



Kelly Scanlon: On this episode of banking on Kansas City. We welcome Mike McKeen, the president of EPC Real Estate Group. Mike joins us to talk about how EPC is investing in Kansas City communities. Welcome to the show, Mike.

Mike McKeen: Thank you Kelly. Good afternoon.

Kelly Scanlon: EPC is literally building Kansas City, but you're doing that in more than the physical sense because EPC strives to build community and to make a difference in the way all of us in Kansas City live. So what are some of the projects that EPC is involved with throughout the Metro right now and how are they making a difference?

Mike McKeen: Well, our focus right now has been on second tier urban communities. So right outside of the downtown core, where you get into areas that used to maybe once we're a very vibrant area like downtown Overland Park or downtown Mission or the River Market or certain areas like that, where there's a lot of opportunity and there's kind of a renaissance going on or a lot of times we're coming in and starting it as a catalyst because there's a lot of culture in the area.

There's a lot of charm in the buildings that exist, and there's walkability, and proximity to jobs, and entertainment. Those are all key pieces to the equation for us in selecting a site, and there are some notable ones that hit all those boxes are Avenue 80, Avenue 81 and Avenue 82, those are a little series of projects along Metcalf.

At 80th and Metcalf is the first mixed use project, a residential project in downtown Overland Park. It's actually the first project in 30 years in a three-mile radius for new apartments. And we had that basically filled with a waiting list as we went, just because there's a major pent up demand there. And with that we did retail and office and that's all went really well.

The area, it was a very cool area to walk around and go see a little movie or go grab a drink and grab dinner. But there just wasn't anywhere for people to live there that didn't want to own a home. So it was the first opportunity and it's

went well, and hence we kicked off Avenue 82 or Avenue 81 and now Avenue 82.

Kelly Scanlon: Excellent. How do the projects that you're working on speak to the growth of Kansas City itself? You've talked about going into some of the first ring suburbs, and in places that may not have had attention, like you said, in 30 years in the one instance. And so, the fact that these are areas that are ripe for development, what does that say about Kansas City?

Mike McKeen: Kansas City still has a lot of opportunity, still a great area for development. The key is just getting the right sites, and reading the demographics properly and understanding, I guess, how to be ahead of the curve. There's a lot of areas that have been ripe for development. It just took a catalyst or somebody start that process, a good example is a Lenexa City Center in Lenexa.

We went out there and built a few hundred apartment units in the middle of a field next to a golf course that was struggling, and within five years of us announcing that and building that, there's been over a billion dollars of development there.

Kelly Scanlon: It's crazy.

Mike McKeen: And it's one of the coolest spots around now. It just took some time to get somebody to start and kickstart that vision that the city's had for such a long time.

Kelly Scanlon: Yeah. Well, what is driving the growth though? Are there specific factors like millennials not wanting to buy homes? Is it the empty nesters wanting to downsize? Is it all that plus more? What's driving that?

Mike McKeen: All that plus more. In that specific instance, the city had a great vision that they stuck to for a long time. If a lot of areas don't get traction, when a city creates a vision, they usually back off of it. These guys stuck with it for over 10 years, so they've had the patience and persistence and we're willing to do the public private partnership to make it economically feasible.

And that's what it takes to really kick off something and in the long run they're going to benefit from the tax revenue from a billion dollars of development, and it just took a little patience and a little partnership to get there. But in general, the multi-family market is driven by those things you mentioned. It's different than it was 10 years ago where people rented cars. They did not want or didn't have the ability to buy a home yet or couldn't afford a home or the market was down or whatever it may be.

Now, people are renting by choice. There are renters who are looking for a lifestyle versus a home. A lot of empty nesters don't want to maintain a 3000 foot house or a four or 5,000 foot house. Their kids are gone. They don't need

the space. They want the ability to lock and leave, to go see grandkids. So we see a surprising amount of those people.

Even in a project we did right here in this neighborhood at 51st in Maine. We saw a great show up of people out of the neighborhood around here who just were downsizing or wanting to simplify life. Millennials as well. They're not getting married at such a young age, not having kids till later in life, moving around more with jobs. All that feeds into the multi-family market and has created a good demand.

Kelly Scanlon: And you made a great point about the people who are renting today are doing it by choice and not by necessity. And I would suspect that, that would drive innovation in design, and in other ways as well because there's just different expectations. And so how do you address those? What are some of the innovative things that you're doing to address these new things that people expect?

Mike McKeen: Yeah, good question. Also, the competition drives some of this innovation just because-

Kelly Scanlon: True.

Mike McKeen: ... there's so much of it now, but the amenities have changed completely over the past 10 years. And the innovation has come with that. For example, many people have mail parcel delivery systems where it's a big electrical box with a bunch of lockers and when FedEx or USPS or Amazon or somebody comes, they can deliver it to these boxes and you get a text on your phone that says, "Hey, you have a package here, here's your code." You go down, punch your code in, a door, pops open.

And some of these are refrigerated units if you have a food service. So it saves a lot of time on the operations team. So we don't have to have a person in today's world delivering boxes all day long with all the Amazon purchases, especially around Christmas.

It saves, the overhead there, you have a onetime expense of the system, but it creates a simplification for the staff. It also allows people to go get whatever they need when they want-

Kelly Scanlon: Convenience, yeah.

Mike McKeen: ... so they don't have to be there in 10 minutes. They don't have to worry about someone knocking on their door when they're in the shower. It's a little different of a program. And that's just the beginning of it now I think a lot of people are using Uber more in those sorts of things.

So we have drivers at all of our properties. We have a limo service, you can go anywhere within a certain radius and it's an expense to the property, but it's an attraction that feeds the millennial base in what they're looking for. And it's a simplification. You control everything from your phone now.

Kelly Scanlon: Definitely, no question about that. So those are some of the functional things and convenience things that you are adding some creativity to in order to satisfy expectations these days. What about the space itself, the design of the space itself? I have been into some of these places where there's small spaces, but they seem so large because they're just late. Tell us about some of the things that you're doing with regard to the space.

Mike McKeen: Yeah, efficiency is a very big thing in the market is creating a small space as you can and making it as efficient as possible. So someone doesn't have to pay \$1,500 to live there, and they can get in for let's say \$900 because their space is smaller, but they can still accomplish the same things. Part of that's driven by how much we can put in the common areas for people to use.

If you have really great amenities, people don't want to hang out in their room, and sit on their cell phone, watch TV all day. And the other part of it is, they make micro appliances now, and the Murphy Beds are not what you would've seen in a movie 20 years ago in New York, I mean, they're really cool.

They come down, they've got shelves and they look nice, and there's just a big functional difference of average unit 10 years ago to now. And the average size is probably went down from 1100 to 800 feet.

Kelly Scanlon: Wow.

Mike McKeen: On average in that range. So they're definitely shrinking, but the cost per square foot's probably raising it about 3% a year.

Kelly Scanlon: But you're still getting as much or more in terms of amenities?

Mike McKeen: Way more.

Kelly Scanlon: Exactly.

Mike McKeen: Way more.

Kelly Scanlon: What was it that attracted you personally to get involved in real estate? What was your path?

Mike McKeen: Initially, it was by default I was in a niche building stadiums around the country for a company, and the next one they wanted me to do was in the middle East in Qatar to pursue the World Cup stadium. And I had just gotten married and had a daughter, and it didn't sound real appealing to my family.

Kelly Scanlon: Great opportunity, but yeah.

Mike McKeen: And I hooked up with a company, Briarcliff Development Company, and they offered me a great opportunity to come in and learn the real estate development world. And I did that. And through a series of people moving on, and starting their own companies and various things happening, I rolled into a leadership spot there where I was thrown into the fire really quick, and had an opportunity to develop a 340 unit apartment project.

And I loved it. I just fell in love with the whole development process and enjoyed it. Working with the community, the people, the banks, the residents, the contractors, the architects, the attorneys. So there's just so many components. Every day is different. And I just really thrived in that atmosphere, and kind of fit me. And I ended up partnering with some guys a few years later, and we've been on a roll.

Kelly Scanlon: Yeah. Well what was it about EPC in particular that makes it such a good fit for your interests and your skills?

Mike McKeen: The guys I work with, we all get along. They're guys, I'd sit down and have a beer with. They're guys I enjoy being around. They have good intentions with everything. They believe in the win-win model. We've created a set of core values, and I feel like they all are behind those core values of promoting each other to be your best and not just us, but all the employees in the company, giving them opportunities to grow.

And I just really got behind how they wanted to invest in the community. It wasn't just how big can we make our pocket books. And so we hit it off, and had a lot of fun doing it, and we're still going now doing a few hundred million a year in development, and it's been a fun ride, and I hope we're building a good reputation in the city because of those core values.

Kelly Scanlon: Yeah. Where do you see EPC and this segment of the real estate industry going in Kansas City? I mean, right now it's just booming. Do you see that continuing or what do you see?

Mike McKeen: I do listen to a lot of economists and I hear every one of them says something different, so I'd have to go off my own gut and say, basically my intuition is that there's going to be a few more good years, and it's going to remain good, but I think things will slow down a little bit in this segment of the real estate specifically the multi-family.

There's some great sites out there, but they're getting snatched up over and there's a lot of competition. And with that competition, everybody is doing these class A or close to class A properties, where the price points became very high. So the construction's went up, everything's just very competitive now, and the margins are thinning just a little bit.

So I think that over the coming years, there's going to be still things happening, but it's going to shift to a potentially more of an affordable market where, okay, not everybody needs to have tanning beds and massage therapies and personal trainer and every property. There's people who are looking for workforce housing or just need somewhere to live in a convenient location that's safe.

And so the answer to that is going to be how do you do that? And you're going to have to involve cities. It has to be a public private partnership because right now economically, it's hard to build an affordable unit without a partnership of some sort.

Kelly Scanlon: Exactly, yeah. And affordable housing is only going to become an even bigger issue. So glad to have people like you on the forefront of examining that and figuring out what the solutions might be. You have talked so much about what's going well, right now, in the real estate industry, but there have to be challenges too. And so what are some of those challenges and how is EPC addressing those?

Mike McKeen: Yeah, no thank you. Honestly, everything is really going well across the board in the industry except maybe the retail sector. I wouldn't say it's going bad, but it is not going as... It's not driving as hard and as fast as the industrial market or the senior living or the multi-family or even the office or hotel industry.

But the biggest challenge we're seeing across the board in all these industries, even the entertainment industry and other sorts of development, is that the workforce, there's an aging workforce. So there's a lot of really skilled guys that are falling out of the market as they retire from the unions or retire from the business they're in.

And there's not a lot of people back filling those spots. So there's a pretty tremendous labor shortage. And when I say labor, I'm not just referring to I guess manual labor, but also the skilled trades, and that is the biggest challenge.

Kelly Scanlon: Yeah. When you said retail has been a bit of an issue, just trying to find people to fill the shifts. I know from some of my friends who owned stores and restaurants that, that has been a challenge.

Mike McKeen: Yeah.

Kelly Scanlon: So, you can't build more if you can't fill the ones that you already have. I can't let you get away today without telling us the story about the job site tree. You told me about it earlier, and when we were on the phone and you just got to tell the story to our listeners here.

Mike McKeen: Yeah. Happy to. In all sorts of buildings, you have what is called a topping out ceremony. In the US, most traditionally it's been in larger steel structures, office buildings, stadiums and those sorts of things. Not so much in the stick frame

world, but these topping out ceremonies are actually ancient Scandinavian religious, right, that they did too.

They would put trees on the last piece of a structure that would go up, whether it's a wood truss, a piece of lumber or a steel beam. Back then, it was mostly just timber framing, but they would put a Christmas tree, so to say, but it's evolved into a Christmas tree.

At the time it was just a regular trees, and they'd put it up there and they would put it on top of the building with the last piece, and it would keep the tree dwelling spirits as they called them away from the building to keep them safe and for good luck.

They felt by disturbing nature that there was, I guess spirits that would be upset about it. And this went on in Scandinavia, and eventually it transitioned into Europe and has since then made it really worldwide as a ceremony. But each country is still actually looks at it a little differently. Some of them have a religious component, some spiritual.

Here in the US, it's become I guess a reason to celebrate, a reason to have a beer together. I guess as it went to Europe, they would actually hang it up because this was so long ago, and in smaller communities where it wasn't urbanized today, where you have contractors all over the place, when you wanted to build a shed, you'd call your friends and everybody would come over to build it together.

And then when it went up, it's when they'd put the tree up, and until everybody who participated was able to have a beer with the owner, then they can take the tree down.

And honestly, that's probably more how it is in the US versus a religious thing. It's a reason to celebrate the team that's worked hard, putting it up, all the people who've had a part, a hand and getting the structure complete. And it usually stays up there for a few days and wind creates an issue or the next level of roofing has to go on, but it's evolved and it's a really fun thing.

Kelly Scanlon: Yeah. So really it builds a community, recognizes the community it took to build it, it embraces the community that is coming to live in it. And it's just really all about community and EPC carries on that tradition.

Mike McKeen: Now thanks for recognizing that. We try to do that because our contractors need to be, I think recognized as they go because they're the ones out there every day working so hard. And we had this year, it went from a super long winter all the way to 110 degree temperature feel. It feels like. And those guys did great through all that. So it's a recognition of them and the city and everybody who partook and getting us to that point.

Kelly Scanlon: So Mike, any final thoughts? You guys are doing a lot of work, you have all over the Metro, but any final thoughts on working here in Kansas City? I mean, this is your home, this is where you build any final thoughts on the community of Kansas City?

Mike McKeen: Yeah, there's so much difference in the varying sections of this community being with there's so many cities in the Metro, but I'd say that out of... We're working in about six different States right now, and in the big picture I'd say, Kansas City has the strongest sense of community out of all of them right now.

They're amazing from every aspect, from the time we come up with a concept, until the time we are fully stabilized in a building and ready to sell it or ready to refinance it. Kansas City has been a really good community. I think the development industry specifically, there's a lot of developers here, and they all very much care about the community that they're building in.

I think everybody wants to see the right thing get down here, and the banks do as well. So I think the development community here has been very responsible because as a developer you have an obligation to do the right thing because you could put something that could really mess an area up just because it's sound for it.

So I think we have a strong sense of community, and those who don't like it are not afraid to share their opinion on it. And that's really good that, that's what makes this-

Kelly Scanlon: To have a dialogue.

Mike McKeen: ... makes it all work.

Kelly Scanlon: Exactly. Well Mike, thanks for the work you and EPC do to build up Kansas City, and we really appreciate you joining us on this episode of banking on Kansas City.

Mike McKeen: Thank you very much for having me. I appreciate the opportunity.

Kelly Scanlon: You bet.

Joe Close: You could probably guess, what I'd like to highlight that Scandinavian religious tradition talk about an amazing story and tradition, right? As Mike explains, the tradition has been adapted to represent a job well done, but it's important to respect where we've come from to respect our history while we move forward toward growth and progress.

We need to remember how important a foundation is that we stand on the shoulders of others, at Country Club Bank, we love that Mike and his team and EPC continue this tradition of building on a solid foundation. It's inspiring and

refreshing, and every team deserves the acknowledgement of a job well done. Thanks for tuning in this week. We're banking on you, Kansas City, Country Club Bank, member FDIC.