

COMPARED VERSION
COMMITTEE SUBSTITUTE TO ORIGINAL ORDINANCE

COMMITTEE SUBSTITUTE FOR ORDINANCE NO. 230977

~~Directing~~~~Authorizing~~ the City Manager to execute a ~~Lease~~~~Community Investment~~ Agreement with Community Builders of Kansas City, a Missouri, ~~Nonprofit Corporation, to support a nonprofit corporation, for public municipal investment in the “Offices~~~~Office~~ at Overlook”, located on Dr. Martin Luther King Jr. Boulevard ~~in the City’s East Side~~ within the Overlook Tax Increment Financing ~~redevelopment area~~~~Redevelopment Area~~ and the ~~offices~~~~Offices~~ at Overlook Planned Industrial Expansion Authority General Development Plan ~~area~~; ~~appropriating \$1,600,000.00 from the Unappropriated Fund Balance of the Development Services Fund; designating requisitioning authority in the City Manager’s Office; directing the City Manager with prioritization of funding sources for future annual obligations related to this ordinance; and recognizing this ordinance to have an accelerated effective date~~

~~WHEREAS, since the early 1930s, the East Side of Kansas City, Missouri, has suffered from blight and economic disinvestment; and~~

~~WHEREAS, as a result of such blight and disinvestment, the East Side has historically struggled with a wealth gap, lending disparity created by property redlining and appraisal biases, and growing crime, and East Side residents live in systemic “pandemic-like” conditions; and~~

~~WHEREAS, for decades, the City Council of Kansas City, Missouri, has adopted policies and approved resolutions and ordinances intended to support, prioritize and incentivize East Side development and redevelopment, to confront and ameliorate such substantial, longstanding economic disinvestment and blight conditions; and~~

~~WHEREAS, in the last decade, the City’s efforts have included, among others, (a) approving and implementing the Central City Economic Development Sales Tax; (b) creating the East Side Investment Zone and programs to be implemented therein, including the Reinvestment in Economic Growth Program; (c) approving the “Revive the East Side” initiative which directed the City Manager to identify a source of funding for a \$10,000,000.00 home improvement and economic development fund, cause an umbrella neighborhood organization to be incorporated if found necessary, develop a plan for combating gentrification in the East Side, reduce illegal dumping, streamline the application process for projects, and to cause the City Planning Department to implement concierge services with respect to projects in the East Side Investment Zone; (d) establishing and adopting of a two-year pilot program to authorize 20 years of 100% real property tax abatement for qualified Enhanced Enterprise Zone development projects which are also located within designated Opportunity Zones and the East Side Investment Zone; and~~

~~WHEREAS, Community Builders of Kansas City, a Missouri nonprofit and federally designated 501(c)(3) organization (“CBKC”), was established to implement a different vision for the East Side, that of (a) making long-term investments to create safe, livable, and affordable housing, employment which fosters dignity and offers upward inclusion, and (b) providing equitable, convenient and quality healthcare, and access to wealth-building opportunities; and~~

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WHEREAS, CBKC's substantial efforts include eliminating a deadly flood hazard from Dr. Martin Luther King Jr. Boulevard, attracting investment exceeding \$300 million, creating permanent jobs with benefits for over 1,000 individuals, and most recently, implementing its mission to improve the City's East Side on Dr. Martin Luther King Jr. Boulevard by (a) acquiring and redeveloping the Blue Parkway Sun Fresh grocery store, (b) constructing "The Rochester," the first market rate multi-family housing development on the City's East Side, in a generation, and (c) substantially rehabilitating 134 affordable housing units, collectively, at "The Cleveland" and "Twin Elms Apartments," both of which are located on the East Side; and

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WHEREAS, CBKC is also the master redeveloper of the "Offices at Overlook" (the "Redevelopment Project"), an 11-acre, multi-phased, mixed-use redevelopment project on Dr. Martin Luther King Jr. Boulevard on the East Side; and

WHEREAS, consistent with its longstanding and substantial investment in the East Side, the City has provided support of CBKC's Redevelopment Project through its approval of --body

WHEREAS, Community Builders of Kansas City, a minority led nonprofit corporation ("Nonprofit Redeveloper"), engages in charitable community development activities to assist vulnerable populations in very low, low, and moderate income areas and in historically distressed urban core neighborhoods in the City of Kansas City, Missouri; and

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WHEREAS, Nonprofit Redeveloper, by and through a wholly owned affiliate, OZ Development Company, LLC, is the owner of an approximately 11 acre parcel of real property located generally adjacent to and south of Dr. Martin Luther King Jr. Boulevard in Kansas City, Missouri; and

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WHEREAS, an urban redevelopment district plan described in and approved by, pursuant to its adoption of City Ordinance No. 200858 dated November 5, 2020, as amended, referred to as the "Offices at Overlook," which plan contemplates a plan for the development of a 60,000 square foot, three-story office building and 185 surface parking spaces, interior driveways, a health fitness trail, a public plaza and various other improvements (the "Redevelopment Project"); and

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WHEREAS, the Redevelopment Project is located within a continuously distressed census tract and an area (the "TIF Plan Area") described by the Tax Increment Financing Commission of Kansas City, Missouri also adopted Ordinance No. 200942, (the "TIF Commission" as Ordinance") approving the Offices at Overlook Tax Increment Financing Plan (the "TIF Plan"), which TIF Plan was filed by Nonprofit Redeveloper's and adopted Ordinance No. 200990 approving the Planned Industrial Expansion Authority Offices at Overlook General Development Entity Plan (the "PIEA Plan"); and approved by the City by its passage of Ordinance No. 200942, and subsequent ordinances (each and collectively, the "TIF Ordinance"); and

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WHEREAS, pursuant to the TIF Ordinance, the City also committed its support to the Redevelopment Project by, subject to actual collection, that the allocating earnings taxes, utility

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taxes and the capital improvements portion of sales taxes generated ~~by~~in the TIF Plan Area which are not subject to capture and that would otherwise be deposited into the City's general fund (the "Additional City EATs") ~~would be allocated~~), to Nonprofit Redeveloper CBKC, to pay up to \$2,995,838.00 in certified Redevelopment Project costs of the Redevelopment Project; and.

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~~WHEREAS, the Redevelopment Project is also located within an area (the "PIEA Plan Area") described by the Planned Industrial Expansion Authority of Kansas City (the "PIEA") as the Offices at Overlook General Development Plan (the "PIEA Plan"), which PIEA Plan was filed by Nonprofit Redeveloper's Development Entity and approved by the City pursuant to its passage of Ordinance No. 200990; and~~

~~WHEREAS, the foregoing agreements and Nonprofit Redeveloper's obligations concerning the implementation of the Redevelopment Project are outlined in (a) an agreement (the "Tax Contribution and Disbursement Agreement") dated July 9, 2021 by and among the City, the TIF Commission, the PIEA, Nonprofit Redeveloper's Development Entity and the Cost Certifier (as defined therein), as amended; (b) the agreement (the "Development Agreement") dated July 29, 2021, among Nonprofit Redeveloper's Development Entity, the TIF Commission, and the PIEA, as amended (a Memorandum of which is recorded in the Office of the Recorder of Deeds for Jackson County, Missouri, as Document No. 2021E0080049); and~~

~~WHEREAS, on December 10, 2020, the City, by Ordinance No. 200996, agreed to provide additional financing in the amount of \$4,000,000.00 in its fiscal year 2020-21 for certain Redevelopment Project costs associated with regrading, parking, curbs and sidewalks, retaining walls, lighting, landscape, stormwater management, Health and Wellness Trail and seven market driven pad sites, which are defined as "Central City EDP" in the TIF Plan, by committing funds previously appropriated to Account No. 21-2200-575998-B-57, the Central City Economic Development Sales Tax Fund Redevelopment Project costs (the "Central City Sales Tax"), and expressed its intent to appropriate an additional \$1,000,000.00 in its fiscal year 2021-22; and~~

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~~WHEREAS, the City subsequently allocated an additional \$150,000.00 of Central City Sales Tax to the Redevelopment Project, to assist with infrastructure preparedness (the "Supplemental Central City Sales Tax"); and~~

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~~WHEREAS, by separate letters both dated April 28, 2020, the City approved Public Improvements Advisory Committee of the City approved funding for the Redevelopment Project, in the amount of \$188,000.00 and \$47,000.00 from the sales tax for public improvements (the "PIAC Grant"); and~~

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~~WHEREAS, the City, pursuant to Ordinance No. 220563 dated July 14, 2022, allocated an additional \$150,000 of Central City Sales Tax to Nonprofit Redeveloper's Development Entity, to assist with infrastructure preparedness for the Redevelopment Project; and~~

~~WHEREAS, by approving the Offices at Overlook TIF Plan Area and, the PIEA Plan Area in the City's East Side on Dr. Martin Luther King Jr. Boulevard, and by executing various agreements allocating the Additional City EATs, the Central City Sales Tax, the Supplemental Central City Sales Tax, and the PIAC Grant, and for the CCED Grant Redevelopment Project,~~

the Council recognized ~~its substantial and ongoing commitment to financially support the implementation of the Redevelopment Project; and the continued need for public community-~~
~~WHEREAS, in doing so, the Council also recognized that substantial investment in the City's East Side on Dr. development on the East Side, and acknowledged that such community investment Martin Luther King Jr. Boulevard~~ serves multiple public purposes in that it, among other things, allows the City to generate additional new tax revenues; and

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~~WHEREAS, despite the City's ongoing efforts and investments, the East Side continues to struggle from substantial blight, disinvestment, disparity from redlining and appraisal biases, and growing crime; and~~

~~WHEREAS, it is the sense of the City Council that the City as a whole will not fully realize its economic potential until all areas of the City realize the benefits of economic development, particularly those communities most impacted by blight and disinvestment; and~~

~~WHEREAS, the City Council believes it is a proper function of municipal government to foster business growth and create opportunities to attract, retain and expand businesses to and within the City; and~~

~~WHEREAS, the City Council recognizes that municipal public investment in the Redevelopment Project is critical and necessary, and an appropriate approach to ameliorating lending disparities and other redlining and appraisal biases which routinely and adversely impact financing of East Side development projects; and~~

WHEREAS, there has not been a multi-tenant office building developed ~~within this area~~ ~~of~~ on the City's East Side ~~or, specifically, on Dr. Martin Luther King Jr. Boulevard,~~ for decades, and, due to the extent of the longstanding ~~blight and disinvestment in~~ on the ~~City's East Side and, specifically, along Dr. Martin Luther King Jr. Boulevard,~~ Nonprofit Redeveloper's, CBKC's ability to secure ~~revenue producing occupants for the Redevelopment Project and financing on favorable terms may to facilitate construction of the Redevelopment Project are likely to~~ be prevented, delayed or inadequate, to achieve the objectives set forth in the TIF Plan and the PIEA Plan, and therefore requires additional support from the City; and

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~~WHEREAS, the City desires to lease approximately 40,000 total square feet of the Council believes making a substantial and long-term municipal public investment in the Redevelopment Project (a) in furtherance of the public purposes achieved from supporting Nonprofit Redeveloper's charitable purpose and its community mission to implement the Redevelopment Project, in the PIEA Plan Area and the TIF Plan Area, (b) to enable Nonprofit Redeveloper to secure financing for the Redevelopment Project in a severely distressed census tract which is plagued by discrimination, disinvestment and perceptions of investment risk, (c) to form of a Community Investment Agreement, will serve a predominantly public municipal purpose because, without limitation, such community investment will (i) eliminate blight which may be conducive to crime, fire hazards, vandalism and other safety concerns; (ii) enhance the tax base; (iii) generate jobs; (iv) promote economic development that otherwise might not be considered on the East Side; (v) foster the generation of tax revenues to the City from the conduct of business and other activities on the East Side that would not otherwise occur; (vi)~~

serve as a catalyst for additional investment in and further redevelopment and rehabilitation of the East Side; (vii) further the City's policy of encouraging economic stability and growth; and

WHEREAS, the City further believes the foregoing municipal public investment in the Redevelopment Project will maximize the impact of the City's investment in the Redevelopment Project through the TIF Plan, the PIEA Plan, and (d) to and leverage the City's investments made by existing investment, as is evidenced by the TIF Plan, the PIEA Plan, the Additional City EATs, the PIACCED Grant, and the Supplemental CCED Grant; and the PIAC Grant; and

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WHEREAS, by entering into a lease agreement with the Nonprofit Redeveloper, the foregoing challenges of Nonprofit Redeveloper and the Redevelopment Project will be mitigated and the public benefits of the City's investments in the Redevelopment Project will be realized.

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WHEREAS, in furtherance of the foregoing, the City desires to enter into a lease agreement with Nonprofit Redeveloper Community Investment Agreement with CBKC to evidence the City's investment in the Redevelopment Project, pursuant to which (a) the City will lease two thirds (2/3rds) of, after May 1, 2024 and on the date on which CBKC closes on its Redevelopment Project from Nonprofit Redeveloper at financing, appropriate and deposit into a market rate of \$33.00 per square foot, for restricted escrow account a period maximum amount not to exceed fifteen (15) \$1,600,000.00; (b) such escrow account is maintained for a period of up to twelve years; (bc) the City will pay commercially reasonable common area maintenance and ancillary make an annual contribution to the escrow account but only in the amounts necessary to fill the gap left between the projects annual costs associated therewith; and (c) the City's and project revenues; (d) subject to reporting and other requirements, CBKC is authorized to withdraw the City's community investment from the escrow account, solely to satisfy financial obligations deficiencies not covered by payments received from leasing the Redevelopment Project; (e) CBKC will be reduced repay City's contribution in proportion to, as and when amounts specified in the lease area of agreement from the Redevelopment Project is leased by Nonprofit Redeveloper to third party lessees; and; Project's operating cash flow whenever feasible; and

WHEREAS, the City's public participation provisions contemplated herein by the Community Investment Agreement are reasonable and in furtherance of a substantial public purpose; and

WHEREAS, the City Council herein appropriates \$1.6 million to fund the City's first-year obligation under the Community Investment Agreement; NOW, THEREFORE,

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BE IT ORDAINED BY THE CITY COUNCIL OF KANSAS CITY:

Section 1. That the City Manager is hereby authorized to execute the Lease Agreement Community Investment Agreement for the Offices at Overlook Redevelopment Project with Community Builders of Kansas City, a Missouri nonprofit corporation; A copy of the Community Investment Agreement in substantial form of which is attached hereto as Attachment A and on copy with the City Manager's Office.

Section 2. That the City Manager is further authorized to execute any and all other related documents necessary for the City's performance of its obligations set out in the above LeaseCommunity Investment Agreement.

Section 3. That the sum of \$1,600,000.00 is hereby appropriated from the unappropriated fund balance of the Development Services Fund to the following account:

24-2210-103000-B Offices at Overlook \$1,600,000.00

Section 4. That the City Manager is designated as the requisitioning authority for Account No. 24-2210-103000-B.

Section 5. That the City Manager is hereby directed to prioritize and fund the City's annual obligation pursuant to the Community Investment Agreement first by annual application to the Central City Economic Sales Tax Board, followed by the Development Services Fund and finally by use of the General Fund if CCED and the Development Services Fund are insufficient to meet the City's annual obligation.

Section 6. That the City Council expresses its support of the City Manager's annual funding request from CCED to fulfill the City's obligation under the Community Investment Agreement.

Section 7. This Ordinance is recognized as an ordinance with an accelerated effective date as provided by Section 503(a)(C) of the City Charter in that it appropriates money, and shall take effect in accordance with that section.

I hereby certify that there is a balance, otherwise unencumbered, to the credit of the appropriation to which the foregoing expenditure is to be charged, and a cash balance, otherwise unencumbered, in the treasury, to the credit of the fund from which payment is to be made, each sufficient to meet the obligation hereby incurred.

Tammy L. Queen
Director of Finance

Approved as to form:

Abigail Judah Emalea Black
Assistant City Attorney

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