

STATE OF KANSAS)
WYANDOTTE COUNTY)) SS
CITY OF KANSAS CITY, KS)

SPECIAL SESSION, THURSDAY, AUGUST 31, 2017

The Unified Government Commission of Wyandotte County/Kansas City, Kansas, met in Special Session, Thursday, August 31, 2017, with eleven members present: Bynum, Commissioner At-Large First District (left the meeting at 6:33 p.m.); Walker, Commissioner At-Large Second District (left the meeting at 6:42 p.m.); Townsend, Commissioner First District (arrived at 5:14 p.m.); McKiernan, Commissioner Second District; Murguia, Commissioner Third District (arrived at 5:27 p.m.); Johnson, Commissioner Fourth District; Kane, Commissioner Fifth District (left the meeting at 6:33 p.m.); Markley, Commissioner Sixth District; Walters, Commissioner Seventh District; Philbrook, Commissioner Eighth District (left the meeting at 6:46 p.m.); and Holland, Mayor/CEO, presiding. The following officials were also in attendance: Doug Bach, County Administrator; Ken Moore, Chief Legal Counsel; Melissa Sieben and Joe Connor, Assistant County Administrators; Bridgette Cobbins, Unified Government Clerk; Jon Stephens, Interim Economic Development Director; Kathleen VonAchen, Chief Financial Officer; Debbie Jonscher, Deputy Finance Director; Alyse Villarreal, Capital Finance Coordinator; Patrick Waters, Senior Attorney; Shaya Patrick, Mayor's Office; and Officer Doug Bailey, Sergeant-at-Arms.

MAYOR HOLLAND called the meeting to order.

ROLL CALL: Johnson, Kane, Markley, Walters, Philbrook, Bynum, Walker, McKiernan, Holland.

NOTICE OF SPECIAL MEETING of the Unified Government of Wyandotte County/Kansas City, Kansas, to be held Thursday, August 31, 2017, at 5:00 p.m. in the 5th floor conference room of the Municipal Office Building for an Economic Development and Finance TIF Update and Incentive Policy.

CONSENT TO MEETING of the governing body of Wyandotte County/Kansas City, Kansas, accepting service of the foregoing notice, waiving all and any irregularities in such service and in

such notice, and consent and agree that we, the governing body, shall meet at the time and place therein specified and for the purpose therein stated.

Mayor Holland said tonight we have a Special Session on Tax Increment Financing and I think this has two purposes. One, it gives the public a chance to understand it better and this is going to be kind of a lengthy program, but this is an opportunity for all of us. I get a lot of questions out there on the road about Tax Increment Financing and what it is, what it does, how much we've used it, and when we use it. This is going to be an excellent presentation to be able to point people back to so I think it's going to be beneficial for the public. It's also going to be beneficial for us as policymakers as we move forward.

Doug Bach, County Administrator, said it's always set a high standard when we come out as staff when the Mayor has already rated this as excellent so you guys have to perform tonight. As the Mayor said, this is to really talk about Tax Increment Financing or TIF as it's more commonly referred to. Our objective this evening is to talk about what is TIF, what it is from a policy perspective; you know I guess how the program is utilized in our community. We have built within this presentation our existing TIF projects so it gives you a feel for it and I think one thing about TIF to note is there is kind of this perception that we're rolling out a lot of TIFs, you know that we're always doing TIFs. This is everything that's active today and if you look at them we wouldn't show that we're doing one a year. The objective here is to go through and show how they're performing and we've done this in previous years. There is a clear breakdown between ones we did years ago regarding residential areas and when you see that and their performance or lack of versus the commercial projects which have performed at a different level and that will be demonstrated in the presentation tonight.

As the Mayor said, this is a fairly lengthy presentation so while I always like to get into things I really hope we don't stop a lot on projects that we did a TIF on 12 years ago and say it's residential and I haven't done one like that in the last decade or anything to over analyze things that we're not doing anymore and kind of see how they're all performing before we breakdown each individual project might help us get through it. I realize there will be a lot of questions and things as we go through it, but we would like to try to move along through it because this takes a while to get through.

I think as we ask our questions it's really to see if there are areas to work on and go to and then that's the opportunity for us to then make it back down to the committee level or even come back to a different session if we wanted to work on revisions to the policy. It's not really our intent that we see revisions. It's more of what we need to dig into or what areas of concern we have about this and maybe there is some additional work to do from there.

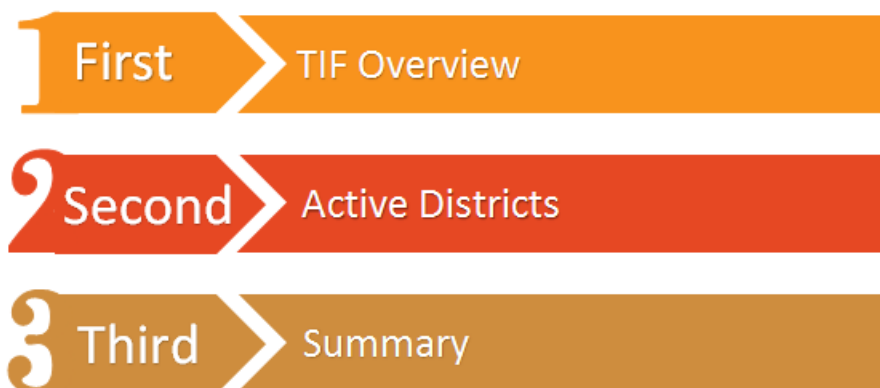
With that I'm going to turn this over to staff. Kathleen VonAchen, our Chief Financial Officer, and her staff has put together a lot of information along with Jon Stephens from Economic Development.

Kathleen VonAchen, Chief Financial Officer, said I did want to introduce Alyse Villarreal who is our newly appointed Capital Finance Coordinator and she did a great deal of the work on this presentation so I very much appreciate all of her efforts. Also, I would like to introduce Debbie Jonscher, my Deputy CFO; and then we also have Jon Stephens, Economic Development Director. We're going to provide an update on each TIF chronologically and we're only going to talk about TIF Districts. We're not going to include STAR Districts tonight in the interest of trying to condense our presentation. Maybe in the future we can talk about STAR Districts.

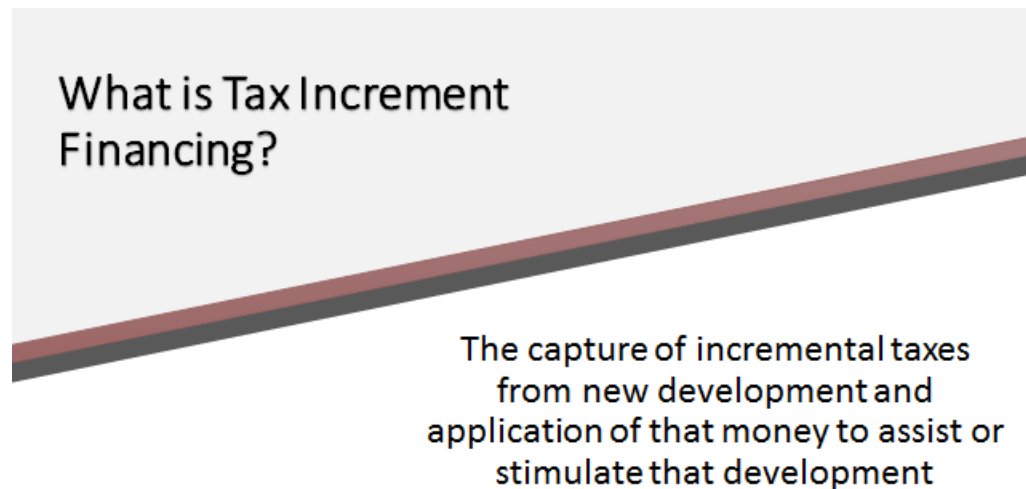
TIF is not the only economic development tool available to us but it is the major one so just keep that in mind. You might have heard of some other economic development initiative that was undertaken and you're kind of wondering why it's not in this presentation it's because it's not a TIF, that's why.

TIF Overview

What we're going to start out with is a brief overview of how Tax Increment Financing works. Debbie is going to lead that discussion and then after that we're going to walk you through each and every one of the TIF Districts. There are 19 TIF Districts that are active but four of them don't have project plans, they haven't started, or they're very young so we won't really be touching on those too much. Following that discussion of each district then we're going to have John talk and provide an overview of the current tax abatement policy and then we will finally get to roughly hopefully about 45 minutes of your questions and discussion on economic development.



Debbie Jonscher, Deputy Chief Financial Officer; said I'm going to start out with just a brief overview of the TIF process and some of the decisions that go into studying of a TIF District and then I will turn it over to Kathleen and we will go through the active districts and then a summary at the end. I will start with the TIF overview.



What is a Tax Increment Financing? It's a public financing tool that is used for redevelopment, the capture of incremental taxes from redevelopment and application of that money to assist or stimulate that development. What that means is we take the increment, increased tax revenue and apply it towards eligible project costs.



TIF encourages development in areas that may not have been developed without the use of public investment. Does it make our community better? Yes, we have a long term vision to create a value within the community and redevelopment typically brings new jobs. It improves community resources and amenities, encourage additional private investment in addition to the original investment and diversifies and strengthens our tax base.



There's both Direct and Indirect impacts when using TIF. The creation of jobs is a big one. If it's a commercial development it could bring new jobs to the community, it could also be retention or movement of existing jobs and its future growth of our tax base. Some of the

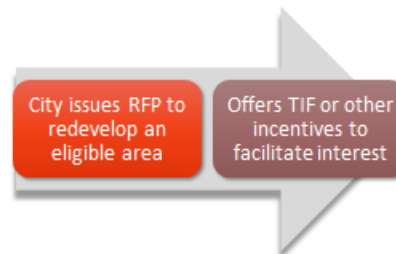
indirect impacts from TIF financing; property taxes for new family residences, if it's a residential development then it would stimulate new property tax revenue. However, if it's a commercial development bringing new jobs to our community then we could have some of those people relocate to our community and also have additional property tax revenue. Earnings taxes on payroll is not something that applies to our community. If you have a community such as Kansas City, MO that has an earnings tax, bringing in new jobs to that community would create additional taxes that could be used as additional revenue to supplement the project. Sales taxes on local spending; development brings new jobs, new jobs brings people, people spend money in our community and that relates to increased sales tax revenue.

How are TIFs created?

Developer Initiated

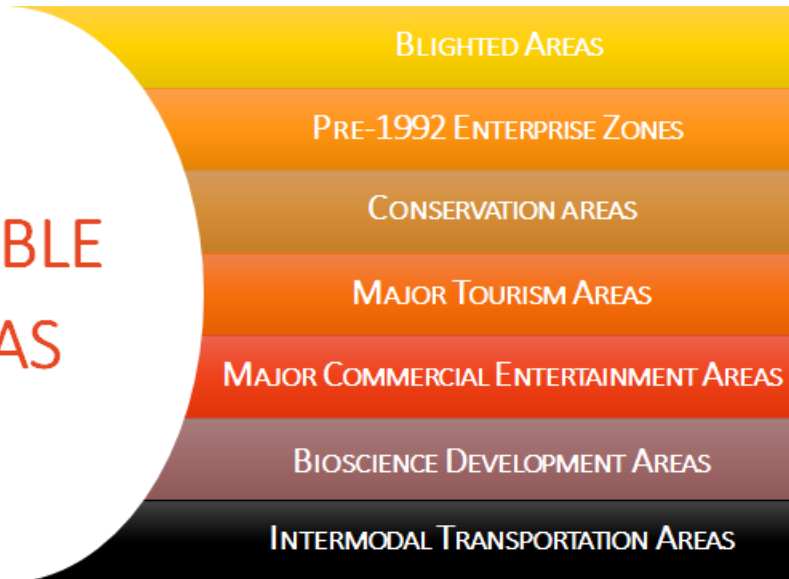


City Initiated

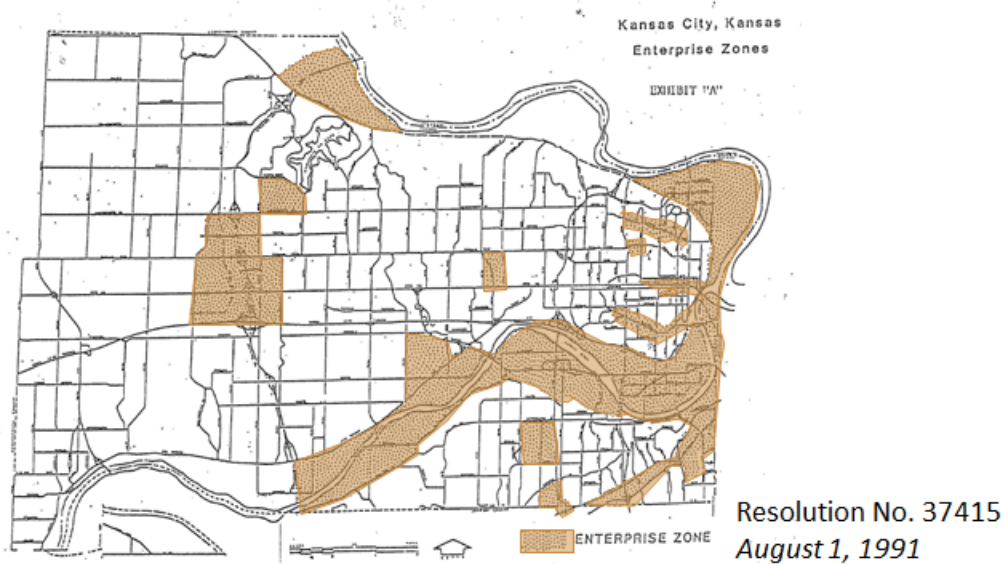


TIFs can be created in one of two ways. The developer can initiate the TIF process if they have an interest in developing a certain area within the community. They can come to the City and start the process. The City can also initiate a TIF District if they have an underdeveloped area or an area they want to increase interest in. They could create a district and then hopefully entice developers with interest in that area.

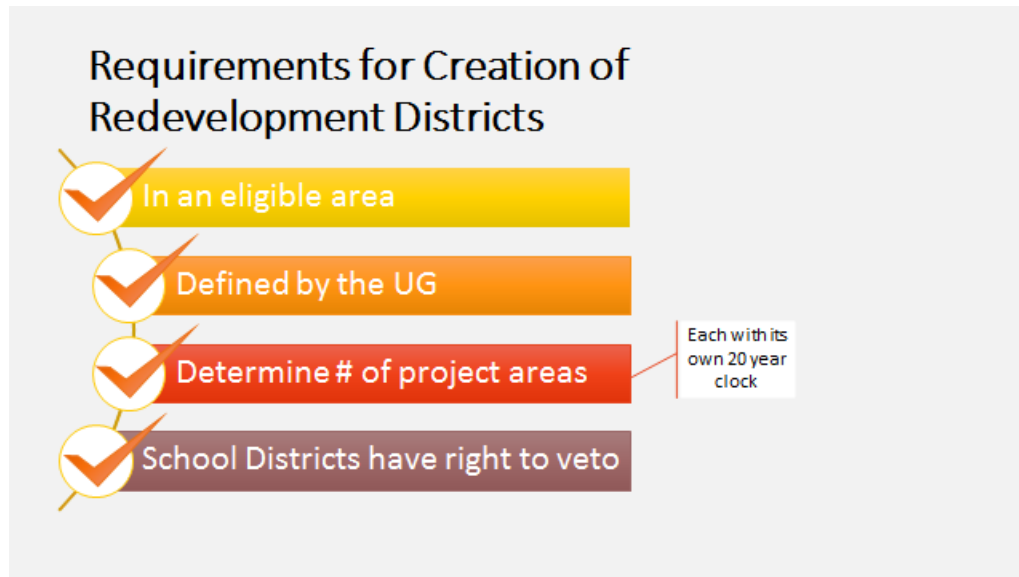
ELIGIBLE AREAS



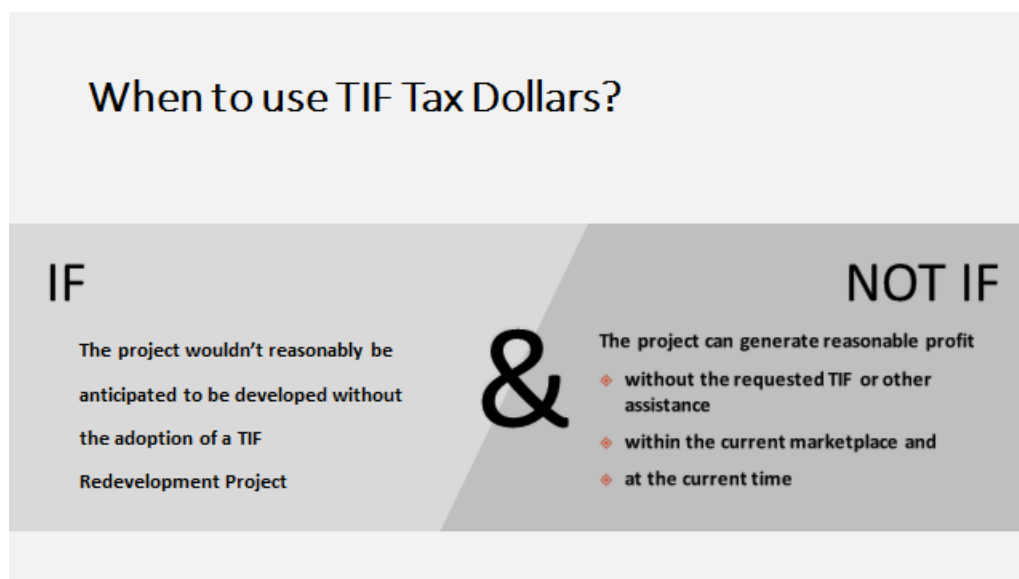
These are the eligible areas that a TIF District can be created. In our community we only use the top two. All of our TIF Districts are either in areas designated as blight or pre-1992 Enterprise Zones.



This graph here shows back in August of 1991 a resolution was passed that designated the shaded areas as Enterprise Zones. Later on I will show you a percentage of how many TIF Districts are in the Enterprise Zones.

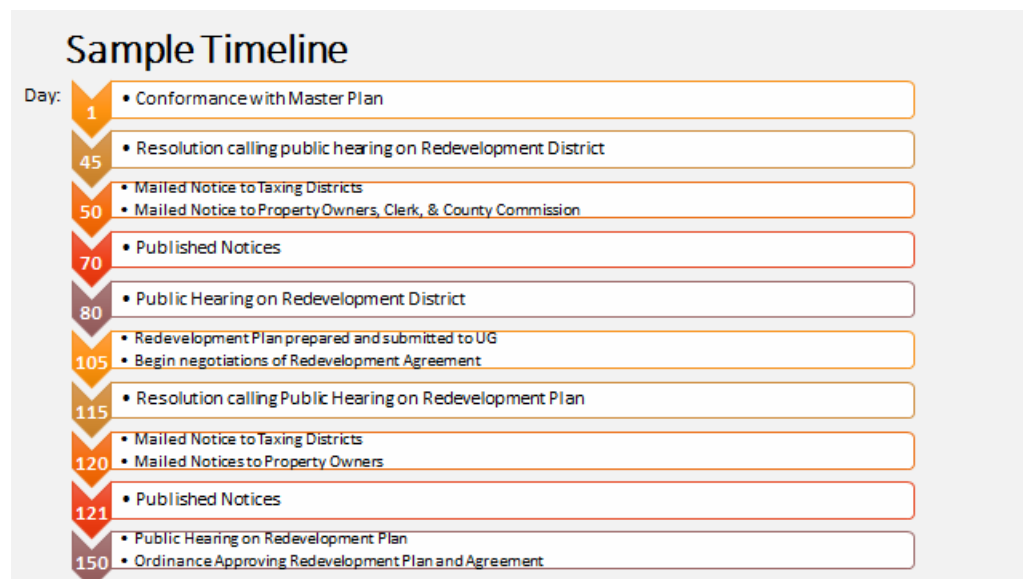


Requirements for creation of a redevelopment district; one, it has to be in one of those eligible areas, it has to be defined by the City, each TIF District have to determine the number of project areas, and each project area has its own 20-year clock. The 20-year clock does not start when the TIF District is created; it starts with the approval of a redevelopment plan within each project area. Also, school districts have the right to veto a redevelopment district project.

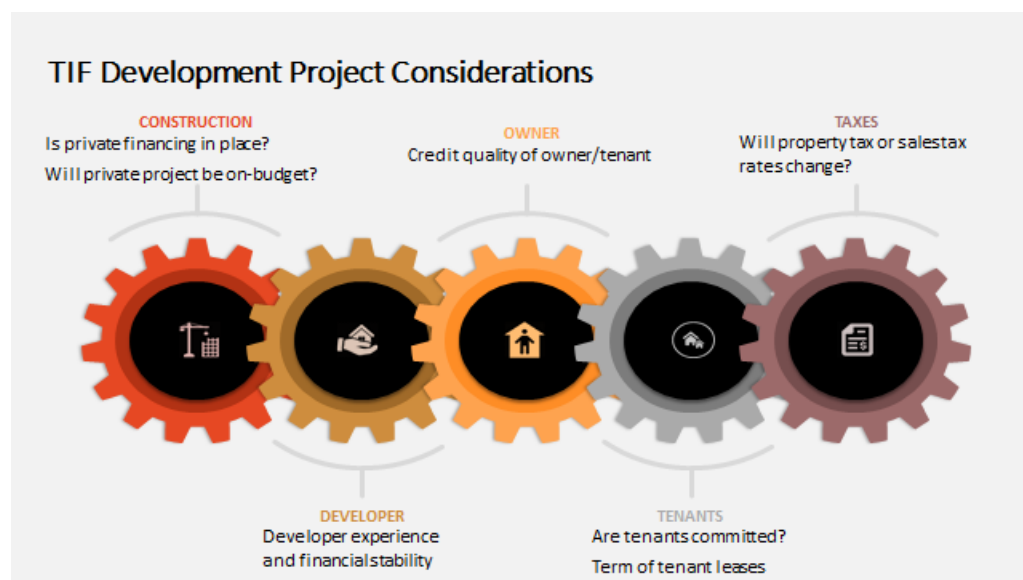


When would you use TIF tax dollars? As I said earlier, if redevelopment is unlikely to occur in an area without public investment, this would be a tool that could be used. Obviously, if a project can generate reasonable profit on its own then you would not want to use TIF dollars

because then those additional dollars would be allocated to the project instead of coming back to the taxing entities.



This is the sample timeline of creating a redevelopment district and also a redevelopment plan. As you can see it takes about five months if everything is on track because you have to hold a public hearing, you have to send notices to the property owners within the district as well as send notice to all the taxing districts and so it takes about five months.

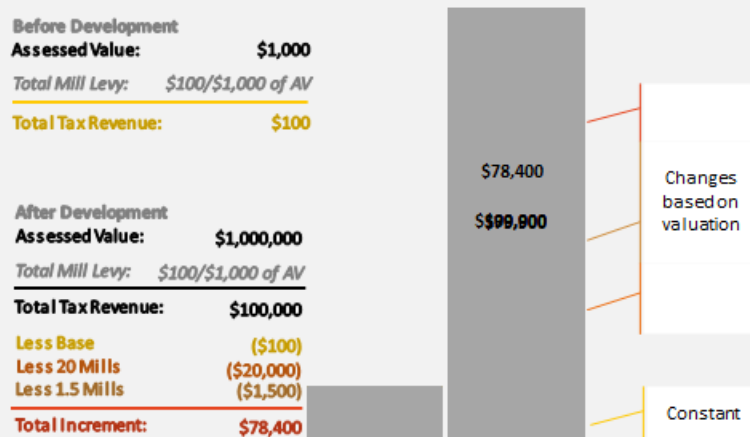


While all of this is occurring there are also other elements of the TIF that are being considered such as does the developer have all of his private financing in order to complete the project. We may have feasibility studies going on to ensure the project can perform and if there is debt issued to be able to pay back the debt. Are there any changes in any of the property or sales tax rates and does the developer have any tenants committed to the project.

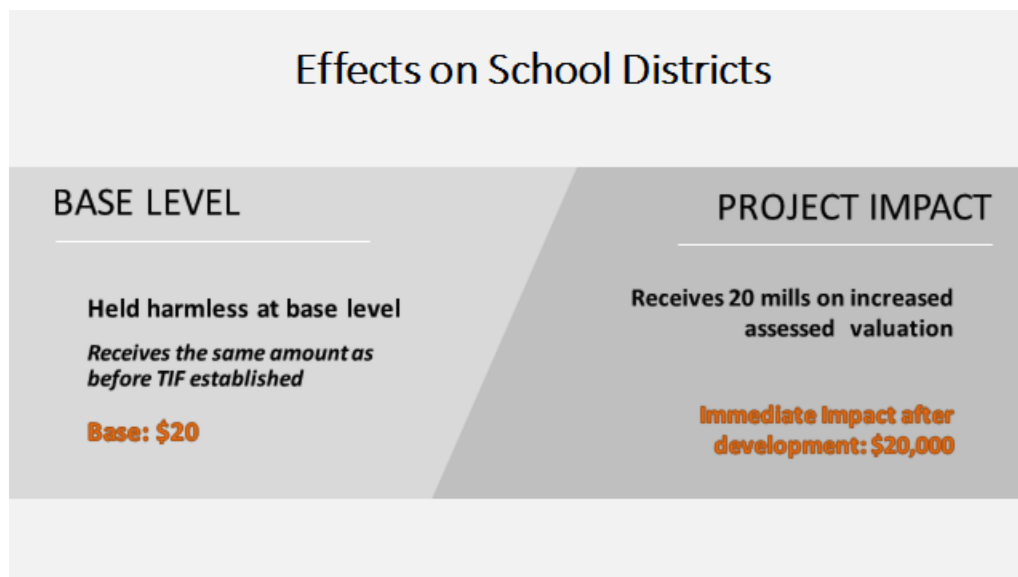


Other decisions are who, what and how much? Who is included? The City and County would be included, the school district is included; however, the first 20 mills of a school district levy are exempt from the TIF calculation. Also, the States 1.5 mills are also exempt. On the next slide I'm going to provide an example of how we calculate TIF increment and you will be able to see that clearer. What can be included? Real estate property taxes, sales tax, both sales and use tax can be pledged as well as transient guest tax and other special taxes such as CIDs, Community Improvement Districts and Transportation Development Districts. We can chose to include 100% of the increment to go toward the project or we can also set a smaller percentage or set a cap so that if a cap is set once the reimbursement reaches that level, then all the remaining tax revenue starts coming back to the different taxing entities.

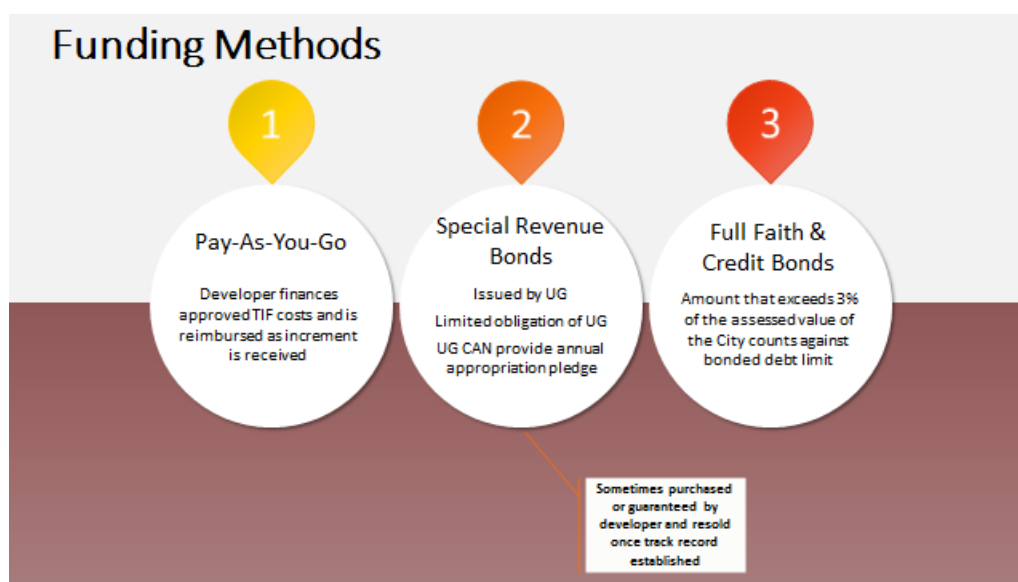
The Base and the Increment



This is the example we're going to use. Before development we have a property that has an assessed value of \$1,000. For this example I'm going to say that we rounded all the numbers just to make them even so for this example we're going to assume that \$1,000 of assessed value brings in tax revenue of \$100. That \$100 becomes the base. When a tax district is created and the base is defined that number stays constant. After development the same property now is worth \$1M. We're going to assume no change in the mill levy, our \$1,000 of assessed value still brings in \$100, but now because the assessed value is \$1M we're bringing in tax revenue of \$100,000. So, we've got \$100,000 of revenue coming in for the project. When we calculate the increment the first thing we have to do is take off the base because the base remains constant and the base comes back to all the taxing entities. Next we want to subtract off the school districts 20 mills and the States 1.5 mills so that leaves a remaining \$78,400 of property tax increment that's eligible to be applied to the project. As I said earlier, they can chose to put the entire increment to the project or you can set a cap as to how much you actually want to include. As assessed value changes the base never changes, it always stays the same, but the school district, the State amount and the increment will all change according to what the assessed value is set at. If the assessed value is higher than \$1M then all of these numbers would be higher. This is just a simplified example of how you would calculate that.

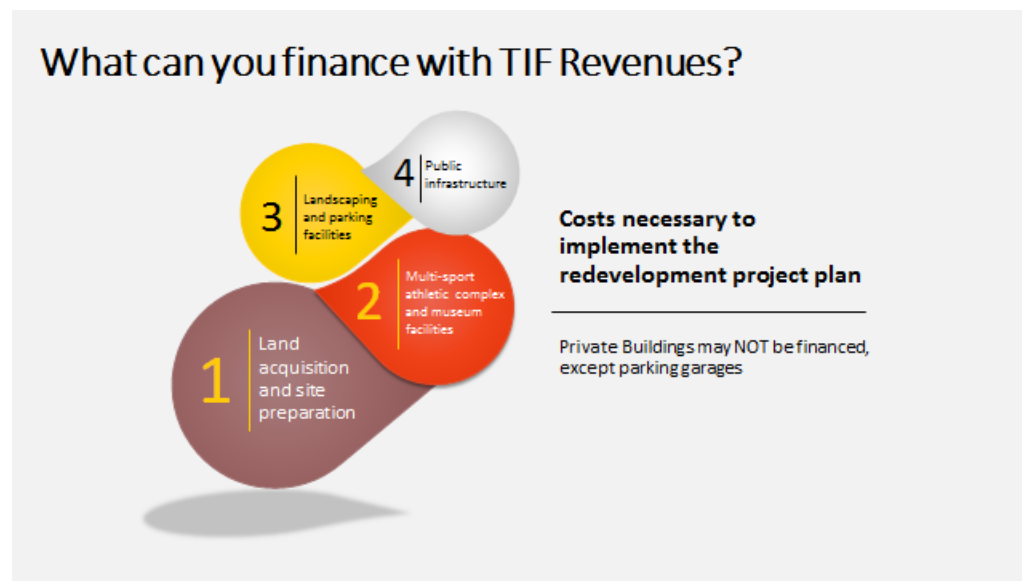


We wanted to do a slide on the effect on the school districts. When we have the property that was undeveloped and the base was set at 100, the school district the first 20 mills that are exempt from the TIF calculation goes back to the school districts. So, before it was developed the school district was receiving \$20, after development that amount increased to \$20,000 so that's an immediate impact to the school district after development which is a pretty positive impact as the developed occurs in the school district.



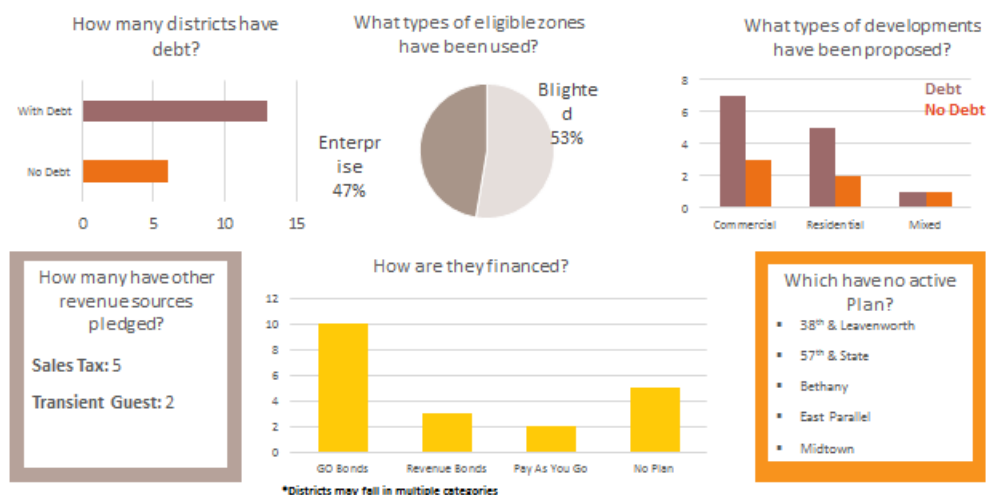
Funding Methods; pay-as-you-go; this would be where the developer finances the entire project and then expenses are reimbursed as increment is received. Special Revenue Bonds can be

issued by the Unified Government. We could have a limited obligation or if the project can't support itself in the beginning to issue bonds the UG could provide an annual appropriation until the project gets going and then the bonds could be refinanced to remove that annual appropriation. The third type, Full Faith & Credit, is actually our General Obligation Bonds. We did have a note on here that once a TIF, the outstanding amount of TIF Bonds exceeds 3% of assessed value of the County, then we have to count that—we have to include that in our calculation for the debt limit.



What can you finance with TIF revenues; land acquisition and site preparation, parking and landscaping, pretty much all public infrastructure is eligible for TIF costs; streets, curbs, sidewalks, utilities, and parking garages. The only thing that is not eligible for TIF revenues is the private buildings and buildings owned by the developer.

UG TIF Districts ► Highlights

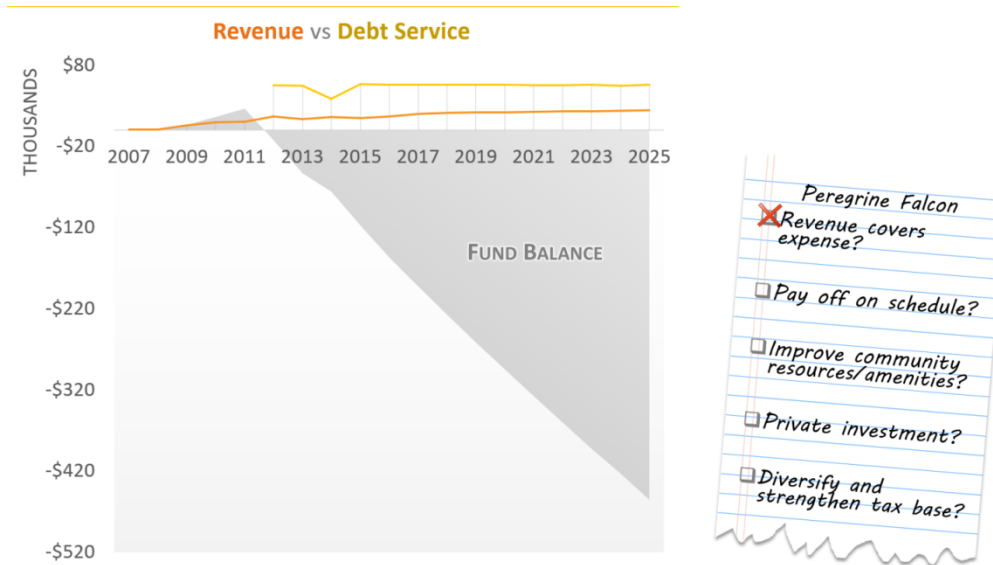


This is the last slide before we go on to the districts. This is just a cap of several different graphs that highlight the TIF Districts. I will start with the one in the upper left. How many districts? Kathleen said we have 19 TIF Districts. Currently 13 have debt issued on them and six do not. All of the TIFs are in two of the Eligible Zones, 47% of our TIFs are in Enterprise Zones, and 53% are in areas designated as blight. We have both commercial/residential and mixed-use development. Some have debt and some do not. We also have seven districts that have other revenue sources other than property tax pledged to them. We have five districts that have sales tax pledged and two districts that have transient guest taxes. The middle graph on the bottom shows how they're financed and the majority of the ones that have debt are financed with General Obligation Bonds. We have a few Special Revenues and pay-as-you-go. As Kathleen mentioned, we do have a couple of districts that do not have an active redevelopment plan. We have those listed in the box to the right; 38th & Leavenworth Road, 57th & State, Bethany, East Parallel. Midtown does have debt issued but there is no redevelopment plan so these projects do have districts but there is no plan. With that, I'm going to turn it over to Kathleen.

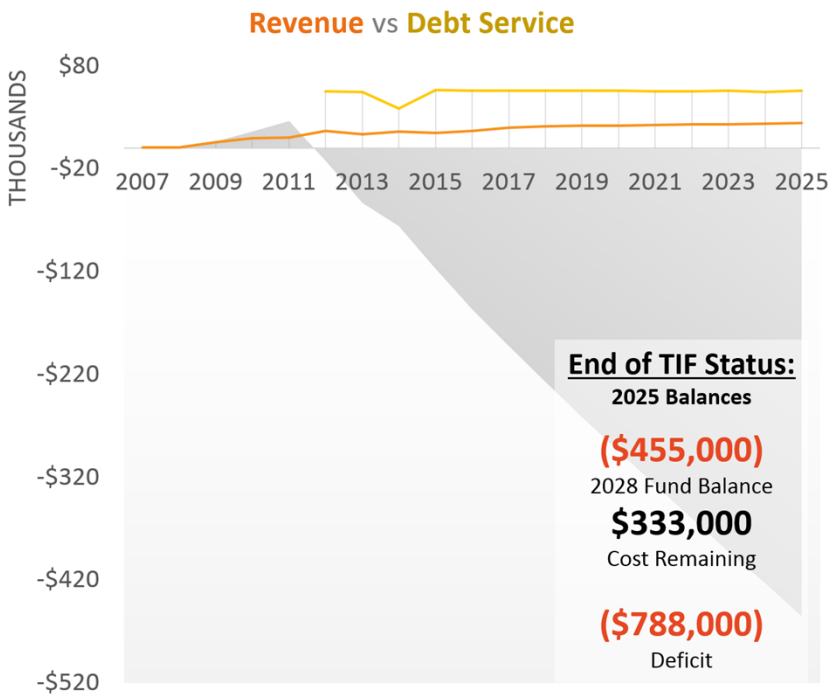


The district was formed in 1997 and the plan was approved in that same year. The old district was abolished and a new one was created in 2005. There is the new one. You can see it had five project areas. The project plan is expected to be completed in 2025.

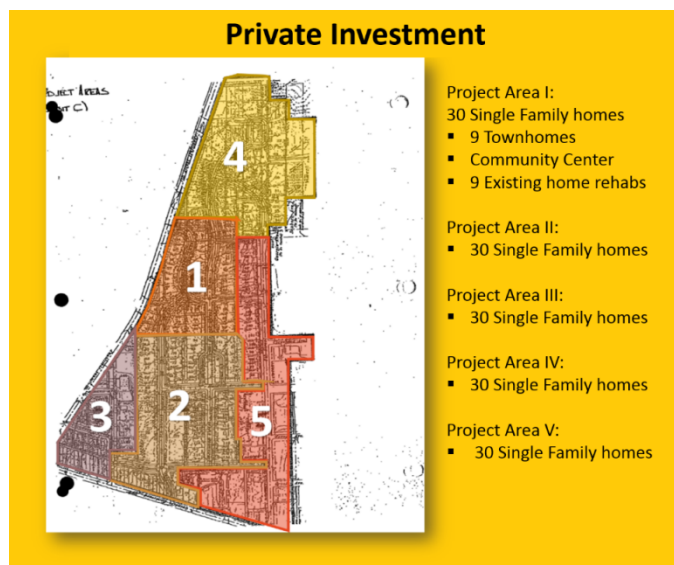
Commissioner Philbrook said did you say that the only one we have is Section 5 now, the other ones were—I'm kind of confused on the project areas. We've got five project areas and so did you say something was abolished and started something new. I heard that, but I wasn't sure what it was. **Alyse Villarreal, Capital Finance Coordinator**, said the original district was actually approved in 1997 but then they had some issues with a lawsuit, I believe, from the Wyandot Nation and so that halted progress and I think in a bunch of different TIF Districts. In 2005 they decided the clock was already running, we better abolish this district and restart again. That way they have the life of the 20 years. **Commissioner Philbrook** said but it's still the same area. **Ms. Villarreal** said it's still the same area. **Ms. VonAchen** said how this works is you form a district and within the district at the subset there are project areas within the district so the first district is no longer in place. We now have a new district of which they sectioned up into five project areas.



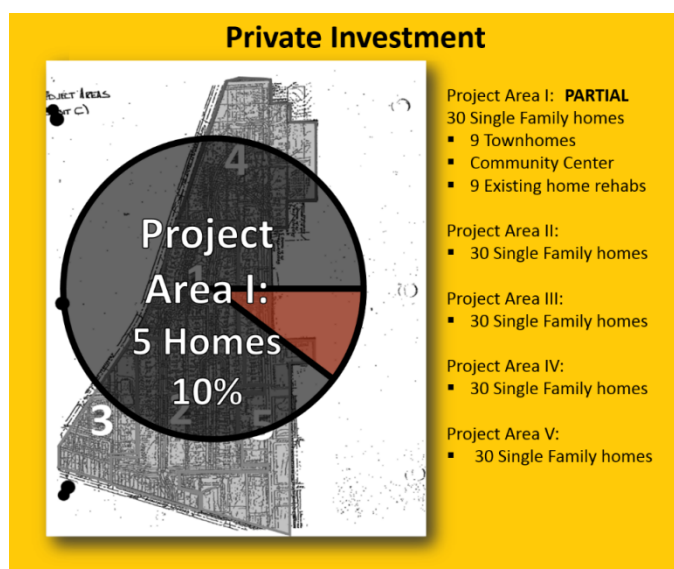
The plan for this district was originally to build 129 single-family homes ranging from \$145,000 to \$200,000, 21 townhomes ranging from \$110,000 to \$135,000, to build a community center and to rehab 48 existing homes. I did want to mention over here on the right-hand side you're going to see a checklist and we've provided the checklist for each of our districts and this is basically how we're measuring the performance of each of the districts. That's whether the district revenues covered its expenses, whether the payoff was on schedule, whether the district improved the community resources or amenities, whether or not the private investment promised in the project plan was achieved, and then finally did the project or the district diversify and strengthen the tax base. As we talk through these we're going to kind of provide our rendering of how we performed on each of these districts.



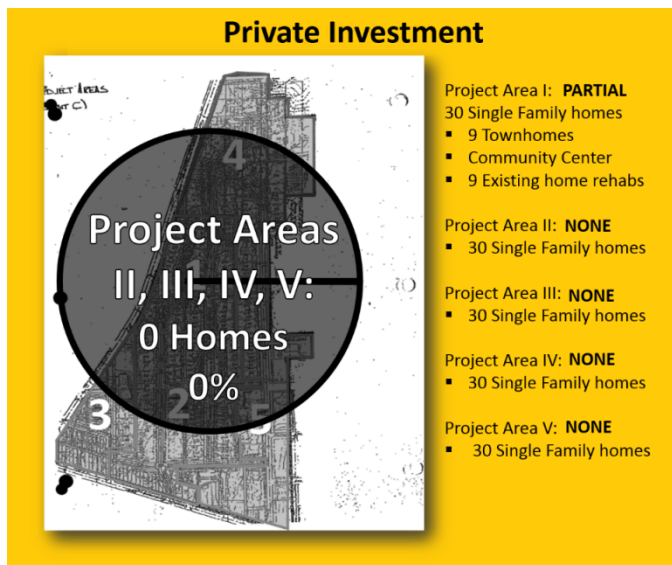
Peregrine Falcon unfortunately did not successfully achieve in building all of the homes that they had promised and as a result the debt service is exceeding the amount of property tax revenue that's being collected so the revenue is not covered. In fact, the payout schedule which the debt service is expected to end in 2025 that between the amounts of fund balance that is in a deficit position of \$455,000 plus the cost remaining on the debt service of \$333,000 this residential Tax Increment Financing District that was formed many years ago has a deficit of \$788,000. It's not paying off, the revenue and the expenses do not equal each other.



Project Area 1, in a little more detail, they plan for 30 single-family homes. There is the breakout of nine townhomes, a community center and nine existing home rehabs. There are a number of other homes that they promised. I could go through each one. I did want to mention actually in your handout that I missed a correction that we planned to do and actually the handout doesn't match what's on the screen and so what's on the screen is the accurate number.

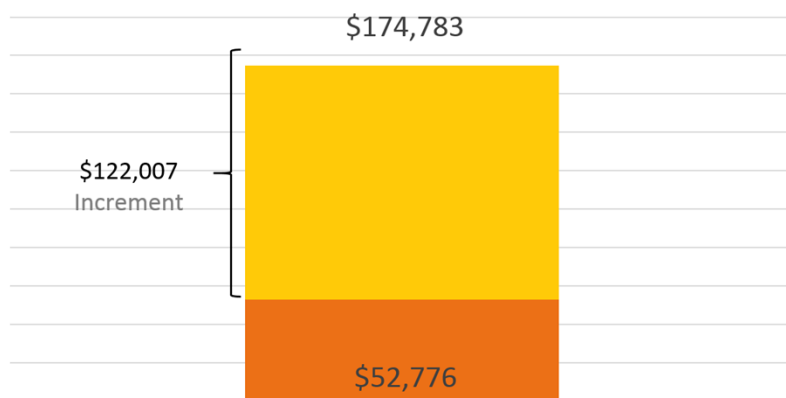


Ultimately only five homes were built only in Project Area 1.

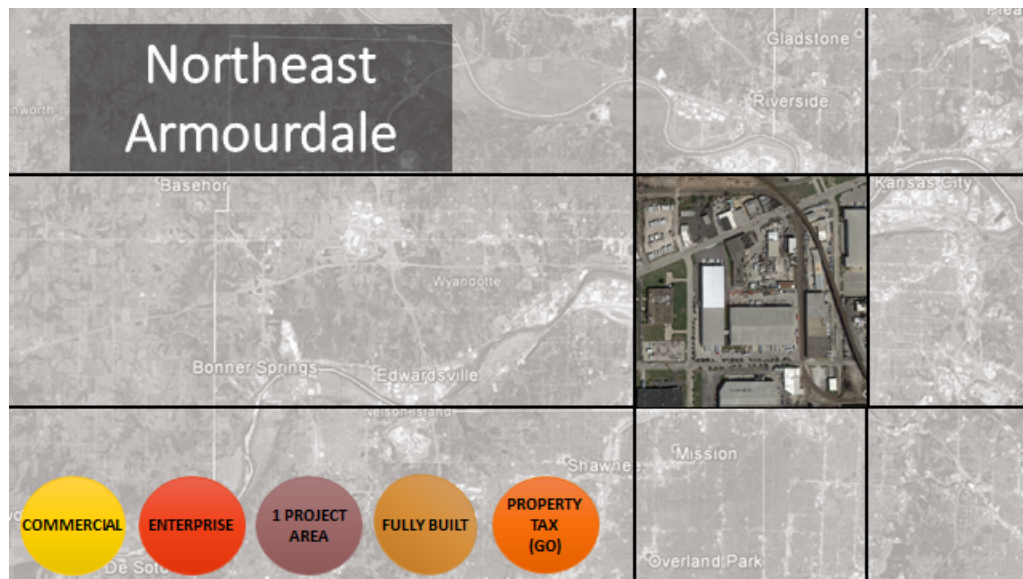


Project Area 2 through 5 still does not have any development on them so a majority of the private investment was not completed and also the tax base was not diversified.

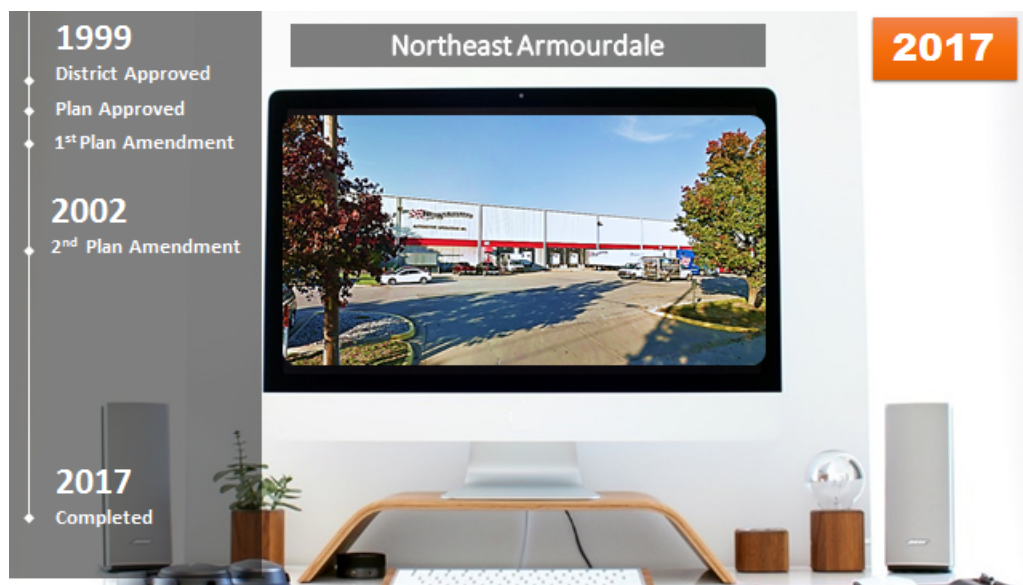
Assessed Value



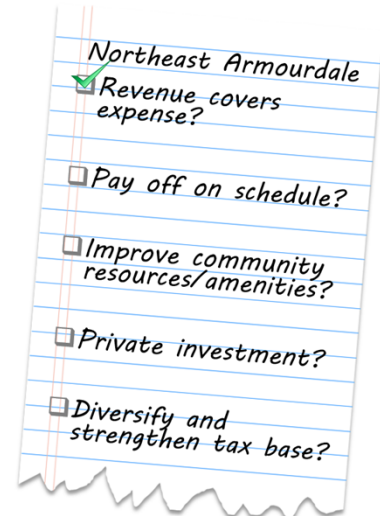
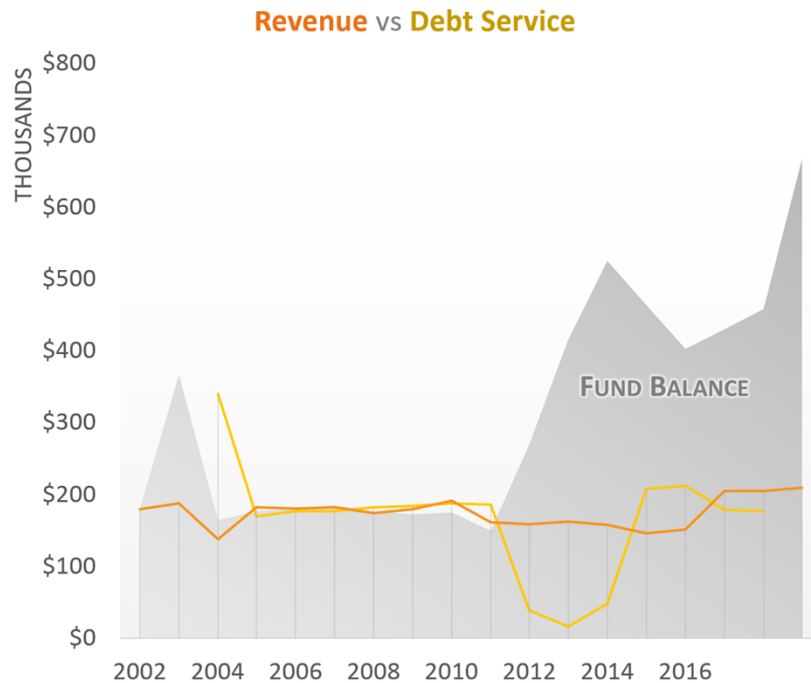
This is an example of that residential Tax Increment Financing District that no longer is a policy or an initiative that we pursue any longer because it is a risky endeavor to use Tax Increment Financing as a tool for residential development. There are other tools that can be utilized though.



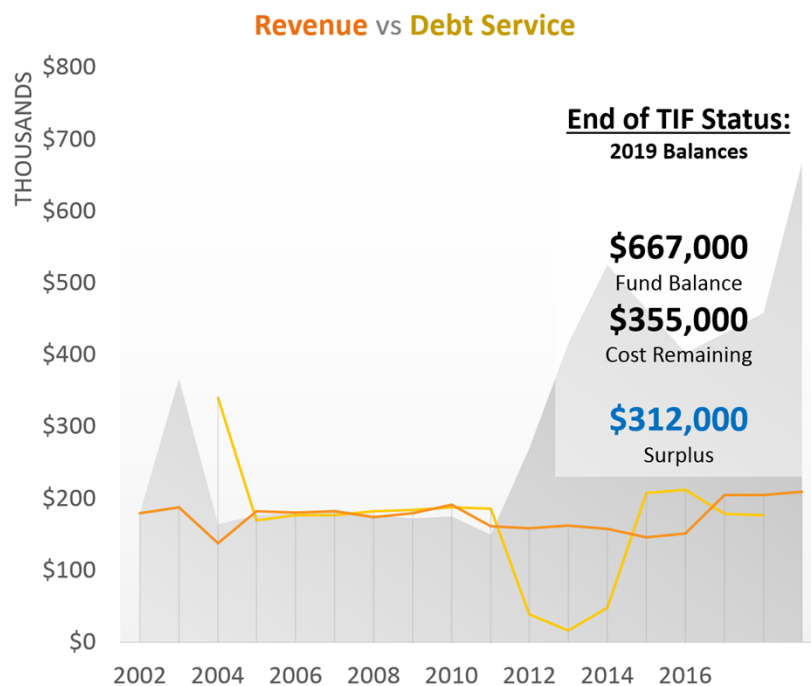
Ms. Villarreal said our next district is Northeast Armourdale. It's a commercial district that's located in an Enterprise Zone. It has just one project area, it's been fully built, and it was backed by property tax revenue that was included in a GO issue.



This district was approved in 1999 along with a plan and they even amended the plan and then a second amendment occurred in 2002 and we expect completion for this project in 2017.

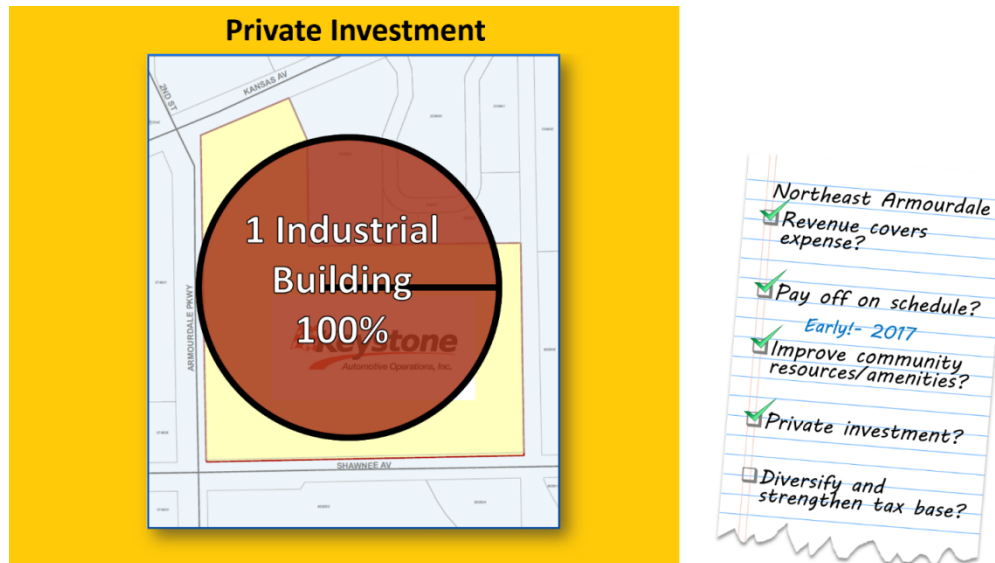


If we look at this graph which shows the revenue which is the orange line and the expenditure which is the yellow it looks a little crazy because some of it—there are mountains and some hills that peaks but all in all the fund balance is accumulating.

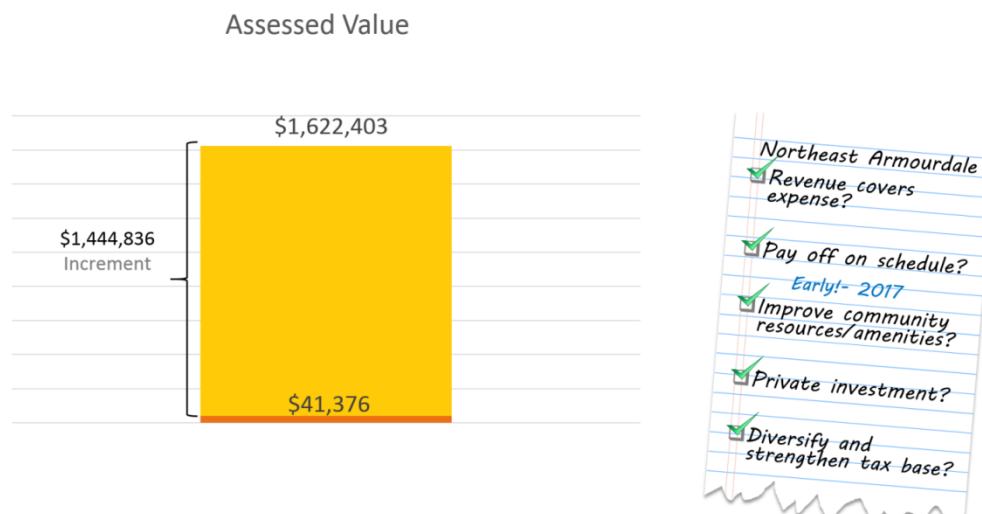


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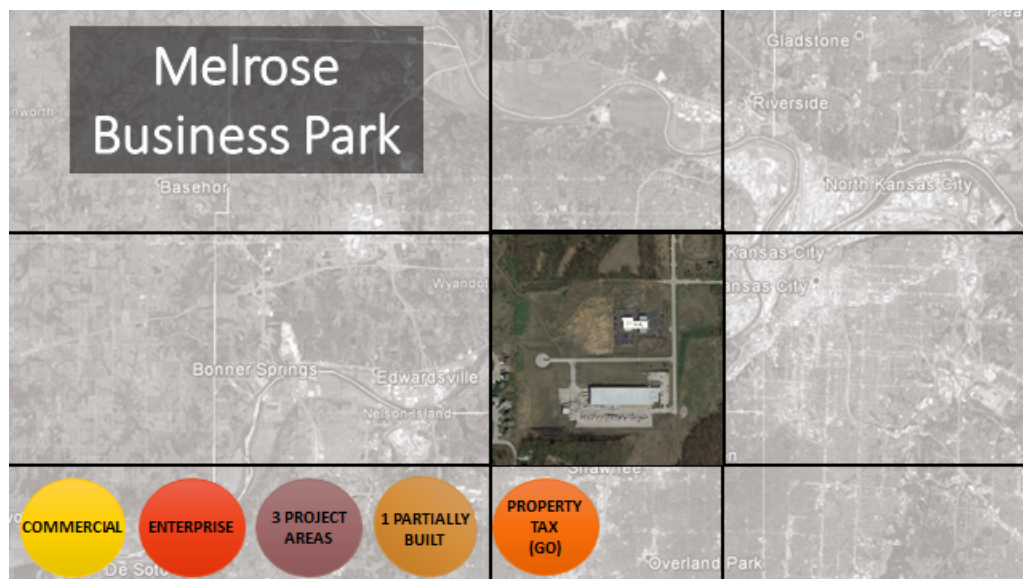
The revenue has been covering the expense for this project and we actually anticipated to pay off on schedule. In 2019 which is when the plan ends if we continued all the way we would have a surplus of \$312,000, but with it paying off early we will most likely come to you and discuss terminating the TIF District so the revenue can flow through to the taxing jurisdictions.



As far as private investment goes for this district, the building was built and is complete.



We've seen an increase in the assessed value so it has strengthen our tax base.

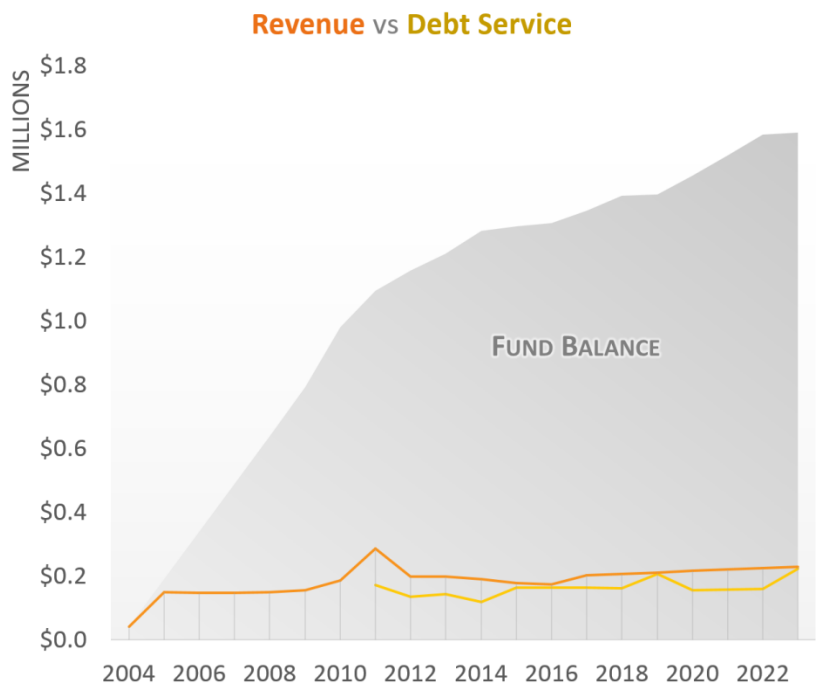


Ms. VonAchen said Melrose Business Park is a commercial property. It is within an Enterprise Zone, it has three project areas within it. One of the project areas is partially built and the funding or source is a General Obligation Bond backed by property tax revenue.

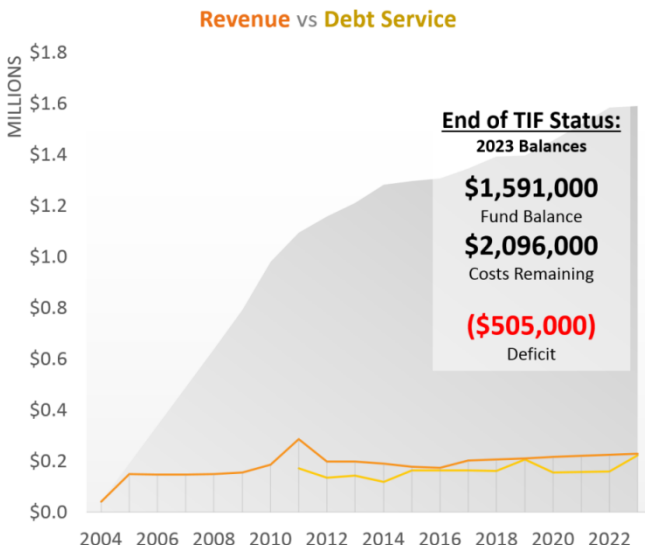


The district itself is located east of 635 on 47th on the west and Gibbs Road on the south. It consists of 49 acre parcel of land to be used as an industrial park of which seven or more industrial buildings were planned in the plan totaling 424,000 square feet. What we know there are two buildings currently there and so one of them is Frito Lay and the other one is the Progressive Call Center or in the past it was the Progressive Call Center.

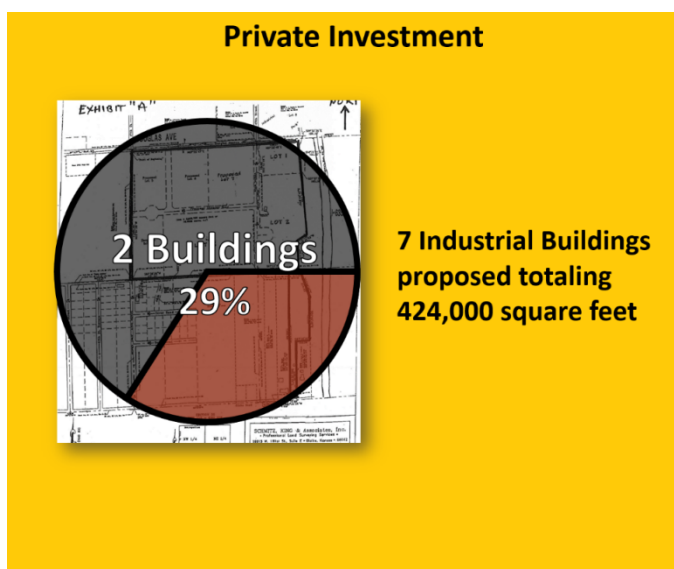
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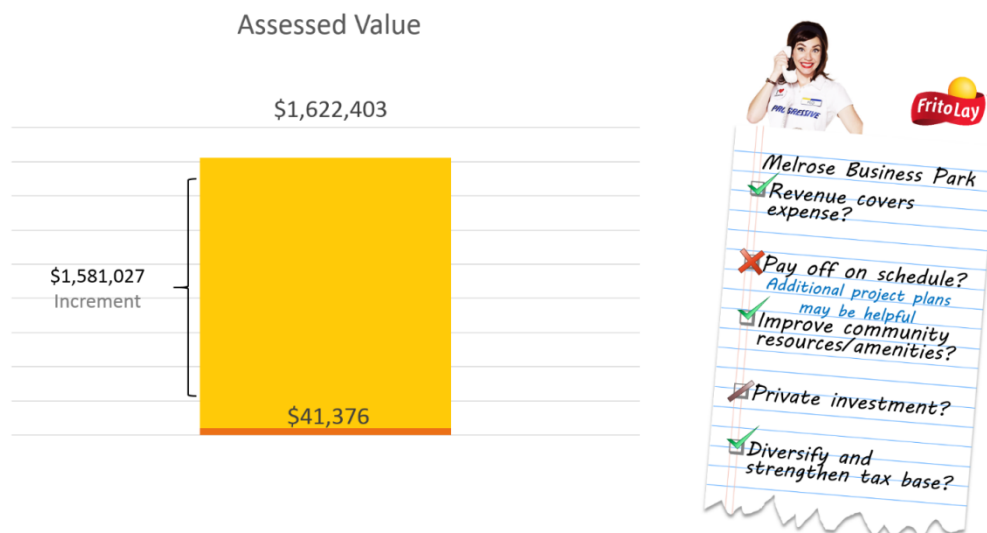
This district is performing quite well. The revenues and the expenses are covering each other on an annual basis and you can see there that the orange line there at the bottom is the revenue number and the line below it beginning in 2011 is the yellow line which is the debt service number so you can see that's below it, that's a good thing. The debt service didn't really kick in or start until a good six or seven years after we were starting to collect that revenue and that's why annually we weren't spending any of that money on debt service so it kind of built up a fund balance.



That fund balance continues to grow as the revenues are expected to exceed the debt service so that's a good thing. We expect the payoff. We don't expect it to pay off early and we don't expect it to be on schedule and the reason is because the plan was the infrastructure or the project costs or the investment was sized for seven buildings and not two. If we can generate additional development and put in place those additional five buildings, this project area will definitely pay itself off. Not only that, if the development occurs in Project Area 2 rather than 1, then we would be able to reset that 20-year clock and then we would be able to collect and dedicate those revenues to the project.



Two buildings have been successfully completed so the private investment marginally is being accomplished at the 29% of the total number of buildings.



In terms of diversified and strengthening the tax base the assessed value of the area has improved from \$41,000 before the development to \$1.6M after the development so that's good and very positive.



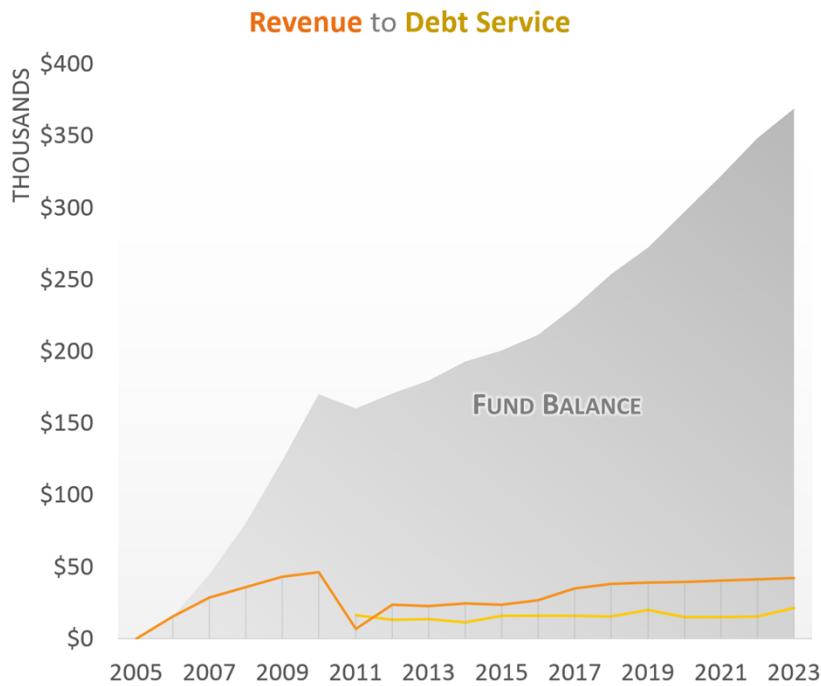
Ms. Villarreal said our next district is Mission Cliffs and then Rainbow Park which I will discuss. It's a residential district in a blighted area with one project area, fully built out now and its property taxed based and included in a GO issue.

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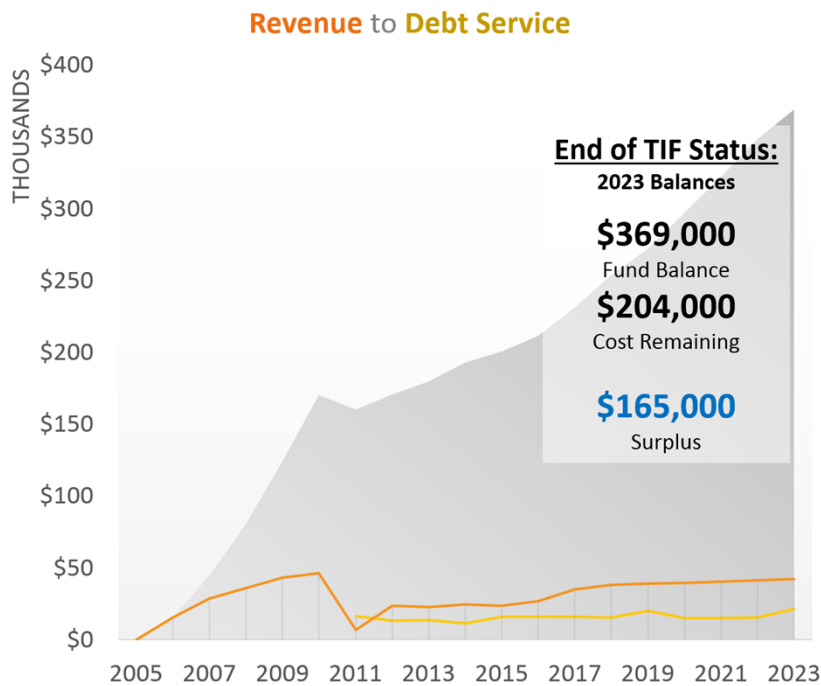


The district was approved in 2003 along with a plan and then once they got into it they decided further what they were going to do for the whole area and they talked to Council and it was decided that it would be better to split the Mission Cliffs District into two different districts. Rainbow Park was formed and then our next district Mission Cliffs II which Kathleen will talk about was formed in 2005. The original plan was 66 townhomes and the development of 26 single-family homes where the first phase was 10 single-family homes between Boyd and Minnie and that's what the Rainbow Park District ended up being was that first phase with 10 single-family homes. We're anticipating completion in 2019 for this district.

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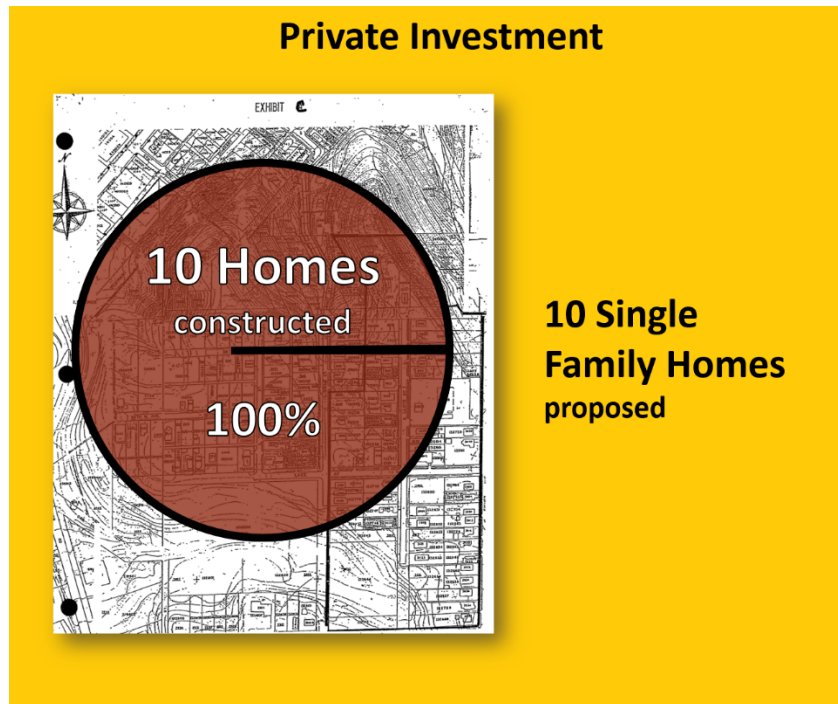


Revenue has been covering the debt service needs for this area and a fund balance has been accumulating.

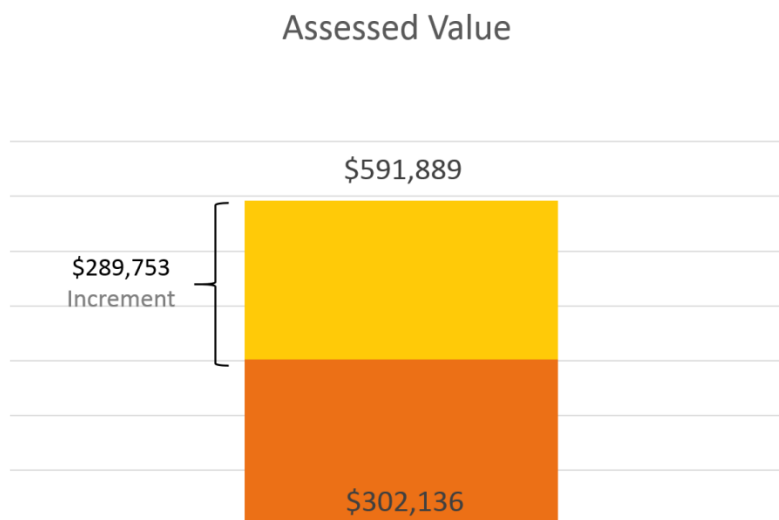


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We are anticipating this district to pay off a little early in 2019 and it should have a little bit of a surplus to go along with it.

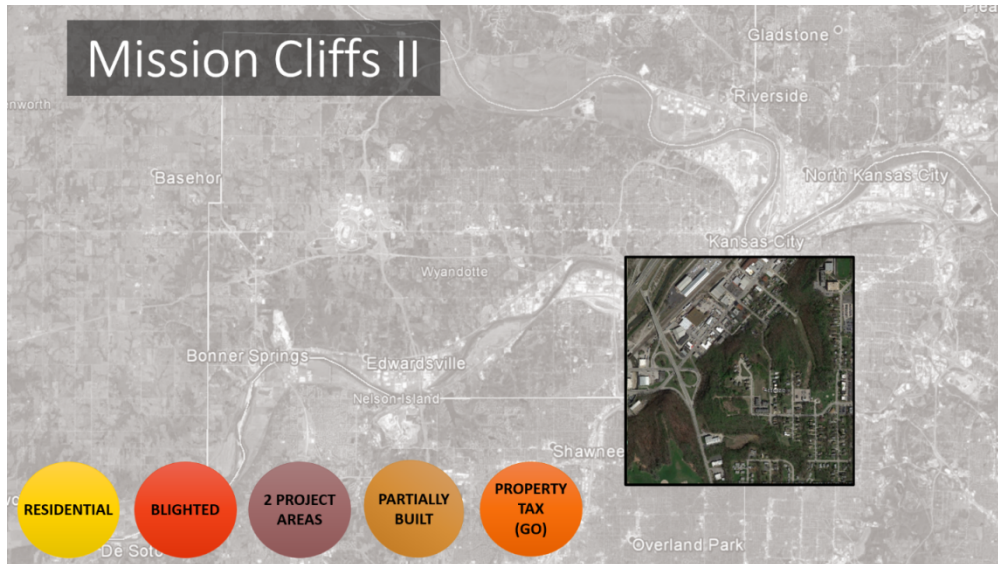


The 10 homes have been constructed.

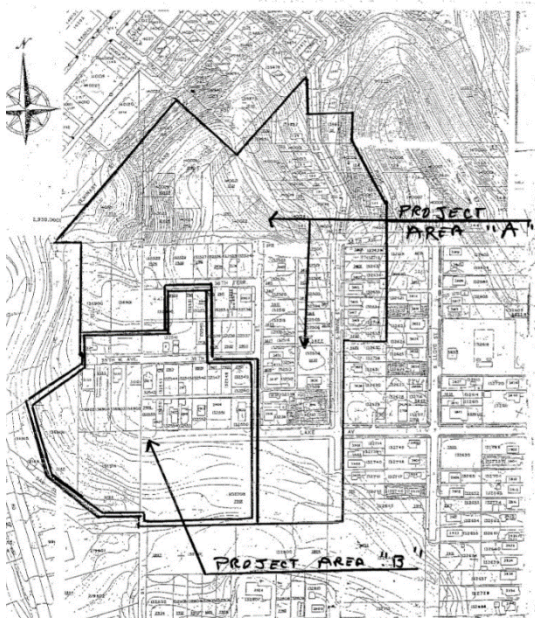


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The assessed value has increased and the reason it's not quite as impressive as the others, there is not as much yellow which is the increment, because there were existing homes in that area before so we were getting some revenue there.

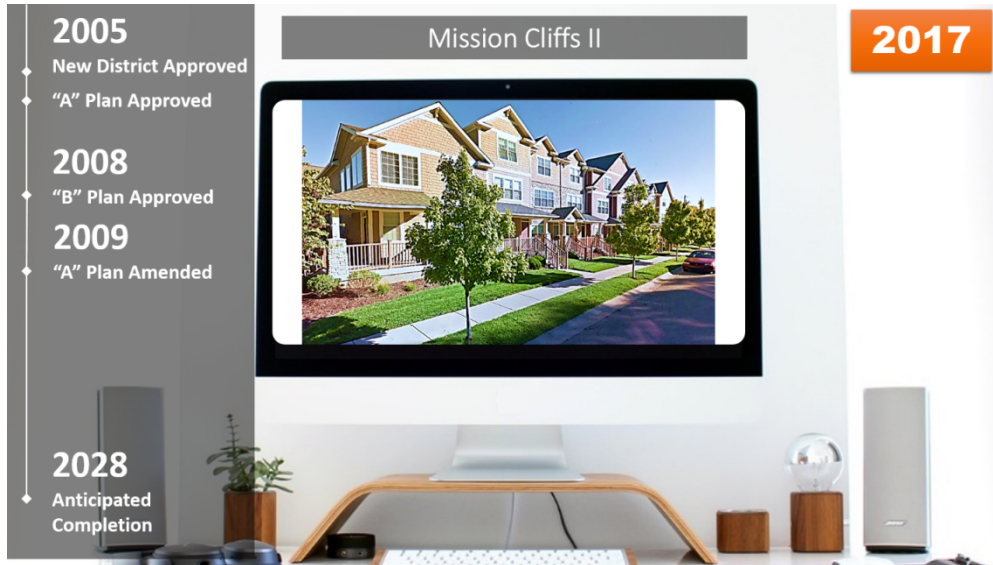


Ms. VonAchen said continuing with Mission Cliffs II; it's also a residential district in a blighted area. There are two project areas and it's partially built and the revenue pledge is property tax and it has a General Obligation backing.

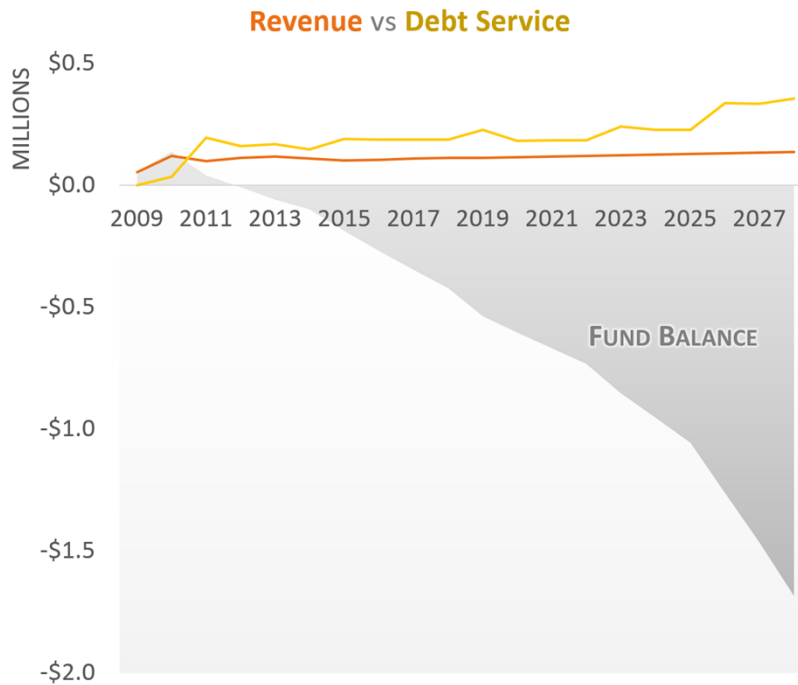


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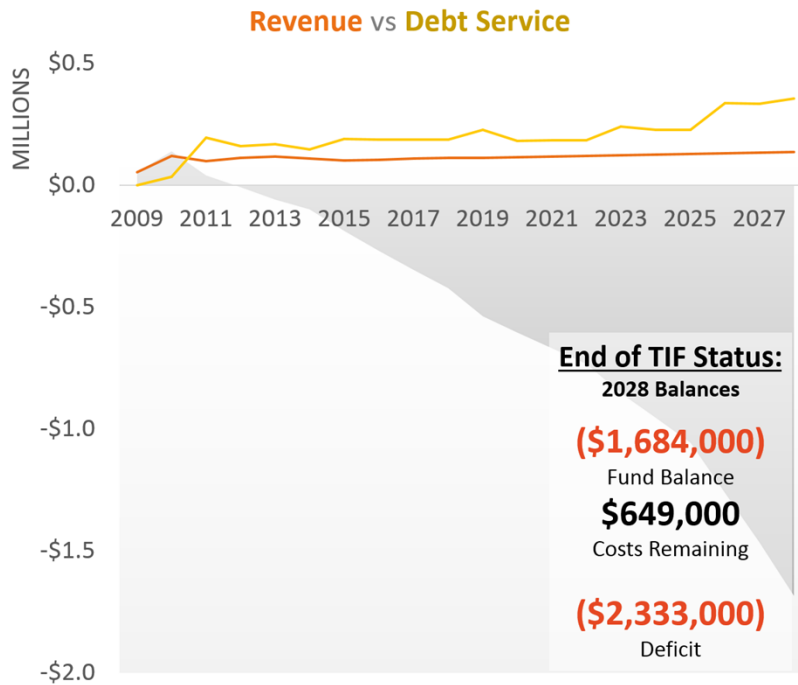
It's located at Mission Road on the west and Lake Avenue on the south near the district that Alyse just spoke of.



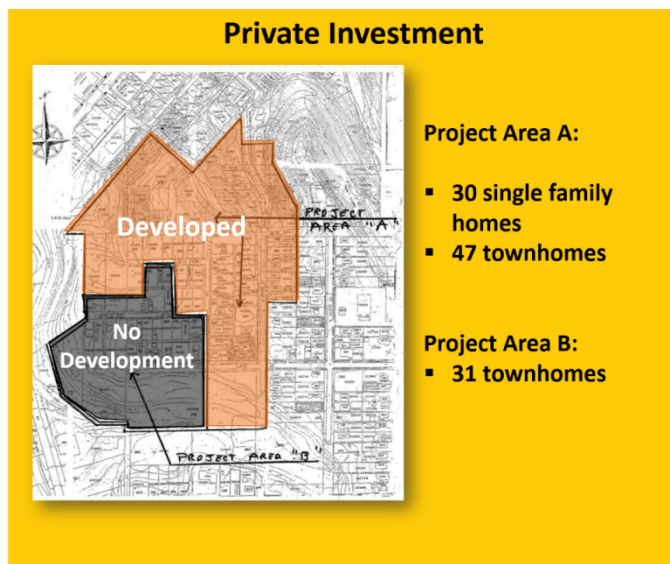
It began in 2005 as a new district and Project Plan A was approved. In 2008 Project Plan B was approved and then the next year in 2009 A was amended. The anticipated completion of this project area is 2028.

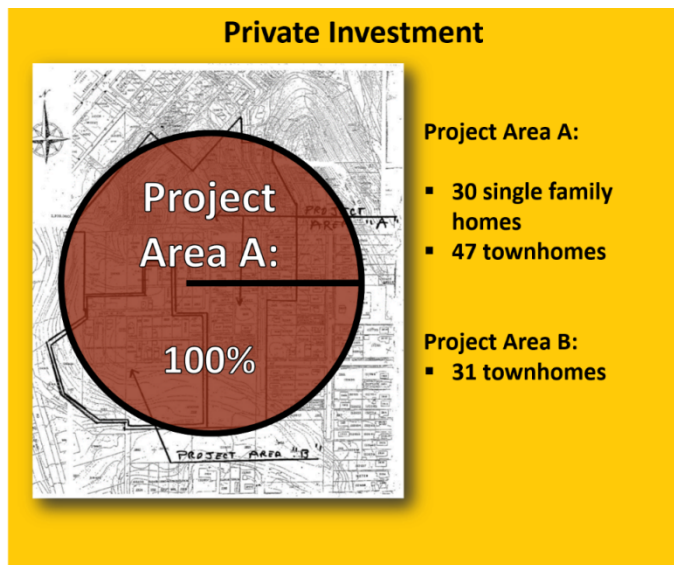


As you can see the revenues are not covering the expenses and we've attributed that to basically the fact that not all of the homes were built that we expected. The reason is that Project Area A although 100% complete which you will see on the next slide, it is 100% complete but Project Area B nothing happened there.

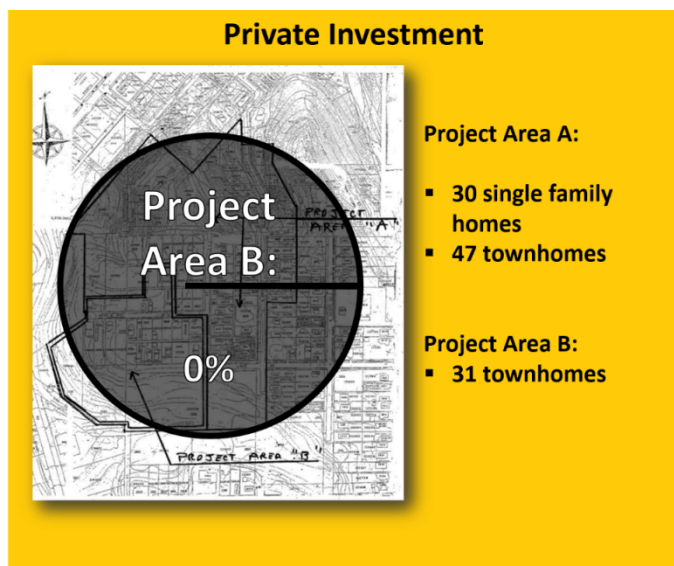


The fund balance continues to come into a deficit position of \$1.7M. The debt service continues past the project area period of 2027 and that totals \$650,000 and so that provides a net deficit of \$2.3M for this project area or for this district.

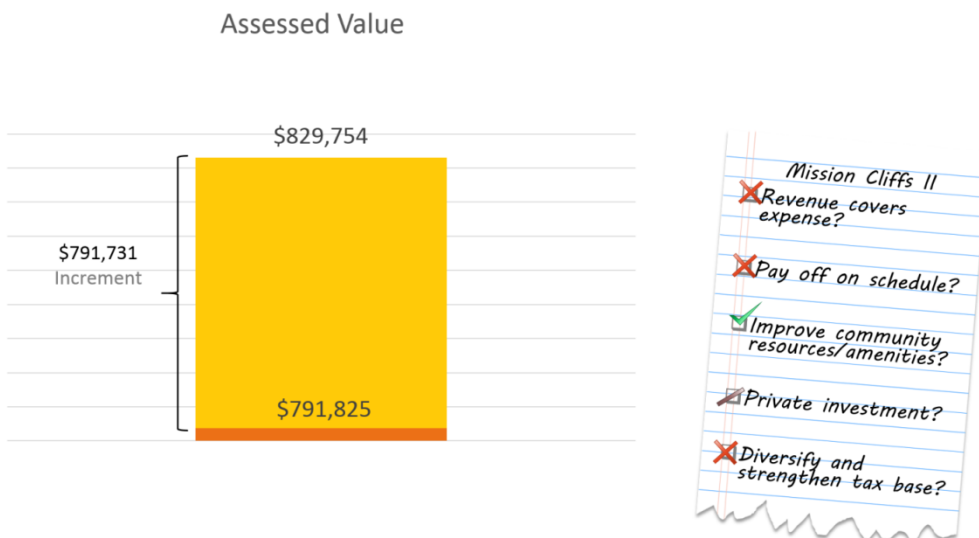




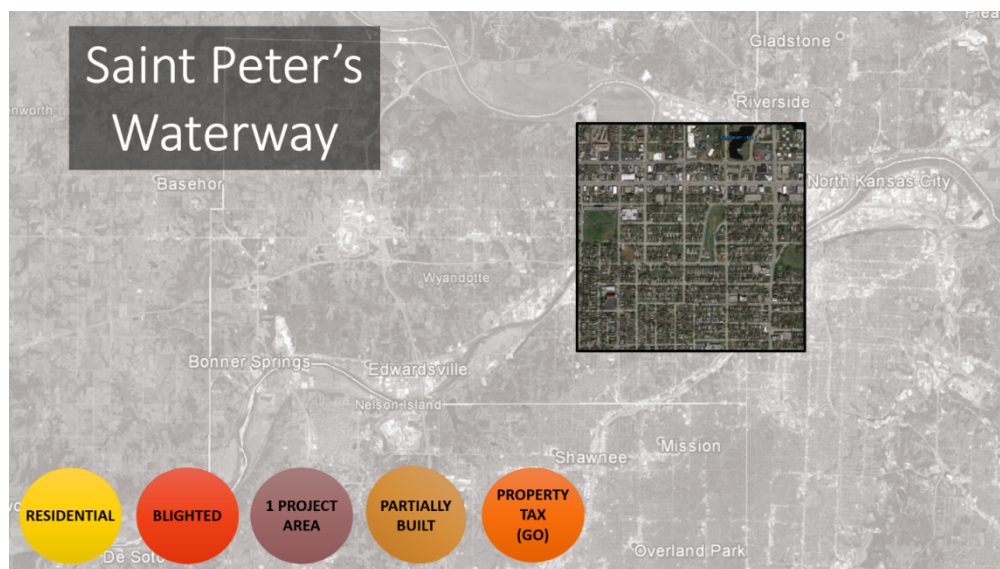
The Project Area A which was completed has 30 single-family homes and 47 townhomes and



Project Area B was planned to have 31 townhomes but those didn't come to pass or not yet anyhow.

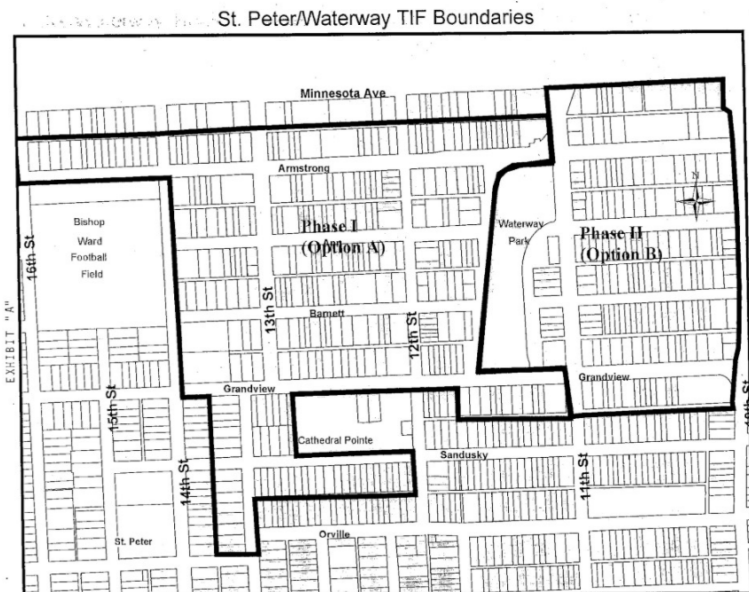


Private Investment marginally was achieved and it would have been achieved had Project Area B been completed. The assessed value improved. It grew by \$791,000.

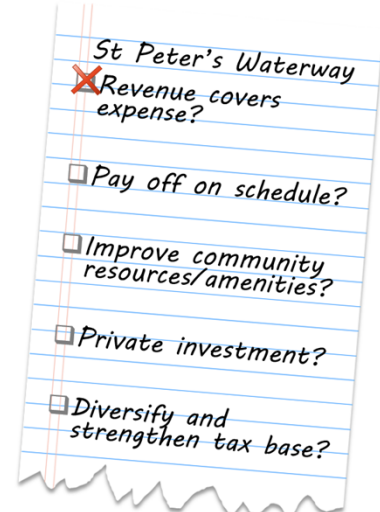
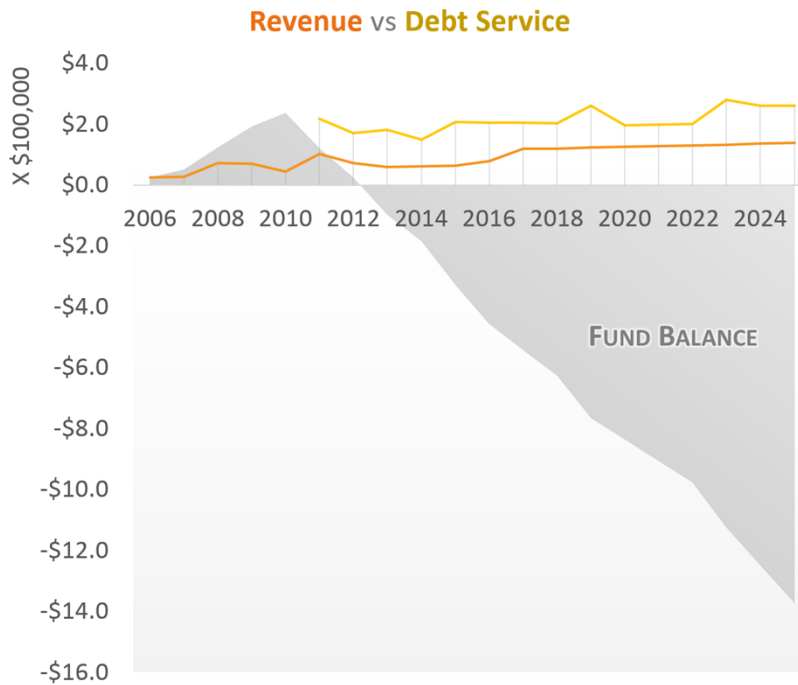


Ms. Villarreal said our next district is St. Peter's Waterway which is a residential district in a blighted area with one project area and it has been partially built and only property tax has been pledged and it's incorporated into a debt issue.

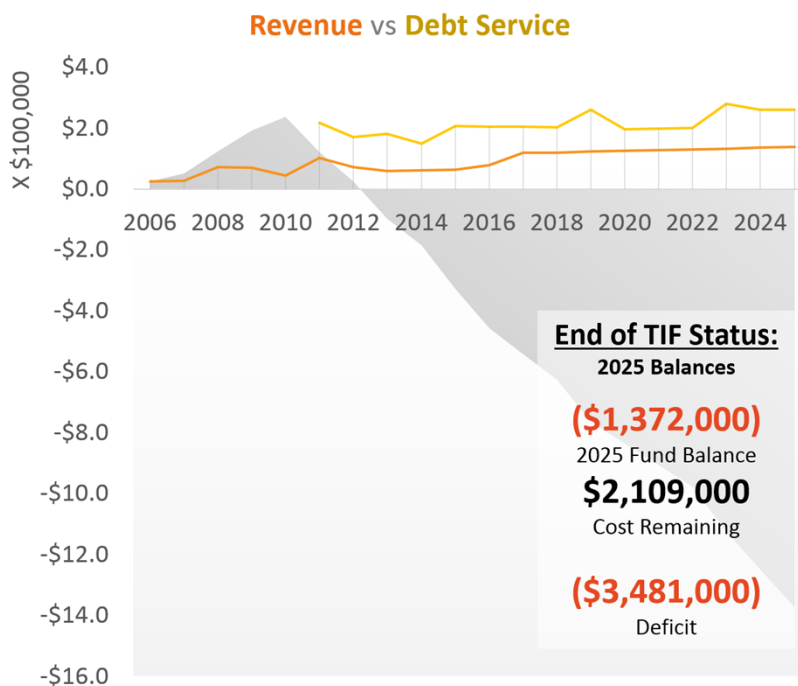
August 31, 2017



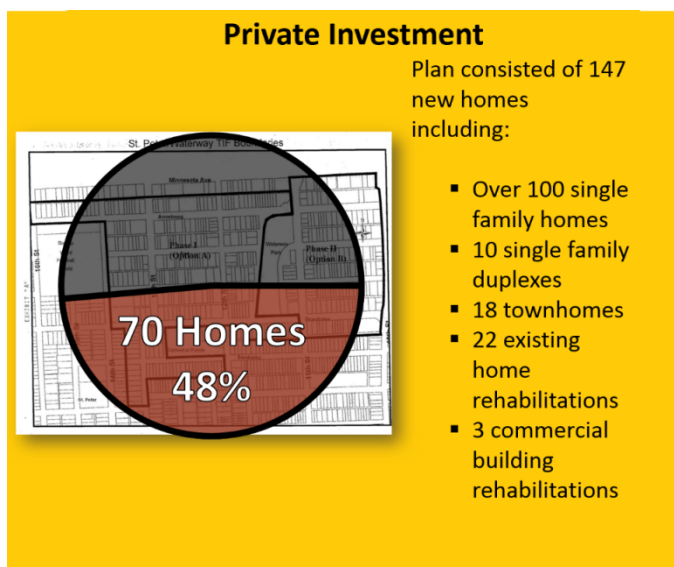
This project was essentially an infill redevelopment encompassing 57 acres and this project occurred in partnership with Community Housing of Wyandotte County. It targeted vacant, tax delinquent and dilapidated properties. Currently we are anticipating completion in 2025.



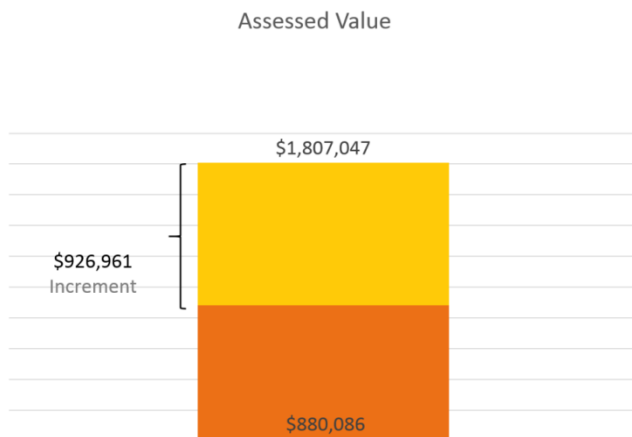
The St. Peters Waterway revenue has not been covering the amount that was bonded—the costs that were incurred on the project so we're showing a negative fund balance currently and anticipating that to continue through the rest of the TIF should everything stay the same.



We're not anticipating it to complete on schedule and we are anticipating a deficit of about \$3.5M. We can continue using the revenues that we collect in the areas that help service this as well although it might take a while. I did want to say the reason for this could be it was noted that in adverse sight conditions that made this a pretty costly project. They had to remove various foundations, they had to replace outdated sewers, replat outdated subdivision plats, demolish existing site improvements that had deteriorated and so it raised the cost for this project.



They completed 70 homes which is about half of the plan.

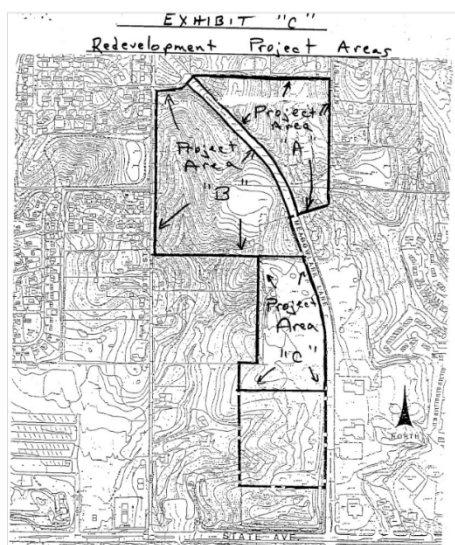


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There has been an increase in the assessed value. It just hasn't been enough to cover these things.



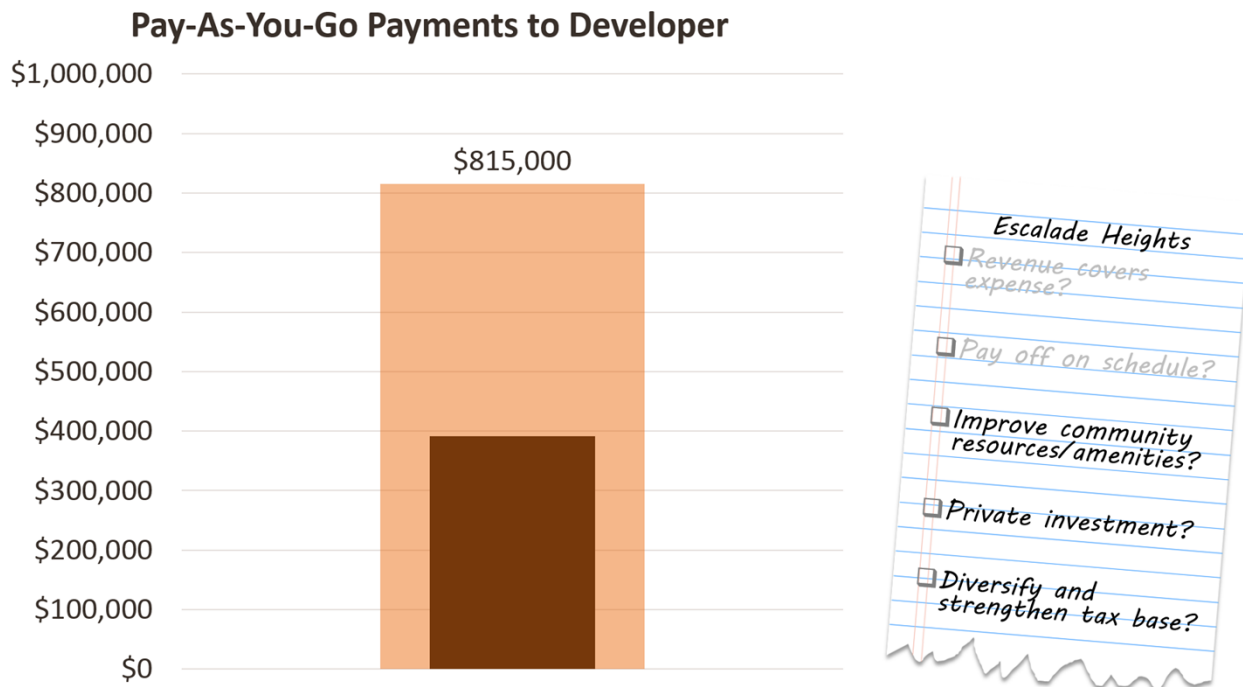
Ms. Jonscher said the next project is Escalade Heights. It's a residential project located between Parallel Parkway and State Avenue on Meadowlark Lane. It's located in an Enterprise Zone and it has three project areas. Two are fully built and it's backed with property tax revenues.



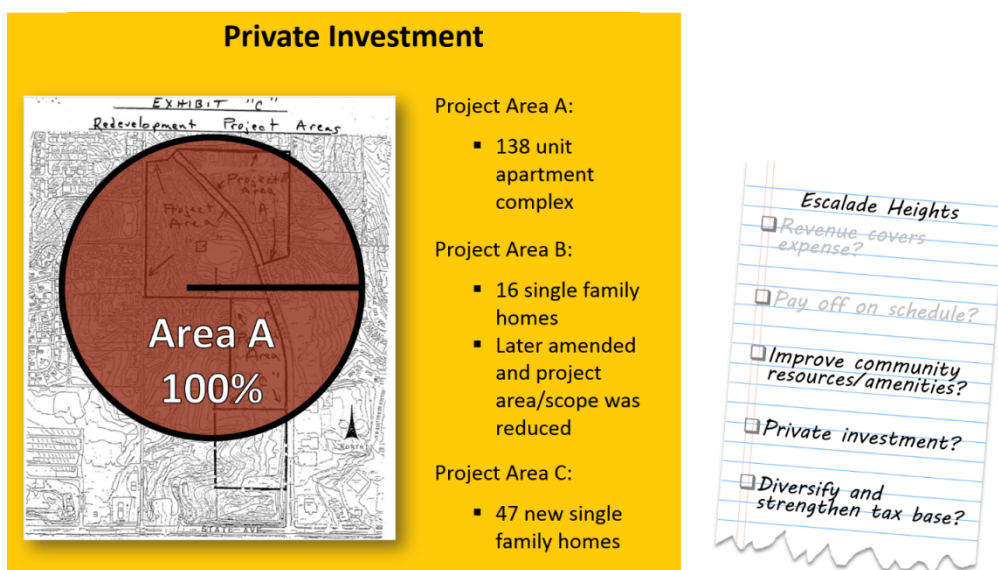
August 31, 2017



The district was created in 2004. In 2005 there was a project plan approved for Project Areas A and B and in 2008 a project plan was approved for Area C. Project Area A has an apartment complex and it also included any street, sidewalk and sewer infrastructure work that was needed for the apartment complex. Project Area B was a single-family residential subdivision. Originally 68 homes were scheduled. However, after the first five were built development stopped. In 2013 we removed portions of B from the plan and a substitution agreement was signed and after that there were additional single-family homes built in that area. Project Area C was slated for 47 new single family homes; however, that area was sold to the school district and now there is a ballfield on that project area.

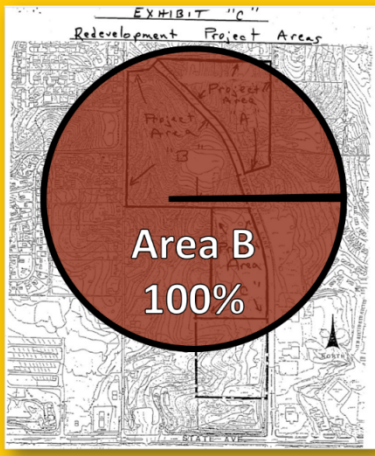


The current agreement to the developer is a pay-as-you-go agreement and we have a reimbursement cost of \$815,000. As of this year we've paid back almost half of that amount so once the full cap amount has been paid back those revenues will start coming back to the taxing entities.



This shows the private investment. I guess I talked about this. Project Area A was a 138 unit apartment complex.

Private Investment



Project Area A:

- 138 unit apartment complex

Project Area B:

- 16 single family homes
- Later amended and project area/scope was reduced

Project Area C:

- 47 new single family homes

Escalade Heights

☐ Revenue covers expense?

☐ Pay off on schedule?

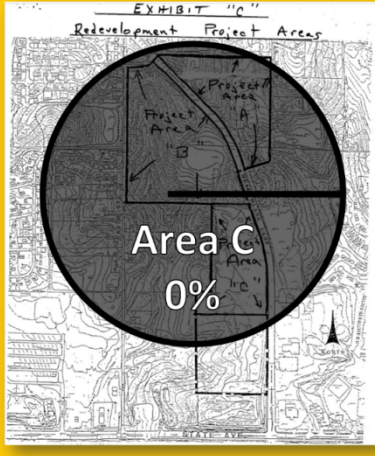
☐ Improve community resources/amenities?

☐ Private investment?

☐ Diversify and strengthen tax base?

Project Area B currently has 16 single-family homes.

Private Investment



Project Area A:

- 138 unit apartment complex

Project Area B:

- 16 single family homes
- Later amended and project area/scope was reduced

Project Area C:

- 47 new single family homes

Escalade Heights

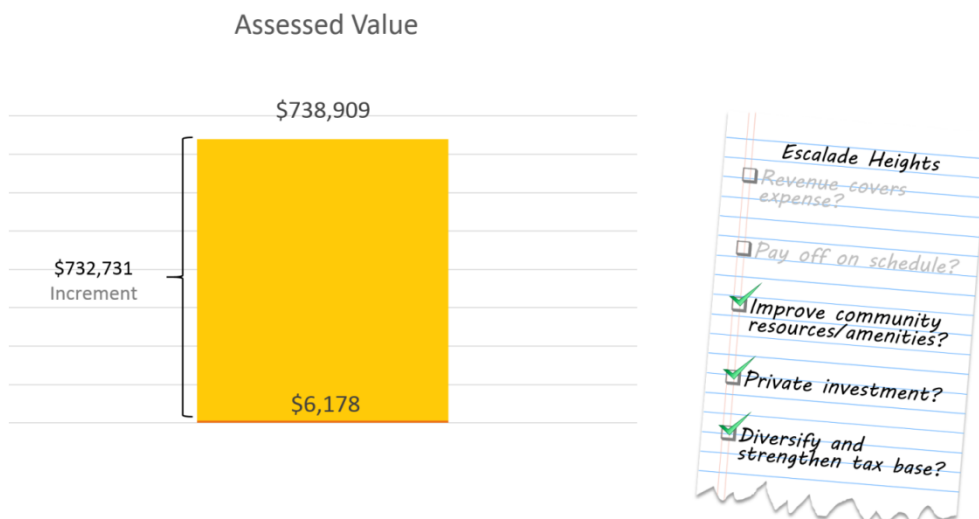
☐ Revenue covers expense?

☐ Pay off on schedule?

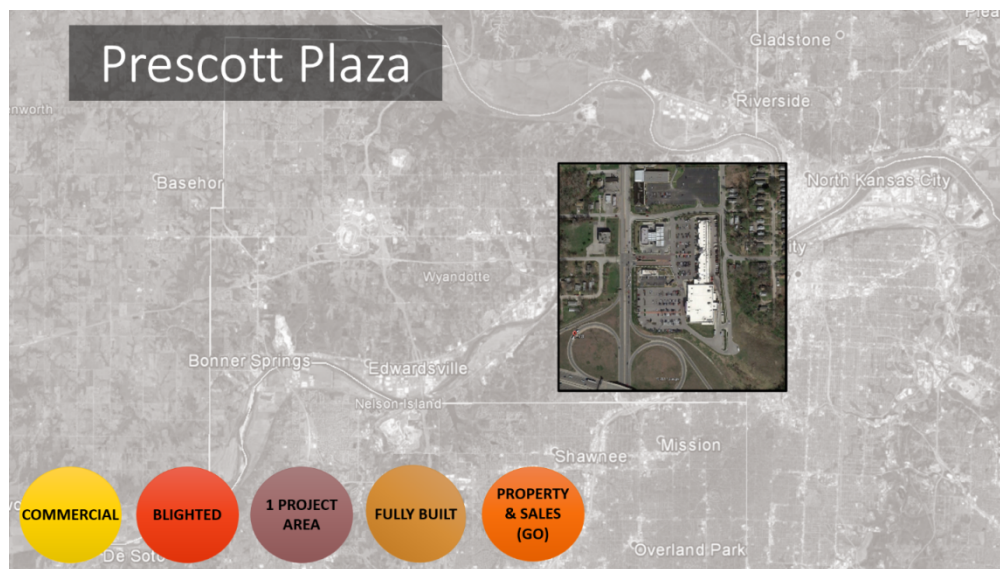
☒ Improve community resources/amenities?

☒ Private investment?

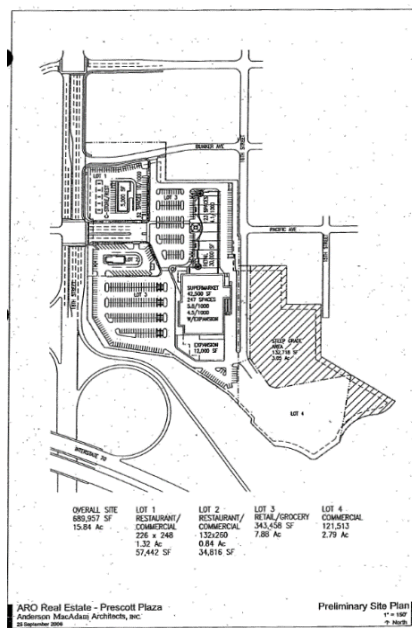
☐ Diversify and strengthen tax base?



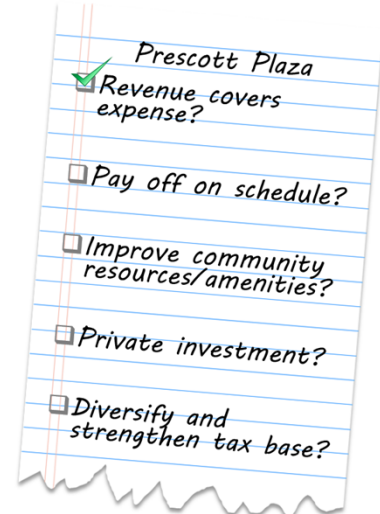
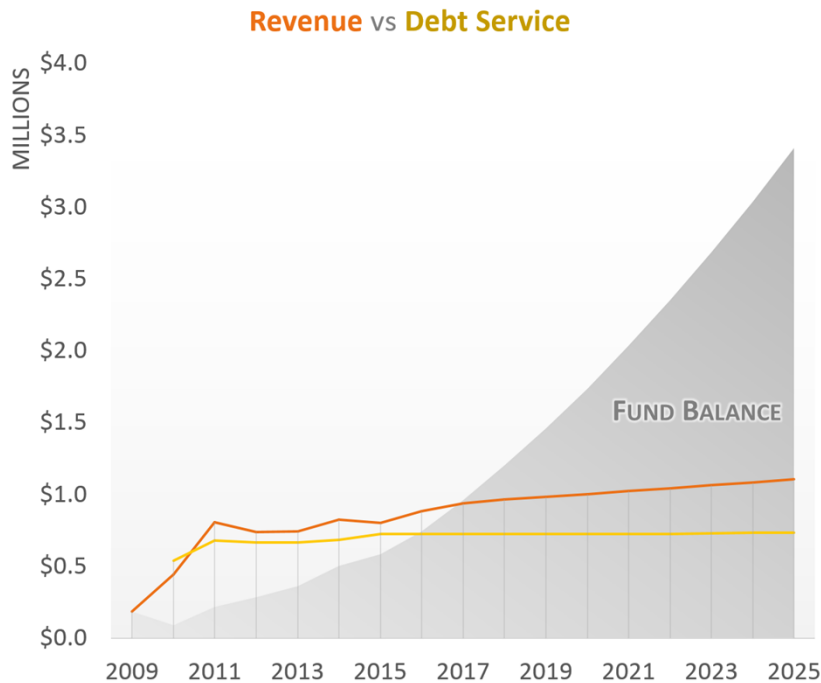
The base before development was \$6,178 and now the assessed value is almost \$739,000.



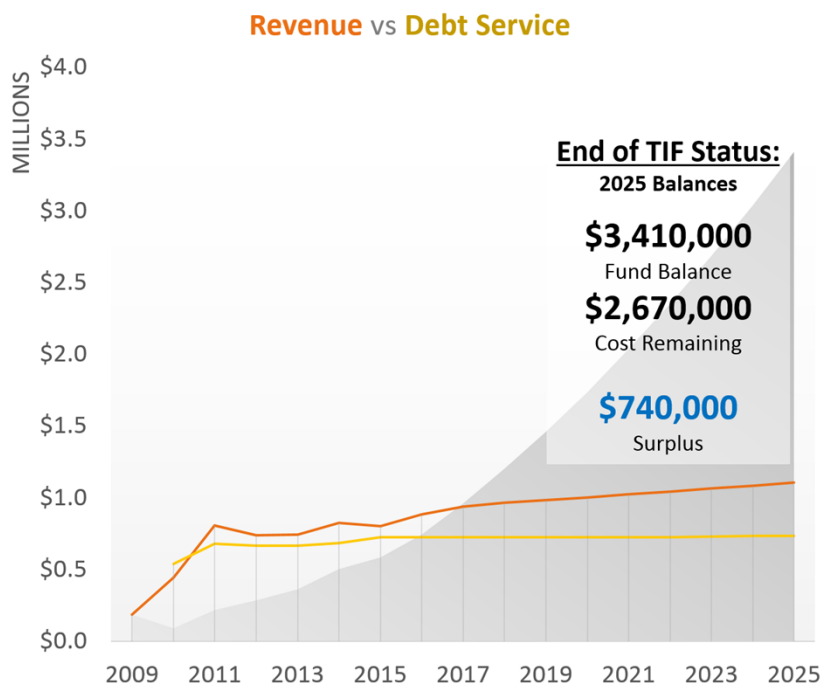
Ms. Villarreal said the next district is Prescott Plaza which is located off of I-70 & 18th Street where the Sun Fresh and other retail are. It's a commercial development in one of our blighted areas with a single project area, it's fully built and it has both property and sales tax backing the project.



This district was approved in 2005. The plan was approved the following year in 2006 and then the district was expanded a little bit so I do have a little caveat. It's not necessarily fully built because I don't think there is anything on that little expansion. We're anticipating completion in 2025 for this district.

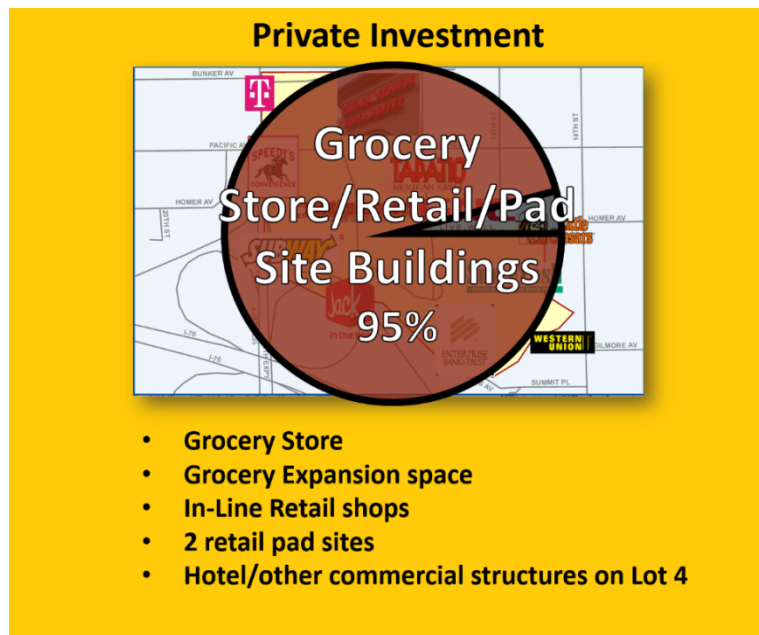


Revenue has been covering the expense of the debt service and a fund balance has been building.

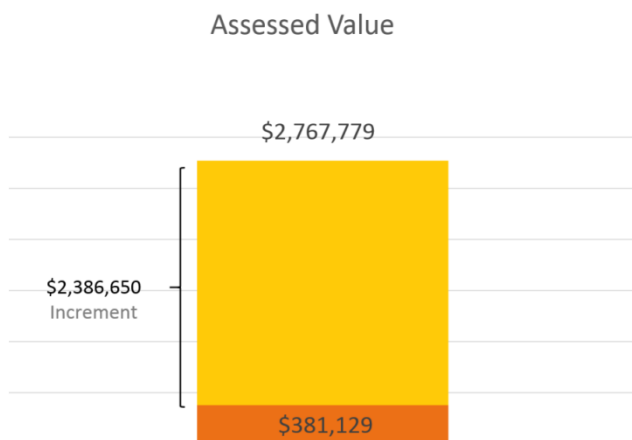


In 2025 when the TIF ends we should have surplus and so I believe that it's anticipated to complete that year and that final year is what gives us the surplus. We're not expecting it to complete earlier than that.

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There are quite a few amenities out in the community now that wasn't there previously before when it was a truck stop and now we have not only a gas station but we have an anchor grocery store along with lots of retail and restaurants. There has been quite a bit of private investment in the area.



Before it was generating \$381,000; that's the base and now it's up by \$2.3M to \$2.7M total in assessed value.

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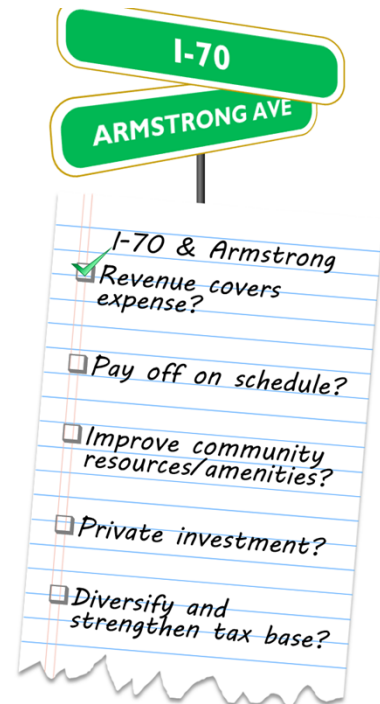
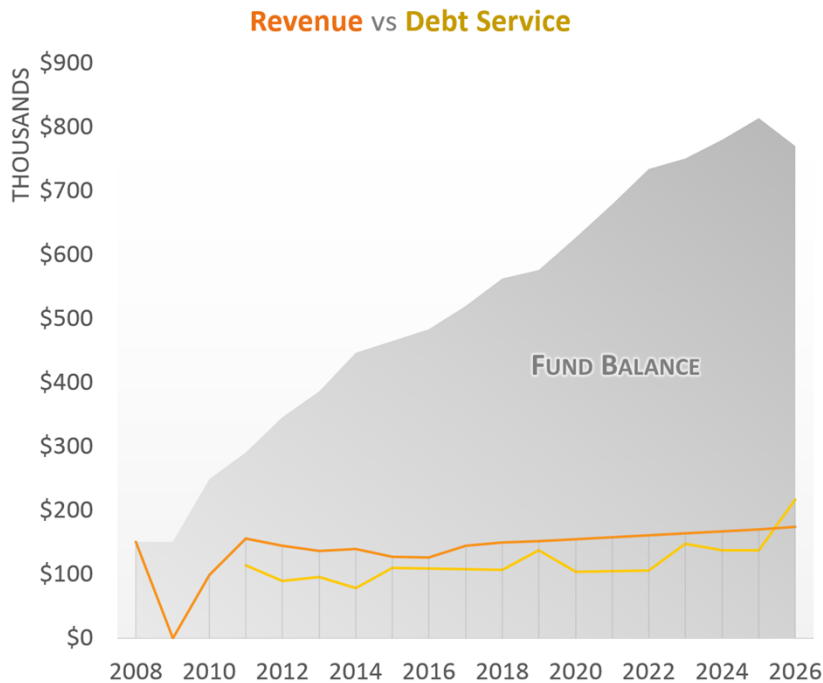


Ms. VonAchen said I-70 & Armstrong is off of I-70 on the north and 670 on the east around the Union Pacific Railroad yard. It's a commercial TIF District. It is in an Enterprise Zone, it has one project area, it's fully built, and the property tax is the revenue pledged with a General Obligation backing.

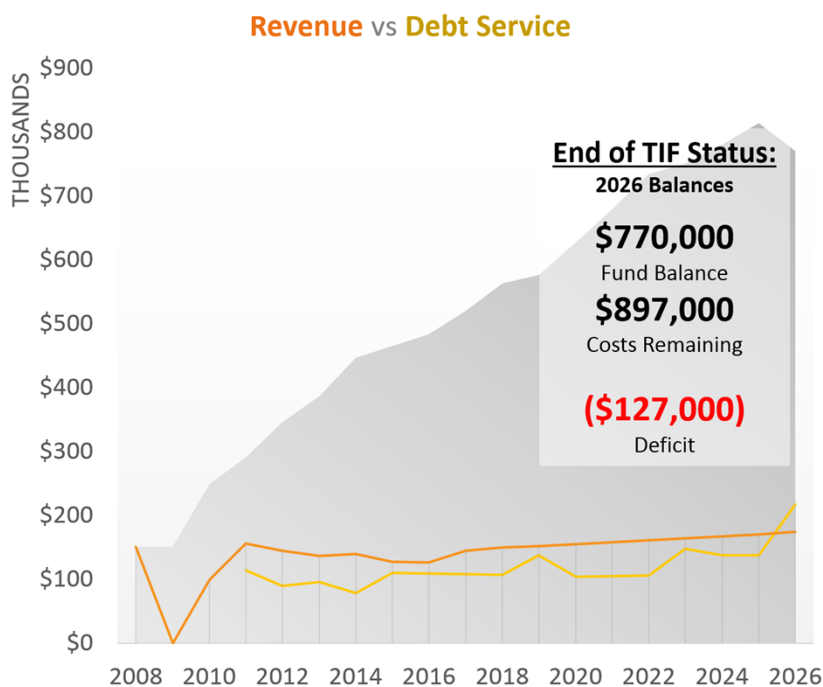


Basically what was constructed is a 150,000 square foot industrial building. The district was approved in 2006, the same year the plan was approved and then the plan was amended three years later. We anticipate the district to be completed in 2026.

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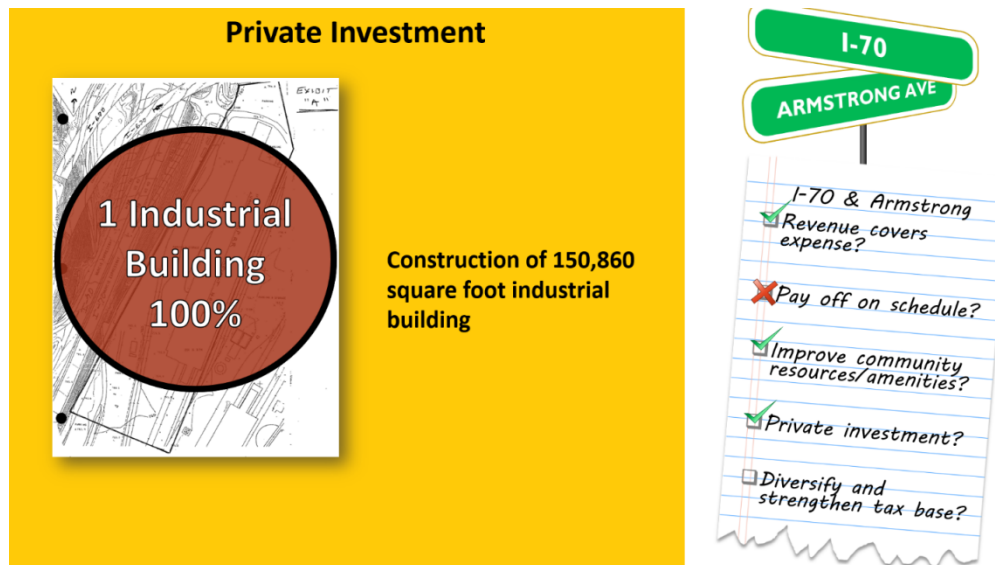


A fund balance has been growing and is anticipated to continue to grow in this project area so revenues are covering expenses.

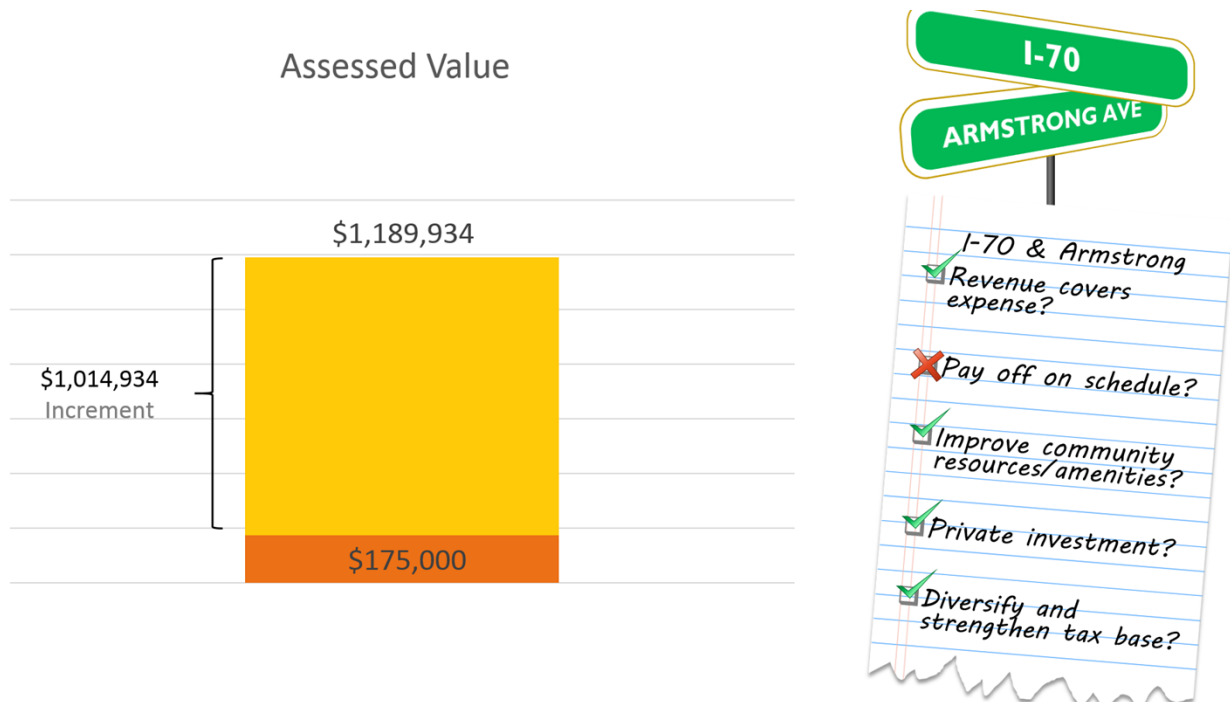


At the end of the project area there is a slight deficit that we're projecting of \$127,000. That's because at the end of 2026 we expect the fund balance of \$770,000 and the costs remaining are

\$897,000 so if there is a little bit more development in this area and if assessed values are greater than what we anticipated in the future, which we built in a 2% increase, if it's slightly different than that, this project area will come out even.

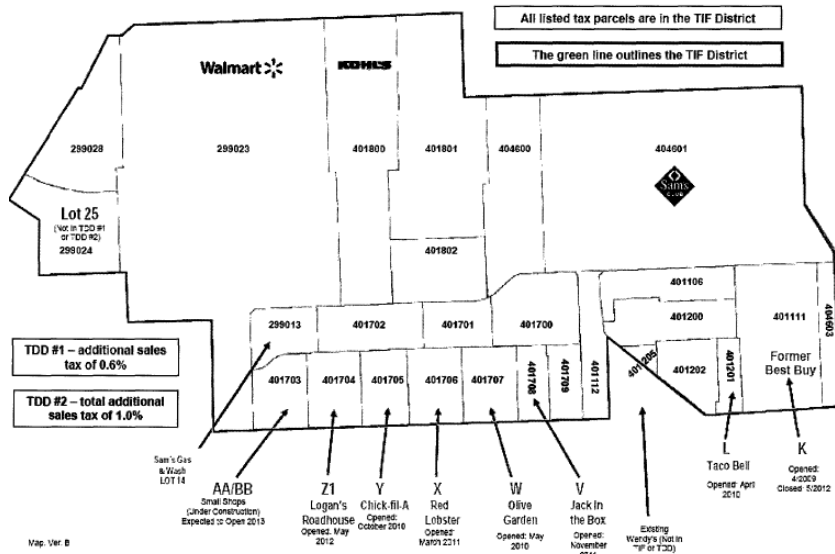


It's 100% completed. We did construct that 150,000 square foot industrial park so the private investment that was planned was achieved.



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Plaza @ The Speedway
TIF & TDD Project Boundary & Tax Parcel Map



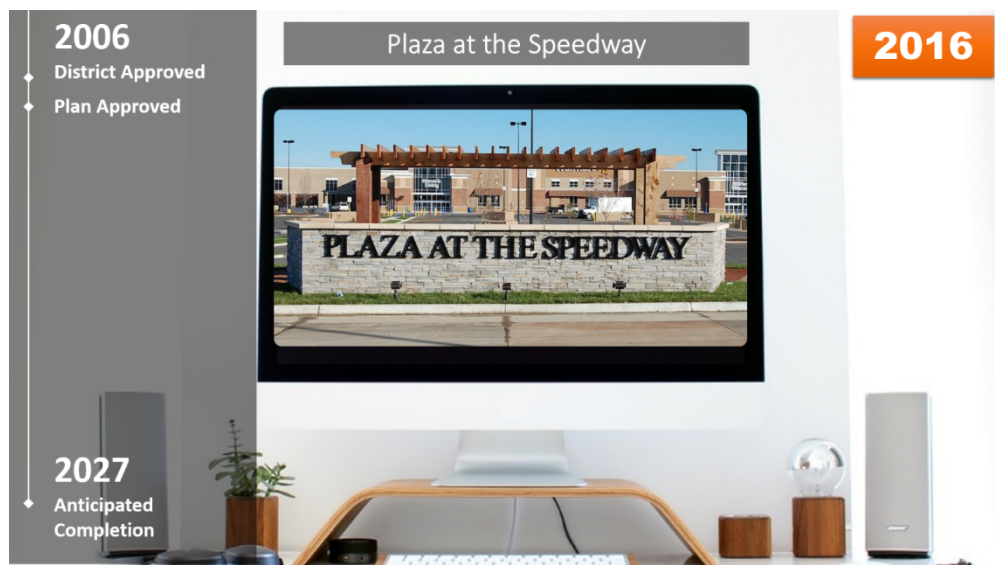
52

y \$1M.

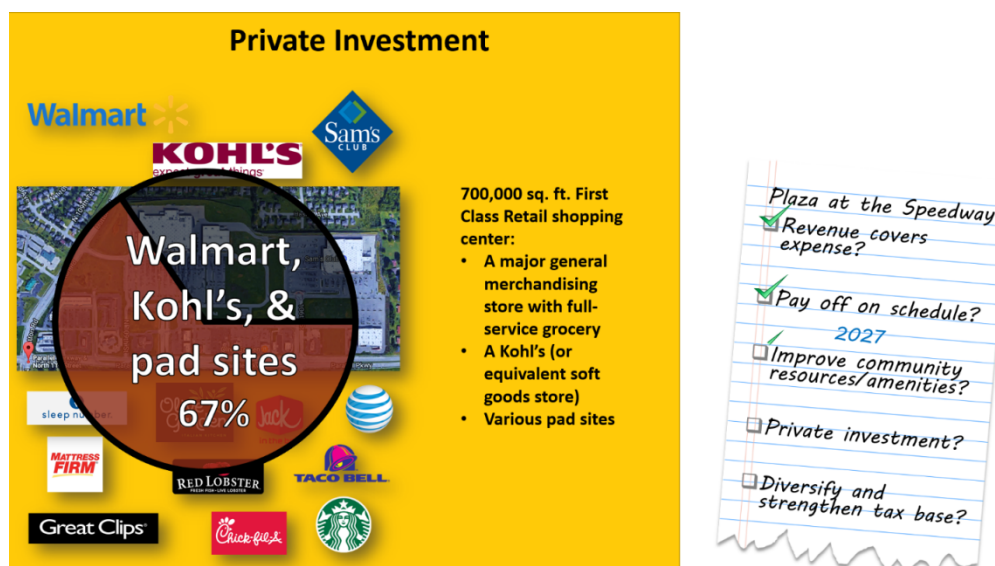


Ms. Villarreal said Plaza at the Speedway is a commercial district in an Enterprise Zone. It just has one project area and we're showing it being fully built out property and sales tax being pledged.

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This district was created in 2006 along with a plan and we're anticipating a completion of 2027.



What is built out here in the plan—what was planned to be built and what is built is a first-class retail shopping center. It consists of 700,000 square feet of building space including a major general merchandising store with a full service grocery department, Kohl's and other retail. They also erected and maintain a berm buffer between the residential subdivisions that are to the north and the east.

Plaza at the Speedway:

Incremental Sales Tax:

Time Period	UG Portion	Developer Portion
2012	12%	88%
2013-2016	16%	84%
2017-end of TIF	6.5%	93.5%

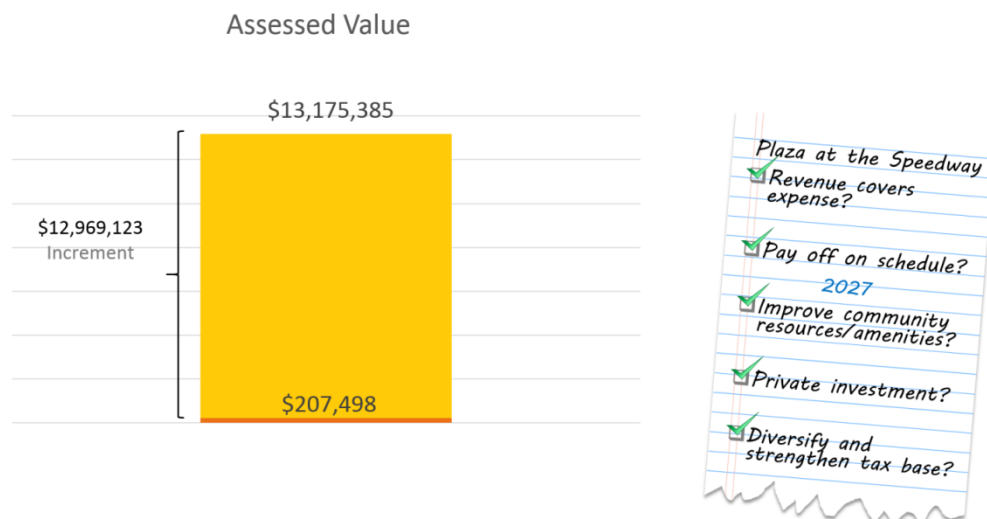
- Excess revenues above debt service are split
 - 50% to developer (used for super-sinking TIF bonds)
 - 50% to UG

Incremental Real Property Taxes:

- 10 years for each parcel
- Not to extend beyond December 31, 2024



Plaza at the Speedway does not have any General Obligation backing like some of the others that we've talked about. Instead it has Special Revenue Bonds and they are structured a little bit differently. In 2012 88% of the Incremental Sales Tax was pledged where the UG was receiving 12% and then that was changed from 2013 to 2016 where the UG began receiving 16% of the sales tax in the area. Then with the anticipation of the payoff of the STAR Bonds a provision that was negotiated in that agreement was that the development could then start receiving more and so from 2017 on now we are receiving 6.5% of the sales and any excess revenues above the debt service are split 50% to the developer which is used for super-sinking the bonds and then 50% to the UG. Also, Real Property Taxes are pledged and it's only 10 years for each parcel instead of the full 20. For example, Walmart, Kohl's and Chick-fil-A are scheduled to come off in 2019. Their revenue will no longer be pledged toward the repayment of the bonds and instead it will come to the General Fund. If a parcel is not developed until later on, because that's what starts is the—when a parcel is developed that's what starts that 10-year clock. If they're not developed until later we're not extending the pledge beyond December 31, 2024.



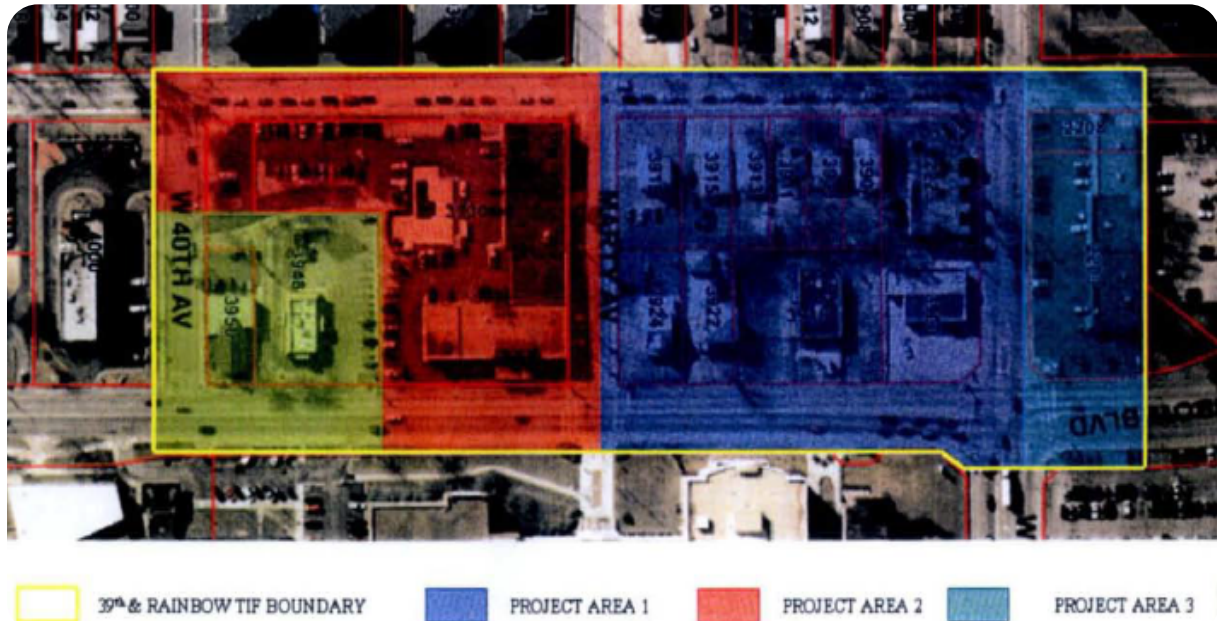
Revenues have been covering the expenses. We do anticipate completing on schedule. Any revenues that come in go to pay it off and there has been a substantial amount of development out there, private investment. We had noted that this was fully built out but there are pad sites open so we're noting it as 67%. There has been a substantial increase in assessed value so we went from \$200,000 up to \$13M.

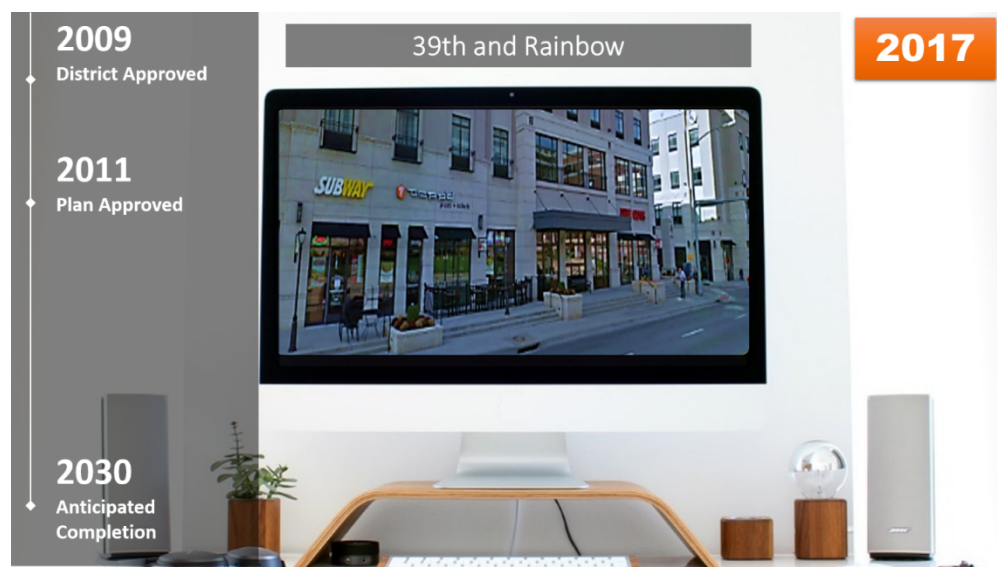
Ms. VonAchen said there are only two districts left. The next one is 39th and Rainbow and the last one is Metropolitan Avenue. Oh, there are three. There is Strawberry Hill too, but we're almost there.



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39th and Rainbow is commercial property in the blighted zone, there are four project areas, two are fully built out and the revenues backing the projects are property tax, sales tax and transient guest tax. This project is near the KU Medical Center off of Rainbow Blvd. on the east and 40th Avenue on the south. The developer was Lane4.





It was first approved in 2009. The plan was then approved in 2011 and we anticipate the project to be completed in 2030.

39th & Rainbow:

Incremental Sales:

Tax	UG Portion	Pledged Portion
City 1%	11.45%	88.55%
County 1% (UG Portion)	11.45%	88.55%
Transient Guest 8% (UG Portion)	11.45%	88.55%

Incremental Real Property Taxes:

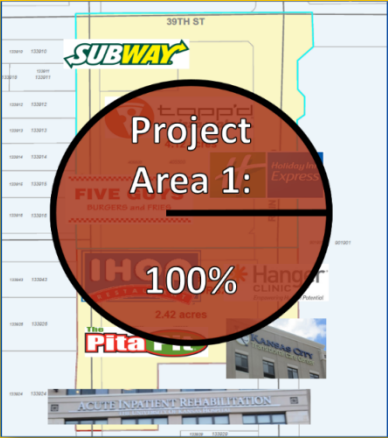
Time Period	UG Portion	Pledged Portion
2011-2022	0%	100%
2023	10%	90%
2024	20%	80%
2025	30%	70%
2026	40%	60%
2027	50%	50%
2028	60%	40%
2029	70%	30%
2030	80%	20%



This slide because Alyse put this together I'm going to let her walk us through it. **Ms. Villarreal** said this is another project that's not included in a GO issue. It has Special Revenue Bonds helping to finance it and so there are certain—again, it's structured differently to where the revenues that are used are able to be used earlier to help pay down because they are term bonds

rather than debt service schedule. The revenues that are being collected and pledged are 88.55% of the City 1%, the UG portion of the County 1% and the UG's portion of the transient guest tax. We didn't pledge 100% so the UG is receiving benefit from this area so we're getting that 11.45%. Then the Incremental Real Property Taxes; the first 12 years were pledged at 100%, but then as the project—because the bonds—since the revenue is being used to pay the bonds off a little early, the better they do in the beginning the less time—the bonds might not last 20 years. We have an agreement to where in year 13 only 90% of the revenue goes toward the bonds and the UG starts receiving 10%, the same thing in 2024, it goes down by 10% through 2030. We may get to a point where the bonds are actually paid off earlier than that and the UG could be receiving 100% sooner than that.

Private Investment



Project Area 1:

- 70 unit physical therapy facility or similarly sized office
- 19,831 square feet of mixed use commercial retail

39TH STREET

RAINBOW BLVD

39th & Rainbow

☒ *Revenue covers expense?*

☒ *Pay off on schedule?*
2027 & 2030

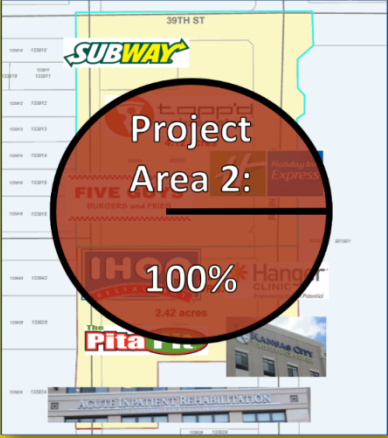
☐ *Improve community resources/amenities?*

☐ *Private investment?*

☐ *Diversify and strengthen tax base?*

Ms. VonAchen said the vendors we have there include in Project Area 1 the Hanger Prosthetics which is the current vendor there, IHOP, Pita Pit and the respiratory health and that's 100% built out in that area of a 70 unit physical therapy facility and 19,000 or 20,000 square feet of mixed use commercial retail.

Private Investment



Project Area 1:

- 70 unit physical therapy facility or similarly sized office
- 19,831 square feet of mixed use commercial retail

Project Area 2:

- 84 room hotel
- 9,403 square feet of commercial retail

Project Area 4:

- No plan

Project Area 3:

- No plan

39TH STREET

RAINBOW BLVD

39th & Rainbow

☒ Revenue covers expense?

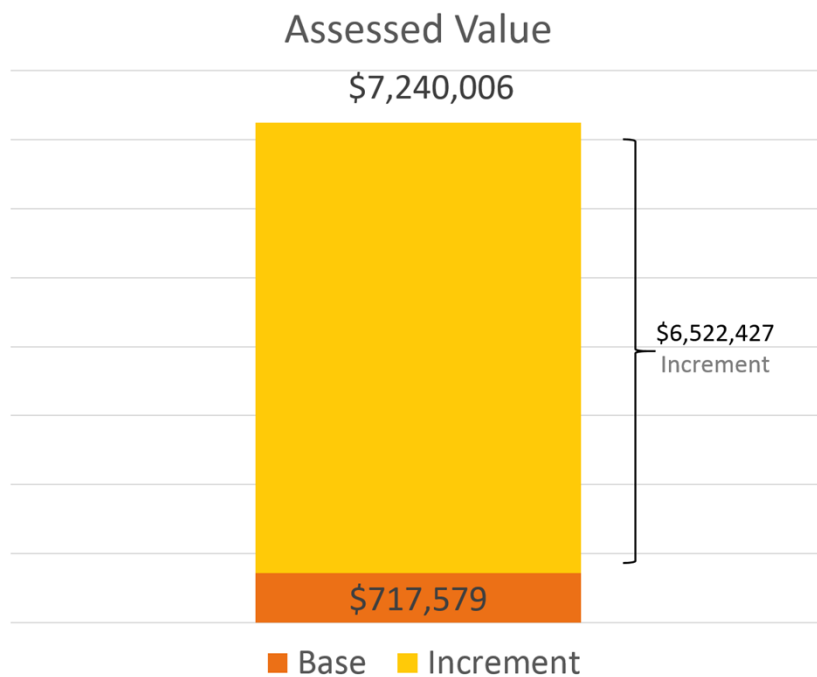
☒ Pay off on schedule? 2027 & 2030

☒ Improve community resources/amenities?

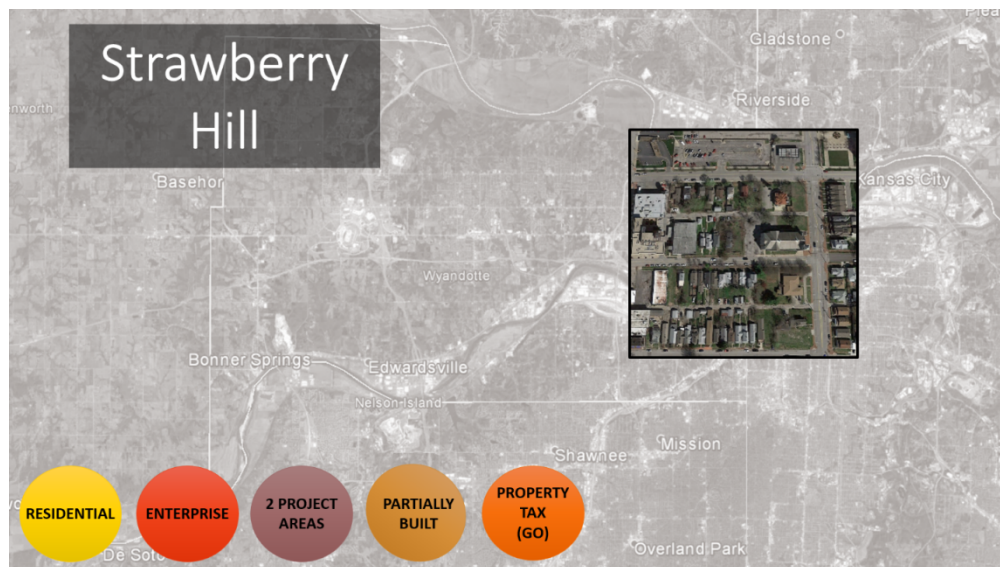
☒ Private investment?

☐ Diversify and strengthen tax base?

The second project area is an 84 room hotel and 9,000 square feet of commercial retail which includes the Holiday Inn, Five Guys, the 7-Eleven which unfortunately closed a few months ago, Topp'd Pizza and Subway. All of these are facilities, the hotel, restaurants, and retail activities that are there to help and support the KU Medical Center and that community in that area. The community resources have been improved. There are better amenities and the private investment has been achieved. There is still Project Area 3 and 4 that have not been pursued, but there are some discussions about those so those are ongoing. This is a relatively young TIF so it's still ongoing.

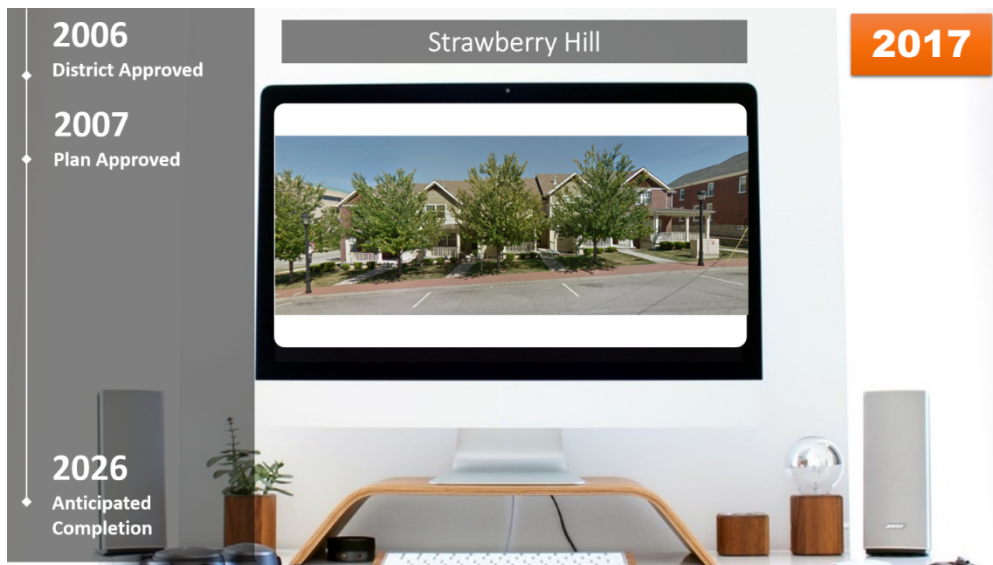
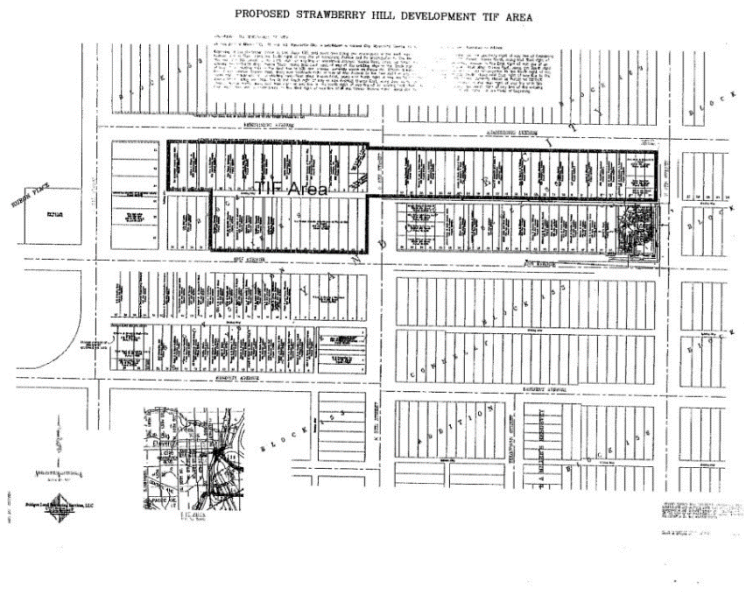


The tax base was strengthened and diversified. You can see the base was \$717,000. It's now \$7.2M so it improved by \$6.5M with this project.



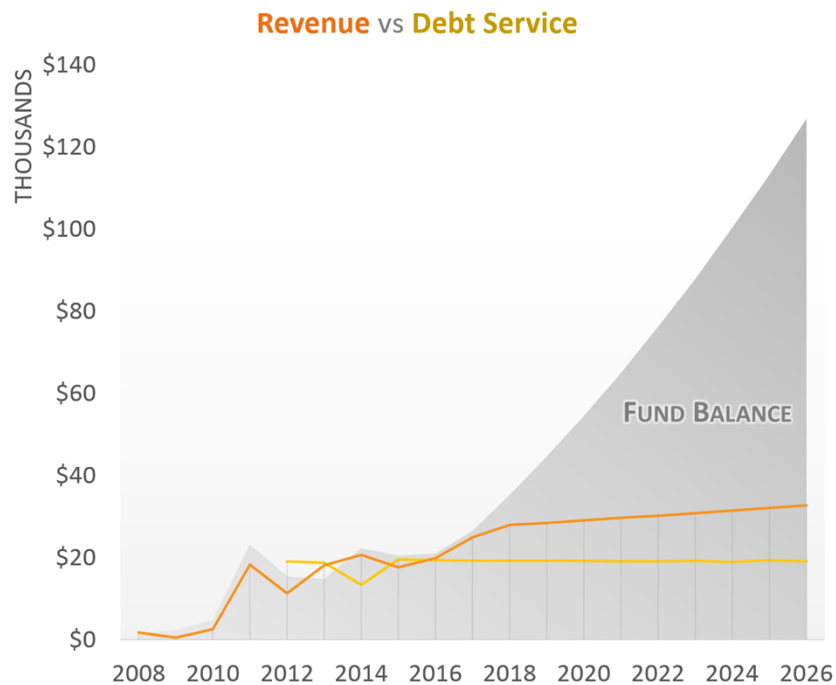
Ms. Villarreal said our last residential district is Strawberry Hill. This was a partnership between two different Community Development organizations that was located in an Enterprise Zone. There were two project areas and it has been partially built and only property tax has been pledged.

August 31, 2017

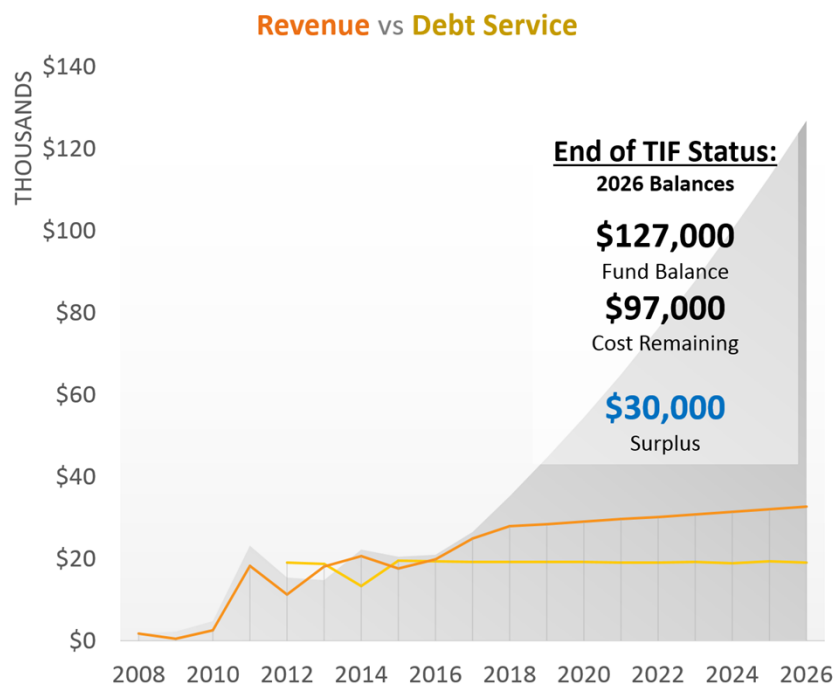


This was created in 2006. The plan was approved in 2007 and 6th Street is on the west, Ann Avenue is on the south, Armstrong is on the north and then 4th is on the east. We are anticipating completion in 2026.

August 31, 2017



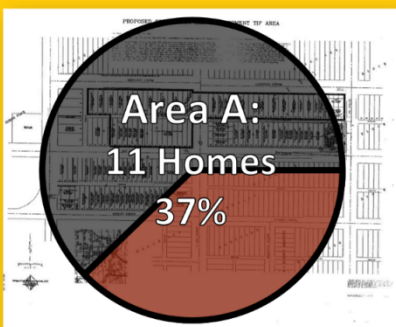
Revenue has been covering the cost of the debt service.



We have a 2% inflation factor on here so it's either going to pay off or there might be a little bit of a surplus.

August 31, 2017

Private Investment



Project Area A Plan:

- 30 single family homes

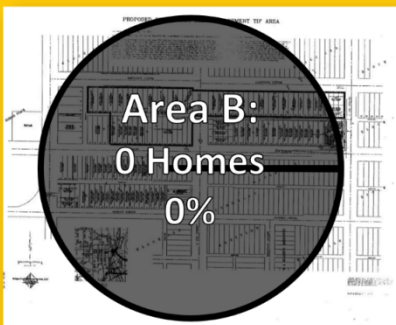
Project Area B Plan:

- 37 single family homes



Area A; 11 homes have been constructed which is about 37% so 11 homes out of the 30.

Private Investment



Project Area A Plan:

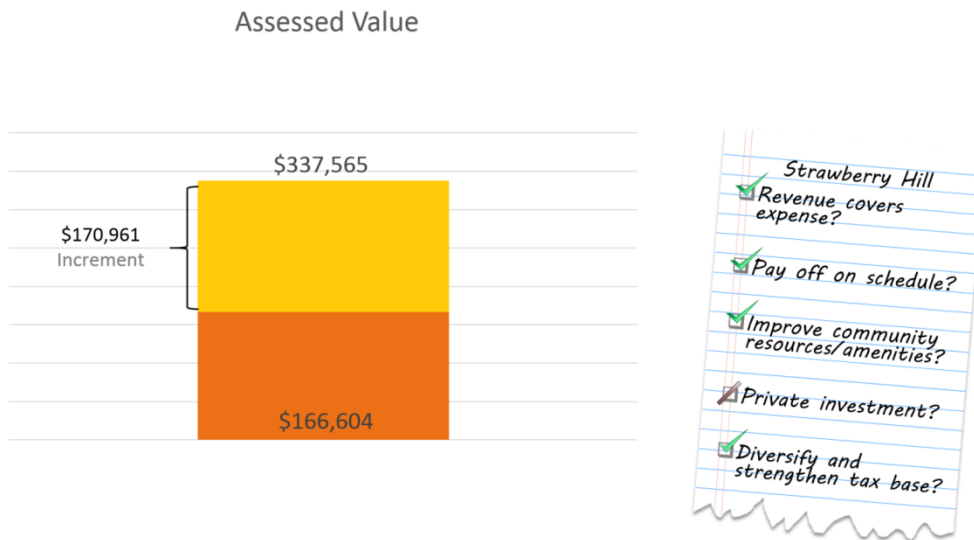
- 30 single family homes

Project Area B Plan:

- 37 single family homes



Project Area B; nothing has occurred on it yet.



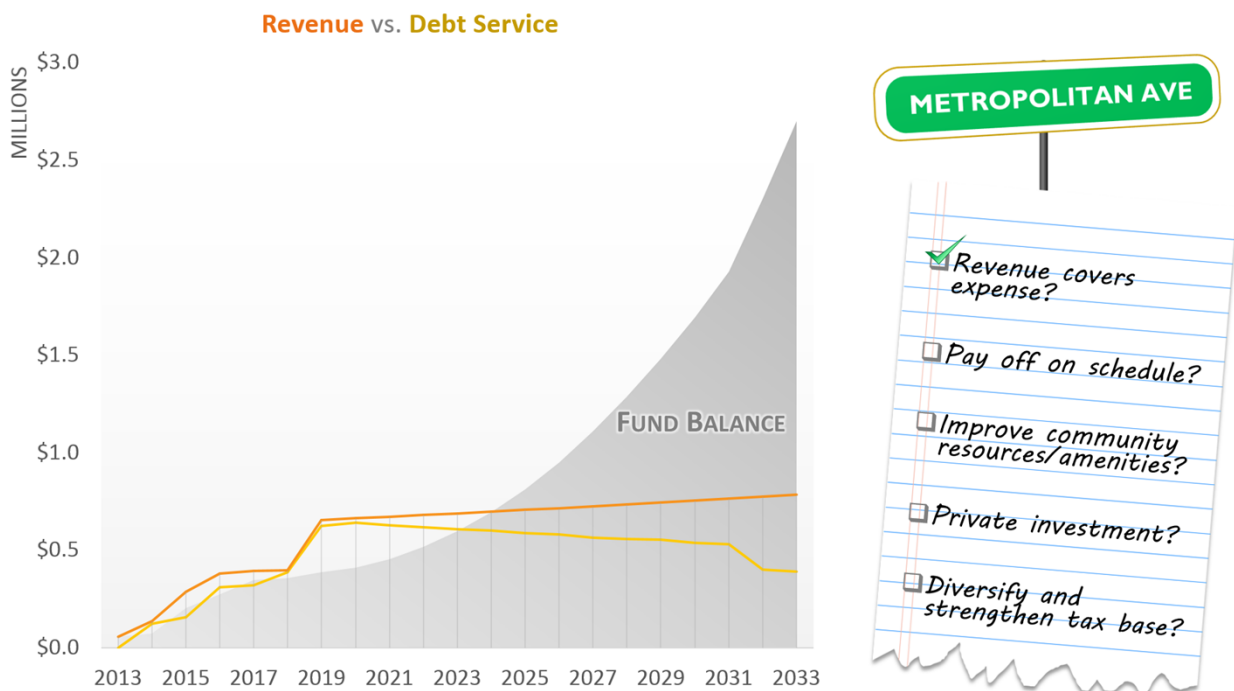
We have an increase in assessed value from \$166,000 to \$337,000.



Ms. VonAchen said the last TIF and the most recent TIF we have is Metropolitan Avenue. It's a commercial development built in an Enterprise Zone. There are two project areas. One is fully built out and the other one is partially built and it's backed by property tax and sales tax. It is located off of Metropolitan Avenue on the south and 24th Street on the west.

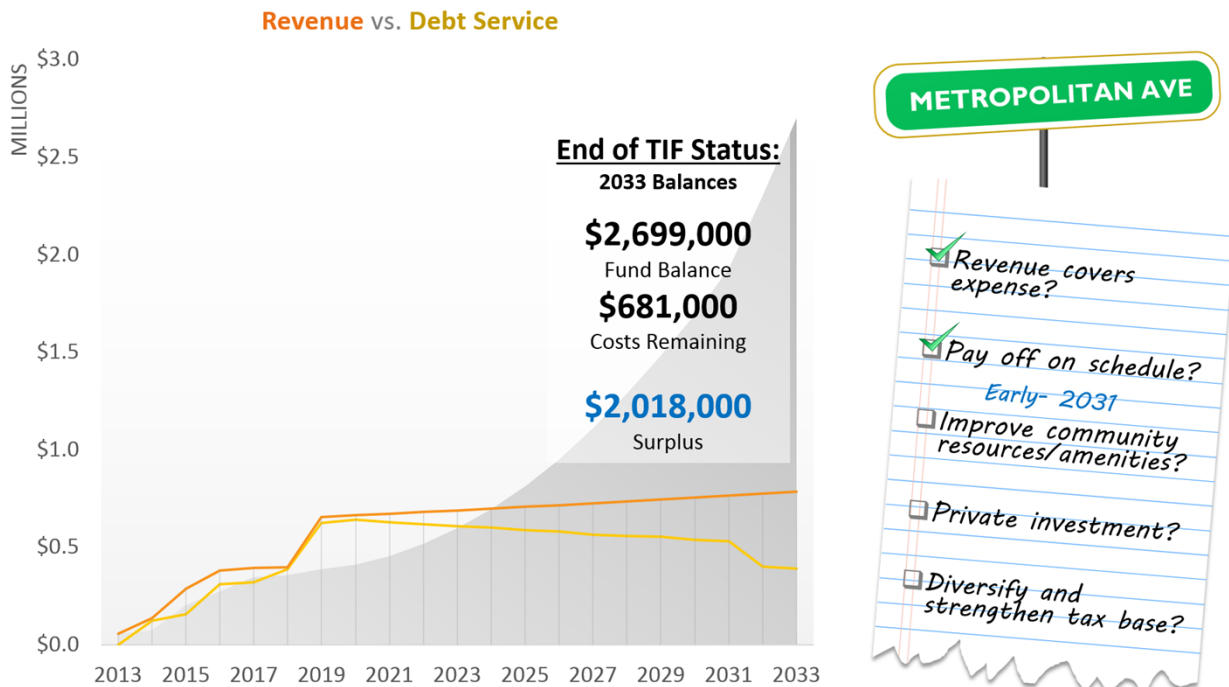


The district was formed in 2011 and the plans were approved in Project Area 1 in 2012 and then Project Area 2 in 2013. Here is the layout of those project areas. This is a picture of the development. This is a Save-A-Lot, the South Patrol Police Station, and there is a Walmart. We expect it to be completed in 2031.

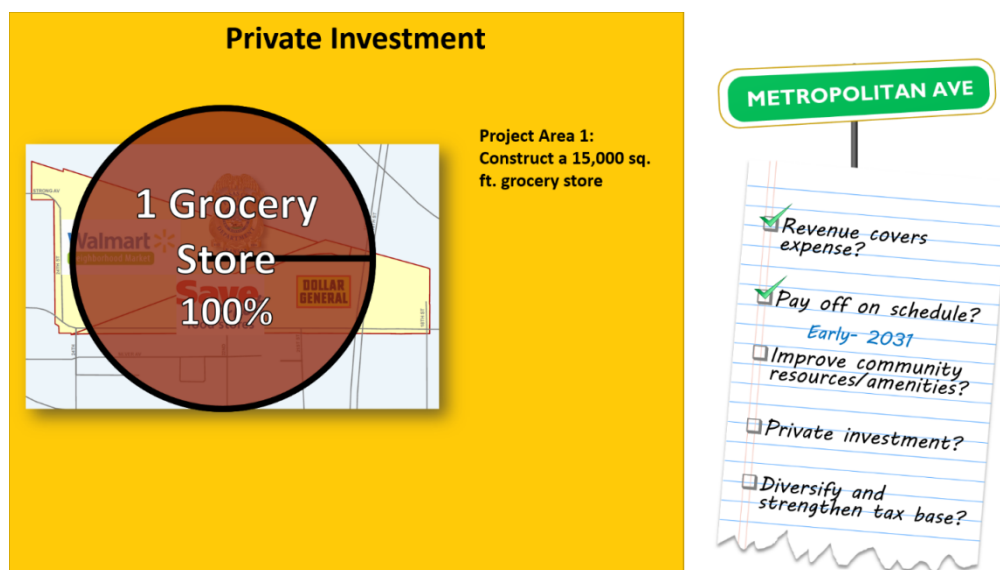


This project is estimated to pay off on schedule. The revenues are covering expenses.

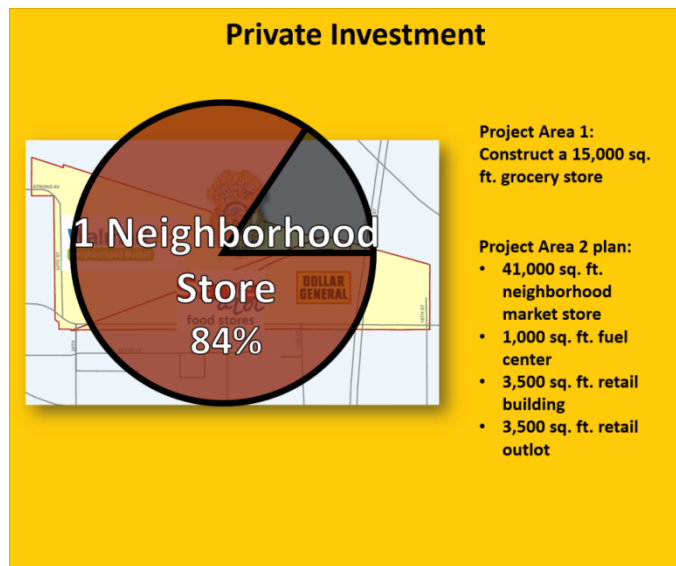
August 31, 2017



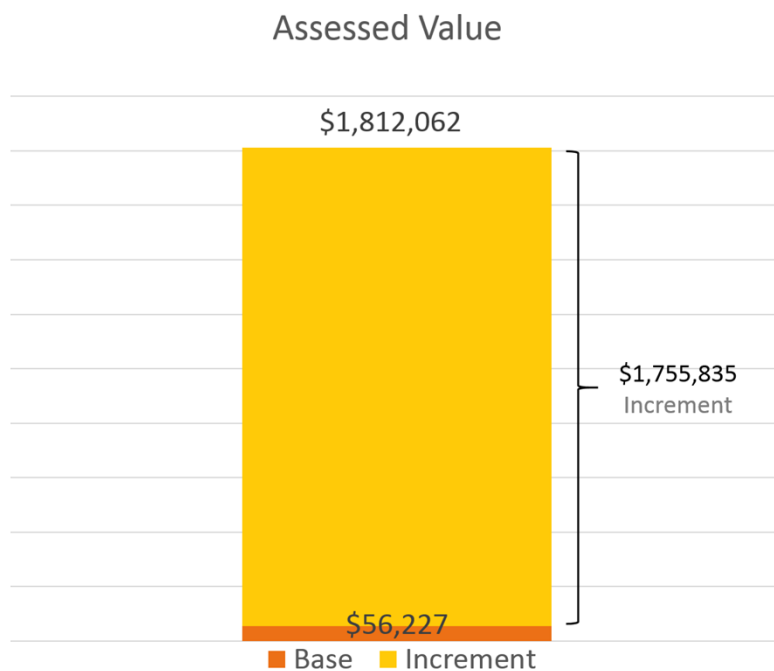
In fact we are right now estimating that at the end of the term in 2033 that there may be a \$2M surplus. That's a long time from now but that's given our assumptions and what we're expecting. That's because that fund balance is expected to grow to \$2.7M at the end of the term, while there will still be some debt service of about \$680,000 so it's a net of \$2M.



The private investment was achieved in Project Area 1 which was the grocery store. There is a 15,000 sq. ft. grocery store there.



In Project Area 2 the plan was 41,000 sq. ft. neighborhood market store, a fuel station, and then retail lots. This area although significantly—most of the project plans development occurred, 84% of it, but there are still some parcels available that we would like to have developed in order to further improve the performance of this TIF.



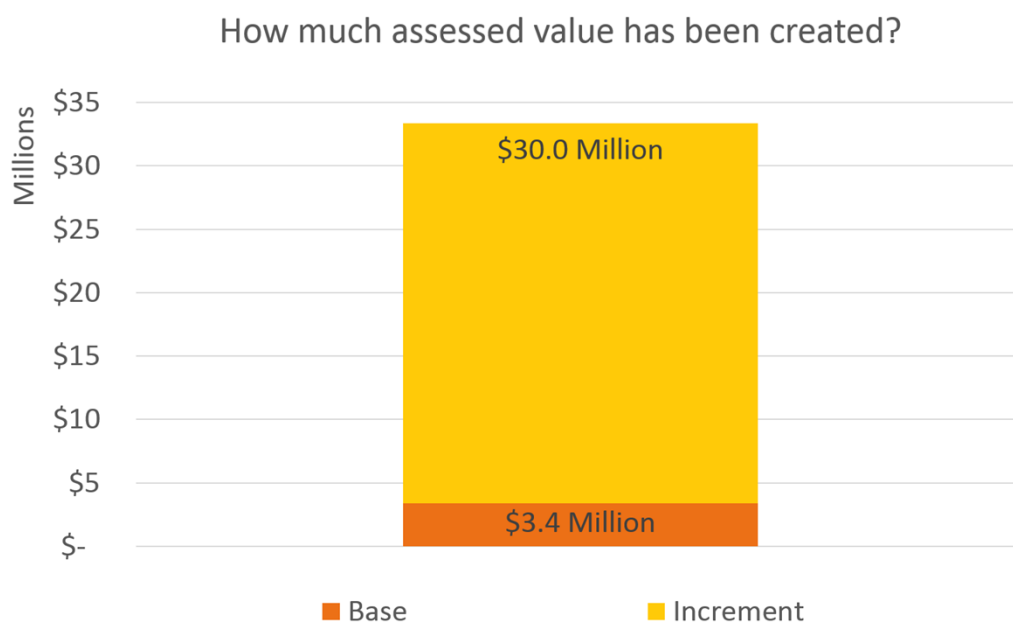
The tax base has been strengthened. At the beginning the property assessed value was \$56,000 and now it's estimated at \$1.8M.

Ms. VonAchen said that recaps all of the TIF Districts we're going to talk about individually.

Additional TIF Districts	Type	District Approved	Plan Approved	Status
38th & Leavenworth	Commercial	2004	2007	Plan didn't move forward
Bethany	Mixed Use	2007	--	Project never materialized
East Parallel	Commercial	2007	--	Repeated efforts failed to draw new interest
Midtown	Commercial	2004	2007	Plan didn't move forward
57th & State	Commercial	2015	--	Awaiting Plan
Rainbow Village	Commercial	2016	2016	Under Construction

This is a slide that refers to those TIF Districts that are active but we're not going to talk about specifically and the reason is because they either don't have a project plan or they're so new that we're still awaiting activity or awaiting finalization of the project plan. I can go through that. The first one is 38th & Leavenworth which was formed back in 2004 and that plan just never did move forward. Bethany; 2007 is a mixed use and the project plan never materialized. East Parallel is a commercial and again there were repeated efforts but they failed to draw new interest. Midtown is a district which we have issued debt for but currently we're still waiting for a project plan to move forward and that was formed in 2004. 57th & State is a commercial district formed in 2015 and we're waiting on that plan. Then Rainbow Village is around 38th & Rainbow. That's a commercial development that was formed only last year and that's currently under construction right now.

3 Summary



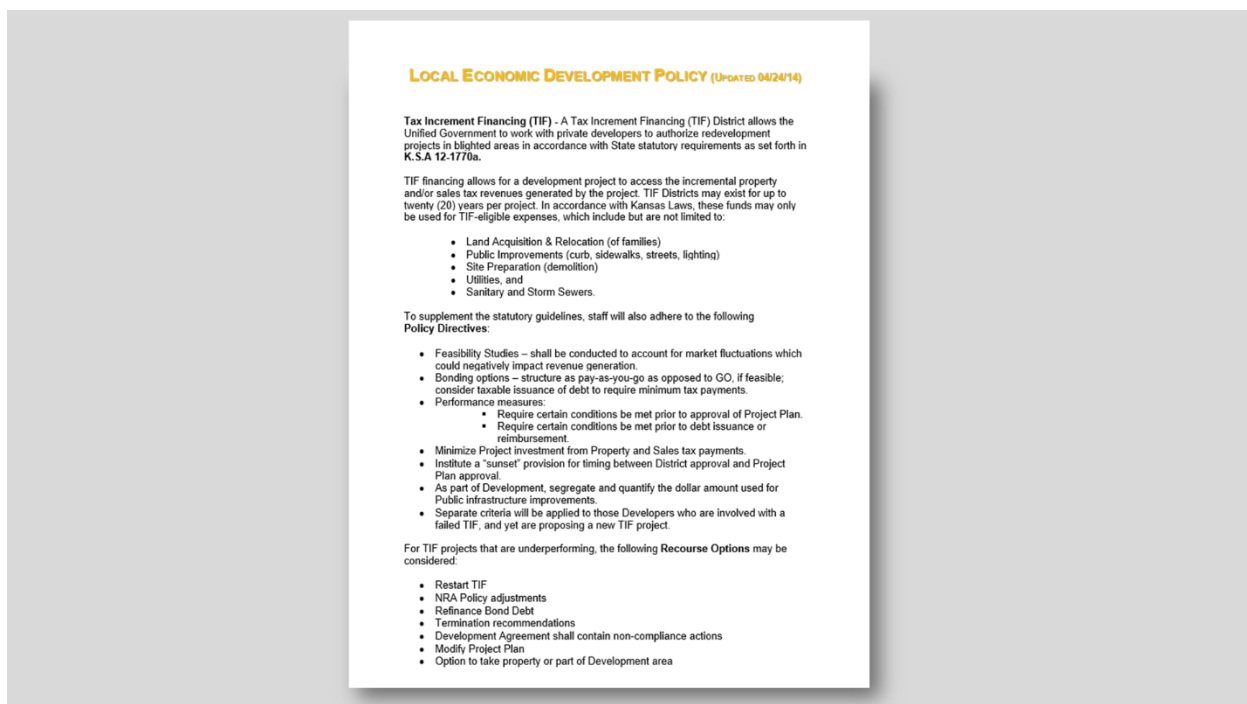
To summarize we just wanted to kind of quantify how much value was contributed to the entire community as a result of all these TIFs. As you can see the base assessed value for property tax is \$3.4M and now because of all of these TIFs our assessed value improved by \$30M so that's the increment that we are projecting.

Districts with Debt	Revenue Cover Expense	Pay off on schedule	Improve Community Resources/amenities	Encouraged private investment	Diversify/Strengthen tax base
CHRONOLOGICAL ORDER					
Peregrine Falcon	X	X	NA	X	X
NE Armourdale	✓	✓	✓	✓	✓
Melrose	✓	X	✓	NA	✓
Mission Cliffs/ Rainbow Park	✓	✓	✓	✓	✓
Mission Cliffs II	X	X	✓	NA	X
Saint Peter's Waterway	X	X	✓	NA	X
Escalade Heights	NA	NA	✓	✓	✓
Prescott Plaza	✓	✓	✓	✓	✓
I-70 & Armstrong	✓	✓	✓	✓	✓
Plaza @ Speedway	✓	✓	✓	✓	✓
Strawberry Hill	✓	✓	✓	✓	✓
39th & Rainbow	✓	✓	✓	✓	✓
Metropolitan Avenue	✓	✓	✓	✓	✓

We have a couple of slides here that provides some chronology or some kind of performance metrics of all of the TIFs. The top row actually is all of those five criteria, that checklist that we had in each of these districts and then along the side there are each of the districts in chronological order.

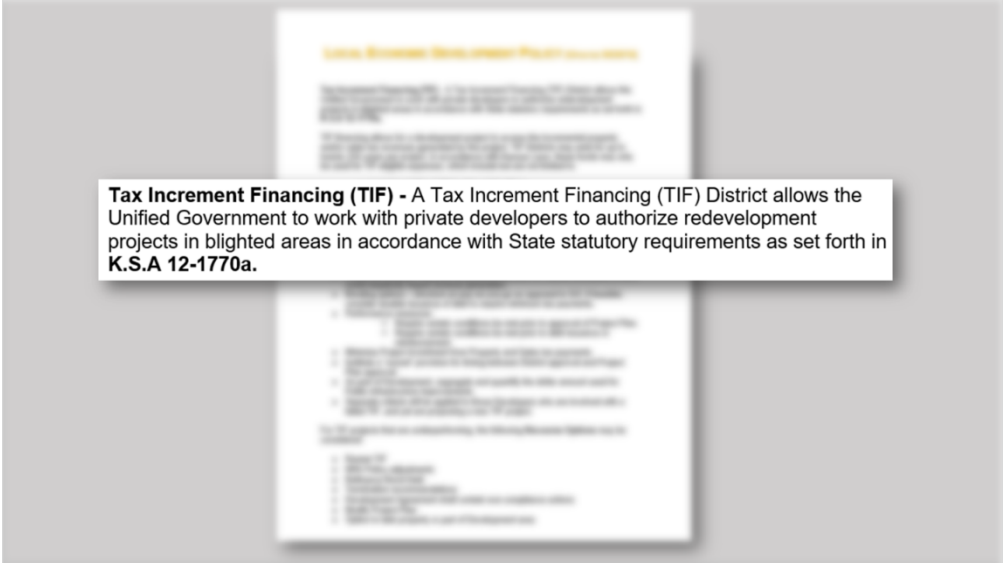
Districts with Debt	Revenue Cover Expense	Pay off on schedule	Improve Community Resources/amenities	Encouraged private investment	Diversify/Strengthen tax base
RESIDENTIAL					
Peregrine Falcon	X	X	NA	X	X
Mission Cliffs/ Rainbow Park	✓	✓	✓	✓	✓
Mission Cliffs II	X	X	✓	NA	X
Saint Peter's Waterway	X	X	✓	NA	X
Escalade Heights	NA	NA	✓	✓	✓
Strawberry Hill	✓	✓	✓	✓	✓
COMMERCIAL					
NE Armourdale	✓	✓	✓	✓	✓
Melrose	✓	X	✓	NA	✓
Prescott Plaza	✓	✓	✓	✓	✓
I-70 & Armstrong	✓	✓	✓	✓	✓
Plaza @ Speedway	✓	✓	✓	✓	✓
39th & Rainbow	✓	✓	✓	✓	✓
Metropolitan Avenue	✓	✓	✓	✓	✓

But then if you resort them based on residential and commercial then you can see that those red x's that where the performance criteria was not met. For example, revenues aren't covering expenses or the payoff is not on schedule. Those are mainly happening in the residential area. In fact, the only one where the payoff is not on schedule is Melrose for commercial property. This really does illustrate how the use of TIFs as an incentive tool for residential development is probably—you know maybe there is a better way of doing that.



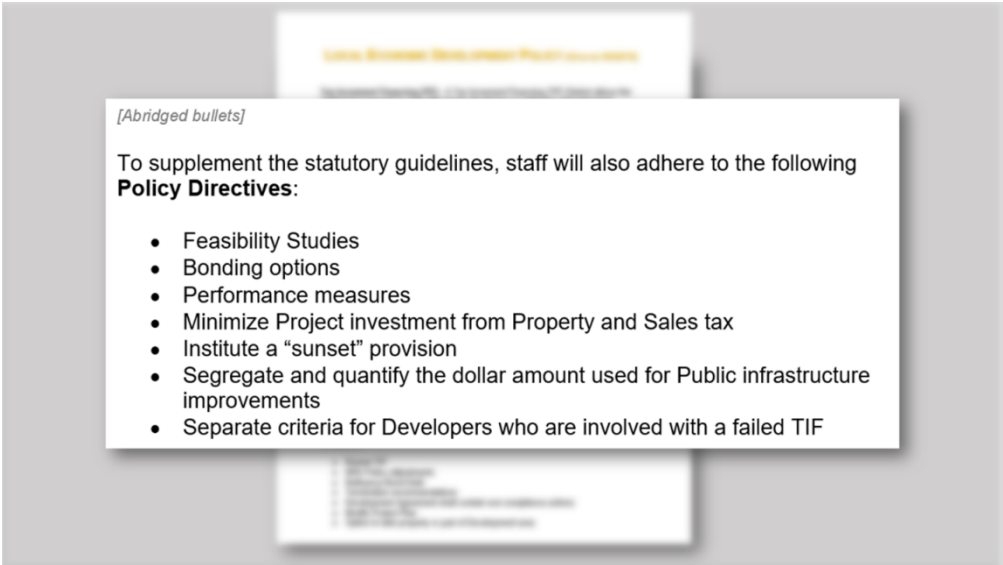
The last thing we're going to do is review the Tax Abatement Policy which was adopted back in 2014 and I'm going to pass this over to our Interim Economic Development Director Jon Stephens.

Jon Stephens, Interim Economic Development Director, said I believe it's important to cover a little bit of the policy and the directives that the staff adheres to as you look at this very comprehensive report and summation of the performance of the TIF Districts.



Tax Increment Financing (TIF) - A Tax Increment Financing (TIF) District allows the Unified Government to work with private developers to authorize redevelopment projects in blighted areas in accordance with State statutory requirements as set forth in K.S.A 12-1770a.

Tax Increment Financing is actually a development tool that is enabled by state statute and within that state statute requirement we have—I want to cover a little bit as to what that state statute covers. It's a maximum 20-year term. It covers land acquisition, relocation, public improvements, site prep, utilities and sanitary storm among other things.



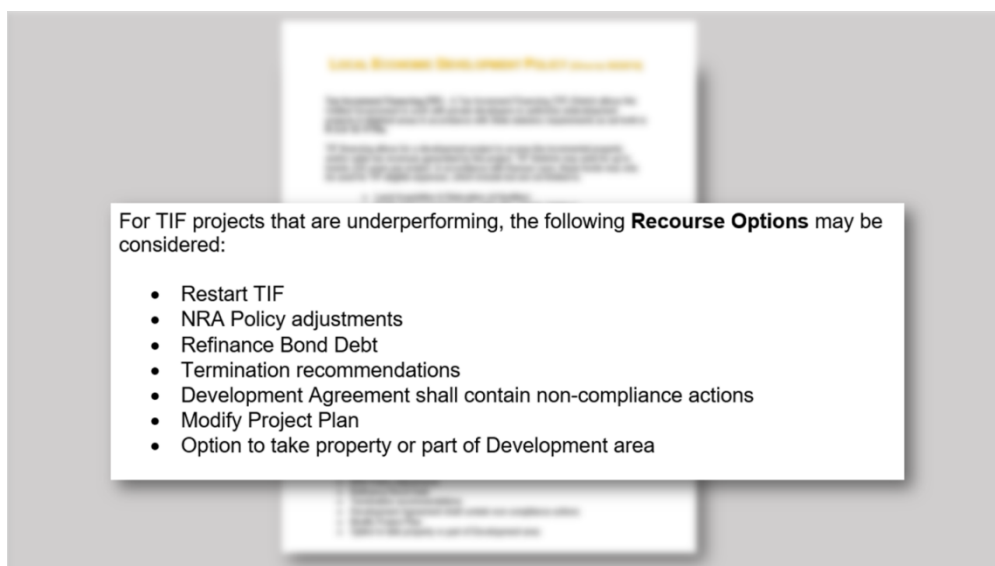
[Abridged bullets]

To supplement the statutory guidelines, staff will also adhere to the following **Policy Directives:**

- Feasibility Studies
- Bonding options
- Performance measures
- Minimize Project investment from Property and Sales tax
- Institute a “sunset” provision
- Segregate and quantify the dollar amount used for Public infrastructure improvements
- Separate criteria for Developers who are involved with a failed TIF

What does the staff adhere to related to that rather broad state statute requirement? In a little more detail the Economic Development staff and the team will really look at policy directives driven around feasibility studies with our Finance Department and others to measure the projected performance prior to entering into a TIF agreement. We want to look at the bonding options; specifically starting with a focus on is pay-as-you-go feasible to make the project work

because obviously that is the least risky and provides the best opportunity for performance. If that is feasible, then we move that direction and if not, then we do look at the other performance measures. Then we look at what we're going to do with the performance related to the project plan making sure that conditions are met prior to approval of the project plan. We want to work at all times to minimize the project investment from property and sales tax and institute a sunset provision so that once the district is approved if it does not move to plan approval, we can move forward in a more constructive way. We do focus on segregating and quantifying the dollar amount used for public infrastructure improvements and then we do really want to adhere to a separate criteria for developers who had a failed TIF is probably the best term related to it and how we evaluate future projects that they bring forward.



Finally, I think it's important for projects that have failed to perform at one level or another, what are some of the recourse options that we could consider. One, we could restart the TIF; take a different approach that way. We could look at policy adjustments, we could refinance the debt and then we could do termination recommendations. In the development agreements we have some tools there that provide some provisions in there for non-compliance actions against the developer or we could modify the project plan as you saw in a couple of these about taking an area out or adding an area in to make it perform better. Then finally, we have the option to take the property or part of the development area.



With that I believe we're concluded and we are now available for questions.

Commissioner Kane asked did Indian Springs have a TIF on it. **Mr. Bach** said yes. That's the one that's referenced as Midtown. **Mayor Holland** said his question was; was Indian Springs listed and it was listed as Midtown. **Commissioner Kane** asked why was it listed as Midtown and not Indian Springs. **Commissioner Philbrook** said because it encompasses a little bit more area than just Indian Springs. **Ms. VonAchen** said legally the district is called Midtown. **Mr. Bach** said we just call them out by their TIF name; we go through and call it that way.

Commissioner Townsend said looking specifically at Peregrine Falcon; just from a historical perspective I want some information about that. I remember receiving as a resident in the area near the desired TIF, '97 and 2005, and unfortunately a couple of things happened that you mentioned already. The lawsuit that affected a lot of properties in the northeast end and then the recession hit a lot of people. Was that TIF developer initiated, was it City initiated; how did that really come to be? That's question number one. **Ms. Villarreal** said when researching this because it was back from 1997 there wasn't a lot to say whether it was developer or City initiated so that's unknown. **Commissioner Walker** said the City initiated it. We didn't have a developer until Bob Hughes took on the responsibility of doing it. It was the intent to stimulate residential development in the particular area. I believe Commissioner Barnes was somewhat of

the driving force behind that at the time, but there were others that thought it was a good location for a project. **Commissioner Townsend** said I still think it was. I just—not being here I knew there was enough history around this table to answer so thank you.

Next question; there was reference made to the method of financing then when the TIF was formed that there has been a change to that. Would you go back to that quickly and then I think make reference to what options are in case somebody sees this and says well let's go back and see maybe what we can do with this, what's the difference in the financing options then and now? **Ms. VonAchen** asked which district are you referencing. **Commissioner Townsend** said Peregrine Falcon. I know we said we're not financing residential TIFs in the same way, the change in policy the last couple of years so if someone wanted to step in and revitalize. I guess it's still alive until 2025. What are the financing options? **Ms. VonAchen** said Tax Increment Financing is dependent on whether the development improves sufficiently so that the tax revenue can meet the debt service costs. Generally speaking we have found, and not only in this city but in other communities, it's typically not the best tool for residential development because some of that property tax or the assessed value doesn't grow quick enough in order to offset debt service or the principal and the interest payments. The public financial assistance needs to be greater in order to facilitate those residential developments. There are other tools that are available but Tax Increment Financing is probably not the best tool to do it. I'm not saying that no residential development, I'm just saying this specific incentive tool is probably not the best. There are others that we could explore.

Commissioner Townsend said the way I understand that is since this is already created that might not be where we want to go in the future if we were starting fresh. **Ms. VonAchen** said that's what I was saying. **Commissioner Townsend** said but my question really is methodology; in case someone wanted to jumpstart this project, the TIF is already in existence so what are the financing methodologies available or can we use the same ones? **Ms. VonAchen** said if we could definitely have additional residential homes built in that area, it certainly would improve the assessed value, absolutely. The fact is there are only five homes there when there were many more that were planned. A certain number of—the infrastructure was in place for the greater number of homes so there was a big investment made and the payoff—the plan wasn't met. That's why it's upside down right now. **Commissioner Townsend** said I understand that.

Mr. Bach said I think a couple years ago we made a modification to the NRA Plan for recognizing—if you look at this most our residential failed TIFs date back pre 2005 so we haven't done any residential TIFs for a long time. We looked back at that and said in order to assist these if we were to allow NRA to take place within the TIF District recognizing that the TIF District wouldn't get any money from it for period, I think we modified the NRA Policy to say that if you're in Area 1 or A, whatever it is; you can do an NRA for five years. That was kind of an effort to say—because all the infrastructure is in place like in this one so the effort from TIF is to put infrastructure in the ground, demo out things, put in streets, sewers so all the infrastructure is in place and then if we could offer incentives back into those areas to say you get property tax 95% abatement for five years, maybe that could help it. We put that in play, it hasn't made an impact on this subdivision. I'm not sure if it's made much of an impact on any of these, but that was one of our efforts to try to do things to take advantage of already invested TIF dollars to see if we could stimulate some other investment. **Commissioner Townsend** said so that option is still there. **Mr. Bach** said yes it is.

Commissioner Townsend said the last thing, on your summary I guess about 109 where you do the chronological order; when you analyze each of these TIFs and you look at the column that says Improve Community Resources/Amenities, in your handout it would be 109/110; what does the NA mean, that notation there? **Mr. Bach** said it's just intended to be not applicable for that project area. I'm not sure for Peregrine Falcon. **Ms. VonAchen** said what it means is that it was partially achieved. It's not necessarily wasn't achieved or was achieved so those that kind of had a slash in it. **Commissioner Townsend** said well it looks like NA not achieved, but I would accept a PA partially achieved because it certainly improved the community and it was a great improvement over what was there and continues to be so I would take issue with that. **Ms. VonAchen** said that's fair, yep. We're happy to get any kind of feedback. Some of these criteria whether they're achieved or not could be a little bit subjective. **Commissioner Townsend** said not all of them, but I mean that says improved community, it did that. The housing is not greatly improved in the look as you go from Quindaro, it's off of Quindaro north by several blocks to the fabulous Fairfax District.

Commissioner Bynum said I appreciate the excellent presentation and about halfway through it I was sorry that I wasn't tallying the dollar figures to the plus or minus side of each of the 19 TIF

areas that you walked us through and it's clear that from the presentation that residential in our community is performing not so well. Commercial does well. That's been the experience for this community, but given that, we do have 19 total and they are both residential and commercial so what I was left wanting when it was all over was given all of that where are we dollar wise? Are we to the plus side or the minus side of the balance sheet when we factor all of it in together at this point and time I should say or at the projected end of each area? **Ms. VonAchen** said toward the end there was the assessed value, that slide demonstrated that approximately \$30M in additional assessed value was added. **Mr. Bach** asked is your question though more pertaining to bonds? **Commissioner Bynum** said right. I mean at each project level we were shown whether that project at its conclusion was going to end in a surplus or a deficit and I wish I had been tracking those numbers throughout the 19 parcels where we were talking about a TIF and how do those numbers add up and factor out in the end is kind of what I was left wanting after all of it.

Mayor Holland said I think it would be helpful to have slide 109 have two additional columns. One to the left with the date it was initiated, this is 110 actually, I was looking at 109; and one to the right which is projected net revenue or loss on it. Now, we should know, Indian Springs alone is almost \$20M upside down so you almost have to do everything and then Indian Springs because it's a very unique piece that we're working hard to get a redevelopment on it to get it paid back. The rest of them I think we could do that and show a net positive in terms of the bonds. That would be easy to add I think. **Mr. Bach** said I think the only thing that makes that confusing is that some don't have bonds so they're paying to the positive. The TIF we didn't issue bonds so if you just did the ones with bonds, you're actually isolating ones that are probably more difficult to begin with. When you're evaluating the whole tool you can look at it and say here is our bond ones paying positive negative and then you say here are all our other ones we did pay-as-you-go because we said you don't need bonds but there is going to be a positive on all of those. There is no possibility for a negative and that's a harder number to get.

Ms. VonAchen said I would like to add also that I have the numbers right here. In the first column there all the red marks, the first one is the Peregrine Falcon that's a negative \$788,000, the second one is Mission Cliffs II that's a negative \$2.3M, and then St. Peters Waterway was a negative \$3.5M. All the others are positives so that's where that is. **Mr. Bach**

said we will put those numbers to it and send it out to you. **Mayor Holland** said if you could send that out to us, I think that would be helpful.

Commissioner Walker said on the 108 I want to get an understanding. This \$30M is it not a moment in time—that number \$30M is going to change. Ideally it would go up but these commercial properties that are also well performing, has it not been our experience that as time has gone on the value of a commercial—Chick-fil-A building for example, it doesn't usually increase in value. It usually diminishes in value as the building ages, is that not true? So, when we're projecting that we're \$27M to the good at this moment in time that you captured on graph 108, are we to believe that when these pay off they're all going to still continue to have an annually increasing taxable value or is it not true that these commercial buildings by the time they go on the tax rolls they're really not anywhere close to being worth what they were when they were newly built. **Mr. Bach** said I can take a stab at that maybe. I mean you're speculating a little bit and it probably varies between the types of development that you have. While we know residential value as not being real good from a TIF perspective, most of us can look at homes as long as you keep it up they will increase in value over time. **Commissioner Walker** said 2% a year.

Mr. Bach said the industrial buildings really hold pretty good. You know there are some big box arguments that come into play but you know we can look at General Motors as a project that went out there for 20 years and now comes in as one of our largest taxpayers and that's on property tax alone. When you look back at many of the old TIFs or IRBs that are no longer on, I think from an industrial perspective those are usually pretty solid. Commercial, retail may be a little harder to value I don't know because I will agree 20 years into a project a store doesn't have that shiny new feel to it and 20 years later they need something to come to it which is one reason like at 39th & Rainbow we started tearing it down in 10 years. We didn't give them 20 years of property tax. We said you're going to start coming down because 20 years into the game you're going to need to refresh your whole shops and stores. It's a 20 year TIF, but it's not 20 years of money. Our community starts gaining 10 years into it. Same thing at Plaza at the Speedway; looked at 10 years on any type of property tax that went into that program and then how sales tax flowed. I would agree with your statement on retail.

Commissioner Walker said I think by the time we take up this subject I'm told we're going to at the Strategic Retreat I think I would like to have some analysis of that because one of things that troubles me about Tax Increment Financing has always been that there is no guarantee when they go on line paying full taxes that there is a specific amount or a payment in-lieu-of-taxes that they cannot go below. Taxes can be higher but no less than. Now, I don't know if that is legally permissible, but you know a 20 year old hotel is a 20 year old hotel and unless the owner renovates it and puts state-of-the-art stuff in it, you know we've all probably stayed at 20 year old hotels and they do not have the value—well the Mayor hasn't, but I have. **Mayor Holland** said I'm sure it's horrible Commissioner. **Commissioner Walker** said it is but you are able to live through it. Anyway, I want to look at this policy because I think we don't always negotiate as hard as we could. The 39th & Rainbow we sent back because they wanted 100% for the whole 20 years. Now, I would have liked to have gotten more than we got but we got better than we were getting from them upfront and I think perhaps in some of these TIF deals we're just a little too generous and I want to be proven wrong so plan on proving me wrong. I just think we are.

Mayor Holland said one of the things I want to point out is there are really two era's; there is prerecession and post-recession. From 1997 to 2007 we approved 15 TIFs. From 1997 to 2007 15 of these TIFs were approved including all six of the residential ones that are the most challenged. Since 2007 post-recession we've only approved four. We've approved 39th & Rainbow, Metropolitan Avenue, 57th & State which does not have a project plan on it; it's simply been approved, and Rainbow Village in 2016. In the first 10 years there were 15 of them, a lot of enthusiasm for TIF, in the last 10 years only four; a lot more caution, commercial only and though you start to see the ratcheted down things that you're talking about Mr. Walker of not giving up—necessarily giving up everything but thinking about just what's needed to make the project go. Prerecession very aggressive, 15 different TIF Districts formed. In the last 10 years, last 10 years since 2007 we've only done four and I think we learned our lesson on single-family residential. The Strawberry Hill one is townhomes so it's a little different and it penciled, but in terms of single-family boy the risk of doing a TIF is not worth it and I think we've learned that from the previous 10 years. We've been very conservative with this in the last 10 years. I hope we continue to be conservative with it, I hope we continue to negotiate strongly and only give

away what's necessary for the project to work and to make sure the benefit outweighs the cost to the community. This Commission has inherited 10 years of a different TIF policy than we've had the last 10 years so I think we're on the right track. I like having it in our tool belt. I think it is a tool worth having and there are areas where it works but we just need to be thoughtful about it.

Commissioner Philbrook said for the future I would like to be a little bit more enlightened about a couple of things. When we talk about the school, the school 20 mills, you know how that figures in. Of course they don't get 20 mills right now and it says—I don't know how that figures in and I just want to understand a little bit more about that. The other thing is I also want to know why we are only using the top two of all of the eligible areas for TIF monies because you've got all these other things; major tourism areas, all this other but we're only using the top two for TIF and so I just want to kind of understand that. **Mr. Bach** said I can speak to that last question a little in the sense that it really comes to play of need. You know what's our drive to kind of come into this? I mean bioscience development areas; we may be able to get something like that in the future. I think that was specifically put into place when they were looking at the AgriScience, Bioscience areas like in Manhattan, KS so there were some specific additions. We looked at the conservation areas a couple of times; however, for that same TIF area we found it easier to do the blighted area so it really breaks it down when you're working with a developer to say which one of these do you want to go with. The conservation may sound better than blighted. Conservation a lot of times it's just the criteria you have to go through and meet for different thresholds in order to enact it. The major tourism area we actually do that, it just reference to these when you look at the STAR areas and I'm pretty sure that's where that applies over the STAR Districts. STAR is a TIF. It's kind of a Super TIF, but it bases is in with the TIF tools and that's why when Kathleen said we're not reporting on them, it's a different animal a little bit so we didn't want to confuse it in with the rest of these.

Commissioner Philbrook said in other words we're not anti those, it's just we don't necessarily use those. **Mr. Bach** said right. You go through and you evaluate what—like the Mayor just said, you know we've only done four of these over the last decade so it's not like we're out there working TIFs all the time to come into it. When you have the right kind of project for it you look for the right way to fit it into these and the Enterprise Zones have worked

well for us too because that's in a lot of the more challenged areas that were identified back through this federal formula that was put out at that time. **Commissioner Philbrook** said I appreciate that comment.

Mayor Holland said I would also add my two cents worth; I really like STAR Bonds and anytime we can use STAR Bonds we should. When we do a TIF District it's 100% local revenue. When we do a STAR Bond it's 60% State revenue and as I've told the Governor many times I much prefer to spend State revenue than local revenue. If there is an opportunity to use Sales Tax Revenue Bonds and STAR Bonds, we should jump on it. If we could get them in town, if there were areas to bring those east of 635 they are a super powerful tool. The challenge is the restrictions that are on them make it work better out in the western area which is why it's custom made for the western area by the State so it's more challenging to bring them in town. Any time we could use STAR Bonds we should use them because the spend from the local side is only a third and it's much better. So, that's my two cents on STAR Bonds versus TIFs.

Commissioner Murguia said I just had a question about the way the slides and the money and information was presented and I don't completely understand TIFs, but is it fair to say that this is for people that don't do this kind of work every day that are watching or paying attention. Would it be fair to say that TIF is money that is loaned to a development that is paid back over time? Would you say that? **Mr. Bach** said in the case of a bond. **Commissioner Murguia** said yes. **Mr. Bach** said this chart that's right up there on the board kind of illustrates that. You've got a base of all these projects that was \$3.4M; there is \$27M that our community wouldn't have generated otherwise but for this TIF project coming about. That's money that goes back in that over time starts to get generated and pays back into it. **Commissioner Murguia** said no, I think this is a great presentation and I understand it. I was just saying for the general public's information if you look at one specific deal on here, whatever the deal is, 39Rainbow or Metropolitan Avenue and you look at how much money the government loaned that deal, say it's \$2M and then the date on here projects when that is supposed to be paid off. What I would be interested in seeing is how much money was loaned, what the date was that it was expected to be paid back and where we are currently. I think this lends itself a little bit to what Commissioner Walker is saying. We've talked for a long time that the STAR Bonds out west were paid off,

was it three years early—**Mayor Holland** said five years early. **Commissioner Murguia** said and I think that's great. I think what I would like to see are any of these individual deals based on the revenue they're bringing in currently slated to be paid off early. The one that obviously draws my attention is Walmart in Argentine. You say it's slated to be paid off in 2033. I think that's what your slide says. Is that right? Am I reading that correctly? **Ms. Villarreal** said 2033 is when the plan ends, but 2031 was our projection. **Commissioner Murguia** said in 2031 that's when it's scheduled to be paid off, but if you look at—the project has over a \$2M surplus so am I reading this wrong saying that appears to me this project is on the track to be paid off way before 2031. Is that accurate?

Ms. VonAchen said the answer to that is yes, but from a mechanism we're not actually able to pay it off because there is a General Fund obligation. It's a General Obligation Bond and it just doesn't have that kind of redemption provision in the bond. **Commissioner Murguia** said that's where I was getting to what Commissioner Walker was saying. Why is it that we can't structure a deal where we can pay those General Obligation Bonds off early? **Ms. Jonscher** said the reason we can't pay it off early is because that was one project in a full series of bonds. We may have bonded 30 projects in that one issue. We can't pull out one project out of the bond issue and pay it off early. We can collect—we're tracking the collection of the revenues and so we will know when it pays off early, but we will have to continue along with the debt schedule until the debt service payment ends. **Ms. VonAchen** said by the way, if it's not a General Obligation Bond then we could pay it off early. It's just that this one is so we can't.

Commissioner Murguia said so when you bundle these bonds for all these different projects together, one project or two projects could be carrying the debt load for other less performing projects, correct? It seems to me that what you're doing if you look at it in terms of property, if I own five homes and I borrow money on all five homes and I have one loan for all five homes the individual projects—the individual homes may be all performing differently, but as long as there is enough revenue coming in from the bundle of projects then you have enough money to pay that bond issuance, correct? **Mr. Bach** said, Commissioner, it's kind of the nature of the GO Bond. You know we do those every year and I think that's where you're trying to take the GO project and put it over here to our Special Revenues where we isolate and it's a project by itself and has its own performance. Every year when we bring—we bring a big old mass of here's all of our GO projects and this is being backed by the full faith and credit of the

Unified Government and all the revenue streams we have so all of our taxing. We're taking from everything that's coming into our revenues and so now the money for everything that's paying into a GO Bond like the Metropolitan, that's going into just our pot of money that we now have to take and put over here toward how we're going to pay off everything each year. Some of it goes to debt finance, some of it goes to Operating and you split it out and you breakout your TIF. The good thing about it for the project is that's why finance companies like it; they get a low interest rate. When we say we're putting a GO behind it—you know what did our last GO Bonds go at? **Ms. VonAchen** said 4.1—**Mr. Bach** said 4%, something like that versus 6 or 7% on the open market. Once we do that we kind of separate it from the project, but then on a separate ledger we track how they're all doing and keep track of it. If it doesn't make money like Indian Springs, Indian Springs isn't putting any money into the pot, but it's all part of the big mass of bonds we issued out a decade ago whenever we did all that.

Mayor Holland said the other important thing is the GO Bonds—we're issuing GO Bonds for building improvements, for streets, for sewers, for all kinds of things and it's not that we bundle our economic development GO Bonds separately. We just do a tranche of GO Bonds, it's going to have this much economic development, this much streets, this much building this much sewers and so it all goes out in one tranche and then we finance it all over x number of years so any one of those could be paid off sooner but the tranche can't be paid off unless we do a comprehensive refinancing measure which our Finance team brings to us. Every couple of years they bring a refinance to us where we buy down a whole tranche of bonds and refinance them to lower the interest rate and save us money over time. That's the important piece is that there is no way to separate out any of these because once we go GO it's just a big bucket of bonds that we need for all kinds of things.

Commissioner Murguia said so STAR Bonds they can be paid off early, correct? **Mayor Holland** said yes. **Mr. Bach** said depending on the way they're issued and that's another good example, but you can. When you go out and do it you can do early redemption—**Ms. VonAchen** said super sinker or early redemption. **Mr. Bach** said early redemption and that's how we did the ones for the Village West area. The difference is one like we did for the Kansas Speedway which our first STAR Bonds were issued. Those were issued over a 20 year period with no super sinker clause within it; however, there is a clause within it that says once you fill up all your funds that say you would have to fall off so many years and not pay it, then you can

start receiving money so that's why we do get \$700,000 in sales tax from the Speedway every year now or something like that because we filled all the buckets there that say if they don't have a race next year, we've still got enough money in reserve to pay it. That's why we're getting money from that one early but the bonds aren't paid off—**Mayor Holland** said we also did not issue General Obligation Bonds—(Mr. Bach was inaudible due to the Mayor speaking). **Mr. Bach** said there are different ways of selling bonds. Some people buy bonds and say I want a steady repayment loan for 20 years and that's how I want to buy it. Others will buy that bond and say okay, good, and if I can get it paid off in 10 years fine. **Mayor Holland** said, but Mr. Bach, it's also true we didn't issue General Obligation Bonds with STAR Bonds. **Mr. Bach** said no. **Mayor Holland** said so that's another issue with the STAR Bonds we only went out to the private sector to sell those. We never did General Obligation. **Mr. Bach** said that is correct. Those bonds were always reliant upon the revenues coming from those areas and say the Speedway or the Village West area did not produce—**Ms. VonAchen** said no. **Mr. Bach** said well the Speedway might have some exceptions on it—**Ms. VonAchen** said annual appropriation—**Mr. Bach** said the Village West area didn't produce we weren't on the hook for those mass amount of bonds.

Commissioner Murguia said it sounds like you already have this then. All I would like to see is on these projects—if this is too difficult it's not necessarily that important, but I'm curious on each one of these projects how much government money was invested in each one of them, what the projected date payoff was which you've listed in here, and where we're at today with paying that off on each one of these individual projects. That's what I would like to see. **Ms. VonAchen** said we can provide that. **Commissioner Murguia** said I figured you probably had that. This is helpful but it's also nice to know—we kind of made a broad brush statement when we said looking at TIFs, on using TIF as an incentive for residential is not necessarily a good idea because they haven't panned out. I don't know that that's really the case. It might just be where we're doing those residential TIFs and the volume of homes that we're building, the number of homes that we're building. I agree that the way we've been doing it, it hasn't been performing and I think that we obviously have to take note of that, but I also think that doing infill residential TIF projects is incredibly difficult. I've been saying that for years that's not really in our best financial interest, but if you had a parcel of ground that was separated from, not

infill, I could see how building a community in an area like that the evaluations would be higher and a residential TIF would be beneficial.

Mr. Bach said it is a good discussion you could get into on this, but the biggest failure point that comes with the residential TIF is you look at it and say hey we're going to build, take a number, 50 houses, a commercial development like Walmart you can say I'm going to build a Walmart and you know that building is built. You don't come out and build 50 houses right off the bat. Go to a popping subdivision that's really working great, you're going to build a house, you might build three or four at the same time; but you're not going to build 50 right off that bat. It takes a lot of courage to get there. I went back and looked at these because I wasn't working over these back when we did some of these residential TIFs so I looked back and kind of did that analysis on them or looked at the analysis with Charles back years ago and we noted that most of the performance was done based on a complete build out like Waterway in two years. When you think Waterway, 70 houses, that's not bad but it was performing so it would do 120 houses in two years, well that's impractical. So, it's kind of looking at something like that and say what is the right way to perform. A pay-as-you-go TIF is a different way to think about how to do a residential so then the developer can take advantage of it but we put them on the hook to say if you want to get the TIF money, you build the house. **Ms. VonAchen** said then if you do a mixed use, you use a higher density, it's good for infill and then you bring in those multiple revenue sources. You know the revenue, the retail that helps. **Mr. Bach** said (inaudible)—a residential TIF because it had the apartment complex, it build up, paid off a big chunk and the other portions really didn't do that well but it took out the bigger part of the infrastructure costs.

Commissioner Murguia said that's exactly what I was trying to get at; that it's really not fair to compare residential TIF with a commercial TIF because it would be like saying I'm going to build 2,000 sq. ft. of a 15,000 sq. ft. commercial building first and let's see how that goes. It's not going to go well so that's the difference. I just wanted to make sure we were thinking that through that the pay-as-you-go sounds like it's a better option.

Mayor Holland said let's do this because we do need to end because we need to switch camera's and go downstairs at 7:00 p.m. If you have other questions or comments about this, let this percolate for a while. If you have other questions that you want, get those over to Mr. Bach

so that he can get those answered for us and any answer that we get if you could send that to all the commissioners just to make sure that—because some of them might ask a question that I haven't thought of and then we can all see those. If there is a desire to do more with TIF analysis and as we work on economic development tools, we can schedule additional Special Sessions or we can push it into the Economic Development Standing Committee and let that group work on it as well. Thank you all for doing this. It was a great presentation, very thorough and I appreciate you pulling it altogether.

MAYOR HOLLAND ADJOURNED
THE MEETING AT 6:48 p.m.

dt

Bridgette D. Cobbins
Unified Government Clerk

August 31, 2017