Blue Valley Redevelopment Initiative
Implementation Workplan
INTRO

This working paper provides an initial framework for implementing an EDC-led, multi-year redevelopment effort in Kansas City’s Blue Valley Industrial Corridor (BVIC). The strategy describes several types of activities intended to spark both public and private investment in the corridor in order to overcome some of the many obstacles to jobs-based reinvestment that currently exist. These obstacles include things like: fragmented property ownership; awkward parcel shapes/sizes; brownfield issues; disjointed and poorly maintained infrastructure; poor signing and access and not least visual blight, poor public perception of the area and lack of awareness of the opportunities and advantages that the area has to offer. History proves that these types of disinvested areas rarely 'self-correct' to meet the demands of new or emerging real estate markets. They typically require direct and persistent public agency and intervention. Essentially, what is provided here is the intermediate intervention plan for the BVIC.

The activities described will be undertaken concurrently although some, such as fund development, necessarily pre-empt many of the other activities that are dependent on it. In total, the work is intended to stimulate a stronger sense of ownership and control among area stakeholders and help pique investor interest. They offer a basic operational framework and approach to tackling redevelopment on a fairly massive scale, and are intended to launch some early successes that can get parlayed into strings of consistent wins. Like any early strategy, this is a fairly, broad-stroke attempt at “scoping the solution” and building some momentum. It can’t capture every contingency or pivot that might happen along the way. It does provide however a basic direction for jump-starting what will be one of the biggest and most challenging redevelopment efforts in the City’s history.
OPPORTUNITY ASSESSMENT OVERVIEW

In the Spring of 2016, HR&A Advisors was selected out of field of 13 firms to conduct an opportunity assessment of the 3500-acre Blue Valley industrial district – an area roughly spanning from the Missouri River to south of the stadium complex just west of I-435. The purpose of the study was to evaluate the redevelopment potential of the area in the context of known physical constraints and market demand. It also provided focus on how and where to concentrate the city’s early efforts in order to spark the biggest market reaction.

The study validated the current market for urban industrial sites in the metro and identified 14 key opportunity sites within the three distinct development nodes that make up the Blue Valley corridor (above graphic). The sites were selected based on their size, flood risk, ownership and perceived environmental condition. The study also outlined a very basic implementation plan focusing on: (1) creating value by investing in public amenities and infrastructure and through land assembly and remediation efforts; (2) increase visibility by investing in streetscape and marketing/branding efforts; (3) facilitate development through direct public investment and control of real estate and by enhancing the incentives available to Blue Valley developers and businesses. A key recommendation of the study was the need for dedicated staff and funding to drive the redevelopment effort. This implementation plan expands on these basic concepts.

With impetus from the HR&A study, the city’s planning department also updated its master land use plan for the Blue River Valley and East Bottoms (collectively the “Riverfront Industrial Area Plan”). The plan focused on some of the purely physical elements (e.g. land use, infrastructure etc.) needed to improve access and to transition the area from legacy heavy industry to modern, urban-industrial mixed-use. Things like: urban-maker spaces, food & beverage production, craft industries, advanced manufacturing and e-commerce.
IMPLEMENTATION APPROACH: A 6-PRONG STRATEGY

This component constitutes the basic “bricks & mortar” elements of the economic repositioning strategy for Blue Valley. With regard to infrastructure, the HR&A report ballparked up to $90 million of “soup-to-nuts” of needed public improvements within the 3500-acre area. Much of this consisted of improved of extended street rights-of-way. The biggest ticket item by far was the northern extension of Manchester Trafficway from its current terminus at Truman Road, to Independence Avenue. This item alone was estimated at over $40 million.

The more typical items were various smaller road and rail crossing extensions and improvements along with stormwater detention facilities and streetscape improvements over the valley’s several bridges and viaducts. These smaller improvements (generally ranged from $1.5 to $3 million) could have an outsized potential to unlock idle industrial sites and to improve truck accessibility and circulation on the valley floor.

Although the bigger ticket items are hugely expensive and may take many years to complete, that shouldn’t be seen as an impediment to moving forward on other elements of the strategy. In fact, a significant amount of value and momentum can be gained through smaller, piecemeal interventions that are coordinated with private investments and facilitated by Federal or state grants. (An example was EDC’s recent procurement of a $250,000 matching grant from EDA to extend a new water main for Blue Valley’s Moly Cop Corp.)
Our approach will be to leverage known or anticipated private investments in land and buildings to bring a degree of urgency and private investment leverage into the city’s capital improvements process. We will look for opportunities where even smaller public spends can unlock maximum private investment; this, while continuing to advocate for the larger transformative improvements such as Manchester Trafficway. We will look for opportunities to put job and investment inducing infrastructure projects into the PIAC (design) pipeline in order to get officially slotted into the city’s overall capital improvements (build) program (CIP).

This surgical infrastructure strategy follows a land strategy that will be concentrated where selective land acquisition can add to (and be contiguous with) the biggest chunks of available acreage and create the most new value. Immediate areas of focus will be in/near the 14 specific opportunity sites identified in HR&A’s land analysis (graphic). Many of these opportunity sites contain fragments of existing publicly-owned land and are believed to be relatively free of major environmental issues.

In the absence of active working projects that may necessarily draw immediate attention and resources, our early focus will be in the southern third of the BVIC where HR&A’s analysis shows the greatest amount of vacant, developable real estate. This area also happens to have some of best visibility and vehicle access of anyplace in the corridor. New development here could have a major catalytic effect in driving redevelopment elsewhere in the corridor. (As of this writing, EDC is actively working with the City and a prospective developer to transfer the currently city-owned former Heart Drive-In site at the I-70/Hwy 40 interchange to the developer to bring 115 new jobs to the valley and to remove an existing billboard.)
1. **Land & Infrastructure Funding**

For purposes of land acquisition, we envision that an industrial land bank fund be established and initially managed at EDC under a contractual arrangement with IDA and other fund contributors. The fund would be used to option and/or purchase critical or otherwise at-risk real estate as it comes available. These sites can be assembled into larger development sites or controlled/held for blight removal (i.e. retiring salvage yards and billboards). We except that EDC or one of its allied redevelopment agencies could act as the friendly land holder. (see also “Organization & Management” below). The land bank fund may also be used for area or site marketing and miscellaneous predevelopment work that may be needed to make the sites marketable.
Actions other than direct ownership by EDC may include: applying for area-wide site assessment (brownfield) grants through the EPA (i.e. to help better characterize and delineate actual environmental conditions), and assisting/encouraging private property owners to enroll their sites in voluntary cleanup programs offered through the state and EPA (i.e. to help limit legal and financial exposure).

Finally, and with available funding permitting, EDC may seek to craft a master design vision for the corridor as part of larger marketing effort. The goal would be to excite investors to the possibilities in the corridor but hopefully without the effect of setting unrealistic land value expectations (or generating fears of displacement) among current landowners that such plans can often create.

Land & Infrastructure Goals

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<tr>
<th>Short-term goals (1-2 years)</th>
<th>Mid-long term goals (3-5 years)</th>
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<tbody>
<tr>
<td>• Complete initial property transfers from Water Services Dept. for all but the most marginally useable sites</td>
<td>• Capitalize land bank fund to approximately $5-$6 million</td>
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<td>• Capitalize industrial land bank fund to approximately $2-$3 million</td>
<td>• Complete 3-5 significant property acquisitions</td>
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<tr>
<td>• Identify 2-3 projects for potential PIAC funding</td>
<td>• Secure PIAC funding for 2-3 projects</td>
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<tr>
<td>• Secure brownfield funding for 1-2 projects</td>
<td>• Secure 1-2 infrastructure projects in CIP</td>
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2. Incentives

Key to redevelopment in the Blue Valley is identifying additional financial incentives to help overcome the higher cost and risk factors of developing urban brownfields which are common to Blue Valley. To this end, EDC has recently worked to include most of the BVIC in the new Federal Opportunity Zone program (allows the deferral or exemption of Federal capital gains tax for investors who invest taxable proceeds in a zone). Blue Valley/East Bottoms is one of five OZ areas in the city (map).
To magnify investor interest in Kansas City’s OZs including Blue Valley, EDC has crafted a series of additional complementary local incentives unique to the zones to help supercharge the program’s benefits. These incentives ideas (“ACT Zone”) are currently under consideration by the City Council and include:

- Automatic STECM eligibility for qualifying investments in the OZs. This would work similar to ordinance 171031 that grants the same consideration for projects that include an affordable housing component. The assumption from the outset that STECM is “on-the-table” for OZ investments (as opposed to the current discretionary approval process) would boost investor confidence that they can access the incentive in tandem with OZ.

- Easing/lowering of “but-for” test. This measure would dispense with expensive project-specific financial (i.e. micro) analysis in favor of simplified neighborhood-level, “market failure” analysis. Data showing chronic underinvestment, depressed aggregate valuations and lack of recent investment activity in project area would be used as determining factors (e.g. ‘continual economic distress’ as proxy measure).

- Administrative EEZ Longer & Deeper tax abatement for projects qualifying for state MO Works program. This would essentially grant the EEZ executive director the authority to offer a higher than standard incentive without the delay and uncertainty of EEZ board approval. The incentive level would be set using the existing scoring methodology.

- Free expedited permitting - e.g. streamlining and/or cost reductions in entitlements process.

- Wage supports for OZ-based companies who hire disadvantaged workers at livable wages – modeled after the Federal Work Opportunity Tax Credit (funded through non-TIF E-tax redirection of new payroll).

- Abatement Credit Transfer (ACT) – allows investors in the OZs (donor areas) to earn an additional, portable 25% abatement credit for every $1 million they invest within the OZ. Credits can be applied to capped or incentive-reduced projects in receiver areas not to exceed 100% tax abatement of new valuation.

- Waiver/reduction in franchise utility tax for additional (minimum-threshold) power use in OZs. (Would apply only for employers with larger power baseloads).

Incentives Goals

Short-term goals (1-2 years)
- Partial City Council adoption of special ACT Zone incentives
- Full adoption of ACT Zone incentives including e-tax wage supports and abatement credit transfer (ACT).

Mid-long term goals (3-5 years)
- Possible creation of Blue Valley investment “opportunity fund” at host organization.
3. Marketing & Branding

A strong marketing message will be critical to attracting developer interest in an increasingly crowded industrial real estate market, and to overcome years of negative perceptions of the area. The campaign should include web, social and print and be a part of an overall communications plan that helps broadcast news and events in or about the Blue Valley. The brand strategy should be complimentary to parallel efforts in the Blue Valley corridor such as the eco-focused “Renew the Blue” initiative being spearheaded by local environmental groups like the Conservation Alliance.

The EDC currently hosts a Blue Valley page on its website and regularly blogs about Blue Valley news via its social media channels. EDC has also created a 3-minute animated drone video that places Blue Valley in a citywide context and highlights some of area’s major assets. What is needed now is a full-scale branding campaign for the area; a stronger naming “handle” and stylized district logo that can carry through to an improved web presence and to future streetscape improvements.

The EDC has recently increased its marketing budget to help push several new initiatives that it is launching including the Blue Valley. The level of effort that is needed here however (~$35K - $50K) is more than what the EDC can absorb on its own. We will be looking for contributions from other sources to help offset some of these costs. Down the road, we may also explore possible naming rights opportunities to help fund future district streetscape signs, bridges, trails and other public improvements where feasible and appropriate.

Marketing & Branding Goals

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<td>• Complete full branding/marketing campaign and collateral materials.</td>
<td>• Secure naming rights contribution for first phase of streetscape.</td>
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<td>• Creation of Blue Valley website.</td>
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4. Image & Beautification

Central to the vision for a revitalized Blue Valley is recasting it from a warren of dirty industry into a modern, green, urban-industrial park. Doing this will require a greater appreciation of the Blue River as an environmental asset; stronger land-use/site-design and anti-dumping regimes; select streetscape enhancements and the introduction of new green infrastructure. (The latter to help with both aesthetics as well as stormwater management.)

With this in-mind we will look for opportunities to align redevelopment efforts with proposed trail projects as well as environmental restoration efforts focused on the Blue Valley including the aforementioned “Renew the Blue”. EDC staff has been in recent discussions with both the Nature Conservancy and Conservation Alliance about piloting new green infrastructure demonstration projects in the Blue Valley. Such projects could range from select streambank restoration projects, to regional stormwater gardens, to sponsored river cleanups.

Similar to any other anticipated public or private investments, EDC will look to coordinate and leverage its land acquisition activities with the work of environmental groups wherever possible. We expect that many EDC land acquisitions will involve the attachment of trail and/or conservation easements to help build-out the area-wide recreation and environmental systems needed to transform the area to a more amenity rich and eco-friendly industrial environment. (EDC has already been instrumental in the impending elimination of a billboard and the recording of a trail easement at the former Heart Drive-In site through its acquisition and pending transfer of that site to a new prospective employer.) We will attempt to instill the same sensitivity and approach to any known or anticipated public works projects that we become aware of in the Blue Valley.
5. Capacity-Building

A redevelopment initiative of this scale will not happen without dedicated staffing and resources to help manage the myriad activities that need to be coordinated along the way. The hard reality is that this real estate submarket will not self-correct soon or at all. It will need someone working in the public domain as advocate and de-facto “master redeveloper.” The most successful industrial redevelopment projects have been steered by public-private organizations working under the aegis of city government with active local boards, dedicated staff and some (albeit limited), sources of financing – typically starting with small dollar operating budgets for marketing and community-building projects and graduating to larger dollar expenditures for physical improvements including, in some cases, actual land acquisition.

The Blue Valley is fortunate to be served by one of the oldest industrial associations in the metro – the Blue Valley Industrial Association (BVIA). They, along with their parent organization, the bi-state Kansas City Industrial Council (KCIC), have been instrumental in bringing Federal funds for major levee projects throughout the metro including the $300 million Blue Valley Channel project completed in 2016.

But while the BVIA has been effective in lobbying both the City and the Feds for protections against the existential threat of floods, they have had less of a focus on everyday improvements to enhance the overall physical and business environment in the Blue Valley. This attitude has begun to change somewhat due to the pervasive illegal dumping in the area, perceptions of encroaching criminal activity and fear of eroding property values.
In the end however, BVIA is a true business association in the strictest sense of the term. They are not equipped nor inclined to lead the activities described here. They should however continue to help mobilize support for such activities. One of these is the creation of a Community Improvement District (CID) to help fund some of the day-to-day activities of the managing entity (see more on CID below under Organization & Management).

As mentioned earlier, our approach is to build toward the eventual establishment of a specialized sole-purpose organization to coordinate public-private investments in the Blue Valley and to serve as its brokerage and marketing arm. This could be an entirely new entity such as in the examples cited above, or it could be an existing organization with an industrial focus such as PortKC or the Industrial Development Authority.

We believe that the internal capacity of any new or existing organization needs to be initially incubated within the EDC with a view to spinning it off (or handing it over) at some point in the future. Until such time that EDC is authorized to hire additional dedicated staff to proactively develop new opportunities, we will use existing staff from both our Development Services and Business Development divisions to project-manage “found” opportunities as they present themselves. Bringing on additional staff however will likely depend on existing staff’s initial success at “bootstrapping” some early wins – particularly on the funding side.

<table>
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<th>Capacity-Building Goals</th>
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<tr>
<td><strong>Short-term goals (1-2 years)</strong></td>
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<tr>
<td>• Creation of CID Plan.</td>
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<tr>
<td>• Formation of industrial land bank advisory committee.</td>
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<td>• Identifying/hiring exclusive Blue Valley project manager at EDC.</td>
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Workforce Goals

Short-term goals
(1-2 years)

- Assist with at least one employer–FEC/MCC contract or group placement
- Enroll one company in MCC apprenticeship program
- Assist at least one company with procuring state workforce training funds
- Full adoption of ACT zone incentives by City Council to include e-tax redirection benefit for the hiring of disadvantaged workers

Mid-long term goals
(3-5 years)

- Changing the cultural and attitude of area employers toward the workforce development system establishing permanent reciprocal relationships between area companies and workforce training providers
- Creating one or more new apprenticeship programs targeted to/sponsored by Blue Valley employer(s)

6. Workforce

Developing and implementing a full-fledged workforce development strategy for the Blue Valley is clearly beyond the capacity of EDC to execute on its own. That said, one of the central reasons for increasing job density in the Blue Valley is to help connect east side residents and many of the region’s disadvantaged workers to new job opportunities within the city. EDC staff therefore needs to be very intentional in directing both existing and future Blue Valley employers to the services and resources of regional training providers such as the Full Employment Council (FEC) and Metropolitan Community College (MCC). This should especially be the case with employers seeking to maximize local incentives.

EDC staff have begun working closely with MCC to support their new apprenticeship programs and will be seeking to position Blue Valley as a focused pilot zone for these programs – particularly in the advanced manufacturing sphere. MCC apprenticeship programs that have particular applicability to Blue Valley companies include: industrial maintenance and repair; industrial electrical automation and repair; precision machining and tool and die; welding; building/facilities maintenance and engineering technology/mechatronics.

EDC staff will work to build companies’ awareness of these programs and encourage participation in them whenever possible. EDC staff will also continue to work with the Area Transportation Authority (KCATA) to expand service into the Blue Valley through expanded bus service, van pools and evolving on-demand modes as demand for such service builds.
ORGANIZATION & MANAGEMENT

The Blue Valley redevelopment initiative is intended to be a long-term (10+ years) public-private partnership. Although it will initially be managed internally at EDC, the intent is to eventually spin it out as an independent, self-managed entity with reduced EDC involvement over time (i.e. board membership vs. day-to-day coordination). The models we are looking to include the Philadelphia Industrial Development Corp. (PIDC), and the Menomonee Valley Partners (Milwaukee). Both organizations were the outgrowth of city-led redevelopment efforts.

The exact timing and organizational framework of something akin to a full-fledged blue valley redevelopment corporation is unknown at this time. It will likely depend on funding and how quickly the area’s private interests coalesce. Both of the above-mentioned organizations began as informal ad-hoc groups that came together as part of a public master planning process and with some public seed funding. The groups generally formalized after the cities were able to gain some momentum after notch some early wins and securing some early operational starter funding. Both efforts were incubated by the city’s respective redevelopment agencies. Now, both groups operate as autonomous independent 501C-3 organizations with their own staffs and operating budgets. The groups’ interest solidified after the public sector demonstrated a permanent commitment in helping drive meaningful outcomes.

As soon as some project funding becomes available, EDC plans to enlist an informal project management steering group to guide its early investments. Once some of the basic groundwork has been laid, and some momentum achieved (such as through the formation of an effective working committee/board; the creation of a CID and/or control of key redevelopment sites), The BVRC would preferably be physically located in the Blue Valley with a portion of its funding coming from a self-managed CID.

Given that any CID funding would come from special assessments against real property (versus the more common and less contentious sales tax model), the timing of attempting to establish a CID should wait until real progress has been achieved on other fronts first. This is because Blue Valley property-owners – given the sheer scale of public-private investment needed to truly transform the valley – would probably demand to see some tangible signs of success (specifically, the development of additional outside funding sources) before just agreeing to tax themselves further. This approach would position the CID as a leveraged investment opportunity versus an isolated (and woefully insufficient for the scale of need) tax assessment. Our strategy therefore is to broach the creation of a CID after the EDC has developed a substantial cash reserve is the Blue Valley Redevelopment Fund and/or the formal adoption of the new incentives packaged discussed earlier.