ECONOMIC DEVELOPMENT AND FINANCE
STANDING COMMITTEE MINUTES
Monday, September 11, 2017

The meeting of the Economic Development and Finance Standing Committee was held on Monday, September 11, 2017, at 5:13 p.m., in the 5th Floor Conference Room of the Municipal Office Building. The following members were present: Commissioner McKiernan, Chairman; Commissioners Walker, Walters, Townsend, and BPU Board Member Alvey. Commissioner Murguia was absent. The following officials were also in attendance: Doug Bach, County Administrator; Gordon Criswell, Joe Connor and Melissa Sieban; Assistant County Administrators; Kathleen VonAchen, Chief Financial Officer; Patrick Waters, Senior Attorney; Emerick Cross, Commission Liaison; Jon Stephens, Interim Economic Development Director.

Chairman McKiernan called the meeting to order.

Roll call was taken and members were present as shown above.

Chairman McKiernan said first of all we do have revisions to this evening's agenda. The item that was originally Item No. 1 which was an update on the Legends project has been delayed at this point indefinitely and it will be announced whenever it's going to come back and we'll put it on a future agenda.

Committee Agenda:

Item No. 1 – 171285… UPDATE: LEGENDS PROJECT

Synopsis: Update on the planned upgrades, renovations, and additions to the Legends development and discussion of the CID previously approved for this area, presented by Dan Lowe of Legacy Development, submitted by Jon Stephens, Economic Development Director.

Doug Bach, County Administrator; said that is correct, I believe. We're probably looking at next month's agenda. Right now we're asking or Mr. Lowe requested that we put this off a month to continue to work on a little bit more.

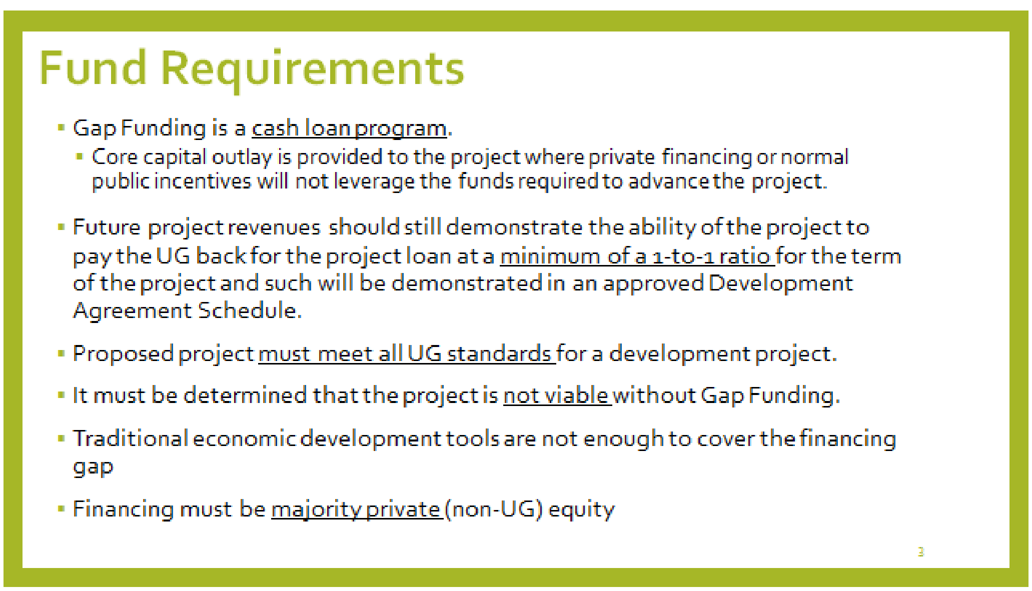
Action: Item reschedule for a future agenda.

Item No. 2 – 171287… PRESENTATION/APPROVAL: PROPOSED URBAN DEVELOPMENT GAP FUND POLICY

Synopsis: Presentation and request to approve the proposed Urban Development Gap Fund Policy, submitted by Jon Stephens, Interim Economic Development Director.

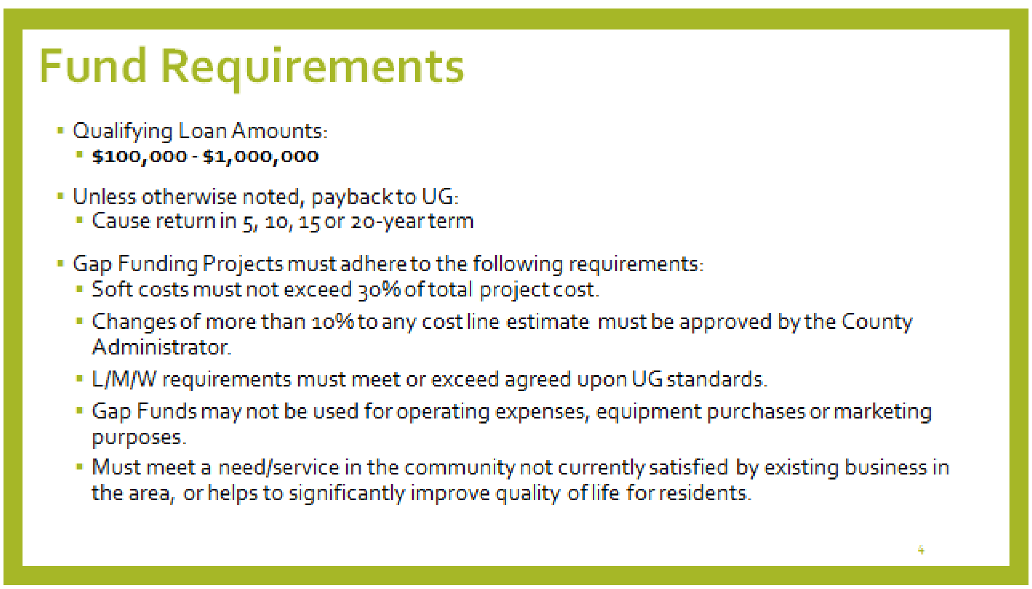
Jon Stephens, Interim Economic Development Director, said the issue before you is the Urban Development Gap Fund Policy proposal and just a brief overview; I want to cover a little bit of the history as I believe you are all aware but just to be certain for everyone listening.

The Unified Government Urban Development Gap Fund was established by the UG Commission to assist with the financing and facilitation of renovations, revitalization and attraction of new business ventures in the city of KCK. This funding is intended as matching revenue to leverage more investment into the community. Finally, by utilizing the Gap Fund Program the UG seeks to bring needed projects to the community that meets citizen needs, improve quality of life and make Wyandotte County a more desirable place to live and work.



Then we want to move into the proposed fund requirements as it relates to this program. As an overview, the Gap Funding is a cash loan program. It is not a grant program, it's a loan program and the core capital outlay is provided to the project where private financing or normal public incentives will not leverage the funds required to advance the project.

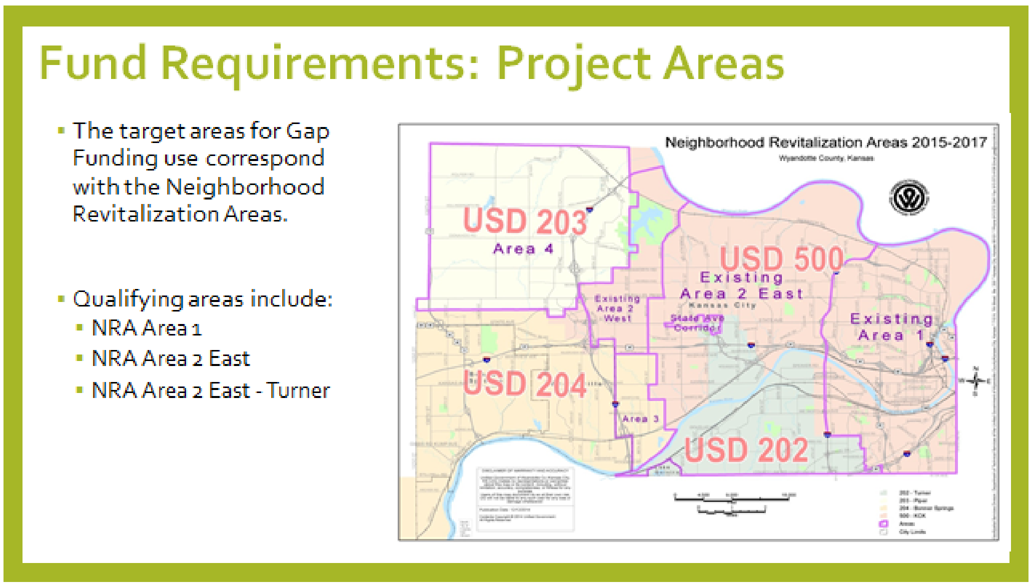
Future project revenues should still demonstrate the ability of the project to pay the UG back for the project loan at a minimum of a 1-to-1 ratio for the term of the project and such will be demonstrated in an approved development agreement schedule. So this would still be codified in our development agreement with any project. The proposed project must meet all UG standards for development projects. It must be determined that the project is not viable without this Gap Funding Program and traditional Economic Development tools are not enough to cover the financing gap. It also must be made clear that financing must be majority private so that is non-UG, non-KCK equity.



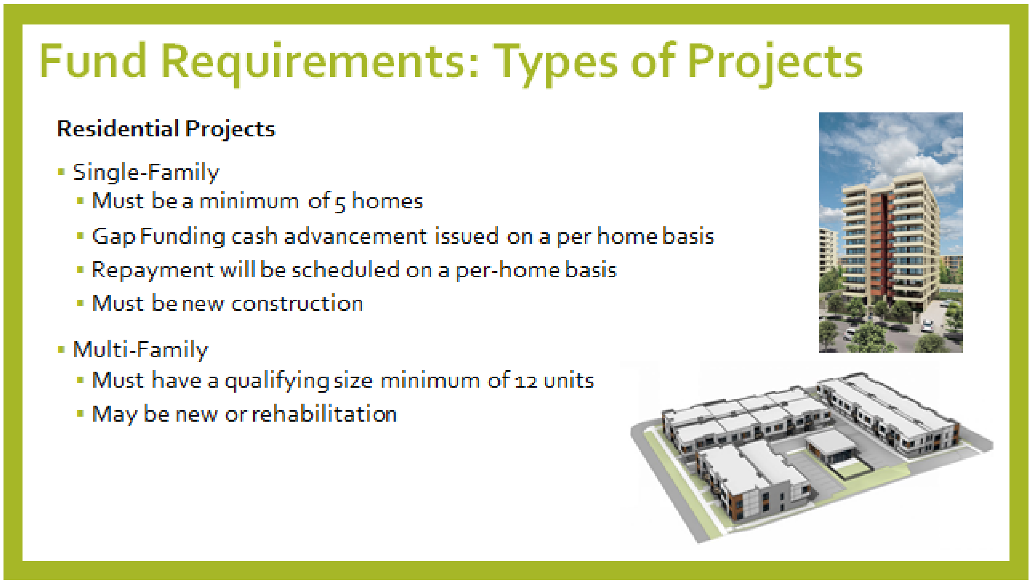
The qualifying loan amounts that can be issued in this Gap Fund Policy start at $100,000 and move up to $1M in this policy proposal and unless otherwise noted payback to the UG would have a cause return within 5, 10, 15 or a 20-year term that would all be predicated upon how the cash flow would work within that project that was deemed needed.

Gap funding projects must adhere to the following requirements. Soft costs must not exceed 30% of the total project costs. Changes of more than 10% to any cost line estimate must be approved by the County Administrator and both of those are done in order to protect the taxpayer and the Unified Government from any other changes to a development plan that would hinder or harm the ability to repay the program.

L/M/W requirements must meet or exceed agreed upon UG standards, once again codified in a development agreement and the Gap Funds may not be used for operating expenses, equipment purchases or marketing purposes. They must be used for actual development and building and it must meet a need or service in the community that is not currently satisfied by existing businesses in the area or helps to significantly improve quality of life for residents in the area.



So next we'll move on to the project areas. The target areas for the gap funding use correspond with the Neighborhood Revitalization Areas, the NRA areas. So the qualifying areas would include: NRA Area 1, NRA Area 2 East and the NRA Area 2 East – Turner area. You can kind of see that's all of the central Wyandotte to east across.



The types of projects, there are three types of projects that we've broken the pools into. First is residential. The standards within the residential projects under this Gap Funding Policy, if it is single-family it must be a minimum of five homes in this project. Gap funding cash advance is issued only on a per home basis. There is not a full advance of the gap funding. The homes have to be coming out of the ground for this project to work. Repayment will be scheduled on a per-home basis and it must be new construction. For multi-family projects it must have a qualifying size minimum of 12 total units or more and it may be new or rehabilitation.

For commercial projects the policy would have a have a minimum total investment of $2M. So that would be a private sector investment of $2M and may be a rehabilitation or new construction. Industrial projects, we believe that the current tools, the current incentive array is capable of supporting that so we would recommend that industrial projects do not qualify for gap funding. With that, that's the overview of the Gap Funding Policy. At this point I would take any questions and answer any questions.

Commissioner Walker said I've got several. The first one is the $2M threshold. Does that $2M include the gap? **Mr. Stephens** asked for the commercial projects. **Commissioner Walker** said yes sir. **Mr. Stephens** said minimum total investments, so yes, it could include the gap. **Commissioner Walker** said it could include the gap. **Mr. Stephens** said it could include the gap, correct.

Commissioner Walker said the next question would be since we're loaning this money over various terms and I assume that various terms and conditions, is this going to be a Commission function then during the Budget to determine the amount of gap funding that we're going to make available or is it just going to be on the basis of if we have a great year and there are a lot of projects that occur within the three NRA areas that you know it's however much we can issue in debt that will cash flow with the pro forma? Right now, for example, at least recently we allocated $500,000 and that was it. When that money was gone, nobody else's project got any gap funding. How is that going to work now? **Mr. Stephens** said sure. Currently, this policy does not set the longer term policy of what the total allocation would be within the Unified Government for multiple projects. We're looking at it on a project by project basis. So this policy is designed to state the need and the requirements for each individual project. I think how we look at a full array of projects will have to be on a set determination probably within the budging period. I would defer to Mr. Bach to make any comments as far as to how that larger— **Commissioner Walker** said anyone that gets gap funding is going to be obligated to pay that gap funding back. **Mr. Stephens** said yes. **Commissioner Walker** said and we're going to be doing that based on the basis, on the basis that whatever project is being built, at least initially appears to be able to cash flow. **Mr. Stephens** said correct and that would be in the development agreement and in the planning and brought before Commission for approval. It would determine cause return on that investment.

Mr. Bach said I might add to that answer a little bit. I think when they initially proposed this a couple of years ago the thought process was—you know I threw out the $3M number and that was kind of a whole number probably to see how the program could work. Of course we didn't have any parameters, we didn't have the policy in place to go with it to sit down and make it work. There had been some controversy around it. I believe you would have the option of working with a number based on if we have money in the budget or we opt to debt fund a project. We can always go out and issue Special Revenue Bonds through the course of the year if we say this is a project that looks worthy of us doing this so then let's move forward with it and time it to that. So you can either say you'll debt fund it or wait until the next budget period and then like we had in place here to say we'll put $500,000 cash in play and use that as the gap funding and then it pays back.

Chairman McKiernan said I'll just piggyback on top of that. When we had first—when I first came to you with an idea very similar to this, my concept was that it would be a pool of cash and it would be like a revolving loan fund that we would have. I would really like to see us stay with cash as much as possible so that we don't incur the additional expense of bonding and paying back that loan when we're only going to get back the principle amount from whatever project we loan that to.

BPU Board Member Alvey said so to follow-up on some of that discussion. Under fund requirements, we state here that core capital outlay is provided to the project where private financing or normal public incentives will not leverage the funds required to advance the project and then further down we state that it must be determined that the project is not viable without gap funding. What is the threshold to determine that or thresholds? **Mr. Stephens** said I would say that I think the threshold is obviously there is staff review of each individual project. I wouldn't say that there is a quantifiable piece on each of those, but we do have to look at the break line of first, this is the Gap Funding Policy and is a but for. So this is a but for tool that is never brought up, not utilized in planning in review of a project from preplanning. **BPU Board**

Member Alvey said so just to be clear, it would not be part of let's say Greg Kindle's toolbox to say to any developer who's coming to propose a project, we have an array of things that we can do and it would include the gap funding. **Mr. Stephens** said no. The intent of the gap funding would be as an add-on later should it be deemed not viable for traditional mechanisms, but it meets all of the other requirements and it's deemed to be a very desirable or needed development.

BPU Board Member Alvey said and so practically you know trying to see how this would actually play out in practice. Someone would come to us with a project and over time would not the development community become aware that if we go to this certain limit and we don't—we have a gap that there is going to be this available that won't it be ultimately part of their thinking to include this from the outside even if we don't lead with that. **Mr. Stephens** said I think that's a very valid question to consider and I think that that goes back to having a strong staff and ultimately a strong Commission that is willing to say no, that is not the intent of this. You've applied this to a project that we do not deem as supportive or needed for this and therefore we will not be utilizing that tool. **BPU Board Member Alvey** said I guess I would make an argument for something that Commissioner McKiernan, I believe and I recall in the meeting, that it would seem to me a revolving loan fund is a better way to go and that it would not be just a minimum of a 1:1 ratio but it would actually generate interest. It would seem to me that if private financing cannot do what it needs to do, if there's not enough investment or not enough interest from the private community to see that they're going to make a profit on this kind of project.

In the back of their mind they realize at the very end of the day we're going to be able to access some money that will not even carry interest costs and if they're that close it would seem to me there's a risk involved because the private investment community has not stepped up to fill the gap. It's not something they're going to just jump into and say we'll this is going to be a great deal for us; so we're going to make money on this. Well we don't have to because or not have to make as much because as long as we make the money to pay the notes to the private investors and any other kind of things that we get through the incentive tools with the Unified Government, it's like the gap becomes a free lunch as it were. Not that they want to do it for those reasons, but my concern is if we made it as a Revolving Fund, it would then generate additional funds and also cover some of the loses that are bound to occur with some of these.

We're really talking about a risky investment. Aren't we? I mean these are the high risks investments that require not just private financing but an array of public financing incentives and then we're saying if we still don't reach that threshold, we're going to step in with a no interest loan and there may not be what would be the remedy for the Unified Government to obtain it's funds, especially for a Gap Fund if they've already committed to paying off the note to the private investors.

I think what Commissioner McKiernan, now I'm going to speak for you, but originally was looking for is there are certain projects that really viable but they're just short a little bit. I see in practice, my concern is this will ultimately abused and you're presuming or assuming strong Commission, strong staff and I think the controls need to be built into the process from the beginning to hold the Unified Government in this. My concern is this won't hold the Unified Government whole. A Revolving Fund would approach that. **Mr. Stephens** said I appreciate the comment. I'm sorry. Commissioner—**Commissioner Walker** said I don't disagree with either of my colleagues here; however, the problem that I see with one of the statements that Mr. Alvey made was about in these three areas that we're talking about, if you don't have something, you can't leverage anything in these areas now. I mean it's not like wanting to go out west and build something where you've got you know a higher income census track and other businesses that provide synergy and so forth. We're talking about areas in some parts of each of those three areas are literal ghost towns.

I like Revolving Funds. I don't know how to get to the point where we're saying, okay are this is a—are we going to have the $3M that we're going to issue debt for and put it into a pot and say this is our gap funding and we're going to use it to leverage deals in these three areas. Are we going to issue a little bit of money, small temporary notes as we go along? I really don't believe that those things, for example, look at the Mayor's project that he's been working on for the last three, four years. There's no money out there. None of that business would—that grocery store or the YMCA would not be going at that location unless those were governmental dollars to leverage it.

I've had this vision of a grocery store up at 18th & Quindaro or up at 18th & Parallel or you know at another location in the northeast but I can't get any traction with anybody on it. It all comes down to the fact that those kind of locations and we've got them all the way south of the river too, if you drive down Strong Avenue until you get down to the Walmart end of it, it looks like a ghost town from when I was a kid where every building had a business and I know David remembers that. He didn't grow up far from there. You're not going to get anybody down there on a straight up deal. It's just not going to happen. You're going to have to give them something and whether we call it a revolving fund or it's this proposal. I'm for something to help leverage private development and housing development in these three NRA areas and that's how I see it. **Mr. Stephens** said just two comments based on the questions and the commentary I think would be important for the conversation. One, is certainly there is a risk factor involved in most development. As Mr. Walker said as you are looking in the east side of KCK particularly, there are some more inherent challenges with private lending, getting debt equity, a lot of things involved in putting a deal together that in many instances we know that this would be very beneficial to the community. It would thrive. We trust it would be successful but private investors are just unwilling.

That brings me to my second point which is as we look at a revolving loan fund, I think that's a valuable tool and it's a great piece, but one of the problems as we look at a lot of these gap funding deals if they're able to secure gap funding, there's interest associated with the private equity coming in and then there's a gap in that private equity. So then if we're putting in a revolving loan with interest on it, the delta of what we're actually closing in their gap could potentially be very small to zero. Right, it depends on where we set the rate, what we do, how we're able to stack that capital. My only comment there is we would have to be careful in how that is done or we're diminishing the worth of say a $250,000 gap issuance with interest rates that then really takes us down to $100,000 or $150,000 or some other number hypothetically speaking that gets them to an inability then to meet that issuance.

Chairman McKiernan said I certainly appreciate Mr. Alvey's point. I think it was Commissioner Walters the first night we ever talked about this concept a year plus ago asked and I don't think it was rhetorical if we announce a gap fund, won't every project have a gap? I think your point is that we would do our best to ensure that not every project would have a gap by your initial workup with the County Administrator in terms of the original project proposal and then Commission approval of that. We either approve or we don't approve the use of these funds, but I have really come to appreciate much more than I ever did before how important funds like this could be into getting development especially in the eastern third of the county where we've been working on lots of different proposals. Mr. Walker mentioned one, certainly the Argentine fast food was the project that came forward and kind of was the beta test for this project and certainly that one does not appear that it would pencil at all without the use of this and yet if it were to come it would provide a valuable set of amenities for a community building, for neighborhood improvement and it could be the catalyst that other things could then start to stack on top of.

I think at least now as I approach this mentally, it's for those times when we have projects that simply for whatever reason don't pencil on the economic side but we can determine that they bring amenities, that they build neighborhoods, that they would build a community and that they could be that first step catalyst toward future development that actually would.

BPU Board Member Alvey said I appreciate your response. It was excellent information. The question I would have maybe I've been out of the loop on this, what other let's say municipalities/counties have done this similar kind of thing? **Mr. Stephens** said that's a good question. I have not in my relative short time here in the Unified Government done a comprehensive study. I would say that many municipalities do some level of combination Revolving Loan Fund, loan forgiveness and Gap Fund programs. I don't have a list of all the ones that do that, but I do know that several from large to small have programs of varying structures like this. Some target them very specifically to residential or to very needed subsets of development. Others are very broad and open to their City Council, Commission's sort of discretion, but I can certainly go back and look at what other municipalities have been successful in this and maybe ones that haven't been as successful and get that back to the group. **BPU Board Member Alvey** said I think that would be helpful you know without having to reinvent the wheel because it might give us some parameters, things we should not do, things we must do. **Mr. Stephens** said I would also add I think that this outline, this framework for the Gap Fund Policy I just think it's important to state that it's not designed to be the only litmus test in issuance of gap funds. This is really the framework and the foundational element that hopefully will keep many developers that maybe don't need gap funding from even approaching because if they don't meet the Gap Funding Policy requirements it doesn't go any further. That just sort of helps narrow the field to the more qualified ones and then it is up to UG staff and then like as I said ultimately the Commission to look at it. **BPU Board Member Alvey** said the only other thing I would add is in terms of the criteria for this I would kind of refer back to Commissioner

Walker's comments that you know specifically something like a grocery store in the northeast which is providing a basic human need ought to have priority. If that's one of the criterion that we would write into it, it would seem to be more amenable, but because I think with limited funds it should be really prioritized to those areas that have a very special need and that is certainly a very special need.

Chairman McKiernan said we have our PowerPoint up. **Mr. Stephens** said yes, we do. It's just a minute late. **Chairman McKiernan** said I'm not sure that I've ever discussed with Mr. Alvey you know a project years ago now that was the incentive for me to suggest this to Mr. Bach years ago. There was a mixed use project that was proposed actually for the downtown. It was an $8M project in total project investment and they lacked $250,000 of being able to make it go and my question at the time was, wouldn't it be great if we had $250,000 to leverage $8M of development at that point. I think that kind of percolated along and then Mr. Bach surprised me last year when he said well, let's give this a try. I really appreciate—my initial concern was that we didn't have guidelines or parameters on which to build this. I really appreciate the fact that you've built what is a really good starting set of parameters and guidelines.

Commissioner Townsend asked how much do we have in the fund currently? **Mr. Stephens** said currently there's not a designated—oh, I'm sorry. **Mr. Bach** said you have $500,000 budgeted this year. **Commissioner Townsend** said and wasn't that budgeted the year before. That number sticks in my mind. When I heard $3M I'm saying hmmm, did it go up. I remember the $500,000 but we're looking to do $3M having this fund. **Mr. Bach** said I just brought that up because when I originally sat it out there we had the conversation about that amount kind of like, it's more a guess number, throwing it out there to say you know if we did something like that that we came into it, started working through a project you know. I don't see any reason that we would come and set-aside that kind of money in our budget with all our other demands on it. To set-aside $3M and say that's here waiting to see if something shows up is a little difficult to do. That's where we ended up with that $500,000 as we were working a project which we're still waiting to see if they are going to transfer documents back to us but that's where the need is on that and that's how much is established today. **Commissioner Townsend** said we actually have approval in the budget for the $500,000. **Mr. Bach** said yes. **Commissioner Townsend**

said for this purpose. **Mr. Bach** said that's correct. **Commissioner Townsend** said that's more in line what I recollected so that's good. In terms of putting strictures on the program so that everything as it's been pointed out won't be but for really the only thing that I see as a bright line is the geographic area that we're dealing with. What about having some type of restriction and I don't know what we'd do it proportionately on how much we can give and my thought in doing so would be that we could help as many people as possible and there wouldn't be a race to the troughs, so to speak, so that you could only have maybe one thing funded. You know so we don't wipeout with one project the whole fund. How do you know what's coming in the pipeline later. What are your thoughts on that or what can we do with that?

Mr. Stephens said no, I think that's a thoughtful and valid comment. Without knowing what proposals are there and what is coming down, what is out there unproposed yet I wouldn't—I don't know that we would want to—I would be cautious of hindering the potential for a larger project for maybe holding out for smaller allocations. I think there might be something to look at there as far as how that's done. I think that is an important comment, but I would be concerned about not—if we were to have say a million dollar Gap Fund proposal that would, as Mr. McKiernan said, on an $8M or $12M project I wouldn't necessarily want us to say I'm sorry we can't do that because we want to wait to see if there are smaller projects that are in need of this fund. I think we would evaluate it on the merits and I think through County Administrator Bach and then ultimately the Commission we would want to have that proposal or that proposed discussion on is that a higher better use and best use especially if it meets the needs and services of the community that's not already there. A larger project may be very, very important for the community and we may feel that it is the best need to provide for the community versus maybe three smaller projects. I think that's something that would have to be determined, certainly. **Commissioner Townsend** asked if we stick to, and I'm sure this Commission and Board will, where these project where people could qualify to have these projects, I think there would be probably be very valid competing needs, but again it's just something we'd have to think about and work through so that you'd may not have whatever is in the fund just wiped out at one time. Do you know how to categorize that other than maybe a notation to just what you said or how to evaluate that?

Chairman McKiernan said one of the questions that I had initially and I wonder if we still want to consider this, is would we want to the set a threshold so total project cost needed to reach X before they could be considered for this Gap Fund or would we want to set a percentage that the Gap Fund could not be greater than X percent of total project costs. **Commissioner Walker** said you read my mind. I don't know what the right number is but I was thinking 20%. No more than 20% could be gap funding. Maybe there's a better number that has more factual basis than my random thought. **Chairman McKiernan** said but I think that hedges against Mr. Alvey's concern that people just show up and say well I know I'm going to get some gap money so here we go. **Commissioner Walker** said you got a million. I need a million. I got a gap of a million. **Chairman McKiernan** said you say well sure you can have gap funding but no more that X percent of your total project cost might be one way to hedge against that. **Mr. Stephens** said along those lines with that example, a $10M project would pro forma out if there were a gap at a gap at a higher rate because of the percentage versus $100,000 on a project.

BPU Board Member Alvey said I guess again trying to figure out how this would work practically speaking, would you be able to extend? Let's say the gap is $400,000 but we've already subscribed everything but let's say $250,000 or $200,000 in a particular fiscal year could we then also commit to a second year of the gap funding if it's within the requirements, whatever threshold we set or floor we set 20%, is it something that could be a multi-year if it really is a project? Let's say a grocery store, which is a $5M project, whatever it would be and the gap is $500,000, but we've exhausted the resources in one year, you would say well, we can do this on a three-year term or a two-year term over the time of the construction or whatever. I'm just trying to think for flexibility sake what would work and not to make this too complicated but really practical and workable. **Mr. Bach** asked are you meaning like we would allocate money in the multiple years to it. **BPU Board Member Alvey** said correct. So the one in one year you might say there's $500,000 in the budget, but we've already subscribed $400,000; there's only $100,000 left for the year but this is a project that we really want to see happen. It's going to need a bigger—it meets all the other requirements, but if we extended it over a couple of years perhaps we could meet the requirement and provide the gap funding so we're not limited to just the money that's available in one year but over more than one year.

Commissioner Walters said it would be helpful if for me if you could explain how does work with our budget, especially if we wanted to pay cash instead of issuing debt. Do we have to designate an amount in our annual budget or is the timing of these projects so long that we'll never get into the position that Mr. Alvey suggests that we have to spend money immediately and it won't work in the calendar year. How will it interact with our budget? **Mr. Bach** said to interact on a cash basis with the budget, we would have to—as we go through the budget process allocate an amount of money to be tied to this and then that's available. It could be just Gap Fund or gap funding for a specific project day, but if you just have it in there I would say it's not attached today as we have it that we're working a project, but until that project is approved it's not really attached to it. **Commissioner Walters** said even if it's secured debt. You spend the cash but you get secured debt. Aren't you—you're loaning money right? **Mr. Bach** said into the project. Yes. Well—**Commissioner Walters** said or are we? **Mr. Bach** said yes we are. We're loaning it on the sense that we look at it with the anticipation that over the term of this project, be it five, ten, fifteen or twenty. So let's say over a twenty-year time period if we use the out term and if we look at what this protect will bring back into the government, so when you were saying—the concept here is through sales tax or property tax and other such items it will generate more.

I need to maybe step back a little bit to the root of it. It's like when you look at a project in these areas and the reason we come up with the gap is because we go through and we look at our traditional tools and we say the amount of property tax that this project will generate over twenty years if we put it all in will equal A and the amount of sales tax is going to equal B and that doesn't get us to what this project is versus in a more vibrant area you get a little bit more of those investments so you're able to raise more of that public sector match. By using the 50/50 threshold I can step into certain areas and say okay, we're not going over 50% but the project itself can generate 50%. In these areas it can't get to 50% so Jon has worked in a 50% threshold as number one, no more public incentives from the UG than 50%.

I think your concept of throwing in maybe a percentage cap to the gap is probably good to add with it. We can have more discussion but that kind of gets us to the point of saying okay how do we start to then determine how much this gap could be or what would make sense for the project. To your point, most all the time in the development world we will have engaged with a project and it takes in access of a year to get through it which allows us to move through a budget cycle to say yes, I've got this great project out here. We're working one over here and this really looks like it's going to happen, but it's going to take another few months and I've got another one coming and we think it's going to take some money to get into it so gosh I could use another $300,000 to make this one work. You know kind of have some discussion about that, but it could take a while for those to get through. I would say you're probably right we probably can get through a budget cycle in order to put them in play and then we just hold that money at that point and then have to re-budget it each year until it actually falls in line. Did I get to your—did I answer part of your questions? But you asked a couple. **Commissioner Walters** said yes, but the Revolving Loan Fund concept sort of means that you pay back the money into the fund rather than just into the—**Mr. Bach** said into the tax base. **Commissioner Walters** said rather than just sales tax and increased property revenue. Somehow we would have to have a mechanism where the money hits back to the loan fund but only if we take that approach. Otherwise if we just say its borrowed money that would (inaudible due to not speaking in mic.)

Commissioner Walker asked what is the course for tonight. **Mr. Bach** said well, our course was to bring forward a policy for your review and we could be off from where you are. It's kind of a sit down and feel this out to say this is where we are at so as Jon moved through these things early on you may say well we don't want to do this for 20 years or something like that. It should only be 15 or what's the point of these things. Whether you want to give us specific direction to go back and write some of these things into it or you can take what we have here and say well, let's put a maximum Gap Fund to 20% and add it to your policy and approve it. You know I mean it's kind of wide open how much time you guys want to spend on it. It's been out here for a long time and we didn't have a policy and that has not proven to work well for us from a staff perspective. I kind of thought initially let's see how it works, but yes that's how it worked, exactly how you said. Once we put it out there a project showed up and there's a gap and then we put some parameters to it. **Commissioner Walker** said I did not hear a consensus tonight. I'm recommending that we send it back. You guys work it in conjunction with the comments that we've made and bring it to us in October and if committee members have input to give it to Mr. Stephens or I guess give it to Doug.

Commissioner Walters said I have a question. I like the policy elements that were presented tonight. I just wonder if we really need to decide whether it needs to be a fund or debt or whether that actually needs to be an applied policy or see them on a project by project basis to the Commission. **Chairman McKiernan** said I think that would be good to have that articulated. I mean if we choose to go that way, I think it would be good to have that articulated in the policy that either we do it on a project by project or we do it a different way.

BPU Board Member Alvey said I'm very interested in how this is implemented in other places. **Mr. Stephens** said okay.

Commissioner Townsend said going back to the earlier discussion that was raised about if this is a loan problem and then having some pot of money to replenish by some way. Let's say we award some gap financing on a project, what would be the reasonable expectation that someone would be—for how long for them to repay, to start repaying? By that I'm thinking maybe we would have to have both mechanisms or more than one mechanism. How long would it take one of these entities to actually start repaying? **Mr. Stephens** said I think based on the different types of projects and the project uses and how they work. For instance, I would use single-family homes. An example there would be potentially a one-year cost return. It's a pay-as-you-go so if there is a Gap Fund in say housing development, there would be an issuance on one, three, four or five houses as they come under construction or start their construction. Then that portion of the coverage of Gap Fund would be issued to them and then as those homes online or sold, then there would be a cause return in the development agreement that states that then they have sold that property. That property has now been sold so there would be a cause return back of that portion of the Gap Fund back to the Unified Government. That would be one example of maybe a nontraditional something that we tried to consider as best as possible in a policy but we wouldn't consider on a more traditional commercial project.

It would be written much into a development agreement that if there is a 20 year schedule there's the other incentive tool such as a TIF, CID or other tools there. So this may very well be on a 20 year schedule. It may be repayments starting after five and continuing on from five to twenty. There is flexibility there and I think a lot of it goes back to where is the inability to finance up the project and to complete the capital stack of the project and if it's on the frontend of coming up into getting online and starting to generate tax sales and revenue, then this would have to flow towards the backend, but if it's it a project where we could start collecting immediately or early in that process it would.

I would say, unfortunately, it's a long answer for a simple question, but it really depends on the type of project. If it is an apartment project, multi-family, if it's a single family or a grocery store for instance, that would have to be put into the development agreement and really there would have to be a determination as to what is viable and possible. I would tell you that our plan would always be to make it as safe of a repayment or a return for the Unified Government as possible without causing back for the project to not be viable again. **Commissioner Townsend** said well thank you. That long answer helped me crystalize it. I think we probably need to—or I would like to see in the policy the flexibility that was just discussed because you don't know how long it's going to take for a house to be sold. You don't know how long it's going to take for a commercial business to be up and running or how many budget cycles we may have to go through to that. So you know how do we replenish that pool. As we write this I think something probably needs to be said about that at this point to keep it flexible because we may have to use a combination of both the cash and the loan or looking at the budget cycle to see is this going to work, but I really would like to see also something that addresses or sets a limitation or a percentage. I don't know what that is of gap or to the total project costs so that we lessen the likelihood of zeroing out with one stroke at any time the available funds.

BPU Board Member Alvey said the only other concern I would have with this if we debt finance this instead of through cash reserves then we are basically carrying the interest cost for the developer and to think the longer we set that term out, the most the cost accrues back to the budget and ultimately the taxpayer. That's problematic and I think we have to be aware of that. Ultimately, it's more than just even if they payback the principle, we're ultimately looking at a subsidy. I think we have to be aware that that's operative there.

Chairman McKiernan said certainly the counter to that would be that we choose to subsidize for the amenity that it brings, for the development that it brings and for the catalyst that it could be. **Mr. Stephens** said absolutely.

Mr. Bach said I guess then I would ask if you want us to work this back up I might run back through a couple of these so as you've talked about them and Jon, jump in where you want to. **Mr. Stephens** said of course. **Mr. Bach** said as you've talked the most about cash versus debt. It sounds like you've ended more in a direction that we would leave it while there's it's preferred to put it in a cash position, we would look at some type of debt program that still could be out there. Maybe to answer your last question, I can look at it from when we ran the pro forma on it we say well if we're issuing debt or GO backing, it's a very low interest rate and that's what we're charging back the project. We could say we'll issue it as GO but we're going to make the project show pro forma to pay it back at a GO plus two or plus one or something like that. You know we set at the end of the project in getting our money back. That's the kicker that helps the project move forward. They can't get private financing for it. So we could look at that if that sounds like the direction you all are talking about.

A max percentage for the gap, I don't know if you have something—I mean so we're working at no more than 50% of the project being from the public incentives so then this is a percentage of the public incentives. I don't know if there's a feeling to that or you just want us to go kind of manipulate some numbers and see what we come back with it. **Chairman McKiernan** said I'd take your recommendation**.** **Commissioner Walker** said make a recommendation and be able to support it. **Mr. Bach** said restricting the geographic areas to have multiple projects funded. Is there something more? That's kind of what I was getting from your comment that if you came into one area that we wouldn't come back into that area for a time period. **Commissioner Townsend** said no, no, no. **Commissioner Walker** said wherever you can build in those three areas is fine with me. **Mr. Bach** said you know we have the statement that was built in here community meets citizen needs, improve quality life and make Wyandotte County a more desirable place to live and work, which is pretty general. You kind of made the comment of a grocery store versus some other things that could be there. I mean it's kind of like as we propose it from single-family housing, well a subdivision coming into some areas that doesn't exists is a pretty nice addition to it but that's you know so I don't know if you're—I'm not sure how to write more restrictions into that without specifically taking and saying here are some concepts of what we want and specifically we'll go after these or not.

BPU Board Member Alvey said we should definitely outlaw strip clubs said other than that I don't know what you—**Mr. Bach** said I think we can make that argument and be pretty good. We wouldn't come in and fund a bar or something like that. **Mr. Stephens** said that's already in our development agreement exclusions. **Mr. Bach** said Jon, did you pick up something else or direction before we go write this? **Mr. Stephens** said along those lines it seems like the primary direction was to really take a look and propose this maximum percentage, right. That seemed to be the number one. The rest, I think there was some flexibility there for staff and Commission to have flexibility and then the other that I took away was to come back to Mr. Alvey's suggestion, to come back with maybe it's not a part of the policy but a forward to the policy that shows some best practices of this type of policy. I think that was the other piece of this but that's once again I don't think is part of the policy, but it is a forward related to the presentation of this policy. That's all I have.

Chairman McKiernan said I would echo what Mr. Alvey said a moment ago. When you and I first talked about this, I had envisioned a pool of cash so that we wouldn't have borrowing costs on top of this, just maybe the feasibility of being able to budget cash for this as opposed to having to borrow. **Mr. Stephens** said okay.

Commissioner Walters said I don't like the idea of having a pool of money sitting around in the budget. Could we not have an agreement that we're going to find projects, we're going to try to have gap funding for them. We won't include a physical amount in the budget, but we could sort of agree that the following year if we have to issue debt to provide the gap funding, the following year we could put in the budget enough money to retire that debt immediately and we wouldn't be tied up with having a pool of money in the current budget but we would always be able to take care of it immediately to avoid those sort of carrying costs that you're talking about. **Chairman McKiernan** said absolutely.

Mr. Bach said and I would say in numbers like $500,000 versus numbers like $2M for us to bring a project to you let's say in January of a year and we say here's this project, we're working it, we're ready to make it go, it needs $500,000 fund to it and even if they're ready to go and we say good, we're good to go there are a few stipulations we can get to. One is you're giving me clear direction to figure out a way to get that built into the budget. I can figure you know

$500,000. We're going to figure that out but if it's a couple million, that's a different issue without some things.

We can stipulate it two ways, yes, we're going to go that direction but you just wait and find out whether we get it approved in the budget or two yes, we'll get it for you and you obligate yourselves to figure it out in the budget process. They can Bridge Loan that. I mean if we are doing a project that can't get a Bridge Loan, we get them $500,000 for six months and it's not going to be that long, we probably don't have the project we're ready to go with at that point. So then you're going to come out building your budget and give it to them. Anybody can go to the bank if we got a note from the Unified Government saying I will pay you $500,000 you know on August 31st so that's a pretty easy loan to get.

Commissioner Townsend said my only concern with what I thought I heard, Commissioner Walters, and I appreciate you, you just don't want to have a pool of cash sitting around waiting on something. I want to make sure that by—that this is not a retrenchment from what I believe has been a commitment by this Commission for the last two budget cycles to have money available for this project so that we get in a year and then we'll say well, maybe we won't do that this year. That to me is just my concern or fear if we approach it that way. If we designate money we know as we know now that there's money allocated for this program, then it's not a question every time.

If there is some way we can bridge Commissioner Walter's concern with that and mine that it not be a retrenchment of this because I was actually very gleeful when the Administrator came up two budget cycles ago with this, that we know it's there and we're not having a rehash every budget well, do we want it or do we not. That's my only concern. **Commissioner Walker** said I don't see it that way Commissioner. Even when you have the cash available, the Commission, the majority of the Commission says no, we're not going to Gap Fund this project, it's not a natural born right if there's gap funding and you ask for it you're going to get it. So not having it in the budget, I mean the commitment is the policy. If we commit that we're going to do gap funding and the majority of the Commission approves it—right now with the money we have $500,000 the majority of us could say no, we're not going to give that particular project any gap funding; even because it's the area, we just don't like maybe who the developer is or we don't agree with the pro forma. We already have that potential so whether the money is physically in a pot or whether it's just committed that we will have up to a certain amount, I think the Commission is still in the same boat. We could say yeah or nay. **Commissioner Townsend** said I hope that's what it means; commitment is what I'm talking about. I agree that not every project that's presented as a matter of course may be awarded the money. No, I agree with that but it's commitment to the project. That's where I was coming from.

Chairman McKiernan said we very much appreciate the discussion. Mr. Stephens, thank you for a fantastic start on actually articulating a policy that we'll be able to follow. I think you've got some things that we look forward to having a reworked discussion next month. **Mr. Stephens** said absolutely. Thank you Commissioner.

Action: Information only.

Adjourn
Chairman McKiernan adjourned the meeting at 6:10 p.m.

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