



**MINUTES
SPECIAL CITY COUNCIL MEETING
GLADSTONE, MISSOURI
TUESDAY, JUNE 18, 2013**

PRESENT: Mayor Jean Moore
Mayor Pro Tem Brian Hill
Councilmember Carol Suter
Councilman Barry McCullough
Councilman Bill Garnos

City Manager Kirk Davis
Assistant City Manager Scott Wingerson
City Counselor Randall Thompson
City Clerk Cathy Swenson

Item 2. on the Agenda. ROLL CALL.

Mayor Jean Moore opened the Special June 18, 2013, City Council Meeting at 4:30 PM in the Gladstone City Council Chambers, and noted that all City Council members were present.

Mayor Jean Moore welcomed everyone in the audience and those viewing the meeting on-line, and said she and the City Council appreciates everyone's interest in City government.

Item 3. on the Agenda. PLEDGE OF ALLEGIANCE.

Mayor Moore lead the Pledge of Allegiance in which all joined.

REGULAR AGENDA

Item 4. on the Agenda. COMMUNICATIONS FROM THE AUDIENCE.

There were no communications from the audience.

Item 5. on the Agenda. COMMUNICATIONS FROM THE CITY COUNCIL.

Councilman Bill Garnos had no comments at this time

Councilman Barry McCullough had no comments at this time.

Councilmember Carol Suter reported that she attended the Northland Chamber lunch, and it was a fun table, with a lot of people from the Northland, who were not from Gladstone, who were so excited about Gladstone. People had been to Linden Square and to the Farm. There were lots of kudos, and comments about the exciting things going on in Gladstone.

Mayor Pro Tem Brian Hill had no comments at this time.

Mayor Jean Moore had no comments at this time.

Item 6. on the Agenda. COMMUNICATIONS FROM THE CITY MANAGER.

City Manager Kirk Davis had no comments at this time.

Item 7. on the Agenda. PUBLIC HEARING: for consideration of a Plan for an Industrial Development Project for The Heights at Linden Square, and the intent of the City of Gladstone, Missouri to issue its Industrial Development Revenue Bonds, The Heights at Linden Square Project, Series 2013, in the principal amount not to exceed \$25,500,000 to finance the costs of such project. Applicant: F&C Gladstone Apartments, LLC.

Mayor Moore explained the process of the Public Hearing by saying first there would be a report from staff, followed by comments from the applicant, and finally comments from anyone in favor of the application and anyone opposed to the application.

Mayor Moore opened the Public Hearing.

Staff Report

Assistant City Manager Scott Wingerson began by saying that the City Council would first hear from Ryan Cronk, representing the developer Flaherty & Collins. Mr. Cronk would talk about the project scope, the project demographics, and the physical nature of the project itself. Following Mr. Cronk's report, Mr. Wingerson would provide a report on the history of the project internally, and how we moved forward up until today. There would be discussion on some impact analyses that has been done, the current status of the land, and the pilot schedule to the taxing jurisdictions. Following that discussion comments

would be heard from Rick McConnell and Rich Wood from Gilmore and Bell, who would talk about the industrial development plan, the cost benefit analysis, the action pending on the agenda this evening, and future actions moving forward over the next couple of meetings.

Comments from the Applicant

Ryan Cronk began by saying he would provide an update on the project scope. The Heights at Linden Square is a 222 multi-family residential luxury apartment facility. There is included 10,000 square feet of commercial/retail space located in the project. There is 10,000 square feet of amenity space in the project. The layout of the space still consists of the same amenities as discussed before. There will be a club room. There will be two extra lounge areas that were not planned on before. There will be more of a private lounge, and a common area lounge, where residents may hang-out, work on their laptops, and relax and watch TV. Overall, there will be more space for people to go. There will be a game room, a coffee bar, a fitness area, but the tanning bed has been eliminated from the project. There will be a salt water pool, a pool deck, outdoor kitchens, two and possibly three grilling areas, and an outdoor fireplace.

Mr. Cronk said the unit finishes are consistent with what has been discussed in the past. There will be granite counter tops, wood style flooring, stainless steel appliances, and washers and dryers. A lender has been identified for the project and they are ready to make a substantial investment in Gladstone, and are very happy to be here, so he was excited to close in the near future. One question that is frequently asked is where are the renters going to come from, and the demographics of the area. Mr. Cronk said they continue to reply, and feel very strongly, that they will pull not just from the Gladstone market but also from outside this market, and the Northland entirely. They will try to grab the market from downtown and pull people out to Gladstone. The plan is to draw people who would not otherwise live in Gladstone to this apartment product of this great quality, which will exist here. It is believed the project will draw people who live in Zona Rosa or a lot of other apartment communities that are demanding the higher dollar rent and advertise luxury living.

Mr. Cronk reported that in a lot of communities they have like this, that they lease to, there would most likely be 25 to 35 to 40 year old young professionals. There should be empty nesters. There should be newlyweds moving in, before they start families. With the market being in the Northland, there should be a lot of young people interested in this market. The project has been designed to meet the demographic of this renter base. Fifty five percent of the project is one bedroom units. Eleven of those units are studios, and are less than 500 square feet. The demographics are demanding smaller units. Based on the lifestyles of this generation, apartment developers and apartment units are being adjusted to accommodate that demographic. There are about 114 one-bedroom units that will be about 748 square feet on average, and the balance of 97 two-bedroom units will be about 1,000 square feet. The project is 100 percent parked internal to the project, and 40 of the

units will have their own parking garage. If all goes well, hopefully, construction will begin in the next 30 days. Mr. Cronk said his firm was very excited and there was a lot of energy in his company to get this going.

Mr. Wingerson stated he wished to begin with a history of this project. Staff began talking with Flaherty & Collins in October 2011. It looked like they were bringing forward a project that could fit in the Village Center concept. There was a lot of public comment, and the Comprehensive Plan said that Gladstone needs a real downtown, with people living in it to support the businesses in the community. Based on that premise of the Comprehensive Plan, and subsequent actions for mixed use zoning districts that the Council approved a few months after that, it seemed that this project worked. There was analyses done, such as an impact analysis for how this project would benefit the local economy, and there was also a “but for” test to make sure that the project required public involvement in the first place. All of those things happened in October, November, and December, and it resulted in a Letter of Intent to move forward and to continue discussions in December 2012. In March 2012, the City Council approved a zoning change, a site plan, and a final plat for the project. Also in March, a development agreement was approved, which outlines the financial terms and the performance terms for the Heights project.

Mr. Wingerson reported that today the City Council is hearing an industrial development plan, which is the first step in making the Heights at Linden Square a reality, and construction in the ground. At the next meeting or subsequent meeting, there will be all the technical documents related to the Chapter 100 Bonds. The groundbreaking is tentatively scheduled for July 15, and it is hoped that Phase I of the project will be completed and it will start to be occupied in the summer of 2014, with the entire project completed in the winter of 2015.

Mr. Wingerson said he wished to discuss the economic impact analysis that Springstead did back in October 2012. They made a series of assumptions that Mr. Cronk just discussed. The common age for a tenant in the complex would be between 24 and 35. There would be approximately 200 new units added to the local economy. The median income of the people living there, based on the rental rates, would be \$53,000 per year. The median income for the census tract in which the project is located is \$43,000 per year, so there would be significant growth in the median income for that census tract. They also made the assumption that 42 percent of the income these people make would be spent on taxable goods, such as groceries and so forth. Taking these assumptions there are some very rough calculations and conclusions that can be made. The first one is the residents of the Heights, when fully occupied, will contribute more than \$5 million to the local economy in Gladstone, Clay County and other areas in the first year that the Heights is fully occupied. If that is taken over approximately 25 years, that is about \$106 million in the local economy on taxable goods, all generating sales tax and supporting the local businesses. That doesn't even talk about the preservation of real estate values for businesses and the neighborhoods surrounding the area. That is not even part of the

analysis; however, one can imagine with the \$26 million investment, \$100 million in the economy, and viable businesses, nothing can happen except that property values would increase in the general vicinity.

Mr. Wingerson continued by saying Springstead provided a “but for” analysis, and he felt it was important for the Council to understand a “but for” analysis was not required for the discussion at this meeting. Tax Increment Financing (TIF) was one of the tools evaluated, and if that tool had been selected as the right tool to help move this project forward, then a “but for” analysis would be required. It was also important to understand that it reaches several conclusions about public involvement in a project of this type. First, the Springstead analysis indicates that the site is blighted. It was blighted because of a couple of reasons; it had outdated zoning and platting, it had outdated infrastructure that needs to be improved, but more importantly, it was economically blighted because it was creating no real estate taxes for any taxing jurisdiction, because it is under the City’s ownership.

Mr. Wingerson stated it is important to note that in the Chapter 100 Bonds, as well as in many forms of TIF analysis, that the risk is the developer’s, and because of that risk, there is a rate of return that is expected from the development team. Flaherty & Collins has been very fair on their rate of return, and staff has been able to negotiate a rate that’s below many other projects of this type in the Kansas City area. The area has not grown to date without incentive. The area is stagnant, and a quote from the study says, “the proposed project would not occur on this site without public subsidy”, so they have done the financial analysis and the physical analysis, and came to that conclusion.

Mr. Wingerson reported on the history of incentives in Gladstone, and said this would be the first implemented incentive for which the City has asked public support. However, the City of Gladstone has had a philosophy that we benefit from the economic development; therefore, we help to fund those projects that are important to us. Examples of projects where the City of Gladstone, without the support of other taxing jurisdictions, has provided public incentives are Home Depot on Old Pike Road; Prospect Plaza at 64th and Northeast Antioch Road; Walmart at 72nd and North Prospect; the Pollina building behind City Hall; and Gladstone Plaza, where the City approved a TIF that was never implemented, because the private sector stepped to the plate to make it happen. These are all real estate tax improvements, as well as sales taxes in many of those cases, where the City made those projects happen without support of Tax Increment Financing or other benefits that involved all of the other taxing jurisdictions. As it relates to the Heights, this was important, as it is a big project at \$25 million. It is a very transformative project, not only for the City, but for the Northland. There won’t be a product type like this that exists, so it is fair that we request the support and we thank the taxing jurisdictions for that, as we go through the Chapter 100 process.

Mr. Wingerson said the last thing he wished to talk about is the PILOTs (payment-in-lieu-of-tax) schedule that is in the industrial development plan. PILOTs are payments in lieu of taxes made by the developer to the taxing jurisdictions in lieu of taxes paid. For the first

two years, while the project is being constructed, there are no PILOTs, so the taxing jurisdictions would not receive any revenue at all. In years 3-25, the approximate totals for each taxing jurisdiction are as follows:

Clay County	\$ 19,600
Gladstone	\$ 70,000
Handicap Tax Levy	\$ 8,900
Health Department	\$ 17,600
Metropolitan Community Colleges	\$ 17,600
Library District	\$ 24,000
Mental Health	\$ 7,200
North Kansas City Schools	\$444,000
State of Missouri	\$ 2,200

Over the course of 25 years, those are total PILOTs in the approximate amount of \$601,000. It is the very best we could do in the negotiation to allow the PILOTs to move forward, and respect the revenues of the other taxing jurisdictions.

Rick McConnell, Gilmore and Bell, introduced Rich Wood, an attorney in his office, who has worked a lot on this project to this point. Mr. McConnell said the City Council has heard a lot of what is in the plan itself from Mr. Wingerson and Mr. Cronk. Mr. McConnell said he would talk a little bit about what the Council would be considering this evening, and what is coming next. After the Public Hearing is concluded, the City Council would have an Ordinance approving the plan document, which is several pages long, and has a lot of spreadsheets in it showing different scenarios, such as what if nothing happened out there, or what if we had development with no tax abatement, and with development with tax abatement, what do the numbers show. It shows all those things, and it describes the project itself. It talks about the PILOT payments that will be made and all those types of things. It is a relatively short document in some respects for a project of this complexity, but it does say a lot. The Ordinance does approve the plan, and it also signals the City's intent to issue its Industrial Development Revenue Bonds, which are revenue bonds that are payable only from the revenues of the project, not from the City's General Fund, or from any other source. This is a tax abatement mechanism that is widely used in Missouri, and has been used quite a bit in the metro area, both in Kansas City and St. Louis, as well as other parts of the State. This is a well-established way to accomplish the type of incentive the City is trying to provide to make the project go forward.

Mr. McConnell said his company is working on the documents, and he knows that some of the Council have seen COPs (Certificates of Participation) issues and things with the City, and the stack of documents that were sent for the Council to look at, and, unfortunately, there will be a similar stack for this project as well. Mr. McConnell said they are working with the developer's counsel and their lender, and the lender's counsel. With this size of project, and the amount of equity they are going to put in, they will be very interested in what those documents say. That is going well, and the goal is to have this to the City

Council at the next meeting, or very shortly thereafter to keep on the schedule that Mr. Cronk outlined.

Mr. Wingerson said this concluded the staff presentation and he would be happy to answer any questions, and he thanked the Council for their attention.

There was no one in the audience who spoke in Favor or in Opposition to the application.

Mayor Moore closed the Public Hearing.

Item 8. on the Agenda. **FIRST READING BILL NO. 13-20**, approving a Plan for an Industrial Development Project for F&C Gladstone Apartments, LLC, an Indiana Limited Liability Company, consisting of the construction and improvement of a commercial facility; declaring the intent of the City of Gladstone, Missouri to issue its Industrial Development Revenue Bonds (The Heights at Linden Square Project), Series 2013, in a principal amount not to exceed \$25,500,000 to finance the costs of such project; and authorizing certain actions relating thereto.

Councilman Barry McCullough moved to place **BILL NO. 13-20** on its First Reading. Councilmember Carol Suter seconded.

The vote: All “aye” – Councilman Bill Garnos, Councilman Barry McCullough, Councilmember Carol Suter, Mayor Pro Tem Brian Hill, and Mayor Jean Moore. (5-0). The Clerk read the Bill.

Councilman Barry McCullough moved to accept the First Reading of **BILL NO. 13-20**, Waive the Rule and place the Bill on its Second and Final Reading. Councilmember Carol Suter seconded. The vote: All “aye” – Councilman Bill Garnos, Councilman Barry McCullough, Councilmember Carol Suter, Mayor Pro Tem Brian Hill, and Mayor Jean Moore. (5-0). The Clerk read the Bill.

Councilman Barry McCullough moved to accept the Second and Final Reading of **BILL NO. 13-20**, and to enact the Bill as **Ordinance 4.242**. Councilmember Carol Suter seconded.

Councilmember Carol Suter stated she was at a presentation last week where the Kansas City Realtors Association and the Homebuilders Association were talking about the changes in the housing industry, the economy coming back, and what the challenges and opportunities were. Out of that conversation, both entities agreed that the “sweet spot” in the housing picture today is small luxury apartments. It was additional confirmation that this is the right project at the right time. Councilmember Suter offered thanks and appreciation to the City’s creative staff for coming up with this Chapter 100 idea, and for pushing themselves to always be thinking innovatively as we approach new public projects.

Councilman Barry McCullough said he wished to echo Councilmember Suter's note that staff deserves an awful lot of credit for their creativity in making this project happen. Councilman McCullough offered kudos to Assistant City Manager Wingerson. Councilman McCullough said this project would not have gotten where it is today without an awful lot of creativity and diligent work.

Mayor Jean Moore said she was so amazed, impressed and overwhelmed by how much effort this has taken. It may seem today for people who are watching that this was an easy thing, but it represents an enormous amount of work. Mayor Moore said the Council is very blessed for all the efforts of the staff and all the professionals, who have done such a wonderful job. Mayor Moore thanked the staff and all the professionals who helped with this effort.

Roll call vote: All "aye" – Councilman Bill Garnos, Councilman Barry McCullough, Councilmember Carol Suter, Mayor Pro Tem Brian Hill, and Mayor Jean Moore. (5-0).

Item 9. on the Agenda. OTHER BUSINESS.

There was no other business to come before the City Council.

Item 10. on the Agenda. QUESTIONS FROM THE NEWS MEDIA.

There were no questions from the News Media.

Item 11. on the Agenda. ADJOURNMENT.

There being no further business to come before the June 18, 2013, Gladstone Special City Council Meeting, Mayor Jean Moore adjourned the meeting.

Respectfully submitted:

Cathy Swenson, City Clerk

Approved as submitted: ____
Approved as corrected/amended: ____

Mayor Jean B. Moore