

# COUNCIL ACTION FORM

Meeting Date: June 8, 2023

Staff Contact: Ryan Denk, City Attorney

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**Agenda Item:** Consider Real Estate Purchase Agreement with Karbank Holdings, LLC for Real Property at 5000 Rainbow Blvd. and 5050 Rainbow Blvd.

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**Background/Description of Item:** The action for Council's consideration is approval of and authorization granted to the Mayor to enter into a Real Estate Purchase Agreement with Karbank Holdings, LLC ("Karbank Agreement") for the purchase of four city owned parcels bounded by Rainbow Blvd. on the East, W. 51<sup>st</sup> Street on the South, the Rushton School on the West and W. 50<sup>th</sup> Street on the North comprising 2.8144 acres in the aggregate ("City Property") and the purchase of approximately 1.47 acres of land immediately West of the City Property from land to be acquired by the City from the Shawnee Mission School District ("SMSD") ("Lot Line Adjustment Parcel"). Following the conveyance of the Lot Line Adjustment Parcel, the City would retain 3.5 acres to be used for a City park. The City still has outstanding debt on the former Westwood Christian Church parcels with the common address of 5050 Rainbow Blvd. in the form of a Lease with an option to purchase held by Security Bank of Kansas City ("Security Bank Lease"). The option to purchase permits the City to discharge the Lease and acquire the property free and clear by the City's payment of the remaining principal of \$275,000. Pursuant to the Karbank Agreement, Karbank agrees to pay this principal and discharge this Lease as the purchase price for the City Property and the Lot Line Adjustment Parcel.

The due diligence period under the Karbank Agreement mirrors that within the SMSD Agreement, meaning that there will be a six-month due diligence period terminating in December 2023 and a scheduled closing in early January 2024. During the due diligence period, several approvals and satisfaction of conditions precedent must be met to the satisfaction of the parties including site studies to determine the sufficiency of the real property for Karbank's proposed redevelopment as well as necessary planning and zoning approvals and replatting.

The closing on this land transaction is to occur simultaneously with the closing on the SMSD Agreement providing for the City's purchase of the 4.97 acres of the former Westwood View School site (currently being used as the Rushton School) ("SMSD Property"). The closing on the Karbank Agreement is expressly contingent upon the City's receipt of sufficient funding for and the closing on the SMSD Agreement. If these events do not occur, then the City is permitted to terminate the Karbank Agreement. A donation agreement will be brought to Council for consideration at a subsequent meeting providing for the donation of sufficient funding to allow the City to acquire the SMSD Property and to allow for demolition of currently existing on-site improvements. Closing on the City Property will occur in January 2024. The actual conveyance of the Lot Line Adjustment Parcel will not occur until the School District vacates the Rushton School site which is scheduled to occur on July 31, 2024. Although there will be a delayed closing on the Lot Line Adjustment Parcel, pursuant to the Karbank Agreement the City is still required, at the time of closing on the City Property, to execute a deed conveying the Lot Line Adjustment Parcel to Karbank and to deposit the same into escrow under terms providing that such executed deed will be filed following the School District's vacation and surrender of the Rushton School site.

Additionally, a Development Agreement will also be brought to Council for consideration at a subsequent meeting detailing the parties' respective rights and responsibilities relative to the overall development and the financing thereof.

**Staff Comments/Recommendation:** Staff recommends approval.

**Budget Impact:** There is no anticipated budget impact.

**Suggested Motion:** Move that the Council approve the Real Estate Purchase Agreement with Karbank Holdings, LLC and authorize the Mayor to execute the same.