

KCI Area Development

March 6, 2014

In attendance were Paul Kelly, Steve Foutch, Roger Lewis, Matt Eblen, Ed Ford, Matt Jarrett, Mike Reik, Stan Palmer, Chris Byrd, Jay Burrell, Jade Liska, Gene Hansen, Mike Wrenn, Larry Muck, Michael VanBuskirk, Alicia Stephens, and Morgan Bell.

Introductions were made around the table and Chris Byrd introduced Mike VanBuskirk.

VanBuskirk gave a presentation on the history of the KCI Corridor office market. He said the office market was overbuilt in the late 1980s which left most of the buildings completely vacant. Farmland Foods built a new office building and left it shortly after which opened a lot of space. The TWA building was mothballed for years then later came back on the market. Those two buildings opened million-square-feet of office space and then the recession hit.

VanBuskirk said the overall vacancy rate in the KC metro is 18.5% and the strongest area is the Plaza. The vacancy rates VanBuskirk presented excluded owner occupied buildings. The Class A buildings are almost completely full besides the Zona Rosa Office space Grantham is leaving. North of the river, the rates are around \$13-16 a square foot for a full service gross lease. The current vacancy rate is 33% and averages \$15.50/SF.

VanBuskirk led the group through the available office spaces.

- 11500 NW Ambassador building and the Ambassador building have larger floor plates.
- Ambassador building has the most competitive rates in the market.
- 11125 NW Ambassador building is now in private hands and leasing aggressively.
- Ambassador 1 is now completely vacant and bank owned.
- Ambassador 2 is around 50% occupied. The building has smaller windows and is older, making it less appealing.
- Corporate Circle 1 was inverted to use by Truman Medical which is a big positive for the area.
- Corporate Circle 2 is owned by Zimmer with around 40-50% occupancy. It is for sale at \$35/SF.

Alicia Stephens said the Citi Cards building sold to a group out of Overland Park. The local ownership is good for the area and they owner is willing to do multitenant. VanBuskirk said the group has a lot of experience with data center use and the building has great utility infrastructure.

Byrd asked if Ambassador 1 would have to be used for alternate use. VanBuskirk said land is more affordable and it's hard to justify demolishing it when land is cheap. Stephens asked if the 35% vacancy included Citi. VanBuskirk responded no, the vacancy rate will increase. He explained that rates have remained the same but the net operating expenses are down. The B and C Class buildings are where the vacancy is and it's a big issue. People are more willing to pay more for the amenities.

VanBuskirk said Grantham looked at purchasing along the Corridor but the Kansas incentives were too good. He was a part of the original location decision by Grantham and the group chose Zona for safety.

Steve Foutch explained Foutch Brothers is a repurposing company which has converted about 20 schools into office projects. The company is located off Tiffany Springs and now includes the Athletic Zone. Foutch explained the company looked at Ambassador 1 to convert to residential but the project was not affordable. Foutch Brothers represents over 1 million-square-feet of space with that much currently on the books.

VanBuskirk said Ambassador 1 would work for residential with the look of the space. Foutch said the vision was to turn it into loft apartments. The group looked at Corporate Circle but it doesn't have the vertical or the height needed. Byrd asked if the company refurbished for other to then manage or does Foutch manage. Foutch said the company owns and just recently started doing projects for others.

Foutch said with historic deals, the company doesn't put much money in and tries to get almost 100% financing with every project. Larry Muck asked what kind of cap rates Foutch gets. Foutch responded he hasn't run an analysis but

probably 20% cost over value. The company's biggest projects are in St. Joseph and they are working with property managers. Muck asked if Foutch looks at private lenders. Foutch responded he would be interested. Muck suggested doing so as there is a lot of money in hedge funds. Stephens said she and Matt Jarrett tried to help Foutch Brothers find ways to make the redevelopment of Ambassador 1 work but it was hard to find the financing. Platte County is new to redevelopment.

Mike Wrenn explained how he moved his company from Mission to the KCI Corridor in August 2012. The group moved here because key people were traveling often. Wrenn purchased the Baker building expecting to have some growth. The company came here with 28 employees and is now up to 70. Wrenn then decided to purchase the building next door. The Baker building is now 100% occupied. The building next door was 30% occupied but now is closer to 70%.

Wrenn explained he was looking to pay between \$20-22/SF so \$15/SF was attractive. The company is growing and looking at acquisitions to bring to the Northland. He explained they are aligning with the issues of the community. Wrenn suggested targeting smaller companies looking to grow with a unique vision.

Stephens said she met with Wrenn a year ago when the company first moved to Platte County. She said it is beneficial the buildings have local owner. VanBuskirk said the Executive Hills buildings have had problems and there is space in the old CRB building that was never occupied because of the lack of parking.

Wrenn told the group he had to spend money outside of the building to make the building nicer. He explained they are funding internally because there is a pride of ownership. It's more a care for the community than the bottom line. One concern his employees have is daycare. Muck explained the group might be interested in creating a partnership for the day care center on the Citi Cards campus.

Ed Ford mentioned 1 Million Cups is continuously presenting ideas and it's possible to target those young entrepreneurs who need affordable space. LaunchKC is also something to look at. Muck said an interesting case study is the Zappos repurpose in Las Vegas. The company took an old property and turning it into a live-work space. Foutch said that was Sprint was looking at when they created the campus here. Muck suggested trying to find a way to provide an incubator-type space with amenities to help companies grow.

KCI Area Development Team

April 3, 2014

In attendance were Beverlee Roper, Tim Dougherty, Jade Liska, Jay Burress, Ed Ford, Chris Byrd, Steve Foutch, Matt Eblen, Roger Lewis, Jeff Elsea, Frank Weatherford, Ed Bradley, Jeff Murphy, Drew Soloman, Alicia Stephens and Morgan Bell.

Launch KC Presentation

Drew Solomon with the EDC of Kansas City gave a presentation on LaunchKC – the EDC of KC’s newest business development initiative. Solomon said the EDCKC got involved pulling corporate technology companies together to discuss the startup community around the time Google Fiber announced it would be coming to KC. Solomon said Missouri ranks around 39 out of 50 states for venture capital deals by volume. LaunchKC focuses on raising awareness for startups to help generate revenue for high tech and IT companies. LaunchKC is forces on marketing and attraction and brining in the capital. The EDCKC has been able to recruit companies like Lewis & Clark which is in the Ambassador building.

Solomon said there is a lot of opportunity for KC to gain companies and Launch KC is trying to identify the startups and help them grow. He said they are looking for the next big thing, the next Cerner. The LaunchKC website gets 7500 page visits a month and has 12,000 followers on social media. Solomon said the retch folks are interested and there is buzz out there about KC becoming the next Austin.

LaunchKC offers free advertising on its website to any tech companies already in KC. The group has mapped the creative agencies around downtown and wants to expand the map to the full KC city limits. Solomon said the typical entrepreneur is around 38 years old with a family and many of them live in the suburbs. LaunchKC wants to identify the list and show the companies city-wide. He added that if you can find organizations that are ready to grow, the odds are in your favor at an early point.

LaunchKC worked with Kauffman in Austin at SXSW this year. Solomon said Missouri ranks low in private equity money and we need to market the area and show it is okay to have a venture backed company here. Alicia Stephens mentioned the team is focusing its attention on the office market. Solomon mentioned LaunchPad which is a group of 9 corporate partners offering free or low cost space with flexible leases. He said companies apply for the space and the EDCKC sorts through the applications to find the real companies and places them in a space to help the company grow. The EDCKC has placed five companies and of those, three are still there and two grew into its own space. There are areas hosting all over the city.

Stephens said they needed to find building owners willing to do flex terms. Solomon said companies are willing to move into Class B space. He said start by talking with the owners and know the landscape of what the company needs are and find them opportunities. A lot of entrepreneurs want suburban areas. Digital Sandbox is providing money to get companies ready to look for money. It has funded 37 companies for prototypes. Solomon said if you look around the county, all the hit cities are targeting high growth companies. We need to know who has available talent that supports high growth companies and provides them with room to grow. That is where entrepreneurs want to be. Solomon said we need to start thinking of entrepreneurs like a traditional ED recruitment project.

Ed Bradley said the Business Journal talks about the lack of recruitment. Solomon said larger companies are looking to fill a lot of high tech jobs. It’s a real problem and there’s such a need and the local universities can’t keep up. He said we need the public institutions to grow in support. Software Developer is becoming more of a trade. Stephens said Cerner has a finger in what they need and have been very active in the community to get those needs filled.

PIAC Transportation Needs

Chris Byrd gave the team an overview of PIAC and the structure of its funding. He said PIAC is setup similar to a city council. Money from sales tax is split citywide in each district. Byrd said the hearing starts in September with recommendation to City Council for funding by November. Byrd said there is a lot that needs funded in this area. With the new Twin Creeks area coming online, there are a lot of roads needed that do not exist or are not up to standards.

Stephens said the group participates with PIAC to all come together to create one set of priorities. Ed Ford said the city also uses PIAC funds to leverage other funds. Kansas City has an advantage because many other cities don't have matching funds.

Twin Creeks

Ford gave an update on the Twin Creeks KC development. Ford said Twin Creeks is looking at financial commitments from the City and County to use the funds generated after the TIF funds end. \$330 million is needed for full build out of the roadways in the area. The finance committee will make a recommendation to the full taskforce.

Roger Lewis provided an update to the group on the development of the new police station. Lewis said there was a contract issued to an architect firm but no location has been identified yet. The process to identify the station location will begin soon. They are looking for 5-7 acres and the project will be similar to the Shoal Creek station. Lewis said the City hopes to start construction in 2015 and occupy the station by 2016. Bradley asked if the original budget was \$15 million. He said the budget has now been cut to \$9 million. Bradley asked if when the money was taken if the City promised to pay it back. Ford said the City is committed to finding free land and the City Manager is pushing for a location on KCI property. Lewis said the tradeoff will be a community center in the facility.

Jeff Elsea asked if the Menards and Sam's funds have been identified. Ford said no, the bond council won't allow. Bradley responded a the IDA issued a bond revenue study to be completed.

KCI Area Development

May 1, 2014

In attendance were Ed Bradley, Jeff Elsea, Jeff Murphy, Jay Burress, Ed Ford, Chris Byrd, Brian Johanning, Steve Foutch, Roget Lewis, Kyle Elliott, Matt Eblen, Mike Chambers, Gene Hansen, Morgan Bell and Alicia Stephens.

Alicia Stephens presented on the KCI Airport Advisory Committee. Stephens provided details on how and why the committee was formed in May 2013. The group has been meeting every other week since its formation. All the meetings are available on the City's website. Stephens said the first meetings were to educate the committee on the airport operations and the group toured the interworking of KCI. The tour is also available on the City's website.

Stephens led the group through numerous facts and statistics about KCI and its current condition. Some of those figures included:

- KCI has 551 acres of pavement
- The Aviation Department pays the City between \$9-10 million annually
- Aviation Department employees must be KCMO residents
- KCI has an operating budget of \$117 billion

The taskforce also spent two sessions on aviation finance. Stephens said any revenue bonds must go to the KC voters. KCI currently has 15 mechanical rooms to maintain. She gave credit to Aviation employees for working with what they have available and told the group there have been interior gutters installed to help maintain water leaks and drainage.

Stephens told the team the taskforce felt the need to hire an outside consultant. The taskforce wanted to compare KCI to like size operations. The consultant compared KCI to 20 life-size airports around the US.

- KCI ranks 15th in terminal square footage
- KCI ranks 3rd in enplanements per square feet
- 18th in airline cost for enplanements (out of 20 total)
- KCI ranks last in concession revenue – an estimated \$5 million in revenue is lost each year
- 9th in percent of connection passengers

Stephens said it is perceived that KCI is difficult to connect at so people avoid connecting through KCI. Stephens also said studies were done in 1995, 2009, and 2013 and City Council has done its due diligence. The consultant has recommended three options to choose between. Plan 1 is status quo, doing nothing but regular maintenance. Plan 2 is a major renovation with centralization of processing. Plan 3 is a new terminal within the terminal area. Some of the committee is concerned with no fir prices for each plan. Some committee members would like to settle on the design but Stephens does not see that as the taskforce's role.

Kyle Elliott asked if not doing anything was an option and how long not doing anything could be sustained. Stephens said the consultant (Frasca) provided a lifecycle. Right now some of the research shows KCI is at it's peak but some people think it's fine. Stephens told the team the taskforce was given a worksheet to rank the Key Performance Indicators of KCI. All the ranking will be public and the final vote will go electronically.

The PCEDC has not taken a position and the vote Stephens will make will be her personal opinion. Stephens said at some point the PCEDC board will take a position.

Halfway through the taskforce meetings, Southwest Airlines wasn't happy and called a meeting with the PCEDC. Mark VanLoh was at the meeting with Ron Ricks of Southwest. Ricks was not aware that a team from KCI traveled to Dallas to discuss the potential new terminal with the airline. After the meeting, Southwest changed its demeanor.

Stephens said the taskforce hosted four public hearings. The two Stephens attended had good attendance. Stephens noted the \$1.2 billion price tag that's named in the press was the maximum price the Aviation Department could afford, not the actual price of the new terminal.

Ford said this has been the biggest issue since he has been on the Council. He said it will need a vote but won't happen during this Council term. Bradley asked Steve Foutch how hard of a project this will be to renovate. Foutch responded that keeping the airport operational is the biggest challenge. It's going to be difficult to renovate without shutting it down.

Stephens said new terminal doesn't mean new airlines. She said flights and cost are all market driven. Jay Burrell asked if a new terminal would have the potential to make us a hub. Stephens said according to the experts the hub days are over.

In attendance were Jeff Elsea, Bill Flynt, Gene Hanson, Matt Jarrett, Jade Liska, Kyle Elliott, Jay Burrell, Matt Eblen, Steve Foutch, Roger Lewis, Jeff Murphy, Ed Bradley, Alicia Stephens, Diane Jones and guest Jeff Shackelford.

Alicia Stephens opened the meeting by saying that the Platte County office market is at 30% vacancy. We've had realtors and others come to speak to this team about that. We've talked about filling the space with entrepreneurs but we need to know what they are looking for.

Jeff Shackelford presented on Digital Sandbox:

Digital Sandbox is a proof-of-concept program designed to move early-stage entrepreneurs toward commercialization. The initial objective was to create at least 10 new companies that will achieve their first follow-on funding or reach \$1M in revenue by Sept 2014. The program is collaboration between public and private entities. Shackelford showed slides of companies who have collaborated. Sprint has set up a cloud environment. Entrepreneurs may be a part of another business startup program and still participate.

First year

- 200+ early stage
- 37 development projects funded
- 22 new companies created
- 20 companies have secured add-on funding
- \$7.2 million in follow-on funding
- Created 125 new jobs

Shackelford feels that new job growth in this country is dependent upon entrepreneurs.

Shackelford showed a slide of the new companies that have been created through the program. One of the new companies wrote an app for Southwest Airlines. Another company with a memory capture app was helped to connect with Hallmark.

Shackelford is working to bring more companies in. He said when going to a large company it's best to tell them what they can do to help, rather than leaving it open.

Jade Liska asked what the most interesting thing they've found has been. Shackelford told him there is no lack of creative people in Kansas City. They hoped for 25 good applicants to begin and they got 94. They've moved to a rolling application, so one can apply at any given time. Everyone who comes to them is given a recommended first step.

Jeff Elsea asked how people heard about the program. Shackelford said it was announced at Union Station. UMKC helped with a big kickoff that got the word out.

When they got through the initial 94 applications they had four to six companies come in every Thursday for four months. All the funds have been allocated now, but people are still coming to them to make connections.

Over 200 local companies and organizations are in support of the program. Shackelford always asks companies how they got started. They usually relate how the process went from an idea to making connections with the people who can help.

Existing KC Co-working spaces include:

- OfficePORT

- thingBIG
- Innovation Café
- StartUp Village

Co-working spaces have flex space with no commitment, which results in scale on demand. What entrepreneurs need most are electricity and an internet connection. They find support in collaboration with others. He is wondering whether there is a way to help entrepreneurs with the expense co-working space. When looking at Platte County, he said the question is, "How much demand do you have for it up here?" He said the entrepreneur may look different in different areas. You must understand that and build around it.

Stephens asked how each of the co-working spaces got started. Shackleford told her one of them is a partnership between some economic groups. ThinkBig is owned by business owners, Innovation Café has an individual owner – it's one floor of a multi-floor building. He thought OfficPORT was a group. StartUp Village is owned by individuals who buy houses and convert them for use as co-working spaces.

Saint Louis has the T-Rex Center, which is an enormous building. The landlord allowed people to take ¼ of a floor at a time. They have close to 70 startups now. Shackleford said the more people you get in one place, the better; they collaborate with each other. He said when a company gets to the point of needing between \$1 million - \$3 million to scale up, they are between programs. He said that's been a problem in St. Louis. They're trying to fill that void because they're losing some. He said if five of the 20 funded are here in five years, that's a success. Some of the companies are close to the place of needing a big cash infusion. He said there aren't as many visible funding sources as he'd like, but they're there, we just have to locate them.

Shackleford said we need to "shout" about the companies who are successful in getting funding.

Stephens asked whether the building owner would be better off having an open floor plate and waiting for people to tell them what they need, or building it out like the photo in the presentation (small cubicles). He suggested a bank could offer \$20,000 and run a contest to see how many applicants they get. He said we could do things focused on Platte County. We probably have a base of entrepreneurs but they don't know where to go. He suggested we figure out the level of activity that is here and plan for that. He advised connecting with Maple Woods Community College. We could run an "innovation contest." We need to work together.

Digital Sandbox is a not-for-profit and he is in the process of fundraising. Stephens feels strongly that we don't need to do "One Million Cups." Shackleford said in one city they live-stream it.

Stephens asked about the funding stream and having people apply – are there guidelines and parameters? Yes. He said there could be a Digital Sandbox that is Platte County. The money they give is not a loan and they don't take equity in the company. The money doesn't go directly to the entrepreneur – they send him out to get bids for what he needs. A company needs to be able to give Digital Sandbox an executive summary and follow through on the recommended step they are given. They have to be committed and disciplined. Sandbox has an evaluation team that is made of people who are used to working with early startups and they know what to look for.

The Missouri Technology Corporation has several funds to which people can apply for money. He was asked whether there very many applicants who are willing to do that kind of paperwork. Sandbox will pair them with someone who is experienced in that type of paperwork. He has had some of them be approved. He said it's a good program and he recommends all entrepreneurs apply and go do a presentation.

Platte County EDC
KCI Area Development Team
June 5, 2014

Stephens asked Shackelford how they are interacting with EDOs. He said he hasn't been as active as he should have been. When he came on board he was under a time deadline with the grant from the Commerce Department. His goal is to get out and make contact with EDOs and other entrepreneurial programs. Stephens said she could envision a Digital Sandbox KC Platte County. He has talked to Maria Meyers about how to make this a part of the KC SourceLink package. He thinks there could be a Digital Sandbox that focuses on Platte County or one that focuses on, e.g., medical devices.

Stephens asked the team whether they think we're on the right path for our office market. She thinks this is a good opportunity. She's heard some people talk about fundraising such as Shackelford talked about. She thinks when people are ready for space, that's when we can help them.

There will be a joint meeting with the Northland Regional Chamber Planning & Development meeting one week from today to discuss transportation. The meeting will be held at the Chamber office at 7:30 a.m. The first drafts of the list she saw are projects that will impact Platte County, but only one was actually in Platte County. Liska said from their standpoint, there are a lot of projects they'd like to see but the money is small.

Stephens received an email about Tiffany Spring Road bridge. We'll be provided a link so that people can go online and make comments.

June 19th – the Public Policy Team is hosting candidates that have to participate in the primary. They'll come and present their main issues. Also at the meeting, Greg Sager will do an update on the transportation tax.

Roger Lewis was asked about the North Platte County (police station) location. Lewis replied that he's meeting with architects today. The station will be at 112th and I-29, on the west side of I-29, close to the entrance of the Overhaul Base and close to the fire station. The plan is to build a joint fueling station to be used by police and fire.

Ed Bradley reported that at the last Public Policy meeting Brian Nowotny gave a presentation on Parks & Recreation. It may be viewed on the PCEDC website.

Stephens reported that the KCI Advisory Group report is done and should be released soon. The group recommended a single terminal. She suggested that team members educate themselves.

Liska said that today is the first group meeting with the airlines, Aviation Department and consultants, to discuss what would be best for KCI.

There may be a decision on Westport soon; there will be a taskforce for Kemper Arena.

KCI Area Development team meeting notes
October 2, 2014

In attendance were Matt Eblen, Jay Burrell, Justin Meyer, Chris Byrd, Mike Reik, Kyle Elliott, Daniel Erickson, John DeBauche, Steve Foutch, Tom Teesdale, Frank Weatherford, Beverlee Roper, Jennifer Presberry, Matt Jarrett, Mike Chambers, Jeff Murphy, Roger Lewis, Ed Bradley, Ed Ford, Dave Long, Jade Liska, Sean DeCoursey, Alicia Stephens and Morgan Bell.

Aviation Department Update

Dave Long and Jade Liska gave an updated presentation on the KCI airport.

KCI Area Development Team
November 6, 2014

In attendance were Brent Miles, Jon Birkel, Aaron Schmidt, Jeff Elsea, Matt Jarrett, Duane Soper, Beverlee Roper, Jade Liska, Steve Wood, Ed Ford, Jay Burress, Ed Bradley, Lauren Palmer, Matt Eblen, Roger Lewis, Steve Foutch, Greg Foss, Sean DeCoursey, Jeff Murphy, Brian Johanning, Tim Dougherty, Nan Johnston, Alicia Stephens and Morgan Bell.

Residential Developer Presentation

Brent Miles with NorthPoint Development, Aaron Schmidt with Hunt Midwest and Steve Wood with Wood Development gave presentations on recent projects. Each of the presentations are available on the Platte County EDC's website.

NorthPoint Development

NorthPoint's newest residential development in Burlington Creek, Denton's, has 55 residential units. The Burlington Creeks apartments broke the lease up record in Kansas City. Brent Miles said the Retreat at Tiffany Woods has a strong retail component but does not have great access. Miles said the clubhouse will be complete by December and the first building will take occupancy in January 2015. NorthPoint averages 11 kids/300 units and sees many of its residents as either young professionals or older singles.

Miles said NorthPoint does not have a project renting below \$1.05/SF and said the developer offers too many amenities to offer less. Briarcliff averages \$1.35/SF and Burlington Creek averages \$1.25/SF. The average income the developer sees from its residents is \$65,000. Tiffany Woods will rent at \$1.05 - \$1.10 per square foot.

Hunt Midwest

Aaron Schmidt provided an update on single family units. Schmidt said Clay and Platte Counties rank at number 2 and 4 for number of permits in 2014. 23% of KCMO permits are in Platte County as of September 2014. The three hottest markets in the metro are Johnson County, KC North and Blue Springs. Schmidt said a buyer can't find anything in new in Johnson County for under \$400,000 which is good for Platte County.

Schmidt said the vast majority of Northland permits are in Clay County in the Shoal Creek Valley. The I-29 Corridor has the large majority of Platte County permits. Schmidt said there is currently a 7-month supply of new homes. 2015 projections show about 7% more in housing starts and builders are becoming more confident. There are 80 million millennials which is why the multifamily market is so high.

Wood Development

Steve Wood said his projects focus on a lower income group than Briarcliff but those who still want quality. His development, the Greens at Tiffany Springs, will be market rate. The development will have 264 units after getting City Council approval. It's a planned gated community for security and traffic control. The developer plans for 11 buildings at 3 stories each and hopes to break ground in spring or summer 2015. \$1.10/SF is the planned rental price.