
BOARD MEETING MINUTES

ZONE 1

DATE: October 23, 2019
TIME: 11:00 AM.
PLACE: 300 Wyandotte
2nd Floor Conference Room
Kansas City, Missouri

1. Roll Call.

Present: Steve Hamilton
Tim Kristl
Laura Waldon
Matt Fritz
Pat Contreras (*via telephone*)

Absent: Daniel Edwards

Staff: Drew Solomon, EEZ
Carrie Habib, EEZ
Shannon Jaax

EEZ Legal Counsel: Herb Hardwick, Hardwick Law

Guests: David Frantze (White-Goss)

Chairman Hamilton called to order the meeting of the Enhanced Enterprise Zone Board 1.

Project Decoy (Zone 1) (Drew Solomon & David Frantze) (Ex. 1-A, 1-B, 1-C & 1-D)

➤ Project Description

- Project Decoy, is a Financial Services firm relocating their headquarters office from Overland Park, Kansas to a newly built-to-suit downtown high-rise building. Two sites are under consideration and a final site will be selected in the next few weeks. The project is in EEZ Zone 1, Council District 4, Jackson County and the Kansas City, MO. School District. 919 jobs will be relocated from the Kansas and an additional 120 new jobs will be created over 6 years, for a total of 1,039 jobs. Average annual wages of \$166,337 (335% of AMI) will create an annual payroll of \$172,824,143. Projected investment is \$89,881,250. The AdvanceKC Score is 92 (High Impact) thus qualifying for Longer & Deeper abatement consideration. This project represents the first new construction office tower in downtown Kansas City Missouri since the H&R Block building in 2004. This will add to the workforce density in downtown and create high paying jobs in one of the AdvanceKC targeted industry sectors (Financial Services). This project is “grandfathered” from the “Border War” agreement signed by Missouri and Kansas.

- The new building will provide the highest rental rates in the KCMO market, over \$30 per square foot and driving rents up to \$40 per square foot. This abatement will be used to offset operating costs, not subsidize lower rents. The project is also requesting Chapter 100 tax redirection of 50% for 15 years and includes STECM. The company will engage in a workforce partnership with the Full Employment Council.
- Both building sites under consideration are located within the downtown loop. Building will be approximately \$140M new construction consisting of 250,000 sq. ft of office space and 1,000 on-site parking spaces. Architectural plans for the 8-12 story building are in process and will be finalized once a site has been selected.
- The company has been in business for 75 years and has been at the current Overland Park location for 50 years. The company projects annual organic growth of 2%.

➤ **Abatement Request**

- Project is requesting real property tax abatement of 75% for 15 years.
- Staff recommends real property tax abatement of 75% for 15 years, based on the AdvanceKC Score and Longer & Deeper Tool calculations. If only the 120 new jobs are taken into consideration, the project qualifies for 75% abatement for 10 years, if the 919 relocated jobs are also considered for a total of 1,039 jobs, the project qualifies for 75% abatement for 20 years.

➤ **Discussion**

- This project should be “grandfathered” in respect to adhering to the “border war” agreement and local ordinance, as it was in the pipeline Spring 2019, before the Governors of Missouri and Kansas signed the agreement this summer. Mayor Lucas has indicated his support for the project. This is an important project and will add high paying jobs to the tax base. The project will have the outcome of raising the market rate level and improve rental market rates and drive future new construction. (Solomon, Hamilton, Contreras, Frantze)
- Chapter 100 tax redirection has been requested for 15 years at 50%. There will be a 15-year lease, with lease extension options. Earnings tax will be redirected at 50% for 15-years. Are there any figures on current number of employees paying KCMO earnings tax, response was that most current employees do not pay KCMO earnings tax? Stock options and equity are also included in the compensation. The estimated earnings tax for the first year is \$800,000. (Hamilton, Fritz, Frantze)
- The project timeline: the lease for one of two sites under consideration will be signed in the next 2-3 weeks; design will be completed to allow for any needed demolition to begin by the end of 2019 and the building ready for occupancy in Q1 of 2022. The lease at the current location is up then and the company wants to avoid the need for a short-term lease extension. The company has determined that leasing rather than owning works better for the balance sheet. (Frantze, Kristl, Contreras, Waldon)
- Comments by Shannon Jaax of the KCMO School District; The Board was reminded that property taxes are the major source of funding for school districts. Referenced a podcast on Planet Money and quoted David Frantze’s comments on the Border War and the reality of the abuse of this public policy. The \$60M is

total incentives from the State of Missouri, Sales Tax exemption, Earnigs Tax redirection and KCMO City Council. Asked the EEZ Board to evaluate the project for Longer & Deeper abatement only on the 120 new jobs created, not the 919 relocated from the current office in Overland Park. No calculations on revenue impact were provided and the board was asked to reject the staff recommendation and approve a 75% abatement for 10 years. A development agreement was requested that would monitor retained and new jobs created and include clawback provisions when those performance levels fall short during the term of the incentive.

- If the Board accepts that this project is “grandfathered” it should consider the relocated jobs as well as the new jobs. New jobs should be defined as new jobs to the region, not just jumping over the KS/MO state line. The project recently reviewed in Zone 3 was a different approach to relocated jobs from Kansas. There was concern over the number of projected new jobs to be created and that clawbacks for underperformance of job creation be put in place. Over the past couple of years several projects have had clawbacks put in place. This creates a floor and is monitored via 5-6 years of annual reports to the State of Missouri, which is copied to KCMO. There is no current mechanism for clawbacks, but abatements can and have been terminated for failure to meet job creation requirements, ceasing a pro-rated benefit in this situation. Considering the Spring Venture Group project, there were performance provisions that were exceeded before the end of the abatement period. The school district does take the biggest hit financially. The assessed value of the new building and property will increase significantly. A frequent complaint of the school district is that an attraction project will increase the student population, while impacting funding. It is anticipated that there will not be a marked increase in KCMO school attendance, as the majority of the relocating jobs are already settled and most likely in other school districts, there could be some relocation of families to KCMO and the school district, but this is not expected to be a large number. This project, with construction of a new high-rise office building, will increase employment density downtown and add to the ad valorem value of the property so there is an immediate return. If the project is scored for Longer & Deeper accounting for the relocated plus new jobs it qualifies for 20 years at 75%, if scored for Longer & Deeper using just the 120 new jobs it qualifies for 10 years at 75%, the requested abatement of 15 years at 75% is a good compromise. Both job scenarios score as “high impact” on the AdvanceKC Scorecard. (Hamilton, Kristl, Fritz, Solomon, Contreras, Waldon, Jaax)

ACTION TAKEN: APPROVED A RECOMMENDATION TO CITY COUNCIL THAT IT APPROVE PROJECT DECOY’S REQUEST FOR 75% TAX ABATEMENT ON IMPROVEMENTS MADE TO REAL PROPERTY FOR A 15-YEAR PERIOD AND A PERFORMANCE AGREEMENT FOR JOB CREATION, RETENTION OF MOVED JOBS AND WORKFORCE DEVELOPMENT PARTNERSHIP WITH FULL EMPLOYMENT COUNCIL BE PUT IN PLACE. MOTION MADE BY MR. KRISTL, SECONDED BY MR. CONTRERAS, AND CARRIED BY THE FOLLOWING VOTE:

MR. CONTRERAS	AYE
MR. FRITZ	NAY
MR. HAMILTON	AYE
MS. WALDON	AYE

MR. KRISTL

AYE

2. **Adjourn.**

There being no further business, the meeting was adjourned at 12:00pm.

Drew Solomon, Secretary