

COMMITTEE SUBSTITUTE FOR ORDINANCE NO. 180982, AS AMENDED

Authorizing the City Manager to negotiate a development agreement with Power Tower Block 124, LP, and the Port Authority of Kansas City, Missouri, in relation to the construction of a Class A office tower and parking garage in the Power & Light District subject to future City Council authorization; authorizing the City Manager to take certain actions for purposes of implementing the objectives of this ordinance subject to future City Council authorization; consenting to the assignment of development rights; directing that certain revenues be allocated to the Housing Trust Fund or Shared Success Fund; and recognizing this ordinance as having an accelerated effective date.

WHEREAS, there is increasing demand for new Class A office space in the Downtown Loop, to meet the needs of employers, particularly with respect to those wanting to be located in an urban environment with amenities that attract and retain a highly skilled and diverse workforce; and

WHEREAS, the attraction of new and expanding businesses to the Downtown Loop serves multiple public purposes in that it, among other things, allows the City to retain and/or attract high quality jobs, generate additional new tax revenues, and support its existing financial investments and commitments in the Power & Light District; and

WHEREAS, there has not been a substantial multi-tenant office building developed in the Downtown Loop in decades, and office vacancy rates are steadily decreasing as a result of the conversion of older office buildings in the Downtown Loop; and

WHEREAS, the City Council, in recognition of the ever-decreasing supply of available office space, has, since at least 2004, anticipated and committed to support the development of a new office tower in the Downtown Loop; and

WHEREAS, the City Council passed Ordinance No. 010154 on March 3, 2004, which accepted the recommendations of the Tax Increment Financing Commission of Kansas City, Missouri (“TIF Commission”), as to the 1200 Main/South Loop Tax Increment Financing Plan (“1200 Main/South Loop TIF Plan”), approved the 1200 Main/South Loop TIF Plan, designated a Redevelopment Area, and contemplated the completion of multiple Redevelopment Projects for the purposes of remediating blight, including a new office tower; and

WHEREAS, on October 11, 2004, (a) the City and HRB Tax Group, Inc., formerly known as H&R Block Services, Inc. (“HRB”), executed that certain Development Agreement dated October 11, 2004, as subsequently amended by that certain First Amendment to Development Agreement dated October 2, 2017 (collectively, the “HRB Development Agreement”) and (b) the City, as successor in interest to the TIF Commission, and HRB executed that certain Lease with Option, whereby HRB was granted an option to purchase Block 124, Unit 3 (“Option”), which Developer has since timely exercised; and

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WHEREAS, the HRB Development Agreement obligates the City to finance the construction of up to 1,333 parking spaces to service the Block 124 Office Tower and the 1200 Main/South Loop TIF Plan Redevelopment Projects, and acquire additional real estate on which to locate such parking spaces, at an estimated cost of \$69,000,000.00; and

WHEREAS, Redevelopment Project 7 of the 1200 Main/South Loop TIF Plan calls for, in part, the new construction of approximately 250,000 to 350,000 square feet of office space (“Block 124 Office Tower”) in the elevated condominium unit over the current retail space located generally on the southwest corner of 13th and Main (“Block 124, Unit 3”); and

WHEREAS, the City Council adopted Second Committee Substitute for Ordinance No. 040161, on February 20, 2014, and activated Redevelopment Project 7 of the 1200 Main/South Loop TIF Plan, so that the developer of Block 124, Unit 3 would be eligible to immediately receive the benefits of tax increment financing to implement Redevelopment Project 7; and

WHEREAS, since executing the HRB Development Agreement, the activation of Redevelopment Project 7, and in anticipation of the Block 124 Office Tower, the City and HRB have made significant financial investments in the Block 124 substructure, to provide structural support to the Block 124 Office Tower and a portion of the required parking garage; and

WHEREAS, HRB has expressed its intent to assign its development rights for the Block 124 Office Tower to Power Tower Block 124, LP or its affiliates (the “Developer”) in which HRB is a partner and the City is consenting to the assignment even though its consent may not be required; and

WHEREAS, the Developer’s proposal for the Block 124 Office Tower is to construct 250,000 square feet of office space; and

WHEREAS, the Developer’s proposal, if implemented, will reduce the City’s parking ratio obligation from 1,333 to 750 parking spaces, all of which parking will fit entirely within Block 124, Unit 3, and further reduce the City’s cost commitment for parking from \$69,000,000.00 to approximately \$36,000,000.00; and

WHEREAS, for the purposes of assisting the City in fulfilling its parking commitment to HRB, the City has requested that the Port Authority of Kansas City, Missouri (“Port KC”) establish an AIM Zone over Block 124, Unit 3, issue bonds pursuant to Chapter 68 of the Revised Missouri Statutes (“Port KC Bonds”) to contribute to the cost of financing the construction of a 750 space parking garage (“Port KC Parking Bonds”), and own the garage following the completion thereof and repayment of the Port KC Parking Bonds, whereby fostering implementation of the 1200 Main/South Loop TIF Plan and the continued development in the Downtown Loop; and

WHEREAS, the State withholding taxes generated by the net new jobs to be located at the Block 124 Office Tower as a result of the AIM Zone, when coupled with

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the net revenues anticipated to generate from the parking garage, are expected to satisfy 100% of the debt service requirements of the Port KC Parking Bonds, thereby greatly reducing the City's long-term financial liabilities; and

WHEREAS, the City has requested that Port KC issue bonds pursuant to Chapter 68 of the Revised Missouri Statutes to finance the contribution to the Block 124 Office Tower ("Port KC Tower Bonds"); and

WHEREAS, to encourage Port KC's participation in and implementation of the foregoing, the City desires to guarantee the payment of all debt service payments which may be due and owing on the Port KC Parking Bonds and Port KC Tower Bonds following the issuance thereof, plus an annual payment to Port KC in an amount to be determined, for so long as Port KC or its affiliate is the owner of the garage, along with all ancillary and administrative costs associated therewith, and those which result from creating and implementing the AIM Zone; and

WHEREAS, the development agreement authorized herein will include public participation provisions allocating an approximately twenty-eight percent (28%) share to City or an adjusted pro rata share based on the percentage of the Port KC Tower Bonds to the total investment dollars, continuing up to and through any sale of the Block 124 Office Tower; and

WHEREAS, Port KC has communicated its interest in issuing the Port KC Parking Bonds and Port KC Tower Bonds and entering into the development agreement contemplated herein in order to generate and thereafter invest any and all operating revenue Port KC derives from the project into its large multimodal port facility which has been identified as a priority and catalytic project for the industrial redevelopment of 415 acres located along the Missouri River east of I-435 in Jackson and Clay Counties; and

WHEREAS, the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800 to 99.865 of the Revised Statutes of Missouri, as amended, allows a developer to receive not more than twenty-three years of tax increment financing benefits for a project area; and

WHEREAS, due to the activation of Redevelopment Project 7 in 2014, time is of the essence for Developer to proceed to implement the Block 124 Office Tower project on Block 124, Unit 3, in order for the Developer to realize the limited, remaining benefits of the 1200 Main/South Loop TIF Plan; and

WHEREAS, without the City's Payment and its execution of the development agreement contemplated herein, the Block 124 Office Tower will not be realized, to the detriment of the public interest, the 1200 Main/South Loop TIF Plan, and the long-term stability of the Downtown Loop; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY COUNCIL OF KANSAS CITY:

Section 1. That the City Manager is hereby authorized to negotiate a development agreement with the Developer and Port KC for the purposes contemplated herein. Such

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agreement shall not be executed by the City Manager until such time as the City Council may approve the same by future ordinance.

Section 2. That future agreements with Port KC, Developer and such other parties as is appropriate for the purposes of financing and constructing the Block 124 Office Tower and related parking garage, and guaranteeing, in full, the repayment of the Port KC Parking Bonds and Port KC Tower Bonds, plus an annual payment to Port KC in an amount to be determined, for so long as Port KC or its affiliate is the owner of the garage, all ancillary and administrative costs associated therewith, and those which result from creating and implementing the AIM Zone, may be required. Notwithstanding anything herein to the contrary, no such future agreements shall be executed by the City Manager until such time as the City Council may approve the same by future ordinance.

Section 3. That the City hereby consents to any assignment of HRB's development rights for the Block 124 Office Tower to the Developer, in which HRB is a partner, pursuant to Section 25 of the HRB Development Agreement.

Section 4. That in the event the documents authorized herein are executed and the Block 124 Office Tower and related parking garage are constructed, the public participation share in excess of that required for debt service shall be directed to the Housing Trust Fund and used for the purposes authorized with respect to such Housing Trust Fund, for so long as the City is entitled to receive the same. In the event that the Housing Trust Fund shall not exist or shall cease to exist, the share identified herein shall be directed to the Shared Success Fund.

Section 5. That this ordinance is recognized as an ordinance with an accelerated effective date as provided by Section 503(a)(3)(D) of the City Charter in that it relates to the construction of a public improvement, and shall take effect in accordance with that section.

Approved as to form and legality:

Brian T. Rabineau
Assistant City Attorney