

NMTCs Spur Redevelopment in KC's East Village

By Jennifer Dockery, Staff Writer, Novogradac & Company LLP

A few months ago, JE Dunn Construction Company (JED), a general contractor based in Kansas City, Mo., started construction on a building that city leaders hope will revitalize downtown's East Village area. JED's new headquarters, partially funded by new markets tax credits (NMTCs), will replace an entire city block of distressed properties and serve as a catalyst for new construction in the eastern section of the city's business loop.

"Retaining JE Dunn in downtown was a good thing for Kansas City," said Ruben Alonso III, project manager and NMTC coordinator for the city of Kansas City. He also referred to the building as the "anchor for the master plan in redeveloping the East Village area."

Alonso said that JED will use most of the NMTC equity for vertical construction of the five-story building. Spread over a city block near City Hall and the U.S. Courthouse, the precast concrete and glass building will contain 204,000 square feet of office space, a cafeteria and other employee spaces. Steve Dunn, chairman of JED, said construction of the building should be completed in August 2009 and will consolidate JED's Kansas City operations. Currently, the company has 425 employees scattered throughout four or five buildings a couple of blocks from the new site.

"We outgrew our old facility," Dunn said. He cited the company's desire to get everyone under one roof. According to Dunn, the new location will also serve as a marketing tool to attract new clients and employees. JED, which has offices in 19 cities throughout the country, plans to expand its operations, bringing as many as 300 additional permanent positions to Kansas City.

When completed, JED's headquarters is also expected to be the first LEED Gold certified corporate

headquarters in Kansas City. JED, which is also serving as developer and general contractor, incorporated sustainable design features and construction practices that included the diversion of construction waste, installing energy alternatives to curb gas usage, the use of local materials and urban lumber, and water conservation and natural lighting systems.

Central Bank of Kansas City (CBKC), in conjunction with the city of Kansas City, Mo. Community Development Entity, provided \$12.7 million in NMTC authority from its \$50 million NMTC allocation. U.S. Bancorp Community Development Corporation was the sole investor in the tax credits. The city provided \$19 million in Kansas City special obligation bond to construct a public parking garage adjacent to the headquarters. It also will provide \$12 million in Kansas City special obligation bond for the acquisition and clearance of properties from several blocks. Both special obligation bonds are to be supported by JED tax increment financing (TIF) revenues as well as the city's annual appropriation pledge. JED formed a limited liability company and then JED lent \$12 million to the newly created LLC to cover a portion of the development costs. CBKC provided an additional mortgage loan.

"The [NMTC] process took a while. It's kind of a new product in Kansas City. ...in the end, it was a transaction that everybody was happy with," Alonso said. UMB Bank, Virchow Krause & Company and Americo Life Inc. also participated in the transaction.

The city of Kansas City worked extensively with JED to get the project off the ground, said Bill Dana, president and CEO of CBKC. During negotiations the city agreed to demolish an empty bus depot and a hotel near the proposed site. The city also agreed to build and maintain a 750-space parking lot adjacent to the building.

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"New markets tax credits will really help spur the eastside development of downtown. ...those incentives really do make a difference," Dunn said.

Before construction on the new building could begin, the existing structures had to be condemned and demolished. According to Dunn, this was the most difficult part of the process.

"It was tough to gain a whole square block," Dunn said. The city and JED had to negotiate with eight to 10 property owners. Costs also mounted because of a Missouri law that required the city to pay 25 percent over market value for any building seized through eminent domain, and a 50 percent bonus to the owner of a property that has been in the same family for at least 50 years.

JED's headquarters, known as Project One, is the first phase of a more than \$350 million redevelopment of the entire East Village area of downtown Kansas City.

"It certainly had to be completed in order that the rest of the project would have credibility," said Dana. Dana said that several other businesses have expressed interest in using NMTCs to redevelop other properties in Kansas City, including the East Village.

Swope Community Builders will develop the rest of the four-to-five block area included in the TIF plan. Referred to as Projects Two and Three, the developments will feature approximately 600 mixed-income housing units, 750,000 square feet of office space, 12,000 feet of retail space, 45,000 square feet of office/condominium space and 2,740 parking spaces. ♦

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