

MetroWireKC July 6, 2010 Interview with Steven Karbank

Tell us about Karbank.

Karbank Real Estate Company is an industrial and office real estate brokerage and development company. We focus on our particular area of expertise. We don't try to cover all parts of the real estate business. We stay focused on our niche, but we're very good at that niche. The brokers and staff at our company are top-notch. Olen Monsees, President of our brokerage company, has been with the company for 41 years. Jim Wassberg, our CFO, for 30 years. Our approach is long-term. We understand what clients want and what clients need.

2010 is a notable year for Karbank!

Yes, it's our 60th anniversary year. Our company was founded in 1950 by my father Barney Karbank. Our approach to the real estate business over those 60 years has been remarkably consistent: high-quality representation for our clients and high-quality buildings in our developments.



The original Karbank Realty sign.

Do you have any celebrations planned?

Yes, but they'll be low keyed. We had large celebrations for our 25th and for our 50th anniversaries with clients. We'll celebrate our 60th with our brokers, our staff and our families.

What have the past 60 years taught you about real estate in Kansas City?

I've been with the company for 30 of the 60 years. Between my father, Olen, and other folks at our company, I've had the opportunity to learn from the best. Know the market, understand the client's needs and motivations, focus on the details and prevent mistakes rather than have to rectify them. Over time one develops a sixth sense about the real estate market and about transactions, what makes sense and what doesn't. Part of that is the experience of doing a lot of transactions, but part is an enjoyment of the work and a

fascination with the real estate business. The right strategy, the right solutions aren't necessarily obvious to the client. The key is to help them understand the right solutions and then get the deals done in a professional and timely manner.

Real estate in Kansas City? I have mixed feelings, particularly about Kansas City, MO.

I was recently looking through our company scrap books, containing articles, photos and deal information going back 60 years. One article that caught my attention was an interview that the Kansas City Star did with my father 35 years ago. He talked about ill-conceived tax incentive policies of municipalities and counties in the Kansas City area, particularly In Kansas City, MO. Here we are 35 years later and the issue is still relevant, but in a much more insidious way than it has been in the past. The problem is that Kansas City, Missouri is gutting its tax-base by incentivizing non-tax-paying development.

The lifeblood of a healthy city or county is for individuals and companies to invest in a community and to pay taxes which support schools, infrastructure maintenance, police, fire, libraries and other services. Encouraging development which burdens those services, but pays no taxes, is monumentally daft. But that is what Kansas City, MO is doing.

The clearest example of the problem is Kansas City, MO encouraging and incentivizing non-taxpaying development on the KCI airport land instead of tax-paying development on private property. It's monumentally foolish, short-sighted and irresponsible.

The impact on Kansas City is really far reaching. It drives down the value of Kansas City's industrial and office tax base and it drives out development. As real estate brokers and developers, we understand what drives development, but what we're seeing in KCMO with the crazy incentives is mystifying. It's self-defeating.

I'm a KCMO resident and taxpayer and I find the Kansas City policies deeply disturbing. Our company has been based in downtown Kansas City since 1950. We have developed hundreds of projects, millions of square feet of industrial and office buildings in Kansas City, Missouri. We've created an enormous number of jobs in Kansas City. We still own the first building that my father built in KCMO in 1952. We want to continue developing projects in KCMO, but the KCMO policies make it very difficult to do so.



The current Karbank Real Estate Company sign.

How long do you think this has been a problem?

The current iteration goes back about four years. KCMO, in a misguided effort to encourage development in the Northland, granted itself extraordinary benefits on the KCI airport land, essentially property tax abatement *in perpetuity*, solely for the purpose of competing with the private tax-paying sector. The result is that it drives down private property values, which drives down tax revenues, and discourages companies, investors and developers from investing in Kansas City, MO. Since KCMO, via the Aviation Department, bought the former Farmland office building, took it off the tax rolls and used its non-taxpaying status to compete with privately owned, tax-paying office properties, the office market, office building values and property tax revenues have been devastated. It has driven business out of Kansas City, Missouri. It's had a chilling and profound impact.

In fact, we have property near the airport that we'd like to develop for industrial uses, which would increase the Kansas City tax base. It's a shame that we want to do business here, but we and other developers are being dis-incentivized, in effect discouraged, from doing so.

People in the real estate community understand the implications of what's happened, but in the general community the issue is not widely known or understood. Folks at City Hall either don't understand the implications or don't care, neither of which is a good sign.

Do you see any of this changing any time soon?

Only if the city council comes to its senses. It's not rocket science.

We finished a large 6 building office project totaling 600,000 square feet of space last year. It's located at the NW corner of 119th St. & Renner Blvd. in Olathe. It was a 10-year project. It has 600,000 square feet of space. There are close to 3,500 people working at the project and now it's generating millions of dollars of tax revenue for Olathe, Johnson County and the state of Kansas. It was a pleasure doing business there. We and our clients were welcomed and appreciated. We'd like to develop similar projects in Kansas City, MO. but Kansas City's policy to actively compete with the private sector means that it doesn't make sense. We're really sad about that.



Recently completed Building 4 at 119th Street and Renner Boulevard in Olathe.

What's changed over the past year and what's the current climate like?

The industrial and office brokerage market is better than last year, but companies are still skittish about making decisions. Industrial and office development in the metro area has been dormant for the last couple of years.

Which part of your business is doing the best and why?

Our buildings are very well-occupied. Our vacancy rate is low. We work hard to keep our tenants happy and provide them with buildings that offer good value, high-quality, functionality and flexibility.

So your website has a new feature. What prompted you to start blogging?

We want our clients to understand what issues are important in the real estate business. As both brokers and developers, we have a different perspective than most real estate companies. We have a long term approach and an historical perspective that we think is beneficial to clients. If they read the blog, they'll understand our approach to the real estate business.