

STATE OF KANSAS)
WYANDOTTE COUNTY)) SS
CITY OF KANSAS CITY, KS)

SPECIAL SESSION, THURSDAY, OCTOBER 31, 2019

The Unified Government Commission of Wyandotte County/Kansas City, Kansas, met in Special Session, Thursday, October 31, 2019, with seven members present: Bynum, Commissioner At-Large First District (left at 6:30 p.m.); Burroughs, Commissioner At-Large Second District; Townsend, Commissioner First District; Johnson, Commissioner Fourth District; Walters, Commissioner Seventh District; Philbrook, Commissioner Eighth District; and Alvey, Mayor/CEO; presiding. McKiernan, Commissioner Second District; Murguia, Commissioner Third District; Kane, Commissioner Fifth District; and Markley, Commissioner Sixth District; were absent. The following officials were also in attendance: Doug Bach, County Administrator; Ken Moore, Chief Legal Counsel; Bridgette Cobbins, Unified Government Clerk; Alan Howze and Gordon Criswell, Assistant County Administrators; Rob Richardson, Director of Planning; Reginald Lindsey, Budget Manager; Alley Porter, Commission Liaison; and Officer Jay Doleshal, Sergeant-at-Arms.

MAYOR ALVEY called the meeting to order.

ROLL CALL: Burroughs, Townsend, Johnson, Walters, Philbrook, Bynum, Alvey.

NOTICE OF SPECIAL SESSION of the Unified Government of Wyandotte County/Kansas City, Kansas, to be held Thursday, October 31, 2019, at 5:00 p.m. in the 5th floor conference room of the Municipal Office Building for a presentation on Urban3.

CONSENT TO MEETING of the governing body of Wyandotte County/Kansas City, Kansas, accepting service of the foregoing notice, waiving all and any irregularities in such service and in such notice, and consent and agree that we, the governing body, shall meet at the time and place therein specified and for the purpose therein stated.

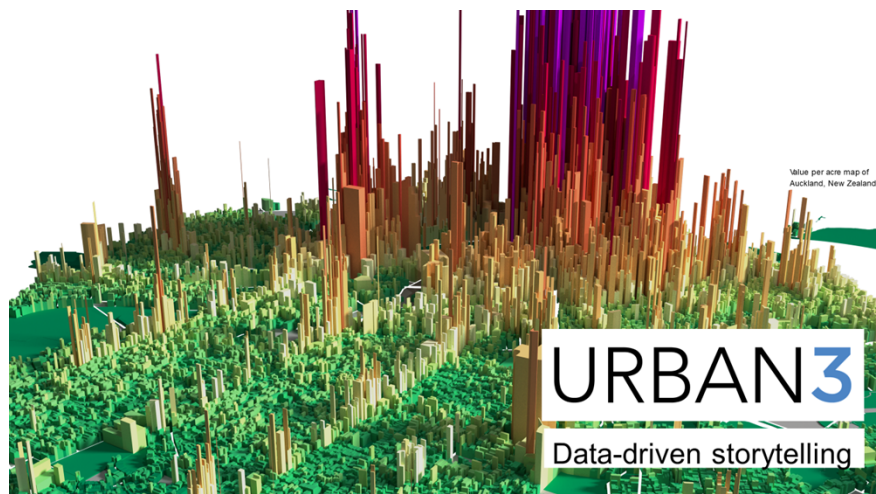


The Dollars and Sense:
The Economics of Land Development Patterns

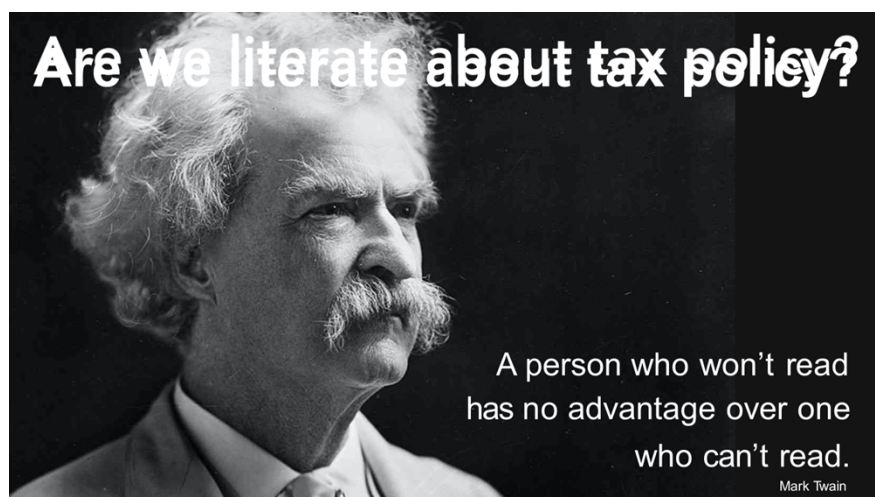
URBAN3
Joseph Minicozzi, AICP

Mayor Alvey said as many of you know, we have a special guest tonight, Joe Minicozzi of Urban3 and I'm going to pass this on to Mr. Bach.

Doug Bach, County Administrator, said for some time, I guess from a staff perspective, we've been looking at different things under the direction of the Commission of what we can do for improvements in the community and different ways where we look at things to improve the value by removing blight. That's been a Commission directive of how we go about that where we're taking care of our own property and then looking at others and looking at the many vacant lots in our community. Our emphasis has come from the Police Department and how they start to approach different things. Through this process it starts to layout how we start to look at the value of a lot of different things in our urban core that we haven't been spending as much time on and I think we found that Mr. Minicozzi proposal or his presentation really kind of highlights some different things for us that we should be taking into account. In fact, bringing into our equations as we look at how are the best ways to improve the value in our community, particularly in a time when we're going through a priority based budgeting process as well to say how what do we need to value back in our community in order to reduce our expenditures in certain areas or find other ways to grow revenue. His information is very enlightening in that regards.



Joe Minicozzi, Urban3, said I recognize a couple faces from earlier shows. I'm going to go back through the information that I presented this morning. We're talking about essentially city municipal finance, but ultimately, it's about taxation. It's how cities run financially. I used to work in real estate development, I've worked in real estate finance, I've worked in city government and I had my ah ha moment in the middle of the recession. When essentially your city freezes in time, when there are no permits that come in the door, at that point you can see your financial model at large. Can you afford yourself or can you not afford yourself because when you're not getting permits, all of a sudden everything is exposed, and I saw with city after city that people weren't putting two and two together to see that we couldn't essentially afford cities and we were essentially illiterate about our tax system.



I did a presentation in 2009 and I put this quote up from Mark Twain. “A person who won’t read has no advantage over one who can’t read.” I asked the audience, and this is a bunch of city planners and people doing city stuff, I said who here has read your local tax policies to see how your property tax assessment works and who understands the CAFR. No one raised their hand. I said we all work in cities, we all design cities and we don’t understand how they operate financially, so we’re essentially illiterate about how the tax system works. I’m trained in architecture. I like to draw pictures and stuff like that, yet I suffered through the tax code to figure it out because it’s your cashflow of how you manage a city.

Cities have a system. There’s a system of finance but there’s also a system of design and the best way that I can put forward how I look at city’s is that city’s all have a DNA so KCK has a DNA. It has a trajectory much in the way that I have a trajectory, so this is how I started my life when I was three months old and this is my path.



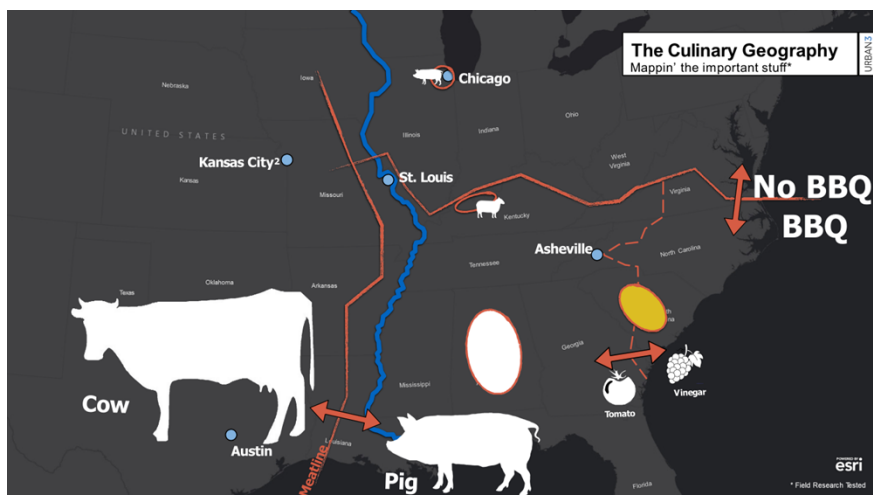
I will be poppa whether I like it or not or more importantly, I want to be this guy, again when I had hair. I’m genetically Italian. There’s not a lot I can do to change that. You will see that by how much I wave my hands around, but my family also suffers from a genetic predisposition of heart disease, so I know that’s in me, so I have to make choices about the food I eat, the exercise that I do, all that stuff. Your city is no different.

If we don’t have a path of our materials, if we don’t understand what our genetic material is, we don’t know what our costs are, we don’t know what’s going on, so in Ashville our great-grandfather is essentially Atlanta. We look at Atlanta. We’re nowhere near being Atlanta, but we can see the heart attack that Atlanta had and so we make different choices even though we’re only

90,000 people. That's a metaphor that I'm putting upfront. I'm going to give you a lot of information, but the question to have in your mind when you think of KCK in the future, who is your grandfather, who is your grandmother, what do you want to be when you grow up and what heart attacks did KCMO have across the river that you want to try to avoid or what good stuff did they do that you can learn from. You have examples all around you.

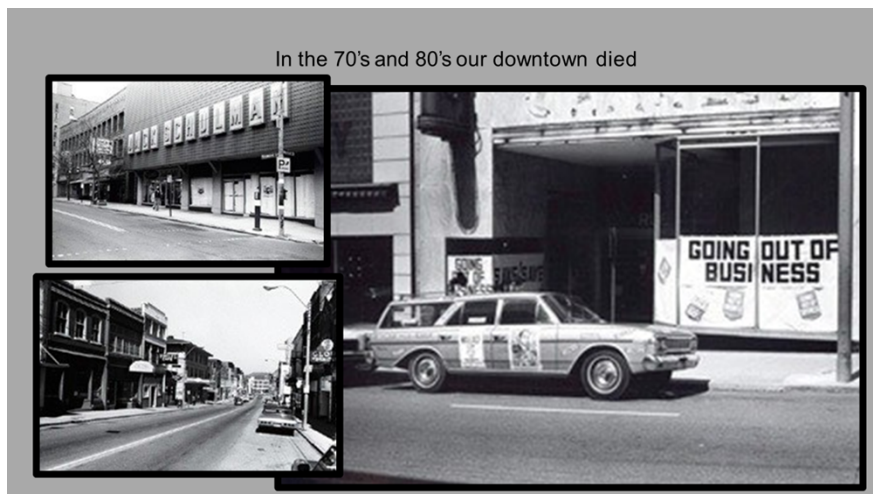


I'm from Asheville. I don't know if you know where Asheville is.



I wanted to make it relevant for you all, so basically, we are in the BBQ zone. We're on the pig side of the meat line. We're not cow BBQ. Chicago is an outlier, but we're also on the vinegar tomato line if you want to know exactly where we are in North Carolina and we're not the freaky

BBQ like the mutton BBQ up in Kentucky or the yellow or white sauce people, so we speak your language just with pig.



These are shots of Asheville from the 1970's flat on our face.



Boarded up buildings and basically Asheville was the second largest city in North Carolina by 1930 and we became—we had the highest debt per capita of the entire United States when the depression hit. We thought we had \$5M in the bank. It turned out we had \$18K in the bank, a little clerical error there and when that came down our City Council was indicted, and the Mayor committed suicide. That's how Asheville entered the depression. For 50 years we just had these buildings that we just walked away from because we were flat broke.

In the 70's and 80's
our downtown died.



Asheville's de facto motto was:

“That will never work here - don't even try.”

Any time we tried to work on our downtown we would hear from people in the community that's not who we are, we're rural mountain people, we're not urban people like Charleston or New Orleans or Charlotte, that's not who we are. I mean it was just biased because people were operating with things they thought they were without real information.



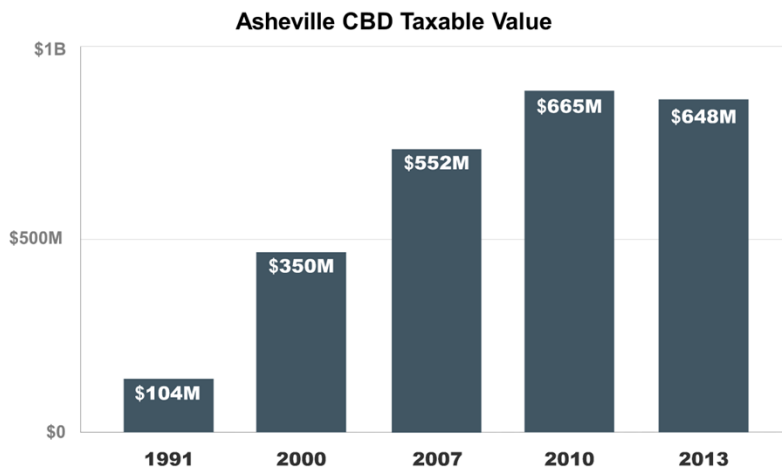
I ended up with this guys company. Julian Price started a for-profit real estate development company. We used his inheritance to fund fixing buildings and helping out entrepreneurs, so 75% of the money went into fixing buildings and 25% went into businesses like some eclectic restaurants, nightclub, the first vegetarian restaurant; we funded that.



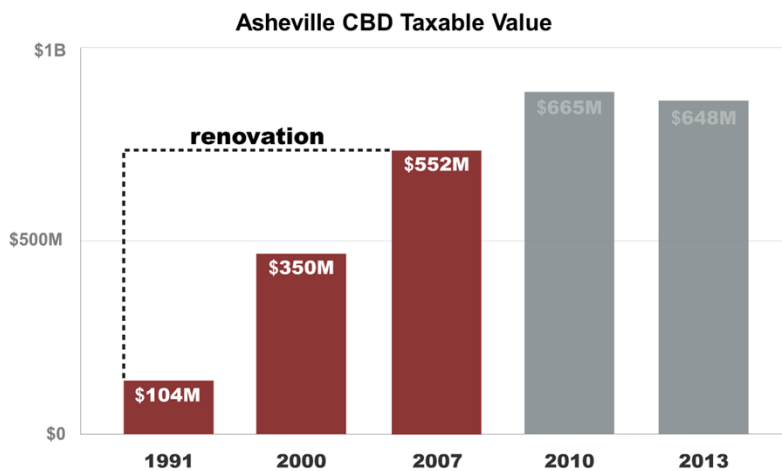
It was about dealing with the city as a product and growing it up, so this is one of our buildings before and after. These are small apartments for folks and a bookstore. Banks wouldn't fund something like this because they said no one would live in 400 to 500 sq. ft. apartments, but the thing is when you look at a city of 90,000 people, you're only doing 24 units, so surely there's 24 people that want to live in a small apartment. Sure enough, this has been 99% leased up ever since and in the developer world, that's called a homerun.



What I found in our community conversations is, we were talking about biases, we weren't talking about data. What does it mean for us to do development in the community? What does it mean for everyone in the community for us to do that?



This is the value of downtown Asheville. If we're a \$15M investor investing in the core area of downtown, downtown was worth \$100M in taxable value, so it's a big portfolio. We didn't get a new building in downtown until 2008.



This is the value of just activating those upper stories. Every building you walk by when it's got an empty floor, that's an opportunity for value if you can get it active, if you can get some taxes growing. Now the city also cooperated in this. They did streetscape projects, they started investing in downtown and sent signals to us in the development world that okay, we can cooperate with this. We'll do some value enhancements too.

WELCOME TO ASHEVILLE



THE BURDENS OF POOR DECISIONS ARE BECOMING UNBEARABLE!

- Parking Garage: **\$5.5 Million & Climbing**
- Pack Square Projects: **10.0 Million & Climbing**
- Wall Street Project: **1.8 Million & Standing Empty**
- New Garage for Garbage Trucks: **5 Million Plus**
- City Hall Beautification Project: **\$2.5 Million**

In 1990 Asheville City taxes were **26.1 Million & Climbing**

2 Million Dollars
to help pay for these projects for
Downtown Digiarities.

These are just a few of the failed policy decisions supported by the Old Council. The taxpayers can no longer afford the policies of the 80's. Here are your choices on November 5th!

- Gene Ellison - 2 year incumbent
- Chris Drennon - Fresh New Idea
- Charles Wootley - Fresh New Idea

- Bill Moore - 2 year incumbent
- Carl DeLong - Fresh New Idea
- Barbara Ford - Fresh New Idea

HOW WOULD YOU FEEL FOR A NEW CITY COUNCIL?
SUPPORT PROPOSING TO END OUR CITY GOVERNMENT'S POLICY FROM THE PAST

THANK YOU FOR CONSIDERING A NEW CITY GOVERNMENT. ENJOY THE WEEKEND. PROGRESS!

BLUEPRINT OF CITY HALL

THE INCUMBENTS: WHY SHOULD WE VOTE AGAINST THEM?

The decade of the 80's was controlled by the incumbents
Bratton, Frank, Price, and Michalove.

During their tenure, we have witnessed the following:

1. Personal income has decreased.
2. Property taxes are at an all time high. In 1990 these four council members voted for a 10% increase in personal property taxes.
3. In 1981 water was at the top of their list of priorities. In 1991 water remained at the top of their list.
4. Increased utility rates, inadequate police protection due to massive annexation during the past 10 years.
5. **Discontinue development for businesses behind streets, streets and streets.**
6. Fewer jobs for our residents. We have lost good sound industries, such as Burlington, Sapco, Wellpoint, Glenside and Harsco, not to mention 3000 jobs at Ford.
7. Excessive waste of city tax dollar and mismanagement within the fire department (i.e.: the trucks being owned to hinder business, etc.).
8. **Discontinue parking spaces. Millions of dollars wasted on unused parking spaces.**
9. Turnover in the City School System. The only voice city residents have is through our vote for Asheville City Council.
10. Community fragmentation. Certain communities have been ignored for too long while others have been given the royal treatment. This cannot be tolerated. All city areas are entitled to all city services.

VOTE OUT THE POLICY MAKERS OF THE 80'S.
THEY'VE BEEN IN CHARGE TOO LONG!

BRATTON
OUT

FRANK
OUT

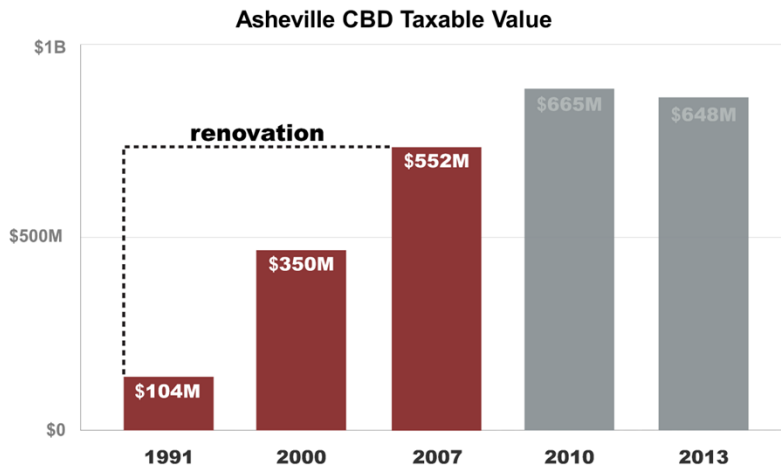
PRICE
OUT

MICHALOVE
OUT

PAID FOR BY THE CANDIDATES TO ELECT A NEW CITY GOVERNMENT

Asheville's de facto motto was:
"That will never work here - don't even try."

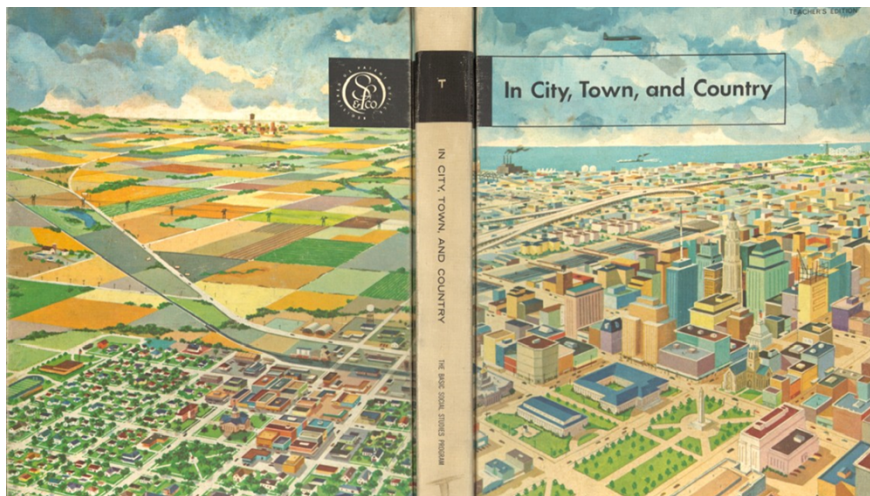
To show you, it's not all roses in Asheville. This is a campaign ad from the 1990s that's got Chris Petersen and here he is complaining about \$26M of investment in the downtown. The city did some streetscape projects. They started doing parking. They got rid of parking requirements. There are no parking requirements in our downtown, but they went on a proactive parking management strategy. Because we had all these buildings they didn't want us tearing the buildings down to make parking, they started doing that, but \$26M is a lot of money. I don't have \$26M in my pocket.



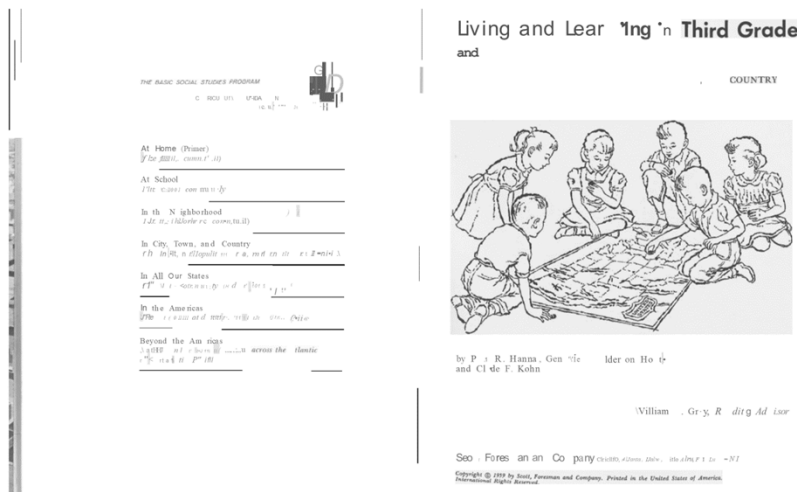
Let's do some math here. If you put \$26M in a \$100M asset and it grows to \$500M, is investing 26 and yielding \$430M, is that a good return on investment? Yes, why did we listen to Chris. People have opinions about stuff but then there are facts.



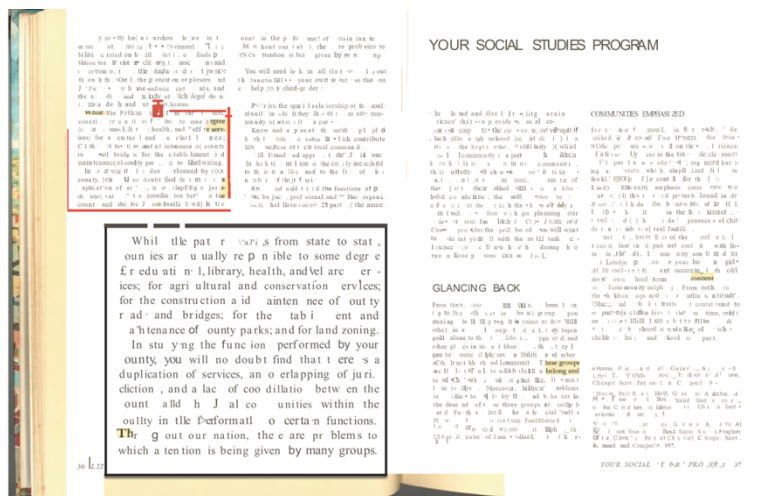
It doesn't stop Chris. Chris has a website now with Fire & Brimstone with the City Council and the Mayor on it and you know he's got a bias, he's got an attitude; that's great, whatever. This is our Mayor. I asked the Mayor is this a liquor drank. She said it should be. Chris is going to keep on going with this stuff. That's public discourse. People are entitled to their comments.



What I've found is we've lost the stability to have a civic discourse. This is a kid book that I found in a garage sale. In City, Town and Country; it's a teacher guide, so as a teacher, you all are teachers training civics to our citizens in how the city operates. You all get to see the budget and how this all happens. You have to educate your friends and family about how this happens.



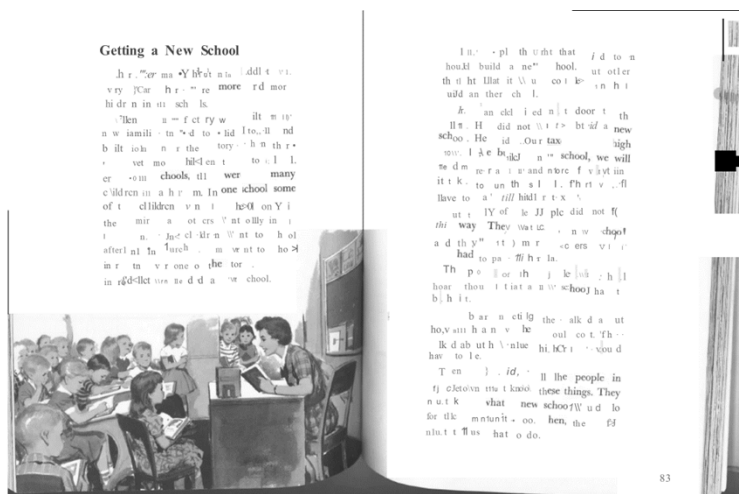
This is from 1959, it's a third-grade text book. In kindergarten you learn about your house, the first-grade the school, second-grade the neighborhood, the third-grade you learn about regional planning. Did you all do that in third-grade? We learned about city's as part of our civic courses. We don't have this in our schools anymore.



The teacher guide has this. While patterns vary from state to state, county's are responsible for education, library, health & welfare, etc. and studying the functions performed by your county you will no doubt find there is a duplicate of services and overlapping jurisdictions and a lack of coordination between the county and the communities within it.

You all are a joint city/county government. You go across the river; the county wouldn't even participate with the study with Kansas City. That's a disconnection that still happens today. This is 1959 and we just developed these biases without seeing that we're all in this together. The

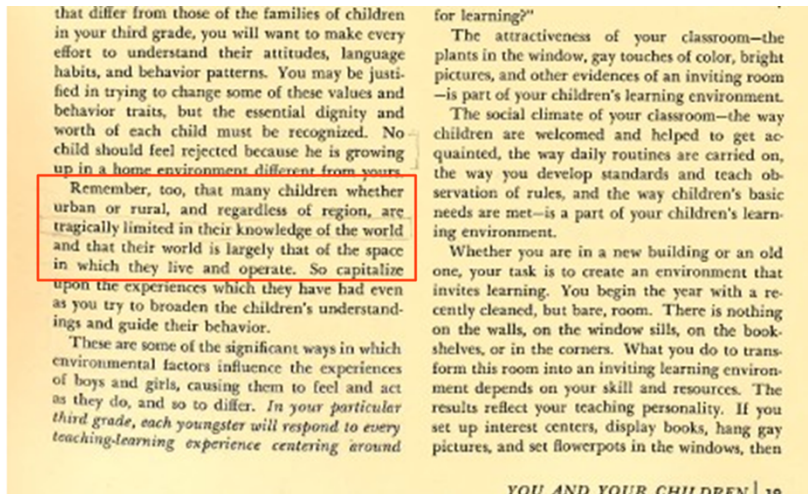
citizens of Kansas City, Missouri are the citizens of Jackson County, why would you just ignore them?



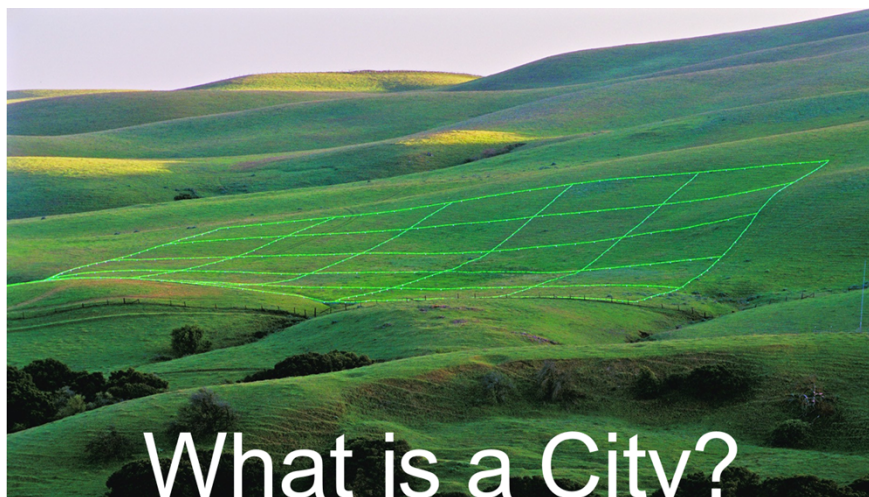
Here's the lesson plan. It's one of those Dick and Jane books. It's painfully white and it's also misogynistic, but putting all that aside, you see what's going on here. There's some overcrowding, there is a new factory that gets built, there's even more kids that go to school, so as a third-grade teacher you ask your third graders this question right here. Give four good reasons for building a new school and your third graders talk about what; equity. Everybody should have a desk, maybe get everybody in the classroom together, maybe get another teacher and have two classes; that's called infrastructure. Your children learn about need.

On the right, you learn about Mr. Canfield. He didn't want any schools. He said our taxes are too high now. If we build a new school, we need more teachers and everything else and we will have to pay higher taxes. That is indeed true. If you buy stuff, it costs money. You all see that. You have a budget you have to pass.

In blue this is where you ask your third graders up here, why would some people have to pay higher taxes and why are some people against paying higher taxes. What's phenomenal to me is this is a third-grade text book and I know adults that can't have this conversation. They will pick one side or the other and they will stick to that dog mode without seeing that it's all tied together. We all have to work together in this community.

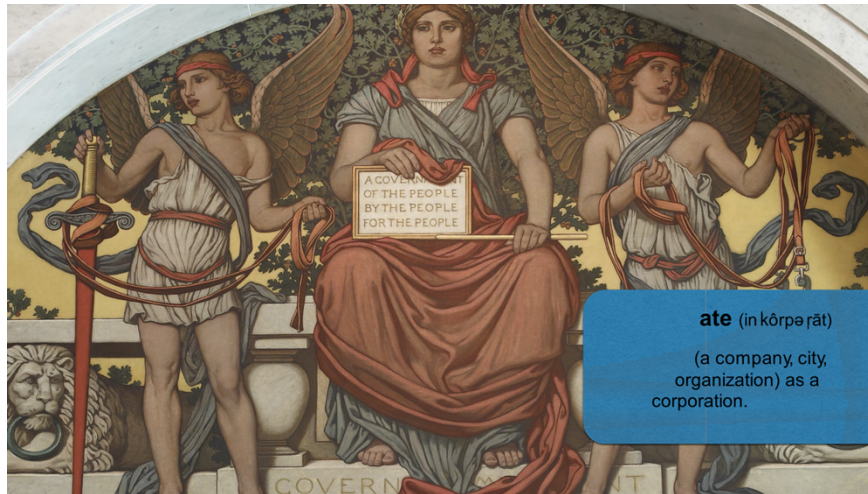


My favorite part is this, again, for the teacher. Remember too, that many children whether urban or rural and regardless of region are tragically limited in their knowledge of the world and their world is largely the space in which they live and operate. People know where they live, how they drop their kids off at school, where they go to work, how to get their groceries and if there is a disturbance in that anywhere in the system, they're going to show up here for public comment and make it your problem, right, yet you all have to see the totality of the whole city and how it all has to operate together, but we respond at a very personal level about what people want. There's data that needs to be looked at first. Everybody is alright to ask and complain, do whatever you need but there is a higher authority that you all have and a higher obligation to manage a city.



What we need to remember is the city is a finite boundary of land. More so in your case. You can't annex the next county over. The land you have is the land you have and those are the acres

you deal with, so when you talk to farmers they are always talking about land as an economic model and you're dealing with the same thing.

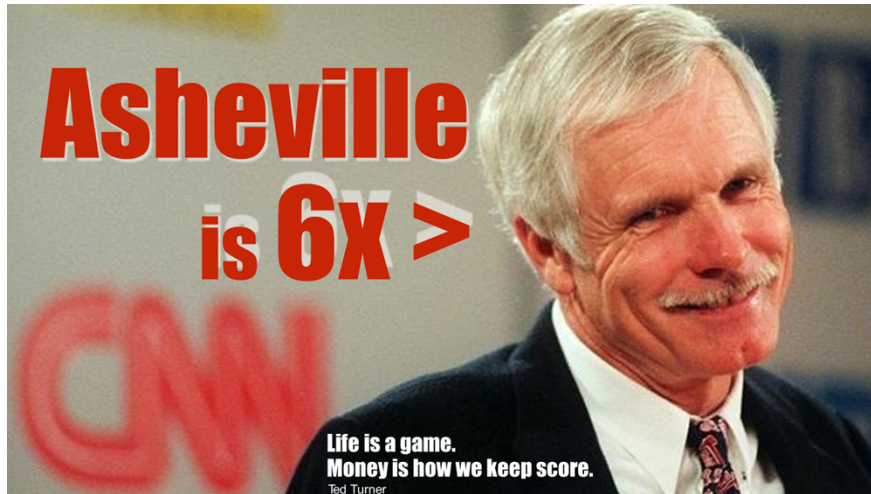


Your city is essentially—your county is essentially a corporation. If you look up the word incorporate, it says to constitute a company, a city or other organizations as a legal corporation. In my case in Asheville, there is very little difference between my city and our real estate development company other than our ownership structure. We're both corporations. The city is a corporation, the county is a corporation, our state is a corporation, our country is a corporation.



Joe Biden said this on this Stephen Colbert show, the United States is the largest corporation in the world and I'm such a nerd at midnight, I'm looking it up, there is the law that lists us as a federal corporation. Our system of government is a business. It's not to say that we're a cabalistic

business, we are a social corporation. We're all in it together as shareholders, citizens in this cashflow that you all get to manage.



My city at \$13B is six times the value of Ted Turner if were in the Fortune 500, so think about that for a second. Does Ted Turner look at Facebook every day and make his decisions off that, of course not? Ted Turner is looking at data. He is taking public comment, but he is looking at the data on how the shows perform on CNN or whatever, there's data and information.



So, back to the production of buildings.



For 40 years this building remained vacant..... its tax value in 1991 was just over **\$300,000**



Today the building is valued at over **\$11,000,000** an increase of over **3500%** in **15 years**

The lot is less than **1/5 acre**



This is one of our buildings that we did. The city did the streetscape project. This is what Chris got all upset about right there. Thank you city, thank you all for the garbage can, the bike rack, two benches and a street tree; thanks for your investment in front our building. Chris called that a subsidy and in theory he is right. It's in front of our building, but the entire public can walk on this, but we put in retail, office and residential, so the taxable value went from \$300K to \$11M, so what that represents for you all is an increase of 3,500% taxes on an asset that was already sitting there. You get 3,500% more money. Go out and buy 3,500% more garbage cans, we don't care. Does that make sense? If you have a 401K Plan that grows by 3,500% or a CD or a bond, wouldn't you like that? This is cultivating our community's wealth. How do we build wealth for all of us for all of us to share?



Asheville Walmart

Downtown



URBAN3

People say, Joe, that's not fair. We've got this Walmart over here at \$20M of value, fair enough.

October 31, 2019



Asheville Walmart

Downtown



\$1,000,000 Tax Value

URBAN3

That Walmart is paying \$200K in property taxes, but it took 34 acres of my corporation to make that happen. It's not an apple to apples understanding.



Asheville Walmart

Downtown



\$1,000,000 Tax Value

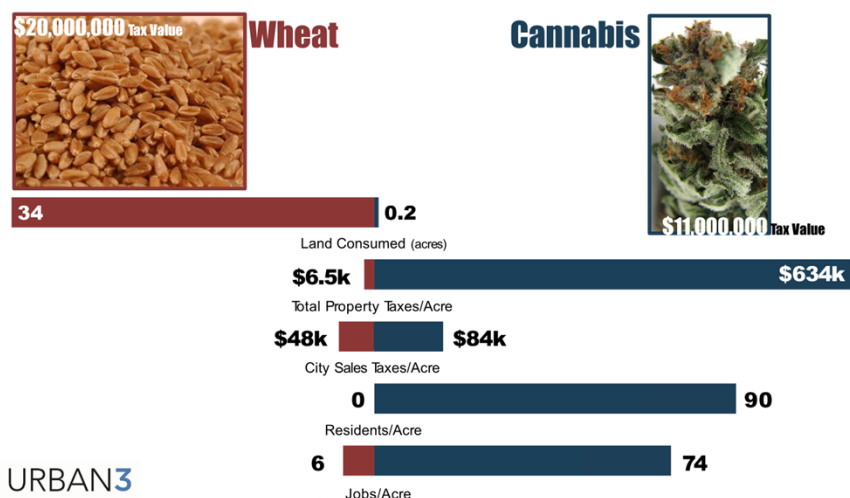
34

0.2

Land Consumed (acres)

URBAN3

This is an apple to orange understanding, but if you want to see apples to apples with the per acre yield off this.



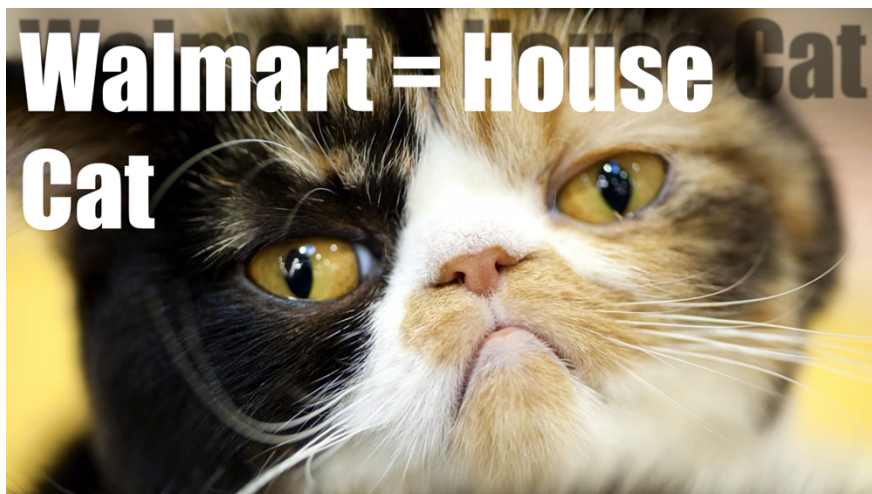
URBAN3

This is what our building pays per acre in taxes versus their building. Who would have thought that our building was a hundred times more tax productive than a Walmart? Now, in North Carolina our attitude is like alright, we lose money on the property tax, we're going to get it back in retail tax. Let's look at that. We actually produce more retail taxes than they do, double. We've got residential, they've got nothing. We've also got a lot more jobs. Now let's talk about the other economic affects of this. Of these retail employees that are here on the blue or the red, who is paying the retail employee more per hour, the local businesses on our ground floor or the Walmart. It would be us.

Now let's ask the next level of economic question. Who is hiring the local website designer, the local attorney, the local accountant, the right or the left? These are all decisions we get to make in our community. We just have to be open to looking at them. Sometimes people say to me, well Joe, you just don't like Walmart. If that's what you're thinking, you're missing the point.



I was presenting at the International Association of Tax Assessing Officers Conference. I don't know if you all hang out with assessors, but if you can imagine hanging out with 2,000 of them, it was a pretty interesting experience. This guy got up, he's the head of the Walmart Property Tax Division and he did this amazing presentation on the value of Walmart's to all the assessors across the entire country. He showed spreadsheet after spreadsheet after spreadsheet on how cheap his buildings are. Let that wash over you for a second, how cheap the buildings are. Now, Assessors are agnostic. If it's a cheap building, it's a cheap building. You can't make value on something that's not worth anything, so the assessors really thank you, thanks for making our job easier. I'm having a coronary because I'm like how are you going to get away with this, but the assessors were doing their jobs. I went up to the microphone and asked them. I said Mr. Terrell what's the useful life of one of your buildings and he quite honestly shot back, 15 years, maybe 20. We design the building to depreciate as fast as possible and we will build another one and depreciate it down again. That's it. We don't care about the building. It's more about getting the goods out to people. The buildings are throw-away. That's their commitment to your corporation, 15 years and you've all seen this in your community where a Walmart happened, it's died, another one pops up and they start that depreciation cycle again. Don't hate the player, hate the game. This is a game that we're all trapped in, but the game has more control at your local level than you know. So, be aware of that and make sure—I just want it to be a conscious decision.



If that's alright with you to have a 15- year commitment with a Walmart, which is the life cycle of a cat, go for it. I'm a dog person, sorry, but I'm just trying to make light of how limited that relationship is.

You all have to think about something that's going to be around for generations, for hundred of years. You're operating a corporation that has an unlimited life cycle and you want to think about the long game.

I breezed through all this information mostly to reframe how we look at mathematics. This isn't complex stuff that I'm doing here. It's really like fifth grade divisions, about using land as a component of equal measure.

How do you compare cars?



We already do this when we talk about cars. We don't talk about cars on a miles per tank basis, do we?

How do you compare cars?



If we did, we all would be driving Ford 150's at 650 miles per tank and you would say to me, Joe, that's stupid. All the tanks are different sizes, that's not a fair way of looking at cars, we say miles per gallon. That's efficiency, right?

How do you compare cars?

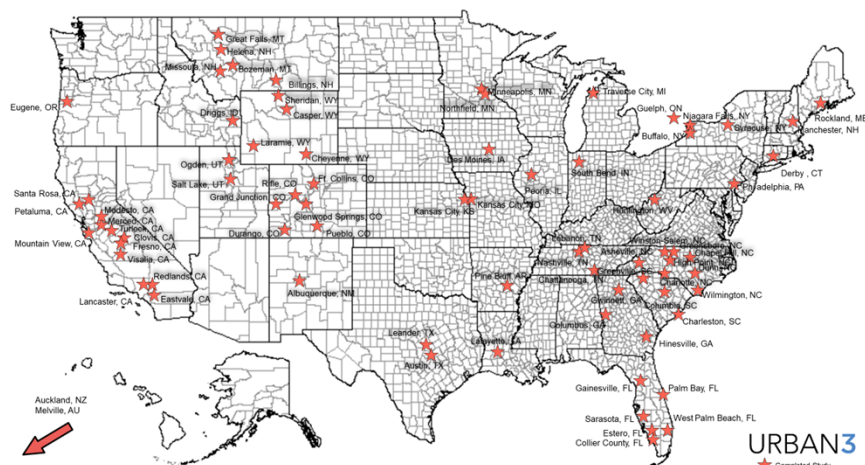


Miles per gallon the numbers change.

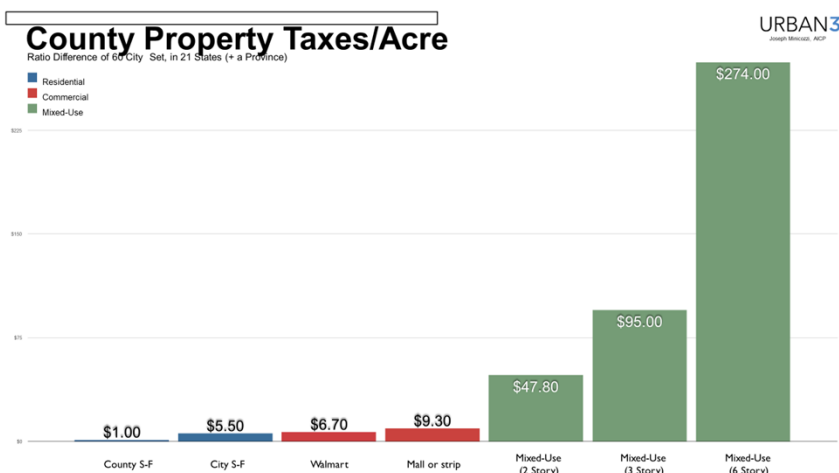
How do you compare cars?



And we should all be driving BMW Assettos at 70 miles per gallon. If we're doing this for a \$3 commodity, shouldn't we be doing it for \$30K commodity?



You know this is your land, this is your community, look at it with value and the value that it has. We've done this all across the country, taking every single—all the cities that we've done and mashing them together.



We see this trend for every dollar of county taxes, somebody is paying out to the county who lives out in the county per acre. Their brother or sister in the city is paying about five times that to the same county. This is the Walmart, this is the mall, that's a two-story building, this is a three-story building, and this is a six-story building. This could be in Driggs, Idaho; Durham, North Carolina or Dallas. As soon as you start stacking those stories, what you're doing is you're just stacking the dollar bills. Every floor has its own value, but what's crazy, it's an exponential jump. It's not a proportional jump up when you add the stories and we're not talking skyscrapers here.

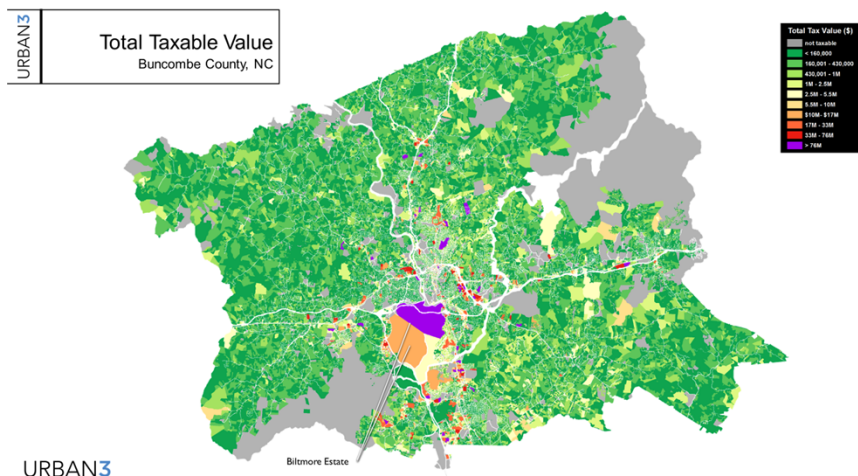


Case Study: Economic MRI®

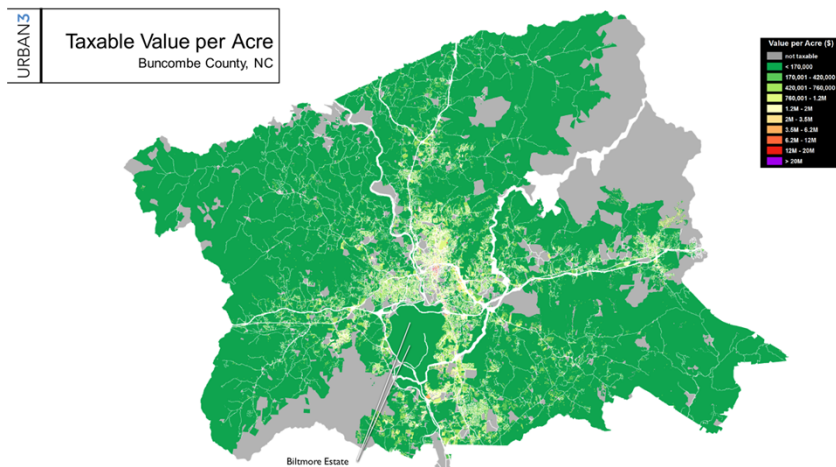
Asheville, North Carolina

URBAN3

Back to Asheville for a second.



Here's my county, 350 sq. miles. I've got non-taxable in gray, right there and these are big parks. This is part of the Blue Ridge Parkway right here, so this is Mt. Mitchell, this is Mt. Pisgah. Both of those are non-taxable, so just to be crude about it, they don't pay any taxes. I don't care about it, just being rough about it. Green is low value, purple is high value, so this is the Biltmore Estate right there, there's low value, high value. The Biltmore Estate is worth \$100M, one house. Does anybody have a house worth \$100M? When Bill Shadel shows up at one of our Commission meetings, we all genuflect and thank him for his time because he's a very valuable person in our community. I would argue how is that fair. I don't have a 180,000 sq. ft. house, I don't have 2,000 acres of land, he's got the biggest gas tank, of course, he's the most value.



Rather than total value, let's do value per acre and the map changes.

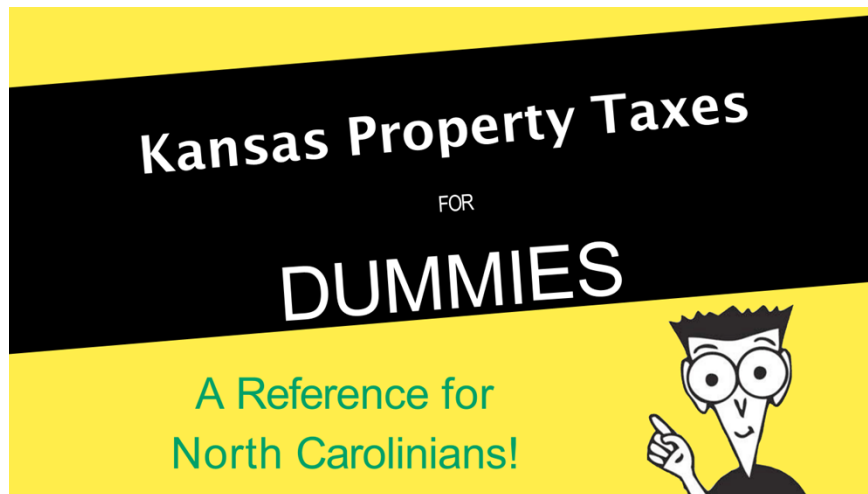


Case Study: Economic MRI®
2018

Kansas City, Kansas

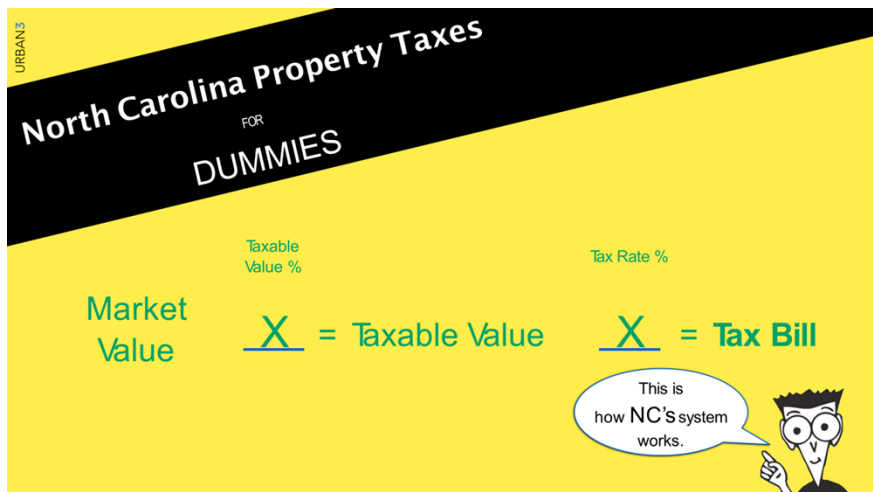
URBAN3

So, back to you all.

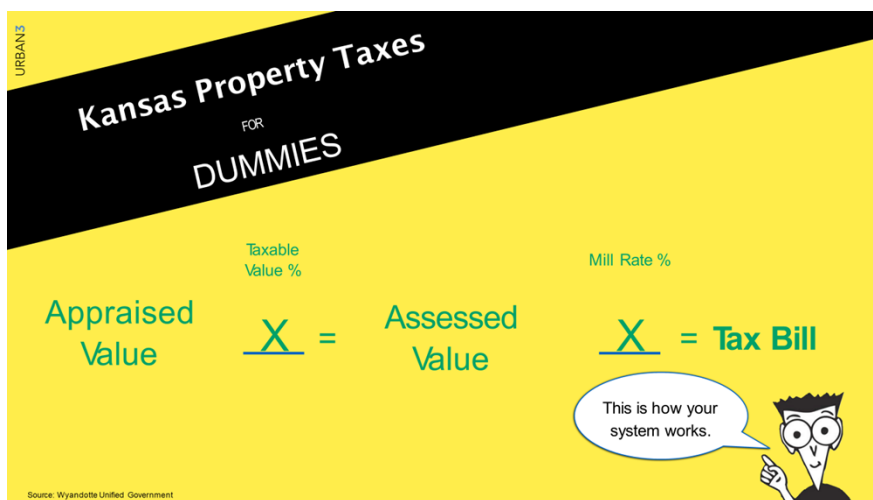


First, we had to go through your tax system. Every new state that we go into we have to learn how you operate.

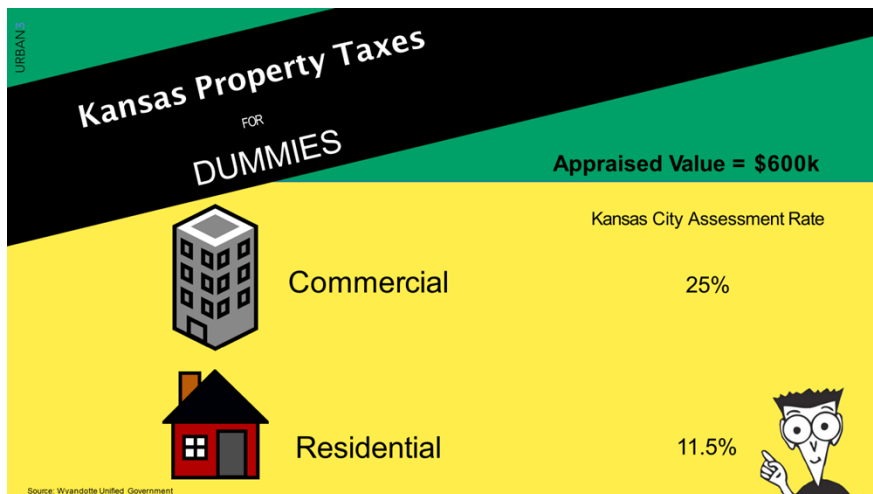
October 31, 2019



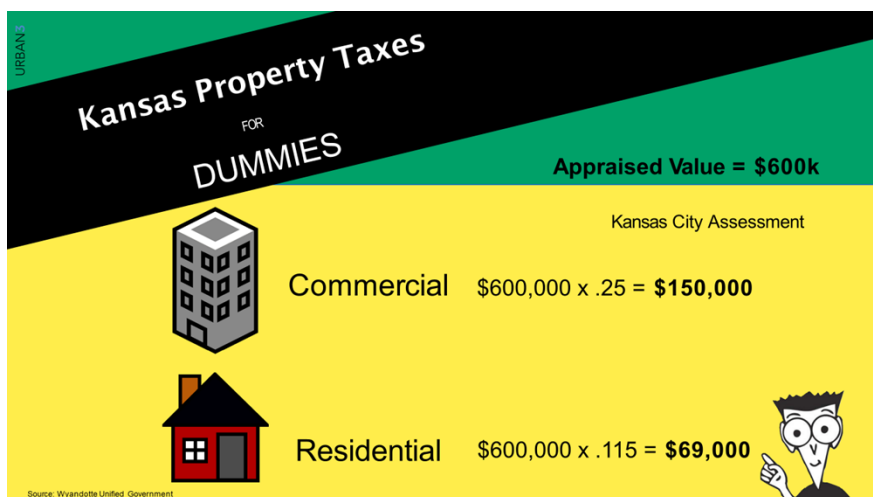
This is the way our tax system works. We have a market value, gets the taxable reduction to the tax value, multiply your tax rate or your mill rate and you get your tax bill. It's a straight-line system. There are more complex ones that are out there.



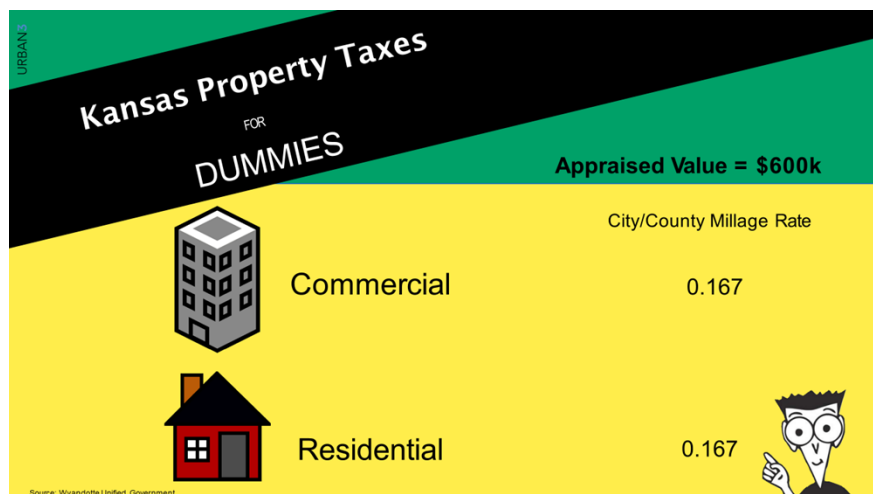
You all are pretty close to ours because you have a taxable reduction to it, an assessed value mill rate or whatever.



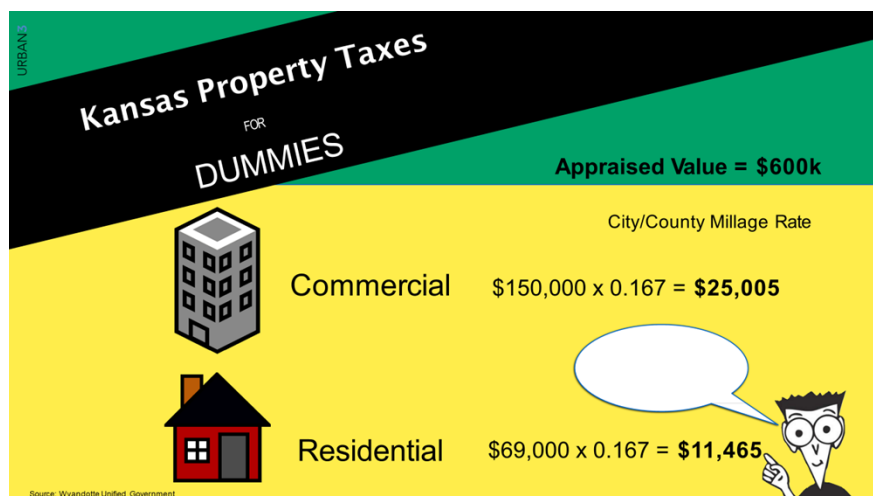
You have a couple quirks. One quirk is your appraisal value. You're only appraising 25% of commercial and you're only appraising 11% of residential.



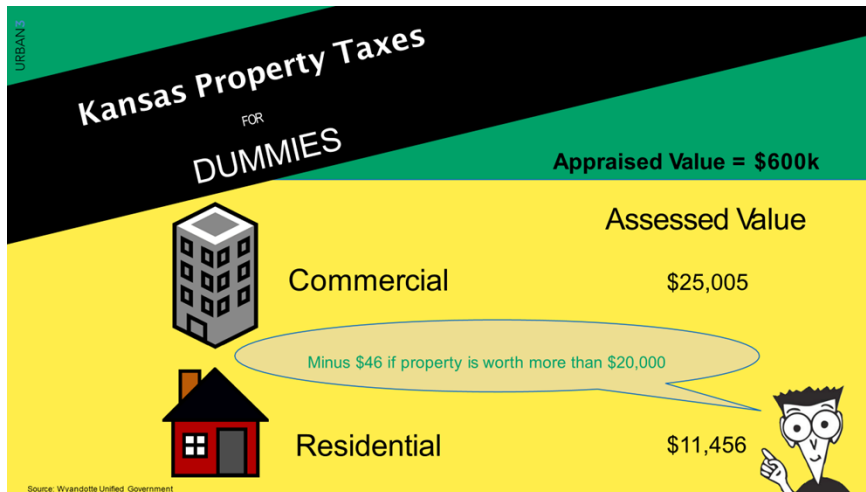
When you run the numbers for the same \$600K worth of value, that's what your commercial property is valued at. This is what your residential property is valued at. Do you all follow me? So, if you're a resident, you get a discount, period. When people talk about TIF and we complain about TIF or a deal that you all have to discuss here on Commission, that's an active engagement into a tax increment. We're all conscious to it, we're in the sunshine of being in this room talking about it, but that's a TIF too. If you're going to tax a value less, that's a gift. Just own it. That's what it is.



Here's your mill rate.



So, basically, your resident is paying—or your commercial property is paying two times more than your residential property, so you talk to your citizens and this is common in a lot of states that we typically tax our commercial more than our residential. That's just the way the system is, but the citizens need to be aware of that.



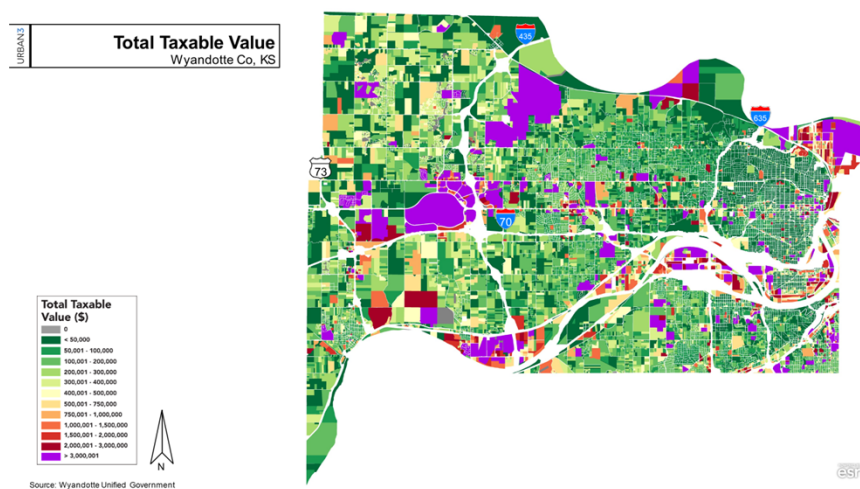
The other thing that's kind of weird is that your State gives all the residential property \$46 out of your Education Fund, so basically, anybody that's a resident in Kansas state, gets \$46.



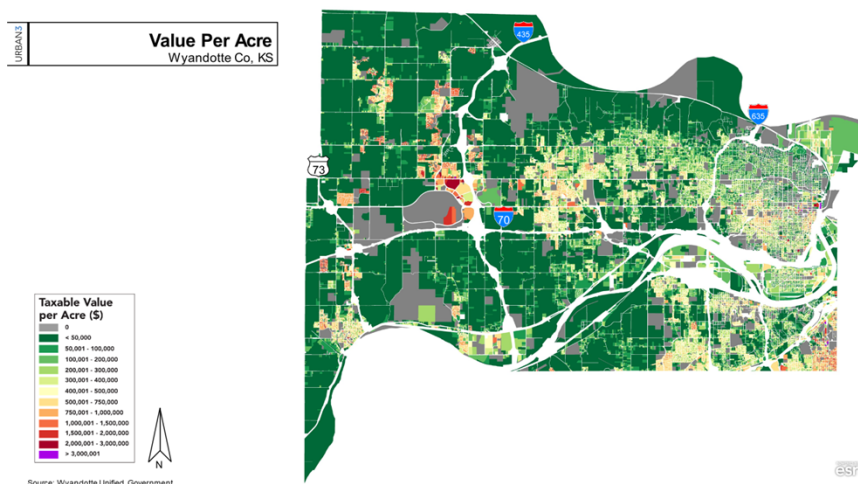
I don't know how they're trying to motivate you all but we kind of thought it was kind of like when Oprah shows up, like you get \$46 and you get \$46 and you get \$46 and I'm like what's up with that.



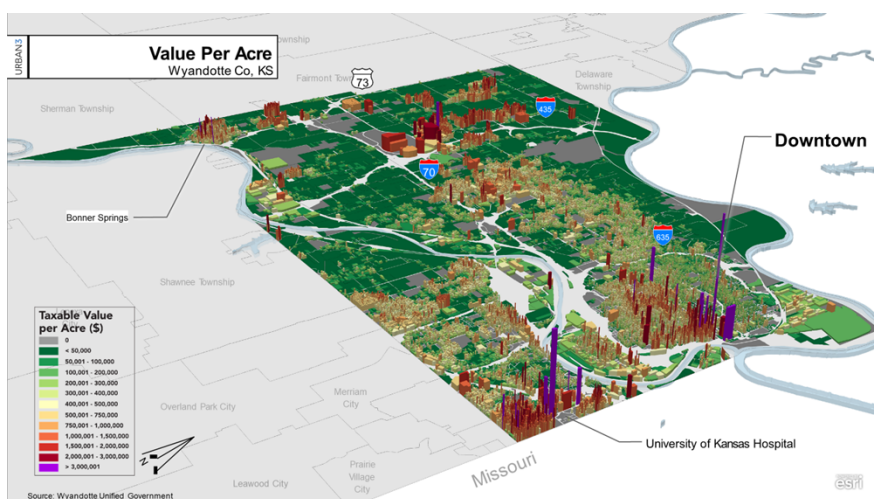
They essentially rated your Education Fund at your State level which essentially like throwing away—every resident threw away 12 backpacks or 300 pencils. I mean there is a cost to your system. These aren't free gifts when your government hands you tax bills like that. That affects other forms of running your system, so be conscious of that.



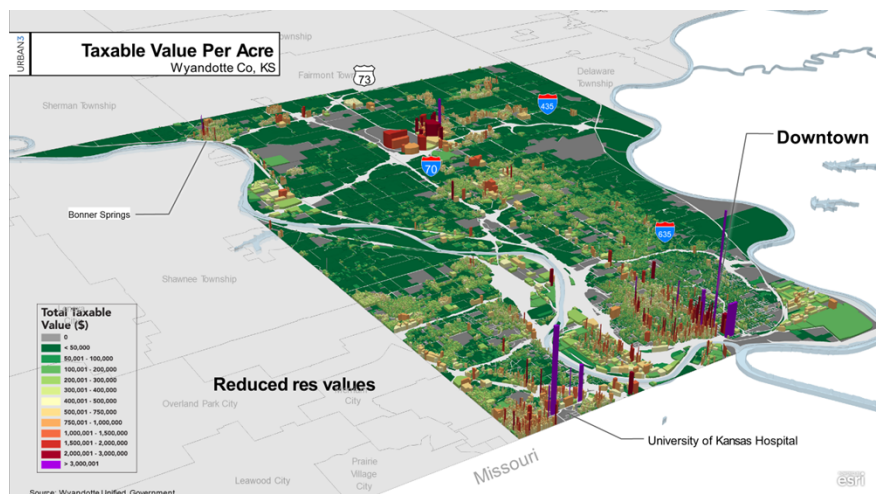
This is your county in total tax value, so think of this as miles per tank and you see the big parcels are worth a lot of money, but again, they're big parcels.



So rather than total value, let's go value per acre. The map changes and this is the productivity. Again, non-taxable in gray, low value to high value.



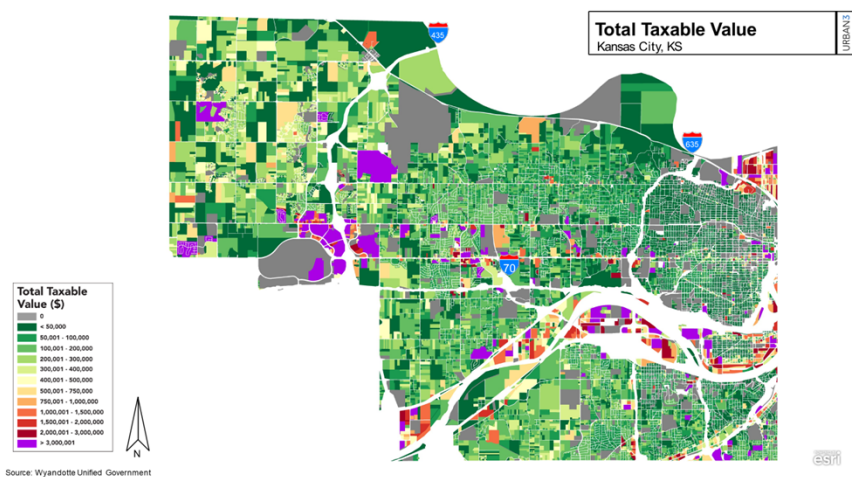
Then here it is in 3D. This is the market valuation.



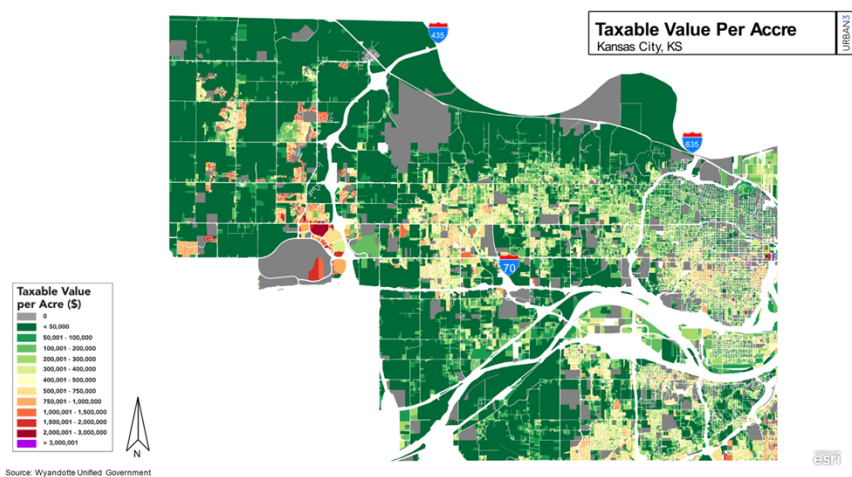
Here's the taxable once you do the reduction based off of the 12% and 40%, so you see how residential drops down a whole lot more than the commercial stuff.

Mayor Alvey said, Joe, if you could just pause here for a second. We're broadcasting this to our residents and so just to be clear, you can see the bar graph on the left—the graph on the left that shows the gray all the way down to the purple, it's more value per acre—higher value per acre and then the heat map shows that the higher elevations are the more productive taxable value per acre. **Mr. Minicozzi** said yes, it's all per acre. This isn't apples to apples understanding because then all of these parcels are different sizes, so this makes things relative. Someone maybe is not paying a million dollars in taxes, but if you had an acre of that stuff, that's what you would be collecting.

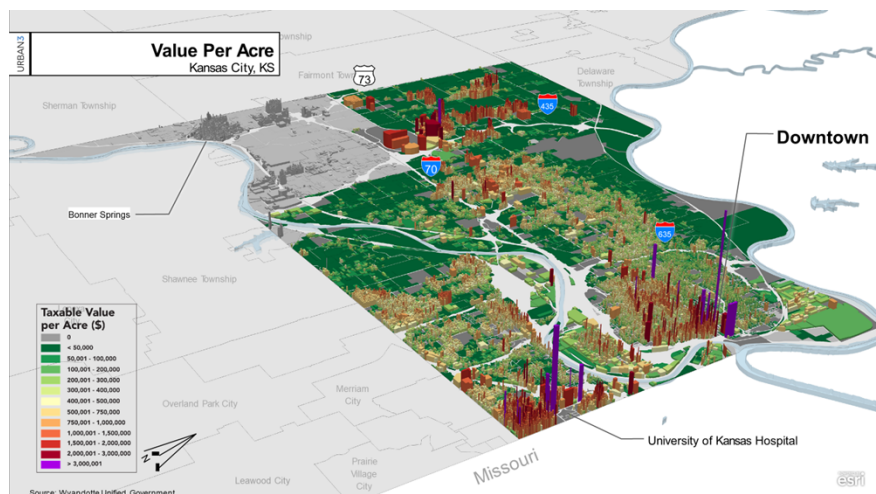
When I first did the analysis of our building against the Walmart, somebody goes well that's a cute trick Joe. You know the Walmart is 34 acres and it's going to be a much larger number. I said to be fair, what's 34 acres of my downtown if I had 34 acres of that building, so why wouldn't we do that. That would still be 100 times more than the Walmart. Our minds play tricks in the way we look at numbers without seeing things in a parative level, so we just try to help people with that.



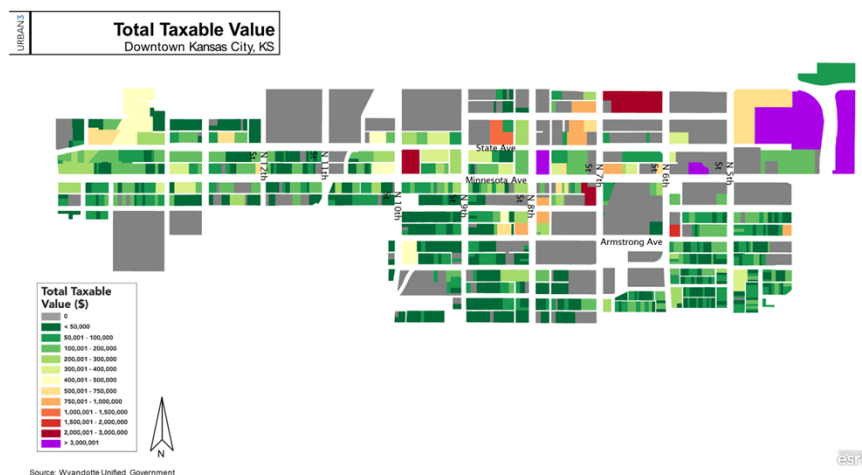
Just getting into the Kansas City slide, once this area drops off out here, this is the Kansas City limit.



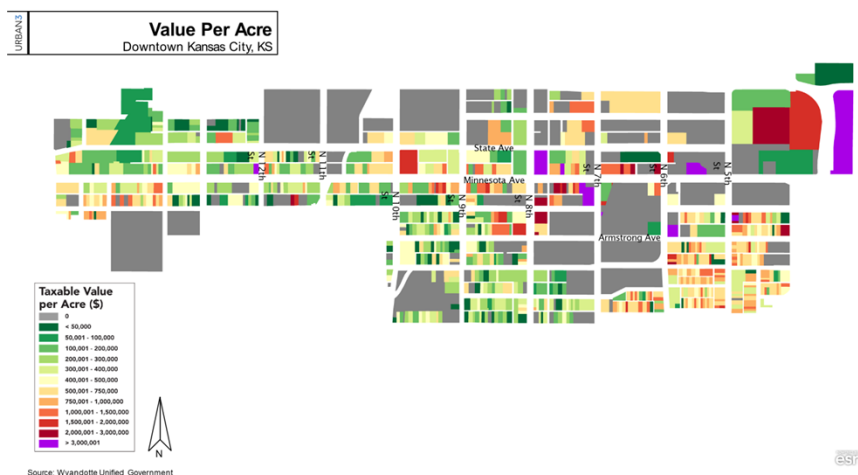
Again, total value, value per acre.



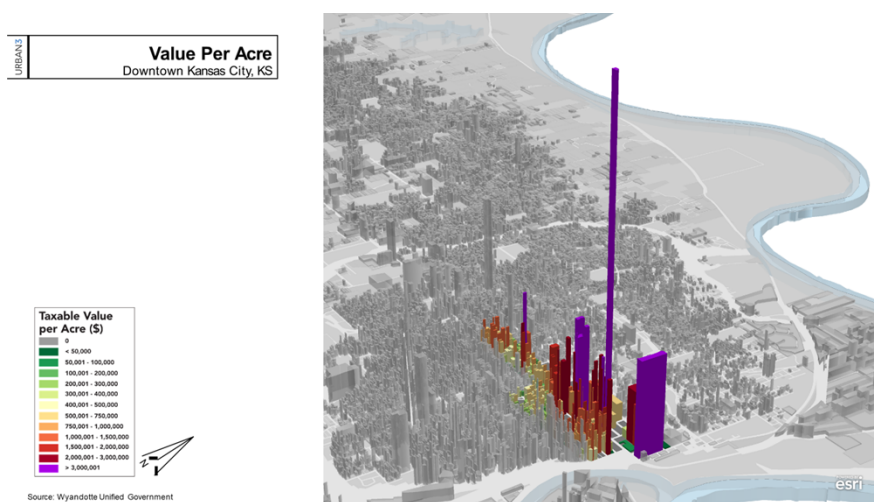
There's the map, so Bonner Springs and all that is its own park outside of there. You see some really good value out here outside the University Hospital area, your downtown.



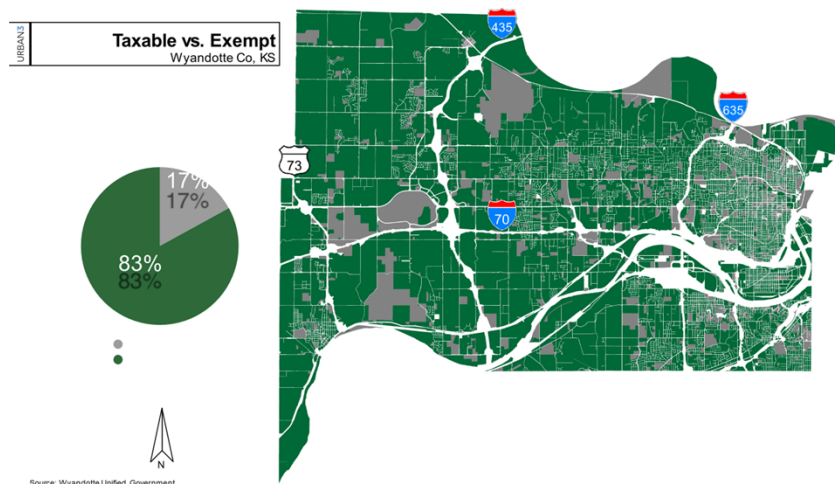
Then getting into the downtown area, this is total value,



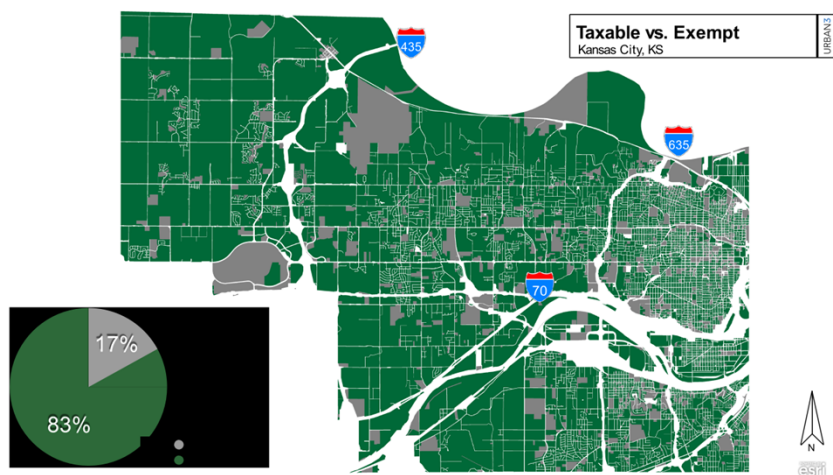
Value per acre, and you see along Minnesota is where you're getting heat here. You also see a lot of non-taxable in through here, so this is your most fertile garden in most communities, so just be aware and be mindful of the non-taxable real estate and keep it in check.



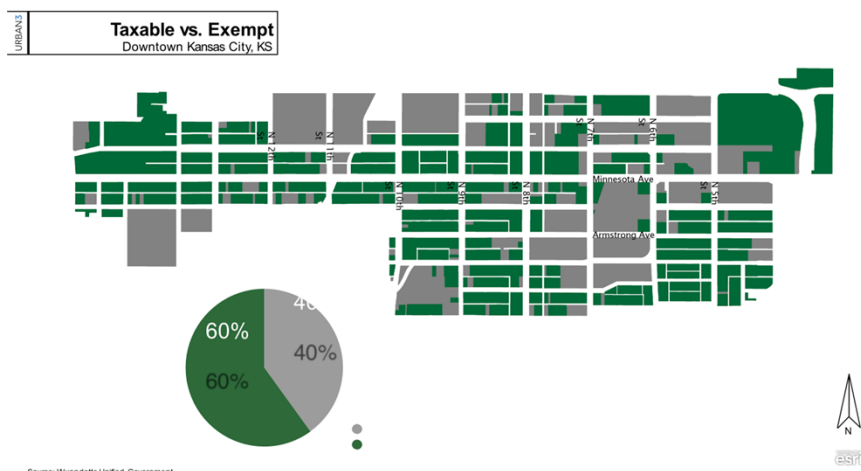
It's not to say don't have non-taxable. Every city has a City Hall and a County building and parks and things like that, churches, but just be mindful of how much of that is non-taxable.



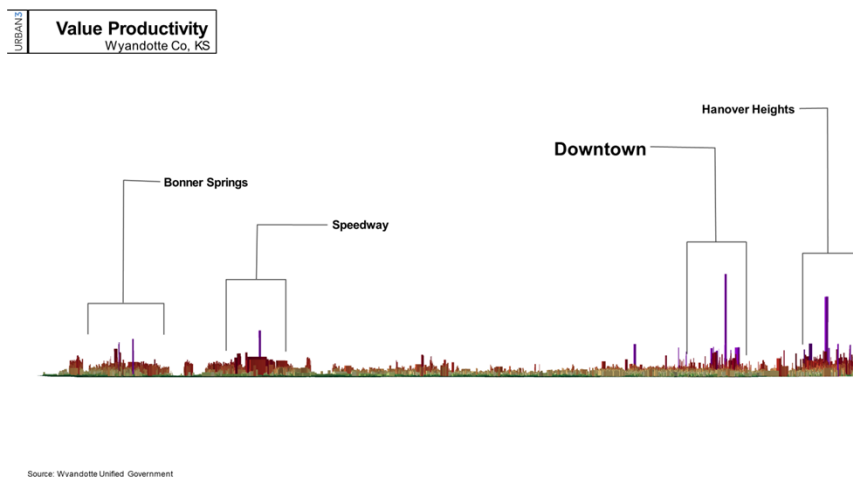
Speaking of which, here's taxable, non-taxable for your county. This is about average for counties that we see, about 17% unless you get out in the Rocky's where a huge swoff of the County are federally protected mountains and stuff. This is about average for particularly coast to coast.



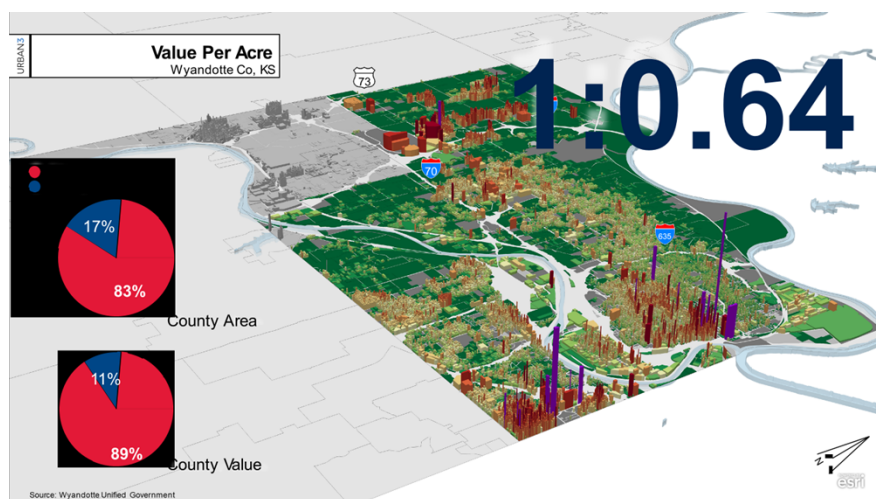
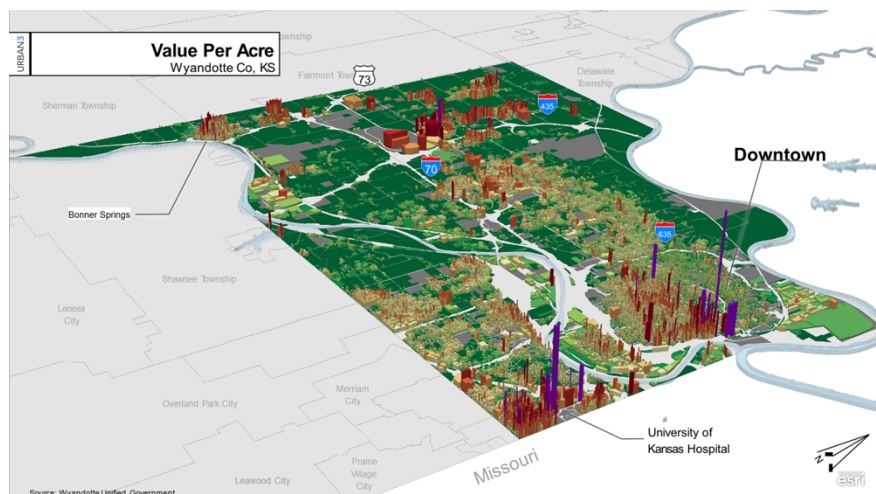
Kansas City is about 17% tracking with the county.



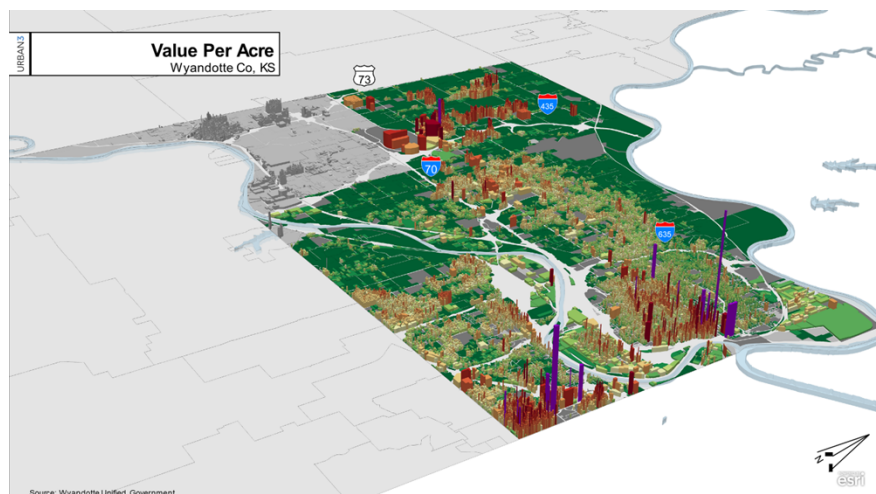
When you get into downtown, you're about 40%. This is on the average side particularly for County Seats. In Asheville, we're a County Seat, we're at 44% non-taxable, but again, you want to keep that in check particularly surface parking lots. You want to be mindful of that because that's a lot of horizontal use with no value.



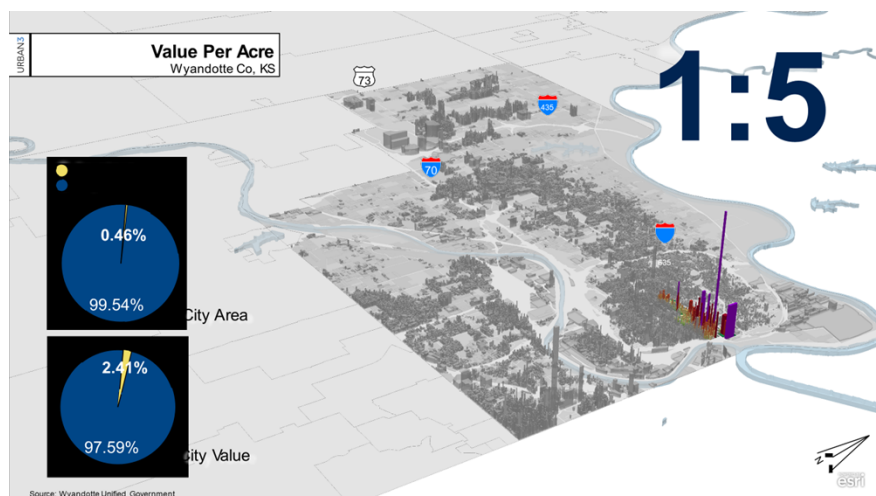
Here's a side view of your city if you're look at it like a mountain range. You can see Hanover Heights, downtown, the Speedway pops up and like Bonner Springs and then it's a lot of flatness in here.



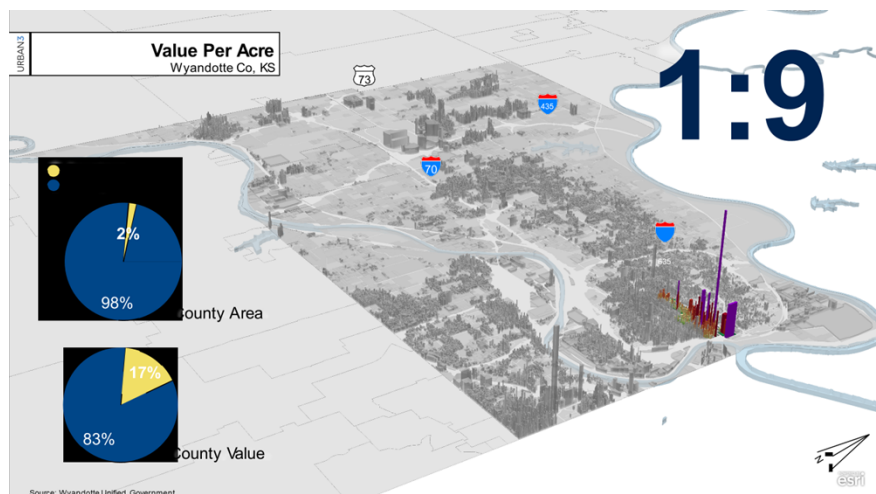
As a share hold of the county, Kansas City is about 17% of the area, it's about 11% of the value, that's a 1:0.6 ratio for productivity. That's on the low side. Cities are typically like a 1:3 ratio in cities and the county and my county we're a 1:5 ratio. We have a very potent city.



Your downtown is a piece of the city.



A 1:5 ratio which is super productive, so even in the state your downtown is in, it's a producer.



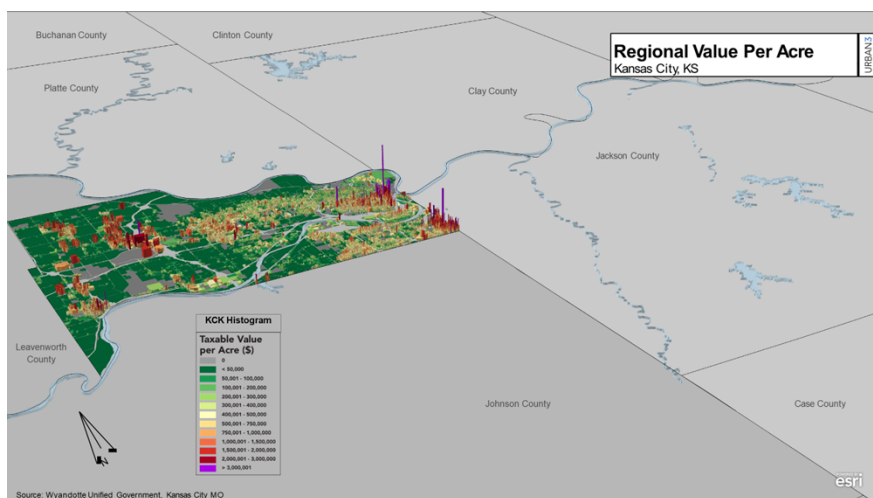
To your downtown to the county is even greater at 1:9. It's good for your downtown.

Commissioner Bynum said could you just step back a couple of slides and just walk me through this part again? I'm not tracking. **Mr. Minicozzi** said sure. **Commissioner Bynum** said the ratio. **Mr. Minicozzi** said the ratio just comes from the pie charts basically. When you divide this number into that number, it gives you its potency. Think of it this way, if you had 100 people—you had a shoe store—I'll choose this one, this one is better. If you had a shoe store with 100 people on the staff and one person is responsible for 5% of the shoe sales, how would you treat that person? That's person is productive, right? It's not 1%, she's selling five times her capacity, so that's the way I look at that. It's like a potency level, percentage of land area to value. How much are you punching above your weight. If you're a 1:1, that means you're just carrying your average.

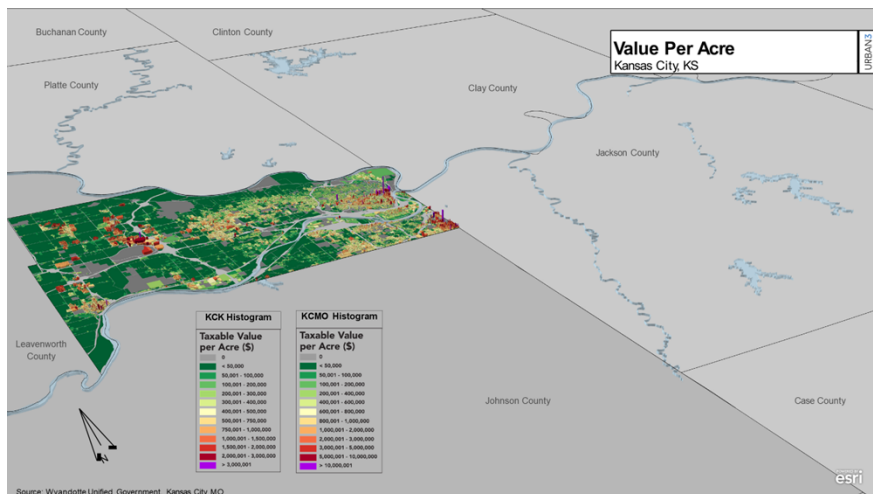
What you see here is your punching under your weight, so this is not strong. That's why I said this should be a 1:3 to a 1:5 ratio productivity. Your potency of land area, it's just a quick metric basically. I understand, it's kind of a weird thing, people don't typically look at pie charts that way. We're trying to come up with a numerical crumb, but you see how it starts to escalate up once you see the potency of that little downtown across the entire county and that's kind of typical of what we ought to see. The slogan I like to say is what's good for downtown is great for the city, but unbelievable for the county because typically counties don't serve as the downtown particularly across the river. Those folks in that downtown when they need the garbage picked up, it's not the county that does it. When they call the police, it's not like the Sheriff shows up, it's a police officer, so they pay an extra level of service to the city and the county. In their case over

there, they're also paying a Business Improvement District on top of that as well. They are paying three levels of taxes.

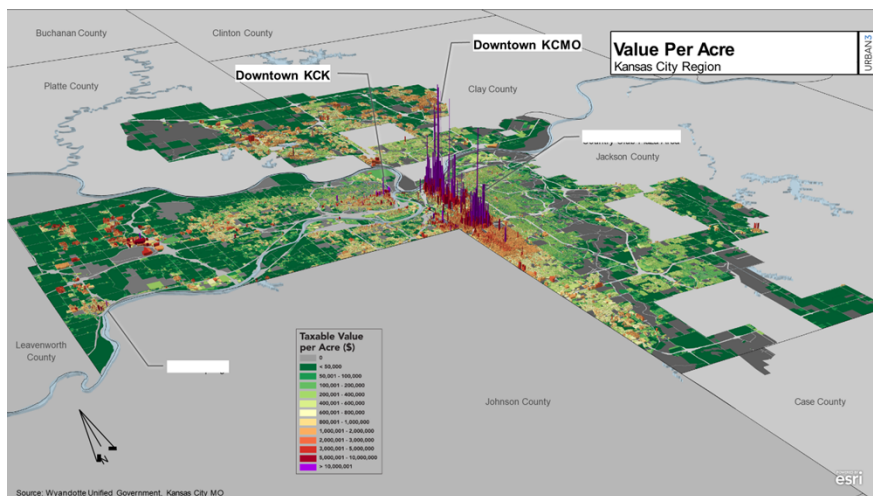
Commissioner Johnson said with regard to this ratio, and I think you might cover this later, but I want to make sure I completely understand it. The overall comparison is 1:.63 or 64 which means there are several areas that are under valued in terms of that ratio. I don't think I saw that or understood where those areas might be this morning when you gave the presentation, so could you make that kind of clear as to where those areas might be that are kind of pulling that number down—the ratio down rather? **Mr. Minicozzi** said it's probably a lot of your vacant land that has incredibly low value, things like that. It just—and that starts to depreciate land around it, so areas just start to depress, if that makes sense. **Commissioner Johnson** said yes, you said this morning. I didn't know how that related to—**Mr. Minicozzi** said I think that's the relationship. You're totally right.



Again, we did this as a larger study. Here's you all and so your purple started at about \$3M and we had to tune you differently because once we get across the river their kind of like a nuclear reactor that's exploding.



There purples are starting at 10. You can see how we tune you down based on that.



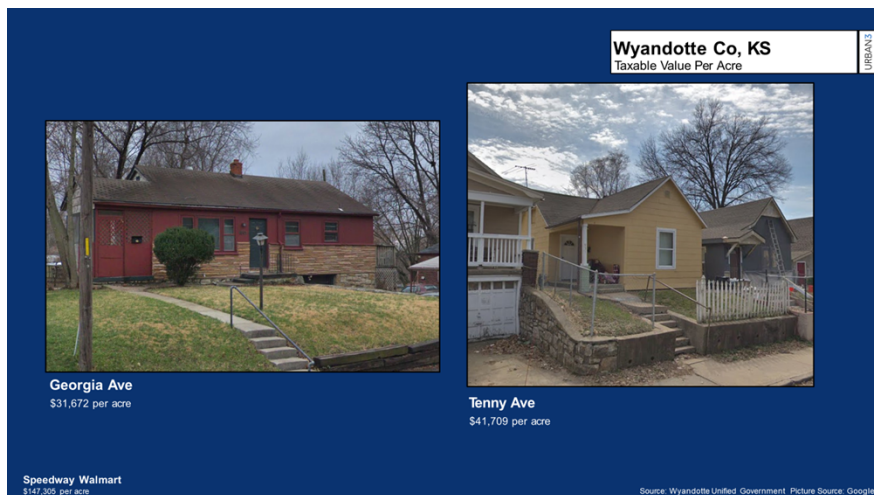
You take a huge step down when we bring them in because they're way more potent. A lot of this is kind of hard because the valuation and assessment over there is done by different state rules, it's a different market category, but just the best could do is line them up, getting people lateral level is the easiest way to do it from a valuation standpoint. Theoretically, a greater Kansas City person had the opportunity to shop in all these areas and the purchasing power is going to be the same on both sides of the river. What they spend on housing is going to be less value here based on what's going on in the market place. People will pay more to be on the other side, but we don't have Johnson County which we would probably see a different distortion down there.

Back to this real quick, you can see like they have a mountain of value here and then it kind of drops down and you get a second mountain right there in the Country Club Plaza area.

You can see like this really hard, that's tree straight there and we will get into this with the red lining maps, but you can see the value affect of what happened east of Troost and that was by design, by a public policy that happened to those neighborhoods and we will get into that in a second.



For you all we typically grab the Walmart. It's like a control subject. Everybody has a Walmart, so your Walmart is pulling about \$150K of value per acre as a taxable value.



I will keep it on the bottom of every slide right here so you can see it in relative terms. It's \$147K. These houses are pulling \$30-\$40K an acre.

Kansas City, KS

Single Family Average:

\$ 24,910 per acre

That's your average. Actually, both of these are above your average value. Your average value of your housing across your entire city is \$24K an acre and both of these are more potent. I don't know if you would have thought that driving by them, but they are, so let's call it \$25K an acre for the average single-family across the city.



Kansas City, KS

Multifamily Average:

\$ 47,739 per acre

When you get into multi-family, it bumps up to almost double that at \$48K of value per acre. Both of these are actually worth more than the Walmart. You can those are the numbers. Architecturally they lack a certain character, but they're interesting. The valuation is the value.



When you get into the downtown, now we're at \$90K an acre, \$36K an acre.

Taxable Value Per Acre
Downtown Kansas City, KS

URBANS

Downtown KCK Single Family Average: \$ 56,607 per acre

Downtown housing is averaging at \$56K or about double the average of your city housing.

Wyandotte Co, KS
Taxable Value Per Acre

URBANS



The Royalton
\$195,115 per acre

Speedway Walmart
\$147,300 per acre

Source: Wyandotte Unified Government Picture Source: Google

When you get into your multi-family in downtown, this is \$195K or \$200K an acre.

**Downtown KCK
Multifamily Average:
\$ 90,387 per acre**

Downtown multi-family is averaging about \$90K or a little more than three times of average single-family. That's the value.

**Kansas City, MO
Single Family Average:
\$ 74,544 per acre**

In Kansas City, Missouri the single-family is averaging three-quarters of a million—or three-quarters of \$100K, so \$75K for single-family, about three times your single-family here.

Kansas City, MO

Multifamily Average:

\$ 108,831 per acre

There is multi-family is killing it at about \$100K, but they also have some incredibly large multi-family. They also have a lot of these guys, little six-packs that do really well.

URBAN3

Commercial Land Use Types

Samples of commercial buildings and development types.



Commercial Land Uses; here's Cabela's. It's productivity versus Walmart. Again, a lot of that is a super cheap building per square foot and then they consume a tremendous amount of real estate with this parking. That basically liquidates the value over the land.



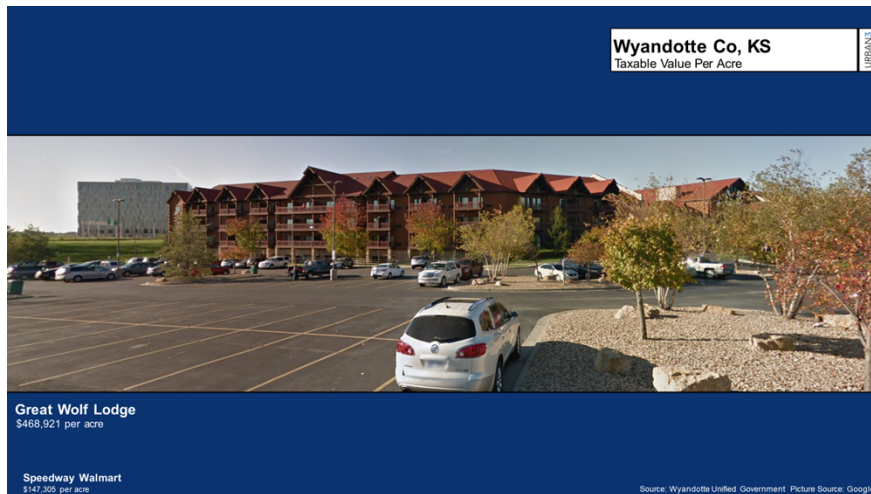
This is Nebraska Furniture Mart doing better at about \$175K.



Here's the Sam's Club. Target is killing it at \$200K value per acre.



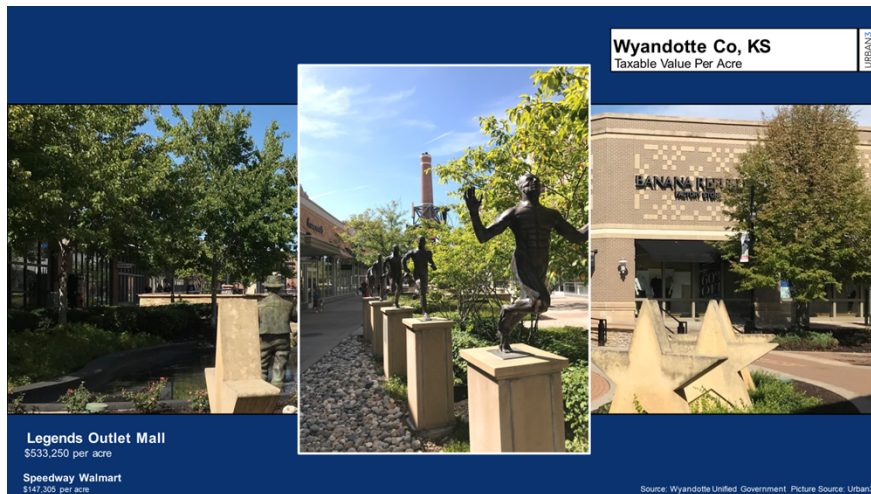
JC Penny is \$200K and Walmart in South Wyandotte \$230K or double the Speedway Walmart.



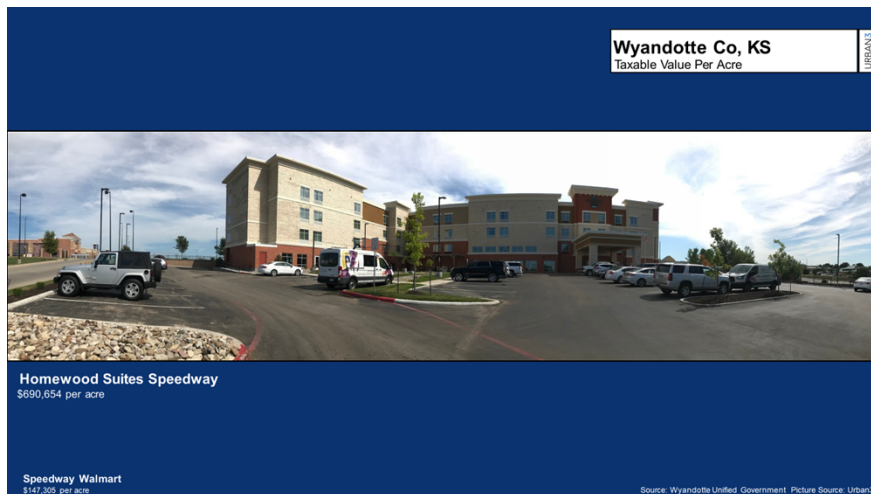
Great Wolf Lodge at about—let's call it \$500K or half a million.



The Legends is half a million.



We're a little freaked out by the art, it's a little weird, but anyway that's moving on.



Here's the Homewood Suites by the Speedway at about \$700K of value per acre.



And then this is almost \$700K in value per acre. Again, it's apples to apples. We drive by this stuff. Our eyes tell us one thing, but there's data there that we should be looking at. Think about this like being a doctor. Your doctor is not going to just look at you and go well, you're sitting in a chair, you must be good. No, your doctor is going to look at data and check your blood pressure and do a couple cat scans or something like that. They're going to get data to make a decision. That's \$50K an acre off for that.



This is \$800K an acre, \$1.3M. Let's call it \$1.4M actually. This is your third most productive building in your entire county right there, it #3.

Taxable Value Per Acre Wyandotte Co, KS	
 39 Rainbow VPA #2 \$2,206,103 per acre	 Hilton Garden Inn VPA #1 \$3,174,295 per acre
Speedway Walmart \$147,305 per acre	Source: Wyandotte Unified Government Picture Source: Urban3

This is #2 at \$2.2M and \$3M for this and, again, architecturally, I'm not going to defend this building. This should be closer to the street in a more in a more urban pattern rather than doing a suburban portiere in front of it, but still with that, it's still your number one producer. This is the most potent building in your entire county.

A Lasting Value



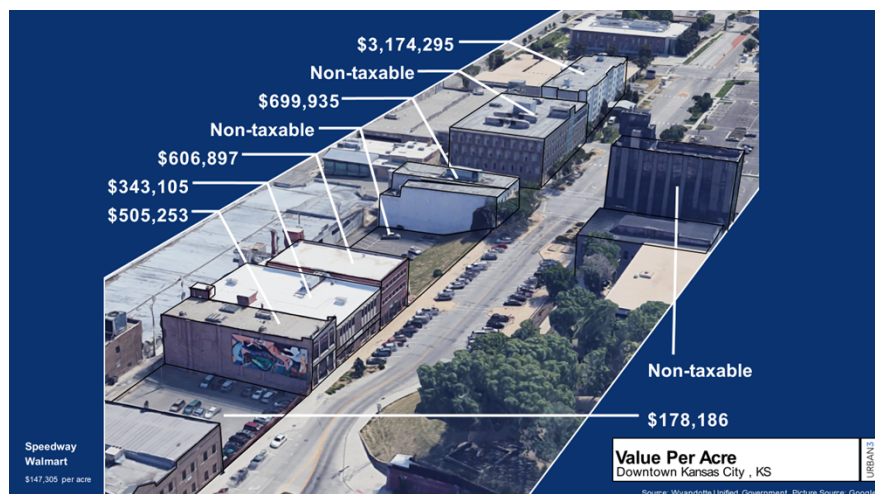
Minnesota Avenue, Kansas City, Kansas.



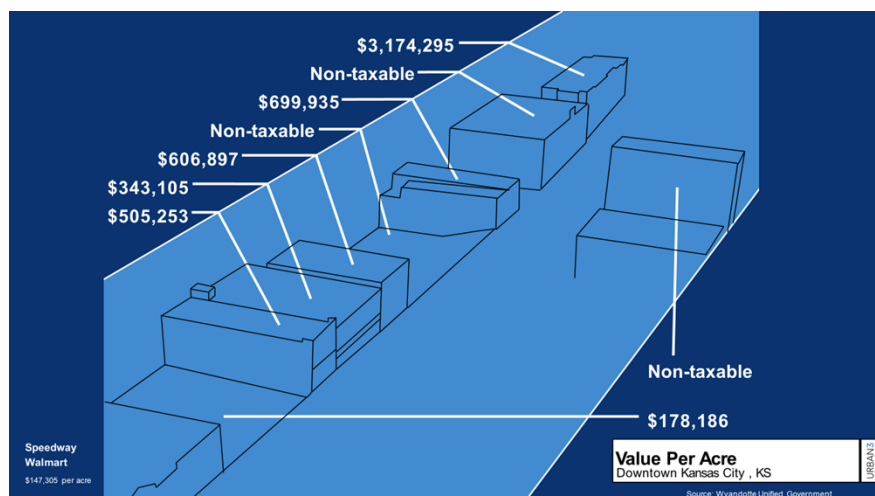
Between 1910 and 1930 Minnesota Ave

Source: Wyandotte Unified Government Picture Source: Google

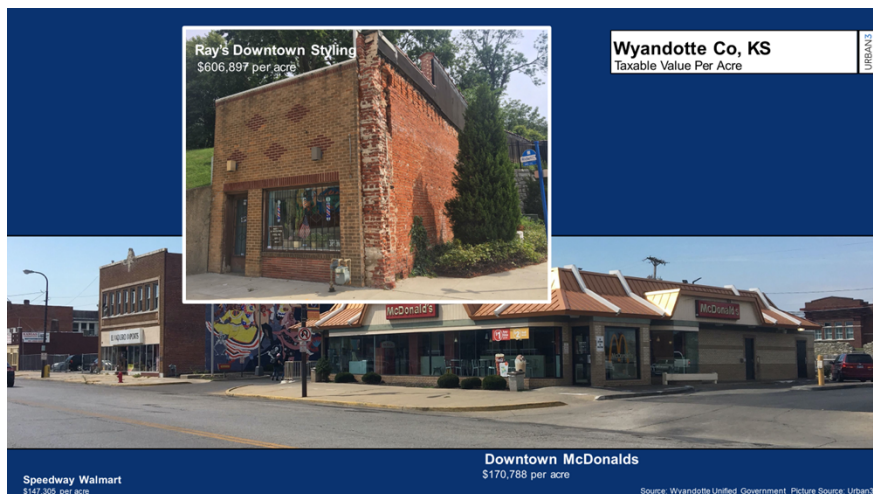
Let's not neglect the old stuff. There are some patterns that your great-grandparents have left you that are actually very, very potent buildings.



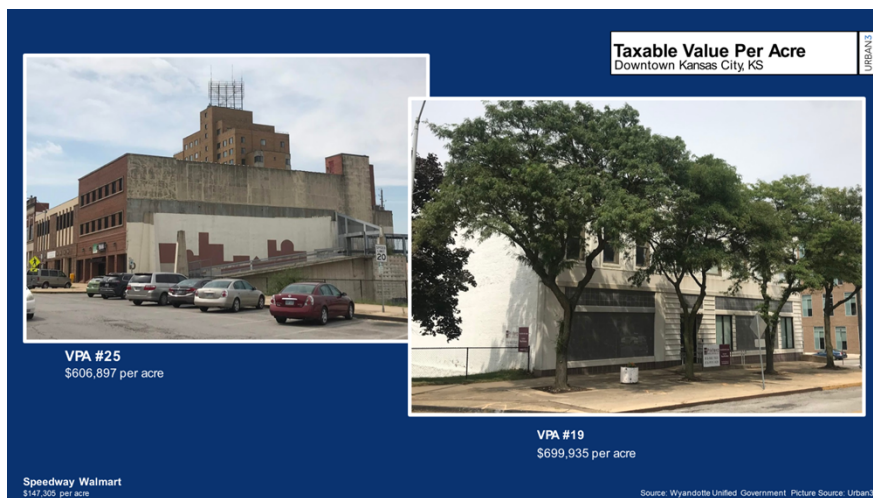
You can see them around in your community.



Basically, these are pulling half a million, \$600K, \$700K and this is the new hotel. That's pretty productive, \$700K of value per acre just down the street.



Here's another interesting lesson. You have this downtown McDonald's pulling \$170K which is good. That's better than the Walmart, but would you have known this building is more productive than that McDonald's? You know, \$600K of value per acre for Ray's—everybody should go give Ray a big hug because he's productive.



This is \$600K, this is \$700K.

Taxable Value Per Acre
Downtown Kansas City, KS



The Kansan
VPA #16
\$735,023 per acre



The Brotherhood Building
VPA #7
\$885,664 per acre

Speedway Walmart
\$147,305 per acre

Source: Wyandotte Unified Government Picture Source: Urban3

\$730K, \$800K, this is pushing a million right now.

Taxable Value Per Acre
Downtown Kansas City, KS



Boost Mobile Row Store
VPA #8
\$881,498 per acre

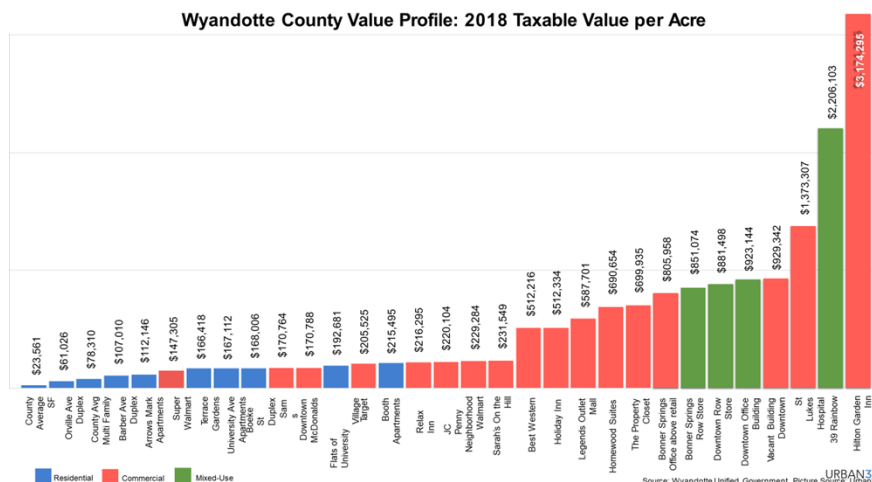


730 Minnesota Ave
VPA #5
\$923,144 per acre

Speedway Walmart
\$147,305 per acre

Source: Wyandotte Unified Government Picture Source: Google

You don't have to be a big building. This is pulling \$800K. This one who is your #5 producer is empty and it's almost a million dollar of value per acre, so what could we do to get this active and then it would bump up from there.



I'm not going to go through this whole bar chart but will leave this with you. This is basically everything that you just saw done as a bar chart so it's the same information. It's the same information, it's just a different presentation. Blue is residential, red is commercial, green is mixed-use. Here's the single-family so this is all the residential stuff down here. This is Terrace Gardens, but here's the Super Walmart so Terrace Gardens is more productive than the Super Walmart. Here's your Target. The Booth Apartments are more productive than the Target and then when you get into the downtown stuff you start to see up over here.



Vacant Building 730 Minnesota Ave
\$923,144 value per acre



Target
\$205,525 value per acre

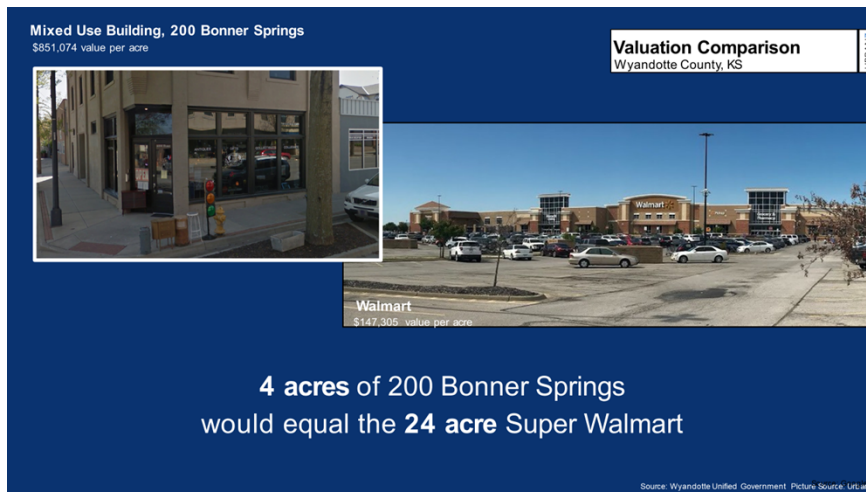
Valuation Comparison
Wyandotte County, KS

2.4 acres of the vacant Building at 703 Minnesota Ave
would equal the **11 acre** Target

Here's by the hospital, 39Rainbow at \$2M, just in relative terms of what's going on. Basically, 2.5 acres of the empty building would equal the 11-acre Target, apples to apples. This is about what kind of gardening can you do, where can you prioritize the impact you can have, how do you do the surgery in the smallest amount of land possible to get the biggest return on that investment.



Half an acre of this thing would equal the 3 acre of that.



This is out in Bonner Springs. This little mixed-use building is doing really well. Again, since density and the fact that there is a out going on in the little bit of footprint that it has, four acres of that building would equal a 24-acre Walmart.



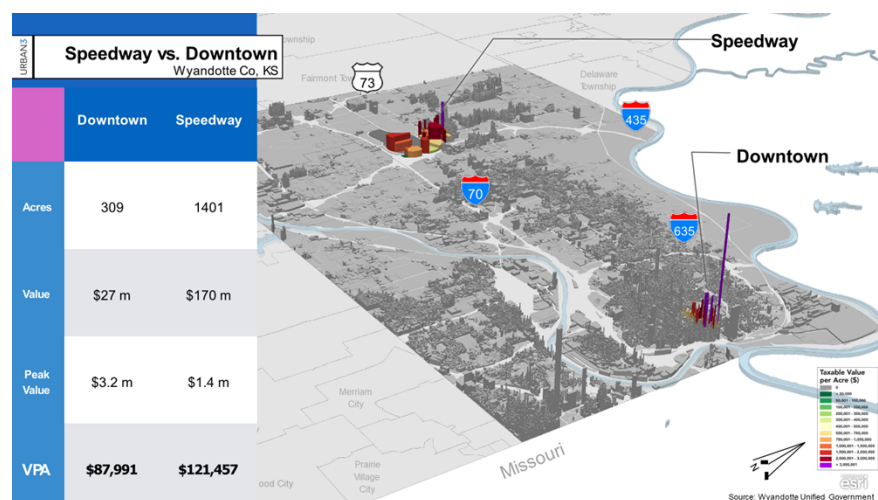
Basically, that's the footprint of that little building right there, if you just did that.



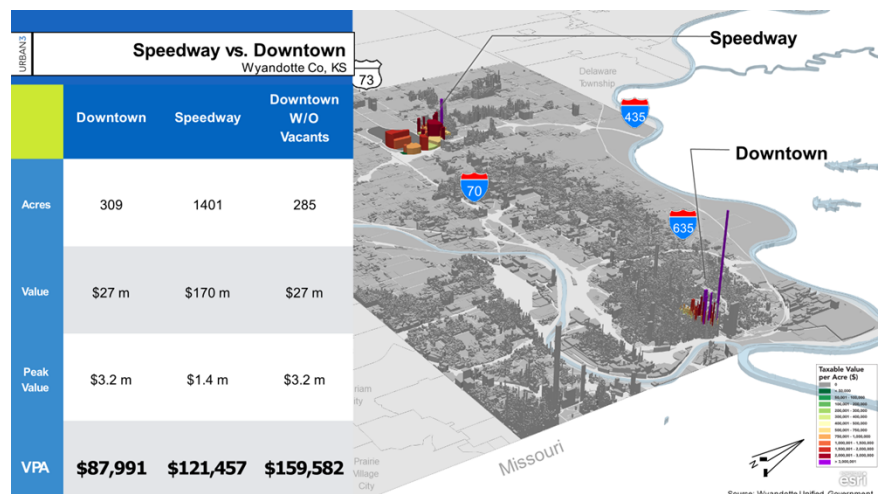
If you did 10 of those buildings, it would equal the Walmart that took up that land. If you can find 10 people in your community that would want to try out that kind of small investment, that's spreading your risk out over your community rather than one big Hail Mary pass.



Speaking of which, here's the Kansas Speedway.



We went ahead and measured that apples to apples against your downtown and right now it's winning on the per acre valuation versus downtown. That's the truth in the data based on its valuation.



When we removed the vacant land downtown, downtown actually jumps past the Speedway, so if you can deal with those vacancies and get that land active, it's going to be very productive for you.

URBAN3

Land Value Analysis

The economics of land valuation.

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Speaking of land, we find weird stuff when we do the math and talk with your assessors about this stuff, ask questions.

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Some of it's just standards that they have to follow. The same with your Finance Officers, they all have to follow standards of how they account for things and sometimes it makes sense and sometimes it doesn't. This is one of my favorites. So, taking the buildings off the land and throwing the buildings away and just looking at the dirt per acre, so there's no buildings in this

model, just dirt. You expect the world to look like this. Everybody in this neighborhood has the same value per acre in this neighborhood. That seems fair, right, everybody is the same value, you and all your neighbors are all pulling the same value. You start to see some anomalies over here. This could be human error, it could be math, it could be policy, but it's an error; whatever it is. There is no reason why this person should be double the value of all their neighbors around them.

When I was presenting this in Cheyenne, Wyoming; I was asking the community, hey, what's going on here, why is this blue and when you cross the street it doubles in value to orange. It goes from \$15K to \$35K just by crossing the street. It's the same zoning category, same school district, same fire district. It was like 8:00 in the morning, the tax assessor raises her hand and she just yelled out in the room, hey, you don't understand. I'm like, what am I missing. She goes well they have more land, the more land you have the lower the value. The Mayor started laughing so hard that he almost spat coffee out. I was like really, I get more land, you give me a discount. She goes yes, that's our standard. I said alright, this fellow has three miles of streets around them, this person only has 200 feet. She goes yes, we don't count infrastructures as part of the valuation. I said so your money that you put into the ground to make the investment happen, because no one is going to development out there until you run a pipe in a road, so you put money in the ground, you don't want that money back. She goes, no, that's not part of our standard. I said alright. I've got a bigger building that I can put on this property and you can clearly see there is a mall on here, but again, there's no building there. It's just property. If I had a bigger property, I could put a bigger building and a bigger building means more trips, more trips mean more car accidents, means more fire calls. She goes we don't account for that in the system. I said okay more commerce, more theft, more police calls. She said we don't measure that either.

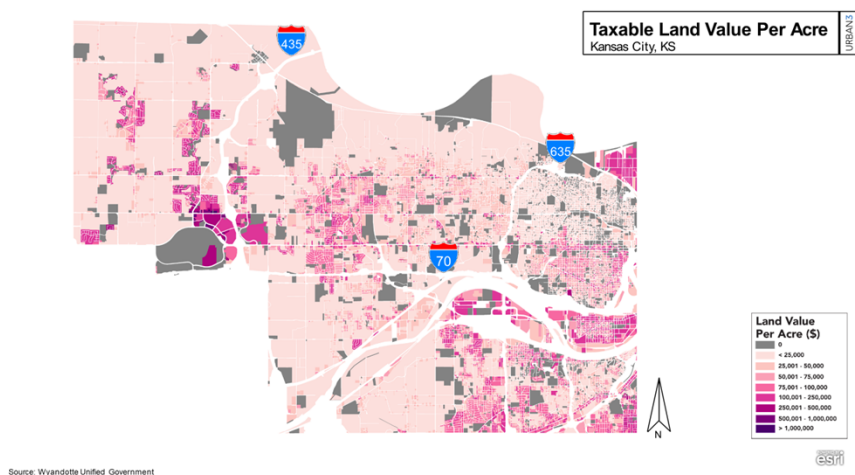
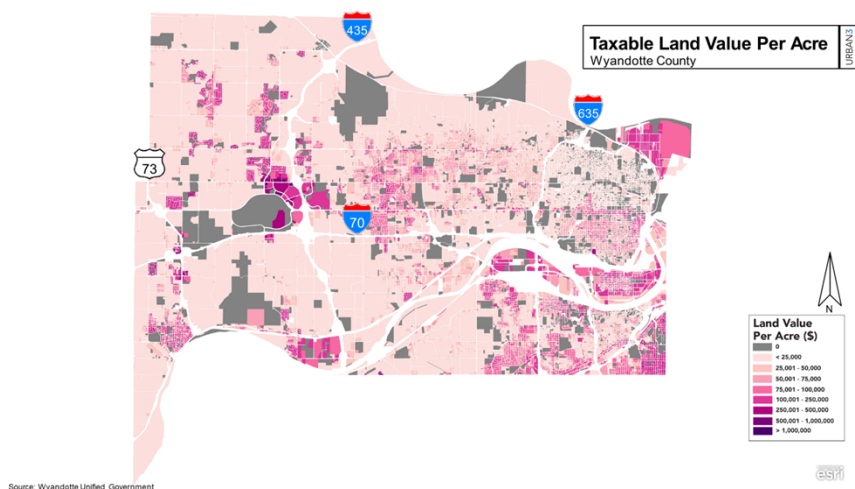
The average Walmart consumes more in police services than it pays in property taxes. Did you all know that? Talk to your Police Department. This is the thing, if we're not matching that stuff up, how do you think I'm going to behave as a developer. I'm going to go to big parcels. They're typically at the edge of town, more infrastructure goes out there to them and I get a discount and what economic system does this work this way. We have a limited resource and the more of that resource you get, the cheaper it is. Does that work that way with diamonds? If I get a bigger diamond, is it cheaper? No.

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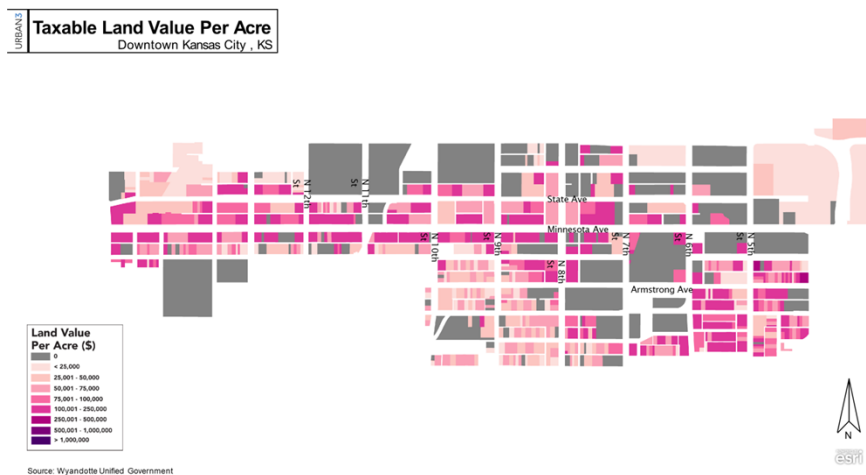
I went to the Assessor's Conference to ask them. I'm like where did you get this standard, did Moses deliver it to you, where did this come from. Now, to their credit, their magazine is called Fair & Equitable. I asked them how is this fair and how is it equitable. In their response they said it's not. I'm like where did this come from and they said we don't know. You need to talk to Larry, so I talked to this guy, Larry Clark, who is the head of Research and I said how is this fair and how is this equitable. He said it's not, we probably need to change it.

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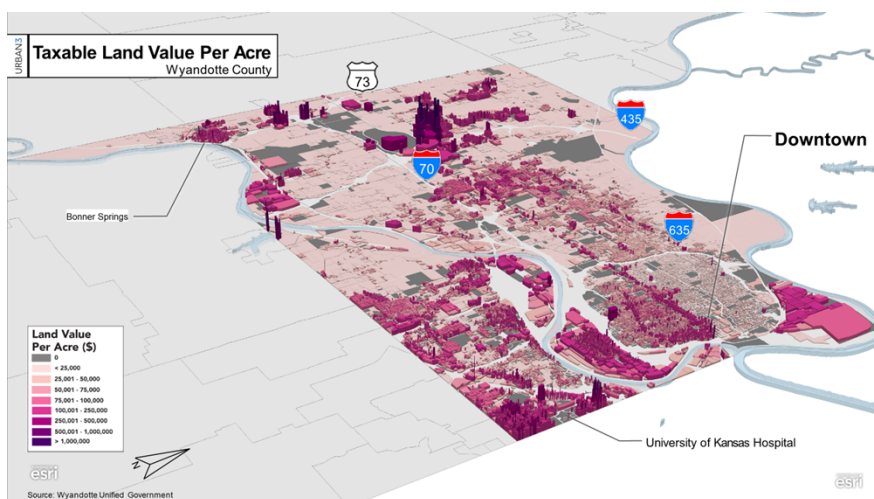
These are systems we're all playing around with that we're not conscious of how it affects us at a local level. How is it going to steer the market?



We see this in your model as well.



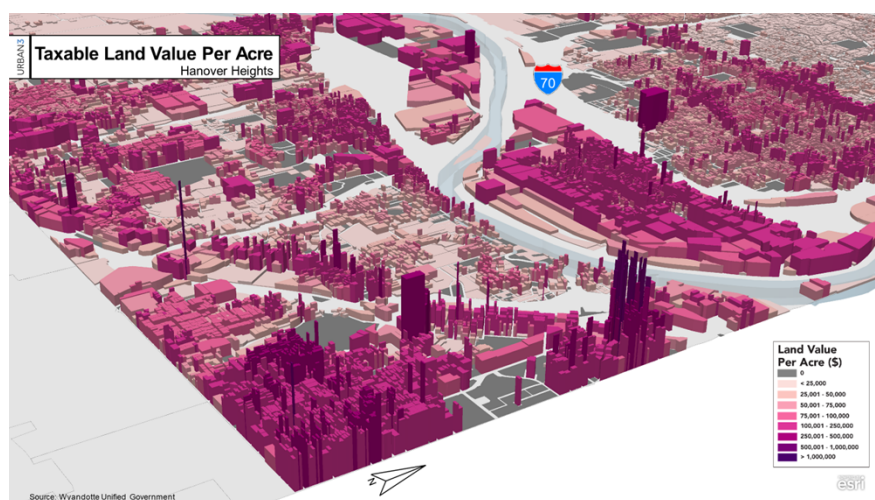
You know, the outparcels are worth more than the big parcels behind them.



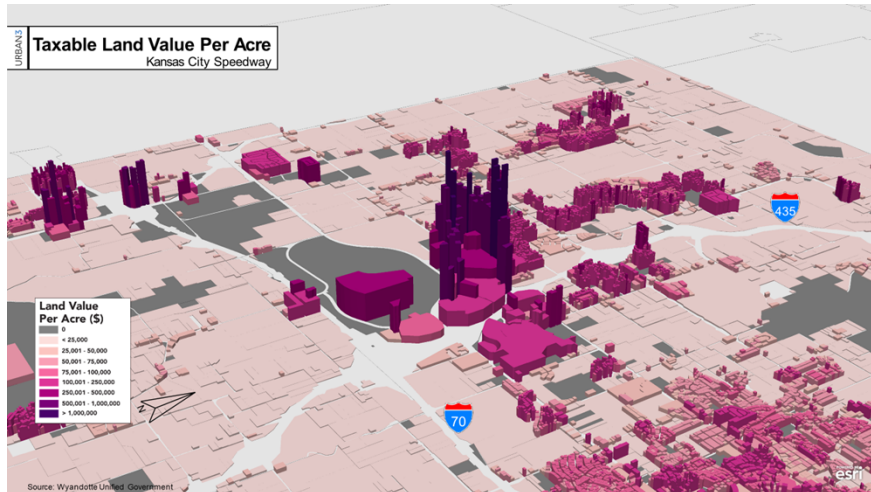
There's your 3D model of it.



Just zooming in, you can see the commercial corridor. The commercial property is going to be worth more than the residential behind it. The bigger parcels are worth less than the larger—the smaller parcels are worth more than the bigger parcels. It's in the data.



These are all standards that affect this.



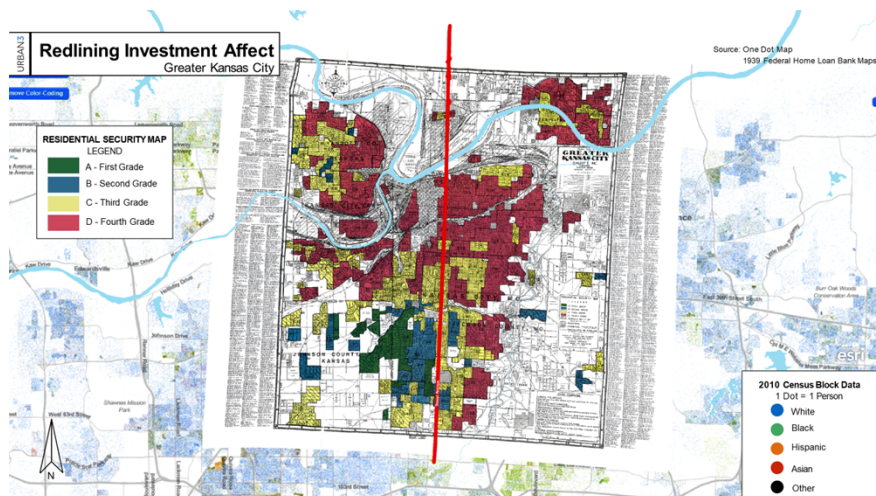
This is the Speedway out here. Again, the outparcels are worth more than the bigger parcels behind them.

URBAN3

Redlining

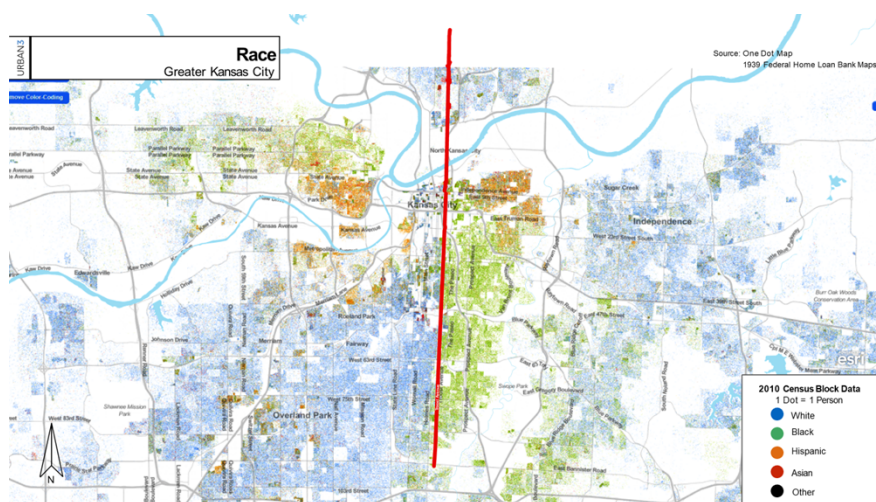
It's in effect. There's lots of things that affects your policy and we really appreciate you all let us get involved with the redlining stuff.

October 31, 2019

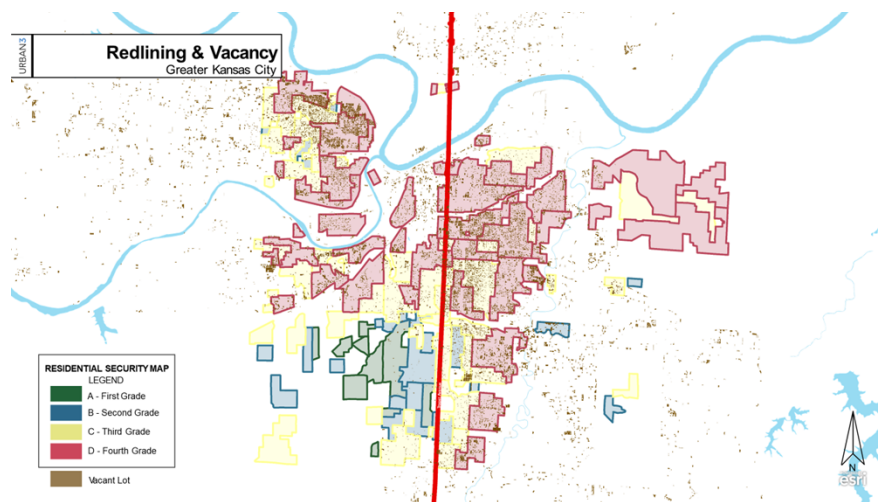


This is the Redlining Map. When we started doing 30-year mortgages when we shifted our market with Federal Housing changes during the depression where people could get longer term mortgages and you can get more people into housing, great idea, but the banking industry also came out with these standards of where they would allow and not allow mortgages, and these were bias maps. These were the grades they would give you. Grade A was you're good, you're golden. You can get a mortgage, B, we might want to check you a little bit more and C you're questionable, D we don't think we're going to allow you to get a mortgage.

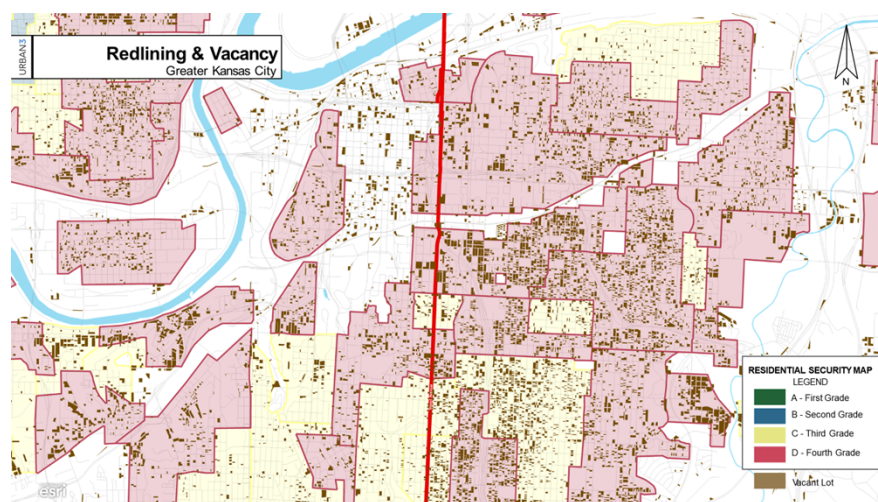
We dropped your Redlining Map on your city. We also raised another map. This is called the One Dot Map which is mapping people based on ethnicity and you can clear as day—this is Troost Avenue. There's a pretty hard line through Kansas City where they bifurcated that to an east side and a west side.



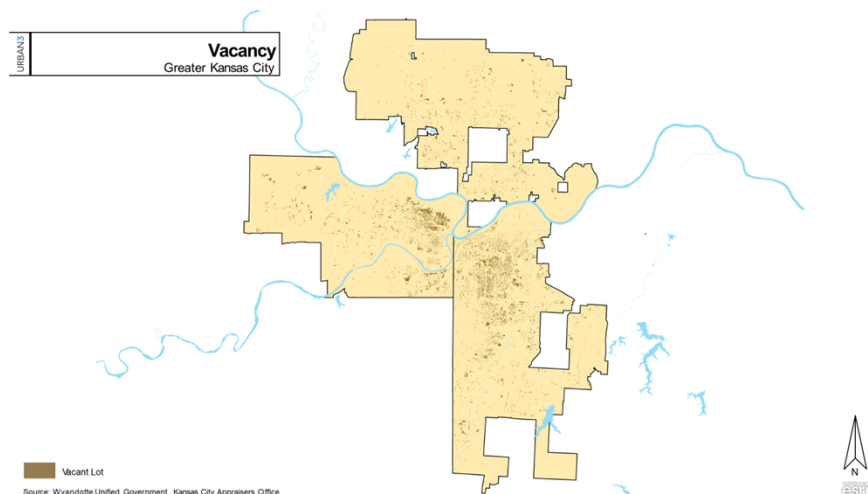
You can see what's going on from a racial standpoint on where they drop those maps and that's a reality of what happened in your community. In KCK, your line goes east/west where you have your split.



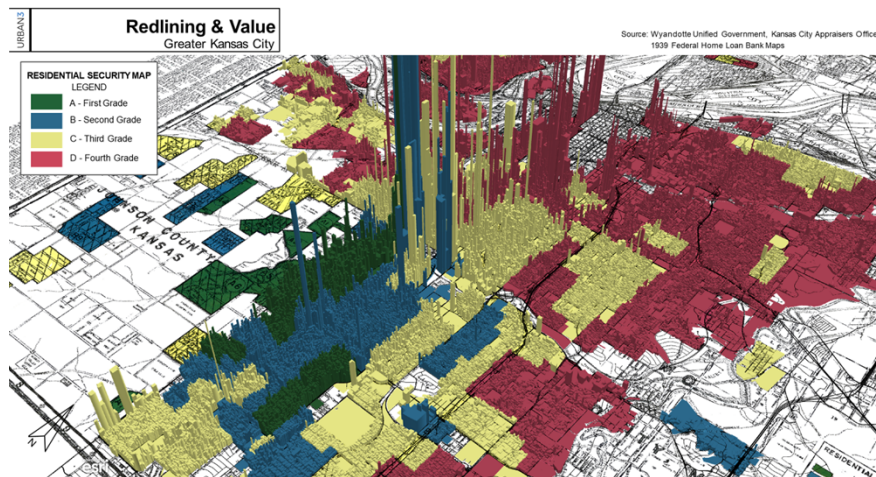
This is the affect of what happens. Once you start doing this investment people can't get a mortgage, they can't get a house. It becomes not transferable from an ownership standpoint unless people have personal bank accounts or something, so that land goes into your rental or slumlord case or whatever, but it starts to decay, and you start to get vacancies.



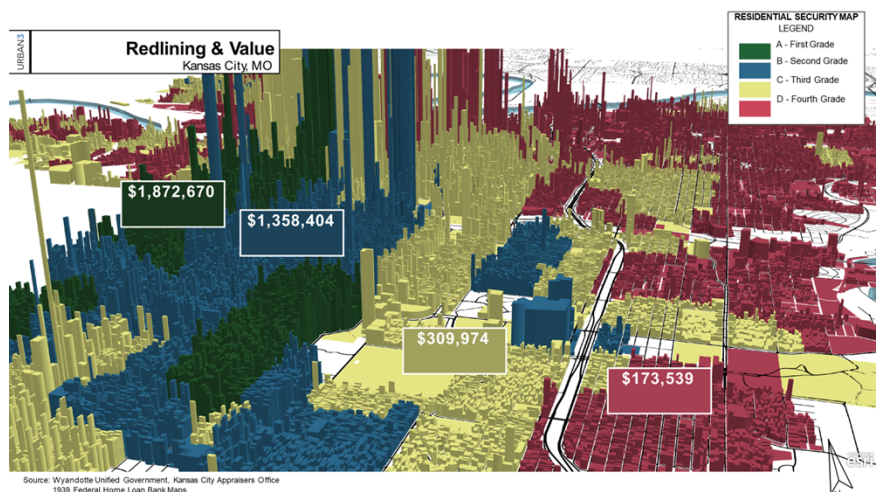
This is the vacancy map that follows and sure enough, the vacancies follow the pattern of the red stuff. This is the legacy effect of disinvestment. Again, here's Troost Ave. and you can see the mass of legacy effect on the east versus the west side.



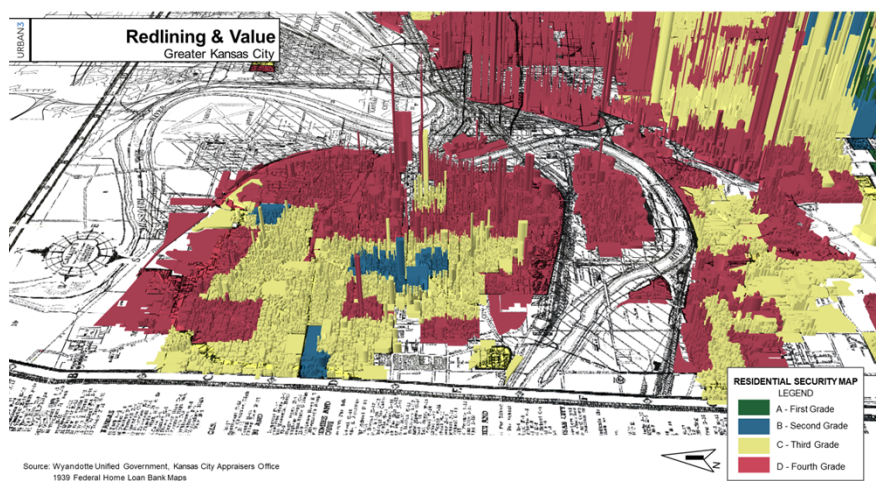
KCK, you all have about 3 sq. miles. That's what 3 sq. miles looks like. That's how much land area you have in aggregate of vacant land which is not a good thing. You're still better than KCMO which is pulling about 7 sq. miles of vacant land. In both cases, you all, that's an issue to contend with, but every American city hasn't went through this.

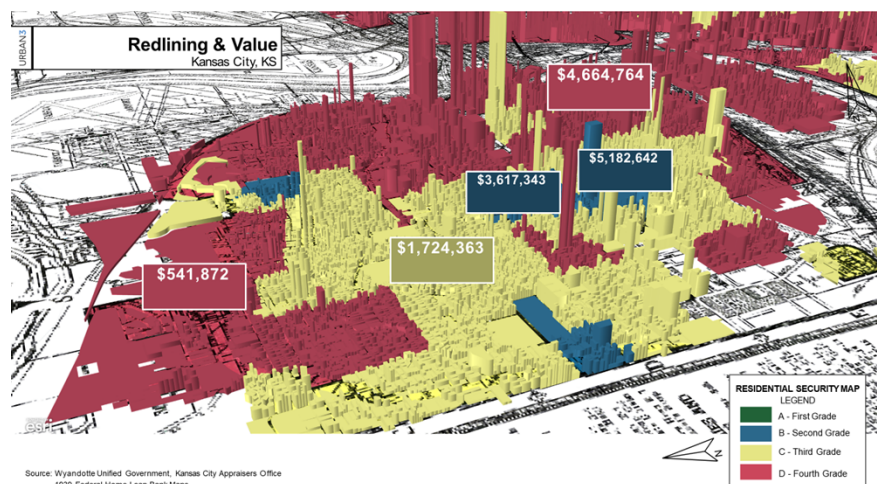


This is the KCMO side. We laid the map on it.

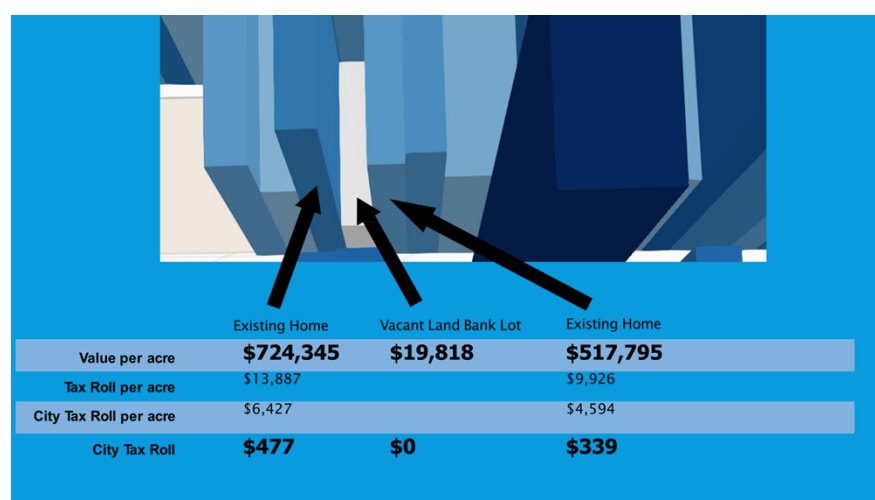


You can see how it terraces down. Basically, every color grade in it that you step down it drops in value. That's the aggregate value per acre of those districts. Now, that's the legacy effect of this stuff.





On the KCK side, this is what you're dealing with. The north neighborhood—the north side was particularly hard hit in your community. It's down about half a million an acre in aggregate over the whole which is a big step down from here.



While we're doing this stuff, your stuff was actually doing a great job. I want to definitely call out Jud and Robert on this, doing work parallel us and running numbers and doing the same thing about the vacant land and what the existing home would be versus vacant homes and seeing the differences. These two houses, the values versus what's going on with the vacant land.

What if the vacant lot was a new home? \$200,000	
Value per acre	\$2,500,000
Tax Roll per acre	\$47,925
City Tax Roll per acre	\$22,175
City Tax Roll	\$1,774

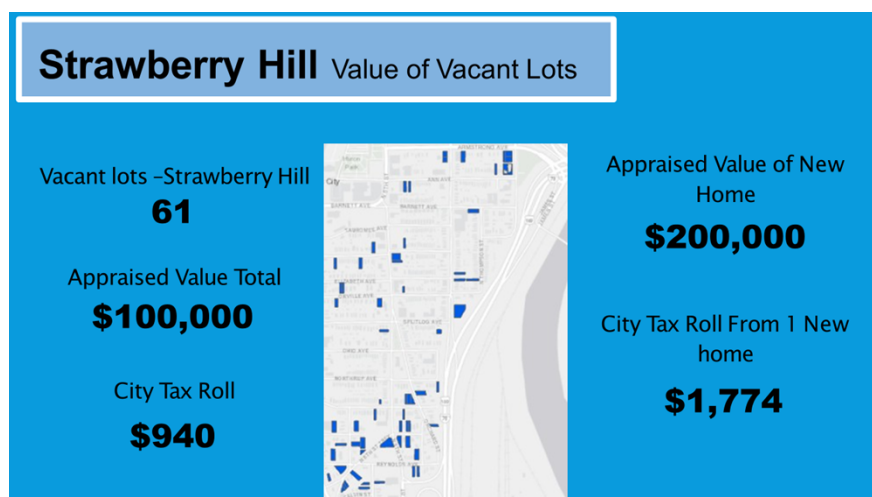
This will show you the value difference on the tax rolls. I know this is a lot of math here, but basically, if you had on the vacant lot a new home, this is what you would get out of it.

The Tax Value of a New Home			
New Home Near Existing Infrastructure		New Subdivision Build	
Increase in Appraised Value:	\$200,000	Increase in Appraised Value:	\$300,000
Population Increase:	2.72	Population Increase:	2.72
Sales Tax Increase:	\$872	Sales Tax Increase:	\$872
Total Tax Increase:	\$2,833	Total Tax Increase:	\$3,837
Infrastructure Added:	\$0	Infrastructure Added:	\$34,000
City Gain Per New Home	\$2,833	City Gain Per New Home	\$1,133

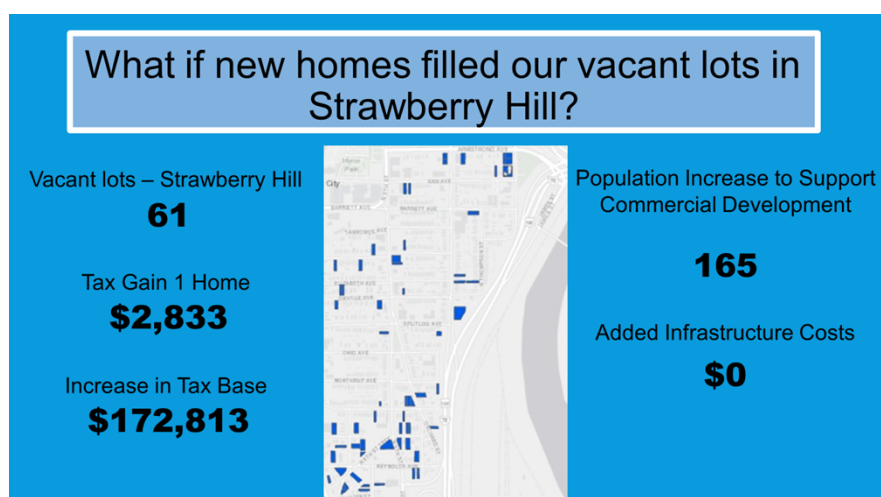
This is a lot of numbers here, again, showing the gain of an existing infrastructure versus building out a new subdivision, so it's actually more valuable for you to add it where you already have infrastructure versus where you have to build infrastructure to cultivate new housing, so in that effect a gain with doing the infill.

Mayor Alvey said, Joe, this one I think is really an important slide because, again, when we talked about the 2.2 sq. miles of aggregate vacant land or vacated land, correct, these are places that already at one time had structures. They're really vacated, not just vacant. What we're looking at is an opportunity that we bring the density, we actually take advantage of the fact that the

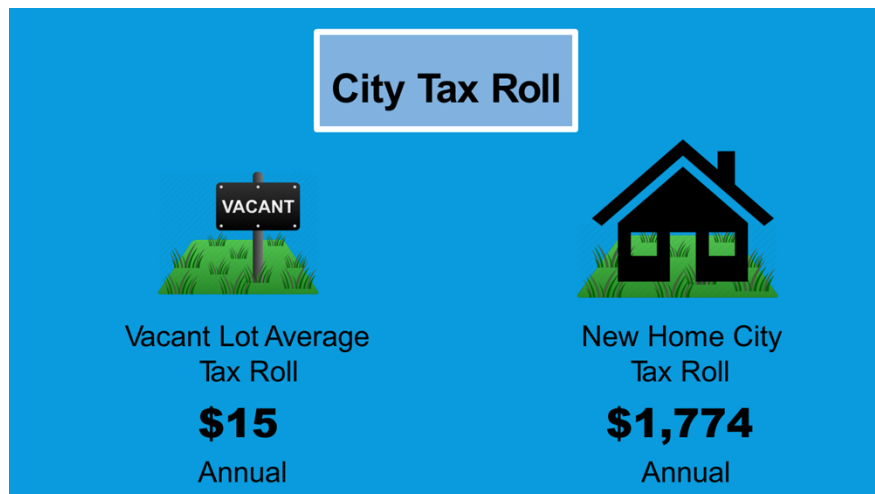
infrastructure costs—added infrastructure is zero whereas to do a new subdivision anywhere else on greenfield is an additional \$34K per lot. **Mr. Minicozzi** said you will see here they also gave the new subdivision a fighting chance by giving \$100K more value and it still lost at the end of the day. So, even with more value, this is what kills you right here, is adding more infrastructure, adding more pipe. You're already carrying a lot of this. In thinking through—you have great staff that knows all the numbers and are conversing in this and it's real simple, when you buy more stuff, it costs more money. It's that simple.



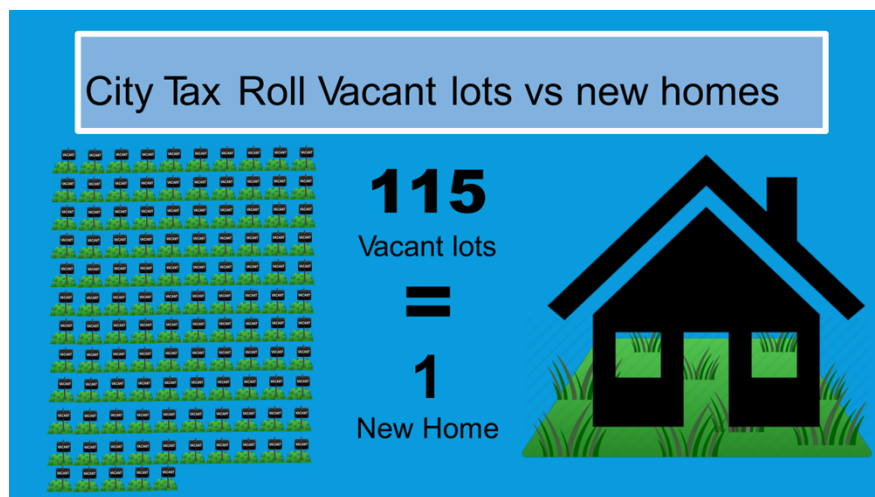
Mr. Minicozzi said looking at Strawberry Hill, the 61 vacant lots in Strawberry Hill, if you put a new home on it at \$200K, you get about \$1,700 in new taxes from it.



With those 61 properties, that would be an increase in tax base of \$172K or \$173K all with zero added infrastructure.



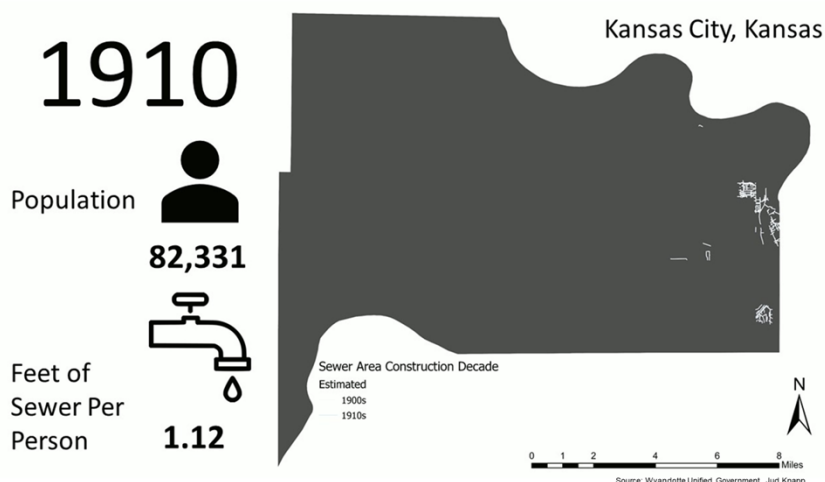
Basically, a way of looking at it is this is what you get in value of vacant land this is what you get when new taxes with putting a building on it.



Basically, if you add one home, it will equal 115 vacant lots. That's how you can start growing your wealth by filling that stuff in. There will be hurdles to do that. There will be what does it take from a zoning perspective, how do you facilitate that, it will be fine, just waive it.

Mayor Alvey said if I'm not being too simplistic here, if you go back, even if we were to make up the gap of basically \$1,759 multiply by 10 years, that's only \$17,590. A \$17,590 investment

would get us the same place after 10 years as doing nothing at all plus we're cutting those lawns, were cutting that, we're maintaining those, and again, we're not bringing any additional sales tax from residents who might be there, and we're also don't have the talent pool and we don't have others. They're not helping out with the schools. This is really very interesting. **Mr. Minicozzi** said thank them. They did this part.



Mr. Minicozzi said this is cool. This is an animation that I think Jud did this one. What's neat down here—I'm going to go ahead and hang on to this. Check this out. In 1910 your great-grandparents had about a foot of sewer pipe per person. Somehow they survived with a foot of sewer pipe per person, 82K people.

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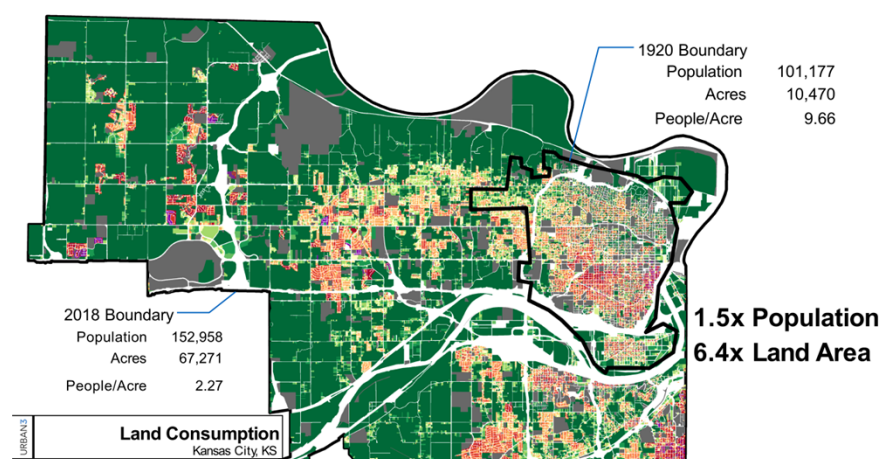
As they increased every decade—this is an animation that rolls that up, so just go ahead and pay attention to that bottom number as you add people, but also look at the map on the left. Look how much new infrastructure they're adding and then things get crazy after WW2 and you start gobbling up more road infrastructure, more land, more pipe, all of that. You go from basically one foot of pipe per person to 30 feet of pipe per person.

When I as a developer build those pipes and give them to you as a city, what I'm doing is I'm giving you an obligation for your kids. It's going to be 40 years before you have to pay for rehabbing those pipes. What you all are going through right now, let's go back in time 40 years ago, this is basically what you're dealing with is this expansion that was going on in the '70s and '80s. This is what your infrastructure rehab is going to and the streets, pipes, all that stuff.

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Basically, you grew your population by double, you grow your infrastructure by 27 times. Again, it feels nice to stretch out, it feels nice to be out in the middle of nowhere, to not have a neighbor. That's super awesome, but there's a cost to that.

I like to joke that I want to be 6 ft. tall and have a full head of hair, I think you should pay for that. What kind of nonsense is that? There's lots of things we like. I want to eat a lobster every day. I think you all should pick-up my tab, but there's a cost to this stuff and we have to balance that out.



This is what your great-grandparents had with 100K people in it. They stayed in that boundary. You all added 50K more people, but you've grown your area out to this. So 1.5% population growth is 6 times growth in land area which means more pipes, more roads and all that stuff.

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Just to show you that you're not alone and also maybe give you an example of somebody that's in worse shape. I don't want this to be depressing.

(Slide not available)

We did a project in Lancaster, CA which is up and over the mountain from Los Angeles and these people know that they're about to collapse. They're seeing the signals of becoming a bankrupt city because they're carrying a load. They're also losing Edwards Air Force Base as a prime job

center in their community, so they're staring down a lot of difficult situations, but they're taking it in stride. They want to know how to stop the bleeding, so they are interrogating the whole thing.

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There are 166K people and on their main street they have one building that's 3-stories tall. Can you guess where it is in the model? Boom. They basically grew up at the wrong time. They grew up in a 100% suburban city. They didn't incorporate until the '70s.

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One of the crazy things about them is they have 953 miles of roads.

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You might wonder what that looks like. They basically can go to Portland with their roads.

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Now, these roads all happened in different time periods. You can see their great-grandparents went on a little road building spree in the early 1900s and then they went to sleep, and they did nothing until after WW2 and you can't help but notice how the lane miles that they built after WW2—particularly in 1953 when they did all of that. Guess what, when your great-grandparents built that, that comes back to haunt your parents generation here. That's your first rebuild. Now, you all have been through—those of you that have been on the Commission long enough, you've seen capital calls where all of a sudden you have to reinvest in an area, rebuild a road or a pipe.

What do you do when you're hit with that amount of lane miles of rehab in your capital projects, you need more money. In a lot of places what people do is either annex more land, they do more development. In this case, they did more suburban development at their edges which brought more lane miles. Well, this comes back to haunt you yet again today and it brings along with it the new stuff, so we stopped them in 2015 and said you're not going to build another road from here to infinity

.

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Let's see what your case flow looks like if you do the build, rebuild cycle, the whole thing and this is what it looks like. So, do you all see a problem? That first wave was never tested, no civilization on the planet tested out suburbia the way we did and none of us ran the numbers about whether or not we could afford it in the future. We just completely changed our civilization after WW2 and just went 100% into cars which is great, but how does it pencil out. We told ourselves we're car people now all of a sudden even though we've actually had thousands of years living without them.

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We double downed on it with the second generation build of that. Well, guess what, now it's capitalizing on itself and getting bigger and bigger. Again, remember we didn't add another road to the system. This is what's happening. Every American city is going through this compounding effect of a legacy effect of what our great-grandparents and our grandparents did. It's not their fault. They didn't know back then. We just thought we were prosperous and we're going to learn from this.

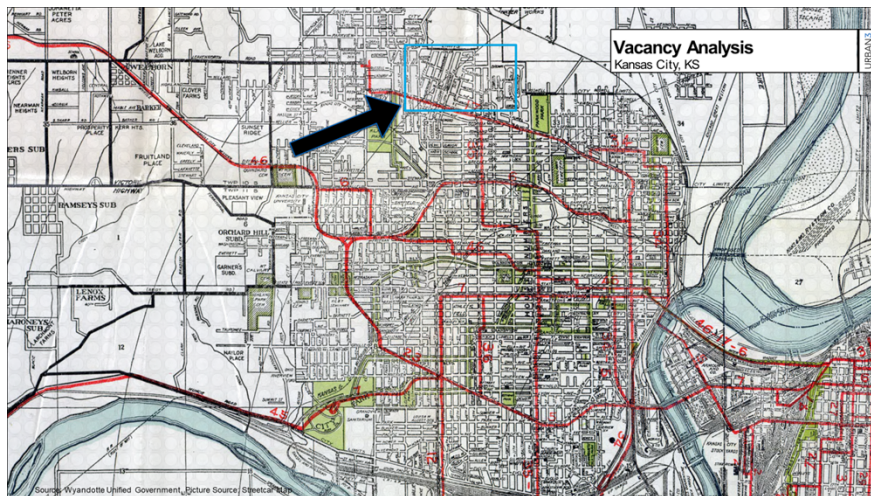
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This is the kind of hard decisions they're making. We just took their money and flushed it into the roads to see where it stopped, and we prioritized the big roads first. Just to give them a graphic, that you can only afford—this is their cashflow situation right now. They can only afford half of their roads. They are trying to come up with other ways of dealing with this in other systems. They're actually considering a Transportation Utility fee to treat the road like their own utility system. If you want to choose to live way the heck out here and you have all this system, you're already paying more of a share of it. If you're on a cul-de-sac, 10% of this system is cul-de-sac. They spend \$2.5M a year is what they should be spending to maintain all those cul-de-sacs and those are publicly funded driveways. They're not transportation at work. People move into a cul-de-sac to not be near transportation, not to have cars by, so why should the public pick up that driveway when three people enjoy that. It's not fair, \$2.5M a year.

Vacancy Analysis

Analyzing affect of Red-lining and legacy disinvestment.

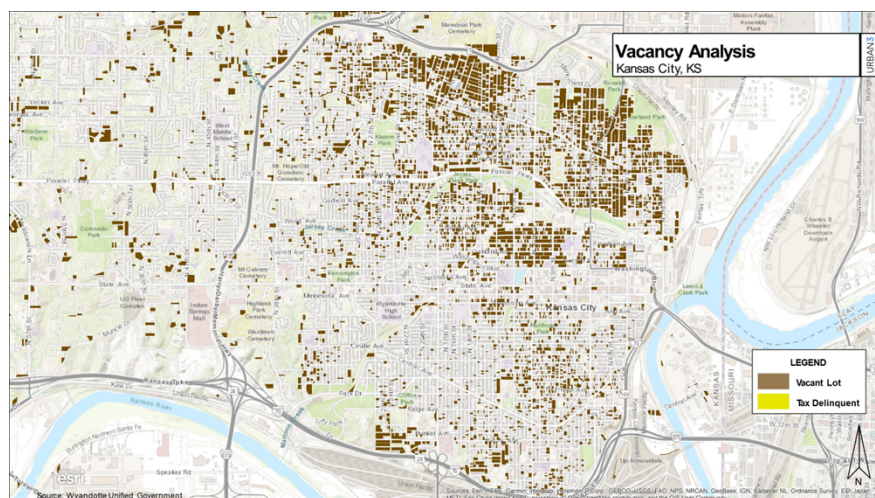
Again, this is a pattern we've all been through.



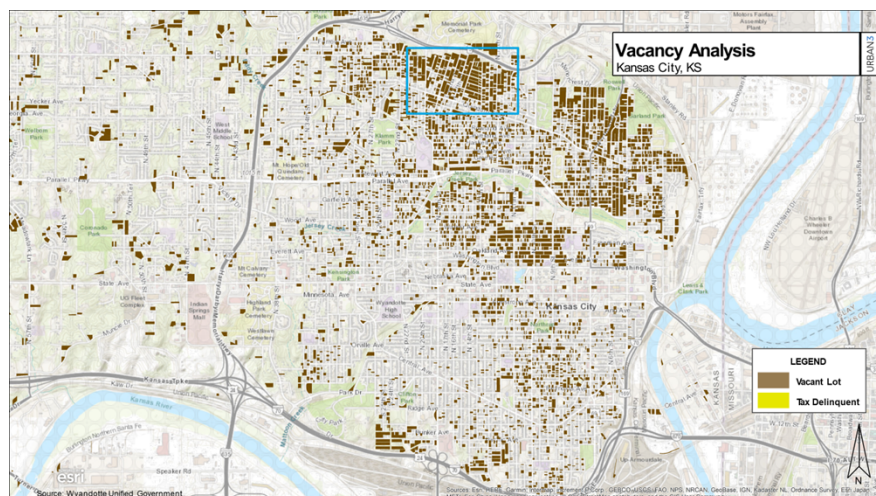
As your staff was doing the vacancy analysis, we were doing a similar one.



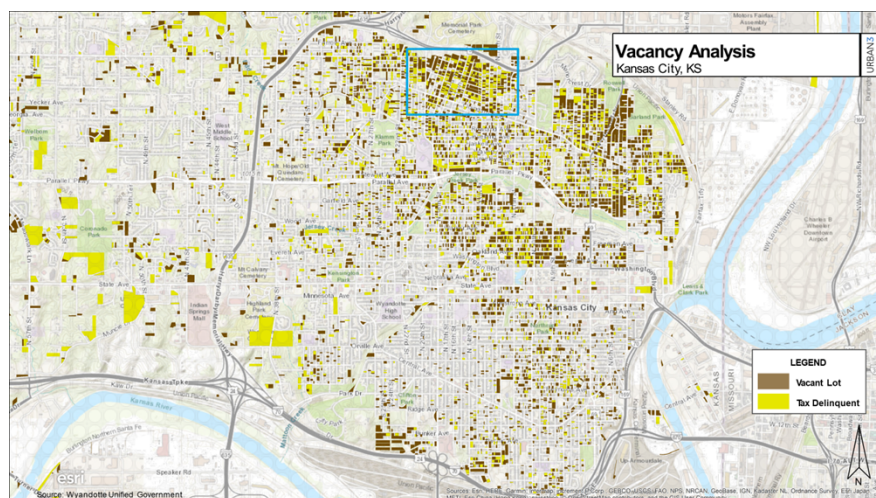
Particularly on the north side up in the neighborhood where this blue square is.



Just as a sample, this is a particularly hard-hit part of your community and you can see those are all the vacant lots and there is a spillover effect.



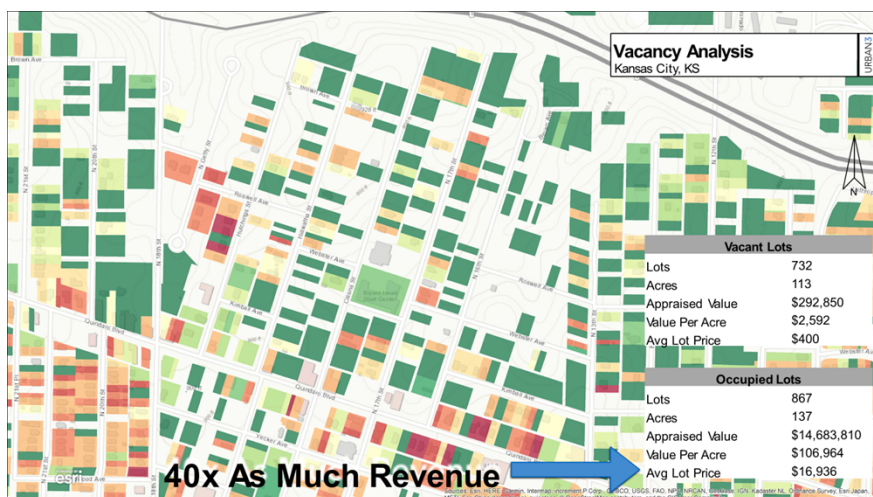
The folks that live in that neighborhood suffer economic decline with it.



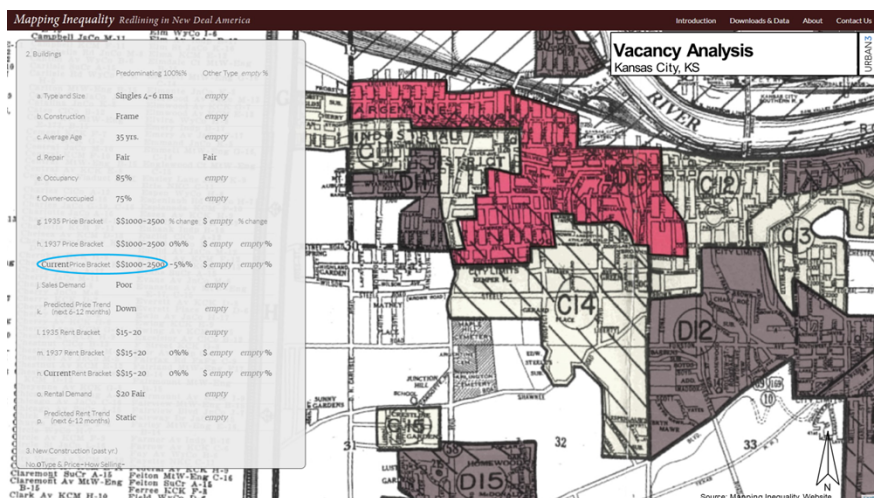
They either get left behind or their economic decision is made for them. They don't have enough money or whatever and this is their option to move into it.



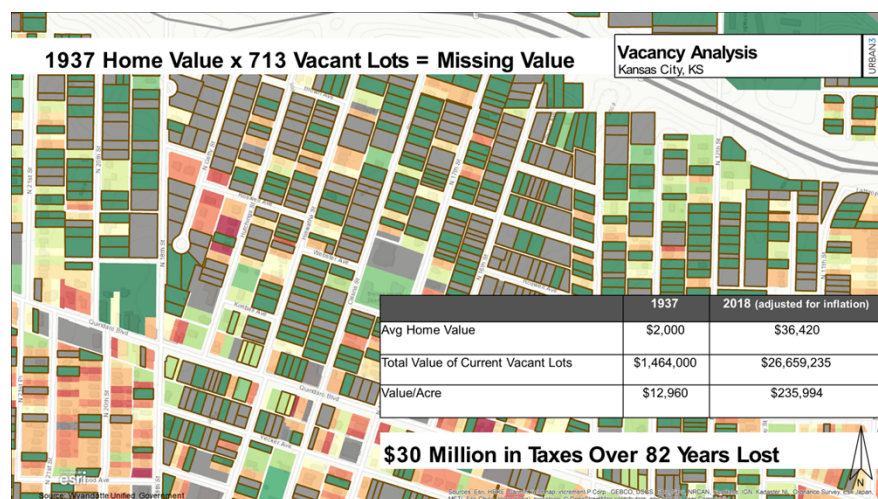
These are all the tax delinquency properties that fall within that. Think of this as a causing effect. If it damages a neighborhood, there's going to be a ripple effect to those left behind.



These are all the vacant lots in here and this stuff that has houses on it, but even when it has a house on it in a neighborhood that's been hammered pretty hard, notice that the lot price—or the lot price is actually 40 times as much by having a house on it. So, you can cultivate value even in the hard-hit neighborhood.

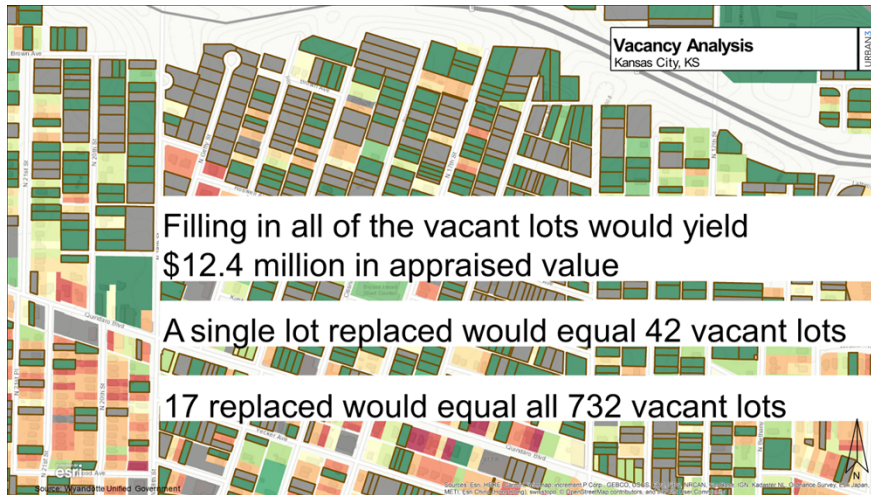


We went through the thought process of pulling the data from the Redline information. What's nice about—not nice, I guess an opportunity in the data, is they actually talk about the value of those neighborhoods so we can actually find what they considered a blighted house back then and figure out if folks were allowed to stay in that house and continue to pay taxes over the 80 years, what would even that house pay in taxes?



We filled in all those lots with buildings and we did a net present value of those houses just to get a rough number on the back of the envelope. It was about 700 vacant lots in this picture right here. The valuation of what they would be paying over 82 years is \$30M in taxes. It was about 700 vacant lots in this picture right here. The valuation of what they would be paying over 82 years is \$30M in taxes. Remember, this isn't a decision that your grandparents made overtly. This was done collaterally with these other documents that are out there saying don't invest in those

neighborhoods. Even if your community wanted to buy a mortgage, the banking industry wouldn't let you do that, but this is the effect of what happened. Basically, your predecessors burned \$30M in the street, taxes that vaporized over that 80 years.

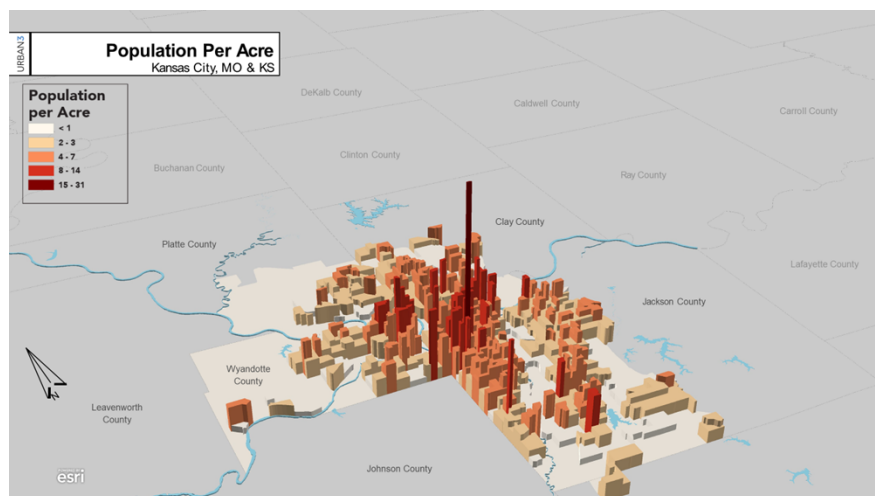


Another way of looking at it is if you filled in all the houses, what would it yield and even at that current market valuation it would be about \$12.4M. Replacing a single lot in there would equal 42 vacant lots, very similar to the study that you all did. Another thing to do is if you put 17 houses in there, it would equal the value of the 700 lots. So, is it hard to do? Can you handle getting 17 houses built in that area or nearby to start to cultivate your wealth?

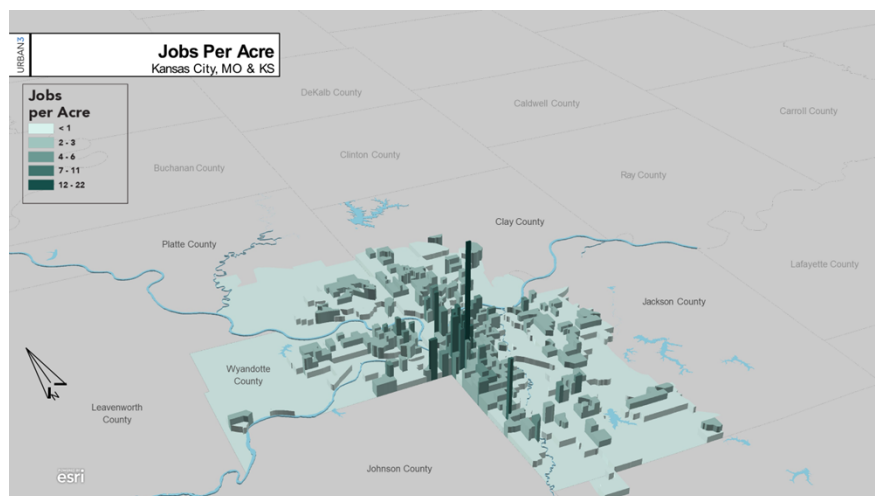
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Employment

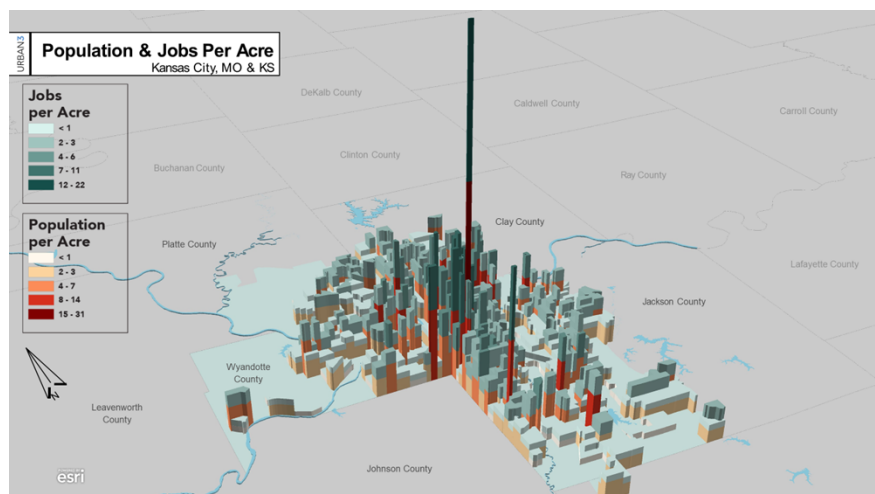
Think small, think manageable, find ways to do that incremental infill thicken up a little bit. We did pull the employment data because it matters on the KCMO side because they charge an earnings tax.



This is your population and their distribution based on density. This area which is pretty close to the County Club Plaza area is the most dense part of your region.



It's also got the most jobs, so it's got both jobs and residents, so it's actually killing it.



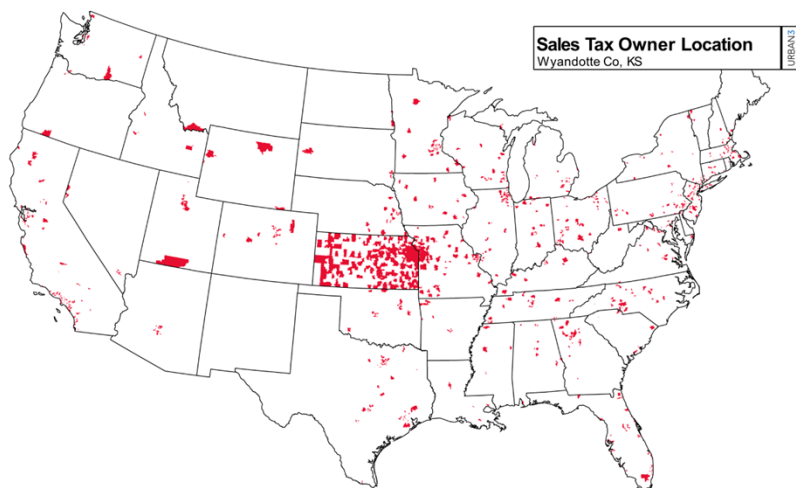
These are all your most potent areas from a density standpoint. A lot of these people can actually walk to work.

URBAN3

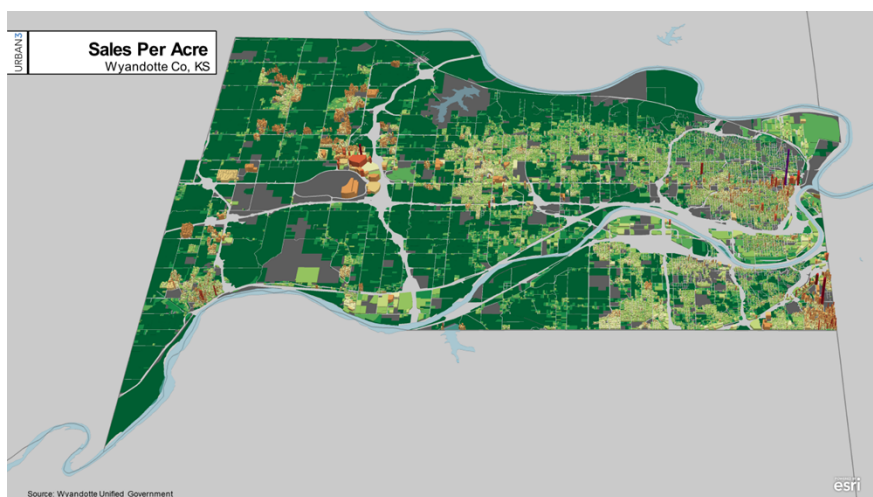
Sales Tax

Wyandotte Co

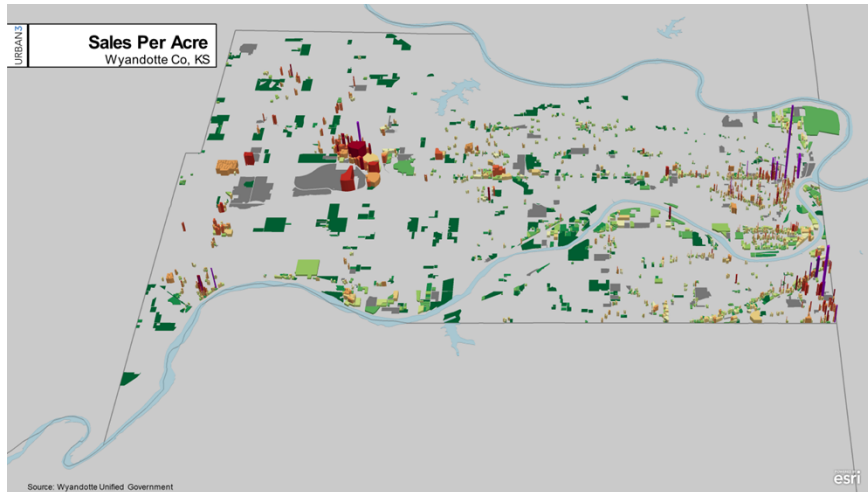
October 31, 2019



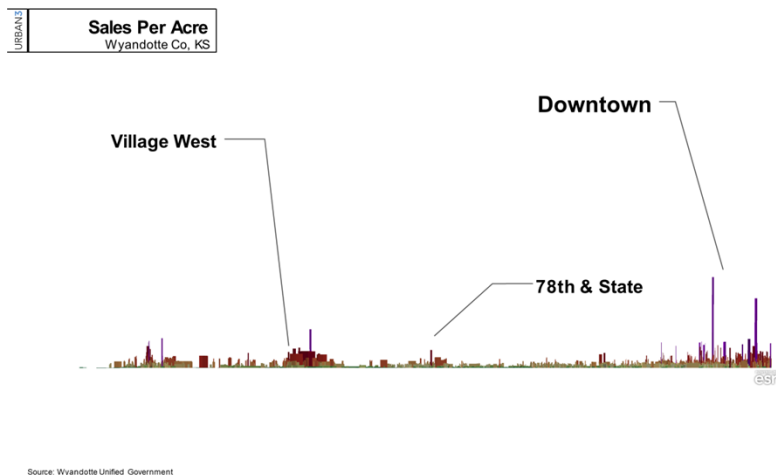
A lot of your sales tax was giving us distribution at this level and we've talked to your Finance Officer about drilling into this, but this is the way we mapped it.



We were like, okay, we can't really map what's going on when it's doing that, but we can pull some of it.



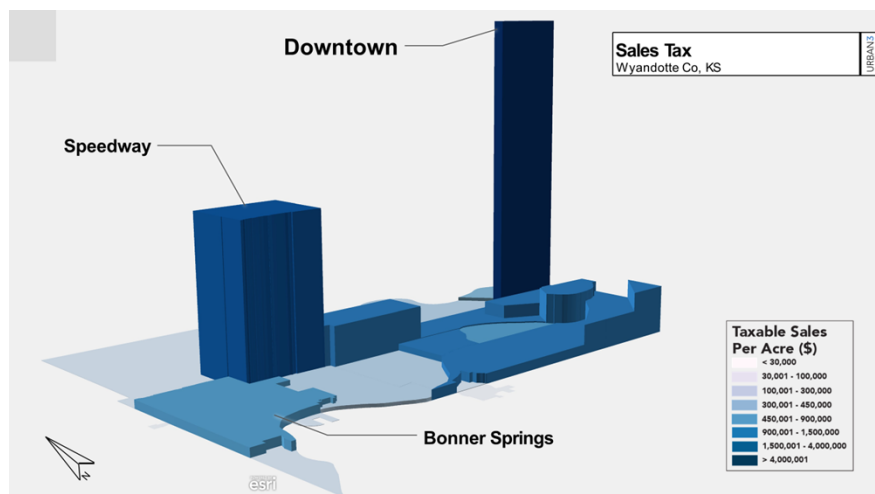
This is a relative model of your sales tax potency and you can see there's a couple of big winners here in the downtown and then the Speedway is doing alright.



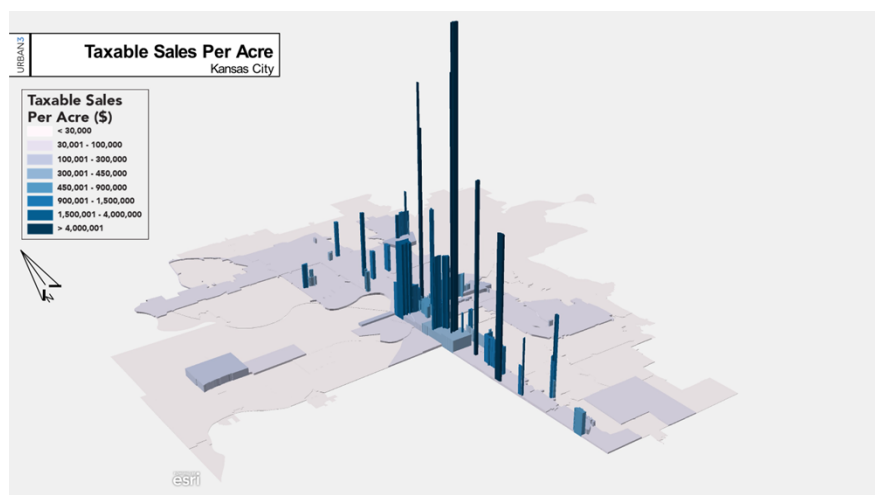
This is a side view of that and it's sales tax per acre.



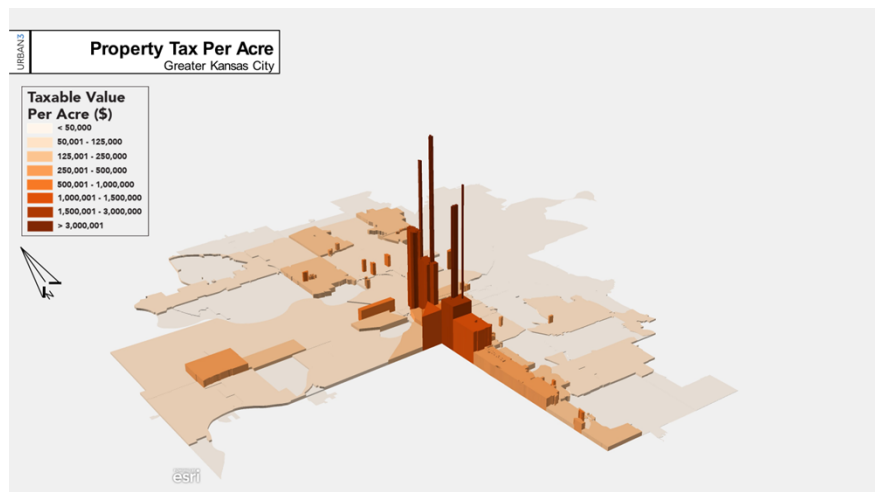
This is just a couple of pulls. The West Village is pulling about \$1.8M, let's call it \$2M in sales tax per acre. 78th & State is doing about \$4M and Downtown is doing about \$2M.



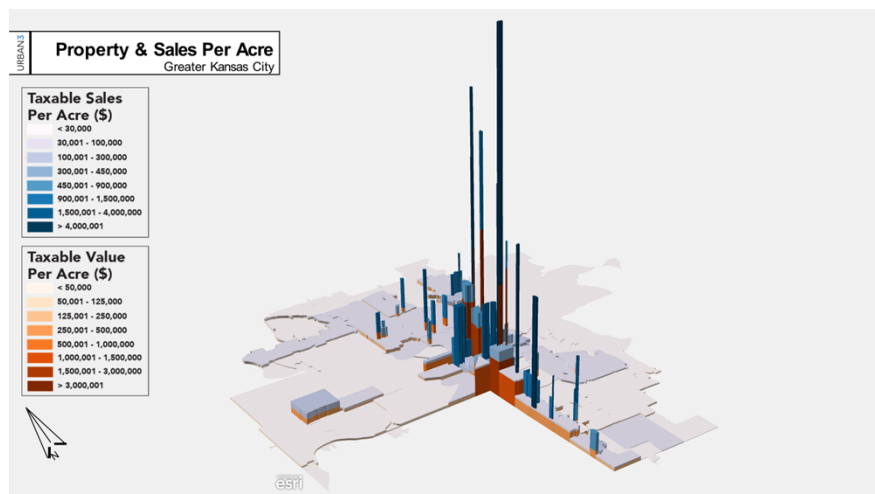
This is a three-dimensional model of it. The caveat is we're still missing data with this stuff, so this would change.



When we throw it into the regional model, you can see how potent it is over on the Missouri side and they're garnering of the sales taxes.



Here's their property taxes.



Here's the two of them stacked. This is the stack of the property plus the sales tax here and in downtown and then this is over in the Country Club Plaza is this one up here which beats their downtown.

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Since we're talking about KCMO, this is by the Sprint Center. There's the highway interchange. We did a quick little land use analysis.

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Here's their green space, here's their streets and roads, here's their buildings and this is all surface parking. Would have thought there really wasn't that much parking over there and what's crazy is these are all parking structures. When we start talking about parking, there's a financial effect. When somebody says there's not enough parking, I need a better space, whatever, there is a cost to all that happens in that.

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Let me explain it. This is the entire city.

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Done this level, so I've taken the city, and again, north is facing and then turning the city into a square. This is the land area of the city and these are the different uses. These are the different values. Basically, here's those uses lined up versus everything else.

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Then this is the valuation. You see that the buildings are less area than then the road, but again, the roads are a big negative number. The buildings are less area than the parking but look at the value of the buildings versus the value of the parking.

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It's real simple, if I'm a builder and these are their numbers in KCMO, the average Kansas City resident, there she is, she's got about 1,000 sq. ft. of building dedicated to her and she's got two parking spaces, but she's also got an extra free one that's non-taxable, so she's got three parking spaces dedicated to her. When this gets built, the assessor is going to go out there with a price tag and put a value on it, so this is the value of the average square foot of building in Kansas City, MO. This is the cost of their roads per square foot. When you say cost, cost also has—you should have a reserve account. If I fix a building and put an air-conditioner on the roof, I know that air-conditioner has a useful life of 20 years, so I have to charge you all rent, a little piece, for 20 years so that can build up \$60K to replace that air-conditioner.

Roads are no different. When you get the road, you start thinking of a reserve account you have to build to fix that stuff because when you have to replace a road—if you go out and get

a bond, that's like getting a credit card to payoff your mortgage. You're accruing debt but it's also a visible indicator that you don't have enough money to pay for your infrastructure. You have to take out a loan. But anyway, when you look at this, it's \$22 a sq. ft. in front of the building and it's also \$22 a sq. ft. in front of the parking, but if you follow the math on this—again, remember, these two things are paying the same millage rate. You're paying 2% of taxes on \$44 and 2% of taxes on \$3, so your revenue is 15 times greater in the building here versus here, yet your cost is the same so that's called a subsidy. If you charge me less for something, that's a transference for subsidy. Do you all follow me? The cost is uniform. When you look at the whole system this way and you see all your roads, there's a special cost to all that.

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I'll jump to the spatial analysis. It only works for certain people over the age of 35 but anyway.

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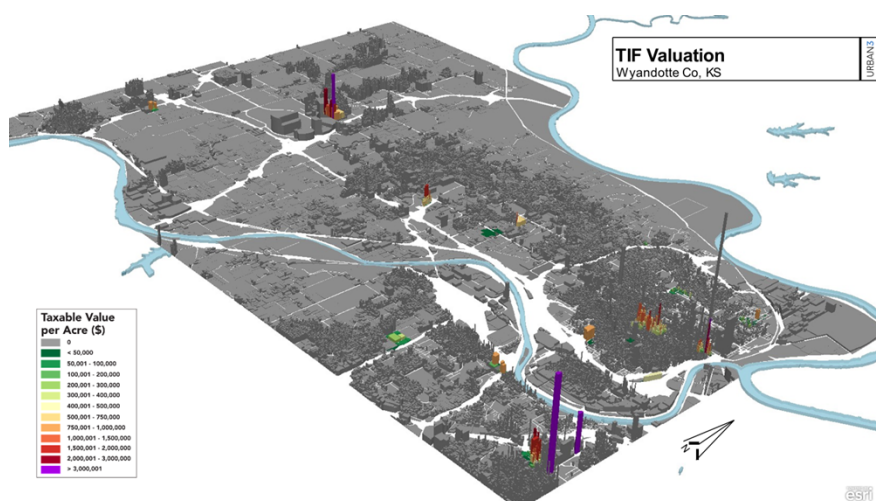
Tifs

Wyandotte Co

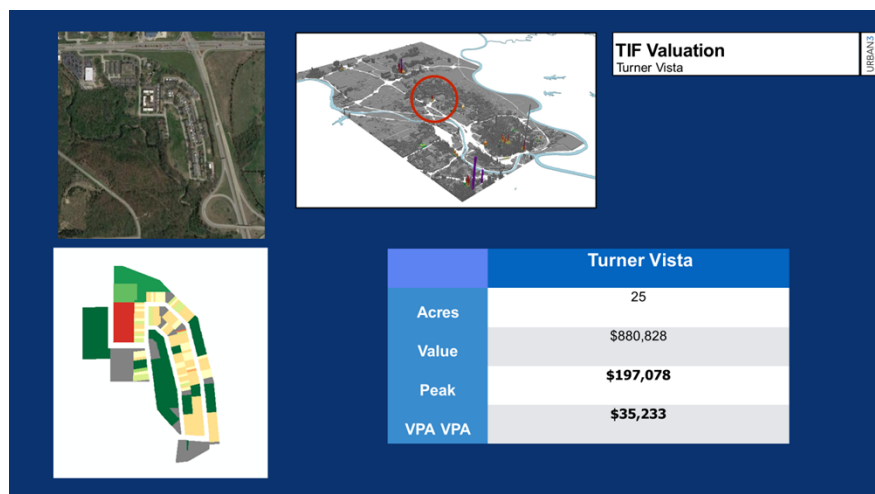
We did look at the TIFs on both sides.



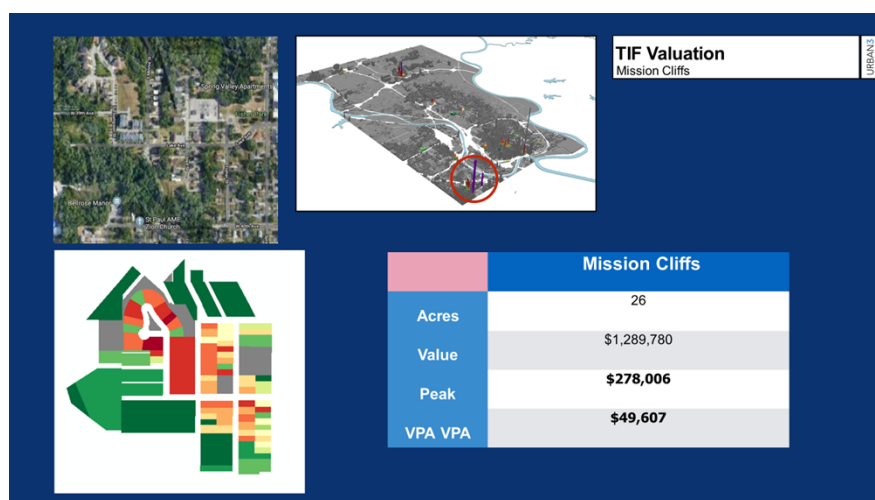
There are good TIFs and bad TIFs. We saw a couple bad ones on the other side of the river. I can go into those later if you want.



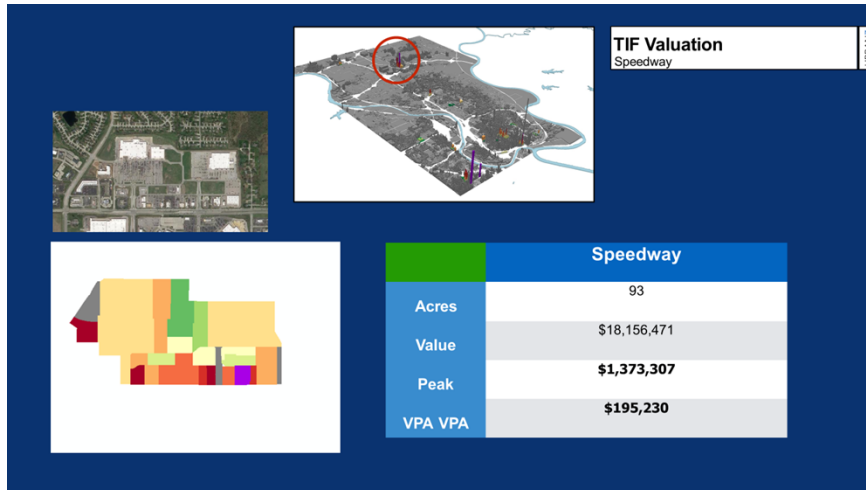
Your TIFs are more controlled in your city by comparison. They had like 300 different TIF districts across the river.



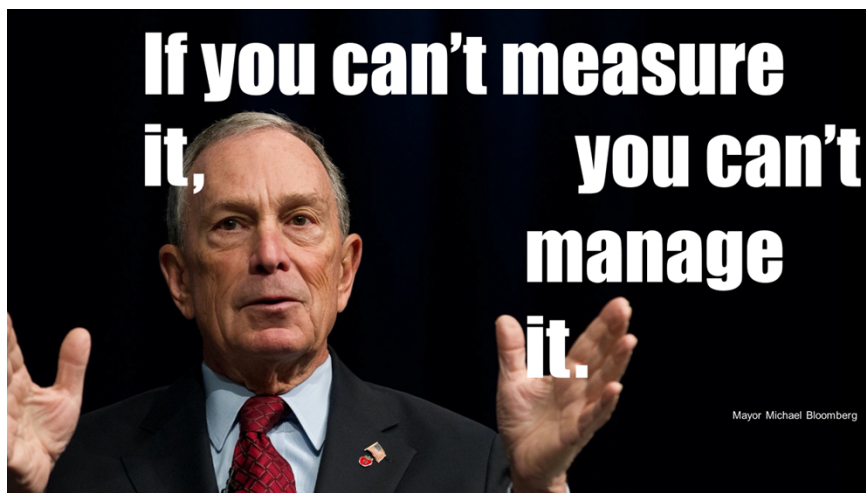
Here's where yours are and these are the rough numbers of what they're pulling from a value per acre standpoint. Some of them don't have a whole lot of development in them yet, so it's not fair to just judge this as good or bad. It is what it is at this point.



Mission Cliffs is doing better at about \$50K



When you get into the Speedway, the Speedway is pulling a potent \$200K of value per acre. It's still not in the millions, but it is what it is.



Just to close, if you're not measuring this stuff, you can't manage it. Deal with the stuff you can get your data on first rather than the subjective stuff that's a little bit harder to quantify. Once you start getting your books in order about the stuff that's measurable, you will start to see a different reality.



When you don't have the money for the greenway, the art teacher, the dancing traffic cop, it's not that you don't have that money, it's that it's buried into a system that's draining you of your wealth. You're paying for it whether you like it or not. The system is not a free market. It's a market that's manipulated by policy decisions and where your money is going.



This is all hiding in plain sight. This is all in your books.



Source: [forbes.com](https://www.forbes.com)

Just to close, you all are worth \$1.3B so as a Board, you're the Board of Directors for a \$1.3B corporation if you're out in the stock market or something like that. Think of it that way which is about two Chiefs. You all can liquidate yourself and buy a couple of Chiefs if you want to.



I can tell you that Mr. Hunt knows Patrick Mahomes towel bill. I can tell you the cups in my nightclub costs 5 cents a pop. You need to be conversing about what a mile of pipe costs, what a mile of road costs and where you're getting your money for all this stuff. It's a cashflow.

(Slide not available)

We call this Geoaccounting, just putting your numbers on a map. Your accountant doesn't care if you buy a boat.

(Slide not available)

Your accountant cares if you can afford a boat, so can you afford the things you own and how do you handle this stuff.

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Putting it on a map helps that.

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I would also recommend this book. Chuck was here speaking yesterday or maybe the day before,

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So yep, do your math. Thanks.

Mayor Alvey said we have plenty of time for questions or comments.

Commissioner Bynum said I've been thinking about it all day and actually since I got my special session a couple weeks ago with Kathleen on our priority based budgeting, so I hope you'll indulge me because I have three or four things. The first one is, and Rob Richardson is here with Planning, we completed a Master Plan for our Northeast area community, which you spent quite a bit of time on here, we're currently master planning in the Central Avenue area. One of the things I'm thinking about is in those master planning processes we're working hard to engage our community and what we're asking them for is, community what do you want your community to look like and be like.

So, we're asking them to help us prioritize and I'm beginning to think now we probably better take our community that we're master planning with through our exercise with us. Not only do we need to be conversing in how things are taxed and the formula's that are used and understand the accounting, but we need to bring the community along with because we're going down this path we hope, and we're master planning and asking the community to engage with us. They may have an entirely different set of hopes and dreams and then we're going to be like nope, sorry, we can't do that, it doesn't fit in our priority based budgeting. It doesn't fit in our vision of where we think priority investments should be made and so I'm thinking a lot about how do these things

merge together. That's kind of one of the things that's slithering through my head. You know, bringing the community along with I guess, or at least hearing them in terms of what are their priorities.

The second thing on my mind is if we can use and understand this model and we can see the value per acre in turning of vacant lots into a lot that's got a new home on it. It seems like we could take that same philosophy and it would be equally powerful in making an investment either publicly, privately, or jointly in rehabbing and saving some of what we're calling tipping point houses and blocks because we would also be increasing the value per acre of those areas. We would also be addressing a key component of our—this community's adopted Community Health Improvement Plan which includes as one of its focused areas safe and affordable housing as a social determinate of health outcomes in this community. I'm just throwing this stuff on the table more for kind of comment and thought.

The last thing that I'm hearing that I just think is interesting is we're talking about the cul-de-sac, for example, as a subsidy. In this community we've spent several decades working hand in hand with our law enforcement to organize neighborhoods and learn subset principles, crime prevention through environmental design and then that environment—the cul-de-sac is a crime prevention strategy, it's a traffic calming strategy and it's one that we've embraced almost.

I grew up in a neighborhood that has more than 90 homes in, but one way in and out and we saw that as a good thing because it keeps outsider traffic outside and keeps the neighborhood safe. That's an interesting way to look at a cul-de-sac and I guess I understand you're looking at it from a dollars and cents perspective.

Mr. Minicozzi said well, it's dollar and cents and you're picking up the infrastructure cost and when you disconnect large sections of your community and you force them into one road, what ends up happening, you may have a reflection of what's going on in your neighborhood but what ends up happening is everybody is funneled into one collector road. That becomes a super expensive road and then that becomes dangerous because it becomes—people get hit trying to cross it. We see this in cities where they become car sewers. **Commissioner Bynum** asked becomes what. **Mr. Minicozzi** said car sewers, like sewer flow of cars, massive amounts of cars going really fast and then usually what follows from a land use perspective is no one wants to live

next to those and so then you get your strip malls and pawnshops and all that other stuff, the garbage architecture to follow it, not a main street.

Again, all these things have trickle effects and the cul-de-sacs that your Police Department may have studied—you know there's a lot of other data points that I would probably ask you about. What's the value of the houses that are there, where are they placed. It's not just because of cul-de-sac, it is there for crime free because I could take you to cul-de-sac communities that aren't.

Commissioner Bynum said we've used that in a different way than you're describing it and now I feel like we're at a crossroads. **Mr. Minicozzi** said, again, from a clinically data perspective, there are four to five people on that cul-de-sac. That's a measurable. From a clinical data perspective, you know the cost per square foot, it's somewhere around \$22 a square foot and just pencil that out. Jud told me this morning, Jud lives on the end of a cul-de-sac, basically, at the end of a long dead end road. He has 800 ft. of frontage and he joked with me today because Jud's a nerd and he's a data guy and he goes well, I guess I owe the city like \$44K, like that's what he owes in taxes based on his 800 ft. of frontage on his dead end road and he started laughing. I said it looks like you figured out the subsidy. He's like it's super awesome. That's the reality—he's wrestling with this cognitively. **Commissioner Bynum** said yes, I think I am too.

Mr. Minicozzi said again, these are all value statements. You all have to go through this budgets and from a planning perspective and I'm a planner. I've been through plenty of sessions where I sit there with citizens and I'm like what do you all want which is really not fair to the citizens because do they know what point of reference they're coming from. Do you ask your kids what do you want to buy or do you say to your kids we've got \$25, what do you want to buy with that. **Commissioner Bynum** said I just think what you're bringing us is something that's going to cause us to think—you know add a layer of thinking to planning processes. **Mr. Minicozzi** said yes, true.

Mayor Alvey asked, Joe, can you explain or tell us about any cities or counties that have done what Commissioner Bynum is implying and that is taking this information, these insights, and then applied it to the development process or policies. You mentioned the Transportation Utility Fee, so right now we're going through a process of trying to restructure our Stormwater Fee and the pushback that we're getting from people is, as you said, saying from Colonial America's, don't

tax me, don't tax the, tax the man behind the tree; no one wants to pay the taxes. So, as we look at the stormwater costs, there are those that are saying I'm not using the stormwater system, why am I being taxed for this or I live in a part of town that we pay all the taxes, we should not be paying for this.

If you look at the patterns, you can clearly see the suburban development and the tremendous amount of infrastructure costs that hasn't caught up yet. **Mr. Minicozzi** said, again, the citizens are going to be tragically limited in their knowledge of the world until they're informed. I think a lot of this, and you're dead on, I think all of us have to have a civic conversation about this stuff and this is sort of my role here, is just a different form of education. I'm just giving you a different math. We're looking at civics that you all have—you're obligated to serve, and you also see that there are tough budget questions that you have to wrestle out at the end of every year when you get into budget season and what you can prioritize. You know there's not enough money to pay for everything, so you all already know this stuff and you have to convey this stuff to your citizens. In their defense, most people can't even do their tax bill. They have no idea how their taxes are formed, they don't understand what a millage rate is. A lot of this stuff is just obfuscated to a level that's not fair to the citizens. That's why we do this presentation with the dummies, I make jokes, you know this is how do I mainstream this so that normal people can understand this stuff. I'm not going to talk in data points that are really difficult to understand and it's not to debase citizens. It's like you all have jobs, you got like day jobs, you're doing other things, you're busy and I don't need to come in here and nerd out about millage rates and some complex math and stuff like that. I'm going to make pictures.

The citizens give them information that's easily digestible, not to patronize them, but to like help them out because they're busy people and they've got other priorities in their life. If the habit has been for them to come here and just ask for anything, and even worse, when we hold meetings and say the sky is the limit, what do you want. You can't start that way. One thing is that will blow their minds, but too, it's going to set expectations that you could never fulfill.

In the cul-de-sac situation, there is a cost per square foot and just make sure you put it out there for people and say is this a priority for our community. This is the cost, and these are the other effects that are going to happen, is this the best use of our money.

In the case of stormwater, let me show you this one, this is a study we did in Eugene, Oregon. We did the revenue model and they wanted to take the next step deeper. I was like okay,

if you can do the revenue, can you do the cost. This is their city floating in the lake looking at the side of it and you can see here's all their revenues and here are their costs down here and this is just the hard stuff; pipes, bridges, roads, physical stuff that you own at that point. We're not talking about staff and we're not going to Geoaccounting worthy where the City Attorney needs to be or whatever, but this is the physical stuff.

When you net your cost against your revenues, this is what's in the black and this is what's in the red and they immediately saw how upside down their city was. This is the top view of the model and this is the bottom view. What it is, is a death by a thousand cuts, a lot of little micro subsidies that are out there. Just as you saw, you're taxing your residential 40% when you're taxing commercial, well, how much land use of that do you have. The majority of your land use of your city is essentially paying half where your commercial properties are. That's a subsidy. When you look at your building—this is a really compacted version of their presentation. We call this the Brady Bunch slide, but this is like residential, low density, median density, high density, mixed-use, low/median, high, commercial, low/median high and this is how it nets out. The average house is upside down about \$1,400 an acre in their community per year. When you do that, you're essentially operating in a deficit in that land use which you can cover if you have a lot of this stuff to compensate.

Their city is actually pretty well laid out. It's pretty compact. They have a growth boundary, so they've choked themselves down at a certain area, 6% of their growth boundary has vacant land on it, 6%. They basically built in a container, like a petri dish, they didn't expand out, but even that, they've 80% of their land use in that single-family category at that deficit. I would be a fool to say you can't have a single-family house. I'm not saying that. I'm just saying put that in check and make sure you write that down and everybody is conscious of it because everybody wants to have a house. Maybe if we just thought about, okay, we've got this one category or these two categories, we've got that set, we've got plenty of that in our market already; maybe we need to start doing these other ones to compensate. You've got to balance your diet. I can't eat—I'm doing a really good of eating BBQ every single day here, but I can't do that my entire life. I'll kill myself. You heard about my heart disease. You guys are already killing me. I've been to Slaps, I've been to all these places. We do this with our diets, right, so do this with your balance of your diet in your budget.

It looks like it's doing alright over here. This is their version of Country Club Plaza. Why don't you do a couple more of these out here and maybe do a couple of pieces in downtown. Downtown can't subsidize everything, but it can carry some weight and you have to reinvest in downtown too. When you talk to anybody that has downtown property, you hear from them on the sidewalks and all the stuff they need, that's expensive, but they're also producing low.

One of the other ways of looking at subsidy is, and this again back to the UG model, little things like this, dialing in, in your infrastructure properly. This is their sewage system so this is where all their sewers go. All of these are different sewage basins so each of these colors is its own little sewage subarea. This neighborhood up here has eight different lift stations. Lift stations are super expensive. I asked the sewer folks, they're like we're an enterprise account, we're good, we're all good and I said hold on a second. Do these people pay more per flush per gallon than these people and they said no. I'm like these people have more costs. It seems like a per gallon they should be paying a little bit more than these folks over here. Do you follow me? Again, that's a subsidy. I'm not saying to out and do that, but at least talk to the folks in the neighborhood so they're aware that a lift station is super expensive, that you've got to pay for this stuff. Get people civically literate about this stuff.

When you look at these two neighborhoods here and here, and this is downtown, again, sometimes you're going to have biases inside your own staff where they're like—in this case the Engineering Department is like we're good, we've got everything under accounting, we've got our own budget system, we don't have to go through property taxes, we're cool. We showed them these two neighborhoods and we said look, this neighborhood—you know what's more dense and I'm like yes, the width of the pipe is only one inch wider here. It's not that expensive to dig a ditch one inch wider. It's much more expensive to dig that ditch one foot longer and the Engineer was like yes, you're right. I'm like this neighborhood on the right has doubled the amount of people in the district and it has half the amount of pipes. So, with that and that thought too, these people have four times the amount of feet per person in pipe, four times the cost, yet they're paying the same rate. Why is that fair? Then you look at the valuation, you're getting more value out of this neighborhood and the Engineer was like I don't care about property taxes because we have an enterprise account. I said go ahead and tell that to the Finance Officer or the Police Department or the Planning Department, ask them if they care about property taxes because that's how they're paid. So, you don't care about other departments in the city and the guy took it back. He's like I

see your point. We said but secondly, check this out, it costs more to replace that system versus this system.

These are professionals that didn't get it. I'm like you might want to just dial the accounting differently in that and we don't think that way. We've got these habits the way that we've always thought about this stuff. I know that this is different thinking, so I play idiot. I'm not a Finance Officer, I don't know what I'm doing, I'm an architect, I just ask questions.

Commissioner Johnson said I need to talk through this with you, so I might be talking around or rambling, but 22-23 years ago we combined the City and the County to become the Unified Government. We began to work on what's now called the Legends. The idea at that particular time is that if we would invest out there then at some point we would be able to leverage that investment to be able to do things on the eastern side of town. The likes of which we are—I think we are in that point right now where we're trying to do that which brings us to this conversation I think the Mayor is leading us in with regard to the development of the eastern part of town.

When I look at those slides it makes me wonder—I just wonder about that investment now. It's causing me to kind of second guess or to think about that investment out west. It seemed completely logical to me up to this point and time and now I'm wondering if we were to be able to do it again, was that the right move. I still think that it was. I still want to see the western part of town develop because I live in the eastern part of town and I want to leverage those things, but when you talk about just the cost of infrastructure and how far we've expanded and the real value of that, it's causing me some turmoil, some tension on the inside. I'm wondering how do we—that's the first item of tension.

The other item of tension ties into what Commissioner Bynum talked about with the Northeast Master Plan and what we felt like at that particular time was that we were not leveraging this real asset, community asset called Fairfax Industrial area, that is part of the northeast area. For a long time, we did not equate the two of them together and then when I looked at those graphs again in terms of the matrix, the industrial area is not really—you used the term in terms of its potency. It's not a potent area, but the logic I had and reason, I don't know about my colleagues, was that it is in fact a potent area and we need to leverage that potent area in order to build up the northeast. So, kind of help me through these areas of tension if you don't mind.

Mr. Minicozzi said the question of industrial came up this morning and it's going to depend. It's going to depend on the project, it depends on the deal if it was a TIF or any kind of subsidy that happened. We see a lot of those manufacturing jobs get that. Just the typology of building that they're in, particularly if they're manufacturing, they're not valuable buildings and they are also really big. So long as that's the type of job that's in it, great, that's what it is and it's just something you accept, that what we're doing is a tradeoff. We're getting the jobs that bring people and when I bring people they get into a house, but that house is going to be discounted a little bit, but that house is also going to bring a shopper. That shopper is going to spend 30% of their discretionary income in retail purchases, okay, there's a tradeoff effect, there's a trickling effect. If you're doing that like in the case of like a retail square footage, pound for pound, dollar for dollar, the small shops tend to do more higher producer than the big shops. You saw that with our building compared to the Walmart. It's going to depend on the typology, but that's something that's good to have to those jobs if they stay here, but if they're just here for a teaser or some tax break and then that vaporizes, and they leave—**Commissioner Johnson** said there in lies our challenge because you talk about those high paying jobs in that area and yet we have one of the lowest household median incomes in the state of Kansas. We have in terms of wages, we have the second or third highest wages being paid out of Wyandotte County, so we're constantly struggling with that in terms of something that we need to work on I guess in other areas. It's just layers of issues that we're working through that makes it kind of cloudy to me in terms of getting a good firm direction.

Mr. Minicozzi said I recommend Chuck's book. It's a pretty quick read. One of my favorite analogies that he uses is we tend to think of the city as a complex system and it is, but it's not complex, it's complicated. Growing a crop of corn is complex. It's difficult to know how corn grows, what it needs and all that stuff, but a rainforest is complicated. There's lots of moving parts, there's lots of things that you can't tell if your affecting something. Corn you can tell. Don't go into the city thinking that this is going to be a complex problem, it's complicated. There's a lot of moving parts, but so long as you're curious and dig in and ask questions and just test things out and minimize your risk on your test, do the small moves and see how they're going. I'm not going to say the whole cloth, the western part of your county is cast off, anything but that. It's just you're with it now, so just make sure that area can grow up in its areas too, but I can tell you that when

you stack stories, you're stacking your dollar bills, you're doing it on less square footage of infrastructure.

There is some finite measurables that you can use to balance your budget. The way to start is can you afford all the things you want. Just start there and if the answer is no, then it's like alright, we've got to start asking questions. You started 20 years ago, and the idea was all these annexations would pay for the east side. Let me ask you the simple question, do you have enough money to solve that problem now, no. It obviously didn't meet its goals which is alright. You can't turn the clock back, but you can learn from it. It's an abiding set of problems.

Mayor Alvey said, Commissioner, just to clarify, I think what we have seen is the increase in property values around the Legends has generated a tremendous amount of revenues for the city as well as the sales tax which is being redirected to our blight remediation and also to paying for infrastructure and for public safety. There was an intentional move as well as a reduction in property taxes. We took some of the burden off the property owners within Wyandotte County and placed it on the visitors who are coming into the Legends. We are seeing some redirection of that.

Commissioner Burroughs said Mayor Alvey and Administrator Bach, I want to thank Joe. The information is key here. The data is quite telling, and it will be a challenge for us to work through that data and utilize it to the best of our ability. This morning I asked you a specific question about exempt property and how it affects a community's bottom line and if you continue to give away property to exempt entities, what impact that has moving forward. After listening to your presentation today, I picked up on something else that when we reinvest in a community with infrastructure on—I'll talk about our new schools in an aging community. We've reinvested in our education facilities in our community which was much needed; however, the neighborhoods around those schools have a lot of vacant lots, a lot of underdevelopment, and so we're talking about a different return here. One is we're giving property away to exempt entities and, two, we're not developing the property that's available around those entities. Help me understand the benefit of one and maybe the opportunity with the another.

Mr. Minicozzi said we did a project in Gainesville, Florida. Gainesville is the home of the University of Florida, a big large non-taxable entity. This is a (inaudible) county zooming into

Gainesville. Here's Gainesville. Downtown is over here. This is the University and you can see it's a big non-taxable thing. That's the only fraternity that was kicked off campus. We told them they needed to kick more fraternity's off campus because they're tax is paying them. Sarah Vidal was the Economic Development Director and she was doing all these TIF districts between downtown and the University and she wanted measurables to say should we keep these TIF districts, are they worth keeping, is it good activity of what's happening; she had no idea. She knew that things were happening, and you can clearly see she has created value in this area, but she wanted measurables. Let's kind of zoom in for a second and look at what her territory is. This is getting into the city from the county and the county by the way was on her back about these TIF districts and they're like okay the clocks done, give us our taxes back, your TIF districts have expired. That was the political tension that was happening, so zooming into just the TIF districts, here's downtown right here, here's the University and this is Sarah's world, just these for TIF districts right here.

We went into each of these districts and broke them down based on productivity and you can see some districts aren't doing so well compared to others, so she wanted to know what the measurables were. These are the four different TIF districts. We came up with like how do you make things simple for folks so that they can understand or have a simple matrix. We made a monopoly card of the district. This district here, we're like okay, here's the taxable value, here's size, here's the percent non-taxable, here's the peak value the top of your model, here's your average and this is your growth from the recession to today. You actually grew by 19% in value, that's really good and your peak value is really good, and your average value is really good. This neighborhood right here, Pleasant Street, this is a traditional African-American neighborhood. Her office is in here and she's working with that neighborhood as well. They actually cleaned their cloth. This one is growing even more valuable, but they're coming from a much lower point of average value and a much lower peak. She knows she still has to work with that neighborhood.

One of the things she's doing there is code hacks where if somebody goes in there and fixes the house or does a house or whatever, she's learning what all the hurdles are that are in the way and turning around and breaking those down so that folks inside the neighborhood can do those improvements rather than having to figure out what the code process is and all that stuff. She's like why should somebody that just has access to capital and their daddy is a land use

attorney, why should they be allowed to come in and do investment and not the folks inside the neighborhood. She's awesome.

This one she still has to do more work because the average value is a little low. Downtown, killing it, 40% growth, but a much lower average value than over here, so maybe let this one go, this one is done, you've done your job, you still have a little more work to do here, this one you need a lot more, but over here, this is not good. That neighborhood is losing at 3% in value. That's going down. That's bad, the city is worse. How is your whole city seeking in value and the county is even worse off than that, so this is the reason why the county is asking for that tax base. I get it. One of the things we said is maybe you all should hire Sarah to do a little bit of consulting out in the county because she's obviously figuring some stuff out. You've got a little fighter pilot right here, she's amazing, utilize her countywide every once in a while because she's obviously figuring some things out. Again, having measurables to see that.

One of the other thing that's kind of awesome about the model, you can see it's like having an ocean. The ocean doesn't lose value, the ocean is an opportunity for value at the beachfront and she figured that out. She basically had a whole bunch of student housing built so rather than have the students on campus, I'm going to put them on taxable real estate and get their money. Students are kind of awesome. They don't have bottoms in their pockets. Anybody that has a college student in their life knows they just drop money all over the street. They're really good at spending money, so she's taking advantage of that. There's all sorts of bars and whatever and for her that's tax base.

Commissioner Burroughs said the second part of my questions was the vacated properties around there. She figured out how to put investment around a exempt piece of property, but what do we do about neighborhoods that need infill housing to make enough of an impact—building one or two homes a year in a neighborhood can be a benefit, but how do you make the real big bang in a period of time that supports the school districts investment as well as the infrastructure investment we as a community put in. **Mr. Minicozzi** said that's what she's doing with these two neighborhoods, that's the code hack. We have a term of art inside economics called Economic Gardening and a gardening is not just done all at once. You have to constantly tend to the crop. You have to go in there and weed, you've got to do stuff, so she's been doing that in these neighborhoods. It's not as big of a bang out the door, but it raises the tide of whole district. Over

here it's easier by the side of the University to drop an 8-story building with students shoved into 200 sq. ft. pods, students don't care, you can jam in there. In the neighborhood it's a different form of economic development. Right now, she was leveraging one against the other. She had access to all the portfolios, but she very responsible in the fact that she realizes that she needs to move on to other areas and focus on them. It's the code hacks, it's the little ones. Could you have free teacher housing where that's an incentive for a teacher in the school to walk to school and maybe that's the giveaway from a housing standpoint, build it and flip it to a teacher. Just give a rule they have to live there for 10 years.

Buffalo, New York is losing population and one of the things they did with the students at the University of Buffalo, they gave the students a house for a dollar, but the rule is they have to live there for 10 years. The attitude is that if that student lives there after graduation for 10 years, generally they're going to put roots down and at that point they become a citizen and so they're like whatever, that's our loss but we're not going to lose the house as a tax producer because that person will pay the taxes even though they got the house for a dollar.

Commissioner Philbrook said I was fortunate. I got to visit Gainesville over Labor Day weekend and we took a drive down through there and my friend was showing me around there to show me what had happened up in the Pleasant area and how that's changed and the way they were letting the community transform their homes. It's pretty amazing to see because as you go from block to block you can see one person started and then the next one and it was a very, very exciting domino effect because those are a lot of older homes. The older, you know, 1800s type homes and it was really exciting to see those changes that are happening. It was also totally shocking really to be right next to all of that gray area which is the University and then see all of the activity that is going on with the high-rises and all the stuff with everybody getting to go out and play and eat and all the fun stuff that makes the money that pays a lot of taxes. That was very exciting.

The downtown was kind of interesting because they are still kind of—even though it shows a 42% growth, they're still struggling a little. There are struggles but you can tell they're making some gains but maybe not as dramatic as what is going on because of course they started at a lower level as you said. This is very exciting and to see it really brings this home and I appreciate you bringing this all forward. I really enjoyed your presentation way back—how long ago was that when you were down on the Plaza, a year or two ago, and that was very exciting.

Every time I hear it, more of it sinks in and the bottom line is when Commissioner Bynum was here, sorry she's gone, but when she brought up the cul-de-sac issue, it's basically as a community we kind of made a decision to pour more money into an area to support what we thought, I think, was safety and comfort and that sort of thing and maybe just didn't realize in my real life, I wasn't here then, but realize what the after affects would be as to how much money it was going to cost us to maintain that kind of a neighborhood.

Mr. Minicozzi said back to Asheville for a second. One of the things that's probably not fair when I do the presentation, in Asheville we liked to joke that our downtown was an instant success, it only took 20 years. These were all moves that were done in the 80's and slow moves over time. Now we're one of the top ten tourist places on the planet and we get 10M tourist a year that comes through my city. I have 150 restaurants, 40 breweries, it's ridiculous, but going back in time it wasn't like that. Even when I moved to town in 2003 it wasn't like that. I mean it was getting hot but not anything where we are today. I can tell you Gainesville, I visited that when I was in college and their downtown was bombed out. It does take time to do this stuff and Sarah is doing a bang up job up there turning it around. Your observation about downtown is spot on. It's little pieces of it that are good, but it kind of falls apart pretty quickly.

Commissioner Townsend said I have not had the benefit of hearing this presentation before, so this is great, a case of first impression. A couple of things I wanted your opinion on. We are currently contemplating and are actually in the process of a zoning rewrite code. From your presentation I got a couple of things I'm going to walk away with. One we had heard before over and over that housing on a vacant lot is certainly going to yield than not or on a vacant house. One of the things that this code will address and anticipate are tiny houses. We are in the process of trying to decide is there going to be a minimum square footage for a tiny lot. I've heard one amount, one square footage amount given and what is that going to look like on what kind of size of lot. Do you have any words of caution or joy for another word, concerning when you look at these houses if that kind of square footage, and I think I've heard 400, was the square footage on these tiny lots. I'm concerned in that area of city that have a lot of lots you're going to get these little tiny houses and what's that going to do to other residential structures in the area in terms of their valuation? Could you speak to that? Also, it sounded like at first, and I get it later, that

Walmart was in trouble, but I think what I'm taking away from this is it's a more impervious surface in the bigger area, there's a cost to that. I also have to mention for anyone that may be working in Fairfax that we love Fairfax. It's the oldest industrial area in the country, but since I have been here I have always treated them as an industrial, a commercial constituent so they've been very active and wanting to improve their area. I don't think we want to not do that. I don't think that's what Commissioner Johnson was meaning. Just in case, members of the Fairfax Industrial Association have been great to work with. If you're listening, don't take that as a knock it off.

Mr. Minicozzi said you need those jobs and it provides a neat opportunity and the assets there. As far as the tiny house thing, actually the other night Chuck joked, you know our ancestors called those houses. They weren't called tiny or anything. You had what you could afford. From a standpoint of valuation, there's not a finite answer to that because, let me give you an example, like this is Charleston, SC. I told them you didn't make all this value by the ocean, God gave you the ocean, so I'm going to go ahead and wipe away that value because you can't claim what God gave you, but this is what humans make. They're an old city that predates the Declaration of Independence, so I have a birth date of my country right there and they have buildings that predates that like these guys. That is a tiny house. It's an apartment above a liquor store and it's built in 1686. It's smaller than a parking space, but look at its value per acre, \$13M of value per acre. This is the length of the building, so we could call it a tiny house. I call it very, very potent and when you pull just those buildings that predate the Declaration of Independence, here they are, here they are in plan, there's 21 acres of those buildings. This is what they paid in county taxes in 2015. Now mind you, they paid city taxes and Business Improvement District taxes, and this is just what the county got, \$630K. Out in the county I have another building, 21 acres, and this is what it paid the same year. Part of this is a little bit of freakonomics, it's like a little weird seeing these numbers, but this isn't the only example.

I'll give you another example, this is West Palm Beach, Florida; that's a small commercial building on the left, this is a skyscraper. Notice that this is more potent than that one and they're two blocks away from each other. It's like who would have thought a little building is more potent than a big building, but it is.

We grabbed all the Donald's property, now this was before he was President, but the Donald is pulling about \$400K of value per acre which is less potent than these shotgun shacks in

the poor African-American neighborhoods. These are tiny houses, they are more potent than him. I showed this to the folks in West Palm Beach and one of the commissioners said to me, he goes that's not right, and I went correct. It's not right, but that's the truth. This is what's going on inside our economic system. Just because it's a small house doesn't mean that it's not potent, it doesn't mean that it's a home for somebody in your community and doesn't mean it doesn't add value to your community, so this is what people can afford. When you have a kitchen and a bathroom, per square foot, that's going to drive the value up on a piece of property. Having a kitchen and a bathroom in a house, even if it's a small modest house, it's a starter home for somebody that becomes a resident in your community and if it's designed in a way that they can add on grow in their community as their family grows, that's good.

Mayor Alvey said we have to end here. I want to thank you again. This is awesome. You've been very helpful to us and we're not done with this conversation. We will have about a 10 minute transitional period. We will convene in regular session at 7:05 p.m.

**MAYOR ALVEY ADJOURNED
THE MEETING AT 6:55 p.m.**

dt

Bridgette D. Cobbins
Unified Government Clerk