

Joint Economic Development Organization Board Minutes
Wednesday, February 14, 2024

Law Enforcement Center, Classroom A
320 S. Kansas Ave., Ste. 100
Topeka, Kansas 66603

The Joint Economic Development Organization (JEDO) Board members met at 4:00 p.m. in-person with the following voting Board members present: Shawnee County Commissioners Kevin Cook, Aaron Mays and Bill Riphahn; City of Topeka Mayor Michael Padilla, Deputy City Mayor Christina Valdivia-Alcala, City Councilmembers David Banks and Spencer Duncan. Shawnee County Commissioner Kevin Cook presided as JEDO Chair.

The following nonvoting JEDO Board members were present: City Councilmember Karen Hiller.

The following JEDO Board members were absent: City Councilmembers Sylvia Ortiz, Brett Kell, Marcus Miller, Neil Dobler and Michelle Hoferer.

APPROVAL of December 13, 2023 JEDO Board Meeting Minutes, was presented.

Mayor Padilla moved to approve the Minutes of December 13, 2023. The motion seconded by Councilmember Banks carried unanimously. (7-0)

REVIEW and approve an option for continued investment in the Astra Innovation Center, was presented.

Stephanie Moran, Senior VP of Innovation for GO Topeka, thanked all the board members for reviewing the presentation and asking and answering questions in preparation for this meeting. She then introduced Stan Wendzel, Principle of BioRealty.

Stan Wendzel, Principle of BioRealty presented on the status of where we are on the Innovation Center and some proposed plans to move forward. He went over how the project was ideally suited for New Market Tax Credits with already proven success with State and Federal Historic Tax Credit approvals on all three buildings and the BASE 2.0 grant. He explained that with the New Market Tax Credits along with signing up a Lab Tenant, the GO Topeka lease, incentives and parking agreements, they could go ahead and start construction without 50% pre-leasing and could terminate GO Topeka stub lease. The question from the September JEDO meeting was, What if NMTCs not obtained? He explained that they will have to do phasing of the project. He said they have been reviewing those phasing options. He explained that the results of phasing the project would be the same as the New Market, being that they could go ahead and start construction without 50% pre-leasing and could terminate GO Topeka stub lease (and reimbursement obligation). He gave a status update on the New Market Tax allocations, in which they were seeking \$21,000,000, unfortunately they only got interest from two CDEs in the \$11,000,000 to \$15,000,000 range. He said those came as verbal commitments which they expected at the time but now they did expect to have them as written commitments and they have not obtained that. His conclusions were that they currently do not have sufficient CDE commitment to support

NMTC financing. The time to secure remaining CDE commitments may take 3-11 months longer than a phased approach, and that is too long. So their options would be to secure an anchor tenant, but that is difficult to do. They could bring in opportunity zone investors but that would still require high levels of pre-leasing to provide return on investment, or they could phase the project. He explained some of the challenges facing development projects. One being construction cost escalation. He believes those rates may be flattening out now. Secondly, interest rates have skyrocketed. Also commercial property values have declined and CRE capital markets are tightening. However, he believes they are returning to normal levels now. He explained the phasing plan would include:

- Defer Wolfe's Building improvements
- Complete improvements to Middle & Woolworth's Buildings
- Defer improvements that are not integral to the Project & Project Financing
- Target Budget of \$14.5M
- Construction start: on or before July 1st

He explained the new breakdown of the project costs, totaling \$6,611,273. The two biggest declines being total design and construction cost of \$2,898,106 and NMTC related reserves, legal & fees of \$2,252,000. The funding sources would now include the following:

1. Go Topeka Incentive Grant - \$4,518,000
2. BASE 2.0 Grant - \$1,200,000
3. Proceeds from the sale of tax credits, senior loan and equity - \$8,782,603

Mr. Wendzel went over the steps we need to start construction. First would be to complete design. Then all documents need to be executed, including: Incentive & Parking Agreements, GO Topeka Lease Amendment, Lab Tenant & PNP Leases, Senior Loan and GC Gmax Contract. Then property tax abatement approved and documented. And lastly, no material adverse change in market conditions. He then explained the next steps for the JEDO Board, which includes:

1. Phasing Plan approved by IAB and JEDO Board
2. Confirm construction cost & QRE Estimates
3. Release Pre-Development efforts:
4. Complete Documentation
 - CRB on design
 - Demo design to be done first
 - Freight elevator repair
 - LBP and asbestos abatement
5. Construction start (July 1st)

Commissioner Cook, Chair, pointed out that we do not have the 50% for the pre-signing and asked Mr. Wendzel if he believes we have enough interest here in Topeka, KS for a Bio Research Innovation Center to continue with a 14M dollar project, with additional costs to come.

Mr. Wendzel explained that he believes that yes, there is enough interest here, also knowing that it will not just be a Bio Research facility but will also have retail interest and will also hold the GO Topeka Offices. Along with the fact that the space is ideally suited for a lab.

Commissioner Cook, Chair, wanted to clarify the "funding sources" regarding the tax credits.

Mr. Wendzel clarified that there are no more New Market Tax Credits. We have the Historic Tax Sale Credits of \$8,782,603 and those are pretty much guaranteed.

Commissioner Cook, Chair, talked about the alternative to the phased in approach. He asked if the Board was to say they were done with the project, would we have to pay through the end of the stub lease and how much would we be already into the project?

Mr. Wendzel and Stephanie Moran, Senior VP of Innovation for GO Topeka, confirmed that they would have to pay through the stub lease until March 2025 and the total they would be into the project would be around 1M dollars. They also clarified that it would be 4.5M to proceed.

Deputy Mayor Valdivia-Alcala mentioned this was her first time at a JEDO meeting and asked about the fact that BioRealty has several projects from coast to coast and they have talked about the pitfalls that have happened in our project, she was wondering if all their projects are moving this slow? She then asked who is responsible for finding the anchor that was lost?

Mr. Wendzel responded that he thinks all the projects are facing the same challenges at this time such as rise in interest rate and rise in construction costs. It depends on the different types of projects they are, but the difficulties they've faced over the last several years is really unprecedented. So yes, all their projects are moving at about the same rate. He then explained that in the end it would be the City's responsibility for bringing in a new anchor for the building.

Councilmember Duncan asked if there was any correlation in finding leases with the fact that they don't know when the building is going to open? He also asked if there is an opportunity for Phase 2 to start quicker if they get their 51% once this announced and they get a new tenant?

Mr. Wendzel responded that there is absolutely a correlation. He said the big focuses right now is having that concrete start date. So if the Board gives them their approval today they will immediately start marketing the July 1st start date, and hopefully that will help their marketing. It will also help to show people it has started. He went on to say that it is their hope that there is no pause between Phase 1 and Phase 2 with pre-signed tenants. He also noted that if any of the steps listed above to start construction failed, he would let them know immediately but he felt confident on it, even though he cannot promise the July 1st start date.

Councilmember Banks, asked where would the written agreements be in the list of the steps that are needed to start construction?

Mr. Wendzel responded that is the reimbursement agreement and the stub lease. They outlined "key agreements" that need to be finalized for the project to begin.

Ms. Moran noted that they already have those agreements drafted and will start those negotiations after the meeting today assuming they will be continuing the project.

Deputy Mayor Valdivia-Alcala, asked if what they were saying is that there is no guarantee of the July 1st start date.

Mr. Wendzel reiterated that yes, they need final documentation and final tax abatements approved. And again, noted that if any of the steps listed above to start construction failed, he would let them know immediately but he felt confident on it, even though he cannot promise the July 1st start date.

Mayor Padilla stated that regarding the need for this kind of space, it has been his understanding that there have been multiple opportunities come to us for this kind of space but we don't have it. Can you give us an idea of how critical this kind of space is for growing our interest in Animal Health and research?

Ms. Moran stated that she has had multiple conversations with their Animal Health Corridor asking when this space will be available. She mentioned that there is no lab space like this available and there are people looking for it. It is more a timing issue, on when they need to do their research.

Mayor Padilla asked if there were any penalties for missing the July 1st start date, or any incentives to make it to July 1st?

Mr. Wendzel said he wanted to reiterate that they also have capital out on the project and they have for two years and getting no return. He said, frankly, if they don't get it started by July 1st, they would rather just wrap it up and be done. However, they feel like they have come up with a good solution. If that does not happen then he doesn't know how much longer they will be willing to leave their capital out there.

Ms. Moran stated that if the Board gave approval today to move on with the phased approach, the Incentive Agreement would come back in front of the Board for approval.

Mayor Padilla stated that he would personally hate to see us have to start all over. He is afraid that it would cause frustration to the market who are waiting for that space along with the general public who have been waiting to see this project started. He said that hopefully once the construction is started it will bring even more anticipation to what this project is bringing. He is encouraged that they came up with this phased solution because it shows what BioRealty can do and what this space can be.

Commissioner Cook agreed that he was frustrated as it has been two years since this project started and Wolf's closed its doors, as well as we have already spent in excess of \$500,000 to get where we're at. Now they are asking of a commitment of over 4M dollars to continue, the loss of the anchor was a huge blow, not getting above 31% commitment was a huge blow, not getting the new market tax credits was a blow, the question is to the Board, are we throwing good money at bad money? Will this just be a project that won't launch for things that are out of our control? He stated that we are at a crossroads now. Do we pay out the \$500,000 of the stub lease or do we commit to an additional 4M dollars?

Mr. Wendzel explained that the \$4M they would be committing to is the same amount JEDO already approved in 2020. Ironically, the construction costs are the same that they already approved, even though the square footage may actually be more that they thought. He said that money is not going to go in unless they succeed in starting the project.

Commissioner Cook again reiterated that now is the time they decide if they should go ahead with the project or if they should cut their losses.

Deputy Mayor Valdivia-Alcala explained that the public and the new members of the board need all these questions reiterated so they can wrap their minds around it.

Stephanie Moran, Senior VP of Innovation for GO Topeka, gave a presentation on what the options are moving forward. These included:

- 1) Phased Construction
 - Construction begins 7/1/24
 - Phase 1 - \$14.5M
 - Woolworth's and Center building, defer Wolfe's to Phase 2
 - Includes lab space
 - Reduce stub lease commitment
 - \$4.5M available for Incentives funding on project
 - Decline material changes
 - Penalty for construction start delay
 - ROFO on Wolfe's
- 2) Continue with NMTC's
 - Construction Q4 2024 – Q1 2025
 - Full project if NMTC's are secured
 - Risk of not reaching needed allocation
 - Risk of losing tenants
 - Likely incur an additional \$200-\$250k in stub lease payments
 - \$4.3M available for incentives funding on project
- 3) Terminate Agreement
 - Construction delayed indefinitely and/or project does not move forward
 - Sub lease and reimbursement agreement commitment of \$450-\$500k
 - \$4.8M available for ROFO on building and project costs
 - Need to identify developer, financing, tenants/leasing, etc.

Councilmember Duncan commented that when they first approved this project it was because the need for the market was there for this facility and the need has only grown. He stated that his frustration is more how we got to this point, not what they are trying to accomplish. He still believes it will have tremendous value on the community. He said he feels pretty comfortable at this point to move forward.

Councilmember Hiller asked if they could talk more about the prospective tenants and what the market is out there. She stated that she was excited when they started plug n play, the building, the location and bringing it into downtown. She asked what percentage of the space they are expecting tenants to use or not use, and what are they seeing as a demand of lab space in the US.

Ms. Moran explained that they have started to see interest from Plug n Play partners, relocating or working with partners in the area. They are looking around to find spaces for those Plug n Play

tenants. She stated it is critical to have spaces for those tenants and they have multiple collaborations from that group. She stated that a lot of these tenants are looking to 500-1000sf of space, that means you could put a dozen labs in the Woolworths space.

Deputy Mayor Alcalá asked about a what-if scenario if they terminated the contract. Since they have the right of first offer, would that be something you would take up? Second, in your point of view, would that really be starting from scratch? Third, would your focus still be on the animal health corridor?

Ms. Moran stated that for the ROFO, she would have to have those conversations with the group. And yes, it would mean starting over with the project. She believes the animal health corridor would still be the base focus, but they wouldn't want to exclude other forms of innovation. She stated that they would draft those incentive agreements and bring it back to the Board for approval or see if they wanted to make changes.

Mayor Padilla wanted to confirm that if they approve this, when would they start seeing people out there working?

Mr. Wendzel stated the July 1, 2024 would be the construction start date. He also asked that everyone keep in mind that this is a challenging project and the economical challenges will be worse. However, they think having an innovation center in Topeka will be great to have, and that is why they are doing this project.

Commissioner Mays asked why the one building and not the other? He asked if we continue on with the phased approach, do you think the ongoing construction will hinder the ability to lease the other space?

Ms. Moran said that boils down to the lab space, most of the lab space is in the Woolworth's building.

Mr. Wendzel stated that he believes the new construction will actually be an asset and not a liability. It will signal to people interested that you are going to see activity going on and new things will be developed.

Commissioner Mays stated that he believes terminating the contract and spending a million dollars with nothing to show for it is not in the best interest of the taxpayers. He also stated that we know the challenges in construction costs right now, and doing a phased approach is probably the smartest thing to do right now. He also appreciates that they didn't just come back and ask for more money.

Commissioner Cook asked about the Wolfe's building, if that was originally more for office space?

Mr. Wendzel stated that they saw more of a restaurant or coffee place with something behind it, and for the second floor they are already talking to a co-operator, and for the third floor it could be a variety of uses, but not the best for labs.

Deputy Mayor Alcala stated that looking at this right now, she feels weary either way. The push for her is taxpayer money. The other thing for her is the July 1st construction date. She stated that she is worried about the multitude of unknowns if they choose to terminate the contract.

Ms. Moran stated that she truly believes that this Innovation Center is critical to our Innovation Strategy and she is personally committed to getting these contracts done quickly.

Commissioner Riphahn asked how much revenue we could possibly generate from these lease agreements?

Ms. Moran stated the revenue they're looking at is the ability to bring in new company's in the area and the revenue that brings in.

Councilmember Banks stated that looking at the project right now, he feels excited for our City and the taxpayers. He said he appreciates the Chair and the helpful comments he made about the points they need to consider.

Mayor Padilla asked about the companies Plug n Play brings in to start up, and the potential they have to come back. He believes that is the important thing.

Commissioner Cook stated that it is now time for them to come to a decision on the three choices, or the Board has the ability to come up with a fourth choice if they so choose.

PUBLIC COMMENT on Item 3B was provided by the following:

Henry McClure stated that this is JEDO's Hotel. He does not believe the City of Topeka is in need for this space. He said that we need to get out of the real estate business and this is a mistake to fund with our tax dollars.

Mayor Padilla moved to approve completing the project with the phased approach (#1 option). The motion seconded by Councilmember Duncan carried unanimously. (7-0)

A PRESENTATION on 2024 GO Topeka First Quarter Report was presented.

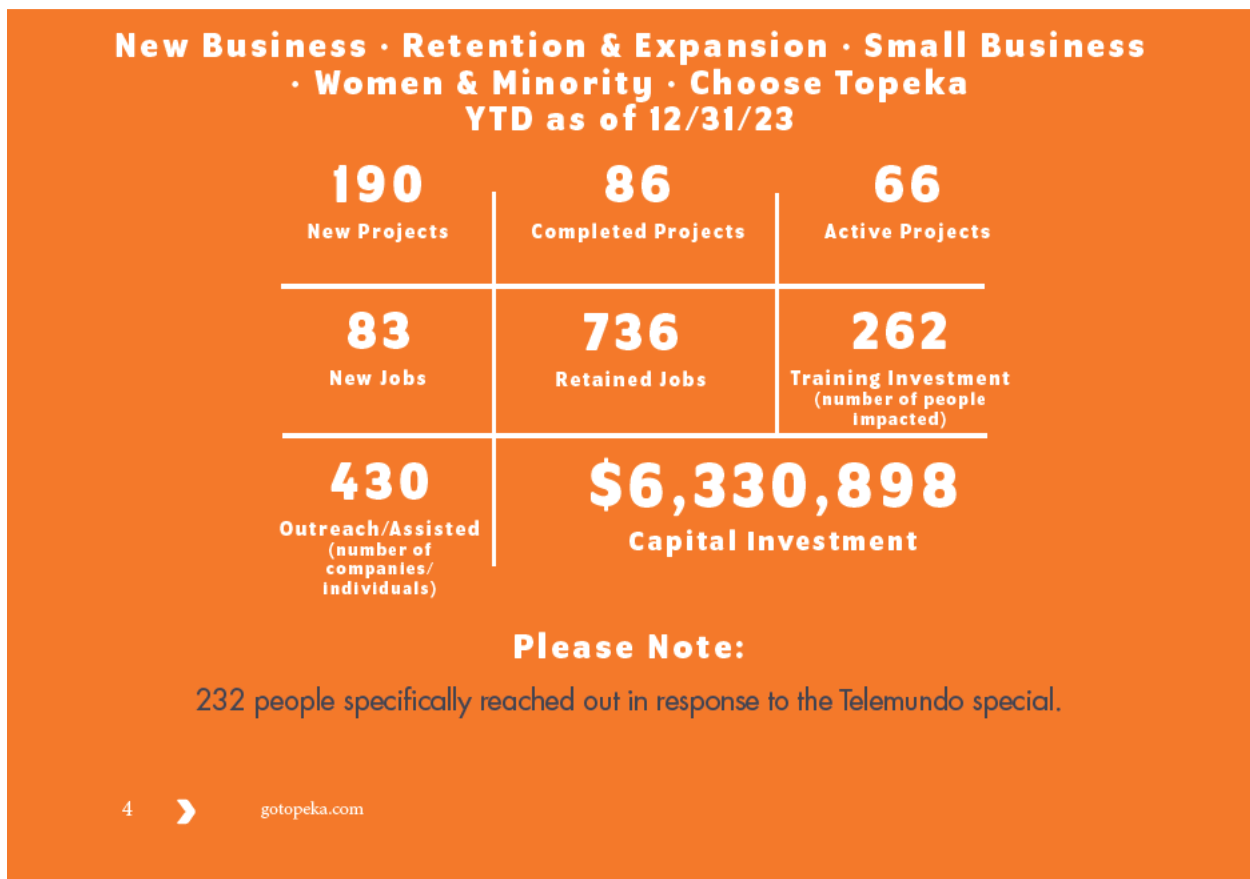
Molly Howey, GO Topeka President of Economic Development, introduced the new Chair of GO Topeka Board of Directors, Calla Haggard, President and CEO of Community Bank.

Ms. Haggard introduced herself as a lifelong Topekan, President and CEO of Community Bank and Chair of GO Topeka Board of Directors. She said Chair elect is Neil Spencer. She stated her reasons for accepting the position of GO Topeka Chair, one because she is impressed with the GO Topeka staff for their level of commitment to economic development in our community, and second to support small businesses because they drive the local economy. She knows JEDO will be working to use their dollars more efficiently and there will be an update to the Strategic Plan. Lastly, she stated she appreciates the Board members for their commitment to serving local government.

Ms. Howey started by briefly going over their focus strategies, such as:

- Small Business and Entrepreneurial Development
- Existing Business Attraction and Retention/Expansion
- Equity and Opportunity
- Workforce and Talent
- New Business Attraction
- Innovation

She then discussed that they focus on jobs and companies that import jobs and money into our communities and make a much greater economic impact. They do deviate from that with the Small Businesses. She said they have had discussions with the City and the County Counsel on the language in the Interlocal Agreement with regards to the 10% for socially and economically disadvantaged. She then presented the Quarter 4 Dashboard:



Stephanie Moran, Senior VP of Innovation for GO Topeka, gave a quick update on the Small Business Incentives. When they are looking at these businesses for incentives, they did start looking at the community health map to see where these businesses are located to use as a metrics. In 2023, 39% of the incentives went into businesses in intensive care or at risk neighborhoods to help boost economic development. The Small Business Incentives are seeing a disbursement to a lot of different types of businesses with equal demographics. As far as types of incentives, the largest amount of funding goes into equipment, second is construction and renovation. As per a

question asked last meeting, Ms. Moran reported that in 2023, total incentive amount was \$565,947, with a total business investment of \$3,657,856 and a 546% return on investment.

Deputy Mayor Alcalá asked if they could have those neighborhood maps broken down into the districts.

Councilmember Duncan stated that there are several definitions of a “small business”. He would like to go back as a group to discuss what our definition of a small business would be.

Commissioner Riphahn asked if any of the Small Business Incentives were used for infrastructure?

Ms. Moran stated that she does not believe so. She said there were some discussions as to what qualifies under that 10% interlocal.

Councilmember Hiller asked where the dot on the map would go, her home address or the business address? Also, have we recalibrated how we are calculating “success” of a small business?

Ms. Moran stated that the dot on the map would go to the business address where it is making the economic impact. Also, they are doing more to calculate the “success” of the businesses.

Ashley Lehman, GO Topeka Director of Business Development, presented. She gave a brief explanation of the New Business Attraction Pipeline. These are all businesses outside of our community looking to grow. In 2023 there were 43 total projects received from a variety of different industries. Of that 42, 25 we were able to submit, 8 were lost and 18 we were not able to submit. As of now in 2024, there are 29 projects from a wide range of industries. Two potential sight visits in March and one next week.

Trina Goss, GO Topeka Director of Business and Talent Initiatives, presented on the Workforce Report. The data is pulled from a variety of sources. The recentness of the data varies. On page 5, she wanted to note that Shawnee County’s labor force participation rate is almost equal to the State percentage, but 4 points higher than the National percentage. It includes the number of people in the workforce working and the number of people actively looking for employment. It does not include others. The unemployment rate is 2.1% in Shawnee County. On page 8 and on, the diversity of different occupations is listed. Page 14 shows number of open jobs. Pages 16 and 17 shows equal pay for men and women, in Topeka it shows 10 occupations with equal or higher pay. Page 21 talks about the 193% change Topeka has seen in working remote since Covid. Lastly, there is information from the KDOL on STEM Careers. She stated that they are piloting the Wise Women program to support young women to explore opportunities in STEM careers. The program will mentor high school girls. Finally, an update on the childcare initiative to support expansion projects to open more slots. They also are creating a talent pipeline for childcare workers. They will be hosting an employer information session on how employers can support childcare for their employees and how it can affect their workforce.

Deputy Mayor Alcalá stated that the Workforce Report looks really good. Her first question is where and how is the report distributed? She also wanted to suggest getting it out to others that

may be interested in the information. Her second question was what are they considering for the Childcare workers wage.

Ms. Goss stated that it is sent out electronically to all employers and she can also send it to the Board. She then stated, for the childcare workers wage, the information she has is also \$16.43 in Shawnee County.

PUBLIC COMMENT was provided by the following:

Henry McClure stated that he believes the Interlocal Agreement says the money for JEDO will be used for infrastructure, economic development and quality of life, which could mean any project. He thinks we need to redirect the money from this project to infrastructure. He said he would also like to know how giving money for grants is considered economic development?

James Bolden spoke on his father who was an involved member of the community. He talked about the funding of JEDO. He explained the hardships his company went through from COVID and he is asking for a \$20,000 grant to help with the loss he incurred. He stated he wanted to make a recommendation that JEDO removes the 10% money from the Chamber and give it to honest people.

Molly Howey, GO Topeka President, responded to Mr. McClure's comment on the line item regarding the grants. She stated the grants, contributions and scholarships was an item they discussed in the budget hearings which includes Washburn and Washburn Tech scholarships, Choose Topeka Incentives, investments in Forge Young Talents Program, Pitch Competition investments and other investments.

Commissioner Cook asked Molly if they could do a presentation in May regarding the 10% of the money on how it is being administered.

NO FURTHER BUSINESS appearing the meeting was adjourned at 6:00 p.m.