

CHAPTER 17

Kansas City Uses Culture to Transform Its Downtown

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Kansas City is made up of districts that have been viewed for decades as discrete. Perhaps known best for J.C. Nichols's Country Club Plaza, Kansas City also has the River Market, West Bottoms, and Crown Center, among others. But, as first-term mayor Kay Barnes points out, there has not been a feeling of connectivity among the areas and throughout the city. To change this, she proposes creating the SoLo Performing Arts District, which she envisions as the anchor of an almost seven-mile-long area intended to emulate Paris's Champs Elysées — “a linear boulevard with everything happening on all sides of it,” says Barnes.

SoLo — short for South Loop, the southern end of the central business district loop that extends into the Crosstown area of Kansas City — is bounded by, roughly, 12th Street on the north, 17th Street on the south, Oak Street on the east, and Bartle Hall convention center on the west. The proposed mixed-use district, anchored by a \$305 million Moshe Safdie-designed performing arts center, will include additional office space, housing, entertainment, and retail. The \$1.8 billion redevelopment plan for the 20-block area would not be financed by appropriations, but by private

developers and through innovative state legislation.

Efforts to redevelop the South Loop area are not novel. A previous effort to recreate the area as the Power & Light District, based on creation of a tax increment financing (TIF) district, was turned down by the city council after developers changed the terms and phasing of the project. The former owner of the Kansas City-based AMC Entertainment was the major sponsor of the new district, and the project faded away after his death. As a result, large amounts of disinvestment occurred as doubts about the area's future grew and blight there got worse.

Today, the 20 square blocks are still blighted despite being part of an existing urban renewal area. Vacant parking lots and abandoned buildings line the streets, with occupancy of many buildings ruled out by code violations. One of the major issues highlighting the potential of and need for redevelopment is the difficulty of attracting conventioners — and their wallets — to Bartle Hall on the western edge of the proposed SoLo district. The lack of diversions in the immediate vicinity forces conventioners to travel to County Club Plaza about five miles away for entertainment.

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Setting the Tone

Bob Marcusse, president of the Kansas City Area Development Council, a regional economic development group, says he is “thrilled by renewed efforts to put a lot of energy and resources behind plans for development and redevelopment.” Downtown Kansas City is the “living room of the region,” he says, serving as downtown for the entire area. If downtown is not magnificent, it creates the wrong first impression, which has implications for attracting businesses, residents, and visitors. A vibrant downtown, Marcusse adds, is important for the entire region in that it helps to set the tone for the community.

The original strategy for SoLo, created in a May 2001 study by Sasaki Associates, an interdisciplinary planning and design firm of Watertown, Massachusetts, responded to the strengths of the community and, according to Andi Udris, president of the Economic Development Corporation (EDC) of Kansas City, served as “a great concept plan to guide community leadership.” The Sasaki study concluded, “The economy of downtown needs to diversify to embrace more residential and cultural uses as a complement to the traditional business and government core.” It recommended that “the priorities in the first five years are to set up a development and management entity and to realize significant development in the downtown core.”

To this end, Barnes established the Greater Downtown Development Authority (GDDA) as “a vehicle to bring all the key players around the table.” GDDA is composed of representatives from EDC; the Greater Kansas City Chamber of Commerce; the Civic Council, an organization made up of CEOs of the larger Kansas City companies; the Downtown Council, which traditionally focuses on the central business district; and at-large members appointed by the mayor. The GDDA, which is staffed full-time by EDC, acts as the development agency responsible for managing, phasing, and implementing the SoLo plan.

Following the Sasaki plan, HNTB, a Kansas City–based architecture, engineering, and planning firm, further refined the concept to offer “an opportunity for Kansas City residents to live, work, and enjoy new amenities in what has been a stagnant area of the city.” Calling it a “unique opportunity for a federal-state-city-private partnership to encourage this new, vibrant, urban development,” HNTB developed a six-year, market-driven development plan to make the transition from idea to reality. But the energy, confidence, and capital of multiple developers, property owners, and properties will be needed to bring the plan to fruition.

According to HNTB, SoLo’s success depends on the area’s ability to provide and enhance “linkages between the convention area, the prospective performing arts district, and the balance of the downtown area.” Barnes recognizes that Kansas City, as the heart of the region, ultimately supports the economic development of the whole area. Also, despite her desire to create a version of Paris’s Champs Elysées where the various districts are interconnected, she is aware of the need for diversity. Because the various districts surrounding SoLo are close to each other, they need to be viewed as a single area for marketing and to have better transportation connections. However, Barnes proclaims, the districts “will always maintain their own identity, but not in isolation from their relationship to the others.”

In its current proposed form, the completed SoLo Performing Arts District will include 1,625 new residential units, 455,000 square feet of retail space, 1.6 million square feet of office space, 200 hotel rooms, and 10,788 parking spaces. Phase I will consist of 450 residential units, a 200-room hotel, 100,000 square feet of office space, 425,000 square feet of retail, and 1,500 parking spaces on about three blocks. Two projects already have been identified for Phase I—the President Hotel block and the Kansas City Club redevelopment. HNTB estimates that the po-

tential for increased taxes under the proposed Missouri Downtown Economic Stimulus Act (MODESA) could generate an estimated \$8.5 million per year. This could be leveraged to create a bond potential of \$85 million, to be paid off over 30 years, for public infrastructure projects that would make SoLo more development friendly. In all, planners believe SoLo could generate more than \$30 million in taxes if MODESA legislation passes, which could be used to leverage more than \$300 million in bonds to finance the projects.

Udris believes that although the plan has a number of components, the proposal for the performing arts center is perhaps the most critical. The performing arts center, planned as a landmark that will attract investment and philanthropic interest, will define the neighborhood, creating a multiuse district with the specific character of Kansas City. The combination of a renovated, expanded convention center and associated hotels with new residential units, shops, and restaurants will “cater to people going to the theater at night and office workers in the daytime,” according to Udris, leading tourists to patronize the area 24 hours a day. In addition, studies are underway to determine the potential for a downtown sports arena in SoLo at 14th Street and Grand Boulevard.

Because an overwhelming percentage of buildings in the area are abandoned, there are no issues of displacement, Udris says. Missouri’s strong historic preservation law and state and federal historic tax credits will encourage renovation of some of these buildings, notably older, obsolete Class C and D office buildings that likely will be converted to residential properties. The HNTB plan calls for new housing units to be targeted to all income levels — contrary to some recent nationwide trends that contribute to gentrification by emphasizing upper-income residents. A minimum of 20 percent of the units must be for low- and moderate-income households for housing projects to receive added state benefits; however, the actual percentage could be

closer to 40 percent, according to Udris, because recent history shows the success of Missouri policies that encourage development of affordable housing through increased tax credits and funding for developments that exceed the 20 percent minimum.

Udris says SoLo’s retail component will try to emulate Nichols’s Country Club Plaza. The goal is “to drive the same principles that Nichols saw in his Plaza development to develop strategies for downtown; quality, experience, and tenant mix will create a desirable environment,” he says. In so doing, however, SoLo will face the challenge of creating a district that does not duplicate what is already in place five miles away. Instead of bringing in high-end retailers such as Saks Fifth Avenue, Restoration Hardware, or Williams-Sonoma, all of which are at Country Club Plaza, the Performing Arts District will work to create new uses and attract unique tenants as it strives to act as a stimulus for downtown development, says Udris.

Banking on MODESA

Next to private investment, the most significant source of funding for SoLo, and perhaps potentially a significant contribution to a national policy on urban redevelopment, would be the proposed MODESA. Until now, local and federal funds have been insufficient to bring about redevelopment of the South Loop area. Further, without public investment, the private sector is extremely hesitant to risk its own money. To make the public improvements that would attract the private investment needed to make the SoLo Performing Arts District a reality, substantial state funding is necessary.

Because of the massive amounts of capital needed for infrastructure improvements, Barnes is looking to proposed state legislation to provide the economic base from which the SoLo development could grow. MODESA would encourage and emphasize development

in blighted areas, which it recognizes as those areas “that [have] not shown growth and development through investment by private investors.” MODESA, which calls for no state appropriations, could become law before the end of the summer if it is passed by the state legislature and signed by the governor.

The act would allow state revenue to be redirected to “major-initiative” projects intended to revitalize urban cores and provide economic stimulus for the cities and towns in which they are planned, as well as for the state as a whole. The list of projects that could be considered major initiatives is broad: tourism-related projects, cultural activities, arts, entertainment, education, research, arenas, stadiums, multipurpose facilities, libraries, ports, mass transit, museums, conventions, and business locations or expansions that would create new jobs within three years. The job requirement varies according to a municipality’s size: A project in Kansas City would have to create 100 jobs to qualify, whereas a project in a smaller city, such as Springfield, would have to create 50 new jobs.

The idea behind MODESA is a portion of all new state revenue generated by a project, in the form of sales tax and income tax, would be redirected to major infrastructure projects within the development area. Key to the legislation is that taxes could only be applied to public projects, which might include public infrastructure (including parks and open space), parking, remediation of contaminated land, financing and relocation costs, and land acquisition. MODESA would differ from more traditional tax increment financing in that state participation in the project would go only to public infrastructure; private developers would not benefit directly from the state’s involvement.

As proposed, 3 percent of the total Missouri sales tax of 4.225 percent and 2 percent of Missouri income tax would remain within

project borders. No tax revenues existing before development would be diverted, and the state still would benefit from collecting the remaining 1.225 percent sales tax and an estimated two-thirds of additional income taxes created by new businesses and residents in the area. Net new revenue created by MODESA would be capped at \$40 million per year for Kansas City; smaller cities would have lower caps.

MODESA also would create the opportunity for each municipality to establish a downtown development authority (DDA) that would have such powers as eminent domain and the ability to own and transfer property and to borrow funds. Each DDA would bring the project before the Missouri Development Finance Board, where it would have to pass a “but for” test — the project could not be completed but for state participation — to qualify for MODESA funds. Each project would have to get local approval, too. Barnes is confident that the legislation will gain approval in Jefferson City, the state capital. Because the bill does not ask for any state appropriations and it applies to cities and towns of various sizes, it has the potential to encourage the redevelopment of downtowns “in a way [not possible] without state participation,” says Barnes.

MODESA has the potential to act as a catalyst for further development by the private sector by showing public sector investment and by priming SoLo to emerge as a success story. Although the project costs are high, so, too, are the aspirations. SoLo is in the rare position of being able to stimulate development with little of the social expense often associated with gentrification or displacement. In its potential to contribute to Kansas City as a whole and to establish a citywide relationship, the SoLo Performing Arts District could be poised to have social, physical, and economic benefits for the city, the region, and the state.