

**ECONOMIC DEVELOPMENT AND FINANCE
STANDING COMMITTEE MINUTES**

Monday, April 4, 2016

The meeting of the Economic Development and Finance Standing Committee was held on Monday, April 4, 2016, at 5:30 p.m., in the 5th Floor Conference Room of the Municipal Office Building. The following members were present: Commissioner Walker, Co-Chairman; Commissioners, Townsend, Murguia, and BPU Board Member Norman Scott. Commissioners, McKiernan and Walters were absent. The following officials were also in attendance: Gordon Criswell, Assistant County Administrator; Joe Connor, Assistant County Administrator; Misty Brown, Senior Attorney; Patrick Waters, Senior Attorney; Emerick Cross, Commission Liaison; Kathy VonAchen, Chief Financial Officer; George Brajkovic, Economic Development Director; Marlon Goff, Urban Development Manager; and Charles Brockman, Management Analyst.

Co-Chairman Walker called the meeting to order. Roll call was taken and members were present as shown above.

Co-Chairman Walker said we do have a revision to tonight's agenda. Commissioners should have received a blue sheet sometime during the last week indicating the addition of a memorandum of understanding with Bonner Springs relating to capital improvements at Providence Medical Center Amphitheatre. That item will be heard as Item No. 6.

Approval of standing committee minutes from February 1, 2016. **On motion of Commissioner Murguia, seconded by Commissioner Townsend, the minutes were approved.** Motion carried unanimously.

Committee Agenda:

Item No. 1 – 16499...RESOLUTION: SETTING A PUBLIC HEARING TO CONSIDER A NEW SSMID

Synopsis: A resolution setting a public hearing for May 26, 2016, to consider the establishment of a Self-Supported Municipal Improvement District (SSMID), submitted by Patrick Waters, Senior Attorney.

Patrick Waters, Senior Attorney, said the resolution before you tonight is the first step in a process to consider reauthorization of the Downtown SSMID. State law allows for two ways that the district can be initiated, either through a signature drive or by the Commission and this is the second round. The current SSMID term expires at the end of 2016 and so reauthorization is required before the end of the year for the SSMID district to continue.

SSMID Timeline

April 4 – ED&F mtg for Resolution considering adoption of SSMID

April 14 – Full Commission votes on Resolution considering adoption of SSMID

(April 28 – first Echo publication)

(May 5 – second Echo publication)

May 9 – Planning Commission holds hearing to consider if SSMID is consistent with the comprehensive plan

(May 12 – third Echo publication)

(May 11 – deadline to provide copy of resolution to property owners)

May 26 – Full Commission holds public hearing on SSMID, votes on adoption.

June 30 – If passed, Full Commission adopts official ordinance authorizing SSMID.

On the screen you see the process set forth by state law. There are quite a few steps involved but essentially, first to adopt a resolution stating that you're considering adopting it, then the

April 4, 2016

Planning Commission has to find that it's consistent with the master plan. The full Commission holds a public hearing and then finally a month after that, the actual ordinance would be adopted if approved. What we're asking tonight is simply that the standing committee recommend approval of the resolution which would set forth the public hearing on May 26th. On that date, we would go into more depth about the actual details of the SSMID.

Commissioner Murguia asked are the businesses more than 50% of the businesses still in support of the SSMID. **Mr. Waters** asked could I invite the Director of the Downtown Shareholders and the Chairman of the SSMID. I think they can answer that.

Len Kaluva said I own a business at 833 Minnesota Ave. I'm also the Chairman of the Advisory Board for the current Self-Supported Municipal Improvement District. Regarding the Commissioner's question, what we have done is survey 150 businesses within the area covered by the district. Of those 150, 62 respondents met with our surveyor. Of them, 79% of the respondents favored renewal of the Self-Supported Municipal Improvement District, 5% were not supporting it and 16% were undecided. They were not all the property owners; many of them were the tenants but they're the people that we surveyed with. They were the ones who were in a position to determine the effectiveness of the district.

Commissioner Murguia said I thought the historical piece of this was that there was always more than 50% of the business property owners that were paying the sales tax that were in support of this. That doesn't sound like it's the case anymore. **Mr. Kaluva** said well, of the 62 respondents, I think 37% of them were the property owners. We have not yet contacted the property owners. Now, within the timeline, of course, official notices will be sent to all of the property owners announcing the hearing. We also intend about a week or two ahead of that to send a letter from the Advisory Board making them aware of the hearing and offering to meet with them if they wish to discuss it. We have not surveyed all several hundred property owners themselves. We have surveyed 150 of the business owners which 37% of which are also property owners.

Co-Chairman Walker asked won't this be dealt with at the public hearing. I mean, before the public hearing, at some point you'll have to present evidence that you have 50% support. **Mr. Kaluva** said okay. **Co-Chairman Walker** said I mean whether you have it now or not is—I've not gotten any phone calls complaining on the SSMID so I would assume if there were complaints, they would have trickled up to Commissioners maybe. I guess my question is I don't think we need to get down into this today. Let's just consider whether we want to have a public hearing or not and move forward.

Action: **Commissioner Murguia made a motion, seconded by Commissioner Townsend, to approve setting the public hearing.** Roll call was taken and there were four "Ayes," Scott, Murguia, Townsend, Walker.

Co-Chairman Walker said thank you gentleman and I hope you have your 50%. It sounds like you have a significant number. **Mr. Kaluva** said we do. I don't want to take everybody's time but 8 years ago when we went through the process, we had the petition drive, town hall meeting and so forth. It was very labor intensive and time consuming, but we will do what it takes. **Co-Chairman Walker** said thank you very much, Mr. Kaluva. **Chuck Schlitter, Director of Downtown Shareholders**, said thank you, Commissioner.

Item No. 2 – 16500...PRESENTATION & DISCUSSION: PROPOSED PROJECT & DEVELOPMENT AGREEMENT

Synopsis: A resolution setting a public hearing for May 26, 2016, to consider adoption of the Redevelopment Project Plan in the Rainbow Village Redevelopment District (NW corner of 34th St. and Rainbow Blvd.), submitted by Marlon Goff, Management Analyst, Economic Development. Lane 4 Property Group is proposing the construction of an 89-bed hotel and certain site improvements. On December 17, 2015, the commission unanimously approved Ordinance No. O-72-15 establishing said redevelopment district.

Marlon Goff, Management Analyst, Economic Development, said I'm going to start with brief introductions: Hunter Harris and Korb Maxwell representing the development entity for this project, Rainbow Legacy Investors. Tonight we're back before you again.

Project Calendar		
Date	Committee	Action
11/9/15	ED&F Standing Committee	Presentation and discussion of district plan proposal
11/12/15	Full Commission	Resolution setting a public hearing on 12/17/15
12/17/15	Full commission	1. Public Hearing 2. O-72-15 Established redevelopment district.
4/4/16	ED&F Standing Committee	Presentation of TIF project plan and development agreement terms
4/11/16	Planning Commission	TIF Plan and land use conformance
4/14/16	Full Commission	Resolution setting public hearings on 5/26/16 ➤ TIF Project Plan, CID Petition
5/26/16	Full Commission	Conduct Public Hearing ➤ TIF Project Plan, D.A., ➤ Ordinances (CID, TGT)

This calendar represents the timeline of milestones we've been tracking for this project. We were last before the Commission in December when we adopted the ordinance to establish the Rainbow Village TIF District.

Agenda Items	
<ul style="list-style-type: none"> • Presentation of the TIF Project Plan and terms outlining development agreement. • Committee Discussion • Resolution → public hearing on <u>May 26, 2016</u>. 	

Tonight, we're prepared to present the business case and the terms of the development agreement that represents the work we've been at over the last couple of months. The request is for a resolution to set a public hearing for the TIF project plan.

April 4, 2016

Project Overview

Ordinance O-72-15 - Adopted 12/17/15 established redevelopment district.

Project Scope:

Developer: Rainbow Legacy Investors, LLC
 Location: 34th & Rainbow Blvd (2 acre site)

- ✦ 89 - Room Hotel Project
 - Site demolition and clearance of existing center.
 - Applebee's restaurant will remain in place and be adjacent to new hotel.
- ✦ \$15.7 M total project costs
- ✦ Jobs Summary:
 - (35) Construction phase
 - (25) Permanent positions (hotel)
 - (30) Retained (Restaurant)

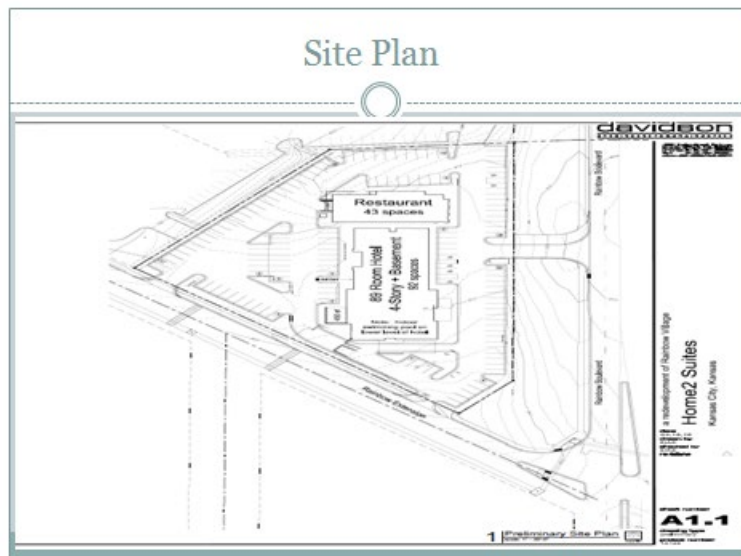
A quick summary overview on this project, it's an 89 room extended stay hotel project. The scope also includes site demolition and clearance. The existing Applebee's Restaurant is intended to remain in place and be a part of this new project area. Total investment just under \$16M. You can see the job summary represented there on the screen as well.



A quick satellite orientation of where this project site is located. We'll see where 7th Street Trafficway transitions into Rainbow as it crosses the intersection at Southwest Boulevard. It's

April 4, 2016

about a two acre parcel. Most of those improvements at this site were constructed circa 1987, so about 30 years old.



This preliminary site drawing represents the civil engineering design. Again, we're going to be presenting before the—this project will be in consideration for the Planning Commission next week on April 11th.

Sources & Uses			
Sources		Uses	
Equity	\$2,498,551	Land Acquisition	\$2,832,500
Debt	\$9,994,204	Infrastructure	\$600,000
Incentives	\$3,237,194	Vertical Construction	\$8,994,500
TIF	\$1,430,044	Soft Costs	\$2,737,781
CID	\$413,085	Contingency	\$616,168
TGT	\$1,394,085		
Total Sources	\$15,729,949	Total Uses	\$15,729,949

Public incentives = 20% of capital sources
Private equity & debt = 80% of capital sources

These next series of slides will represent the business case that outlines the TIF project plan. When we see our sources and uses capital, roughly \$3.2M is the incentive package.

Summary of Public Incentives	
Incentive Tool	Revenue Pledged
Property Tax Increment (TIF)	\$2M cap – Eligible Costs
Transient Guest Tax (TGT)	TGT revenue (88.5%)
Community Improvement District (CID)	CID Tax Rate 1.25%

Key Terms:

- No pledge of city/county sales tax
- \$2M cap established for TIF eligible hard project costs.
- Revenue model forecasts \$2M cap threshold in year 10
- Percentage pledge of transient guest tax revenue
- Financing structured as Pay-As-Go or Spec. Obligation Bonds.
- Use of IRB sales tax exemption for construction materials.
- LMW participation goals

It's a mixture of TIF increment on the property tax side that calls for the creation of a community improvement district sales tax and then a pledge of the transient guest tax revenues. In total of the \$15.7M, we have roughly 20% representing the public incentives with 80% carrying the private equity and debt.

To further summarize what's called out for in the TIF plan, with respect to the TIF statute, it allows for 20 years to recapture the incremental property tax revenues on the project, but for this particular proposal, we're capping those property tax increments at \$2M for eligible hard project costs. We zeroed in on the underlying challenge with this urban redevelopment project when the developer has to pay a cost premium for the ground just to demo and improve the site. The TIF tool is a great product to have available but certainly the way we're projecting the revenues, it is conceivable that we'll achieve that threshold before the 20 year term. In fact, our model forecast that cap to be realized as early as year 10.

There's also no pledge of the city and county sales tax revenue for this project. The taxing entities will retain those existing and new project revenues that will be made available. The project that's proposed is either structured as pay-as-you-go or make use of special obligation bond financing and then the IRB sales tax exemption will allow some specific savings on materials.

Base Values - Taxing Jurisdictions

Base property tax revenue retained by taxing entities:

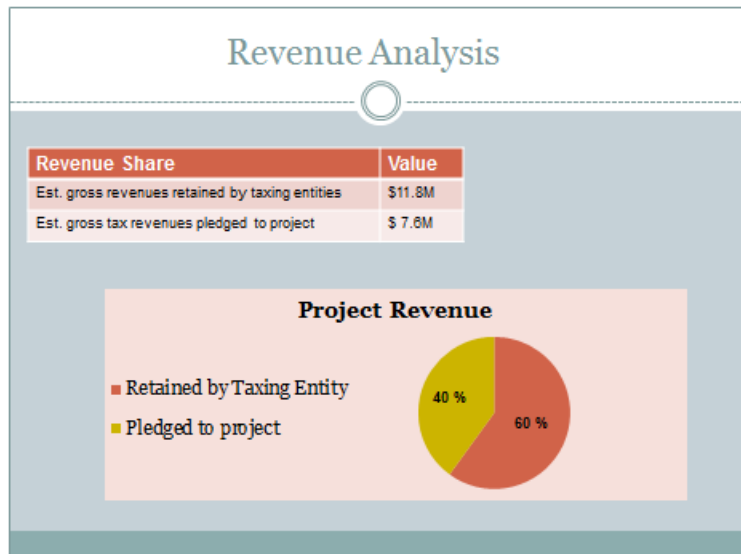
Parcel ID	Base Assessed Value	2015 Tax Revenue	Property Tax Revenue Years (1-10)
220204	\$490,725	\$84,315	\$843,150*

Sales tax revenue generated for city & county:

Parcel ID	2015 Sales Tax Revenue	Sales Tax Revenue Project Years (1-10)
220204	\$52,500	\$1,090,182

**Excludes (20) mills for public school district and (1.5) mills for state of Kansas*

If we look at present day, these charts represent the existing base values and revenue generated from the site. We see in the last column what's projected for the first ten years of the project. This will represent obviously the base values just carried forward over the ten year period. In the second column, we show the sales tax revenues that are being retained by the taxing entities and what those figures represent.



Finally, this a summary of the revenue that will be generated from the project. Again, if we break down this percentage of share between the taxing entities and what we're making available for the project, it represents 60% retention for the taxing entities with 40% of those new revenues available to help finance the project.

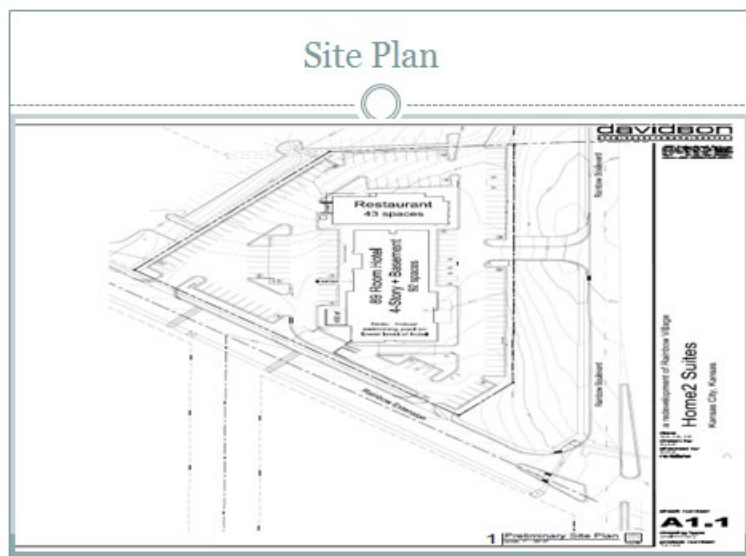
Korb Maxwell, Polsinelli Firm, said I'm appearing today on behalf of Rainbow Legacy Investors, the owner of the current blighted shopping center and the proposed redeveloper of that shopping center to the new Applebee's and Extended Stay Hotel Home2 Suites that we are discussing for this site. As Marlon did a good job of recommending, and believe this committee remembers, we were in front of you approximately 3-4 months ago discussing this project and the creation of a TIF district. We were successful in getting that TIF district created before the year turned over.

We did get comments from the County Administrator and multiple members of this committee to peel back and work to sharpen our pencil. Since that time, we basically have been doing that and working, I think, in a very good faith effort with the staff on coming up with what do we think could be a win-win for both the developer where we still have the ability to get this project financed and the county and city and all the rest of the taxing jurisdictions in creating a model that allows revenues to continue to flow to the county today and through the life of this 20-year project. I believe that's what you've seen in the presentation that Marlon put together and the comments that he made.

What we are showing is over 60% of the revenues that will be generated from this project will be maintained by the Unified Government. Only 40% of those revenues will flow to the developer. That 40% is necessary because we have gone out, bought a productive asset, as unsightly as it may be, and are going to tear down that asset to create something new and better that better represents the Rainbow Corridor and the potential of that corridor. Obviously, everyone in our firm and Lane4 is incredibly proud of the transformation of the Rainbow Corridor and continue to be sort of all in on Rainbow spending a large amount of our time working to improve that area along with partners at KU Med, KU Hospital and the Unified Government.

Hunter Harris, Partner with Lane4 Property Group, said I've been working on this project and the others on the Rainbow Corridor for a number of years now. I'd like to thank staff and the commissioners for their comments in the finding and the creation of the TIF district, for working with us over the past several months to work on what we view as really a win/win solution for all involved in getting a project built and financed in the underwritten properly but also creating value from day one in additional benefit to the Unified Government. These are the additional tax dollars that will be created by this project.

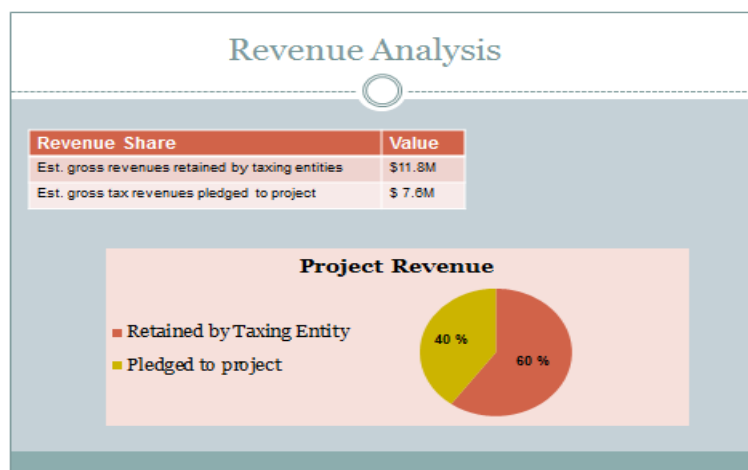
At present time, we are under review for our franchise application for the Home2 Suites product by Hilton. We think that's a very important step in the process. We presently own the property. Under the current timeline, all of this should hopefully be done by May 26th. We would like to be under construction, breaking ground on the project by late summer of this year with an estimated completion 10 to 12 months after.



Commissioner Townsend said could I see the schematic that showed the triangle and the property in there just so I can visualize that again. Did that include the Applebee's? That will remain functioning? **Mr. Harris** said correct. They have a lease on that. They have a lease for a period of time with that store. They do well there. They are very happy with the location and we're very happy that they are happy with the location. They're a good asset for the community in that neighborhood. The plan is to effectively stage them off from a portion of the construction

and keep them open and operational during construction of this. We'll rebuild a party wall where it presently stands today. We'll do some additional improvements to the exterior of the Applebee's and we're encouraging them to reinvest in that store as well on the interior and have it in keeping with the new project when we come online. We'll tear off the balance of the shopping center which either is vacant or short-term leases including the fuel station that's there today to create the new four-story Extended Stay Hotel product which we view as a compliment to the limited service hotel that we developed up the hill at 39th & Rainbow which is the Holiday Inn Express. This will be a different experience for their customer. While the Holiday Inn Express is focused on the short-termed stays; this will be for longer termed stays. We think it's very important to have both in this community as opposed to opposite the state line. **Commissioner Townsend** said thank you.

The other question I had as I heard counselor talking about sharpening the pencil since, I guess, December, the last time you were here. Right now it's a 60/40 split, with the city at 60. Do you recall what the split was in December? How sharp did the pencil get? I'm just asking out of curiosity. Sounds like a good plan. **Mr. Maxwell** said it's an interesting question. We didn't actually calculate it that way. I would think probably, Commissioner, that it was something in our earliest proposals of 85/15, something like that. We've made a substantial move in the public's direct—sorry, the other direction. It was 50/50 or 40/60, the developer's way. It's moved substantially the government's way. **Commissioner Townsend** said and Rainbow does look good. Remember, I would invite you to make five come alive or make seven heaven too. Thank you.



April 4, 2016

Co-Chairman Walker asked, Mr. Goff, could you move that to where it shows the tax increments. **Mr. Goff** asked is this the one? **Co-Chairman Walker** said there. This projected revenue is based on when the hotel is built? What is the assessed value projected to be? **Mr. Maxwell** said assessed value, Commissioner, would jump to approximately \$1.8M or appraised value of approximately \$7.5M. **Mr. Goff** said, Commissioner, keep in mind—**Co-Chairman Walker** said you know where I'm going with this. I have always—what the Legends Shopping Center taught me is we get a number up front that this is worth \$1.8 assessed value and then when the time comes to start paying taxes, the \$1.8M or the \$7.5M that it's based on becomes too high, there's a protest, there's an attempt to lower the taxes.

Now you structured this so that we have a \$2M cap. How fast we reach that \$2M and getting full taxes depends ultimately on what the assessed value is. Is the ownership saying here tonight that if it's \$1.8M, they're not going to protest those taxes or in the general ballpark of that number? **Mr. Maxwell** said, Commissioner, I think I understand the directive of the question. As Marlon knows, as George knows, we have spent time with the county appraiser to try to hone in on what they will set the appraised value at. That is a very difficult discussion as the county appraiser cannot give guidance. They believe they are ethically bound that they're not allowed to give that guidance. That is different than other counties across the state of Kansas and the state of Missouri but so be it.

From their guidance we made an appraised assessed value calculation the best we could off of that information. We have then structured an incentive structure that those property taxes are generally going back to the developer, thus it wouldn't benefit us in any form or fashion to go and protest those taxes. It would only actually be affecting our returns and how we are set up. Structurally, we are sort of setting this up to not have a protest of those. Legally, we cannot bind ourselves to not protest the taxes based on the fact that it would then blow our tax-exempt tax structure and other things that we've put together. To your specific question, do we believe that is generally the right value for the property in looking at all of that and do our pro formas on the private side contemplate paying that level of taxes, yes, Commissioner. **Co-Chairman Walker** said that's all I wanted to hear.

Mr. Harris said I find it interesting. I was not aware of that issue with the Legends. We can have a discussion offline but actually what we found recently is that the information can sometimes turn out to be pretty close or a little bit higher. **Co-Chairman Walker** said well, I can give you dozens of examples of specific businesses that—let me give you an example. If I build my house and my house is a \$250,000 house to build. At least that first year, the appraisers are going to appraise it at \$250,000 as assessed value for taxes; it will be based on. You would think that if you build a business for \$120M, and that was the actual cost of construction, that would be the basis for the assessed value but lo and behold, they took the position that it was only worth \$22M. In this particular case, the business, the ownership group behind it doesn't seem like a very smart business move to build something with that amount of money and then have it end up only being worth a sixth of what you've paid for it.

I could give you dozens of examples where we were told certain things up front but when it got down to actually paying, it didn't work out quite as well for some reason or another, location restrictions, easements, whatever it might be was the theory. I just want to make that point because I think you have made great movements since this issue was brought up. It looks like a reasonably good project. My only concern now aside from is it going to be worth what you say it is, is what is the long-term synergy or potential synergy this will have with Southwest Boulevard. That major corner needs to be redeveloped substantially. I don't have an answer to that question and I doubt you're prepared to either.

Mr. Harris said well, I certainly agree with your comments and I can assure you that we're working on the same. We obviously have a vested interest in the area and we plan to continue our redevelopment efforts in and around this area. It's been encouraging and refreshing to work with the folks from BNIM and their team who are presently working on the Rosedale Master Plan update and the community meetings that we've had. They've been to our office twice and they're planning to come back in next week. We're constantly challenging each other on ideas and how we can continue to build on what is presently happening there, but I really appreciate your comments.

Co-Chairman Walker said you can certainly see when you're at that intersection looking east, west, north, I guess not so much north because you've got the bridge, but south for sure going

back up, there is great potential at that intersection. It's location to the interstate, it's location to Kansas City, MO, and their—I don't know if that's really an entertainment district down further but Boulevard Beer and then back up on 39th it just seems like there could be—and I just hope that this project is able to be tied in with that in a way that doesn't delay. I mean, I don't know enough about it to know but that was only a thought.

Mr. Maxwell said, Commissioner, we think it all actually—well, we love the property there. Everything starts, begins and ends with KU Med and KU Hospital with the activity of the hundreds of millions of dollars of investment that are flowing through there every year and the capital investment that only continues and that is what makes us so bullish on this whole corridor and continuing to want to invest and find projects. With the great partnership with the Unified Government, we continue to be able to move those forward and move those faster than Kansas City, MO can move those forward and continue to be able continue to capitalize and bring economic activity across the state line here into the Unified Government.

Co-Chairman Walker said well, I want to thank both of you and staff that has worked on this for the progress that's been made, certainly it's got to go eventually in front of the full commission. Some of those commissioners, I'm not sure how familiar they are with it, but I'm much happier with this proposal than the initial ones. Thank you for your efforts.

Action: **Commissioner Murguia made a motion, seconded by Commissioner Townsend, to approve.**

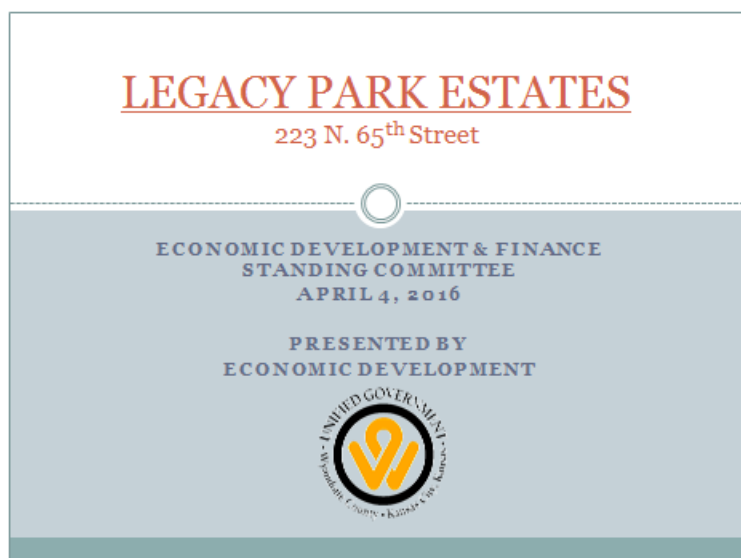
Co-Chairman Walker asked what are we approving. **Mr. Goff** said yes, we do have a resolution we're looking to advance. That will actually appear on the full commission agenda on the 14th to schedule a public hearing on May 26th. **Commissioner Murguia** said they're asking us to recommend approval for—**Co-Chairman Walker** said there's no resolution on here tonight. **Mr. Goff** said yes, resolution—my item I have. **Commissioner Murguia** said that's what I asked earlier that—I was asking Joe about. It doesn't say that like it normally does. **Co-Chairman Walker** said okay. **Commissioner Townsend** said well mine says, it says resolution—**Co-Chairman Walker** said well, legally—**Commissioner Murguia** said it's not on

the item number line. **Mr. Harris** said it's on my copy. **Co-Chairman Walker** said I don't mind approving the resolution. I'm obviously in favor of what I'm saying but with it not being on this agenda, is there a problem? **Patrick Waters, Senior Attorney**, said my packet has it. I'd have to see the official packet from the Clerk's Office. **Co-Chairman Walker** asked does my packet have it. Did I miss it. **Joe Connor, Assistant County Administrator**, said a resolution setting a public hearing for May 26th. **Mr. Goff** said yes, under the synopsis for Item No. 2. **Co-Chairman Walker** said the synopsis does not have it. **Commissioner Townsend** said yes, it does. **Co-Chairman Walker** said you do have it on the staff request. Alright, I'm sorry. It does appear in the actual request for action, there is a resolution. Alright, we have a resolution to approve. Is there a motion?

Roll call was taken and there were four "Ayes" Scott, Murguia, Townsend, Walker.

Item No. 3 – 16502...RESOLUTION: LEGACY PARK ESTATES-LOW INCOME HOUSING TAX CREDIT (LIHTC) PROJECT


Synopsis: A resolution of support for the use of Section 42 tax credits by Neighborhood Housing Services Oklahoma City, Inc., for the Legacy Park Estates development, located at 223 N. 65th Street, comprising of 30 new single-family homes with a lease-purchase option, submitted by Charles Brockman, Management Analyst, Economic Development.



April 4, 2016

Charles Brockman, Management Analyst, Economic Development, said tonight staff wants to introduce a new project, a LIHTC, at 223 N. 65th St. To the left of me is the Belmont Development Group and they can introduce themselves. **Greg Rodewald, Belmont Development and Lainey Schubert, Belmont Development**, introduced themselves.


What we are here for tonight



- Introduce a new workforce LIHTC affordable housing project consisting of 30 new single family homes with a lease-purchase for KCK working families
- A presentation from Belmont Development, LLC
- Advance the Resolution of Support to the full commission public hearing date of April 14, 2016 for approval

Mr. Brockman said tonight, we want to do three things. Like I said, we want to introduce you to a new 30 single-family development. We have an opportunity for a presentation by Belmont Development and then to advance a resolution of support to the April 14th full commission meeting for approval.

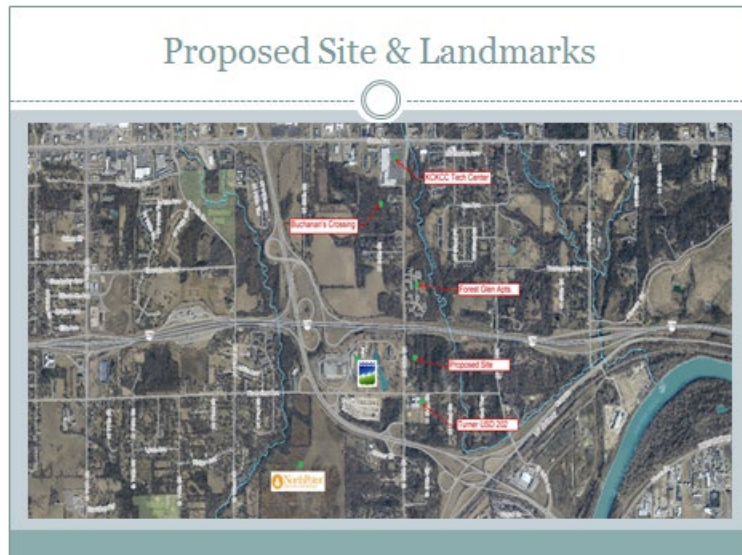
Time Line



- February 10, 2016 – Pre-application meeting with the Developer
- February 23, 2016 – UG Application submitted
- March 10, 2016 – Fairview Baptist Church community meeting
- March 18, 2016 – Project review binders submitted
- March 22, 2016 – Local Review Criteria scored 86 pts

April 4, 2016

This is the timeline. It takes several steps to get to the standing committee and the most important, the last one, achieve a score of 80 points. In this case, 86 was achieved.



Just to get a perspective where the project is, in the middle of the screen is I-70 & 65th Street. There are a couple of items on here that I want to discuss. Just to the south of I-70 and to the east is the proposed site. To the left you see a landmark of BPU. Down to the southwest we have our Turner Commerce area. If you go up north you'll see 65th & State, the Kansas City Kansas Community College Tech Center.

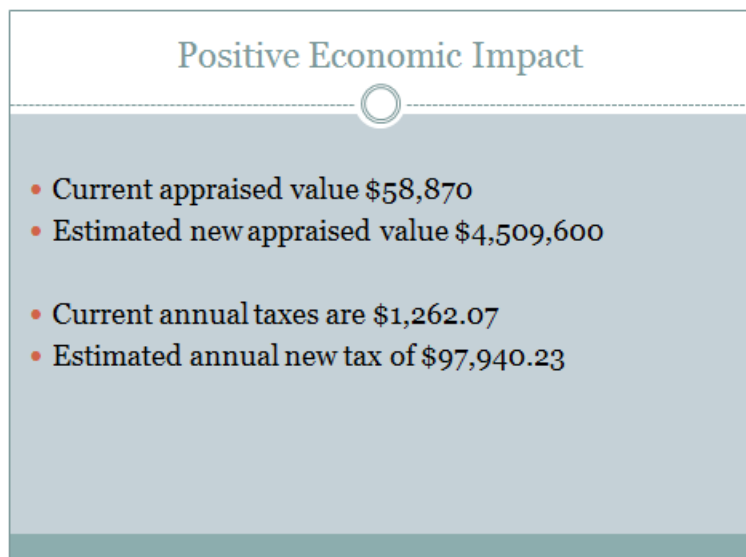


What I want to do also is show the perspective of the other properties in the area. We have Forest Glen Apartments, a 160 unit, and then we have Buchanan's Crossing to the north of that on the left, which are 12 duplexes. That gives you a perspective and I apologize, Turner USD 202. We also reached out, staff did, to the district to tell them about the project. This is an up-close of the property. There is Turner USD 202, the Board of Public Utilities, the water department and then the proposed site.

Proposed Development

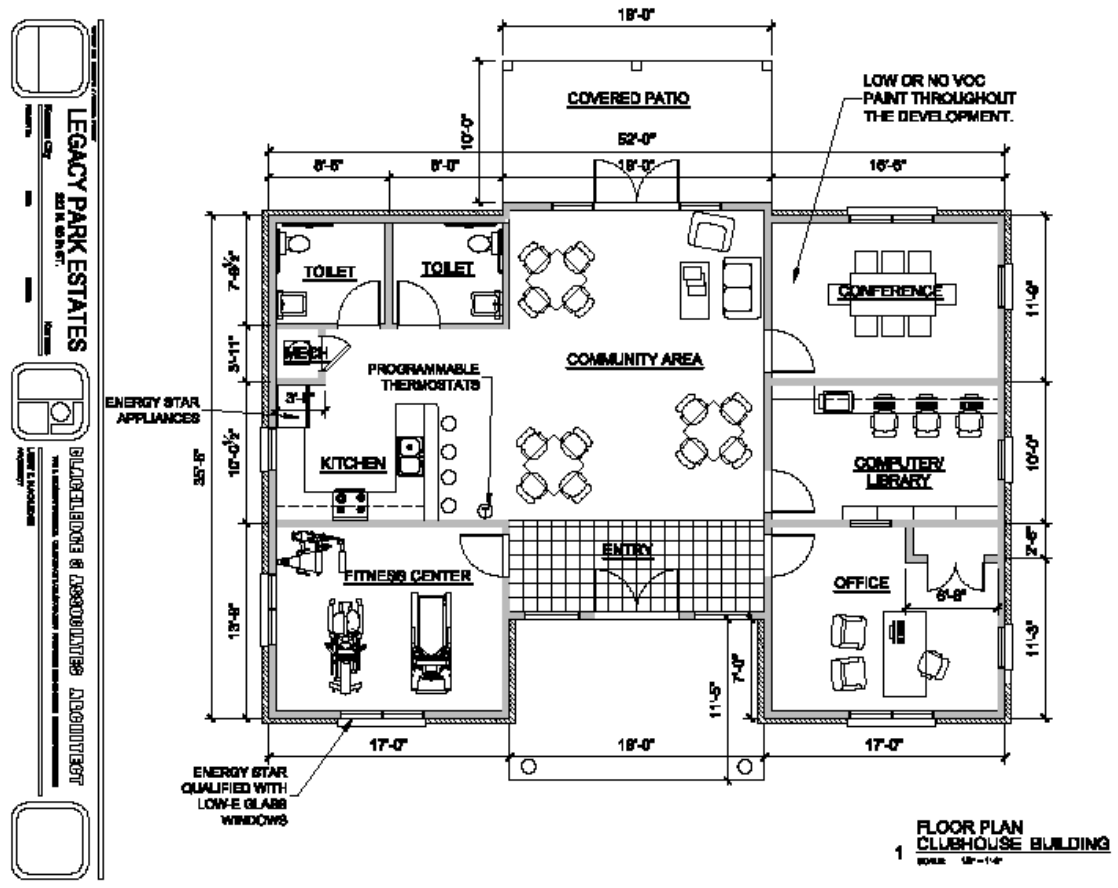
- Located on 12.5 m/l acres of land at 65th & Riverview
- 30 new construction single family homes
- All 3-bedroom, 2-bath and 2-car garages
- Total project cost of \$8.2 million
- Project completion in 1 year

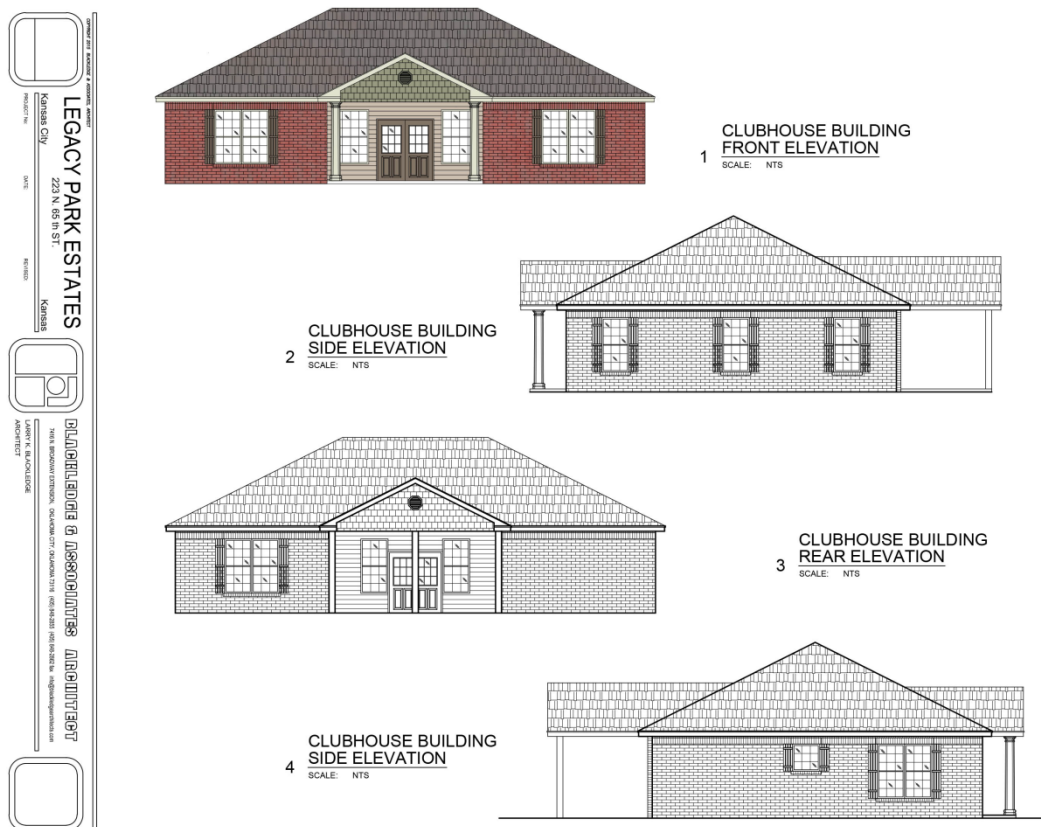
This site is on more or less 12.5 acres of land, you know it has 30 single-family homes, all three bedrooms, two baths and two car garages. The total construction cost is estimated to be roughly \$8.2M. Once approved, it has a one year construction completion date.



We always want to look at the economic impacts when we come before the Commission. Looking at this presently, the appraised value is \$58,870. With the 30 new homes, it estimated at \$4.5M. The current annual taxes right now on that property are \$1,262. It's estimated over \$97,000 in new taxes for the area.

Greg Rodewald, Belmont Development, said I'll just sort of walk you through. I guess ordinarily we like to save the questions and answers for the end, but if your memory is as bad as mine, if I waited until the end, I would forget what I wanted to ask you. If you have any questions as we go through, feel free to go ahead and ask and I'll do my best to answer.





Charles is basically turning over a couple of poster boards that we have over there and I'll just run you through those real quick. The board on the right, the one in color, the very top left-hand is our 2,500 square foot community building or as we call it, a clubhouse. Within there is office space, conference room, fitness center, library, multi-station computer lab for kids and stuff that would need access to internet, Wi-Fi, computers, etc. for after school tutoring etc. The other five colors we have—this is a 30-unit single-family subdivision.

April 4, 2016



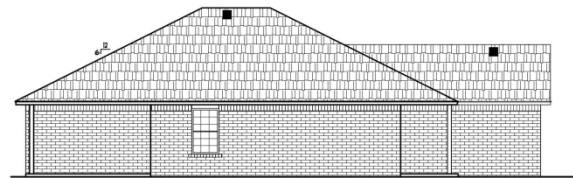
1 FLOOR PLAN - 2
FRONT ELEVATION
SCALE: NTS



2 FLOOR PLAN - 2
SIDE ELEVATION
SCALE: NTS



3 FLOOR PLAN - 2
REAR ELEVATION
SCALE: NTS



4 FLOOR PLAN - 2
SIDE ELEVATION
SCALE: NTS

LEGACY PARK ESTATES

223 N. 15th ST.

KANSAS CITY

2015

REVISED

KANSAS CITY

BLANCHARD & ASSOCIATES ARCHITECTS

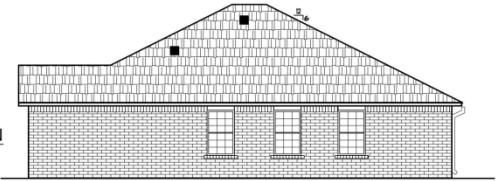
1000 BROADWAY, SUITE 1000, KANSAS CITY, MISSOURI 64105

ARCHITECT

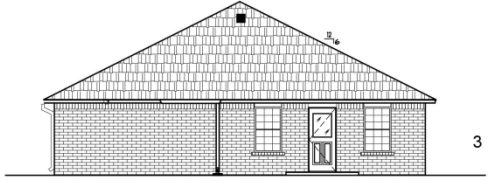
JAMES K. BLANCHARD



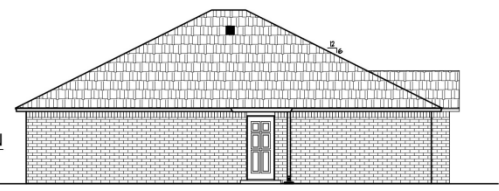
1
FLOOR PLAN - 3
FRONT ELEVATION
SCALE: NTS




2
FLOOR PLAN - 3
SIDE ELEVATION
SCALE: NTS




3
FLOOR PLAN - 3
REAR ELEVATION
SCALE: NTS



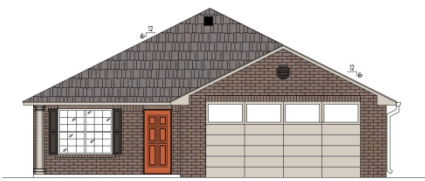
4
FLOOR PLAN - 3
SIDE ELEVATION
SCALE: NTS



LEGACY PARK ESTATES
KANSAS CITY
223 N. 63rd ST.
KANSAS
64111

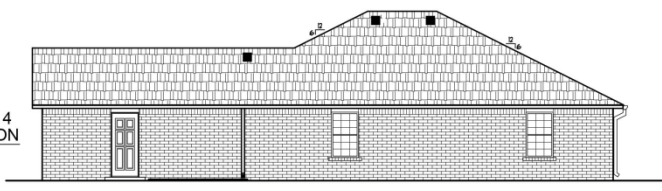


CLARKE & ASSOCIATES ARCHITECT
1100 W. BROADWAY, SUITE 100, KANSAS CITY, MO 64108
KANSAS CITY, MO 64108
ARCHITECT

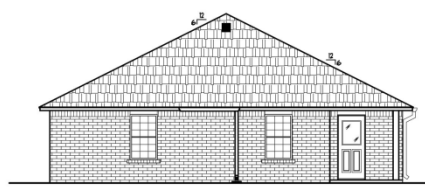


1 FLOOR PLAN - 4
FRONT ELEVATION
SCALE: NTS

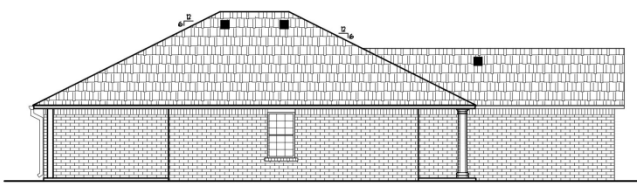
2 FLOOR PLAN - 4
SIDE ELEVATION
SCALE: NTS



3 FLOOR PLAN - 4
REAR ELEVATION
SCALE: NTS



4 FLOOR PLAN - 4
SIDE ELEVATION
SCALE: NTS



LEGACY PARK ESTATES

223 N. 55th ST.

KANSAS CITY, MO 64116

LEGACY PARK ESTATES

QUILLEY & ASSOCIATES, INC.

10000 N. 100th ST., SUITE 100, OVERLAND PARK, MO 66210

TEL: 913.241.1111 FAX: 913.241.1112

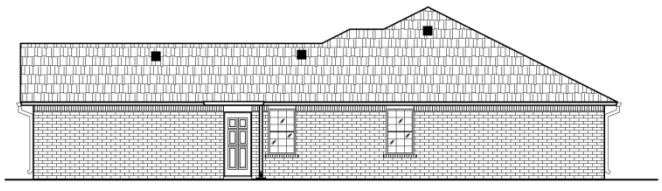
WWW.QUILLEYANDASSOCIATES.COM

LARRY N. BACKLUND

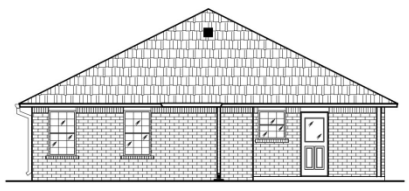
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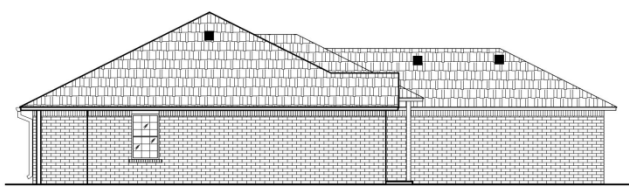
1 FLOOR PLAN - 5
FRONT ELEVATION
SCALE: NTS



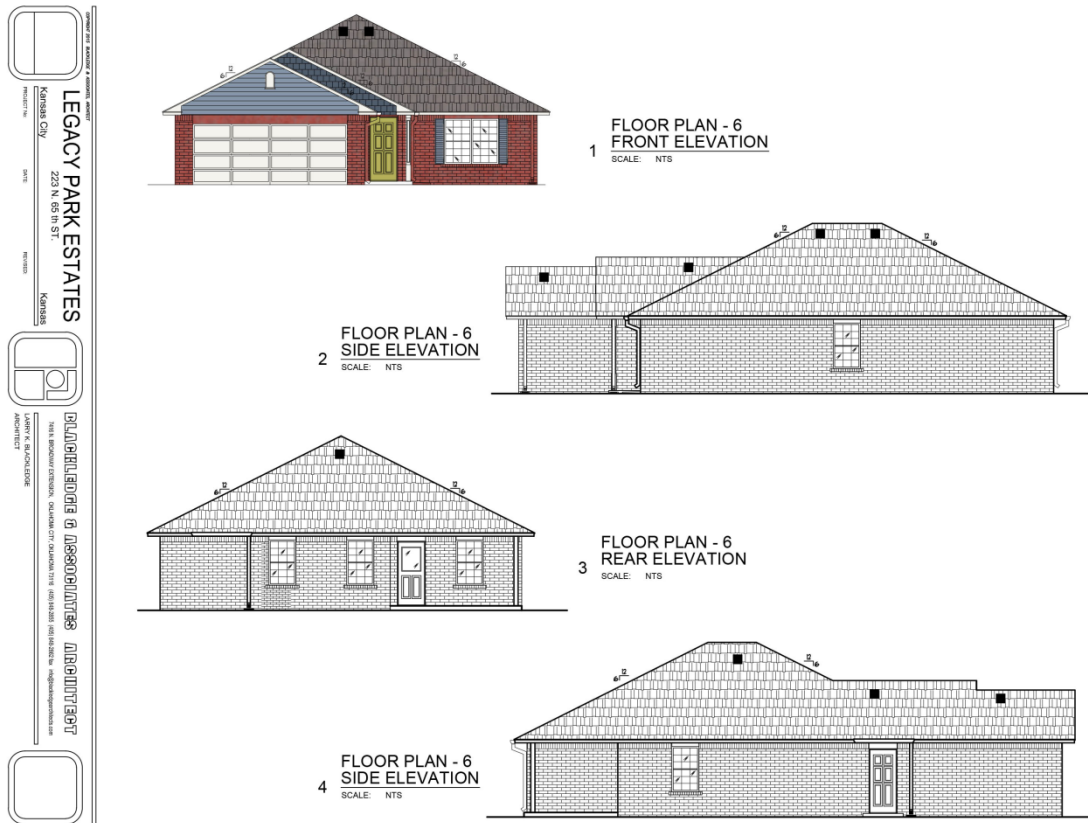
2 FLOOR PLAN - 5
SIDE ELEVATION
SCALE: NTS



3 FLOOR PLAN - 5
REAR ELEVATION
SCALE: NTS



4 FLOOR PLAN - 5
SIDE ELEVATION
SCALE: NTS



We have five different house plans, if you will. Those five house plans are represented there. The board on the left also follows suite with the board on the right, is actually the floor plans of the community building as well as the five various house plans. That's sort of what we have there.

April 4, 2016



We're with Belmont Development as we went through. Belmont Development has been involved in the development of affordable housing since approximately 2007, however, some of the principals including myself, have been involved in the development of affordable housing for well over 20 years. We have a very, well developed expertise, if you will, inside the office.



As you can see from the map, our primary focus, we do have some properties in a few other states, but our primary focus is in the six states that you see there. We have a Midwest focus. Belmont Development, the development company itself is headquartered out of Oklahoma City.

April 4, 2016

We have offices in Topeka, Kansas; we have offices in Fort Smith, Arkansas. We have a presence all across those states that you see there.



Just to give you a quick idea of what we have here. It's just an idea, just a few. These are not representative of what we're wanting to do in the state of Kansas because we've never built single-family in the state of Kansas. We've built single-family in other areas of the country. Very quickly, there's a property that we have in Wellsville, Kansas; Farmington, Arkansas; and Crosbyton, Texas. The bottom left-hand corner is what we call the Commons on Classen which is a 54-unit senior development in Oklahoma City at about 13th & Classen which is about 8 or 10 blocks or so from our office. I apologize in advance if you can't see those.



April 4, 2016

The board that Lainey just flipped over there for you are some single-family homes that we've done in northwest Oklahoma City. That is very, very similar, as you can see, if you compare the actual photographs versus the board on the right, you'll see that the elevations, for lack of a better phrase, that's basically what we're proposing here in Kansas City, Kansas.



The name of the project is Legacy Park Estates. It's what we call a workforce housing development. It's primarily focused toward working families across all spectrums of income levels. Our development partners, you can see a couple of logos there on the screen at the bottom. Neighborhood Housing Services is a national non-profit housing organization that is headquartered also in Oklahoma City. The logo on the right, of course, is Belmont Development. The NHS will be a development partner; they're a not-for-profit. They'll also be a development partner with us on Legacy Park Estates.



Very quickly, there is a site plan. If I can get my bearings here, on the right-hand side of the screen is I-70. The left-hand side of the screen is Riverview, on the top is 65th Street. There is the basic site plan as it exists now, 30 single-family homes representing those five house plans. Contained on site, we have covered gazebo areas, we have over 300 linear feet per unit of paved walking space, we've got greenspace, we've got a community garden and we meet and or exceed the minimum landscaping requirements of the Unified Government.



April 4, 2016

Legacy Park Estates, this may get a little convoluted so if you have any questions, please feel free. This is the organizational chart of the ownership structure for Legacy Park Estates. When we develop LIHTC property, we always structure the ownership as a limited partnership and you will see that at the top, the limited partnership that has already been set up with the state of Kansas Secretary of State's Office. It's called RH of KCKLP. The limited partnership itself is made up of a general partnership entity and the investor limited, that's who we sell the tax credits to, to generate the equity to help offset the cost of the development.

The general partnership is RH of KCKGP, LLC, it's a single asset entity. It's also been set up with the state of Kansas Secretary of State's office. That general partner entity is made up of two entities: IUI of Kansas, which is an entity that we have that is based out of Topeka, Kansas, and the non-profit that I referenced a little bit ago out of Oklahoma, they have also set up a single asset entity in the state of Kansas. The not-for-profit will be a 51% owner of the general partner entity and we, as the for-profit developer, will be a 49% owner of the general partner interest.

That's sort of how the ownership entity is structured. It's structured as a limited partnership and as things flow down, there are the two entities that make up the limited partnership; the general partner and the investors and then the entities that actually make up on the left-hand side there that actually make up the general partner entity and the principals that are involved in those.



Just a few design characteristics for Legacy Park Estates, it's designed for working families. It will be designed and will be certified to the bronze level of the National Association of Homebuilders Green Building standards so it will be, for lack of a better phrase, extremely energy efficient. Right now we have, and if my memory serves, in terms of low-income, women and minority owned sub-contractors, we have a minimum goal of 40% on the construction side and currently right now on all the soft costs, the environmental surveys, engineering, those sort of items, the soft costs, 58.2% right now of all soft costs have been allocated and geared toward LW and MBE entities.



LEGACY PARK ESTATES
RENTS & UNITS

Household Income (Family of 4)	Projected Rent
\$30,480 - \$31,680	\$564
\$37,972 - \$39,600	\$750
\$43,320 - \$47,520	\$885
>\$52,000	\$1,300

1,840 – 1,900 FT² PER UNIT

NHS **BELMONT**

Just to give you an idea of the incomes. It's like I said, Legacy Park Estates is designed to serve working families in Kansas City, Kansas, so we try to take a holistic approach and serve all segments of the economic strata. You can see the income levels that, of course, with the LIHTC that we're bound to do, in terms of Section 42 of the Internal Revenue Code. We have four units at what we call 40% of area median income. We have six units projected at 50% of area median income. We have 12 units at 60% of area median income, and we have 8 units or 25% to meet the Unified Government requirements at market rate. We have what we believe to be a 30 unit development here that encompasses all economic strata that we may encounter in the Kansas City metropolitan area.

April 4, 2016

Square footages range between 1,840 square feet to 1,900 square feet across those five house plans up there so they're various generous size units. They're all three bedroom, two bath. They have all the amenities. They're wired for security. Every single home, I don't know about you guys in Kansas; I know it's extremely important to us in Oklahoma, every single garage floor will be equipped with a tornado shelter. That's something that we pretty much have to do in Oklahoma. It's just that important to us, to keep folks safe. Since we are neighbors, we can see the news too and when you guys do have an issue from time to time with twisters as well as we do. We think that's important to provide that amenity to the folks that we serve.



The clubhouse itself, as I indicated previously, it's got office space for our full-time onsite property management and maintenance personnel. There will also be a conference center/room. We have a library, a fitness center, a multi-station computer lab and a full kitchen so the clubhouse itself is designed for the residents of the 30 units. For example, like with the kitchen, if they have a birthday that they would like to celebrate, they can work with the onsite management personnel to secure the space to hold birthday parties, etc. If there are any not-for-profit entities that operate in and around 223 N. 65th, a good example might be Turner Community Connections. If when they need to have a board meeting or if there are any other not-for-profits, we've got space there that we can provide free of charge to folks within the neighborhood.



Outdoor amenities, as I said a while ago, our landscaping will meet or exceed all of the Unified Government requirements. We'll have an onsite playground for kids, we have sports courts, we have walking trails, we have covered seating, we have outdoor barbeque grill areas and gazebo areas. We also have what we call a community garden, if folks want to get together to grow some vegetables, etc. We do provide space for that as well.



Legacy Park Estates is being structured under what we call a lease purchase. Belmont Development right now in our portfolio, we own and manage over 4,500 units in those six states

April 4, 2016

that I showed you on that map of the United States that were colored in red. We, in this particular case, we think it's important on the single-family product that we develop to create homeowners.

The Section 42 of the Internal Revenue Code mandates that at least for the minimum of a 15-year compliance period, since we're using the credits as part of our financing capitals, stack, they have to remain rental. It is our intent with our Neighborhood Housing Services not-for-profit partner, who is a nationally certified homebuyer education trainer, we will be providing services on site in the conference room to the tenants over time to help them get their credit cleared up so they understand pre-purchase as well as post-purchase issues with owning a home.

It is our intent at the end of the 15-year compliance period, as we move through that process, we're creating homeowners. We're taking people from the rent rolls which will be a landlord for that 15-year initial period. Our intent is to create homeowners which we believe stabilizes neighborhoods. It creates wealth not only for the city; it creates wealth for families and individuals.

The way the lease purchase has been structured, at the end of the initial 15-year period, whatever that house is at that point in terms of fair market value based on an appraisal, that will be the purchase price for the home. The tenant that has been living there, for every year that they have lived in that home, they'll get a 3% discount off of the fair market value of the home.

Our national non-profit partner, the Neighborhood Housing Services, they are certified at the national level in homebuyer education. They also have other tools in their little box. We can help folks as we move through the process. We can take some of those people that may never have a chance to own a home and through proper education and training as we move through the process, we can take those people from the rent rolls and move them into home ownership and create wealth for neighborhoods and for individuals.

We have found at the national level that this approach with sound homebuyer education, the credit repair, all the education that is necessary, if that is done properly, the default rates based on these income strata that we're talking about, the 40% AMI, 50, 60, etc., the default rates on these people, on these families after we have worked with them over time is actually just a little bit less than the national average. So it just goes to show that through sound education, training and given a good opportunity to own a piece of the American dream, we're able to do that. That would be our goal here as well.



Legacy Park Estates, our management philosophy, the Belmont Companies were vertically integrated. We have Belmont Management which does our onsite property management. We have Belmont Development and we have Belmont Construction so we're somewhat vertically integrated as a company. The management entity will provide ongoing property management services onsite with full-time personnel.

That just goes to show you a little bit of our management philosophy. We believe in reliable tenant screening. It's important for us to do good, sound tenant screening. We're going to get folks in there; we're going to get families in there that are hardworking, that need a place to live that have a desire to own a home somewhere over time. It's just important for us.

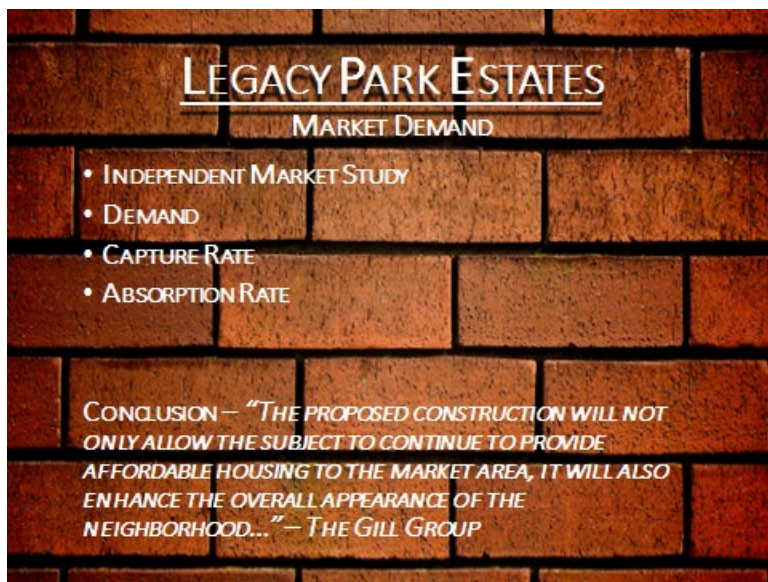
I personally don't work for the management company but just my own personal management philosophy; I would rather keep a unit empty than to put a bad tenant in it. It cost me money over time if I put a bad tenant in there, but if I take the time through sound screening and good training, that just works out a lot better.

Preventative Maintenance. We believe in preventative maintenance versus what we like to call an industry breakdown maintenance. A lot of folks don't react to anything until it happens. We have found over time with 4,500 units in six states, the breakdown maintenance philosophy doesn't work too well for us. We believe in preventative maintenance. We find it's just logical for us. It just makes good sense. We can keep our finger on the pulse of the product

April 4, 2016

that we have out there. It reduces our energy footprint, which in today's time with all the green energy, which ties back to we're certifying this project to the bronze level of the green building standard. All of those things are important to us to reduce our energy footprint and just to keep a good product in the marketplace.

One thing that we found in the application process was that the Unified Government had a keen interest in any minimal, well not just minimal, but any code or police enforcement violations across our portfolio of over 4,500 units. We went back, we've have two violations, period. Both of those were in a town in Arkansas called Camden, Arkansas. We provided the documentation to the Unified Government in the application process that showed the violation and showed how the violations were corrected in both cases. They were due to a lift station. If any of you've been to Arkansas, things tend to get a little rocky and a little hilly. We had some issues with two different lift stations. To remedy the situation, the two lift stations were corrected and we installed two brand new lift stations to go along with the two that we currently had. The code violations they've been minimal and we believe they've been dealt with efficiently and effectively.



In terms of the market demand, we had an independent third party market study done a few months back now. I know the state of Kansas, when you're working with KHRC for LIHTC credits, there's a little leeway in terms of who can do the market study, etc. We take the

approach and always have in every single state, we engage in independent third-party market analyst to do our market studies because we want to be told, for lack of a better word, the truth. Is there a market here for what we're wanting to do? A project like this has huge investment upfront. We've got upwards probably of \$25,000 invested as we speak. So before we start to invest those funds as we move through the process, we need to know that we have a market there.

It is always a good idea for us to engage in independent third-party market analyst to provide market data. That was done this time as well. We engaged in independent third-party market study analyst. Based on the data, based on the 30 units that we have, the percent income that we're trying to serve, the 40%, 50%, 60% AMI as well as market rate units, they're in our primary market area which does not encapsulate all of Wyandotte County but it's just the market area that the analyst deemed was the market area for this project, we found 531 renter households that are eligible to live in the product that we're wanting to develop. The capture rate based on that was 5.6% which basically says as a developer of that 531 households out there that I need, I only need to capture 5.6% of those 531 households to reach sustaining occupancy in my development. Long story short, there's a huge market demand in Wyandotte County, at least in the primary market area that we're serving for the product that we're proposing to put on the street.

The market analyst also talked about the absorption rate. The absorption rate—the 30 units would be absorbed into the marketplace within five months. Our management company typically starts pre-leasing activities four months prior to construction completion. Based on when we start our pre-leasing activities and the absorption rate that the market analyst said we could experience, we fully anticipate that we'll open this thing full. We truly believe in the market here or we wouldn't be here. Basically, I think we left you with one little snippet that from the market study that came from the market analyst itself that says the proposed construction will not only allow the subject, which is our property, to continue to provide affordable housing to the market area, it will also enhance the overall appearance of the neighborhood. We truly believe in that and that's what brings us here this evening.

Norman Scott, BPU Board Member, asked do you have a start date and a completion date. **Mr. Rodewald** said we anticipate, if we receive the LIHTC credits from KHRC when they make

their announcement here shortly, we anticipate construction to start in October of this year. It's a 14-month construction term with a 12-month construction timeline. We allow a couple of months there from construction completion so we can convert to permanent financing. Construction completion will be September of 2017.

Mr. Scott asked have you been in touch with Mr. Bill Johnson at the BPU. **Mr. Rodewald** said not at this point other than to discuss adequate utilities. **Mr. Scott** said so you have talked to him. **Mr. Rodewald** said yes, I believe we actually had a letter from—was that BPU? **Lainey Schubert, Belmont Development**, said we sent him a letter. We sent a letter to all the neighbors. **Mr. Rodewald** said to be on our coves, RCF for adequate utilities. Is that who we reached out to? **Ms. Schubert** said I have to go back and check. **Mr. Rodewald** said if we haven't, we soon will. I know part of our application to Kansas Housing requires that we have documentation from utility providers that show that there was adequate utilities in the area, to serve the proposed project.

Co-Chairman Walker said I'm just going to be blunt. I'm less than wowed by your project. I'm not very enthusiastic. I don't know how you can build a quality house on a lease purchase for the amount of money you're saying each of these units are going to cost. I've had some experience in an organization with what it takes to do a quality home with materials that are meant to last 40, 50, 60 years. I just honestly don't believe that these are going to maintain a quality—I don't really like anything about what I heard.

It's not that we don't have demand for low-income housing and certainly we do and we certainly have taken a number of steps to address low-income housing or whatever you wish to call this, affordable housing at different levels of affordability. I think I would have had a projection of what Mr. Scott was getting to was how much utility benefit is there for us in this. How much will the utility—I mean I grew up not in that particular area of the Turner School District, but I'm familiar with that area because it was Turner. I look at the industrial facility that we have nearby. The BPU buildings are quite well done; quite well maintained. That street further up has—I'm not sure what the current status of it is but at the time it was built it was low-income housing. That's what they called it. I don't see this as an improvement to the neighborhood, sir. Frankly, I don't know how my fellow committee members feel. If I vote to

approve it, I'm only voting to approve it to send it on to the full commission because the Commissioner who represents that district is not on this committee.

Mr. Rodewald said well, if I could ask, you made mention just a second ago that in terms of cost, I don't know that we mentioned anything about costs. **Co-Chairman Walker** asked what did you say it cost to build one of those homes. **Mr. Rodewald** said right now we have costs, construction costs that should be fairly consistent with the area of just hard construction costs, not any overhead, not any profit or anything like that, we're sitting at \$141.62 a square foot. These are 100% brick. I'm not sure where you're getting at when you're talking about the quality is not there. These are extremely—I can build a heck of a nice house for \$141 a square foot. **Co-Chairman Walker** said maybe you just haven't stated your case clearly enough and the documents I have did not make me believe that. **Mr. Rodewald** said I apologize in advance if I've lead you to believe that these are less than quality. **Co-Chairman Walker** said but I would be less than honest if I didn't tell you how I felt after the presentation here. **Mr. Rodewald** said oh sure and if at the end of the day with all the facts if you still have that opinion I can respect that. I would just hope that you—and it could be that's my fault and I apologize. I think given all the facts and the costs per square foot and the cost of over \$8M of investment, this is a quality product. We build a quality product. You can look at the houses we have up there. These are 100% brick, 3 bedroom, 2 bath, and 1,900 square feet with all the amenities. I would respectfully disagree that these are less than quality homes. I mean I stand by what we build. We have 4,500 units. We obviously build a quality product. **Co-Chairman Walker** said I spoke how I feel. If I'm wrong there's certainly opportunity between now and then to change my mind but I'm under wowed.

Commissioner Townsend said I was going to ask about some numbers I see in our packets, some of the numbers, all that I need, the estimated appraised values of the homes that you're talking.

Let me just ask some other questions. I don't have the experience that Commissioner Walker has. Based on what I've heard today let me ask this—30 homes and you say that of similar type, you have a project of similar type and construction in northwest Oklahoma City. **Mr. Rodewald** said those on that board have now since been completed. Those are done and leased up. You can actually drive by and see those homes in northwest Oklahoma City.

Commissioner Townsend asked what's the name of that area/development. **Mr. Rodewald** said its northwest, it's actually a little, and this will confuse you, it's a little south and east of Memorial Boulevard and McArthur. It doesn't have a name like Legacy Park Estates. **Commissioner Townsend** asked how recently was that development completed. **Mr. Rodewald** said within the last couple of years.

Commissioner Townsend asked did you take the same move from renter to homeowner philosophy with that one that you've espoused tonight with these homes. **Mr. Rodewald** said yes, correct. **Commissioner Townsend** said but we don't have a track record yet. **Mr. Rodewald** said right and I understand that concern but anyone that has ever done, for lack of a better phrase or attempted, what we call a lease purchase, there's no track record on those because it takes 15 years to get there. There is a 15 year compliance period with the tax credits where those properties have to remain technically rental. Through good education and training, we move these people at the end of that 15 year period. Now they have the opportunity to buy the home at fair market value. **Commissioner Townsend** said well, I like the philosophy and that's where I was getting at, what kind of track record of achieving that philosophy do you have. **Mr. Rodewald** said unless a developer has started this process 17 years ago, there's no record track record of that to show. To be honest to answer your question, we have not taken on any of what we call lease purchase 17 years ago. We can show you where we're moving through that process and we're providing good, sound education and training and credit repair, etc. to get ready to move these folks in there but the timeline has not yet allowed us to get there.

Commissioner Townsend asked do you have another development anywhere where you've applied that philosophy other than the northwest Oklahoma City properties. **Mr. Rodewald** said no. Those are typically, at least it's been our experience that we only try to roll that vehicle out in the major metropolitan areas.

Commissioner Townsend said well, the other question I have along the same line is what is the guarantee or safeguard that a great philosophy will be carried out by the same people espousing it now 15 years down the line. **Mr. Rodewald** said I'm not sure if I follow you. **Commissioner Townsend** said well, one of the things that I've heard discussed here on the committee with

LIHTC properties was it starts out great but after so many years there's a turnover in ownership. Will Legacy Park Estates, is there anything that will be signed or part of this that will ensure that Legacy Park Estates with the philosophy of going from renter to homeowner will still be around 15 years. **Mr. Rodewald** said that will be part of the land use restriction agreement that is a recorded document.

All I can say is from our own experience is we are long-term owners. We have over 4,500 units. We have never once, to my knowledge, never once went in and developed a property and a couple of years later sold the GP interest in it and turned around and walked away. We want to be and we try to espouse that philosophy in every community that we're in. We want to be a part of your community. These are Kansas entities that have been set up. Our properties, they're local. We hire local. We join the Chamber of Commerce. We join the neighborhood groups. We pay our taxes. We want to be a part of your neighborhood and that's exactly what Legacy Park Estates will be. The staff that we hire to run and to maintain the property will be done local. Legacy Park Estates will join the local chamber and any other local neighborhood entities. They'll be a part of neighborhood watch and any other things that we can be a part of.

This is a big investment. I know you guys deal with a lot of big industrial and sort of stuff that can get into the multi, multi millions of dollars but an \$8M investment for us, it's not the biggest we've ever made by any stretch, but it's a pretty big investment that we're willing to make in Wyandotte County. We want to be a part of that over time.

To my knowledge, honestly, 100% honest, we have never once, to my knowledge, developed a property and a couple of years later sold it off to some other out of state entity and walked away. We are long-term owners, otherwise why would we have 4,500 units. Some of those we have owned for 10, 12 years. We're long-term owners. We want to be a part of your community and that's the philosophy that we operate with.

Commissioner Townsend said and that's what I'm getting at. The philosophy sounds great to me, it's just what ensures that those people who are espousing that now will be around for the 15 year to see that transition come to fruition from renters to homeowners.

What would be the average rent or the range of the rents then that you would be offering? I'm not sure I heard those numbers talked about tonight. **Mr. Rodewald** said we actually had a

slide in there but I have those in front of me. The rents range anywhere from \$564 a month for a three bedroom, two bath, two car garage home, over 1,900 square feet up to a high of about \$1,300.

In terms of utilities, there are utility allowances that have to be built into the model. I know the one Commissioner had a question about utilities. Those are actually built into the model. We have to build those in. In this case, I believe the tenant is paying all the utilities but we have to give them what we call a tenant utility allowance that has to come off the rent. In this case, the three bedroom utility allowance for Wyandotte County is a \$198 so that had to be factored into those projected rents. That's all figured into the Internal Revenue calculations. There's a \$198 utility allowance per unit that we have given every tenant.

Commissioner Townsend said so those are the projected rents and that's everything, that's not including an additional \$198 or whatever the number was. **Mr. Rodewald** said no. To get to those numbers, there is a maximum rent that you can charge under Section 42 of the Internal Revenue Code that governs tax credits at the 60% AMI level, the 50% and the 40%. Here's the maximum rent and then based on where you're at, in this case Wyandotte County, we know what the utility allowances are. We have to call and get those. Here are the utility allowances. In this case its \$198. We take the maximum rents, less the utility allowance, and that's not some number that we come up with. That's a number the state comes up with and you subtract that out. At that point, that is the maximum rent that we can charge. We have to make an allowance for utilities and that's what you see at least in the first three.

The \$1,300, those are what we call market rate units. There are no income restrictions there. It's strictly market rate people. I mean it's folks that—there are no restrictions on those units. Those are what we call market rate units and the Unified Government in its tax credit application plan provides points if we, as a developer, agree to make a minimum of 25% of the overall units market rate units so we're not putting all affordable families together where there's a mixed income here. We've done our very, very best to make sure that happens here.

Commissioner Townsend said, Mr. Brockman, I see where the project received a total of 86 points. What was the maximum? Was it 90? I can't remember what it was. **Mr. Brockman**

said the least amount you can get is 80. You have to score 80 points. **Commissioner Townsend** said you have to score at least an 80.

I have no other questions. I think I had all of my questions answered. I just wanted more background. Not saying anything about the quality of the home. I like the attitude. I was hopeful that there would have been some legacy for which you can say if you go to northwest Oklahoma that you could see this works.

Action: **Commissioner Townsend made a motion, seconded by BPU Board Member Scott, to approve.** Roll call was taken and there were two “Ayes,” Scott, Townsend; and two “Nos,” Murguia, Walker. (motion failed)

Co-Chairman Walker said not moving it forward at this time. I think we—I don’t know what—obviously I need to have a better presentation and more information, Mr. Brockman. I would appreciate that. My mind isn’t closed on it but that wasn’t—I’ve already made my speech.

Commissioner Townsend said I had a question. If there is a minimum, I’m just asking, I’ve had my vote and say. If there is a minimum number of points awarded, does this go on anyway? Do they need us? Mr. Brockman, could you—**Mr. Brockman** said, Commissioner, yes, this is just a pass-through showing the commissioners what is being brought to Commission for approval on the 14th. **Commissioner Townsend** said you’re saying it’s going on. **Mr. Brockman** said yes, it would need to go—**Commissioner Townsend** said with or without our vote. **Mr. Brockman** said well, you can vote yes and correct me if I’m wrong, what my understanding is with this is yes or no, but it goes forward to full commission. **Mr. Rodewald** said and at this point it does not go forward. Correct. **Mr. Brockman** said I need to check with—it’s correct. It does go forward to full commission. **Joe Connor, Assistant County Administrator**, said no, it doesn’t. It’s a tie. **Mr. Brockman** said no, it does not.

Commissioner Murguia said, Patrick, can we get some legal clarity here. I thought even if things were voted down they still went forward as denial. They do not? Am I confused by that? **Patrick Waters, Senior Attorney**, said no, the rules require an affirmative vote of four

members to move it forward. I think the motion failed. **Commissioner Murguia** asked can you just help me with the administrative housekeeping in my head here. Had there been five commissioners here and we voted 4-1 against, would it have gone forward. **Mr. Waters** said 4-1 against, no. 4-1 in favor, it would have gone forward; but 4-1 against, it would not. **Commissioner Townsend** said I just thought because there was something unique about the nature of the LIHTC. That's why I asked the question that it went forward without us if they had a minimum number of points but maybe I'm wrong. **Mr. Waters** said I will certainly follow-up on that to confirm.

Item No. 4 – 16503...RESOLUTION: INTENT TO ISSUE IRBS FOR ONGOAL, LLC SOCCER PROJECT

Synopsis: A resolution of intent to issue \$82.225M in industrial revenue bonds (IRBs) for OnGoal, LLC to construct the US Soccer National Training Center, youth tournament fields and ancillary improvements and infrastructure, located at the southeast corner of Parallel Parkway and 98th St., submitted by George Brajkovic, Economic Development Director. On April 9, 2015, the Commission unanimously adopted Resolution No. R-26-15 approving the First Amendment to the Multi-Sport Stadium Specific Venture Agreement and also the US Soccer National Training Center Development Agreement.

Commissioner Murguia said I have a quick question about this, Chairman. Can I ask a question about this next item, the IRB bonds? Is my memory correct where we've gone over this particular issue multiple times; this is just the final approval for this. Is it correct? It seems like this has been in front of me a lot of times, no offense. Not that I don't want to hear it again but really.

George Brajkovic, Economic Development Director, said you have seen it a few times, especially as we worked on the development agreement because we knew it was going to be an incentive we used in this project, however, this is, if you recall, with IRBs there's really a two-step process. One is issuing the resolution of intent and then the second would be issuing an ordinance. There will be a PILOT consideration as part of this project. There will be another action with an ordinance to conduct a public hearing to consider the PILOT. Even within the

development agreement itself, we anticipated either through the ownership structure that the facilities will probably be exempt, however, we're going to talk about tax abatement policy after this.

We always protect the existing base, so one of the things that prevented us from doing the public hearing on the PILOT tonight is there's a 40-acre lease property from Schlitterbahn and we have to determine what that value is of that property. **Commissioner Murguia** said but we'll discuss that at the public hearing. **Mr. Brajkovic** said that's right. This is purely—**Commissioner Murguia** said no offense George, no offense. I love your project but we've heard about it so many times. **Mr. Brajkovic** said this is Evan Fitts, with Polsinelli, if you guys don't know.

Action: Commissioner Murguia made a motion, seconded by Commissioner Townsend, to approve.

Mr. Brajkovic said, Commissioner, I do have one. I noticed I made a typo. It says \$82.225M, it's actually \$83M. The resolution that's attached is correct. It was just my mistake. We'll edit that as it rolls through to full commission.

Roll call was taken and there were four "Ayes," Scott, Murguia, Townsend, Walker.

Item No. 5 – 16494...REVIEW: TAX ABATEMENT POLICY

Synopsis: Presentation of the current Tax Abatement Policy adopted October 21, 2010, and seek input for any proposed changes, submitted by George Brajkovic, Economic Development Director.

George Brajkovic, Economic Development Director, said I will try my best to kind of roll through it but it is discussion on tax abatement policy.

Co-Chairman Walker said wait a minute. I'm a little confused then. Okay, I see, go ahead. I was just hoping, in the interest of accommodating our visiting representative from Bonner, I think that's Ms. Harrington. Can we take Item No. 5 before we drag her through this prolonged

perhaps discussion of an extremely dry topic? **Commissioner Murguia** said you mean No. 6. **Co-Chairman Walker** said No. 6, move No. 6 ahead of No. 5. Is there any objection from any commissioners? I want to take Item No. 6 before we discuss the tax abatement in general. Sorry, George. It's not going to take very long, I don't think. **Mr. Brajkovic** said no, I was just going to give room to whomever—I'm not doing that item. **Co-Chairman Walker** said we're moving to the resolution to approve/forward to the full commission a MOU with Bonner Springs. Is there someone here from Bonner Springs?

Item No. 6 – 16529...RESOLUTION: MOU WITH BONNER SPRINGS, KS

Synopsis: A resolution approving a Memorandum of Understanding (MOU) with Bonner Springs, KS, relating to capital improvements at Providence Medical Center Amphitheater, 633 N. 130th St., Bonner Springs, KS, submitted by Joe Connor, Assistant County Administrator.

Marcia Harrington, Community & Economic Development Director, for Bonner Springs, appeared.

Co-Chairman Walker said we're doing a switch here so Ms. Harrington wouldn't have to wait here all evening and listen to our debating. **Ms. Harrington** said thank you. That's very nice of you to do that.

Joe Connor, Assistant County Administrator, said to my left is Marcia Harrington. Marcia is the Economic Director and Tourism Director for the city of Bonner Springs and has worked closely with us on this particular project.

What we have before you tonight is a follow-up to a presentation we started last summer actually with a proposal to renovate the amphitheater now known as Providence Medical Center Amphitheater. This was a partnership with the City of Bonner Springs. They put in some cash up front and then they were willing to contribute their amusement tax that they have a city ordinance for to help fund the ongoing operation of the amphitheater as well as for the bond payment.

This was an \$865,000 project. The work is almost complete. They'll start to have shows in May, next month already. We're excited about the possibilities of the amphitheater. They actually have probably two or three more shows already booked than they had all of last year.

What you have before you is a memorandum of understanding that's been approved by the city of Bonner Springs and also a resolution. The memorandum of understanding is an agreement that was necessary between the Unified Government and Bonner Springs for the exchange of the amusement tax dollars that Bonner Springs will be collecting and basically rebating back to us to meet the terms of our agreement. Nothing has changed from when I first presented in July of last year, and nothing has changed as we went through the financing process as well. This is just a mechanism that they will pay us money and we will receive the money and what the money is to go for.

The second part of that is a resolution that establishes a dedicated fund for those payments received from Bonner Springs that will go towards the capital improvements and the bond payments for the amphitheater during this ten-year period. This is just again, another mechanism to kind of solidify our agreement. All of the basic terms are in place from when we first talked about this last summer. This is kind of the end product for us as far as to move this forward and start the season, the outdoor concert season.

Action: **Commissioner Murguia made a motion, seconded by Co-Chairman Walker, to approve.** Roll call was taken and there were four "Ayes," Scott, Murguia, Townsend, Walker.

Commissioner Townsend said, Ms. Harrington, excuse me, before you leave. I'm just curious. When did, what did it use to be Verizon become Providence Medical Center Amphitheater? That's the only question I really have. **Ms. Harrington** said, well, do you remember. **Mr. Connor** said it was actually Cricket after it was Verizon. It's been Cricket for the last two or three years I think. **Ms. Harrington** said at least that. **Commissioner Townsend** asked so it became Providence Medical Amphitheater when. **Mr. Connor** said this season. They made that announcement late last year, early this year.

Co-Chairman Walker said thank you George for waiting. We're here to discuss the current tax abatement policy.

Item No. 4 – 16503...RESOLUTION: INTENT TO ISSUE IRBS FOR ONGOAL, LLC SOCCER PROJECT

Synopsis: A resolution of intent to issue \$82.225M in industrial revenue bonds (IRBs) for OnGoal, LLC to construct the US Soccer National Training Center, youth tournament fields and ancillary improvements and infrastructure, located at the southeast corner of Parallel Parkway and 98th St., submitted by George Brajkovic, Economic Development Director. On April 9, 2015, the commission unanimously adopted Resolution No. R-26-15 approving the First Amendment to the Multi-Sport Stadium Specific Venture Agreement and also the US Soccer National Training Center Development Agreement.



George Brajkovic, Economic Development Director, said I appreciate the opportunity to do it and I realize we're kind of getting late into the evening so I'll try to roll through the presentation as quickly as possible. I'm glad to bring it before you tonight. The current policy we have was adopted in 2010. This committee in particular has seen a lot of projects come before you that have requested a level of incentives that correlate back to this policy. I think it's working great but it's been over five years. It's time we sit down and take a review of it. I'm going to, again,

April 4, 2016

I'll go over kind of the high level overview and then kind of go into each level, the bonus structure as quickly as time permits.




The slide is titled "Current Policy" in a teal serif font. Below the title is a horizontal dashed line with a small teal circle in the center. The main content area has a light blue background and contains a bulleted list. The first bullet is "Amended October 21, 2010". The second bullet is "Abatement Policy applies to:", followed by two indented sub-bullets: "Industrial Revenue Bonds (IRBs), K.S.A. 12-1740 *et seq.* and K.S.A. 79-201a" and "Article 11, Section 13 Kansas Constitution (EDX)". The slide has a dark teal footer bar.

Current Policy

- Amended October 21, 2010
- Abatement Policy applies to:
 - Industrial Revenue Bonds (IRBs), K.S.A. 12-1740 *et seq.* and K.S.A. 79-201a
 - Article 11, Section 13 Kansas Constitution (EDX)

The abatement policy, what does it actually apply to? Well, two things. One, its either the use of industrial revenue bonds or IRBs which are the predominant number of projects we bring before you and the two statutes that are there are basically what allows that. One allows us to issue revenue bonds, the other is the taxation statute and how you grant PILOTs or abatements through that. The other one is the Kansas State Constitution which allows for an exemption or a tax abatement through Article 11, Section 13, We call that an EDX. I won't bore you with the variety of reasons we don't do that anymore but I'll give you the primary one, we have a very strong NRA program that basically has replaced that.


Purpose of Tax Abatement Policy



- Attract and retain quality businesses
- Add and retain employment opportunities
- Attract major projects to impact local tax base
- Diversify local economy
- Create opportunities in distressed areas
- Ensure equal opportunities for L/M/Wbe
- Reward quality environmental design

Purposes of the Tax Abatement Policy, I'll let your read it real quickly. I strongly believe that the current policy reflects every one of these components as best as it can.

Key Components to Policy



- Project must add value to local economy – Capital Investment, jobs, positive revenue impacts
- Type of Business
- Existing vs. New
- Maintain **Existing Tax Base**
- Transfer of ownership
- Excluded Businesses: car wash, day care, private school, veterinary clinic, storage facility, and branch bank offices.

Key components to the policy then, I highlighted one in particular here. It's maintain the existing tax base. I kind of talked about that with that previous discussion, brief discussion we had on the soccer project about we always protect the existing base for ourselves and any other taxing jurisdiction. When we talk about tax abatement, all of that is applied to only the increment the project creates.

Transfer of Ownership, we've been before you here too. If one developer does the project, we write into the development agreement that yes, we would consider a transfer but you have to bring that new ownership before us and we have to approve it in some capacity. Outside of what's already prohibited by the statute, the current policy, and I co-authored this policy with Brent Miles when he was president of WYEDC. We couldn't exactly remember why, but I'm sure there was a great reason why we excluded these particular businesses. The statute kind of excludes any retailers. We added the car wash, daycare, private school, veterinary clinic, those mainly because some of them crossover into retail and some of them are not very good job creators that's why those excluded businesses were included with the current policy.

The current policy, purely in terms of how long the abatement can last, our base, per the policy, our basic abatement is a five-year, 45% abatement. I'll get into the details of how you can add on to that percentage in the next few slides. How you get beyond five years is based on the level of capital investment you make.

One of the important features of this policy is that we allow both for existing and new businesses. We give some discounted rates to existing businesses knowing that it's just a little bit harder to either redevelop or add a wing as opposed to hey new companies want to come in and actually have a different level of investment. Those numbers were pretty solid in 2010. We felt it actually in '09 when we were really developing the policy, there could be an opportunity now to reexamine these and say did we set the threshold a little bit low on that. Do we want to bump those numbers up in terms of what minimum investment is required to get you there? You can see essentially to get ten years as an existing business, you have to be a \$4M project or more. New business, you have to be \$6M or greater.

Commissioner Murguia said just an observation, if I was really crafty, I would just do a \$4M minimum investment for the ten, for five more years of abatement. **Mr. Brajkovic** said there are other components associated with IRBs relegated to issuance fees and things like that. It has to make some sense. Also, in 2010 we didn't have as strong of an NRA policy. Getting to \$3M was a huge hurdle so getting beyond—even getting to \$4M for an existing business, it was something we were hearing from our local businesses. It's just hard to do an expansion unless we have some different thresholds, but again, all of this, I feel like tonight, and maybe I should have started here, I feel like tonight it's just like maybe a refresher on what we're doing. We'll

come back at a future date to say hey, let's talk about how we want to edit this if we want to edit it at all. **Commissioner Murguia** said well, if it works, it works.

Co-Chairman Walker said let me make a statement. I don't mean this and I have sometimes a way of saying things to people I think I'm maybe being mean, but this is not a policy that this committee is going to change. I definitely think, in a general sense, our policy does not give us enough money upfront. We're always on the tail end. We're the third party in a three party deal. We're the hind leg, if you will. While we maintain our base, usually that base is lousy just like the one you showed us here, not you, Charles showed us earlier. We're getting \$1,200 taxes off of it now. Maintaining the base is usually not much of an incentive for me. What bothers me is that these tax abatements, these developers, they want it all upfront and I don't like that aspect of it.

The bottom line is I don't—I'll defer to my colleagues here. I don't see what the point of discussing this is tonight outside of the spring retreat perhaps, a special session or a work session of the entire Commission because I don't know that three commissioners are going to be much of a pulse read of the remaining commissioners, the other eight of them when it comes to doing this to be perfectly blunt. I don't mind, you know, talking about it; you know it's an issue for me. I've made that point that we got to get more out of these deals than we're getting. I may be the only one that feels that way about it. I guess what I'm saying to you, George, and, again, I'll let the other three decide. I don't feel like spending an hour sitting here talking about this and then having to do it again, at least twice more. It's not a criticism to you. This is an issue—this is what we need to be doing, in my opinion. If we need to be doing it, it is as a commission as a whole. **Mr. Brajkovic** said I can respect that. I think that makes sense.

Commissioner Murguia asked are you going to be at our strategic planning. **Mr. Brajkovic** said I hadn't planned on it. **Commissioner Murguia** said no, then you shouldn't. I was just curious if you were going to be there.

Co-Chairman Walker said well, I'm a little surprised to hear that because in my opinion this type of an issue has long-term effects for future Commissions as to what—you know we always talk about wanting to increase revenue, increase revenue. I'm sixty-five years old. I need to

increase revenue now. Twenty years down the road isn't going to do me a lot of good in the nursing home or with dirt six feet over me. **Mr. Brajkovic** said sure.

Commissioner, let me rephrase my answer. I hadn't been asked to participate, so if you guys decide this is something you want, I'm sure the agenda can be modified. As long as I'm not on a sandy beach somewhere, I'll be sure to be there. **Co-Chairman Walker** said well, my opinion is that Mr. Connor needs to carry back to Mr. Bach, and I don't see a Mayor's representative here tonight, but either this needs to be the subject of a substantial discussion, a special work session, the whole two hours of it, not thirty minutes, or we need to talk about it at strategic planning because there's no bigger strategy for increasing revenues than tax abatement, my opinion. **Mr. Brajkovic** said, yes, it's a powerful tool.

Commissioner Townsend said well, I hadn't thought about it when I read this at first but you make a lot of sense as always, Commissioner. **Commissioner Murguia** said I don't know if I'd go that far. **Commissioner Townsend** said well, we may not agree but I get it. This is so important. This would be my first time hearing the presentation. We've been dealing with it but I think it is so important that it needs its own timeslot. We've only got what four or five hours during the strategic planning and any number of issues, I'm sure, would come up. I think you're right that this is so important that it needs its own hour to probably two hour timeslot if the body is being asked to give input on changes or leaving it status quo. **Mr. Brajkovic** said okay. We'll follow your lead through the Administrator's Office.

Commissioner Murguia said, George, I just want to tell you, the only two cents I have to add to that is it would be great—I'd like to hear—we all, like Commissioner Walker said, talk about how important economic development is to this county and yet anytime there is a special session or a strategic planning there is never a section dedicated to economic development. There's been a lot of talk around urban development and why we need the incentives we need in order to attract the development. I think it's a great opportunity for you to provide some education to commissioners that don't necessarily do that and may not necessarily have a point of reference. I think you do a great job. I think you have a really good handle on economic development. I think you just need—I just spend a lot of time with you though so I know you do a really good job but others—**Co-Chairman Walker** said lucky George. **Mr. Brajkovic** said I have time for

all of you. **Commissioner Murguia** said yes, I think you would benefit from the education. **Mr. Brajkovic** said I think it's a great suggestion whether it's back in front of you at a special session. You know, we can talk about it all night but just not tonight.

Co-Chairman Walker said I, with the committee's acquiesce, I would like to defer this to the full commission at a special session. We've got a pretty good mix of people with diverse backgrounds. Maybe everybody's happy with what we're doing and this is the only way we're going to be able to compete, but I have made my point. I think there needs to be more upfront for the government now. Twenty years, who knows what is going to happen. We need it now. **Mr. Brajkovic** said I can respect that. Okay, we'll work that through the County Administrator. **Co-Chairman Walker** said George, this is not in anyway—**Mr. Brajkovic** said oh, I know. **Co-Chairman Walker** said we love you and you make great presentations. I just don't want to sit through it tonight and sit through it again, and again, and again. I want everybody at the table at the same time. **Mr. Brajkovic** said yes. I don't disagree with that.

Adjourn

Co-Chairman Walker adjourned the meeting at 7:11 p.m.

tpl