval for both the change of zone and the plans changing a portion of Hazelwood Villas to a 120-unit senior assisted living facility. Again, they are here tonight to request IRBs for this project solely for the sales tax-exemption certification for the purchase of construction materials. This project is not asking for any sort of tax abatement or PILOT schedule. It is projected to pay full taxes. Again, our initial projections seem to take a piece of property that currently produces about $5,000 to $7,000 a year in annual property tax and taking it probably somewhere close to $150,000 annually in property tax. I’d be happy to turn it over and let the development team introduce themselves and answer any questions you might have about the project.

June 4, 2012
**John Martin, Assisted Living Associates**, stated I’ve developed a project similar to this about six years ago at 126th & Delaware Parkway called Delaware Highlands Assisted Living. It is a low-income housing tax credit project that was done there, Section 42 and Section 8. All of the people who live in Delaware Highlands qualify for Section 8 housing vouchers and they also qualify under Section 42. In addition, about 75% of the people that live at Delaware Highlands qualify for Medicaid support from HCBS, the state Health and Community Based Services. There is a big need in the area for a market rate assisted living facility. A couple of years ago I was approached by the owners of this property and they asked me to help put a project like this together and so with that I’ll introduce Pete Heaven, who represents the other part of the ownership.

**Pete Heaven, Lathrop & Gage**, stated people have asked us why we are asking for Industrial Revenue Bond financing. I think it is sort of a result of the 2008 crash. Real estate loans are very difficult to come by right now despite the credit worthiness of our clients, which of course are John Martin and Clarkson Construction. We have found two banks interested in Wyandotte County in purchasing the bonds. We also have a private foundation that would be very interested in purchasing the bonds as well. This will enable us to get the sticks and bricks going and get this out of the ground.

**Commissioner Barnes** stated you spoke as if, this is for Mr. Brajkovic, you spoke as if this has no impact on the Unified Government in anyway, form or fashion by them asking for a sales tax-exemption. How many millions of dollars is this project? **Mr. Heaven** stated $14 million. **Commissioner Barnes** stated about $14 million and what’s the sales tax? **Mr. Martin** stated with the material itself, probably about $6 million. **Commissioner Barnes** stated $6 million times whatever it is we pay taxes in Wyandotte County and of that portion some of it would come to the Unified Government so that has an impact. Is that correct? **Mr. Brajkovic** stated sure. **Commissioner Barnes** stated we don’t have any agreements other than the sales tax and they are going their workforce and they don’t have any obligations to do local, minorities or anything. **Mr. Brajkovic** stated that’s correct because our tax abatement policy sets up that Cafeteria Plan that we’ve talked about a lot of times here. Again, it’s based if they want to take advantage of any sort of tax abatement or PILOT structure, and they are not asking for it. Under
the state statute with IRBs, they are entitled to a sales tax rebate. **Commissioner Barnes** stated I understand that.

**Mr. Brajkovic** stated I will say we do have an impact because we do have bond issuance fees that we will collect on this project and for this particular issuance it’s about $52,000 that we will get at that time. **Commissioner Barnes** stated and that is the point I am trying to make, not necessarily with you, but for the fellow Commissioners. This IRB is getting out of hand as far as I am concerned. We are not being able to participate and they are saying it’s not affecting us in any kind of way and yes, it does. Those dollars that we don’t recoup for Wyandotte County are dollars that we won’t ever see again. It becomes very important that we find some way to close that loophole that will benefit our community. When people come to our community and they come in—and I consider this community to be the last frontier in the metropolitan area when it comes to economic opportunities. More and more people are beginning to look at our community and when you come and all you leave is a product, you really don’t do us any favors. We want to maximize on everything that comes to our community and that means you need to leave more than bricks and mortar. We want you to leave some money here also. The only way to do that is that you employ our people from our community and that money turns over in our community. If you don’t understand that, you don’t understand. **Mr. Martin** stated I understand that 100%. I operate Delaware Highlands. All that money stays in this community. **Commissioner Barnes** stated everything I say and or do is about retaining dollars in Wyandotte County. **Mr. Martin** stated and I am all for that. I grew up at 85th & Leavenworth Rd. I graduated from Washington High School in 1965.

**Commissioner Barnes** stated we just want to see that in writing. That’s all I want to see. If you agree to that, put it in writing that you want to do something, to leave some money in this town. That’s the bottom line to it. This is not really about you. It’s about our policy we have in place because you are just taking advantage of what the policy is. It has nothing to do with you at all. It’s about the policy we have in place, but I’m just saying this to the fellow Commissioners. This gentlemen grew up in this town and says I want to leave some money here but your policy says I don’t have to and he ain’t got nothing to do with it. It’s us and our policy and here’s $6 million that’s not going to be left in our community and in addition to that, there is $6 million x 8.95% is not going to show up on the tax rolls.

**Mr. Martin** stated in our application I think we said we were going to buy everything locally, didn’t we? **Commissioner Barnes** stated if you get this deal, you’re going to buy it
because you’re not going to pay taxes on it. That’s an incentive to buy here, but as far as the dollars staying in Wyandotte County and us having the labor. Aren’t you guys the ones that wanted the Quindaro Blvd. issue also? Mr. Heaven stated I am part of that group. Commissioner Barnes stated I have some concerns. I really do. I really have some concerns and that’s what I said at our CDBG meeting and I’m saying it again today.

Commissioner Holland asked you’re wanting to…Commissioner Barnes stated we can’t do anything about. I can’t penalize this gentleman. Commissioner Holland stated you’re wanting to review our IRB policy? Commissioner Barnes stated yes. We are giving away money and they don’t have to leave a dime in town. Commissioner Holland stated what I would ask, I think what we can ask Mr. Brajkovic to look at is the same thing we looked at in our other tax abatement policies. Commissioner Barnes stated this is the same group that is going to be working on Quindaro Blvd. in the middle of an African-American neighborhood. Commissioner Holland stated to look at our IRB policy, to look at structuring it potentially similarly to how we structured our other projects, our other incentive projects because it is true 8.9% of $6 million is roughly $.5 million dollars of sales tax that if it’s all purchased locally, but if it’s purchased in Olathe because presumably this is statewide. Mr. Brajkovic stated we will make application on behalf of this project to the state and the state issues the exemption certificate, so it’s also a state level exemption. This project pays 100% of its property tax that’s generated. In addition to the bond issuance fee right up front, you’re taking a piece of property that’s generating $7,000 a year in property tax and probably projecting well over $100,000 a year. I understand the other concerns but I wanted to make sure I stated that clearly.

Commissioner Holland asked the question, is it a sales tax-exemption just on the state portion of the sales tax or does it include the local portion of the sales tax also. Mr. Brajkovic stated I need to verify that but I believe, Lew is it the state level? I know it’s the state. Is it ours as well? As long as it’s purchased in the state of Kansas.

Commissioner Holland stated so there is no local sales tax either. Mr. Brajkovic stated no, as long as it’s purchased in the state of Kansas. Commissioner Holland stated I think something that’s worth looking at for future projects—because I agree with Commissioner Barnes, this isn’t your problem, it’s our policy problem. The last conversation we had was some of the same

June 4, 2012
thing. We had a great development going on and we had a conversation about gold, silver and bronze, which we’re not being asked to qualify yours. Mr. Brajkovic, if you could look at this IRB policy, because one of the things we could look at as well - and I’m making this up, we could come back and look at if you purchase something in Wyandotte County and we’re losing that sales tax as a county, I don’t mind the state giving you all the money in the world. **Mr. Martin** stated I think we would go for something like that also, a way to preserve local sales tax. I’m good with that.

**Commissioner Holland** stated what I don’t want to do is say well we have to keep Wyandotte County whole so we’ll buy everything in Johnson County. That’s not helping us. We’d rather keep the jobs here. This is a creative piece where there might be developers who would be willing to keep Wyandotte County whole on the sales tax because the IRB is still going to benefit. There are going to be some things they are going to have to buy outside of Wyandotte County because we don’t have them. Look at that for the policy. **Mr. Brajkovic** stated we will.

**Commissioner Holland** stated yes, bring your findings back to this committee for a policy question. We have a recommendation for this, for the IRBs.

**Commissioner McKiernan** asked we don’t expose ourselves to any risk or liability do we? **Mr. Martin** stated no. They are not full faith and credit bonds in the Unified Government. There is no liability.

**Action:** **Commissioner McKiernan made a motion, seconded by Commissioner Holland, to approve.** Roll call was taken and there were three “Ayes,” Maddox, McKiernan, Holland, and one “No,” Barnes. (Motion failed.)

**Jody Boeding, Chief Counsel,** stated it takes four to advance. **Mr. Martin** asked do we withdraw our application then. **Mr. Brajkovic** asked what remedy is there. **Commissioner Barnes** stated you can put forth another motion with stipulations.

**Commissioner Holland** asked what stipulations would you like to see in that. **Commissioner Barnes** stated well I’m uncomfortable with the fact that the state issues the tax credits. They are not obligated to buy anything in Wyandotte County. They can buy it anywhere in the state and
get those tax credits. I think I did hear him say that he was concerned about that. The greater issue that I’m concerned about right here right now is that we come with a barebones policy addressing our IRBs. I don’t want to kill the project sir. I really don’t. I don’t want that to be on my back that I’m stopping your project from advancing. Do you understand where I’m coming from? Mr. Martin stated we’re here to work with you. I can’t do anything about how the policy reads now. Commissioner Barnes stated yes you can. You can make an agreement at this table right now and stick to it. You can sit here and say I’m going to buy everything in Wyandotte County if possible. I know that with heavy construction like this there are some things that you’re going to have to go to some specialty places and get what we just don’t have here. You can make the promise that you are going to do that. Mr. Martin stated I think we did in our application. Commissioner Barnes stated you can make the promise that I’m going to hire locally if possible and stick to that. If you can’t make that promise at this table and you’re going to be working on Quindaro Blvd…Mr. Martin stated I can certainly make that promise.

Commissioner Holland asked you want to see LBE/WBE/MBE in this proposal in order to pass and do you want to look at the same percentages we use in other programs. We don’t have any of those requirements. Commissioner Barnes stated I don’t. He can walk away and say the hell with this process because the vote has already been taken. You asked if there was an opportunity for us, because I didn’t think my little vote was going to kill it, so I didn’t do it to do that. If you say we have to address another motion than the motion, can’t we revote on the same thing again. It has to be on some modification of that. If we are going to modify it, all he has to do is say hey this is what I shall do in the event that this is approved. I told you guys and I’ve had this argument with Doug before is that our IRB is an opportunity for people to come through and skirt all of the LBE/MBE/WBE issues that we have going that’s going to promote Wyandotte County as a whole. I’m not saying that he is doing that. I’m just saying that is what our current IRB policy has allowed us.

Mr. Martin stated in our current application, in the data sheet, what we’ve put in here is initial construction or expansion. It asked for total costs of construction which is about $9.2 million. It asks for amount of taxable construction materials purchased in Kansas. We filled in $5,515,000 for county $5,515,000 and city, $5,515,000. Amount of taxable furniture and equipment to be purchased in Kansas, $450,000, the city $450,000 and county $450,000. Total construction salaries. It goes through this. We’ve pledged to do that to the ability that we can in
the application because that’s our intention. If there is something more formal that you want me
to provide at this point, I think as the developer, I’d be happy to do that. It’s not our intention to
go outside the city or the county or the state to buy construction materials. We made that clear in
our application that we intended to buy all we could buy locally.

Commissioner Barnes stated I really hate that you got caught in the middle of this battle. It’s not personal between me and Mr. Brajkovic either. It’s just that this is an issue that
came up and every time it comes up it regurgitates itself to the fact that we have this IRB policy
that is just not supportive of Wyandotte County and its makeup.

Mr. Heaven stated we’ll pledge to buy all of the materials, construction materials and
equipment that we possibly can in Wyandotte County. Commissioner Barnes stated and the
greater issue is prevailing wages, local people. Mr. Heaven stated we’ll do the LBE/MBE/WBE
and whatever percentages you are requesting.

Commissioner Holland stated what are our customary percentages? Mr. Brajkovic stated
typically in Kansas, here local we have two ways to issue tax abatements, EDX and IRB. Our
tax abatement policy then is geared toward when they are asking for some sort of tax abatement
they can get a longer term or a higher percentage abatement based on their willingness to do the
investments that Commissioner Barnes just laid out. We’ve not had a discussion before about
when its full property tax and they want to take advantage of something that’s allowed under the
statute that we are staggering local interest on top of that. Commissioner Barnes stated they are
aware of that. We are just trying to get a motion on the floor right now and they are saying what
a reasonable amount would be.

Commissioner Holland stated here is the math that I want to see. If this is market rate and there
is no IRBs you come in and build, if you pass zoning you build what you want and you hire who
you want and it’s done. One of the things if you bought all of your materials in Wyandotte
County, because it’s not 9% that we would be losing of that sales tax, it’s what percentage of that
sales tax is ours, Lew? Mr. Martin stated the number is about $5.5 million not $9 million.
The total construction cost is $9 million. Half of that is labor, half is material. Commissioner
Holland stated so $5.5 million. If all $5.5 million is purchased in Wyandotte County, which
would be terrific, what percentage of sales tax would we get on that? Mr. Levin stated our share
is 2.625% which is somewhere around 20% total. Commissioner Holland stated my question

June 4, 2012
is if they build this and buy all their materials here of the $5.5 million, about $2.6 of that would be sales tax that would come to the Unified Government, right? Mr. Levin stated correct. Mr. Martin asked what’s that number, what’s the percentage of $5.5 million. Mr. Brajkovic stated its 2.625. Mr. Martin stated this is about $125,000. Commissioner Holland stated $143,000 potential sales tax. If you look at it from a subsidy perspective by granting these IRBs we are granting you potentially from the Unified Government coffers potentially $143,000. Mr. Levin stated $130,000. Commissioner Holland stated would be the “public subsidy from Wyandotte County” if it were all purchased here, which arguably we’d make up in the first year of property taxes. First year of property taxes would pay that entire bill. Mr. Brajkovic stated and the bond issuance portion of that as well. Commissioner Holland stated $50,000 in bond issuance. It’s $130,000, we’re looking at $80,000 public subsidy for Wyandotte County. Mr. Martin stated in the data sheet, our annual purchases are about $1.5 million of material purchased for that facility. Utility bills paid annually, utilities about $300,000 a year which would be BPU, electric and water.

Commissioner Holland stated my feeling is, and Commissioner I hear exactly your point, my hope would be that we would come back with an IRB policy and not change the standards the day of for this group. That would be my personal preference. Commissioner Barnes stated I know and you voted your preference and I voted my personal preference. If they want me tonight to vote on this issue, that’s just the bottom line. This is a two-fold process for me. Here is a group that we are having trouble with tonight and we’ve got them on Quindaro Blvd. We are going to have trouble with them on Quindaro Blvd. If we can’t get that corrected tonight, we might as well get ready for a double screwing.

Commissioner Holland asked you want a percentage LBE/MBE/WBE tonight? Would that get it done? Commissioner Barnes stated absolutely. Commissioner Holland asked what is our normal percentage for the standard. Commissioner Barnes stated it doesn’t have to be at that level because you are saying this so and so. This is not standard. I wouldn’t ask them to commit to a standard. Mr. Brajkovic stated we don’t have a standard percentage anymore because we have our Compliance Department work with the developer, review their proposal, see what capacity the project has because just the same we can’t make the assumption that everything they’re going to need to buy for this project is going to come from Wyandotte County. There may be some parts of this project that there is a sole source provider for. Mr.
Banks has asked that we not throw out blanket percentages without the opportunity to review the project. Again, based on our existing tax abatement policy since this isn’t asking for any tax abatement there wasn’t, staff did not approach the developer to say let’s look at your project and see how it stacks up against our tax abatement policy. Commissioner Barnes stated and the process has worked.

We went through a vote and it failed. We asked for an opportunity to take a look at it. I’m not here to try to kill the project. That was just my individual vote. Do we have a member missing or something? Commissioner Holland stated yes. Commissioner Barnes stated don’t blame me for somebody being absent and I’m not changing my vote around just because Joe Blow didn’t show up today. This is the way I feel. This is the way I feel, but if you want to put a motion on the floor, put a motion on the floor that says this is the minimum standards to address those issues and we’ll be finished with it and take a vote.

Commissioner Maddox stated I support what Commissioner Barnes stated because with redistricting 27th & Quindaro becomes my district. Even if Commissioner Kane is here I’m still going to vote against it. It’s still not a four vote. We are talking about the project and so I understand what he is saying. If you want me to explain it and go into detail I can. What I am saying, is what he is saying, under support of what he is saying, for the development and for it to be people who are locally represented. That is the representation that he is asking for. He has already put it out there and it did fail. For us, as Commissioners, to support him would have been the right approach to take.

Commissioner Holland stated I know we have a sliding scale on WBE/MBE/LBE. What are normal numbers? What is a normal percentage, typical, average? Mr. Brajkovic stated 18% on local, 15% minority and 7% women. Mr. Heaven stated we’ll stipulate to that. We’ll be happy to do that. This thing about Quindaro though, I don’t want it to be confused. It’s not the same developer. Mr. Martin stated we’re working hard on Quindaro to do Section 3 not just this. Mr. Heaven stated it’s a totally different developer. Commissioner Barnes stated I understand.

Commissioner Holland stated 18% local, 15% minority and 7% women. Mr. Martin stated we’ll stipulate to that. Mr. Brajkovic stated we’ll need to draft some sort of development agreement I believe that would reflect that. Commissioner Holland stated we’ll need to sign

June 4, 2012
that and what would be the penalty if they don’t? We’ve talked about this. We’ve found without that it doesn’t...Commissioner Barnes stated that’s correct. It has no teeth in it if you don’t. Commissioner Holland stated we did some very sketchy math here in terms of what that would be in terms of...Commissioner Barnes stated 1% of the project. Commissioner Holland stated so we could stipulate that a side agreement will be developed with 18%, 15% and 7% with penalties. Mr. Martin stated I hate to leave this opened ended tonight and take a vote on unspecified penalties that might befall us. Commissioner Barnes stated it wouldn’t be beyond 1% as to what they had in the past. Commissioner Holland asked 1% of what, the whole project? Mr. Brajkovic stated we’ve done that but we’ve also taken advantage of the tax abatement and take away percentage of their abatement. Commissioner Holland stated I’d be more inclined for this one because we looked at $130,000. If all this is purchased in Wyandotte County, which would be terrific for jobs anyway, we’d pay $130,000 of sales tax which we are going to lose. We are getting $50,000 in bond issuance money so we are down to a $80,000 potential loss of revenue. Could we put a penalty in there of maximum of $80,000 which would be our loss of sales tax? A maximum penalty of $80,000 if you don’t do the 18%, 15% and 7%. Commissioner Barnes stated I’m uncomfortable with that. I don’t know if they are. Commissioner Holland stated we’re sitting here negotiating. Mr. Brajkovic stated I would say I don’t feel comfortable doing that either because we know that project. We have to have our Compliance Department involved because I don’t want to set them up for failure either where they make all their best efforts but 18%, 15%, 7% may not have been an achievable goal to begin with for this project. I don’t know if there is a way to advance this tonight with the stipulation that prior to the June 21 full Commission meeting we’ll work with the developers and come up with a development agreement that can be for review that night as well as considering the inducement resolution.

Commissioner Holland stated I like that. Commissioner Barnes, can you live with that? Commissioner Barnes asked what was that again. Commissioner Holland stated that we approve this tonight with the stipulation that a side agreement be drafted for the June 21st meeting when it comes to the full Commission, that it has the 18%, 15%, 7%. That it has our compliance officer, Jason Banks, draft an agreement based on this project. Commissioner Barnes stated no, because what happens once it advances beyond here my vote doesn’t count any damn way. You see what I’m saying? All it needs is six votes for it to pass. Once they get
June 4, 2012

beyond here it doesn’t make any difference what I ask for. At the next level, they can eliminate every damn thing we’ve done here with six votes. This is not to hurt them. I’m not even after the 18%, 15%, 7% and I think that’s too high, I really do. I think that’s too high on this makeshift agreement that we have. Commissioner Holland asked what would you be comfortable with. Commissioner Barnes stated I don't even think we should break it down with MBE/WBE/LBE. I just think it should be all combined overall. They can have a combination of woman, minority and locals and not be - 10% or 12% for all of them combined because this is not traditional. Commissioner Holland asked can we go 10% combined. Mr. Martin stated we’d agree to 10%. What would your penalty be? Commissioner Barnes stated I would say no more than $25,000 at the most. I can’t see going beyond that. Mr. Brajkovic stated if we draft something in the spirit of those perimeters for consideration on June 21st. Mr. Martin stated we can agree to those two stipulations.

Action: Commissioner Barnes made a motion, seconded by Commissioner McKiernan, to approve with the stipulation for a combined 10% MBE/LBE/WBE with a $25,000 penalty for not meeting the stipulations. Roll call was taken and there were four “Ayes,” Maddox, McKiernan, Barnes, Holland.

Mr. Brajkovic stated I will work with compliance to get some draft document created as soon as possible. Commissioner Holland stated feel free to exceed those numbers. Mr. Martin stated I’m confident we are going to anyway. We have been in Wyandotte County for a long time and we will continue to be good neighbors.

Item No. 5 – 120135… Requesting approval of the first amendment to the Wyandotte Plaza Redevelopment Agreement, submitted by Lew Levin, Chief Financial Officer. This action allows the issuance of the initial bond financing to be done on a tax-exempt basis resulting in reduced interest expenses to the UG.

Lew Levin, Chief Financial Officer, stated last month, you might remember the Wyandotte Plaza Development Agreement was presented to you as well as the creation of a CID for the
redevelopment of Wyandotte Plaza. In that development agreement there were two financings contemplated, an initial financing for approximately a two-year period to get the project in place that would have the Unified Government backing and then a subsequent financing at a greater level that the developer would be responsible for. Our intention was to do the financing on a tax-exempt basis. On a tax-exempt basis it allows us to sell the bonds at a lower interest rate and it puts less risk upon the government on that initial financing. Bond Counsel has sense opinioned if we have a restriction in the agreement that does not allow the developer to contest property values during the terms of that initial bond financing—and so to have the ability to do that financing on a tax-exempt basis, we have to remove that restriction. Normally, I would say that restriction we want to have that in place because the developer then is unable to protest the assessed valuation of the property. However, in this instance it’s really in the developer’s interest to maintain that higher level of property value or whatever that value is set at. The revenues for the project are coming from incremental sales tax, new sales tax revenue as well as incremental property tax. The developer’s objective in the long-term is to do a financing at a higher level to recoup greater project costs. He would only be inhibiting his own ability to do that subsequent financing if he appealed his property tax, lowered his property tax and then reduced the amount of the increment. We feel in the short-term period, a two to three-year period, it’s not our expectation that he would appeal the property taxes. We would like the ability to remove that restriction that would allow him to protest property taxes so we could do the financing on a tax-exempt basis.

Commissioner Holland asked so we were well intentioned but it’s actually not working in our favor anyway and it raises the cost of the project? Mr. Levin stated it raises the cost of the project. We don’t believe the developer—it’s in the interest of the developer to protest property taxes in the initial period so it gives us greater flexibility for financing if we remove that restriction.

Commissioner Barnes asked so this is about the removal of that one restriction? Commissioner Holland stated just that one restriction. Commissioner Barnes asked and you are recommending this? Mr. Levin stated I am recommending this, yes.

June 4, 2012
**Commissioner Holland** stated from what I’ve been briefed on, it sounds like the right idea. The restriction only includes—it’s not for the lifetime of the project. It’s only for the interim time when we’re holding the bonds which is the least time that they would ever want to protest it.

**Action:** Commissioner Barnes made a motion, seconded by Commissioner McKiernan, to approve. Roll call was taken and there were four “Ayes,” Maddox, McKiernan, Barnes, Holland.

Goals and Objectives Follow-up

**Item No. 1 – 120137...** Foster an environment in which small and large businesses thrive, jobs are created, redevelopment continues, tourism continues to grow, and businesses locate in the community.

**Action:** Held over.

III. Adjourn

**Chair Holland** adjourned the meeting at 7:35 p.m.

tk
Staff Request for Commission Action

Tracking No. 120166

Type: Standard
Committee: Economic Development and Finance Committee

Date of Standing Committee Action: 7/9/2012
(If none, please explain):

Proposed for the following Full Commission Meeting Date: 7/26/2012
Confirmed Date: 7/26/2012

Changes Recommended By Standing Committee (New Action Form required with signatures)

<table>
<thead>
<tr>
<th>Date</th>
<th>Contact Name</th>
<th>Contact Phone</th>
<th>Contact Email</th>
<th>Ref</th>
<th>Department / Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/3/2012</td>
<td>Charles Brockman</td>
<td>573-5733</td>
<td><a href="mailto:cbrockman@wycokck.org">cbrockman@wycokck.org</a></td>
<td></td>
<td>Economic Development</td>
</tr>
</tbody>
</table>

Item Description:
Foutch Brothers L.L.C., Developer, has purchased the Boiler Makers / Horace Mann building located at 824 State Avenue, a registered historic property. The Developer will convert the structure into 30 market-rate apartments at a cost of $4.2 million, consisting of twelve 1 bedroom and eighteen-2 bedroom units, with a rental rate ranging between $665 to $900 per month.

Developer is requesting an NRA structured with a 85% rebate up to 20 years per the NRA plan "Special Projects".

Included in the 85% rebate is the 10% for LMW participation. Contract Compliance staff has met with the Developer to discuss LMW utilization.

At present, the Developer is awaiting a reduction in the market value, requesting the present base class rate of 25% be reduced to 11.5% and waiting for goals to be assigned by Contract Compliance.

Action Requested:
Review and give recommendation.
Forward to Full Commission.

Publication Required

Budget Impact: (if applicable)

Amount: $
Source:

- Included In Budget
- Other (explain) Redevelops a vacant property. Potential to bring new households to downtown area.

File Attachment

File Attachment

File Attachment
27 June 2012

UG WyCo Economic Development
701 N 7th Street
Kansas City, KS 66101

RE: Horace Mann Conversion, Kansas City, Kansas

This project has been purchased, has the construction/perm loan closed, and is finalizing the investor equity negotiations. We are ready to start construction as soon as the NRA Tax Rebate Application is approved to proceed. Architecture and Engineering drawings are complete and have been submitted for permits.

The building has been listed on the National Register of Historic Places so we can use Historic Tax Credits as part of our funding source. This project is not using Section 42 LIHTCs, but will be "market-rate" apartments. The following are highlights of the project:

1. (30) Market-rate apartments, any age
2. (12) 1 bdrm and (18) 2 bdrm units
3. Rents range from $665 to $900 (includes basic CATV and internet)
4. $4.2MM project cost / $3.1MM construction cost
5. $1.3MM Historic, $1.5MM Owner, $1.4MM perm debt
6. Project to be completed by 5/31/13
7. A 20-year, 85% NRA rebate is being requested; 10% MBE/WBE/LBE
KANSAS WARRANTY DEED

THIS INDENTURE, Made this 9th day of August, 2011, by and between

TRUSTEES, NATIONAL JOINT APPRENTICESHIP BOARD,
GOVERNING BODY OF THE BOILERMAKERS NATIONAL APPRENTICESHIP
PROGRAM, an unincorporated association

of the County of Wyandotte, State of Kansas, party of the first part, and

IHM Apartments, LP,
a Kansas limited partnership

of the County of Wyandotte, State of Kansas, party of the second part

WITNESSETH: THAT SAID PARTY OF THE FIRST PART, in consideration of the sum of
Ten Dollars and other good and valuable consideration, the receipt of which is hereby acknowledged, do
by these presents, Grant, Bargain, Sell and Convey unto the said party of the second part, its successors
and assigns, all the following described real estate, situated in the County of Wyandotte and State of
Kansas, to-wit:

Lots 12 to 17, both inclusive, and Lots 38 to 48, both inclusive, Block 107,
WYANDOTTE CITY, now in and a part of Kansas City, Wyandotte County,
Kansas, together with all of the vacated alley lying between Lots 12 to 17, inclusive
and Lots 38 to 43, inclusive, and also the South ½ of the vacated alley lying North
of Lots 44 to 48 inclusive.

Subject to restrictions, reservations, easements and covenants, if any, of record.

TO HAVE AND TO HOLD THE SAME, Together with all and singular the tenements,
hereditaments and appurtenances thereunto belonging or in any wise appertaining, forever. And said
party of the first part for its successors, assigns, executors or administrators, do hereby covenant, promise and agree to and with said party of the second part, that at the delivery of these presents it is lawfully seized in its own right of an absolute and indefeasible estate of inheritance, in fee simple, of and in all and singular the above granted and described premises, with the appurtenances, that the same are free, clear, discharged and unencumbered of and from all former and other grants, titles, charges, estates, judgments, taxes, assessments and encumbrances, of what nature or kind soever:

and that they will warrant and forever defend the same unto the said party of the second part, its successors and assigns, against said party of the first part, its successors and assigns and all and every person or persons whatsoever, lawfully claiming or to claim the same, except as hereinbefore stated and except all taxes, general and special, not now due and payable.

IN WITNESS WHEREOF, The said party of the first part has hereunto set its hand the day and year first above written.

Trustees, National Joint Apprenticeship Board, governing body of the Boilermakers National Apprenticeship Program, an unincorporated association

By: [Signature]

Michael J. Stapp, True and Lawful Attorney in Fact for Boilermakers National Apprenticeship Program

ACKNOWLEDGMENT

STATE OF Kansas)
COUNTY OF Wyandotte ss.

On this 9th day of August, 2011, before me, the undersigned, a Notary Public, personally appeared Michael J. Stapp, True and Lawful Attorney in Fact for Boilermakers National Apprenticeship Program, to me known to be the person who executed the foregoing instrument in behalf of Boilermakers National Apprenticeship Program, and acknowledge that he executed the same as the free act and deed of Boilermakers National Apprenticeship Program.

IN WITNESS WHEREOF, I have hereunto set my hand and seal and affixed my official seal the day and year last above written.

[Signature]
Notary Public

My Commission Expires: 9-4-13
<table>
<thead>
<tr>
<th>Itemized Cost</th>
<th>Development Cost</th>
<th>Approximately 4% Adjusted Basis</th>
<th>Approximately 9% Adjusted Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>To Purchase Land and Buildings</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>25,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Existing Structures</td>
<td>75,000</td>
<td>75,000.00</td>
<td>N/A</td>
</tr>
<tr>
<td>Demolition</td>
<td>75,000</td>
<td>75,000.00</td>
<td>75,000.00</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For Site Work</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site Work</td>
<td>35,000</td>
<td>35,000.00</td>
<td>35,000.00</td>
</tr>
<tr>
<td>Off-Site Improvement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For Rehabilitation &amp; New Construction</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Building</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>2,229,000</td>
<td>2,229,000</td>
<td>2,229,000</td>
</tr>
<tr>
<td>Non-basis Rehab Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Requirements</td>
<td>0.06</td>
<td>158,340</td>
<td>158,340</td>
</tr>
<tr>
<td>Contractor Overhead</td>
<td>0.03</td>
<td>52,780</td>
<td>52,780</td>
</tr>
<tr>
<td>Contractor Profit</td>
<td>0.06</td>
<td>158,340</td>
<td>158,340</td>
</tr>
<tr>
<td>Performance &amp; Payment Bond</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For Contingency</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Contingency</td>
<td>300,000</td>
<td>300,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For Architectural &amp; Engineering Fees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>** For Architectural Fee- Design**</td>
<td>0.02</td>
<td>60,169</td>
<td>60,169</td>
</tr>
<tr>
<td>** For Architectural Fee- Supervision**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>** Real Estate Attorney - GP**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>** Consultant of Processing Agent**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>** Property/Survey Fee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>** Engineering Fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>** Historic Preservation Applications Services**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>** Other Fees - Historic Tax Credit fees**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For Interim Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Taxes &amp; Insurance</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Construction Interest</td>
<td>60,000</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Construction Loan Origination Fee</td>
<td>15,000</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Construction Loan Credit Enhancement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For Financing Fees and Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Premium</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Credit Report</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Permanent Loan Origination Fee</td>
<td>10,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Permanent Loan Credit Enhancement</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Cost of Iss/Underwriters Discount</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>** Title and Recording</td>
<td>5,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>** Counsel’s Fee - LP</td>
<td>2,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>** Cost Certification Fee</td>
<td>6,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>** Other</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>3,366,629</td>
<td>3,318,629</td>
<td>3,243,629</td>
</tr>
</tbody>
</table>
**Project Cost** List Total Development Cost and Indicate Adjusted Basis by Credit Type  
(Residential Portion Only)

<table>
<thead>
<tr>
<th>Itemized Cost</th>
<th>Development Cost</th>
<th>Approximately 4% Adjusted Basis</th>
<th>Approximately 9% Adjusted Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For Soft Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Appraisal</td>
<td>4,000</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Market Study</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Environmental Report</td>
<td>4,000</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Tax Credit Fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Franchise and FF&amp;E</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Consultants (1%)</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other - contingency</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>For Syndication Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational (Partnership)</td>
<td>1,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Bridge Loan Fees and Expenses</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Tax Opinion</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>For Developer's Fees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developer's Overhead</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Developer's Fees</td>
<td>0.2</td>
<td>673,326</td>
<td>673,326</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>For Project Reserves</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent-Up Reserve</td>
<td>25,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Operating Reserve</td>
<td>50,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Replacement Reserve</td>
<td>-</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Real Estate Tax Reserve</td>
<td>-</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>757,326</td>
<td>681,326</td>
<td>681,326</td>
</tr>
<tr>
<td><strong>SUBTOTAL FROM PREVIOUS PAGE</strong></td>
<td>3,366,629</td>
<td>3,318,629</td>
<td>3,243,629</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4,123,955</td>
<td>3,999,955</td>
<td>3,924,955</td>
</tr>
</tbody>
</table>

Less portion of federal grant used to finance qualifying development costs.

List Grants:

- Less Amount of non-qualified non-recourse financing
- Less non-qualifying units of higher quality
- Less non-qualifying excess portion of higher units
- Less Historic Tax Credit (Residential Portion Only)
  - Total Eligible Basis: 75,000.00
  - Multiplied by the Applicable Fraction: 1
  - Total Qualified Basis: 75,000
  - Multiplied by the Applicable Percentage: 4%
- Total HTC: 762,191
- Total Amount of Tax Credit Requested: 370,043
<table>
<thead>
<tr>
<th>Full</th>
<th>1.4 23.955</th>
<th>DECR</th>
<th>1.30</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>20</td>
<td>5.60%</td>
<td>1,400,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unit</th>
<th>#DIV/0!</th>
<th>$249,804</th>
<th>3.0%</th>
<th>2.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full</td>
<td>$20,000</td>
<td>$560</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>40%</td>
<td>80%</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>$1,050</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$810</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$300</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$600</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$1,200</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$2,400</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$4,800</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$9,600</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$19,200</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$38,400</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$76,800</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$153,600</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$307,200</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$614,400</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$1,228,800</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$2,457,600</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$4,915,200</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$9,830,400</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$19,660,800</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$39,321,600</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$78,643,200</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$157,286,400</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$314,572,800</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$629,145,600</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$1,258,291,200</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$2,516,582,400</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$5,033,164,800</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$10,066,329,600</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$20,132,659,200</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$40,265,318,400</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$80,530,636,800</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$161,061,273,600</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$322,122,547,200</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$644,245,094,400</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$1,288,490,188,800</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Type: Standard
Committee: Economic Development and Finance Committee

Date of Standing Committee Action: 7/9/2012
(If none, please explain):

Proposed for the following Full Commission Meeting Date: 7/26/2012

Confirmed Date: 7/26/2012

Changes Recommended By Standing Committee (New Action Form required with signatures)

Date: Contact Name: Contact Phone: Contact Email: Ref: Department / Division:
7/3/2012 Charles Brockman 573-5733 cbrockman@wycokck.org

Item Description:
Foutch Brothers L.L.C., Developer, is in the process of purchasing the old St. Margaret's Hospital building located at 759 Vermont. The Developer will convert the hospital into a 108 unit Independent-living elderly facility, with an estimated construction cost of $11.6 million. The conversion will consist of 49 LIHTC and 59 Market-rate units. The property will be on the register of historic property.

Previously, the Developer received a Resolution of Support from the UG Commission for Section 42 tax credits.

The Developer is requesting an NRA structured with a 85% rebate up to 20 years per the NRA plan "Special Projects". Included in the 85% rebate is the 10% for LMW. Contract Compliance staff has met with the Developer to discuss LMW utilization.

At present, the Developer is waiting on ownership of the building and goals to be assigned by Contract Compliance.

Action Requested:
Review and give recommendation.
Forward to Full Commission.

Publication Required

Budget Impact: (if applicable)

Amount: $
Source:
- Included In Budget
- Other (explain)

File Attachment
28 June 2012

UG WyCo Economic Development
701 N 7th Street
Kansas City, KS 66101

RE: St. Margaret's Hospital Conversion, Kansas City, Kansas

This project is finalizing the purchase, bank loan and investor equity this week and next and should be ready to start construction as soon as the NRA Tax Rebate Application is approved to proceed. Architecture and Engineering drawings are complete and ready for review for building permits.

The building is eligible and being submitted for the National Register of Historic Places so we can use Historic Tax Credits as part of our funding source. The other main source is the recent award of Section 42 Low-Income Housing Tax Credits from the Kansas Housing Resource Corporation. The following are highlights of the project:

1. 49 LIHTC / 59 Market-rate Independent-living; Elderly apartments
2. (14) Studios, (63) 1 bdrm, (28) 2 bdrm, and (3) 3 bdrm units
3. Rents range from $430 to $900 (ala carte services are extra)
4. $15.2MM project cost / $11.6MM construction cost
5. $5MM LIHTC, $6MM Historic, $1.6MM Owner, $2.6MM perm debt
6. Project to be completed by 12/31/13
7. A 20-year, 85% NRA rebate is being requested; 10% MBE/WBE/LBE
CONTRACT GRANTING
OPTION TO PURCHASE REAL PROPERTY

THIS AGREEMENT is made this 21st day of February, 2012, by and between VERMONT AVENUE HOLDINGS, LLC, a Kansas limited liability company, (hereinafter “SELLER”) whose mailing address is 2101 SW 21ST Street, Topeka, Kansas 66604 and ST. MARGARET’S LIHTC, LP, a Kansas limited partnership (hereinafter “BUYER”) whose mailing address is 8201 NW 97th Terrace, Kansas city, Missouri 64153.

RECITALS:

WHEREAS, SELLER owns certain real property commonly known as St. Margaret’s Hospital located at 759 Vermont Avenue in Kansas City, Wyandotte County, Kansas;

WHEREAS, BUYER is a developer looking to develop said real property owned by SELLER into residential apartments for seniors;

WHEREAS, BUYER will submit a Low Income Housing Tax Credit application to the Kansas Housing Resource Corporation (“KHRC”) to obtain public financing to aid in the rehabilitation and conversion of said real property into residential apartments for seniors;

WHEREAS, BUYER desires to have the option to purchase said real estate in the event it is awarded low income housing tax credits from KHRC to aid in the rehabilitation and conversion of said real property into residential apartments for seniors;

WHEREAS, SELLER desires to grant BUYER the option to purchase said real estate and BUYER desires to accept the option to purchase said real estate;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto hereby agree to be bound as follows:

1. **Option to Purchase.** For and in consideration of Twenty Thousand and 00/100 Dollars ($20,000.00), of which Ten Thousand and 00/100 Dollars ($10,000.00) shall be non-refundable (“Non-refundable Option Deposit”) and Ten Thousand and 00/100 Dollars ($10,000.00) shall apply to the purchase price of the real estate (“Refundable Option Deposit”), and other good and valuable consideration received, the SELLER does hereby grant to the BUYER, an unrestricted and exclusive option to purchase the real property described herein at the purchase price specified herein (“Option”). The Non-refundable Option Deposit and the Refundable Option Deposit shall be wired directly to the Seller on or before the day that is no later than five (5) business days from the full execution of this Agreement. Said Option is valid from the date of execution of this Agreement through and including the Option Termination Date, which shall be specified herein. Said Option to purchase real property shall be subject to terms and conditions stipulated in this Agreement. Said Option shall not be recorded.

2. **Description of Real Property.** The Real Property for which this Option is granted is located at 759 Vermont Avenue situated in Kansas City, Wyandotte County, Kansas, and commonly

2173888.2
known as the St. Margaret’s Hospital and legally described as follows (hereinafter referred to as the “Property”):

All that part of the Northwest 1/4 of Section 15, Township 11, Range 25, in Kansas City, Wyandotte County, Kansas, more particularly described as follows:

Beginning at a point 655.25 feet North and 330 3/8 feet East of the Southwest corner of the Northwest 1/4 of Section 15, Township 11, Range 25; thence North parallel to the West line of Section 15 a distance of 327.56 feet; thence East 330 3/8 feet; thence South 0’ 8’ 0” East 327.56 feet; thence West to the point of beginning, except the parts thereof occupied by public streets, together with that part of vacated Church Avenue lying South of and adjoining.

AND

Lots 21, 22 and 23, Block 1, RAILROAD ADDITION, together with the vacated East 5 feet of 8th Street lying West of and adjoining said lots, and the South 30 feet of vacated Church Avenue lying North of and adjoining said Lot 23; a subdivision in Kansas City, Wyandotte County, Kansas.

3. Option Termination Date. All rights granted in this Agreement shall be valid from the execution date of this Agreement through 11:59 p.m. on June 30, 2012, (the “Option Termination Date”). Under no circumstances shall the rights granted in this Agreement be terminated prior to the Option Termination Date without written consent of the BUYER. Unless this Agreement is extended as set forth in Section 4 below, this Agreement shall automatically terminate on the Option Termination Date and as of such date this Agreement shall be of no further force and effect.

4. Automatic Extension with Deposit. This Agreement shall be automatically extended for a period of three (3) months from the Option Termination Date (“Automatic Option Extension”), if BUYER makes a non-refundable deposit of Ten Thousand Dollars ($10,000) (“Automatic Option Extension Deposit”) with SELLER any time prior to the Option Termination Date. If BUYER decides to make the Automatic Option Extension Deposit within the specified timeframe, the Automatic Option Extension Deposit shall also be applied to the Purchase Price of the Property.

5. Purchase Price. The purchase price for the Property optioned under this Agreement shall be Five Hundred Thousand and 00/100 Dollars ($500,000.00) (“Purchase Price”) minus any monies deposited with SELLER for payment of the Refundable Option Deposit and the Automatic Option Extension Deposit, if any, and as otherwise adjusted for customary prorations. Payment shall be made in accordance with the attached form Real Estate Purchase Agreement, which shall be used for this transaction subject to any revisions noted therein, and hereby incorporated into this Agreement.

6. Due Diligence. Within sixty (60) days of the execution of this Agreement SELLER shall furnish to BUYER, if available, the following documents pertaining to the Property: all Historic documents; architectural plans, electrical drawings; any and all city and tax increment financing correspondence, zoning approvals; any invoices or bills paid for utility connections; and any
other documents within reason that BUYER feels is necessary to make a full and complete
determination of purchasing the Property.

7. Rights Transferred with Purchase. Upon the BUYER's exercise of the Option as
outlined in this Agreement, the SELLER shall enter into the attached Real Estate Purchase
Agreement with the BUYER and provide clean title on the Property. The Property shall be
conveyed by special warranty deed.

8. Exercise of the Option, Real Estate Purchase Agreement, Terms of Sale, and
Time to Complete Purchase. This Option to purchase the Property may be exercised by written
notification of intent to exercise the Option, delivered from the BUYER to the SELLER no later
than the Option Termination Date, as may be extended as provided in Section 4 hereof, and time
specified in this Agreement. E-mail shall be considered an acceptable form of written
notification.

Upon exercise of the Option by written notification of intent, the BUYER shall have up to thirty
(30) days to execute the Real Estate Purchase Agreement using the form attached hereto. Time,
method, and other requirements for final closing on the sale shall be as agreed by the BUYER
and SELLER in the Real Estate Purchase Agreement, but shall in no case be required in less than
thirty (30) days from the date of execution of the Real Estate Purchase Agreement by both
parties.

9. Governing Law. This Agreement shall be governed by the Laws of the State of
Kansas without considering its laws or rules related to choice of laws.

10. Headings. The section headings contained in this Agreement are inserted for
convenience of reference only and shall not affect the meaning or interpretation of this
Agreement.

11. Fax Transmission and Counterparts. Facsimile (fax) transmission of a signed copy
of this Agreement shall be the same as delivery of an original. This Agreement may be executed
in counterparts.

12. Severability. If any term or provision of this Agreement or the performance thereof
shall be invalid or unenforceable to any extent, such invalidity or unenforceability shall not affect
or render invalid or unenforceable any other provision of this Agreement, and this Agreement shall
be valid and enforced to the fullest extent permitted by law.

13. Complete Agreement. This Agreement, together with the attached Real Estate
Purchase Agreement represents the entire agreement between BUYER and SELLER. This
Agreement replaces and cancels any previous agreements between BUYER and SELLER. This
Agreement can be changed only by an agreement in writing signed by both BUYER and
SELLER. SELLER also promises that the SELLER has not made any other agreements to sell
the Property to anyone else.

14. Binding Agreement. This Agreement shall be binding upon and inure to the benefit
of the parties, their heirs, successors and assigns, even though assignment is not permitted under
the terms of this Agreement without the consent of all parties hereto. The parties acknowledge
they have read and agreed to the terms and conditions of this Agreement and they understand this
will become legally binding upon their signing below.

15. Broker. Each of the parties represents and warrants to the other that neither party has
dealt with, negotiated through or communicated with any broker in connection with this
Agreement. Each party shall indemnify, defend and hold harmless the other party from and
against any and all claims, loss, costs and expenses, including reasonable attorneys’ fees,
resulting from any claims that may be made against the indemnified party by any broker
claiming a commission or fee by, through or under such indemnifying party. The parties’
respective obligations under this Section shall survive closing or termination of this Agreement.

16. Maintenance. From the date of this Agreement and until the Option Termination
Date, as may be extended as provided in Section 4 hereof, or, if the parties enter into the Real
Estate Purchase Agreement, until the closing contemplated under the Real Estate Purchase
Agreement or the termination of such agreement, (collectively, the “Interim Period”), Buyer
shall mow, at Buyer’s cost, the grassy areas of the Property and shall maintain, at Buyer’s cost,
the fence around the Property in good working order and condition (collectively, the
“Maintenance Responsibilities”) with respect to the Property. Buyer shall indemnify, defend and
save harmless Seller, its officers, agents and employees, from and against all demands, claims,
actions, damages, costs, expenses, losses or liability whatsoever in any manner resulting from or
arising out of the actions of the Buyer, its agents and employees pursuant hereto, or in any
manner resulting from or arising out of the use of the Property by Buyer, its agents and
employees, including, without limitation, any failure of Buyer, its agents and employees to
comply with any applicable laws or regulations. Seller does not represent or warrant that the
Property is appropriate, safe or suitable for the Maintenance Responsibilities stated above.
Buyer shall procure and maintain at its expense, at all times during the Interim Period, general
liability insurance in such amounts as is customary for such activities against all claims and
demands of any injury to person or property which may occur or be claimed to have occurred on
the Property of the Buyer as the result of the use of the Property by Buyer, its agents or
employees, which insurance shall name Seller as an additional insured. Buyer shall, before entry
upon the Property for the purposes herein set forth, furnish the Seller with a valid certificate of
such insurance reasonably satisfactory to it.
IN WITNESS WHEREOF, said parties hereby execute this Agreement the date first above written.

SELLER:

VERMONT AVENUE HOLDINGS, LLC
a Kansas limited liability company

By: ________________________________
Name: ______________________________
Title: ______________________________

BUYER:

ST. MARGARET’S LIHTC, LP,
a Kansas limited liability partnership

By: ________________________________
      Steven D. Foutch, Managing Agent

Signature Page for Contract Granting Option to Purchase Real Estate
ATTACHMENT

REAL ESTATE PURCHASE AGREEMENT

THIS AGREEMENT is made this day of , 2012, by and between VERMONT AVENUE HOLDINGS, LLC, a Kansas limited liability company, (hereinafter “SELLER”) whose mailing address is 2101 SW 21ST Street, Topeka, Kansas 66604 and ST. MARGARET’S LIHTC, LP, a Kansas limited partnership (hereinafter “BUYER”) whose mailing address is 8201 NW 97th Terrace, Kansas city, Missouri 64153.

1. Property. SELLER hereby agrees to sell, and BUYER agrees to purchase the real estate located 759 Vermont Avenue situated in Kansas City, Wyandotte County, Kansas, bounded, commonly known as the St. Margaret’s Hospital and legally described as follows (hereinafter referred to as the “Property”):

All that part of the Northwest 1/4 of Section 15, Township 11, Range 25, in Kansas City, Wyandotte County, Kansas, more particularly described as follows:

Beginning at a point 655.25 feet North and 330 3/8 feet East of the Southwest corner of the Northwest 1/4 of Section 15, Township 11, Range 25; thence North parallel to the West line of Section 15 a distance of 327.56 feet; thence East 330 3/8 feet; thence South 0° 8’ 0” East 327.56 feet; thence West to the point of beginning, except the parts thereof occupied by public streets, together with that part of vacated Church Avenue lying South of and adjoining.

AND

Lots 21, 22 and 23, Block 1, RAILROAD ADDITION, together with the vacated East 5 feet of 8th Street lying West of and adjoining said lots, and the South 30 feet of vacated Church Avenue lying North of and adjoining said Lot 23; a subdivision in Kansas City, Wyandotte County, Kansas.

Subject to easements and restrictions of record.

2. Purchase Price & Deposit. In consideration for such deed and conveyance of the Property, BUYER shall pay a Purchase Price of FIVE HUNDRED THOUSAND DOLLARS ($500,000.00) (“Purchase Price”) to SELLER minus any monies deposited with SELLER for payment of the Option Deposit and the Automatic Option Extension Deposit, if any. The balance shall be paid at closing in cash, certified or bank check, or wired funds.

3. Title Insurance. The SELLER shall pay at closing the premium for a standard-coverage owner’s policy of title insurance insuring BUYER in the amount of the Purchase Price at closing. Any additional title insurance coverage shall be at BUYER’S expense.

4. Real Estate Taxes. The SELLER shall pay at closing the prorated real estate taxes for 2012, which represents the real estate taxes that accrued during the time period the SELLER owned the Property.

5. Closing Costs. The SELLER and BUYER shall equally split the remaining closing costs not paid by SELLER. Closing costs shall be those costs typically incurred in such a transaction, but shall not include a Lender’s Policy or any special endorsements required by BUYER.
6. **Closing.** The Closing shall be on or about thirty (30) days from the execution date of this Real Estate Purchase Agreement or a mutually agreeable date, and shall take place at ____________________.

7. **Contingencies.** BUYER’S obligations are contingent upon obtaining and providing proof of 100% financing to SELLER, for which BUYER shall apply for immediately. If the BUYER is unable to obtain such financing, this Agreement shall be cancelled.

8. **Time is of the Essence.** TIME IS OF THE ESSENCE regarding the dates set forth in this Agreement. Extensions must be agreed to in writing by all parties.

9. **Transfer of Title.** SELLER shall transfer ownership of the Property to BUYER, at the closing, free of all claims, liens and rights of others except as and if specifically provided for in this Agreement. SELLER shall give BUYER a properly executed deed to the Property transferring good title to the BUYER. Title shall be subject to usual utility easements, if any, and other restrictions and easements of record, so long as they do not interfere with the use of the Property. BUYER agrees to be responsible for taxes, assessments, utilities, and other services provided to the Property after closing.

10. **Possession.** SELLER shall deliver physical possession to Buyer on the same day as the closing.

11. **Condition of Property.** BUYER acknowledges they have had sufficient opportunity to inspect the real property described above and agree they are not relying on any representations except as specifically set forth herein. The SELLER is selling the Property in its present “AS IS” condition and without any warranty of any kind or nature whatsoever, express or implied, as to the quality, habitability, kind or merchantability, or fitness for any particular purpose.

12. **Buyer Acknowledgement.** BUYER further acknowledges that no warranties or representations have been relied upon in any way by them or their agent(s) or representative(s) and that they have read and understand that there are no warranties, express or implied, in connection with the Property, and the SELLER shall have no liability or obligation whatsoever with respect to the Property or the condition thereof, or any occurrence directly or indirectly arising from, relating to or caused by any defect in the Property, or any part thereof, and hereby excludes all such damages. The BUYER expressly agrees that the waivers, limitations and exclusions provided in this section shall survive the closing and shall not be merged therein.

13. **Risk of Loss.** SELLER is responsible for damage to the Property until closing, except for normal wear and tear.

14. **Confidentiality.** By their signature below, each party agrees to keep in strict confidence all information regarding the terms and any information related to this Agreement, except to the extent BUYER must disclose information to lenders, equity partners, or an accountant to obtain necessary financing and/or tax advice. BUYER further agrees to keep all material and information provided to it confidential.

15. **Authority of Signers.** If BUYER or SELLER is a corporation, partnership, trust, estate, limited liability company, or other entity, the person executing this Agreement on its behalf warrants his or her authority to do so and to bind BUYER or SELLER.

16. **Default.** If BUYER defaults, SELLER may elect either to accept from BUYER the monies deposited for the payment of the Option and Automatic Option Extension, if any, as liquidated damages, or to sue BUYER to specifically enforce this Agreement or pursue other remedies available at law. If SELLER defaults, BUYER may elect either to accept from SELLER the monies deposited for the
payment of the Option and Automatic Option Extension, if any, as liquidated damages, or may sue SELLER to specifically enforce this Agreement or pursue other remedies available at law. If the non-defaulting party elects to accept liquidated damages, the defaulting party agrees to pay the liquidated damages upon demand. However, it is agreed that if BUYER is unable to obtain 100% financing, BUYER is not in default.

17. Notices. Any and all written notices or communications required or permitted under this Agreement or by law shall be in writing and delivered to the other party to be notified (i) in person, (ii) by first-class mail postage prepaid or (iii) over-night delivery at the last known address of the party to be notified (or any other address communicated in writing to all parties).

18. Governing Law. This Agreement shall be governed by the Laws of the State of Kansas without considering its laws or rules related to choice of laws.

19. Dispute Resolution. The parties agree that any dispute, arising prior to or after closing, related to this Agreement shall first be submitted to mediation in Wyandotte County, Kansas. If the parties agree to mediation, the dispute shall be submitted to mediation through a mediator mutually agreed upon by the parties. Each party agrees to bear its own costs of mediation. If mediation fails, the other procedures and remedies available under this Agreement shall apply.

20. Attorney Fees and Costs. In the event of litigation to enforce this Agreement, the prevailing party shall be entitled to costs and reasonable attorney fees. However, attorney fees shall not be awarded for participation in mediation under Section 19 herein.

21. Headings. The section headings contained in this Agreement are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

22. Further Assurances. If at any time after the Effective Date any further action is necessary or desirable to carry out the purposes of this Agreement, each party shall take such further action as the other party reasonably requests.

23. Fax Transmission and Counterparts. Facsimile (fax) transmission of a signed copy of this Agreement shall be the same as delivery of an original. This Agreement may be executed in counterparts.

24. Severability. If any term or provision of this Agreement or the performance thereof shall be invalid or unenforceable to any extent, such invalidity or unenforceability shall not affect or render invalid or unenforceable any other provision of this Agreement, and this Agreement shall be valid and enforceable to the fullest extent permitted by law.

25. Complete Agreement. This Agreement is the entire and only agreement between BUYER and SELLER. This Agreement replaces and cancels any previous agreements between BUYER and SELLER. This Agreement can be changed only by an agreement in writing signed by both BUYER and SELLER. SELLER also promises that the SELLER has not made any other agreements to sell the Property to anyone else.

26. Binding Agreement. This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns, even though assignment is not permitted under the terms of this Agreement without the consent of all parties hereto. The parties acknowledge they have read and agreed to the terms and conditions of this Agreement and they understand this will become legally binding upon their signing below.
IN WITNESS WHEREOF, said parties hereby execute this Agreement the date first above written.

SELLER:

VERMONT AVENUE HOLDINGS, LLC
a Kansas limited liability company

By: __________________________
Name: _______________________
Title: ________________________

BUYER:

ST. MARGARET’S LIHTC, LP,
a Kansas limited liability partnership

By: __________________________
   Steven D. Foutch, Managing Agent

Signature Page for Real Estate Purchase Agreement
## Project Cost List Total Development Cost and Indicate Adjusted Basis by Credit Type
### (Residential Portion Only)

<table>
<thead>
<tr>
<th>Itemized Cost</th>
<th>Development Cost</th>
<th>Approximately 4% Adjusted Basis</th>
<th>Approximately 9% Adjusted Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Purchase Land and Buildings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>100,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Existing Structures</td>
<td>400,000</td>
<td>400,000.00</td>
<td>N/A</td>
</tr>
<tr>
<td>Demolition - Interior</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For Site Work</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site Work</td>
<td>50,000</td>
<td>50,000.00</td>
<td>50,000.00</td>
</tr>
<tr>
<td>Off-Site Improvement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For Rehabilitation &amp; New Construction</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Building</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>9,112,000</td>
<td>9,112,000</td>
<td>9,112,000</td>
</tr>
<tr>
<td>Non-basis Rehab Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Requirements</td>
<td>629,520</td>
<td>629,520</td>
<td>629,520</td>
</tr>
<tr>
<td>Contractor Overhead</td>
<td>209,840</td>
<td>209,840</td>
<td>209,840</td>
</tr>
<tr>
<td>Contractor Profit</td>
<td>209,840</td>
<td>209,840</td>
<td>209,840</td>
</tr>
<tr>
<td>Performance &amp; Payment Bond</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For Contingency</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Contingency</td>
<td>1,330,000</td>
<td>1,330,000</td>
<td>1,330,000</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For Architectural &amp; Engineering Fees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>** For Architectural Fee- Design</td>
<td>225,000</td>
<td>225,000</td>
<td>225,000</td>
</tr>
<tr>
<td>** For Architectural Fee- Supervision</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>** Real Estate Attorney - GP</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>** Consultant of Processing Agent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>** Property/Survey Fee</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>** Engineering Fees</td>
<td>75,000</td>
<td>75,000</td>
<td>75,000</td>
</tr>
<tr>
<td>** Historic Preservation Applications Services</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>** Other Fees - Historic Tax Credits</td>
<td>35,000</td>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td><strong>For Interim Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Taxes &amp; Insurance</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Construction Interest</td>
<td>360,000</td>
<td>360,000</td>
<td>360,000</td>
</tr>
<tr>
<td>Construction Loan Origination Fee</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Construction Loan Credit Enhancement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For Financing Fees and Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Premium</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Credit Report</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Permanent Loan Origination Fee</td>
<td>30,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Permanent Loan Credit Enhancement</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Cost of Iss./Underwriters Discount</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>** Title and Recording</td>
<td>15,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>** Counsel's Fee - LP</td>
<td>25,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>** Cost Certification Fee</td>
<td>25,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>** Other</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>13,181,200</td>
<td>12,986,200</td>
<td>12,586,200</td>
</tr>
</tbody>
</table>
## Project Cost

List Total Development Cost and Indicate Adjusted Basis by Credit Type
(Residential Portion Only)

<table>
<thead>
<tr>
<th>Itemized Cost</th>
<th>Development Cost</th>
<th>Approximately 4% Adjusted Basis</th>
<th>Approximately 9% Adjusted Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For Soft Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Property Appraisal</strong></td>
<td>5,000</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Market Study</strong></td>
<td>5,000</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Environmental Report</strong></td>
<td>7,500</td>
<td>7,500</td>
<td>7,500</td>
</tr>
<tr>
<td><strong>Tax Credit Fees</strong></td>
<td>57,368</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>FF&amp;E</strong></td>
<td>40,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Consultants (1%)</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>For Syndication Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational (Partnership)</td>
<td>100,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Bridge Loan Fees and Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Opinion</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Other - KCIR issuance fee $103,000?</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>For Developer's Fees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developer's Overhead</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developer's Fees</td>
<td>0.1</td>
<td>1,318,120</td>
<td>1,318,120</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For Project Reserves</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent-Up Reserve</td>
<td>100,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Operating Reserve</td>
<td>225,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Replacement Reserve</td>
<td>-</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Real Estate Tax Reserve</td>
<td>100,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>1,957,988</td>
<td>1,335,620</td>
<td>1,335,620</td>
</tr>
<tr>
<td><strong>SUBTOTAL FROM PREVIOUS PAGE</strong></td>
<td>13,181,200</td>
<td>12,986,200</td>
<td>12,586,200</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>15,139,188</td>
<td>14,321,820</td>
<td>13,921,820</td>
</tr>
</tbody>
</table>

Less portion of federal grant used to finance qualifying development costs.

List Grants

- Less Amount of non-qualified non-recourse financing
- Less non-qualifying units of higher quality
- Less non-qualifying excess portion of higher units
- Less Historic Tax Credit (Residential Portion Only)
  - Total Eligible Basis 400,000
  - Multiplied by the Applicable Fraction 0.53
  - Total Qualified Basis 7,434,431
  - Multiplied by the Applicable Percentage 3.19%

**TOTAL AMOUNT OF TAX CREDIT REQUESTED** 669,099
Bridgette,

Can you put "Discussion of resolution of support for Section 42 applications" on a future ED/F standing committee agenda?

The concept of "gold, silver or bronze" levels of support was discussed and then included in an ordinance we passed in full commission. At our last meeting, Mark Holland (rightfully) pointed out that there are no objective criteria at this time for assigning those levels of support. We either need to strike them or define them.

Thanks,
Brian

Dr. Brian McKiernan
Commissioner, District 2
Unified Government of Wyandotte County
Kansas City, Kansas
701 N 7th Street, Suite 979
Kansas City, KS 66101

Blog: bmckiernan-ug2.blogspot.com

913-573-5040
bmckiernan@wycokck.org
www.wycokck.org
Economic Development

Goal: Foster an environment in which small and large businesses thrive, jobs are created, redevelopment continues, tourism continues to grow and businesses locate in the community.

I. Short Term
   A. Identify redevelopment strategy for Fairfax.
   B. Develop a strategy to attract “white collar” and technology/google related business opportunities in Wyandotte County.
   C. Market new NRA policy regarding the focus on small businesses and all available tools
   D. Create a website presence that outlines all available incentives for small and large businesses and retail, commercial, industrial and residential developments.
   E. Evaluate revolving loan fund policies to promote more use.

II. Long Term
   A. Develop a commercial component for the land bank to foster business development in addition to housing development
   B. Re-evaluate the role of local/minority/women business and prevailing wage regarding smaller projects to determine whether such a requirement affects their ability to succeed
   C. Define the Unified Government’s role in a business incubator, focusing on financial incentives, business support, partnerships with educational institutions, and funding
   D. Create an economic development policy that has long-term/sustainable components that extend beyond abatement periods