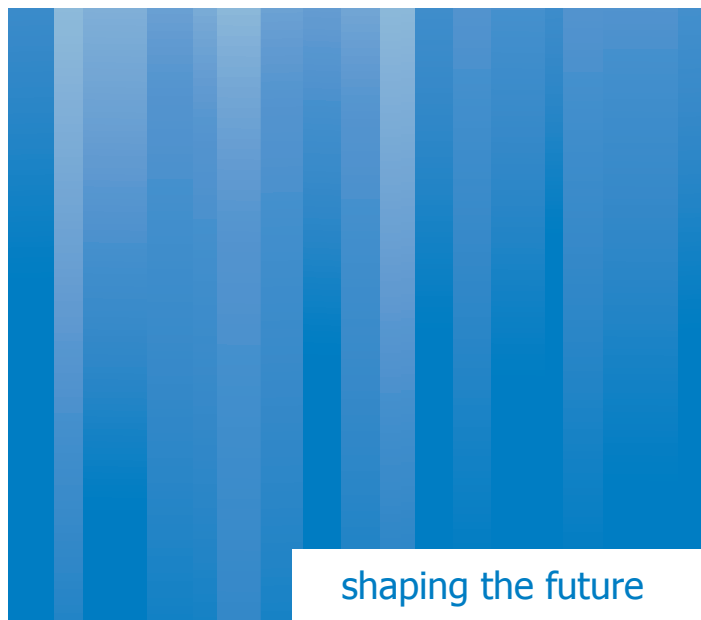




Port Authority
of Kansas City, Missouri



strategic plan
and **vision**



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shaping the future

Strategic Foundation for a Business Plan for the Kansas City Port Authority

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July 19, 2010



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CONSULTANT'S ACKNOWLEDGEMENTS AND INTRODUCTORY COMMENTS

While this Report on the Strategic Foundations for a Business Plan is not about the leadership of the Kansas City Port Authority (KCPA) per se, it has become clear to this Consultant, after his investigation, that the development and maturation of this Agency to meet its full potential, as contemplated by its statutory authority, would not be likely, as proposed herein, without the extraordinary leadership that both the KCPA and the City of Kansas City are fortunate to have in place today. The KCPA has only several full-time employees. The skills and wisdom of the Executive Director and Board Chairman and their choice of legal and government liaison contractors have created a team of unparalleled excellence to develop and implement this Port Authority's Mission. Thus, this is their story, and to omit a public debt of gratitude for their hand in it would be a grievous oversight.

Consultant acknowledges a personal debt of gratitude for the time given him for extensive meetings and consultations, and for an extensive array of reports and documents, all provided without regard to personal inconvenience, by

Board Chairman Trey Runnion, KCPA Executive Director Vincent Gauthier, KCPA counsel William Session and his associate Jacqueline Hartis, and government liaison contractor Kevin Smith. Their hospitality and kindness, infusing every aspect of the collaboration, are deeply appreciated. Moreover, the work of Ken Johnson, former Executive Director of the Saint Paul Port Authority, and preceding this Consultant as a consultant on vision and mission for the Agency, has proved extremely valuable to the work of this Report and is referred to often herein.

This Report may be used in a variety of ways. It may be necessary to introduce the concepts to different public and private audiences, and parts of it may be more relevant to some audiences than to others. Thus, it may be presented in full, or synopsis, or converted into a Powerpoint presentation, either in whole or in part, or adapted to a web site. These choices will depend on the public relations methodologies the Agency adopts to advance the strategies proposed in this Report. The strategies are expected to be converted soon into an implementable formal Business Plan, which, in turn, will require appropriate presentations. Thus, the stakeholders will be witness to a staged unfolding of the vision that this new leadership has in store for the Kansas City Port Authority.



SECTION 1.0

STRATEGY OVERVIEW: NEW DYNAMISM FEATURED



SECTION 1.0 STRATEGY OVERVIEW: NEW DYNAMISM FEATURED

A new dynamism in the Kansas City Port Authority leadership is building on the past and infusing its present and future strategic activities. As it reassesses its vision for, and future mission in furtherance of, the economic growth and vitality of Kansas City, the KCPA has set in motion and is propelling forward an action continuum that is already reflected in achievements in environmental remediation and sustainable development through the creative deployment of financing tools and public/private partnerships. Continuing and future development targets include the former Richards-Gebaur military facility, the former Bannister military manufacturing complex, and the new riverfront initiatives.

Keep your eye on the riverfront! The Port Authority's leadership is lighting a compelling vision and promise of future maritime commerce not only linking the three continental countries in a north-south axis, but also stretching east and west across the country to its two coasts, and beyond to international ports, all singularly influenced and inspired by Kansas City's uniquely valuable multi-modal transportation hub that heretofore has not been fully exploited and readied for maritime commerce. The irony in this vision is that other eastern and southern U.S. cities have *already* identified Kansas City as the great hub through which they can track and extend their own river commerce. Moreover, current Federal studies on opening the more northerly reaches of the Missouri River for barge traffic are expected to positively impact the Port Authority's plans. Thus, for this awakening river commerce enterprise, Kansas City already has partners all over the country who are ready to go!

But the impending start of new river commerce on the riverfront presages still further development news there. The Port Authority's other grand (and related) vision is to re-vitalize Kansas City's riverfront birthplace and then to re-bind it with its modern and vital city center by introducing imaginative plans for re-development that will attract visitors from far and wide, not to mention entrepreneurial developers and commercial interests. The Port Authority has already drafted exciting plans that combine the port development and transfer points for its new maritime industrial activity together with stunning improvements in riverfront

recreational park space and attractively complementary commercial and housing development. The overall vision is to first fuse the beautifully designed, tastefully integrated, and remarkably welcoming spaces for living, working, and playing on the cleared riverfront property, with the new Riverfront Park and other amenities and an expanding prosperity for the greater neighborhood, including River Market and Columbus Park, which adjoin to the south. It is then expected that the allure and attractiveness of riverfront living and commerce will quietly but persistently and persuasively generate the linkages that will eventually re-bind center city and its just-down-the-street riverfront relative, all to Kansas City's greater advantage.

We have spoken of new leadership for a new century to positively impact the growing dimensions of a new Kansas City. However, the Port Authority's historical organizational subordination to the City's Economic Development Corporation (EDC) created a perception that hindered the ability of the KCPA to optimally flex its statutory muscles to do the job it was directed to do by the Missouri General Assembly. An aging city organizational chart obscured the true statutory power and development potential of the KCPA. The past is to become prologue as a new chapter is about to be written in the evolution of this Agency. Thanks to the wisdom of the City Administration and the far-sighted leadership of the KCPA in steering its course to this point, the Agency stands on the threshold of achieving an undisputed new status – that of an independent agency, as contemplated by state statute. It is an easy matter, structurally, for the KCPA to stand side-by-side with the EDC, and not be organizationally subordinate to it. Since the City Council appoints the KCPA board, it should be a direct collaborator with the Mayor and his executive agency in Kansas City's economic development. This may be organizationally reflected in a dotted line reporting responsibility by the Port Authority to both the City Council and the Office of the Mayor. The organizational inefficiency in having the KCPA serve two masters: its own Board of Commissioners and the EDC's Board as well will soon be a thing of the past. Kudos, too, to the leadership of the EDC which itself acknowledged that the two boards have different powers and authority and do not share common operational missions, and therefore merit separation.

The growing public interest in the port authority's potential to deliver creative punch to the City's economy is further reflected in recent developments in Jefferson City. Although the KCPA is generally satisfied with its considerable legislative mandate,



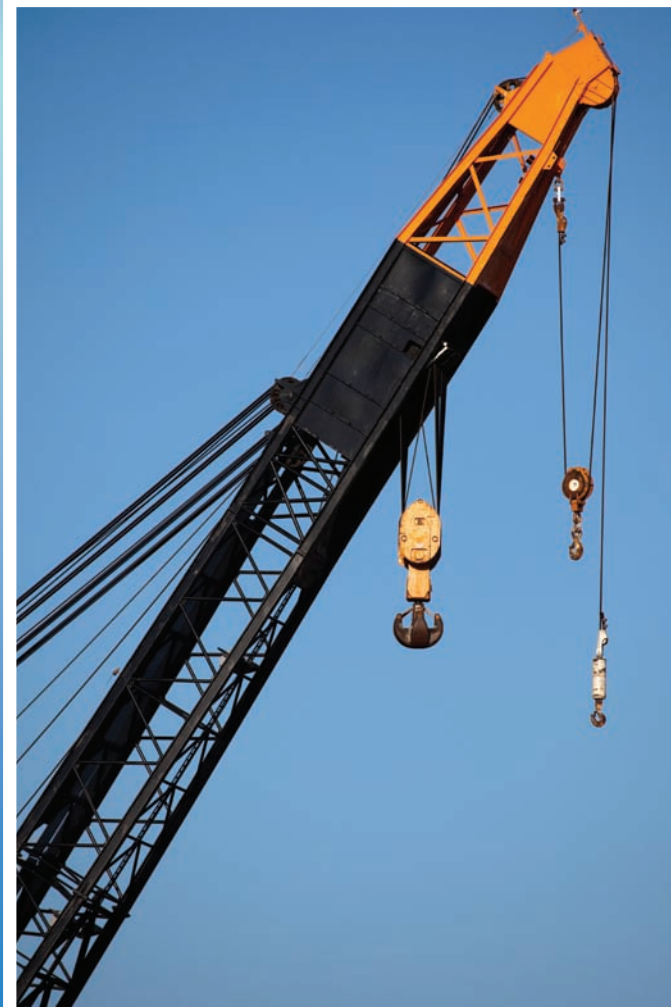
the Missouri Legislature has enacted a further dimension to the KCPA's power by conferring specific investment and development authority for environmental, conservation and historic preservation purposes. This perhaps affords an opportunity to signal and underscore a new organizational beginning for the Port Authority, one that sees the Port Authority standing independently of the EDC in order to more effectively pursue its broadened mission. Interested observers declare: Let the new organizational understanding begin at once.

It is the considered aim of the Kansas City Port Authority, clad in the bright raiment of a newly consummated organizational partnership with City Government, and soon to assert an enhanced statutory authority (still based in Chapter 68 RSMo), to invite the business, financial, development, philanthropic, and the participating Federal and State governments to join it in a newly fortified partnership to shape the development of this great city so as to stimulate the creation of new jobs for its citizens, expand its tax base, and re-invigorate its economy.



SECTION 2.0

KCPA'S LEGAL BASIS:
A STATE AGENCY AND ITS MISSION



SECTION 2.0 KCPA'S LEGAL BASIS: A STATE AGENCY AND ITS MISSION

2.1 Statutory Underpinnings of the Port Authority

The most salient feature of the Kansas City Port Authority (and, indeed, of each of the fourteen port authorities in Missouri) is that it is a creature of the State of Missouri and, significantly, not of the City of Kansas City (nor any host city). In other words, the KCPA is a political subdivision of the State of Missouri. Its power and authority are derived from the State government, and any changes, additions, or subtractions from such power and authority must come from, in its wisdom, State enactment. Thus, port authorities, being chartered by state statute, are separate units of state government, akin to cities and counties in their origin, and that is the general rule throughout the country, though not exclusively. It is a common misconception that port authorities are creatures of the cities they work in and whose names they bear, and that they are a part of a city's government in the same way that a building and permit department or finance department of parks department is. It is important to understand that a port authority in Missouri is in a different category. It is a State creature and from that wellspring all conclusions regarding its power and authority flow.

2.1.1 Port Authority Powers Under Chapter 68 RSMo

Missouri port authorities are granted broad governmental and business enterprise powers for the purpose of promoting economic development. The most important of these powers are listed in Section 68.025 (1) RSMo, as amended by recently enacted Senate Bill 578 (see separate discussion below):

- To acquire, own, construct, redevelop, lease, maintain, and conduct land reclamation and resource recovery, including the removal of sand, rock, and gravel (*alluding to brown-field clean-ups*), residential developments, commercial developments, mixed-use developments, recreational facilities, industrial parks, industrial facilities, and terminals, terminal facilities, warehouses and any other type port facility.
- To acquire, own, lease, sell or otherwise dispose of interest in and to real property and improvements thereon and in personal property necessary to fulfill the purposes of the port authority.

- To use the power of eminent domain (*condemnation*) to acquire rights-of-way and property of any kind within the port district (*the city boundaries of Kansas City*), by and in the name of the port authority itself (*not in the name of the City*).
- To enter into contracts with private operators or public entities for the joint development, redevelopment and reclamation of property within a port district, or for other uses to fulfill the purposes of the port authority.
- To employ such managerial, engineering, legal, technical, and other assistance as it may deem advisable, and to contract with independent contractors.
- To improve navigable and non-navigable areas as regulated by federal statute.
- To disburse funds for its lawful activities and fix salaries and wages of its employees.
- To contract and be contracted with; and to sue and be sued.
- To adopt bylaws and rules and regulations governing the transaction of its business.
- To enter into agreements with other states, agencies, authorities, commissions, municipalities, persons, corporations, or the United States to effect any of these provisions; and to accept gifts, grants, loans or contributions from these entities.
- In the next following sub-section (Sec. 68.025 (2)), the port authority, in order to implement the foregoing powers, is given the power to enter into contracts with private operators or public entities for the joint development, redevelopment and reclamation of property within a port district, or for other uses to fulfill the purposes of the port authority (*which power encompasses public/private partnerships*).

In Section 68.035, next following, the State of Missouri may make grants to a state port fund, to be allocated by the state department of transportation, to local port authorities for managerial, engineering, legal, research, promotion, planning, and any other expenses. The State may also make capital improvement matching grants on an 80% (state)-20% (port authority) basis for port authority projects that are transportation related such as land acquisition, construction, terminal facility development, port improvement projects, and other related port facilities.



And finally, but most significantly, in Section 68.040, next following, a port authority, as a political subdivision of the State, may issue tax exempt revenue bonds for achieving its purposes, including the construction of port facilities and the financing of port improvement projects. *(This authority has not yet been exercised by the KCPA.)*

2.1.2 Port Authority Governance

Section 68.045 sets out the governance structure for a port authority. For Kansas City, its port authority is governed by a seven-member citizen Board of Commissioners appointed by the City Council of Kansas City, which may determine, consistent with the Chapter, the qualifications, salaries, powers and duties of the board members. The board members are to serve staggered terms. The term length is left silent in the statute. The City Council shall also provide for annual reports and audits of the port authority's accounts from the board. *(These provisions constitute the only relationship between the KCPA and the city government found in the State law.)*

2.1.3 Newly Enacted Senate Bill 578

Reflecting an accelerating public interest in the potential of the KCPA, the 95th Missouri General Assembly has passed Senate Bill 578 relating to port facilities. It was signed into law by Governor Jay Nixon on July 12, 2010. This legislation adds another dimension to KCPA's power and authority. Adding an Act to an existing Act, as is commonly done in legislatures everywhere, SB 578 amends Chapter 68 by adding 19 new sections that allow the creation of individual Port Improvement Districts (PIDs) that focus exclusively on environmental, conservation, and preservation related purposes on property located within the boundaries of a Missouri port authority. Desiring a similarity in context to existing Missouri law, the legislative authors designed PIDs to operate in a manner similar to Missouri transportation development districts and community improvement districts but with a narrower environmental preservation focus.

2.1.4 How the New Law Works

Establishment of a PID: Sixty percent (60%) of the property owners within a proposed Port Improvement District must sign a petition to form such a District. The petition must first be approved by the KCPA Board of Commis-

sioners, in the case of Kansas City. The Petition must be submitted for approval to a circuit court in the county where the PID is proposed, but a public hearing must be conducted first on the advisability of establishing a PID not less than 10 days before the Petition is submitted to the circuit court. The circuit court, first assuring itself of the legality, constitutionality and fairness of the new District, then reviews and approves the proposed PID boundaries and the funding mechanisms.

Authorizing a Levy: The PID may authorize the levy of a maximum one percent tax in the form of a sales or use tax or a real property tax within PID boundaries. A majority of the qualified voters within the PID must approve the proposed tax. The collected tax can be used to service bonds issued by a Missouri port authority (KCPA) to finance approved projects. Such taxes may only be used for two types of projects: (1) Environmental and historical conservation (which specifically includes environmental remediation, energy conservation, wetland creation, conservation of historical property, and preservation of archeological sites); or (2) construction and operation of buildings that promote environmental concerns and historical conservation.

Comment on Taxing Authority: Note that the general power to issue tax-exempt revenue bonds accorded to all port authorities for achieving their purposes, pursuant to Section 68.040 RSMo, is not restricted at all by the passage of Senate Bill 578. Instead, SB 578 creates, within the scope of the authorizing legislation for port authorities generally (Chapter 68 RSMo), a special mechanism for funding any qualified project through the creation of a Port Improvement District with special taxing powers to finance it. The PID may be located anywhere within the boundaries of the KCPA, which is to say, the City of Kansas City. Thus, it may be concluded that the KCPA, through this new legal enactment, has been given an additional funding mechanism for any project within the City that is environmentally blighted or is in need of historic preservation or has conservation value. This is a powerful new tool that may have particular relevance and application to riverfront renewal and is welcomed by KCPA's new leadership.

2.1.5 Conclusion: A Free-Standing Agency Ready to Assert Its Authority

So, what should one make of this state-derived power and authority? First, that it is a great potential boon to Kansas City. And second, that it should be deployed as another positive weapon to allow KCPA to join the City's efforts – in full



partnership – to rebound from our recent economic woes. We applaud the decision of the City Administration to allow the KCPA to stand on its own two feet organizationally. The KCPA is a creature of state public policy and is in fact and in law a political subdivision of the State of Missouri, and not of the City of Kansas City. Should it work in concert with the City of Kansas City to promote development and commerce and jobs and the general economic well-being of the City? Yes, of course. Should it work with the City Council to ensure that talented people are appointed to the Board of Commissioners and periodically report on its progress to implement its Mission? Of course it should. Should it work with the Mayor to ensure that its development plans harmonize with the Mayor’s own plans for economic development? Of course it should. The City’s and the KCPA’s leadership teams are not in competition. They share the same goals. One plays by City rules and the other plays by State rules, and there is no reason why their respective efforts cannot be coordinated, as was certainly the intent of the State legislation for port authorities.

Agenda: We trust that, as of the date of publication of this Report, the new independent status of the Kansas City Port Authority will be a fait accompli and that such joint business as may have existed between KCPA and the City Administration shall have been resolved, including financial arrangements and shared resources. This will have included, after appropriate briefings for the City Administration, formal reciprocal acknowledgements by all parties of the Port Authority’s status and legal correctness as a unit of state government going forward. With the City’s organizational chart showing the KCPA under the Office of the Mayor and the City Council with dotted line coordination and reporting responsibilities to those two entities, the City Administration should be commended for undertaking this administrative reform at the behest of both the KCPA and the EDC and unleashing the talents of these two agencies to freely coordinate their efforts in the best interests of the City.

2.2 The Port Authority Mission

2.2.1 KCPA’s Statutory Purpose

The Kansas City Port Authority certainly must stay within the purview of its expansive statutory purpose, which is stated in Section 68.020 RSMo, as follows:

It shall be the purpose of every port authority to promote the general welfare, to promote development within the port district, to encourage private capital investment by fostering the creation of industrial facilities and industrial parks within the port district and to endeavor to increase the volume of commerce, and to promote the establishment of a foreign trade zone within the port districts.

2.2.2 Mission Statements of Other Port Authorities

It is useful to note how other port authorities around the country define their missions.

Saint Paul Port Authority Mission: To act as a public economic development organization in cooperation with other public and private entities in the City of St. Paul and the East Metro area, using creative, effective and financially sound methods and ideas to expand the tax base and create quality job opportunities.

Virginia Port Authority Mission: To foster and stimulate the commerce of the Ports of the Commonwealth, promote the shipment of goods and cargoes through the ports, secure necessary improvements of navigable tidal waters within the Commonwealth and, in general, perform any act or function which may be useful in developing, improving, or increasing the commerce, both foreign and domestic, of the Ports of the Commonwealth.

Port Authority of New York & New Jersey Mission: With a preamble that states in part: Since 1921...the agency’s portfolio of responsibilities grew to include tunnels, bridges, airports, and rail services as well as some transit facilities and targeted economic development projects. With this diverse portfolio... the Port Authority brings a unique bi-state, multi-modal perspective to that of the other, larger highway and transit partners it works with in New York and New Jersey. It is from this vantage point that the agency has undertaken the development of a regional vision that includes not only items for which it is exclusively responsible but also those that can be accomplished through multi-agency and/or private partnerships. In its most succinct form the mission of The Port Authority of NY & NJ is: “To enhance the region’s competitiveness and prosperity by providing transportation services that efficiently move people and goods within the region and facilitates access to the nation and the world.”



Lerwick Port Harbour (U.K.): The Authority aims to run an efficient, cost-effective port operation involving the management, maintenance and regulation of its activities and shipping to the port for the benefit of the Shetland community and businesses for the foreseeable future. In so doing it will strive to invest in new facilities and to maximize the quality and value for money of its services in order to maintain existing and attract new business to the port. It will diversify its involvement in port related facilities where this supports and strengthens its core harbour activity. (This aim is broken down into strategic objectives providing a clear framework for plans to help exploit the potential of the port and overcome any obstacles to future development, allowing the provision of first class services and facilities for customers).

Massachusetts Port Authority Vision:

- Increase the amount of foreign and domestic waterborne commerce through the Port of Boston:
 - Convert greater percentage of New England trade to all water services
 - Attract new direct call services from Europe, the Mediterranean and the Indian sub-continent through the Suez Canal
 - Seek connections from freight and domestic load centers through short sea shipping services
- Develop facilities and related access infrastructure to support growth in container, cruise and bulk cargo business line
- Develop other Maritime properties to support core businesses and provide financial return to support ongoing capital investments in port facilities
- Operate in a fiscally, environmentally and socially sustainable manner

2.2.3 The White Paper of 2005

The purpose of the “White Paper,” commissioned by KCPA in 2005, was to address whether the agency could continue its “legacy” of conceiving and implementing strategic projects in priority areas to enhance economic and quality of life issues. Its robust conclusions have been cited approvingly by Ken Johnson, former Executive Director of the Saint Paul Port Authority and a mission/vision consultant for the KCPA, and by the current KCPA leadership. The White Paper saw the agency as in a

unique position to cast itself as a proactive rather than a reactive redevelopment agency for the following strategic reasons:

- The budget constraints of the City of Kansas City make it difficult for it to assemble, clean-up, and dispose of land for redevelopment purposes, so it must look to other models.
- Leveraging income through creative financial models has become popular in other port authorities.
- Public/private partnerships allow the flexible interplay of various parties, provides access to new sources of capital, spreads the risk to the advantage of each, reduces development costs, enhances cash flows, streamlines the design and approval process, and accomplishes together what they cannot do independently of each other.
- Flexibility especially attaches to the ownership and investment scenarios in a public/private partnership: On the one hand, the public partner can be responsible for all of the required investment and own the project, or, on the other hand, it can simply provide a long-term lease of the property to a developer. There are other creative options as well, depending on the project, including the use of foundations and non-developer corporations that have specific development interests.
- KCPA’s statutory powers to issue bonds, condemn property, and enter into contracts make it a unique and powerful agency.
- KCPA has several revenue streams that can be leveraged to take on initial risks associated with strategic development projects that can serve as catalysts in under-utilized areas for purposes of land assemblage, environmental due diligence and remediation, and other pre-development activities such as feasibility and market studies.

The White Paper then rhetorically asks the Board if the foregoing is the strategic direction it wants to take. The paper is silent on two key issues which have been propelled forward by the logic of the Agency’s inherent power and location since the White Paper was written: (1) the question of the independence of the KCPA from the EDC; and (2) the great potential for Kansas City to become an inland port of both national and international consequence.



2.2.4 Former Mayor Kay Barnes on Kansas City's Potential as an Inland Port

As to the inland port, former Mayor Kay Barnes, in 2006, wrote persuasively of Kansas City's potential commercial power as a trade corridor, both north and south, and east and west. She argued that Kansas City should take advantage of its crossroads location where: (1) it is home to the second largest rail center in the country; (2) it is known as one of the busiest trucking intersections in the country standing astride interstate highways I-29, I-35, and I-70; (3) it is situated along America's largest navigable inland waterway, the Missouri/Mississippi River System; and (4) the City's airport moves more air cargo each year than any other air center in the surrounding six-state region. In short, she cites Kansas City as an inter-modal transportation hub of extraordinary national and international commercial possibilities, noting that the converted 1,400 acre Richards-Gebaur Air Force Base can serve as an intermodal trade facility, and, during her tenure, engaged in trade talks with both Mexico and Canada in furtherance of her plans to make Kansas City a Foreign Trade Zone. Quite properly, KCPA's leadership is eager to implement Mayor Barnes's vision.

2.2.5 Synthesizing These Inputs into Optional Mission Strategies

Our final task is to synthesize the appropriate concepts from the foregoing discussion into a Mission strategy that captures the spirit and the energy and the new vision of the Agency's new leaders. For application within the port district, we suggest that the following concepts are in play (notwithstanding overlap):

- Promote the general welfare, promote commerce for the City, strengthen the economy, create jobs, expand the tax base.
- Leveraging monies through creative financial models.
- Redevelopment of real estate and infrastructure is a primary goal.
- Remediation of brownfields and other blighted properties, and other pre-development tasks, readies sites for investment and redevelopment.
- Extensive use of public/private partnerships to encourage private capital investment.

- Identify for redevelopment environmental, historic preservation, and conservation opportunities.
- Work with public and private agencies to create win-win opportunities for all stakeholders for purposes of economic gain, reaching goals, spreading risk, achieving efficiencies.
- Redevelop the riverfront to promote, develop, and increase maritime commerce.
- Integrate inter-modal facilities to create a nationally recognized transportation hub for international trade; and establish a Foreign Trade Zone.
- Establish a free-standing organizational structure for the KCPA with coordinating links to the City Government.
- Develop working capital for KCPA itself to enable it to meet its redevelopment goals.
- Meet international standards for efficient business and environmental management.

As noted above in the example statements of other port authorities, Mission strategies follow different models. The Port Authority of NY & NJ reduced its expansive vision to a very short general statement. A synthesized approximation of the above inputs, as shown below, may be suitable as a more detailed Mission strategy, or, alternatively, used as a draft for a reduced version:

It shall be the Mission of the Kansas City Port Authority, acting within its legal purview:

- to ensure the creation of new job opportunities, an expanded tax base, and economic vitality for Kansas City;
- to promote capital investment for the redevelopment of property and infrastructure;
- to remediate blighted properties and perform other pre-development tasks;
- to coordinate with public and private entities and to form appropriate partnerships with them for the creation of financial models that will leverage the assets of all stakeholders so as to increase the volume of commerce for the Kansas City region and redound to the mutual advantage of the stakeholders;



- to identify and pursue redevelopment opportunities at historic preservation and conservation sites;
- to redevelop the riverfront and environs in order to promote and develop new opportunities for leisure, residence, and commerce and re-kindle ties to the City's commercial center;
- to promote the full integration of inter-modal transportation assets in furtherance of the City's inland port and Foreign Trade Zone status, with special reference to its principal location at the former Richards-Gebaur redeveloped property and the planned expansion and redevelopment of the marine terminal at riverfront west, so as to increase commercial opportunities locally, nationally, and internationally;
- to meet international standards for efficient business and environmental management at the inter-modal distribution facilities; and finally,
- to structure itself organizationally so that the KCPA is sufficiently robust and independent to meet its statutory purposes, redevelopment objectives, financial needs, and community responsibilities throughout the 21st Century.

An example of an acceptable shorter version of a Mission strategy may be found in Ken Johnson's report, viz.,

The Kansas City Port Authority serves as a public redevelopment organization for the purpose of generating new capital investment for both private investment and public infrastructure in order to produce new job opportunities, an increased tax base and economic vitality for Kansas City.

A still further option might be to combine the longer and the shorter versions, in the same way that the Port Authority of New York & New Jersey did, by converting the longer version into a preamble for the circumscribed Ken Johnson version. Its advantage is in having the best of both worlds officially while being able to employ each version selectively and appropriately in documents, reports, and presentations.





SECTION 3.0

SUMMARY “S.W.O.T.” ANALYSIS:
STRENGTHS, WEAKNESSES, OPPORTUNITIES,
THREATS/CONSTRAINTS



SECTION 3.0 SUMMARY “S.W.O.T.”

ANALYSIS: STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS/CONSTRAINTS

Below is a summary of a S.W.O.T. Analysis which seeks to crisply identify the strengths, weaknesses, opportunities, and threats or constraints that the Kansas City Port Authority brings to its Mission as it sets a new and more vigorous course for itself. These characteristics will inform the campaigns that the Agency has begun to wage, as set out in Section 4.0 and prioritized in Section 6.0. In turn, these campaign strategies will power the way forward toward fulfillment of its Mission to create good jobs, expand the tax base, and revitalize Kansas City’s economy. Next follow the conclusions of this unique analysis:

STRENGTHS:

- Kansas City is located in the central United States in a major metropolitan region, and within close proximity to a large portion of the U.S. population.
- Kansas City is a gateway to North America, ranking second in rail and third in trucking traffic nationally.
- Kansas City has more freeway-lane miles per capita than any other U.S. City with three intersecting interstates (I-29, I-35, and I-70), and soon to be four (I-49).
- Kansas City airport handles more air cargo than any of six states surrounding it.
- Kansas City is already recognized by Mexico and Canada and many states as the logical inter-modal hub for the distribution of goods North and South between Mexico and Canada, and East and West to the two coasts.
- Federal efforts are underway to open barge traffic flowing south to Kansas City on the Missouri River which heretofore has contributed little to Kansas City’s economy.
- The redevelopment plans for Richards-Gebaur AFB and the Bannister Complex to stimulate the creation of a multi-modal transportation network to connect Kansas City with the entire North American continent are exciting and will be predictably persuasive to the necessary constituencies.

- The KCPA has been vested by statute with extraordinary powers and authority for use in furthering the best economic interests of the City of Kansas City.

WEAKNESSES:

- The lack of barge traffic on the Missouri River has provided little incentive to Kansas City to enhance its riverfront area for commerce.
- The monied business interests of downtown Kansas City have not been persuaded thus far to support the revitalization of the riverfront and the potential commercial value in re-binding center city with the riverfront.
- The Missouri River is swift and the performance capabilities for increased barge traffic and river recreational opportunities have not yet been proved.
- Kansas City job creation has shrunk 15% since 1995.
- While the KCPA is familiar with the array of public financing tools, it is inexperienced in the implementation of several important ones, viz., Transportation Development District, Community Improvement Districts, and Property Tax Abatement. Also, the new Port Improvement District legislation (Senate Bill 578, 2010), while potentially powerful, is untested.
- Economic performance of the Kansas City Metropolitan Statistical Area (MSA, a regional measure) versus the average U.S. MSA from 2001-2008 has been below the US average in four key areas: 25% below in GDP; 100% below in business start-ups; 65% below in employees; and 6-8% below in average wages. (Separating KC out of its statistical area does not put it in positive territory in any category.) This weakness in economic performance may have implications for investing entrepreneurs needed for the success of public/private partnerships.
- The core professional staff of the KCPA, while extremely able, is unable at its current FTE levels to meet the planning, management, and oversight responsibilities for the wide array of redevelopment tasks it is now contemplating.

OPPORTUNITIES:

- There is a clear call to action on the part of Kansas City and its economic development agencies to optimize their opportunities for productive development and redevelopment with coordinated plans and smartly aggressive strategies.



- Kansas City must take advantage of an improving economy over the next two to three years and use its creative powers to incentivize redevelopment investment for job creation and tax base expansion through risk-spreading partnership models and through subsidies, especially for the opportunities created from brownfield clean-ups.
- KCPA must position itself strategically so as to take advantage of its redevelopment powers as the Bannister Federal Complex becomes increasingly untenable as a federal work site owing to the site's public health vulnerabilities and the growing regulatory presence of the Environmental Protection Agency.
- One of KCPA's challenges is the conversion of the riverfront harbor to an inland port, which in tandem with Richards-Gebaur conversion to an intermodal hub of potential national and international significance, will require thoroughness in planning, especially with respect to the interconnection between the two sites, team building, and implementation.
- Taking advantage of the positive position of the Economic Development Corporation leadership in recognizing KCPA's unique legal status which warrants its removal from under EDC's organizational umbrella, KCPA must seize the initiative by organizing, jointly with EDC, the necessary briefings and the decision-making forums to move the question to early resolution. This is a priority pre-condition to enabling KCPA to ramp up the core competencies of its professional staff and to begin a more expansive exercise of its considerable redevelopment powers.
- The newly enacted Senate Bill 578 (2010) is a powerful new tool to create a revenue stream to finance environmental remediation or historical conservation projects.

THREATS/CONSTRAINTS:

- Confusion and doubt in the world economic order is currently being reflected in the American economy with perhaps negative implications, in the short term, for economic revitalization of Kansas City.
- Former consultants have observed that the resolution of all the issues (property acquisition, environmental, political, financing) necessary to finalize the Richards-

Gebaur conversion have taken more than a dozen years, and are concerned that the cost of lost opportunities and market shifting will be a heavy price to pay for the delays in driving the project to conclusion.

- The City of Kansas City is in the final stages of conveying its interest to KCPA in two-thirds of the riverfront acreage that it owns in order to allow KCPA to optimize its redevelopment leverage and implement its comprehensive planning. The transaction must be completed and the transfer finalized in order to put any lingering doubts about this matter to rest.
- The politics of KCPA becoming independent of the Economic Development Corporation are complicated and involve several key players whose positions on severing the relationship with EDC remain unclear (although, at this writing, the prospects are improving).
- Redevelopment decision-making with respect to the Bannister Federal Complex still leave the KCPA in a "no-man's-land" while the Environmental Protection Agency and the General Services Administration grapple with environmental clean-up questions and the future uses of the Complex. The current absence of any "official" role for KCPA will be a source of concern until KCPA acquires the indicia of legal authority for redevelopment purposes.
- Until a thorough assessment is conducted, no one yet knows what the nature or extent of the potential redevelopment problem might be in the blighted neighborhoods of Harlem.
- The conversion of riverfront west to an inland port facility with a national/international reach has so many interdependent moving parts that only an extraordinary planning and implementation effort will pull it off, and it will be a threat until project completion.

3.1 S.W.O.T. Analysis Conclusion

While the S.W.O.T. Analysis essentially speaks for itself, one major concluding observation needs to be made. The KCPA team is not working with toys in a sandbox. The issues of investment challenges and partnership creativity and the resuscitation of blighted properties and entire neighborhoods and the challenge of putting Kansas City on the map as a world-class inter-modal freight distribution hub and international commercial center are HUGE! The potential positive



impact on the commercial life of Kansas City can last for the remainder of the Twenty-First Century, and perhaps beyond. This Port Authority, with its exceptional leadership, needs to be supported by its City and its sister government agencies at both the State and federal levels, and needs to be given its head to accept the challenges it has set for itself. This Agency is chomping at the bit and pawing the ground. It is confident. It is ready to move forward aggressively! Let us now address the winning strategies that will accomplish its Mission.



SECTION 4.0

CAMPAIGNS THAT IMPLEMENT THE MISSION
STRATEGY: NO ORDINARY EFFORT



SECTION 4.0 CAMPAIGNS THAT IMPLEMENT THE MISSION STRATEGY: NO ORDINARY EFFORT

Now we reach the heart of what the leadership of the Kansas City Port Authority has set out to do over the next five to ten years. They listened with interest to the key messages that emerged from the Economic Development Corporation's recent evaluation of its progress in advancing the economic development agenda of the City (April 2010): Employment in Kansas City has shrunk 15% since 1995; various groups have had different economic development agendas and there has been no overall strategic plan for development in Kansas City; the EDC has had limited resources for its mission priorities; conflicts in funding mechanisms have been generally acknowledged; and the City's ability to finance projects has dropped dramatically. Together, concluded the EDC, these messages herald a clear "call-to-action" for economic development and an acknowledged need for all stakeholders to work together. In response, the KCPA believes that it can play a key role in catalyzing coordinated action with its sister government agencies by employing its know-how in building partnerships with the private sector to leverage funds and find capital for the proper investments. This port authority can make that happen, say its leaders, by taking stock and taking aim.

It must see its challenges clearly. It must see its weaknesses realistically. It must see its threats smartly. It must use its strengths to leverage its opportunities. It must harness its energies, focus its vision, and be confident in its skills and intelligence in order to effectively tackle its goals. This will be done by fashioning its Mission Strategies into "campaigns" whose penetrating potential will be spear-point sharp and unerring in accuracy in not only addressing but aggressively attacking the stubborn urban problems of blight, neglect, abandonment, and financial timidity. These problems comprise the battle sites of the Kansas City Port Authority. This can be no ordinary effort.

Appropriately, the KCPA has labeled its efforts "campaigns," which the dictionary defines as "a series of operations energetically pursued to accomplish a purpose." Campaigns are conducted energetically if they are to be successful – that is, with vigor, commitment

and intelligence. The KCPA leaders possess such skills and are eager to employ them to accomplish the Mission that they have envisioned. To get the battle underway, they have divided their efforts into a series of five distinct but connected operations or "campaigns" which are to be undertaken simultaneously. This series of campaigns will be addressed with particularity in the following sections.

4.1 Campaign No. 1: Public/Private Partnership Templates

This is a campaign to understand and structure purpose-driven public/private partnerships for development. This includes identifying outcome metrics for publicly supported development initiatives, i.e., job creation, tax base enhancement, and population density impact. The literature describes public/private partnerships, sometimes referred to as PPP or P3, as a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. In the last 15 to 20 years particularly, a lack of public funds has acted as a limit on state-sponsored activities. Instead of financing infrastructure projects alone, the government increasingly looks to cooperation with private investors. Another relevant factor is the argument that the public sector is less efficient than the private sector and that management concepts typical in the latter are better suited to achieve a more cost-effective provision of public services. These factors taken together result in a shift away from a role of the state as "producer" towards one as "quality assurer" and a trend away from collective, tax-based financing of infrastructure to financing models in which these are paid for by their developers and/or users.

PPPs can be said to differ from other forms of provision of public services in three ways:

- In PPPs, the ownership of the project is shared. The heart of a PPP is thus the sharing of risks and profits.
- Compared to providing the service directly, in a PPP the state can concentrate on its core competencies. The state does not need to allocate experts of its own for the implementation of the project and is thus less intimately involved.
- Additionally, PPPs exhibit a trend away from conventional, tax-based financing approaches toward financing through contributions of individual users (e.g., rentals for business space or tolls for highways).



But let's be more specific regarding potential opportunities for development through the mechanisms and powers of port authorities. Ken Johnson, through his unique experience as Executive Director of the Saint Paul Port Authority (which closely reflects the experience of the KCPA), cites two development models that KCPA is likely to use and, in fact, is using:

1. The most common is where the owners of a successful business have outgrown their current (usually leased) space, and wish to expand their business. From the standpoint of the port authority, the most desirable targets are high tech manufacturing companies because of the types of jobs they create, ones that have short periods of specialized training, higher average wages, and good "career track" potential. Thus, this kind of private partner wishes to build, own, and occupy a new facility for its own use. For this purpose, "shovel-ready" sites are often offered for sale at highly subsidized prices. This is so because of the competition from political jurisdictions that have attractive "greenfield" sites that are ready for investment. The port authority, whose business is redevelopment, is likely to have an asset with a less attractive location and be industrially blighted, a "brownfield" site, which required pre-development remediation. To be competitive for that type of property, the deal needs a subsidy in the form of a sales price lower than the value of the site. That allows a buyer to book the difference between the sales price and the appraised value as *equity* on the company's balance sheet, and, in turn, allows him to use it immediately to help leverage financing for the new building. Industrial or business parks typically result from this type of development model. The potential for revenue accruing to the port authority for use of this model is typically through fees, depending on the sources of the public funds used to cobble together the financing plan and the budget. The most common are: (a) administrative fees charged against federal or state grants or loans; (b) annual administrative fees charged against annual tax increment financial (TIF) revenues; and (c) common area assessments for upkeep and maintenance.
2. The second model is where the public redevelopment agency (here the KCPA) and the private real estate developer together form a new third entity, a "joint

venture," whose sole purpose is to redevelop a known site. A contract between these parties specifies the duties, contributions, rights, and compensation of each. Let's understand, first, what a developer, *operating on its own*, does. Ordinarily a developer (usually a corporation or a limited liability company) is in the business of acquiring a site, preparing the ground, installing the infrastructure and amenities, building the structure(s), marketing the property, and leasing the space, usually to multiple tenants. Financing is negotiated with a private lender for the highest debt-to-equity ratio the developer can secure. The developer is compensated for risking its equity in several ways: (1) a one-time developer fee taken at the closing of the permanent loan, negotiated with the lender; (2) net rents remaining after payment of debt service, taxes, maintenance, and other recurring costs; and (3) the developer accrues equity, realized upon the sale of the property, from the balance sheet difference between the property's market value and the amount of the outstanding debt. These forms of compensation are the return-on-investment to the developer for putting its initial capital at risk (which also includes pre-development outlays for staff, engineers, and other "soft" costs which may not be recovered if a deal fails to go forward).

However, *in a joint venture*, the rights and responsibilities are divided up between the parties. The port authority seeks to acquire title to, or an interest in, property either through remediation of government-owned property (Richards-Gebaur Airport or the Bannister Complex) or by deed from City-owned property (the riverfront) or by such other means as might become available. The "brownfield" sites needing remediation perhaps offer the more immediate opportunities because they have a much higher market value upon completion of all remediation and site preparation than in their prior blighted state. Thus, as its major equity contribution, the KCPA might offer the appraised value of a site post-remediation and ready for construction. The developer contributes cash and the value of documented "soft" costs. The developer, as a private party, is allocated all federal and state tax benefits accruing to the joint venture company (since the public redeveloper – the KCPA – has no use for them, except for the accounting done when the two partners negotiate their respective contributions and benefits). The KCPA's only risk in such a joint venture is limited to its ownership stake in the site, since it is unlikely (in the absence of any such power from



the State) to guarantee any borrowing debt to fund the project. That must be provided by the private partner only. Once the project is built and leased, the two parties share in the net income as set out in their agreement. It is anticipated that at some future point the project will be sold, and, at that point, the net proceeds are distributed according to the agreement. In Saint Paul's experience with similar projects, reports Ken Johnson, the joint venture can produce several million dollars per building for the port authority's unrestricted use to pursue its mission, with a strong operational capability, to generate new jobs and an expanded tax base.

There has been a phenomenal growth in public-private partnerships as a way of fulfilling public tasks, such as stimulating economic vitality, through partnership between a public administration (or one of its publicly chartered agencies, such as a port authority) and private enterprises. Whether the challenge is to work with limited liability development companies or to negotiate an equity investment using a remediated brownfield site to leverage a finance deal or to enter into licensing or leasing agreements to finalize a project, the leadership of the Kansas City Port Authority has the know-how to meet these challenges with the highest degree of professional skill. This insistence on quality will always include the identification of outcome metrics for KCPA's publicly supported development initiatives, always understanding that its Mission is not simply to do projects for their own sake but to advance the economic interests of the Kansas City community with quality job creation, optimizing the prospects for tax base expansion, and attracting talented people to come work and live in Kansas City because it is a happening place.

4.1.1 Conclusion: Campaign No. 1 Public/Private Partnership Templates

This campaign is all about our determination to be nothing short of world-class – if we are not already – in knowing what our job is as a redevelopment agency, particularly as it relates to our private sector partners and how best to leverage our respective strengths in order to achieve our respective goals.

4.2 Campaign No. 2: Brownfield Initiatives

Campaign No. 2 gets us into an area that the KCPA has been actively involved in from the beginning – the remediation of contaminated sites in an effort to gain a store of assets that can be redeveloped and made into high-end economically viable properties. Thus, the effort, first, is to identify parcels, tracts, or areas within Kansas City that are burdened with adverse environmental conditions. Once these sites have been identified, funding sources that are dedicated to the restoration of brownfield sites, whether from government or private sources, must be managed.

4.2.1 Definition

The Brownfield Law, at CERCLA 101 (39), defines a brownfield as “real property, the expansion, redevelopment or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant” and may include sites contaminated by controlled substances, petroleum, or mine-scarred land.

4.2.2 Background

In the early 1990s, stakeholders expressed their concerns to the U.S. Environmental Protection Agency about the problems associated with brownfields across the country. As explained by EPA, brownfield areas in both cities and rural areas were contributing to blight and joblessness in surrounding communities. Unknown environmental liabilities were preventing communities, developers, and investors from restoring these properties to productive use and revitalizing brownfields-impacted neighborhoods. One of EPA's initial efforts was to perform case studies in order to gauge what cleanup levels were satisfactory to investors, what contractual protections were used by the parties, what incentives were employed, how banks protected their interests, and how the market structured its deals in order to spread risk. This was a time of experimentation and creativity. This Consultant helped perform many of those case studies and witnessed the beginnings of EPA's national response.

Today, EPA continues to respond to the brownfields issue with an environmental protection approach, but it is locally based, encourages strong public-private partnerships,



and promotes innovative and creative ways to assess, clean-up, and redevelop brownfield sites. This approach encourages local and state management and oversight as well as meaningful public participation.

Federal resources for brownfields are typically delivered site-by-site to assist with assessment, clean-up, and subsequent site reuse determinations. The burden of a single large site or collective burden of multiple sites concentrated within a brownfields-impacted area (such as a neighborhood, district, city block or corridor) can weigh down an entire community. Multiple sites are often connected through infrastructure and geographic location; approaching the assessment and clean-up needs of an impacted area can be more effective than focusing on individual sites in isolation from the adjacent or surrounding area. Thus, EPA encourages area-wide planning and shared visions for area-wide solutions to brownfield problems. EPA encouragement is often accompanied by federal dollars for assessment and clean-up. Targeting that money is a key job for KCPA.

4.2.3 Example of Targeted Federal Funding: “Brownfields Area-Wide Planning Pilot Program”

Eligible local or regional groups compete for an EPA grant of \$175,000 per project (applicants may apply for more than one project) which is to fund an area-wide plan. The plan will inform assessment, cleanup, and reuse of brownfield properties and promote area-wide revitalization. KCPA, as a redevelopment agency that is chartered by a state, is an eligible applicant. The deadline for applications was June 1, 2010. KCPA applied for the \$175,000 funding for the brownfields-impacted district known as the Bannister Neighborhoods which are geographically located from 75th Street to 110th Street, and from Wornall Road to James A. Reed Road in south Kansas City. A known brownfields site within these Neighborhoods is the Peterson Manufacturing Company located on 4515 East 75th Street. The Site operated as a manufacturing plant for headlights from 1960-2003. In 2008, the company enrolled in the Missouri Brownfields Voluntary Cleanup Program (VCP) as there are known chlorinated solvents in the surrounding groundwater. There is currently no approved work plan for the site.

Additional sites of environmental concern within the Bannister Neighborhoods include the Bannister Federal Complex, the Bannister Mall, the South East Landfill, the J.M. Fahey Cement and Asphalt plant, the Holmes & 99th Street Shopping Center and the 103rd Street Temple Church and Lumber Yard.

The Bannister Neighborhoods are located in an economically depressed portion of South Kansas City. Numerous employers have left the Neighborhoods since 2000, and economic development is necessary to prevent the area from continuing to hemorrhage jobs. The Port Authority intends to use funds provided under this grant to determine the best plan of action to attract new business. At the forefront of this plan will be efforts to expand upon Kansas City’s flourishing biomedical industry. Currently, Kansas City is poised to become a national leader in the biomedical field. By determining how to make the Bannister Neighborhoods an attractive area for the expansion of the City’s biomedical industry, KCPA will work to encourage economic growth and prevent employers from continuing to leave these Neighborhoods, as well as address environmental health concerns, and sustainability.

KCPA will have to compete for this award, and its success, if it happens, will enhance its reputation for competent management of brownfield sites. Other federal and state monies are available for specific purposes, and they will be highlighted in the discussions of the various projects that follow.

4.2.4 Richards-Gebaur Air Force Base

The site was constructed in 1941 as a Kansas City auxiliary airport known as Grandview Airport. In 1953, the site was transferred to the United States government for use by the United States Air Force. It was an active military facility, complete with a fire training area, vehicle maintenance areas, hazardous waste drum storage areas, landfills, firing ranges, fuel storage areas and underground storage tanks, all of which may have contributed to the subsequent contamination at the Site. In 1976 it was deactivated as an active military facility. In 1979 control of many of the facility functions started being transferred back to the City. By 1985, approximately 1,360 acres, including the airfield, had been transferred back to the City. This tract is referred to as the Formerly Used Defense Sites (FUDS) portion of Richards-Gebaur AFB. In the early



1990s, the portion of the base still under Air Force Reserve control was slated for closure under the Base Realignment and Closure (BRAC) program. Formal closure of USAF operations occurred in September of 1998. From 1995 to 2000, the City used 184 acres as a regional airport. In June 2007, much of the property was transferred by the City to the Kansas City Port Authority for the purpose of redevelopment.

With respect to the subsurface portions of some 100 acres of a 370 acre tract at the site, KCPA has entered into a lease with Hunt Midwest Real Estate Development, Inc. for the extraction of limestone. At the expiration of the lease, the mined-out space will be used for underground storage in accordance with the planned redevelopment of the surface area of the property. KCPA has entered into contractual arrangements with CenterPoint Properties (and its railroad partner, Kansas City Southern) for the development of the surface area tract of 370 acres for its Inter-modal Facility. CenterPoint is also developing some 970 acres of adjacent property as an Industrial park, thereby making the total site size more than 1340 acres and accommodating a planned five million square feet of building space. CenterPoint's plan is to make the site a significant warehousing and inter-modal distribution hub for international trade.

Phase I of the redevelopment plan includes ground remediation, building demolition, and infrastructure/utility installation to prepare the site for the planned build-out. This phase will take place principally on the property owned or controlled by KCPA. A FUDS Grant of \$240,000 was awarded to KCPA to operate from July 2007 through July 2010 for these purposes. KCPA has identified with particularity increased project scope and near-term oversight responsibilities for Richards-Gebaur which further underscores the need to ramp-up its professional staff to allow needed focus on project planning and management. Next following is a list of such responsibilities:

- Develop GIS mapping for the entire former Richard Gebaur Air Force Base and adjacent properties where the Port Authority has secured underground development rights.
 - Undertake a site assessment/condition report and recommendation on all buildings, streets and infrastructure on the property controlled by the Port Authority.
 - Assist with utility issues and management.
 - Assist with the substantial amount of ongoing environmental assessment and remediation issues.
 - Assist with Hunt Midwest mine planning activities, including zoning, permitting and compliance issues.
 - Project manage the rehab of building 106 (Pinnacle Bldg).
 - Project manage the rehab of building 602 and address its historic designation.
 - Assist in the completion of the 155th Street roadway upgrade.
 - Serve as the development liaison to the Army Reserve Building project.
 - Provide assistance as requested for CenterPoint in developing CIC-KC Phase 1 sites.
 - Assist with the design of all new Port Authority property signage for safety and marketing purposes.
 - Assist with leasing brochures and/or flyers for Port Authority brokerage purposes.
 - Review the substantial amount of archival material and properly incorporate into Port Authority files or de-access it.
 - Assist in the redevelopment of the 8.5 acres of Marine Surplus LRA BRAC Property becoming available to the Port Authority in late 2011.
 - Work on potential acquisition and redevelopment of approx. 45 acres now leased by Calvary Bible College (Note that the college is slated to receive the Marine Corps surplus property east of Kensington Ave. in 2011).
 - Investigate sustainable development concepts including installation of solar and/or wind energy generation, adaptive reuse of buildings and materials, and best practices for storm water management.
- Ricgards-Gebaur is being labeled as an "International Freight Gateway." Years of delay in the realization of its promise make it essential that KCPA's new leadership be given all the support it needs to drive the project to conclusion.



4.2.5 Bannister Federal Complex

The Bannister Federal Complex is a United States Federal Government complex located at 1500 E. Bannister Road in south Kansas City. The 310-acre complex consists of ten (10) buildings located at the corner of Troost Avenue and Bannister Road, consisting of about 5.2 million square feet of space. The complex is managed primarily by the General Services Administration (GSA) and the Department of Energy (DOE) for their federal tenants.

The Kansas City Plant comprises the largest portion of the Bannister Federal Complex. It was built by the Navy in 1943 to assemble engines for Navy fighter planes, and in 1949 the Atomic Energy Commission asked the Bendix Corporation to manage the facility and build non-nuclear components for nuclear weapons. Over the past 60 years, the products manufactured at the Kansas City Plant have become smaller and much more complex. Today the plant is managed by Honeywell Federal Manufacturing & Technologies, LLC for the National Nuclear Security Administration (NNSA). The facility, now a high-tech research production facility, manufactures 85% of the components that constitute a nuclear weapon. Nuclear materials are not processed or stored there. The Kansas City Plant is NNSA's highest rated production facility. As of 2007, it had 2711 employees, and a gross operating cost of \$501 million.

The portion of the complex not used by the Kansas City Plant is controlled by GSA and has been converted to office space and storage for other agencies, and accommodates some 1,400 other employees. Thus, Bannister has been witness to a peak of 8,000 employees, to a drop to its current level of 4,000, and will see, finally, a drop to zero with the prospective closure of Bannister scheduled for 2012.

There are a multitude of environmental conditions at the Bannister Federal Complex. Region VII of the Environmental Protection Agency has been involved in a number of environmental assessment efforts at the Complex since at least 1987, under its authority outlined by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), and the Resource Conservation and Recovery Act (RCRA).

Known environmental contaminants at locations within the complex include, but are not limited to, trichloroethylene (TCE), a solvent used in various types of adhesives, lubricants, paints, varnishes, paint strippers, pesticides and cleaners; perchloroethylene (PCE), a dry cleaning agent, polychlorinated biphenyls (PCB), a coolant for transformers and heat transfer fluids; asbestos; and some depleted uranium. Some estimates go as high as 700 total chemicals. There have been some worker complaints of exposures to toxic chemicals. The migration of sub-surface plumes of chemicals have been monitored by federal and state regulators, and has reached other nearby water bodies. Continuous sampling, recovery and treatment, institutional controls, and other forms of remediation have been implemented, some under Administrative Consent Orders, others pursuant to community advisory panels. An Environmental Assessment completed for the Kansas City Plant alone in 2006 estimated that the cost of decontamination, demolition, and remediation would be \$287 million. Some estimates for clean-up of the entire Complex go as high as \$400 million. There is also discussion of financial settlement with the workers who have contracted serious illnesses allegedly caused by the contamination of the Complex.

The seriousness of the environmental situation at the Bannister Federal Complex, going forward, is reflected in two very recent actions. First, EPA and GSA (an inconstant partner in clean-up issues through the years) agreed in May 2010 to an Environmental Assessment that targets roughly 40% of the Complex, which is the part managed by GSA and from which most of the complaints have come. This type of agreement, which establishes penalties for delays, usually leads to serious clean-up efforts. Second, on April 26, 2010, Region VII of the Environmental Protection Agency announced that it intended to reassess the entire Bannister Federal Complex for possible inclusion on the Superfund National Priorities List. That would make the Complex a priority national target for remediation, which would be paid for by federal dollars.

The countdown to the closure of Bannister scheduled for 2012 is doubtless being coordinated with the plans and schedule of the federal government to build another large complex in south Kansas City. When the time comes for the United States to sell Bannister's Kansas City Plant, the deed will be required to contain a covenant warranting that all remedial activities necessary to protect human health and the environment with



respect to the property have been taken, pursuant to Section 120(h) of CERCLA, 42 U.S.C. Sec. 9621(h).

It is abundantly clear that the Bannister Federal Complex will become a prime candidate for redevelopment in the very near future. The KCPA is in the best position to manage this giant transition from an environmentally troubled federal property. The Agency is professionally familiar with the transaction model needed to be structured and should be the public partner that moves the transition forward. However, the Agency needs to be a nimble actor and have in place the number and quality of professional staff to make it happen in the best interests of Kansas City and its economic vitality.

4.2.6 Riverfront Economic Development Initiative (REDI) Site

There are approximately 120 acres at play on the riverfront. Twenty-six of those are leased to the casino, Isle of Capri, by the City of Kansas City. The remaining 94+ acres are the focal point of KCPA's plans for redevelopment. Of that remainder, approximately one-third thereof is owned by the port authority and two-thirds is owned by the City and leased to the port authority. Development of the riverfront acreage has been on the minds of the City Fathers for decades, and exciting plans are ready to be launched by the KCPA contingent on the City deeding the two-thirds portion to KCPA thereby allowing the redevelopment Agency to optimize its leverage opportunities to structure the most effective financial arrangements for its striking designs.

The heart of the riverfront redevelopment acreage is the 55 acre site just south of the Richard Berkley Park, which has been dubbed the Riverfront Economic Development Initiative (REDI) site. In 2007, the KCPA completed the process of environmental remediation of this brownfield site. This \$17 million undertaking utilized extensive Brownfield Tax Credits to help pay for it. In exchange, the port authority was granted extensive development rights for any use, with the exception of single family housing.

An old coal gasification plant, regarded by regulatory authorities as extremely "dirty," was one of the contamination contributors. Others were a sand dredging and

concrete plant and a construction debris dump site. The site was home to other industrial users. Together, they contributed to a seriously blighted area, one that earned its characterization as a brownfield site.

Currently, KCPA's vision for the REDI site is the creation of a Riverfront Sustainable Village to include 250,000 square feet of service retail, restaurants and attractions, 1,200 residential units and up to 700,000 square feet of office space, including room for an anchor tenant. Preliminary estimates of the cost of development by developer Forest City in 2006 were in the neighborhood of \$400 million.

But it started with Berkley Park: In 1992, the State of Missouri enacted enabling legislation for riverboat gambling. Kansas City saw a revenue potential and elected to participate, and thereafter selected a gaming company to operate a casino on land just east of the REDI site. KCPA was assigned the responsibility by the City of governing riverfront gaming and thereby became the casino's lessor. The vision of redeveloping the riverfront then caught the imagination of KCPA. From the casino lease revenue, the port authority began to implement the vision for riverfront development with a \$20 million expenditure for the construction in 1998 of the Richard Berkley Park, directly on the riverfront, plus two lanes of the planned four of Riverfront Drive, and improvements to the access to I-29/35 and Gage Viaduct, which connected the rather isolated site to the River Market area of the City. This, too, required a prior clean-up of contamination from a former paint manufacturing waste disposal site, a construction debris landfill, and sand and gravel operations there.

With respect to the redevelopment of the riverfront acreage, the KCPA has also identified with particularity increased project scope and near-term oversight responsibilities, further underscoring the need to ramp-up its professional staff. Next following is a list of such responsibilities:

- Serve as a project manager for the proposed commercial economic development initiatives on the existing Riverfront site and the surrounding area.
- Serve as a project manager for the large number of Riverfront enhancement projects and coordinate support with the civic and philanthropic communities.



- Assist with the marketing and leasing of all of the Riverfront properties, including the Riverfront Economic Development Initiative (REDI) site, Berkley Riverfront Park and Riverfront West.
- Function in the capacity of real property development coordinator.
- Assist the Asset Manager with vendor coordination.
- Assist with the compilation of all historical board approved models/plans for Berkley Park and Riverfront West.
- Help in the REDI site coordination of survey and title work.
- Oversee national development precedent studies and incorporate trend data from new census information.
- Work on developing a comprehensive graphic package for the Riverfront.
- Serve in a development liaison role for City initiated projects, such as the Town of Kansas archaeological site.
- Investigate sustainable development concepts including LEED ND implementation, installation of alternative energy production, and assess best practices for storm water management.
- Assist with pursuing other projects along the river in conjunction with the Port Authority's Mission Statement.
- Coordinate with the City on the redevelopment of the River Port Municipal Wharf.
- Assist with the Missouri River Corridor Freight, MRAPS, MRERP and MRRIC studies.

4.2.7 Blue River Area

Extensive development of the entire Blue River watershed will probably occur in a relatively short period of time (tens of years) with the expansion of Kansas City and its suburbs. The high value of land will probably result in a relatively low percentage of the watershed consisting of rural, idle, and park lands. Efforts to restore and enhance natural habitat will be best spent within stream corridors. Fortunately, there are some stream reaches where the corridors are already in public ownership and are managed as park lands. The most notable is the Blue River corridor, a

17.6-mile stretch from the Missouri/Kansas state line downstream to 63rd Street. However, most stream corridors in the basin are in private ownership and many have been severely abused by industrial users and urban encroachment. Several examples of that abuse follow:

Bannister's Kansas City Plant contained contaminated groundwater that migrated eastward and seeped into the Blue River. In 1990, DOE installed an interceptor trench and a system of pumping wells and treatment. DOE modified the treatment method to a UV/oxidation system, but a portion of the plume continued to discharge into the Blue River. Subsequent remediation plans included the installation of a sub-drain system, and discharge of the effluent from the UV/oxidation treatment system to the Kansas City Municipal water treatment plant, and continuation of the groundwater monitoring. The net cost of this was estimated at \$8.7 million, and the current status of this remediation effort is unclear.

AK Steel (formerly ARMCO) consists of approximately 900 acres, formerly used for the manufacture of steel. Affecting the Blue River with its migrating plumes, the site was severely contaminated during its years of production (not unlike the rest of the steel industry whose excessive pollution, the worst in the country, was stopped in the 1980s by federal regulators, of whom Consultant was one). From and after 2005, the site was under a Resource Conservation and Recovery Act (RCRA) post-closure permit with the EPA and the Missouri DNR. Of the 900 acre site, approximately 600 acres are owned by AK Steel, who bought the assets of the former ARMCO Steel; approximately 270 acres are owned by Compass Big Blue, L.L.C. (CBB), who bought the assets of the former GST Steel; and, approximately 30 acres are owned by American Properties, L.L.P. CBB, with oversight from EPA and MDNR, has been moving forward with the cleanup and demolition of the 270 acres in the middle of the AK Steel site for redevelopment.

EPA reports that this site (AK Steel) presents a unique opportunity for commercial users and industrial master plan developers. Transportation access is excellent; I-435 adjoins the property, Kansas City Southern Railroad runs through the property, and a significant number of on-site rail spurs can accommodate up to 350 railroad cars, with rail expansion potential exceeding 1,000 cars. A number of government financing and tax abatement programs may be available to



prospective buyers, including TIF and Chapter 100 and 349 bond financing, tax credits, Missouri Downtown Economic Stimulus Act (MODESA), as well as several other programs. The property's appeal is significantly enhanced by its inclusion in Kansas City's Planned Industrial Expansion Authority (PIEA) area. This gives investors the potential additional benefit of eligibility for the significant Chapter 353 tax abatement. The current owner is Compass Big Blue, LLC, formerly owned by the national environmental remediation firm, Compass Environmental, Inc. Compass has been working virtually non-stop since 2002 to reclaim the property and prepare it for future development. Two development tracts have already been sold. These versatile industrial development parcels are ideal for warehousing, rail management and freight companies, other transportation-related firms, manufacturing, or heavy industrial.

Current Status: The Missouri Department of Conservation reports that most residents who live in the Blue River watershed unfortunately do not regard the Blue River and its tributaries as important natural resources and valuable areas for outdoor recreation. For these people, the Blue River conjures up visions of flooding, contaminated water, fishkills, and stream corridors degraded by urban and industrial development. These attitudes are frequently reinforced by media articles that emphasize negative rather than positive aspects of the river. The degree to which the streams in the Blue River watershed are preserved and wisely managed will ultimately depend upon both public perceptions and attitudes toward this resource and the assumption of government responsibility for contaminated sites. Existing remediation programs need to be energetically expanded to build a strong base of advocates for watershed streams. As outlined above, the Bannister Kansas City Plant is already a target of interest for KCPA but the AK Steel property is not. Thus, with a nexus to Blue River contamination through Bannister already, it behooves KCPA to inform itself of any further contributions from Bannister. If there are, the source or sources thereof will need to be addressed probably as part of the protocols that EPA's Region 7 is currently fashioning for the Bannister complex. Contrariwise, the AK Steel plant is not on KCPA's radar at the moment as there has been considerable redevelopment activity there in recent years by private firms. The Agency may wish to assess the

current redevelopment status there to determine whether there is a property segment that could become a target of opportunity for it. In short, with respect to Blue River contamination sources, KCPA should be alert to redevelopment opportunities in those river corridors where there has been heavy industrial use as part of the Agency's campaign for brownfield redevelopment.

4.2.8 Conclusion: Campaign No. 2 Brownfield Initiatives

This campaign is in full-swing. Much remains to be done at Richards-Gebaur, the Bannister Federal Complex, the riverfront, and other contaminated sites, including perhaps the Blue River sites, that have been identified. Remediation needs to be completed everywhere so that redevelopment efforts can be organized and carried out using KCPA's unique tools and powers. The Blue River sites might benefit from a careful assessment of needs and how KCPA might play a more effective role in redevelopment at sites where it is not now significantly involved. Let it be clearly understood that the brownfield campaign is a life force in KCPA's redevelopment Mission. Brownfields by their nature carry within them the incentive rationale to attract investor participation in risk spreading partnerships to make redevelopment happen. KCPA plays a critical leadership role as one of the important partners in the coalition to restore urban resources and inject new vitality into the Kansas City economy.

4.3 Campaign No. 3: Sustainable Redevelopment/Land Use Assessment, Planning and Implementation

This campaign focuses on developing land use plans for former brownfield sites and other underutilized sites with a focus on conservation-based criteria. It includes the identification of (1) development partners to implement such plans and (2) marketing opportunities for such development. The key words in this campaign are 'planning for sustainability.' It asks, 'what do we want to do with this cleaned-up property and how can we enhance its use for such purposes?' A refinement of the redevelopment exercise takes place during this campaign. Activities in several areas reflect the campaign impulses here.



4.3.1 Downtown Riverfront

Here the focus is on the development of plans for mixed-use zoning, provision for recreation, placemaking for historical or other observances, and amenity enhancements. The principal redevelopment target is the 55-acre Riverfront Economic Development Initiative (REDI), defined by its location between the levee, the rail right-of-way, the Paseo Bridge and the Heart of America bridges on the Missouri River. Its northern border abuts the existing Richard Berkley Riverfront Park which fronts the Missouri River and provides an enduring green image of the project by passers-by and incoming drivers from the bridges. Just east of the site is the Isle of Capri Casino, which also helps to make the riverfront a recreational destination now. And at the western edge of the site are the harbor facility, the Historic Town of Kansas, and buffer zones, which also await redevelopment.

The REDI site has a unique plan for a sustainable mixed-use urban village. Its street and block plan framework has been designed to maximize the frontage along the Berkeley Park, allow for efficient traffic flow with a four lane roadway, and defines building parcels with vibrant frontages and creative open spaces available for public art and education purposes. The residential portion of the development, emphasizing walkability and natural traffic calming components, could provide approximately 1,200 medium rise condominiums with beautiful views of the river, the park, and the Kansas City downtown skyline. The site would also include some 250,000 square feet of service retail, restaurants, and attractions and up to 700,000 square feet of office space. The idea is to provide residents with necessities and amenities within a reasonable walking distance.

Amenities such as stormwater retention ponds and rain gardens will be surrounded by retail establishments that accommodate pedestrian and bicycle traffic. These water management systems would help to revitalize and replenish the valuable native habitats as a community amenity.

While the Richard Berkley Riverfront Park is built-out, it lacks some of the amenities that would make it a true showcase destination for Kansas Citians. Therefore, KCPA's riverfront master plan includes future development there as well. Key infrastructure plans would enfold the Missouri River into an overall functional and aesthetic improvement

by engineering a system for river access that will accommodate riverboat traffic and riverfront events. It envisions a river access cascading stairway and amphitheater to serve as a potential site for the performing arts, public exhibits, and new amenity features.

Public right-of-way enhancements along the eastern edge of the REDI site include the new and visually stunning Christopher S. Bond Bridge and the Single Point Urban Exchange connecting I-29 and I-35. These will efficiently manage the increased flow of traffic into and around the riverfront development, and also ease access to the casino where further development is in the planning stages. Moreover, a future Front Street extension that will connect with the Single Point Urban Exchange on the east and the Grand Avenue Viaduct on the west (leading to River Market) is shovel-ready. This collector street (which will connect with the roadways in the REDI site) is designed to feature a designated bicycle and pedestrian lane, bioswale sewers, LED street lighting, and a recycled concrete roadbase.

Along the westerly portions of the riverfront site KCPA has already spent millions of dollars for further amenities that include: (1) support of the Riverfront Heritage Trail, a unique circulation system throughout the bi-state metropolitan area, that provides unique access for pedestrians, pet-walkers, and bikers along the riverfront itself, through the River Market and the West Bottoms into Kansas City, Kansas, and eventually to Kaw Point Park; (2) the Town of Kansas Pedestrian Bridge at the foot of Main Street, an attractive walk-out over the Missouri River, providing a point of access to the archeological site of Kansas City's "birthplace" as well as to the Riverfront Heritage Trail through the use of a stair tower, bicycle U-Rail and an elevator; and (3) the landmark underpass for the ASB Railroad Bridge. Also on the west side, amenity projects awaiting implementation include the Wharfmaster's Building and the Wharf Gardens. The riverfront west portion will offer opportunities for relaxation with a view. Seating areas will incorporate historical remnants original to the site, such as concrete weights once used to anchor barges to the levee. Other historical remnants will be used for public spaces, such as performance venues and community garden installations. River access is planned by means of a waterfront dock structure allowing river traffic to anchor at the riverbank for enjoyment of the amenities there. This will *complement* the river



access also planned for the Berkley Riverfront Park, and will be in *addition* to the upgraded waterfront moorings needed for the increased commercial barge traffic that is planned as part of the inter-modal transportation hub that is highlighted in the next section.

4.3.2 Intermodal Center of the CenterPoint/KCPA Partnership

In the transportation business, Kansas City is envied for its location. And it's been that way a long time, beginning with the Santa Fe and Oregon Trails and the Missouri River, which helped move goods east, west, north and south. Then, after the Civil War, the railroad barons pushed their "Iron Monsters" ever westward. And in the 1950s, President Eisenhower got us "out of the mud" by creating the interstate highway system. Interestingly, Kansas City became a destination and crossing point, going in all directions, for each one of these different modes of transportation. It's high time that Kansas City not only recognize that it stands astride a Golden Transportation Hub but needs to bend every effort to capitalize on it.

KCPA's creative team suggests not one but several redevelopment incubators for economic revitalization in the transportation sector. The one farthest along is the transportation venture known as the CenterPoint-Kansas City Southern Inter-modal Center, which is located on the former Richards-Gebaur Air Force Base. The second is the Inland Port Facility which will be discussed in Campaign 5 next following. Opened in 2007, the CenterPoint-KCS Center consists of a 370-acre inter-modal facility anchored by Kansas City Southern rail lines which provide a link between the U.S. and Mexico, as well as a 940-acre industrial park. It boasts an ability to ship goods to 80% of the U.S. population within two days by truck.

When first conceived, this project was daunting because it was a complex deal to assemble. It involved eight federal agencies, a number of state entities (including KCPA), a large railroad company, and existing tenants at Richards-Gebaur. Effective planning by all stakeholders was the key to maintaining momentum for the project. As we moved into 2009 with a down economy, the news that KCS had bought an inter-modal facility near Mexico City was good news for the venture's potential sustainability since it opened the door to NAFTA-stimulated trade continent-wide. Also on the plus side were the many factors that make Kansas City a compelling location for busi-

ness in general. The availability of a stable work force and a low cost of living also make it favorable for inter-modal transportation. And, of course, adding to its attractiveness is its central location, its many rail and air facilities, its seat at the intersection of major interstate highways and on a major waterway, as well as its favorable tax and fuel rates, all add up to favorable transportation costs.

The excellent work in the redevelopment of the Richards-Gebaur Air Force Base has attracted the attention of the Missouri Department of Economic Development, which, on June 29, 2010, certified the CenterPoint Intermodal Center as competitively positioned to create hundreds of new jobs and a positive impact on the statewide economy. It is only the fourth site so certified by the Missouri DED after a comprehensive review of the issues facing business, including the availability of utilities, site access, environmental concerns, land use conformance, and potential development costs. Specifically, as DED stated in its news release, "CenterPoint Intermodal Center – KC will provide tenants with direct access and connectivity to the Kansas City Southern Intermodal facility which features unparalleled rail access to US Gulf coast seaports, Mexico and the Panama Canal. It is located within designated enterprise and free trade zones and is within the transcontinental and North American Free Trade Agreement (NAFTA) trade corridors. The site will provide superior new construction facilities for manufacturing, warehousing and distribution operations for companies poised to compete in new world export and import markets."

As a result of the favorable marketing of the Kansas City location and its economic benefits by KCPA, its sister agencies, and its private partners, many companies have started to re-locate to the Greater Kansas City Metropolitan area. Among them are **Smith Electric Vehicles U.S. Corp** (domestic headquarters and assembly plant in Kansas City); **Home Depot** (locating a 465,000 square foot rapid deployment center in nearby Topeka); **Diapers.com** (locating a 102,000 square foot distribution center locally); **Coleman Co., Inc.** (opened a 1.1 million square foot distribution center in the region); **FedEx SmartPost** (locating a 126,000 square feet of a 600,000 square foot speculative warehouse in Olathe, Kansas); **Bushnell Outdoor Products** (consolidating its distribution components in the Olathe, Kansas warehouse). Some of these companies hope



to replicate the success enjoyed by established Kansas City companies such as **Smart Warehousing** which reports considerable growth because of the region’s reputation for “better, quicker, faster and cheaper than the alternatives.”

Kansas City’s reputation for distribution logistics is strong and growing. Dave Blanchard, editor of the trade publication, *Logistics Today*, says that when the country was surveyed in 2008 for logistics friendliness, the Kansas City region ranked high on the list, always in the top 10 as weighed by quality of roads, access to ports and waterways, rail condition, taxes, and available workforce. “... (T)he reason is its central location, because if you’re moving goods through the Midwest, which eventually most all do, Kansas City is a strong choice,” Blanchard said. “A lot of it might seem like smoke and mirrors, but the fact is that Kansas City does have an active group that focuses on logistics; they’re on top of it and understand what it takes to be a strong logistics selection for companies,” he added.

KCPA must remain vigilant in its planning, enhancement, and marketing activities in order to maintain Kansas City’s leadership as an inter-modal transportation and distribution center. The implications for business revitalization are not only national but international. That means creativity in investigating weaknesses and/or needs in the transportation/freight/distribution infrastructure, maintaining an agenda of action items, and constancy in addressing those agenda items. Thus, we focus first on the CenterPoint-KCS Intermodal Center. KCPA in Section 4.3 has outlined an agenda principally to address environmental and redevelopment issues at the former Richards-Gebaur site. Let us add to that agenda a planning and enhancements dimension to ensure that we build on our momentum and ensure continued success. Our development professionals suggest the following:

- Support infrastructure investments that indirectly improve freight transportation such as interstate pavement replacement, guardrail installation, or transit service to freight zones.
- Support infrastructure investments that directly improve freight transportation. Potential investments include:
 1. Widen Missouri Route 210.
 2. Improve the Front Street interchange on Interstate Highway 435.

3. Actively support the conversion of U.S. Highway 71 to Interstate Highway 49.
 4. Improve access along Missouri Route 150 and Botts Road.
 5. Improve the interchange at interstates 70 and 435.
- Initiate discussions about potential public tools that could assist Class-I railroads with infrastructure investments such as capacity improvements to the BNSF Missouri River Bridge in western Jackson County, the Union Pacific Kansas River crossing near Topeka and/or the KCS Airline Junction.
 - Actively coordinate with agencies that sponsor corridor studies in the region so the freight perspective is understood from the start.
 - Encourage dialogue among all stakeholders to promote sound and balanced environmentally conscious freight transportation.
 - Encourage the expansion of KC Scout capabilities to monitor data on freight mobility (reliability) and safety.
 - Identify corridors that serve ports, such as those that serve with landside access to support maritime freight operations.
 - Position the region as a location for emerging sectors such as “green” industries.
 - Continue efforts to attract warehouse and distribution centers.
 - Leverage construction at proposed and recently opened regional inter-modal facilities.

4.3.3 Harlem

Harlem is a blighted industrial/residential area that will challenge the capabilities of the KCPA team. Its problems are yet to be addressed. It is a 150-block urban neighborhood located across the Missouri River from the west riverfront redevelopment site. The ASB Bridge connects the riverfront with Harlem, which spreads north and west from the Harlem side of the bridge. The community is currently receiving attention, at the behest of Congressman Emanuel Cleaver, through laws that support community action in such areas as housing, education, and jobs, based on models that have proved workable in other troubled communities around the country. KCPA must do an assessment of how and whether



its economic stimulation tools can be made to serve the citizens of Harlem as a Kansas City neighborhood.

4.3.4 Conclusion: Campaign No. 3 Sustainable Redevelopment/Land Use Assessment, Planning and Implementation

This campaign is applied with a differing emphasis in each of the three projects reviewed hereinabove. The riverfront is undergoing a perfecting process through its extensive mixed-use, recreation, placemaking, and amenity enhancement planning and implementation process. The close oversight over the many details of this redevelopment project is sure to ensure its sustainability. The Inter-modal Center at the Richards-Gebaur site is in an early stage of redevelopment, but the planning for the assemblage of the property and the partners to manage it has been outstanding, which bodes well for sustainability. Harlem presents a new problem which will require land use assessment, environmental assessment, and a concluding judgment regarding the applicability of its partnering, clean-up, and/or financial tools to render a public economic benefit to the community.

It is absolutely clear, however, that this campaign responds with intellectual rigor to the question of what is the highest and best use for the property in question. Redevelopment fails where there is no sustainability. And sustainability comes only with probing, investigative assessments, creative planning, and the identification of willing investors who are persuaded by the professionalism of the team that the risk is worth the promise of reward. KCPA, having already proved its planning and team-building mettle, will continue to pursue this campaign in concert with the other campaigns and with equal vigor.

4.4 Campaign No. 4: Identification/Deployment of Public Financing Tools

This campaign seeks to identify and integrate into the business process the public assistance tools that are available to support public/private development partnership efforts for KCPA programs and projects. Some of these tools are also available to developers whose public “partners” are not equity investors in a joint venture sense. Suffice it to say that for this campaign, the KCPA must ever be on the alert to identify and procure incentives that are appropriate to a redevelopment scenario

where, no matter which development model is functioning, a potential deal needs an incentivizing “sweetener” either to open it to serious negotiation or to close it as done. The KCPA professional team has an arsenal of such financial tools and hereinafter we discuss the more prominent ones.

4.4.1 Senate Bill 578: Port Improvement District Legislation (2010)

This legislation was signed by Governor Jay Nixon’s on July 12, 2010. It is reviewed in detail herein under Section 2.1. To summarize: A PID is established when 60% of the property owners within a proposed District sign a petition. The petition must first be approved by the KCPA Board of Commissioners, after a public hearing and review and approval by a circuit court in the appropriate county. The PID may authorize the levy of a maximum one percent tax in the form of a sales or use tax or a real property tax within PID boundaries. A majority of the qualified voters within the PID must approve the proposed tax. The collected tax can be used to service bonds issued by the KCPA to finance approved projects. Such taxes may only be used for two types of projects: (1) Environmental and historical conservation (which specifically includes environmental remediation, energy conservation, wetland creation, conservation of historical property, and preservation of archeological sites); or (2) construction and operation of buildings that promote environmental concerns and historical conservation. While awaiting final authorization by gubernatorial signature, the purpose of this new financial tool is to create a revenue stream to create or enhance redevelopment interest in brownfield sites or historically significant properties. The real importance of this legislation, however, is that it empowers the KCPA, acting through its own decision-making processes, to initiate a revenue-producing action (but with carefully constructed checks on that action) to fund its own project purposes. While the “reach” of this financial tool has yet to be tested, it is a significant and powerful addition to KCPA’s statutory authority and will be weighed very carefully in an assessment of its prospective use.

4.4.2 Transportation Development District

Chapter 237 RSMo, as amended in 1997, prescribes the requirements for creating a Transportation Development District (TDD). A development district may be initiated by peti-



tion signed by the affected property owners (the affected owner(s) may be a single owner) and submitted to the appropriate Circuit Court. The boundaries of the Transportation Development District (TDD) may include several counties or a single parcel of property. The proposed District may seek to impose a sales tax, an ad valorem property tax, a special assessment (all with designated caps), or collect tolls or perhaps impose even a business license tax, in order to pay for road improvements. Qualified district registered voter approval must be obtained (or property owners if there are no registered voters) prior to entering into a financing agreement with the Missouri Highways and Transportation Commission (Commission). After the circuit court declares the TDD formed, the MoDOT Chief Counsel's Office forwards a copy of a cooperative agreement to the transportation district. The TDD, in the interim, elects its board members and officers. The TDD must execute the cooperative agreement, between the Commission and the TDD, before the Commission will approve the project and appoint a Commission representative to the TDD board. Pursuant to the TDD Act, prior to project construction and imposition of any tax the Commission must grant approval of the project.

Transportation Development Districts are independent political subdivisions. Debt incurred by such districts is totally independent of the financial statements of the state Department of Transportation or the city or county which will own and maintain a project once it is completed. Still, the Department of Transportation and affected municipalities approve all plans and participate in the construction process of all projects.

Although the procedural requirements are still somewhat cumbersome, the availability of this revenue-raising mechanism focused on a single tract of developing real property may offer a ready source of new tax revenue for public street improvement construction and take some of the burden off tax increment financing and other tax assistance and tax abatement tools which have at least in some areas become controversial.

If, for instance, a large retail developer is seeking approval of zoning for a project which will require road improvements in the vicinity, it is now possible using the Transportation Development District Act to impose up to a one

percent sales tax (on top of all existing sales taxes), which is collected by the Transportation Development District, and which is available to pay for road improvements. The sales taxes, along with real estate taxes and assessments, can be used to amortize the principal on bonds issued by a district and should, in the case of large retail developments particularly, be able to fund a significant amount of public infrastructure improvements without taking tax money away from other jurisdictions or burdening other taxpayers.

4.4.3 Remediation Tax Credits

This program provides Missouri State income tax credits and, if necessary, guaranteed loans or direct loans to an owner/operator of eligible Brownfield property for up to 100% of remediation costs. It also provides due diligence matching grants to a governmental agency, up to \$100,000 or 50% of eligible costs, whichever is less, for the feasibility studies, cost estimates, and other due diligence for an eligible project owned by a governmental entity. Public Infrastructure Grants may be awarded to a governmental agency, up to \$1 million for public capital improvements necessary to support the eligible project. Grants are available pending additional State funding.

The purpose of the Brownfield Redevelopment Program is to provide incentives for the redevelopment of commercial/industrial sites abandoned or underutilized due to contamination caused by hazardous substances. The State of Missouri provides incentives to businesses that redevelop and remediate approved sites in accordance with the Voluntary Clean-Up Program (VCP) established by the Missouri Department of Natural Resources. The program may be used to rehabilitate an existing building contaminated with hazardous substances, or to clear existing structures (as it relates to eligible VCP activities) and build a new facility. The program may also be applicable for contaminated sites that have no existing structures.

Eligible projects must create at least 10 new jobs or retain at least 25 jobs. For projects with multiple companies, companies must create at least 2 jobs and have \$100,000 of qualified investment or retain 25 jobs and have \$100,000 of qualified investment. The Brownfield property must have been abandoned for at least 3 years from the date of the application or be underutilized. Real property is underutilized



if less than 35% of the commercially usable space of the property is used for its most commercially profitable and economically productive use.

Remediation tax credit may offset state income and/or state franchise tax and may be claimed the year it is earned, or may be taken in equal installments for up to 20 tax years. The owner must demonstrate that the credits are the least amount necessary for the project to occur and are limited to the net state economic benefit of the eligible project, as determined by Missouri Department of Economic Development (DED).

An eligible business (which is most businesses except for housing) must occupy the majority of the property upon completion of the rehabilitation. The project may be a mixed-use facility (residential and commercial), but the state economic impact will be based only on the commercial operations. The total amount of state funding, tax credits, or tax exemptions for each eligible project shall be limited to the projected state economic benefit of the eligible project. DED may consider the direct and indirect economic benefits projected to be provided by the eligible project. The Net State economic benefit is the present value of new state tax revenues projected to be caused by the eligible project over a period of 15 years from the start of the project, discounting the incentives provided for the eligible project, the negative impact of the eligible project to competing local businesses, and the new public costs associated with the eligible project.

This program is structured to provide tax and financial incentives that would facilitate a fair return on investment to the redeveloper. Businesses which locate on the designated Brownfield and meet certain requirements are eligible for tax credits between \$500 to \$1,300 per year for each new job created (for 4 to 10 years). The credit is \$500 per job for the first 10 jobs. The tax benefits are an additional \$400 per job for each new job exceeding 10 new jobs and 25 retained jobs.

Available to existing Missouri businesses are: investment tax credits (each year for 4-10 years) based on 10.1% of the first \$10,000 of new qualified investment; 5.1% on the next \$90,000 of new qualified investment; and 2.1% of new qualified investment over \$100,000. The taxpayer

may also obtain the 50% income tax exemption, which is that portion of the taxpayer's income attributed to the eligible project.

This is a wonderfully relevant state program for KCPA! It keys directly into one of the Agency's real strengths – its environmental remediation program. Thus, as one might expect, KCPA has received \$2.4 million in Remediation Tax Credits for the cleanup of the 55-acre REDI site at the riverfront. The period of redevelopment was 2005 to 2007. The site is shovel-ready for redevelopment, extensive plans have been worked and re-worked, the site enhancement process has begun, road construction for ingress/egress has commenced, and final details are awaiting resolution. Implementation is near at hand and KCPA will be ready to field its team, structure the necessary partnerships, and target its incentives to bring this project home.

4.4.4 Community Improvement District

A Community Improvement District (CID) may be either a political subdivision or a not-for-profit corporation. CID's are organized for the purpose of financing a wide range of public-use facilities and establishing and managing policies and public services relative to the needs of the district. By request petition, signed by property owners owning at least 50% of the assessed value of the real property, and more than 50% per capita of all owners of real property within the proposed CID, an authorizing ordinance is presented to the governing body of the local municipality in which the proposed CID would be located. Language contained in the petition narrative must include a five year plan, describing the purposes of the proposed district, the services it will provide, the improvements it will make and an estimate of the costs of those services and improvements, and the maximum rates of property taxes and special assessments that may be imposed within the proposed district. Other information must state how the CID would be organized and governed, and whether the governing board would be elected or appointed.

Unlike a Neighborhood Improvement District, a CID is a separate legal entity, and is distinct and apart from the municipality that creates the district. A CID is, however, created by ordinance of the governing body of the municipality in which the CID is located, and may have other direct organizational or operational ties to the local government, depending upon the charter of the CID.



A CID may finance new facilities or improvements to existing facilities that are for the use of the public. Such public-use facilities include:

1. Convention centers, arenas, meeting facilities, pedestrian or shopping malls and plazas.
2. Paintings, murals, fountains or kiosks.
3. Parks, lawns, gardens, trees or other landscapes.
4. Streetscapes, lighting, benches, marquees, awnings, canopies, trash receptacles, walls.
5. Lakes, dams and waterways.
6. Sidewalks, streets, alleyways, bridges, ramps, tunnels, traffic signs and signals utilities, drainage works, water, storm and sewer systems and other site improvements.
7. Parking lots, garages.
8. Child care facilities and any other useful, necessary or desired improvement.

A CID may also provide a variety of public services, some of which may be:

1. Operating or contracting for the operation of parking facilities, shuttle bus services.
2. Leasing space for sidewalk café tables and chairs.
3. Providing trash collection and disposal services.
4. With consent of the municipality, prohibiting, or restricting vehicular and pedestrian traffic and vendors on streets.
5. Within a designated “blighted area,” contract with any private property owner to demolish, or rehabilitate any building or structure owned by such property owner.
6. Providing or contracting for security personnel, equipment or facilities.

Funding of CID projects and services must be set forth in the requesting petition that is presented to the local governing body of the municipality in which the CID is located. Funding may be accomplished by district-wide special assessment, rents, fees, and charges for the use of CID property or services, grants, gifts or donations. If the CID is organized as a political subdivision, property and sales taxes may also be imposed within the boundaries of the CID.

The ability of Missouri’s communities to establish CIDs for the purpose of improving their public use facilities for the enjoyment, convenience, safety and common good of all citizens is an outstanding example of local economic development excellence. The Missouri Department of Economic Development can be a source of support for the creation of a CID. KCPA’s use of this development tool would likely be within the framework of a team effort with other like-minded community service agencies where it could identify and target “blighted areas” where its expertise would be unique and needed for the redevelopment of such areas.

4.4.5 Tax Increment Financing

TIF is a development tool designed to help finance certain eligible improvements to property in designated redevelopment areas (TIF districts) by utilizing the new, or incremental, tax revenues generated by the project after completion. Under TIF, property taxes within the TIF District are frozen for up to 23 years. The property owners then make Payments In Lieu of Taxes (PILOTS) to a “special allocation fund”. Additionally, 50% of any new local Economic Activity Taxes (EATS), e.g., local sales taxes, earnings taxes, utility taxes, generated from the project are also paid to the fund while the District is in operation. The proceeds of the fund are then used to reimburse the developer for eligible project costs or to retire indebtedness incurred to cover those costs. Eligible project costs are the total of all reasonable or necessary costs incurred, or estimated to be incurred, and any costs incidental to a redevelopment plan or project. Specifically, these costs include, but are not limited to:

- Costs of studies, surveys and plans.
- Professional service costs (architectural, engineering, legal, financial, etc.).
- Property assembly costs (acquisition, demolition, clearing and grading).
- Costs of rehabilitating, reconstructing, remodeling of existing structures.
- Costs of construction of public works.
- Financing costs, including issuance interest and reserves.

In addition to the PILOTS and local EATS, TIF plans adopted after January 1, 1998 and located in an Enterprise Zone, Federal Empowerment Zone, or the Central Business District, can



also use 50% of the “New State Revenues” generated from the project. A New State Revenue is the incremental increase in either state sales taxes resulting from the project or state income taxes withheld on behalf of the new employees in the district.

The process to apply for and gain approval of Tax Increment Financing takes four to six months and requires legislation by the City Council. Knowledgeable sources in Kansas City report that this finance tool has been abused over time. However, if employed properly, this tool could be a potentially useful incentive for KCPA, especially in the redevelopment of the riverfront area where it is anticipated that an entirely new residential and business base will be established there, offering the possibility of plentiful revenues to support the not inconsiderable riverfront development vision. KCPA is the proper agency to manage a TIF initiative, and the riverfront is the right place for it.

4.4.6 Property Tax Abatement

Abatement of incremental real property taxes is available within areas deemed “blighted” under Chapter 353 tax abatement programs. “Incremental” property tax refers to the amount of increase in tax owing to higher property valuations occurring in the project area after the completion of redevelopment. The increase or increment is based on the amount of property tax that was paid in the project area in the “base year” which is usually the year before work on the redevelopment began. An Urban Redevelopment Corporation is created under the general corporations laws of Missouri and, once created, it has the power to operate one or more redevelopment projects pursuant to a redevelopment plan approved by the governing body of the local municipality in which the project(s) is located. The corporation must take title to the property to be redeveloped.

During the first 10 years after the “base year,” 100% of the incremental property taxes may be abated. During the next 15 years, up to 50% of the incremental property taxes may be abated, in effect, creating a redevelopment plan in which the municipality provides tax abatement to the Redevelopment Corporation for up to 25 years.

In a creative dimension to this finance tool, Missouri Law (Sections 100.010 to 100.200 RSMo) authorizes municipalities to issue Industrial Development Bonds (IDBs) to finance industrial development projects for private corporations, partnerships or individuals. IDBs issued by a municipality do not require voter approval, and may be issued on a tax-exempt or non tax-exempt (taxable) basis. It is upon the issuance of taxable Chapter 100 IDBs that local ad valorem taxes on bond-financed property may be abated, resulting in a significant financial incentive package that Kansas City may offer to new industrial prospect companies.

The government of the local municipality (city, town, county, etc.) issues the IDBs, and must maintain legal ownership of the property while the bonds are outstanding in order for the property to be eligible for tax abatement.

IDB’s are issued to finance various industrial projects, including:

1. Costs of industrial plants, warehouses, distribution facilities.
2. Research and development facilities, office industries, services facilities providing interstate commerce.
3. Agricultural processing industries.
4. Land, buildings, fixtures and machinery in connection with the IDB-financed development project.

Full or partial abatement of real property or personal property tax on the industrial development project is available for up to the total period the IDB’s are outstanding. The municipality and the development company may determine that partial tax abatement is desirable, and the company may agree to make “payments in lieu of taxes” to the municipality under a negotiable grant agreement. In a typical IDB transaction, the company will convey to the municipality fee simple title to the site on which the industrial development project is to be located. At the same time, the municipality will lease the project site, together with all improvements thereon, back to the company. Included in the lease agreement will be the requirement that the company, acting on behalf of the municipality, will use the proceeds of the IDB’s to purchase and construct the



project. The company will be unconditionally obligated to make payments in amounts that will be sufficient to pay principal and interest on the IDB's as they become due.

4.4.7 Annual Multimodal Operations Funding by General Assembly

Unlike highway and bridge project funding in Missouri, state funds for multimodal projects are approved annually by the General Assembly. Multimodal Operations performs statewide planning and grant administration for aviation, railroads, transit, and waterways. Specific to waterways, administered funds provide technical, financial, and capital assistance to Port Authorities through administrative grants, ferryboat grants, and the capital improvement program. Historically, funding for waterways has been very limited while the needs have been great. From 2001 to 2005 no funding was provided to the capital improvement program, \$500,000 was appropriated in 2006 and \$1.5 million in 2007. The needs listed in the 2006 *Assessment* (by MoDOT) totaled \$61 million and the 2007 *Update* (by MoDOT) totaled over \$100 million. These needs do not necessarily reflect the actual project funding requested by the ports for these years but it does illustrate the wide gap between appropriated funding and possible funding needs. Interestingly, while cities have moved away from funding infrastructure projects, states have shown an inclination to help fund them. Strategies to access these funds could include:

Evaluate the current and projected economic impact of the ports on the state to provide additional support for funding on an annual basis. Before and after studies of ports with funded projects can be valuable marketing tools to illustrate the positive impact state funding of capital projects can have. A point should be made of the many studies showing increased trade worldwide and their resulting impacts on U.S. inland ports and their capital needs. At another level, the money generated by the salaries and wages not only from more port employees but by the jobs created by making Kansas City an inter-modal hub of international consequence (as we have speculated elsewhere herein) and the revenue generated to the state by these jobs can be persuasive to ensure that port funding is looked upon as a worthwhile investment in the state economy.

Pursue a dedicated funding source for waterways rather than relying on yearly appropriations from the General Assembly. A multimodal fund established for Missouri's ports, airports, transit, and railroads could provide a reliable funding source to address the capital needs of these modes in the state. Using a multimodal approach in seeking a dedicated fund reaches more geographic areas of the state and builds more support for the fund. Kansas City, for example, will be able to justify capital needs for four modes of transportation – air, roadways, railways, and waterways. This approach broadens the field of support by offering a larger consultancy base for the legislature. Once a fund is established, a modal funding split could be determined with stakeholder input.

4.4.8 Conclusion: Campaign No. 4 Identification/Deployment of Public Financing Tools

The foregoing recitation represents a quiver full of finance incentive tools that have differing technical requirements and applications. The Transportation Development District, the Community Improvement District, and Property Tax Abatement are tools that anticipate the convergence of other community interests and groups where KCPA might find it advantageous to join, but the intersection of interests might be serendipitous, and finding a fit with the Agency's Mission might prove to be infrequent. Nevertheless, KCPA's development and legal credentials are extremely strong, and the question to be answered is always asked during the creative analytical process that precedes redevelopment decision: What combination of partnership skills, investment depth, business acumen, management dexterity, and financial incentives will launch this project? KCPA leadership will circle the question until it is creatively resolved and then move quickly to formulate its implementation plan. The designated finance tools flowing from this process, if any, will be a correct judgment. Thus, while KCPA has not yet seen fit, for example, to invoke a Transportation Development District, a Community Improvement District or Property Tax Abatement as



finance tools, they are nevertheless potentially quite useful to have available and their use may be invoked under the proper circumstances in the future.

On the other hand, what's clear is that the Port Improvement District (PID) legislation and the Remediation Tax Credits are more in the ambit of KCPA decision-making, and are likely to be used more often (although, of course, the port authority has yet to test the PID legislation). Tax Increment Financing also has real prospects to create a revenue stream, if used wisely. Legislative funding on an annual basis through the Multimodal Operations Program is not well known but should certainly be investigated by KCPA – certainly in coordination with MoDOT and other state port authorities that have capital and other needs (which are readily ascertainable through MoDOT). The State has a decided interest in promoting as many avenues as it can to strengthen its economy, and KCPA should be ready to join hands in common cause with a number of partners in the Executive Branch of State government.

Thus, not unexpectedly, some of these tools are likely to be used more often than others. But, whatever the case, this campaign is about knowing and understanding what these tools do, how they operate, what political levers to pull, and which will be most useful in the creative search for solid redevelopment solutions. KCPA's skills are pre-eminent here and will remain honed and sharp.

4.5 Campaign No. 5: Inland Port Commerce

The banner for this campaign states in bold letters: The viability of any inland port hinges on the transportation infrastructure that supports it. This campaign for Inland Port Commerce fulfills a vision of Kansas City's founders as a City always identified as a center of trade. It began as a supply outpost for those headed west on the Oregon and Sante Fe Trails. After the Civil War, Congress directed that a bridge be built over the Missouri River, thereby ensuring that rail traffic would pass through Kansas City. Today, it is the second largest rail center in the country. And roads followed the rails. Today, with the intersection here of three of the nation's major interstate highways (I-29, I-35, and I-70), Kansas City is the third largest trucking hub in the country. But it doesn't stop there.

Kansas City is also situated along the largest navigable inland waterway in the country, the Missouri/Mississippi River System. The trade potential for this waterway is substantial.

Unfortunately, however, river barge traffic was severely curtailed by an eight-year drought which reduced flows and shortened navigation seasons, so commercial operators largely abandoned moving grain along the river. Long haul tonnage on the Missouri River peaked in 1977 at 3.34 million tons and dropped to 0.175 million tons in 2008.

We've already discussed Richards-Gebaur as the future "International Freight Gateway" for Kansas City where the north-south and east-west freight convergence there by both rail and truck and the inter-modal infrastructure to manage this traffic is being constructed on 1340 acres of this former air force base. More about the national and international business implications for Kansas City by reason of this Gateway in a moment. First we need to better understand how the waterway dimension of this inter-modal system will eventually contribute to its profitability in a business plan.

Dr. Ernest Perry, freight development administrator at the Missouri Department of Transportation, says, "We're having a transportation capacity crisis. We have too many vehicles on our highways, and it's only going to get worse. The only capacity we have left is the waterway. The river ... can help relieve freight-related highway congestion. It provides environmental benefits in that it is the most fuel efficient, and is an economic engine for the state." Analysis supports these conclusions: Waterborne commerce can move the same ton of freight 1.4 times farther than rail, and 3.7 times farther than trucks on one gallon of fuel. One barge can move the same amount of dry cargo as 70 trucks or 16 rail cars. And barge traffic has other advantages – for air quality, safety, and, as noted, for easing road congestion. Dr. Perry reports that studies done at the University of Missouri show that economies could be gained through the availability of waterways and be reflected in improved grain prices and a reduction in shipping costs of between \$4 and \$8 per ton. Beyond these advantages, he said that expanding river freight would enhance global access to markets.



A \$900,000 federally-funded study managed by MoDOT, scheduled for release in June 2011, will address all of these issues. Meanwhile, the Corps of Engineers teasingly reports that, for 2010, the Missouri River “liquid highway” is open with reservoirs full, available, and reliable, providing a channel nine feet deep by 300 feet wide for a full eight-month season. (Typically, freight traffic freezes in winter.) But the Corps has other responsibilities besides navigation; they include flood control, irrigation, hydropower, recreation, water supply, water quality, and fish and wildlife. And the Corps has been assigned the responsibility for doing a five-year Missouri River Authorized Purposes Study (MRAPS) launched in 2009. *MoDOT fears that the latter study is being done at the behest of upstream states with the intention to downgrade the priority of navigation.*

John Drew, state hydrologist for the Missouri Department of Natural Resources (MDNR), challenges upstream states like Montana and the Dakotas that want to cut water releases during drought, contending, “Upstream reservoir recreation interests want downstream releases curtailed even further so that more water is retained in the reservoirs [with the effect that] navigation, power generation, downstream water supplies, and other uses would see even more detrimental effects.” On a positive note, MDNR also argues that 50% of Missourians get their drinking water from the Missouri River, and when flows hit navigation target levels in the summer, there is more than enough water to supply drinking water for communities, cooling water for power plants, and water for fish and wildlife habitat.

KCPA will have to be ready for a fight if upstream users mount a challenge to the use of reservoirs for Missouri’s navigation needs. This could be a political free-for-all that will be settled in Washington, D.C. so it will take all of Kansas City’s municipal and state leaders united in common cause, and KCPA should be the intellectual and factual leader of the group.

Let’s take a closer look at Kansas City as an inland port – and clarify our terms. The term “inland port” means different things to different people. It can mean a port on an inland waterway (a river) whose primary focus is on waterborne cargo traffic. But it can **also** mean an inter-modal transportation hub that facilitates the distribution of goods, and can exist with or without a waterway node as one of its

transportation modalities. The latter is what we have at the Richards-Gebaur/CenterPoint inter-modal transportation hub – standing alone without waterway access. However, if we connect our riverfront wharf facility with the Richards-Gebaur inter-modal hub, we can synergistically optimize the commercial prospects for *both* locations. The wharf needs to be upgraded for capacity in order to make the connection between the two locations meaningful. That is KCPA’s redevelopment challenge.

If we zero in more closely on the riverfront wharf, we find that it deals in bulk commodity storage and handling. It has five full-time employees and one part-timer. Of its \$450,000 in total annual expenditures, \$300,000 goes for the port’s annual payroll. An estimated six businesses depend on the port. Its business coffers are hardly overflowing. While, as noted before, it has an average dock depth of nine feet and a wholly sufficient width of 300 feet, it has been at a disadvantage for cargo development owing to inconsistent (sometimes non-existent) river access because of low flows (lack of water) and poor channel maintenance. Maintenance for depth has not been done since 1993. (To illustrate, KCPA lost 40,000 tons of fertilizer traffic in 2004 and 10,000 tons in 2003 because the river was not reliably accessible to commercial barge traffic.) On the question of Wharf access, while the switching service is sporadic, it has railroad service through Union Pacific. And Woodswether Road allows access by truck to nearby I-35 and I-70.

Now let’s consider waterways, as a singularity, for a moment. The Missouri and Mississippi Rivers are part of a vast inland waterway network directly connecting 21 states. They connect Missouri to Pennsylvania, the Gulf of Mexico, and the Great Lakes via the Illinois River canal. Indirectly they connect Missouri to 41 of the United States that also have waterways, and to the rest of the world. Missouri is in a prime location for reduced transportation costs of inbound supplies and outbound products of industry and agriculture. Missouri is also a prime location for commerce and service of through-cargo moving up and down the network, dividing, combining, and transferring at network branches and inter-modal facilities. While airplanes can deliver packages the fastest, absolutely no other system can deliver grain from Missouri to Europe in competitive quantities and costs.



Waterways have other advantages: They are best for bulk commodities such as fuels, raw materials, commercial products, fertilizer, feed, and farm products. They have the massive capacity needed to carry bio-fuel supplies and products in quantities significant to the national fuel market. (The center of ethanol production is in Iowa, Kansas, South Dakota, and Minnesota – all points accessible to Missouri via the inland waterway system.) Sand and gravel movement along Missouri waterways is also increasing, and inland ports are particularly well suited to moving this material. The comparison between waterborne commerce and other modes of transportation is staggeringly dramatic. For example, every full standard tow going between Kansas City and St. Louis:

- Is equal to 900 full semi-trucks if they are packed at 100% efficiency.
- Eliminates the need for a convoy of trucks 45 miles long.
- Saves 75,000 gallons of diesel fuel and subsequent emissions.
- Requires less crew and support staff than 900 truck drivers.
- Reduces congestion on I-70 with secondary improvements in safety.

All of these issues that herald the potential good news of renewed economic vitality for Missouri and Kansas City are piling up behind the barrier of the Missouri River's reputation for unreliable navigation. Making the Missouri River comparable to the Arkansas or Illinois Rivers has a potential to make the Missouri River worth billions of dollars per year, says the Missouri Department of Transportation. Thus, we see why the upcoming Corps of Engineers Report on the navigability of the Missouri River is so important. It certainly merits alerting the entire Missouri Congressional delegation, whether Republican or Democrat, and in both chambers, and requesting that they express an interest in the upcoming report of the Corps on the subject of navigation.

The navigation of the Missouri River is one issue that the KCPA leadership, partnering with other port authorities in the State together with MoDOT, should address.

The other is the upgrading of the wharf facility itself on the West Riverfront. It needs improved handling systems, cranes, conveyers, and other appropriate facilities to handle *containerized* bulk commodities. When these issues are in train to be addressed, the neglected issue of maintenance of the waterway (dredging) should also be added to the list by taking up the issue with the Corps of Engineers (perhaps with Congressional assistance).

We return now to putting the Kansas City inland port issue into a larger context. Even the MoDOT study scheduled for completion next year (2011) is looking at strategies not only to return traditional markets like grain and sand and gravel to the Missouri River, but it is also seeking how to identify new industrial markets and to expand its reach nationally as well as to connect with global markets. The study will also identify infrastructure and equipment needed for such market expansion.

Interestingly, other inland ports are gearing up for increased tonnage. The **Cleveland-Cuyahoga County Port Authority** is projecting that its 12 million tons of cargo in 2008 will increase some 65% over the next ten years, and is starting construction of a new maritime terminal. This port authority advertises its location positively, seeing itself as the closest major U.S. port to European and Asian markets on the St. Lawrence Seaway System via the Suez Canal. The **Port Authority of New York & New Jersey** forecasts its mix of transportation modes changing over a 20-year period from 2001 to 2020 in favor of non-highway modes to reach inland hubs, decreasing from 84% to 57% in truck, and increasing from 14% to 23% in rail and from 2% to 20% in barge, with waterway traffic showing the largest gain. The Port Authority estimates that the greater use of barges and rail will increase terminal productivity by 20% and measurably reduce negative environmental effects from reduced reliance on trucks. Moreover, its traffic studies justified the dredging of New York harbor to commercially viable depths in order to maintain market share for its increasingly busy Atlantic port. The **Virginia Port Authority** forecasts the tripling of import cargo in the next two decades, has dredged deeper channels, and is preparing to add its fourth marine terminal in 2017.



But can the market accommodate this degree of expansion? Former Kansas City Mayor Kay Barnes answers forcefully in the affirmative. In 2006 she wrote: “Consider the prognosis for three of the country’s four largest ports: in 2003, Los Angeles, Long Beach, and Oakland collectively handled 13.7 million twenty-foot equivalent units (TEUs – a standard measure of cargo container capacity); by 2020, the American Association of Port Authorities predicts that amount will explode to 40.8 million TEUs, largely from growing Pacific Rim trade. And the U.S. Department of Transportation predicts that by 2020, the nation’s 360 ports will handle more than double the tonnage levels collectively handled in 1996. U.S. ports currently accommodate roughly 99% of the overseas trade by weight and 61% by value. If trade volume forecasts prove correct, not only will those ports have to grow even more efficient at processing cargo, but increased congestion will require – and businesses will surely be looking for – **alternative distribution centers**, such as the one we are designing in Kansas City.” (Emphasis supplied.)

Let’s focus now on national and international distribution: In order to connect Kansas City with the Pacific markets, two trade partnerships with Mexican port cities were necessary to make Kansas City a competitive alternative to West Coast trade portals. In January 2005, Kansas City forged a non-binding partnership with Mexico’s deep-water Pacific port, Manzanillo, in the state of Colima, that allows for containers to be unloaded and inspected in Manzanillo (going north) OR Kansas City (going south), sealed, and then delivered directly by rail to the other city, by-passing inspection delays at the Texas-Mexican border. And an agreement in March 2006 with the port of Lazaro Cardenas, in the state of Michoacan, allows goods from Asia to travel to their ships-to-rail terminal and then travel to Kansas City to be distributed throughout the United States. A condition of the agreement allows shippers to move as many containers as they would like for a single \$55,000 bond – as opposed to the previous “through bond” of \$100,000 *per container* – an enormous savings. And considerably less expensive than the traditional trade portals of Long Beach or Los Angeles.

However, Kansas City needs approval from the federal Customs and Border Protection Agency in order to become the first foreign customs facility on American soil. Offi-

cial of both countries need to resolve delicate issues of sovereignty and security first. (KCPA will need to track this issue and look for potentially favorable points of political intervention.) Meanwhile, in April 2005, another piece of this interconnected corridor fell into place by Kansas City Southern’s acquisition of a controlling interest in Mexico’s TFM Railway, thereby bringing into existence the “NAFTA Railway,” a 1,300 mile railway system comprised of KCS, TFM, and the Texas Railway Company – all under common leadership – that connects the Central U.S., Central Mexico, and Mexico’s Pacific seaports. Officials speculate that the combination of this railway corridor and the Mexican customs facility in Kansas City by itself could double the more than \$400 billion in trade between the U.S. and Mexico.

But there’s more: The NAFTA corridor could extend to Canada. Kansas City continues to solidify its ties to Canada with plans to create a Winnipeg/Manitoba office in Kansas City, and strategic partnerships with Montreal in order to connect the mid-continent corridor with the Quebec-Ontario-Midwest corridor, through which passes some 60% of shipments to destinations outside the province of Quebec.

To repeat the mantra: In order to optimize Kansas City’s trade potential – as considerable as it is already – it will be necessary to reinforce and expand Kansas City’s water traffic infrastructure and that means the redevelopment of the Kansas City riverfront harbor facility. But what does “expand” mean precisely? Because river traffic, as we know, is currently at its lowest ebb, the riverfront harbor facility is used infrequently. The facility must be “super-sized” – and it will be necessary to make a projection of the increase in the volume of trade that can be expected. That may be done in either the upcoming MoDOT study or the Corps study, but if it is not – *and that would be a grievous oversight* – it should be done promptly by a public agency. Dr. Perry of the Missouri Department of Transportation is exactly right in wanting to increase commercial navigation on the Missouri River. He argues in much the same way as other inland ports have – that, after Missouri addresses its own long neglected commercial distribution needs, these same waterways can help absorb much of the expected increases in international trade, are much less expensive, and can have significant environmental benefits. Thus, a judgment needs to be made by KCPA on what the capacity of the riverfront harbor should be. And that will inform its redevelopment.



The effort to enhance the capacity of the harbor infrastructure on the Riverfront West for industrial purposes should be done with exquisite attention paid to avoid undermining the mixed use and amenity-driven plans to redevelop the rest of the Riverfront. Care should be especially taken to avoid disturbing the plans for the Town of Kansas and the adjoining archeological site. While this report will recommend both environmental management and quality management certification for the entire inter-modal system, at a minimum these certifications should be sought for the riverfront harbor facility to ensure that its management is appropriately sensitive to the areas it borders.

4.5.1 Conclusion: Campaign No. 5 Inland Port Commerce

If we imagine Kansas City's hand shepherding an expanding commercial throughput of cargo bound for destinations both within and beyond America's borders, we see four inter-modal fingers of that hand represented by (1) railways, the second largest hub in the country; (2) trucking, the third largest hub in the country, (3) air cargo, the largest hub in the six-state surrounding area; and (4) the Missouri/Mississippi River System, the largest river system in the country, but as yet untapped for its commercial benefits for Kansas City, but unquestionably a huge potential for the City and a challenge made for the leadership skills of the Kansas City Port Authority. If we fold those four fingers up and hold them together by the managing thumb of the KCPA, the resulting fist could be the most powerful Inter-modal Inland Port in the United States. The connections are all there – in the north-south

corridor from Mexico through Kansas City to Canada; east and west, underscored by the fact that 50 percent of all eastbound inter-modal freight originating in California passes through the Kansas City area alone *now*, and the traffic both ways is sure to increase. Thus, KCPA is a key player in making this picture come alive. However, it must do five things well: (1) complete the conversion of Richards-Gebaur into the transcending inter-modal transportation hub, in partnership with CenterPoint and others, that it has the potential to be; (2) redevelop the marine terminal on Riverfront West so that its enhanced capacity is equal to the forecast of increased commercial barge traffic on the Missouri/Mississippi River system, which it must first determine; (3) organize other Missouri port authorities, and, in cooperation with MoDOT, seek the support and intervention of the Missouri Congressional delegation to advise the Corps of Engineers that improved Missouri River navigation is a carefully conceived precondition to the achievement of economic prosperity on Missouri's waterways; (4) as a subset of number 3 above, seek assurances from the Corps that Missouri River dredging will proceed for Kansas City's marine terminal; and (5) monitor through your Congressional delegation and the Missouri Governor's Office the status of federal decision-making on the establishment in Kansas City of an inland port Customs House for Mexico. These should be done with heightened attention paid to Quality Management and Environmental Management to both facilities as certified by independent authorities. Kansas City is frequently identified by transportation authorities as standing at the most unique crossroads in the country for inter-modal distribution purposes. It is past time that Kansas City fashion itself into the role that everyone else envisions for it. KCPA has a monumentally significant leadership role in shouldering that responsibility.



SECTION 5.0

ISO 14001 (ENVIRONMENTAL) AND 9001 (QUALITY)
MANAGEMENT CERTIFICATIONS FOR
INTER-MODAL SYSTEM



SECTION 5.0 ISO 14001 (ENVIRONMENTAL) AND ISO 9001 (QUALITY) MANAGEMENT CERTIFICATIONS FOR INTER-MODAL SYSTEM

In 1996 the International Standards Organization (ISO) promulgated an Environmental Management System standard in Geneva, Switzerland, which was agreed to by the representatives of 100 nations and called ISO 14001. Organizations or their facilities may be certified to the standard if they adopt and implement a rigorous management system that guarantees “continual improvement” in moving toward the goal of meeting its own regulatory requirements. It does not seek to impose a new regulatory regime (e.g., new discharge standards) but seeks rather to ensure that the organization meets the standards of its own governmental jurisdiction (in this case, the legal standards of Missouri and the U.S. Environmental Protection Agency). An Environmental Management System standard was promulgated at an international level because of the grass roots pressures on manufacturers and service providers to ensure that their products and services did not contribute to fouling either water, air, or soil. Producers wanted to demonstrate their *bona fides* with respect to the environment and thereby preserve market share as against their competitors. Soon their supply chains felt the pressure and many became certified to preserve their place in the supply chain – in other words, to preserve their market share as well.

Producers have many options as to the distribution logistics they may choose. Kansas City has a very unique multi-modal distribution system to sell. It should want to say to the world, “We are the best!” Other Inland Ports are doing precisely that; some are already certified. Kansas City should do no less.

ISO 14001 certification is expected to:

- Ensure that Kansas City’s inter-modal inland port facilities (both Richards-Gebaur/CenterPoint and the Riverfront Harbor, after redevelopment is completed) meet or exceed all applicable Federal, State, and local environmental laws and regulations.

- Prevent activities and conditions that pose a threat to human health, safety, and the environment through proactive environmental leadership and compliance.
- Ensure adherence to an established framework for setting objectives and targets that demonstrate a commitment to continual improvement.
- Integrate environmental costs, risks, and impacts into inland port project development.
- Promote pollution prevention and environmental awareness throughout all levels.

The International Standards Organization in Geneva had earlier promulgated a Quality Management Standard which it designated ISO 9001. Unlike ISO 14001, the Environmental Management System standard, this standard does not have direct regulatory implications. However, it is similarly designed to set apart those organizations that have been certified to its program as better qualified to serve the public because it focuses its attention on product quality, price, safety, and security. Again, those organizations that become certified are making an argument for greater market share. Kansas City’s unique inter-modal distribution system should also be arguing for greater market share because it is the best.

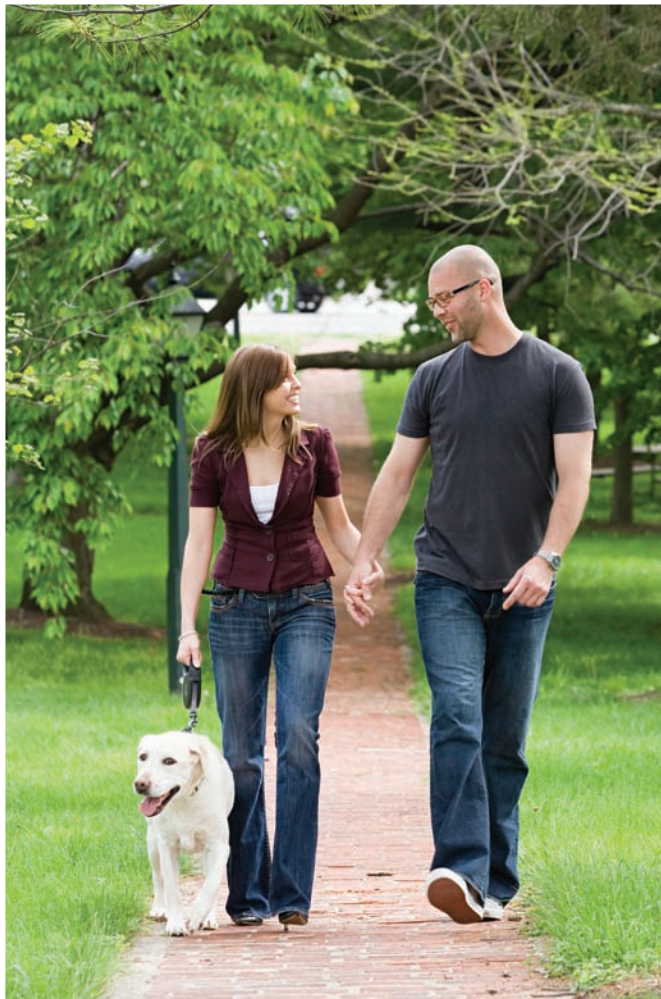
ISO 9001 certification is expected to:

- Improve product and service quality.
- Increase customer satisfaction.
- Provide additional access to the ISO-oriented marine world.
- Improve processes, directly improving return on investment.
- Enhance market exposure.
- Improve control over processes.
- Improve safety and security.



SECTION 6.0

STRATEGIC FRAMEWORK FOR CAMPAIGN
RESOLUTION AND IMPLEMENTATION:
ORDER OF BATTLE



SECTION 6.0 STRATEGIC FRAMEWORK FOR CAMPAIGN RESOLUTION AND IMPLEMENTATION: ORDER OF BATTLE

6.1 Priorities Within a Five Year Time-Frame

The implementation strategy for the five campaigns will take place over a five-year time frame and through a series of incremental steps. Some of the steps are more urgent than others and need to be prioritized, especially given the limited professional staff that KCPA has on hand. They also argue for the staged growth of the Port Authority and, as reflected in the campaigns, a division of labor into the varied professional tasks that it performs. Completion of the prioritized steps may not be fully accomplished at the expiration of the five years. However, they will set in motion a framework for action and a course of milestones that will lead to the eventual achievement of the current set of Mission goals, and will doubtlessly surface others in the process. The KCPA will share responsibility with the City and other agencies and organizations for the performance of some tasks but is expected to exercise its considerable leadership skills in the execution of most of the tasks.

The tasks, simplified for clarity, are divided into three levels of priority – first, second, and third. The first level of tasks is likely to be publicly driven. The suggested prioritized tasks follow:

6.1.1 Priority One Tasks

Statutory Independence. The first order of business is to consummate the reality of KCPA's statutory independence and to establish the appropriate working relationship between this state Agency and the City of Kansas City. Briefings, acknowledgements, and financial agreement regarding the disbursement of casino revenues shall be resolved. (The latter to be done in conjunction with the next priority listed.)

Finance Agreement. Reach agreement with the City (City Manager on behalf of the City) on the division of the approximately \$3 million in annual rental revenue from the casino. While the total goes to KCPA, the City Manager has retained the right to direct half to projects

“within the River District.” Options for a new regime should be discussed and resolved.

Land transfer. The land transfer of the remaining acreage at the riverfront from the City to KCPA shall be legally performed.

EPA Grant Application. Track KCPA's grant application of \$175,000 to US/EPA for Bannister Neighborhood remediation planning through its Brownfields Area-Wide Pilot Planning Program. Ready planning to renew attraction of Kansas City's flourishing biomedical industry to these neighborhoods.

R-G Implementation. Aggressively implement redevelopment plans for the former Richards-Gebaur Air Force Base for conversion to inter-modal transportation hub:

- Develop GIS mapping for the entire Base and adjacent properties where the Port Authority has secured underground development rights.
 - Undertake a site assessment/condition report and recommendation on all buildings, streets and infrastructure on the property controlled by the Port Authority.
 - Assist with utility issues and management.
 - Assist with the substantial amount of ongoing environmental assessment and remediation issue.
 - Assist with Hunt Midwest mine planning activities, including zoning, permitting and compliance issues.
 - Assist in the redevelopment of the 8.5 acres of Marine Surplus LRA BRAC Property becoming available to the Port Authority in late 2011.
 - Work on potential acquisition and redevelopment of approx. 45 acres now leased by Calvary Bible College (Note that the college is slated to receive the Marine Corps surplus property east of Kensington Ave. in 2011).
- Bannister Transition.** Since the Bannister Federal Complex, scheduled for closure in 2012, will become a prime candidate for redevelopment soon, the KCPA is in the best position to manage the major transition from an environmentally troubled federal property:
- US/EPA involvement in remediation, and the establishment of milestones, is currently underway. KCPA should seek a management responsibility, and financial support, in coordination with EPA.



- KCPA, being professionally familiar with the alternative public/private partnership models needed for Bannister redevelopment, should be the public partner that moves the transition forward, and should begin/continue discussions toward that end with decision-makers at GSA, NNSA, and EPA.

Riverfront Redevelopment. Serve as a project manager for the proposed commercial economic development initiatives on the existing Riverfront site and the surrounding area:

- Serve as a project manager for the large number of Riverfront enhancement projects and coordinate support with the civic and philanthropic communities.
- Coordinating with MoDOT, organize other port authorities to seek the support of the Missouri Congressional delegation to advise the Corps of Engineers that improved navigation on the Missouri River is a precondition to prosperity on Missouri’s waterways.
- Assist with the marketing and leasing of all of the Riverfront properties, including the Riverfront Economic Development Initiative (REDI) site, Berkley Riverfront Park and Riverfront West.
- Function in the capacity of real property development coordinator.
- Coordinate with the City on the redevelopment of the Riverfront Marine Terminal.
- The expansion of river port capacity is the waterways node of the inter-modal transportation hub being coordinated/managed at Richards-Gebaur by CenterPoint.
- Planning for ingress/egress by rail and truck to and from the marine terminal, and integration of administrative processes between the marine terminal and CenterPoint for optimization of distribution logistics, must begin soon. Increase in the terminal’s capacity must be informed by appropriate studies.

Finance Tools. A number of finance tools is available to KCPA but several candidates may be stronger than others at the moment and they should bear greater scrutiny for purposes of funding pending projects:

Port Improvement District Legislation: Sen. Bill 578 is now signed into law. KCPA should immediately begin

a professional assessment of where a PID might be established. Candidate sites might include the Riverfront, Richards-Gebaur, and the Bannister Federal Complex.

Remediation Tax Credits: These proved quite beneficial at the Riverfront (\$2.4 million). Since US/EPA is moving toward a major remediation regimen at the Bannister Federal Complex, and if KCPA is to position itself to manage the redevelopment of the site, should not this finance tool be investigated for its potential at Bannister?

Tax Increment Financing: The Riverfront will be a good candidate for the application of this tool. Redevelopment here contemplates large new residential complexes and commercial enterprises and could be an especially significant pool of resources.

Annual Multimodal Operations Funding by the General Assembly: This source requires legislative support on the Appropriations Committees of the Missouri Senate and House. It would be wise to coordinate with the appropriate representatives of the Missouri Department of Transportation. There is potential financial support here for capital improvements for either the Wharf expansion to handle increased commercial cargo on the Missouri River, or a split among several or all of the transportation nodes (waterways, railways, roadways, and air) in the Inter-modal Transportation System. This source of funding should be given a fresh look and be sold as an economic revitalization investment for Western Missouri in general and the City of Kansas City in particular. Political support needs to be marshaled.

6.1.2 Priority Two Tasks

Isle of Capri Lease. Re-negotiate the lease with Isle of Capri for additional revenue. Consider division of increased increment between riverfront infrastructure funding and KCPA staffing and program needs.

R-G Conversion. Continue implementation of conversion tasks at Richards-Gebaur AFB:

- Project manage the rehab of building 106 (Pinnacle Bldg).
- Project manage the rehab of building 602 and address its historic designation.
- Assist in the completion of the 155th Street roadway upgrade.



- Serve as the development liaison to the Army Reserve Building project.
- Provide assistance as requested for CenterPoint in developing CIC-KC Phase 1 sites.
- Assist with leasing brochures and/or flyers for Port Authority brokerage purposes.
- Investigate sustainable development concepts including installation of solar and/or wind energy generation, adaptive reuse of buildings and materials, and best practices for storm water management.

Bannister Partners. Begin the process of identifying private partners for investment and management at the Bannister Federal Complex. This should overlap the remediation end-process.

Further Riverfront Tasks. Continue project management tasks for redevelopment of the riverfront:

- Assist with the compilation of all historical board approved models/plans for Berkley Park and Riverfront West.
- Help in the REDI site coordination of survey and title work.
- Oversee national development precedent studies and incorporate trend data from new census information.
- Work on developing a comprehensive graphic package for the Riverfront.
- Serve in a development liaison role for City initiated projects, such as the Town of Kansas archaeological site.
- Seek assurances from the Corps of Engineers (perhaps with Congressional support) that it will maintain the river channel properly for the marine terminal, and dredge if necessary.
- Assist with the Missouri River Corridor Freight MRAPS, MRERP and MRRIC studies. The size of the expected increase in Marine Terminal capacity will be dependent on either these studies or others that will determine what the volume of commerce is likely to be when the impediments to Missouri River navigation are removed. Monitor and provide input to studies.
- Assist the Asset Manager with vendor coordination.

Blue River. While Blue River contamination is generally recognized to be a considerable problem by KCPA, it appears that the Agency does not have a particularly good handle on the quantification of source contributions or other characteristics. Perhaps more may be known of the Bannister Kansas City Plant, which has been a problem for years. Another site in the same category may be AK Steel (formerly ARMCO). KCPA should either examine past assessments or initiate a new environmental assessment to clarify the picture in an effort to establish target sites that would benefit from the assumption of responsibility for redevelopment by KCPA.

Harlem. Harlem presents a new problem to KCPA: While the perception is that there is widespread blight and contamination, there is little measurement as yet. Accordingly, the situation requires a land use assessment, an environmental assessment, and a concluding judgment regarding the applicability of the Port Authority's partnering, clean-up, and/or financial tools to render a public economic benefit to the community.

Support Infrastructure Investments. Support infrastructure investments that indirectly improve freight transportation such as interstate pavement replacement, guardrail installation, or transit service to freight zones.

Sustainability Features for Inter-Modal System. With a view to sustainability for the inter-modal transportation system, support infrastructure investments that directly improve freight transportation. Potential investments include:

- Widen Missouri Route 210.
- Build interchanges on Interstate Highway 35 in southern Johnson County and connecting roadways that will serve the new BNSF intermodal facility and logistics park.
- Improve the Front Street interchange on Interstate Highway 435.
- Actively support the conversion of U.S. Highway 71 to Interstate Highway 49.
- Improve access along Missouri Route 150 and Botts Road.
- Improve the interchange at interstates 70 and 435.



6.1.3 Priority Three Tasks

Revenue From R-G. For planning purposes, determine the amount, length of term, and viability of the revenue stream from Richards-Gebaur rents.

Further Implementation at R-G. Continue implementation tasks for Richards-Gebaur AFB conversion:

- Assist with the design of all new Port Authority property signage for safety and marketing purposes.
- Review the substantial amount of archival material and properly incorporate into Port Authority files or de-access it.
- Monitor federal decision-making, through Missouri’s Congressional delegation and the Governor’s Office, the status of establishing a Customs House for Mexico in Kansas City.

Continue Riverfront Redevelopment. Continue project management tasks for the redevelopment of the river front:

- Investigate sustainable development concepts including certification under Leadership in Energy and Environmental Design (LEED), as well as implementation and installation of alternative energy production, and assess best practices for storm water.
- Assist with pursuing other projects along the river in conjunction with the Port Authority’s Mission Statement.

Sustainability for Inter-Modal Hub. Maintain an agenda that emphasizes the sustainability of the inter-modal transportation hub at Richards-Gebaur with a particular eye out for infrastructure enhancements, economic and freight studies, intergovernmental dialogues, and marketing opportunities:

- Initiate discussions about potential public tools that could assist Class-I railroads with infrastructure investments such as capacity improvements to the BNSF Missouri River Bridge in western Jackson County, the Union Pacific Kansas River crossing near Topeka and/or the KCS Airline Junction.
- Actively coordinate with agencies that sponsor corridor studies in the region so the freight perspective is understood from the start.

- Encourage dialogue among all stakeholders to promote sound and balanced environmentally conscious freight transportation.
- Encourage the expansion of KC Scout capabilities to monitor data on freight mobility (reliability) and safety.
- Identify corridors that serve ports and airports, such as those that serve with landside access to support water and air.
- Position the region as a location for emerging sectors such as “green” industries.
- Continue efforts to attract warehouse and distribution centers.
- Leverage construction at proposed and recently opened regional inter-modal facilities.

ISO 14001 and ISO 9001. When the Inter-modal Transportation System is completely redeveloped and in place and operating, KCPA should engage expert consultants to prepare the CenterPoint facilities at Richards-Gebaur and the expanded riverfront Marine Terminal facility for environmental management and quality management certifications under both ISO 14001 and ISO 9001, respectively. (International Standards Organization, Geneva, Switzerland, for management standards recognized worldwide.)

6.2 Management of the Strategy

We now have a strategy that is based on the simultaneous pursuit of five interrelated campaigns and the hiring of additional professional help. Briefly, the campaigns, in the abstract, are to redevelop brownfield and historic sites sustainably, using public/private partnership models and, whenever possible, deploying public finance tools as incentives; and finally, to develop Kansas City as an International Freight Gateway.

As applied, the strategy is to leverage KCPA’s statutory powers, its leadership, additional professional help, and its financial base to accomplish the following principal tasks:

- Aggressively implement redevelopment plans for the former Richards-Gebaur AFB for conversion to inter-modal transportation hub, under CenterPoint management, including utilities management, ongoing remediation, Hunt Midwest mining lease administration, and acquisition of Calvary Bible College’s 45 acres.



- Serve as project manager and development coordinator for Riverfront redevelopment, including amenities for Berkley Park and Town of Kansas archeological site, the marketing and leasing of all Riverfront properties, the redevelopment and expansion of the Marine Terminal and determination of terminal capacity as well as ingress/egress planning and connection to the R-G inter-modal hub.
- Finalize transfer of Riverfront acreage from City to KCPA.
- Renegotiate Isle of Capri lease.
- Organize political support to ensure Corps of Engineers MRAPS report emphasizes, among its top priorities, the navigation of the Missouri River and its maintenance as a navigable waterway.
- Manage transition of Bannister Federal Complex, seek management responsibility for remediation in coordination with EPA and application of alternative public/private partnership models for redevelopment.
- Perform environmental assessments for selected Blue River and Harlem sites.
- Monitor and act upon sustainability features for the inter-modal system, including infrastructure investments, corridor studies for improving freight movement and distribution, encouragement of “green” industries, and attracting warehousing and distribution centers.
- Monitor and politically encourage the establishment of Customs House for Mexico in Kansas City.
- Advise developers of Richards-Gebaur/CenterPoint and Riverfront Marine Terminal to incorporate environmental and quality best practices during redevelopment so that they are prepared to undertake certification procedures under ISO 14001 and ISO 9001.

The management question for the KCPA leadership is how to optimize limited resources in order to address, and address effectively, this significant array of important tasks. To address this question, Consultant liberally borrows from the July-August 2010 edition of the *Harvard Business Review* whose cover topic and leading articles address, “The Effective Organization: Turn Great Strategy into Great Results.” At this juncture, it could not be a better topic.

The authors first confront the notion that *execution* is distinct from *strategy* and brand it a false assumption which has been ensconced in management thinking for over a decade. They aren’t distinct, they argue, and we don’t have to choose between a mediocre, well-executed strategy and a brilliant, poorly executed strategy because it is a false choice and replete with negative consequences. The authors believe that we need to change the way we think about the problem of strategy versus execution.

The metaphor that accompanies the assumption that these two concepts are distinct is that of the human body, with the brain as the “chooser” and the body as the “doer”. In the workplace, these are translated into the executive at the top dictating the strategy and everyone below is mechanically expected to carry it out. The better metaphor, say the authors, is that of a white water river, where choices cascade from the top of the water column to the bottom. In an organization, those in charge make broader and more abstract “upstream” choices, and employees downstream are empowered to make choices that best fit the situation at hand. This results in happier stakeholders and more satisfied employees. To enable good individual decisions, choice-makers upstream should set the general context for those downstream. From that point, employees need to use good judgment to make the best decisions possible.

Some executives stumbled into the choice-cascade model by employing the Golden Rule. Both customers and employees were treated equally – with respect and attention to their respective issues. And employees responded by making good choices that satisfied more customers whose feedback pleased both management and employees. This “virtuous strategy cycle” with its positive reinforcement loop gained real attention in the market place and rewarded its “strategists” with placement on *Fortune’s* list of The 100 Best Companies. Plainly, this is an empowerment of the downstream level of employees. And there are a number of ways that people at the top can help.

Choice-makers upstream must set the context for those downstream in four specific ways, intervening at each level with guidance, as suggested hereinafter. (For the possible applications that follow each level, below, “Management” is assumed to be either the KCPA Commission Chairman, the Executive Director, or Counsel, or all of them).



1. Explain the choice that has been made and the

rationale for it: Too often we mistakenly assume that our reasoning is clear to us. We should take the time to be explicit about the choices we have made and the reasons and assumptions behind that choice, while allowing the opportunity for those downstream to ask questions. Only when the people immediately downstream understand the choice and the rationale behind it will they feel empowered rather than artificially constrained.

Possible application to our strategy: Let’s assume that Management has tasked one of the new professional hires to assist with the redevelopment of the Riverfront, with particular attention to be paid to the redevelopment of the Marine Terminal on Riverfront West. Assuming “John” (let’s call him) has done his homework and is generally familiar with all of the projects on KCPA’s plate, Management must now drill down and spend considerable time with John acquainting him, specifically, with potential river traffic, the studies in progress on navigation and commerce volume, the potential national and international implications, MoDOT’s role, the sizing issues for the terminal, and all of the side issues such as the Heritage Trail, the Town of Kansas and the archeological sites, the potential for recreational boating nearby, ingress/egress issues, and the connection to the CenterPoint hub. And then listen to, and answer all of his questions. Then John goes out and starts poking around, studies reports, tramps the subject ground, and interviews the players – the employees at the Marine Terminal, MoDOT, the people at CenterPoint with whom he must eventually coordinate, and starts making calls to other inland ports that are going concerns to find out what their problems have been. Then John realizes he’s got a tiger by the tail.

2. Explicitly identify the next downstream choice:

We should articulate what we see as the next choice, and engage in a downstream discussion to ensure that the process feels like a joint venture that is informed by a hierarchy. Those upstream must guide and inform those downstream, not leave them to make decisions blindly.

Possible application to our strategy: John approaches Management again, seeking guidance on how to get started. Management listens to what John has discov-

ered in his investigation and advises that that it has felt the same frustration because of all the moving pieces. Management suggests that the best approach would be to prioritize these issues, suggesting that John deal with first things first. Management explains that the sizing of the marine terminal can’t happen until more is known about the volume of traffic it is expected to handle, and that issue is being studied both by MoDOT (which John learned when he interviewed people there) and the Corps of Engineers. Management explains that it is concerned about the Corps study because it thinks it was initiated at the behest of the upstream states that use the Missouri River, which are more concerned about their recreational use of the river and their need of the reservoirs (and are adding weight to their argument by adding other legitimate needs, such as drinking water supplies, hydropower needs, and wildlife habitat, to name a few). And that, taken together, they might trump the navigational needs of the downstream users, which include Missouri. This is critical, suggests Management, and needs our input and advocacy. Also needing early attention, says Management, irrespective of the particular size that the terminal might achieve, are ingress and egress from and to the terminal by both road and rail, and their connection to the inter-modal hub at Richards-Gebaur/CenterPoint. Because, adds Management, we are going to fight like the devil to bring some level of additional riverborne commerce to Kansas City, and we are determined to add waterway to our multimodal system! And that connection will require administrative management between the Marine Terminal and CenterPoint. These, then, are some of the early steps that need managing, says Management to John. And then adds, push on those and let us know how you are doing.

3. Assist in making the downstream choice as needed:

Part of being a boss is helping subordinates make their choices when they need it. The extent of help required will vary from case to case, but a genuine offer should always be a part of the process.

Possible application to our strategy: John gathers himself up for another round with his project. He carefully thinks through the advice he has been given and sets up the following tasks for himself: (1) Scope out a political plan to influence the Corps on Missouri’s navigational needs, including knowledge of the status of the study,



ways to assure input from KCPA, the identification of in-state and out-of-state allies, and what political influence can be brought to bear; (2) Meet with Union Pacific Railroad, which passes next to the Marine Terminal, to identify a plan for loading and off-loading at a designated nearby station which will need design and construction; (3) after clearing the cost with Management, engage a transportation design firm to work out the most efficient, cost-effective way to connect the Marine Terminal (ingress-egress) with CenterPoint by road; (4) Meet with CenterPoint to begin structuring an IT communications system that will be able to manage the transfer of goods arriving at CenterPoint from rail and truck for ongoing distribution via waterway barge, and vice-versa. John devises his plans, and starts meeting with the appropriate people at Union Pacific and CenterPoint and engages a design firm to draft an efficient road connection between the Marine Terminal and CenterPoint. He reports to Management on his progress and admits that politics isn't his "thing" and could use a little help there. Management acknowledges the sensitivities and advises John that it will help him strategize the approach and make the appropriate contacts. But they are impressed by his efforts on the other fronts and provide helpful feedback. John begins feeling that he's really part of a great team effort, and is beginning to take some pride in his contributions.

- 4. Commit to revisiting and modifying the choice based on downstream feedback:** We cannot ever know that a given choice is a sound one until the downstream choices are made and results roll in. Thus, the superior has to signal that his choice is truly open to reconsideration and review.

Possible application to our strategy: John continues his work, and as he gets deeper into the real possibilities for Kansas City becoming a true International Freight Gateway, he starts visiting other inland ports – Cleveland and New York on one trip, and up to St. Paul on another, to be escorted by our friend, Ken Johnson, to see the balance struck there between river shipping, as they call it, and land redevelopment. The CenterPoint colleagues have waxed enthusiastic about the rail extensions to Mexican ports and from there to trade with Asia. John impatiently wants to know about the progress on a Mexican Customs facility in Kansas City, and is

told that immigration issues are complicating that development and that we will all have to be patient. John has begun to involve himself in the further dimensions of the riverfront redevelopment, and begins to react frequently with Management, both on the tasks he has outlined for himself, and the related but downstream issues yet to be confronted. But John now is fully integrated into the team and is sensing less distance between him and Management, and more comfortable in his new job.

6.3 Conclusion: Strategy and its Management

The strategy represented by these campaigns has been reduced to three sets of priorities to be executed within a five-year time frame. It emphasizes that the five campaigns are an ongoing strategic effort and should be pursued simultaneously, with a nuanced nod to a reasonable need to perform certain tasks in advance of others. The strategy also requires additional KCPA hires to help perform the enormous stretch of work that KCPA's leadership has already initiated. The management section has addressed how best to fold new hires into the overall strategic effort. This section will assume greater importance as the Agency begins to grow and diversify into identifiable work streams such as financing, land development, remediation, administration, and the like. KCPA's vision, leadership, and work ethic make it reasonable to predict that the Agency's growth is likely to be rapid. That means a good many more professional employees may be expected fairly soon.

The management ideas discussed herein are not new. The notion of worker empowerment has been around for decades. But if that's the case, ask the *Harvard Business Review* authors, why do so many people believe that execution is all that matters? One answer might be that if execution were poor, then all one needed to do was to empower more and do it more rigorously. That approach, the authors believe, isn't really empowerment but rather the top brass trying to get workers to buy in to their ideas. Those senior managers aren't asking: "How would I like it if I were on the receiving end?" That is, simply being spoon-fed by



PowerPoint presentations and workshops. It violates the Golden Rule, they argue, concluding that employees don't like the buy-in approach because it creates an artificial distinction between strategy and execution. They don't like the scenario of sitting there being choiceless doers when they know they have to be something else in order for this "brilliant" strategy to be successful. It is always the case that upstream theories constrain downstream experiences. Where upstream theory divides an organization into choosers and choiceless doers, "empowerment" is turned into a sham. Unfortunately, most employees (almost 60%)

think that there is an imaginary line on an organizational chart where strategy is only created above that line and executed by people below that line. Thus, the authors conclude that hierarchy, especially when it is arbitrarily imposed, can hurt the execution of strategy.

Thus, the lessons for KCPA are fairly clear. The most productive employees, and the most satisfied, will be those who are folded into the work environment as equals and brought along into partnership with patient and caring mentoring interventions.





SECTION 7.0

KCPA GROWTH AND ITS
FINANCIAL SUSTAINABILITY



SECTION 7.0 KCPA GROWTH AND ITS FINANCIAL SUSTAINABILITY

The suggested strategy laid out hereinbefore for execution by the Kansas City Port Authority over the next five years and beyond has many leading edges. By “leading edges” we mean work that has already begun and is in process. That there is such a copious array of initiatives is because KCPA has aggressively undertaken many more redevelopment challenges than any observer might reasonably expect from an Agency with only two full-time employees. Thus, while a remarkable amount of work has already been accomplished, much remains to be done.

The credit for this enviable record of accomplishment must be shared among the following: a committed board of commissioners led by a highly motivated, skilled and accomplished business executive, Trey Runnion; a professionally trained, and experienced developer, Vincent Gauthier, as executive director; all of the resources of The Session Law Firm, the leading environmental law firm in Kansas City, led by its dynamic and creative founder, Bill Session; and a canny political professional, Kevin Smith, schooled at the White House and known for his ability to unearth needed cash from government and other sources for the work of the Agency. Committed professionals all, they want to take this Port Authority to the next level of accomplishment.

So how do we ensure that this work continues, increases, and gets more efficient? The obvious answer is that this Agency needs to grow. It needs to do that modestly, incrementally, at a step-by-step conservative pace that stays even with (if not slightly behind) the workload. It needs to start with several more inside professionals to support the Executive Director with his administrative, budgetary, development, financial, and marketing tasks. This Consultant suggests the addition of three to four professional level assistants and one clerk assistant – or, at a minimum, three professionals and one clerk to be added to the existing two (Mr. Gauthier and his clerk), for a grand total of six Full-Time-Equivalent (FTE) positions. The need to engage outside legal counsel will be constant.

For the next several years at least, there will also be a need to engage a political professional as the strategy outlined herein needs the services of an experienced issue manager (lobbyist) at the State and Federal levels, not to mention the constant

political attention needed at the City level as well. Chairman Runnion and Executive Director Gauthier will have to double at the political level as well. In addition, the Executive Director and the KCPA board will need to assess the need for further part-time workers. The skill mix of the FTE professionals who are hired perhaps will suggest an answer regarding further part-time assistance.

In the considered opinion of this Consultant, these recommendations are very modest. Even so, the Agency should grow into its workload, but these initial steps of growth are wholly justified, given the demands that the strategy outlined herein is likely to impose. In fact, in the opinion of this Consultant, the need for more professional workers is likely to escalate fairly rapidly. Many port authorities around the country employ upwards of 20 staff professionals, including the Saint Paul Port Authority which resembles the KCPA, especially in terms of redevelopment targets. If Kansas City grows into the “International Freight Gateway” that so many transportation professionals seem to predict for its future, the potential growth that might approximate the Saint Paul Port Authority might be seen in just a few years.

It is also the opinion of this Consultant that KCPA move its headquarters from its present location downtown to an office on the Riverfront, where so much development activity is going to take place in the next few years. It should be spacious, comfortable, and well appointed and able to accommodate high level business and professional meetings in furtherance of its growing business. KCPA’s office is its face to the world and should reflect its success, energy, and professional quality.

We have estimated the costs of a fully operational new office headquarters on the riverfront and the expense of six FTE positions, as might be reflected in a Transfer Budget. We have also carefully examined the detailed and most recent Financial Report and Balance Sheet of KCPA, dated March 31, 2010, and can state with confidence that the expenses within such a Transfer Budget are fully within the financial capability of the Kansas City Port Authority. Annually recurring revenues cover the referenced Transfer Budget with some margin allowed. But the Agency cannot sit on its laurels inasmuch



as the work in the pipeline will soon pressure it to grow even more in the near future. The recommendations herein are designed to create a floor to stay abreast of the work begun by this aggressive Agency. The ceiling, whatever it is, is not so far off. The Transfer Budget is available from KCPA; also available from the Agency will be a Business Plan based on the strategy outlined herein.



SECTION 8.0

CONCLUSION



SECTION 8.0 CONCLUSION

The strategy outlined in this Report breaks out the efforts of the Kansas City Port Authority into five distinct pieces, which we have called “campaigns”. They are campaigns – ‘energetically pursued operations’ – because these activities are the sustaining work, even the lifeblood, of the Agency. While these campaigns are currently being waged on a number of fronts and overlap projects, they have not been understood as logically integrated and have not always been addressed in an orderly fashion. Increasingly, as the saying goes, ‘The squeaky wheel gets the grease!’ The management team members well understand that the game should not be so helter-skelter. But they are the victim of their own success! They have engaged on so many battlefields and have made so much progress that now, with their very limited numbers, they must make decisions on where to apply their limited resources. Strike when a matter is urgent – when the wheel squeaks, so to speak. That is precisely why new players must be added to the team. And it is likely that the in-house staff will grow fairly rapidly – because so much needs tending. And that is the success story of this Agency that needs telling. They have accomplished so much so well, that they will be chasing after what they have set in motion for a long time.

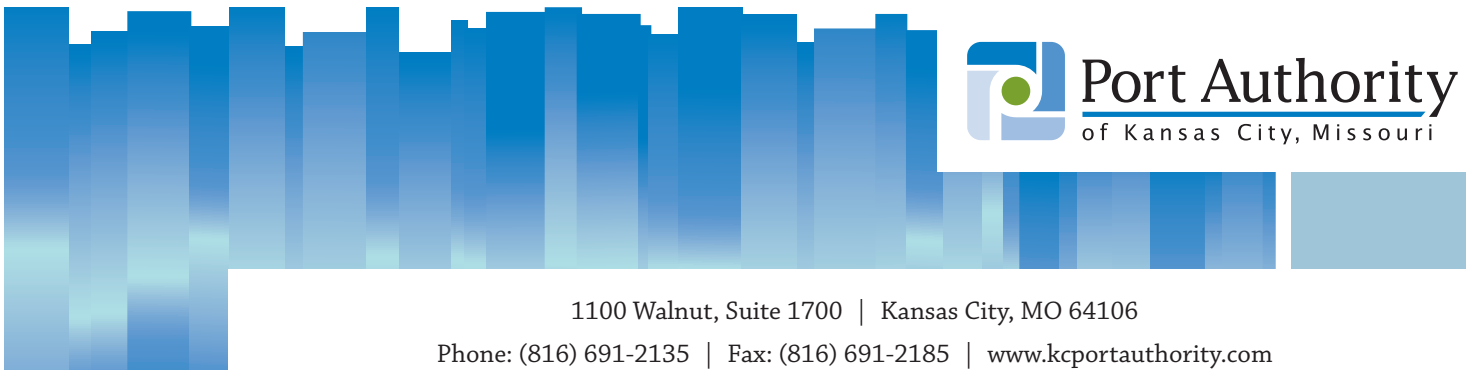
This management team has correctly identified a clear and present need to re-group and try to figure out a better and more effective way to address its growing business. That is why this Report on the formulation of a strategy was commissioned. It is hoped that when the campaign elements are identified as the establishment of an ‘order of battle,’ and as the pieces are better understood as part of an integrated,

prioritized, calculated strategy, that the management team of the Port Authority – with additional hands – will be better positioned as managers to cope with its proliferating responsibilities moving forward. At this critical juncture in KCPA’s development, its top managers want to assure themselves that their Agency is managing its surrounding circumstances, not the other way around. In brief, that is what the strategy is designed to do. Its next step should be to *quantify* this strategy into a full-blown Business Plan.

It is gratifying to learn, as this Report has entered its finalization phase, that steps are in train to establish the Kansas City Port Authority as the independent state agency it was statutorily intended to be. It is hoped that these steps will be taken expeditiously since there is an enormous building process awaiting this Agency’s talented leadership. Resting on its broad shoulders is the huge challenge of transforming Kansas City into the International Freight Gateway that so many knowledgeable people believe its location makes it heir to. And to that end, all of Kansas City’s economic development agencies and the political and business establishments should lock arms in common cause because it will put Kansas City in a class by itself – to everyone’s benefit, but especially for the economic re-vitalization of the Kansas City region.

Finally, it is hoped – and not merely as a matter of sentimentality – as the Riverfront becomes the residential and commercial center that many have dreamed it would become for a long time, that the distance between the Riverfront and the Downtown Center will vanish and a re-binding of the two centers into one will take place so that Kansas City’s business establishment can speak with just one voice in the future.





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