

ORDINANCE NO. 160654

Authorizing the Director of General Services to negotiate and execute a real estate purchase contract(s) for the purchase of, and acceptance of deeds for, certain parcels of real estate within the 18th and Vine District; and authorizing, as consideration for the purchase, the expenditure of up to \$440,882.12 from Account No. AL-3436-648043-B, the release of a promissory note, deed of trust and security agreement related to former HEDFC Loan No. 90-306 and the discharge of demolition Special Tax Bill No. 77498.

WHEREAS, on July 14, 2016, the Council passed Ordinance No. 160431, As Amended, (hereinafter “Ordinance”) wherein the Council approved certain projects and funding for a series of “Phase One” improvements in the 18th and Vine Historic District as described in Exhibit A of that Ordinance and appropriated \$7,000,000.00 to fund those “Phase One” improvements; and

WHEREAS, one of the listed “Phase One” improvements is the “[T]ransfer [of] JDRC properties on 18th Street and on Vine Street to City of Kansas City . . . for appraised value by Council action . . . “ (hereinafter the “Properties”); and

WHEREAS, the title owners of the properties on 18th Street and on Vine Street to which Exhibit A of that Ordinance refers are Jazz District Redevelopment Corporation and Jazz District Commercial, LLC; and

WHEREAS, Jazz District Renaissance Corporation, a duly organized and existing Missouri nonprofit corporation, is the sole member of Jazz District Redevelopment Corporation; and

WHEREAS, Jazz District Redevelopment Corporation is a duly organized and existing Missouri for profit corporation and is the sole member of Jazz District Commercial, LLC, which is a duly organized and existing Missouri limited liability company; and

WHEREAS, on April 21, 2010, Jazz District Commercial, LLC, executed a Promissory Note in the principal sum of Eight Hundred Thousand Dollars (\$800,000.00) with the former Housing and Economic Development Financial Corporation (hereinafter “HEDFC”) to assist in the financing of the construction of the first floor condominium units and second and third floor residential units in both Block 1 and Block 2 of the Plat of Jazz District Condominiums (hereinafter the “Project”) and on the same date executed a Deed of Trust and Security Agreement with HEDFC encumbering the Properties as security for the repayment of that Promissory Note and its indebtedness, which was denominated HEDFC Loan No. 90-306 (hereinafter the “HEDFC Loan”); and

WHEREAS, the Project was funded in part with federal Community Development Block Grant funds using Section 108 financing as part of a part of a comprehensive strategy to re-build the 18th and Vine Historic District with mixed-use commercial and

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residential units by contributing to both re-establishing the area as a destination place, as well as providing units of affordable and market rate housing and commercial spaces; and

WHEREAS, the original loan was made in a subordinate position to maximize equity and allow for full project financing and the City acknowledges that the financing achieved its purposes: to provide commercial and housing development in support of the 18th and Vine Historic District; and

WHEREAS, the rights, title and interests of HEDFC in all real property in which it had rights, title or interests were assigned the City on May 14, 2013, by the Receiver for HEDFC appointed by the U.S. District Court for the Western District of Missouri in the lawsuit styled *City of Kansas City, Missouri v. Housing and Economic Financial Corporation, et al.*, Case No. 05-0368-CV-W-GAF pursuant to the U.S. District Court's Order and among those rights, title and interests were the above Promissory Note and the above Deed of Trust and Security Agreement; and

WHEREAS, the current unpaid balance remaining on the HEDFC Loan is approximately Six Hundred Ninety Nine Thousand and Five Hundred Dollars (\$699,500.00); and

WHEREAS, Jazz District Commercial, LLC, also currently owns the parcel of real property at 1505 East 18th Street on which the former Pouncey Building was situated and owned this parcel both at the time that the City declared the Pouncey Building to be a dangerous building and at the time the City caused the structure to be demolished; and

WHEREAS, as a result of the above demolition, the City issued to Jazz District Commercial, LLC, a notice of special assessment and tax bill No. 77498 dated October 1, 2012 for the City's costs for the demolition, asbestos abatement, debris removal and an associated administrative fee, which remains unpaid and which will total, with accrued interest, \$27,517.88 as of August 31, 2016 and which creates both a lien on this parcel of real property and a personal debt owed by Jazz District Commercial, LLC (hereinafter collectively "Special Tax Bill"); and

WHEREAS, Section 67.451, RSMo, and Section 56-547, Code of Ordinances, provide that the City Council may discharge a special tax bill and thereby abate the resulting lien on the real property and discharge the personal debt represented by a special tax bill if a "public benefit" is gained by doing so; and

WHEREAS, a "public benefit" would be derived from the discharge of this Special Tax Bill; that "public benefit" being the City's use of this debt relief as partial, non-monetary consideration for the City's acquisition of the Properties and the resulting ability to manage and redevelop the Properties to further the City's goals for the 18th and Vine Historic District; and

WHEREAS, the current fair market value of each parcel of real property constituting the Properties has been appraised by a Missouri certified real estate appraiser

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using generally accepted appraisal methods; resulting in an aggregate appraised fair market value totaling \$1,167,900.00; and

WHEREAS, Jazz District Renaissance Corporation, Jazz District Redevelopment Corporation and Jazz District Commercial, LLC, is willing to convey their fee simple and other interests in the Properties to the City and assign to the City all existing leases of the Properties in exchange for the City's release, forgiveness and satisfaction of both the HEDFC Loan and the Special Tax Bill owed the City and a sum of money equal to the difference between the above aggregate appraised fair market value of \$1,167,900.00 and the sum of the HEDFC Loan and the Special Bill debts owed the City on the date of closing; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY COUNCIL OF KANSAS CITY:

Section 1. That the Director of the General Services Department, or his designee, is hereby authorized to negotiate and execute on behalf of the City a real estate contract(s) for the purchase of all, or certain of, the parcels of real property referred to above and described below as the Properties for an aggregate consideration not to exceed the appraised fair market value of the parcels being purchased and for which the City's consideration will consist of a combination of debt relief and monetary payment as authorized below in Sections 4, 5 and 7 herein. The legal descriptions and common street addresses of the Properties are attached hereto as Exhibit No. 1.

Section 2. That the Director of the General Services Department, or his designee, is hereby authorized to accept, on behalf of the City, a special warranty deed(s) for all, or certain of, the parcels of real property which constitute the Properties.

Section 3. That the Director of the General Services Department, or his designee, is hereby authorized to execute all closing and other documents related to the purchase and conveyance of the Properties; except those documents for which specific authority is granted herein to other persons.

Section 4. That the Director of the City Planning and Development Department, or his designee, is authorized to pay up to \$440,882.12 from Account No. AL-3436-648043-B as partial consideration for the City's purchase of all, or certain of, the Properties.

Section 5. That the Director of Neighborhoods and Housing Services Department, or his designee, is hereby authorized to enter into a release and satisfaction of the Promissory Note, Deed of Trust and Security Agreement related to the HEDFC Loan described above, and any related documents, as partial consideration for the conveyance to the City of all, or certain of, the Properties.

Section 6. That the Council hereby finds and declares that a "public benefit" would be derived from the discharge of Special Tax Bill No. 77498 issued for the costs and administrative fee resulting from the demolition of the former structure located at

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1505 East 18th Street and that the “public benefit” would be the City’s use of this debt relief as partial, non-monetary consideration for the City’s acquisition of all, or certain, of the Properties, including 1505 East 18th Street, and the resulting ability of the City to manage and redevelop all, or certain, of the Properties, including 1505 East 18th Street, to further the City’s goals for the 18th and Vine Historic District.

Section 7. That the Director of Finance, or his designee, is hereby authorized to discharge Special Tax Bill No. 77498 issued for the costs and administrative fee resulting from the demolition of the former structure located at 1505 East 18th Street, to abate and release the resulting lien on 1505 East 18th Street, to discharge the personal debt of Jazz District Commercial, LLC arising out of Special Tax Bill No. 77498 and to execute any related documents, if such debt relief serves as partial consideration for the City’s purchase of all, or certain of, the Properties.

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.

Randall J. Landes
Director of Finance

Approved as to form and legality:

Galen P. Beaufort
Senior Associate City Attorney