

City of Hays  
City Commission  
Work Session Notes

Thursday, March 19, 2020 – 6:30 p.m.

Present: Shaun Musil, Sandy Jacobs, Mason Ruder, Michael Berges, Ron Mellick, John T. Bird, Toby Dougherty, and Kim Rupp

**March 5, 2020 Work Session Notes**

There were no corrections or additions to the minutes of the work session held on March 5, 2020; the minutes stand approved as presented.

**Resolution Advancing the Statutory Process for the Heart of America RHID**

Kim Rupp, Director of Finance, reported that Heart of America Corporation, a Kansas not for profit corporation, submitted an application for a Rural Housing Incentive District (RHID) and the required application fee relating to a residential housing project and related infrastructure. The project involves the development of street and additional infrastructure to serve approximately 75 residential housing lots located northeast of the intersection of 22nd Street and Wheatland Avenue. The Developer seeks reimbursement of certain RHID eligible project costs from RHID revenues.

Mr. Rupp stated the first step in this process is adopting a resolution making certain housing needs findings and determinations advancing the statutory process for the creation of RHID financing. Following adoption and publication, the resolution would be sent to the Kansas Secretary of Commerce for approval to move forward with the creation process and further Commission action.

Phase One of the project involves the installation of streets and additional infrastructure to support the development of 38 lots. It is anticipated that the price of the homes would range from \$175,000 to \$225,000. Construction of Phase One is expected to begin in the fall of 2020 following the City's approval of

the requested incentives, with single family home construction beginning later in 2020 or early 2021. Phase One is expected to be completed approximately 24 to 36 months thereafter. Phase Two of the project involves installation of streets and additional infrastructure to support the development of 25 lots. Phase Two would be started when Phase One is approximately 75% complete. Phase Three of the project involves installation of streets and additional infrastructure to support the development of the 12 remaining lots. No specific timeframe is set regarding Phase Three and its financial feasibility will be dependent upon the remaining time left in the RHID.

Total cost of the project is estimated to be \$2,743,000 with the full amount being eligible for RHID reimbursement. The Developer is requesting RHID financing on a pay-as-you-go basis. The Developer estimates the RHID will generate approximately \$3,663,000 of revenue over the maximum 25-year term, which would be made available to reimburse the Developer for RHID-eligible project costs.

Special counsel, Kevin Wempe with Gilmore Bell, P.C., joined the meeting by phone and provided an overview of how the RHID process works and the proposed timeline. He stated the purpose of RHIDs is to incentivize investment in the development and renovation of housing in rural areas of Kansas.

At the March 26, 2020 Commission meeting, Commissioners will be asked to adopt a resolution making certain RHID housing needs findings and determinations, advancing the statutory process for the Heart of America RHID.

### **Resolution Calling a Public Hearing on the D & J Land Development Tax Increment Financing (TIF) Project Plan**

Kim Rupp, Director of Finance, stated D & J Land and Development LLC, submitted an application for economic incentives and the required application fee relating to a multi-use commercial project and related infrastructure.

The City Commission established a TIF district at the project site by passing Ordinance No. 3981 on February 13, 2020. City staff has continued coordinating and negotiating with the Developer to advance the project through

the requisite approval processes. The TIF Project Plan was presented to the City of Hays Planning Commission and they unanimously agreed that the Project Plan is consistent with the intent of the Comprehensive Plan for the development of the City of Hays.

The project encompasses approximately 45 acres generally located at the northwest corner of 230th Avenue and 55<sup>th</sup> Street by Interstate 70. Mr. Rupp reviewed the Developer's rendition of Phase I of the project, which includes 11 lots. The Developer plans to construct a travel plaza and truck wash on two of the lots. The remaining lots in Phase I will be sold or leased to other users for potential development of hotels, restaurants, or other commercial uses. The project plan being presented is a summary of the project which includes the project description, costs, funding, feasibility study, and other legal requirements provided for by statute as well as the City's Economic Development Policy.

According to the City's Economic Development Policy, this TIF district will capture the incremental taxes only; not the sales tax. All taxing authorities will receive the retailer sales tax generated by the property. The TIF is a 20 year term according to statute and will be on a pay-as-you-go basis which means the developer fronts all the financing of the development with no bonds issued by the City.

Mr. Rupp stated the total construction cost of the travel plaza and truck wash is estimated to be \$22.4M. Upon sale of all development lots and completion of the Phase I Development, the Developer estimates that the appraised value of Phase I and all improvements will be \$50.7M. The Developer also estimates that the Phase I Development will, upon full completion, create \$38.7M of annual retail sales and \$3M of monthly gas/diesel sales. Over the 20 year life of the TIF it is expected it would generate \$14.9M in ad valorem property tax revenue and the reimbursement of TIF eligible costs would be \$12.4M which excludes the \$1.5M KDOT Grant.

Mr. Rupp stated a feasibility study was prepared using financial projections formulated by the developer. The study shows that if the project develops as expected, the estimated TIF revenues combined with the CID sales

tax, the KDOT Grant, and the Developer's private debt and equity will be sufficient to pay the costs of the reimbursable expenditures. The feasibility study also noted some benefits to the local economy which included a creation of 263 jobs, an increase in the hotel room capacity of the City, a needed regional travel plaza and truck wash, and an increase in sales tax revenue. The Wichita State University Center for Economic Development calculated a benefit to cost ratio of 1.66 for the City of Hays as it pertains to the full build out of this project.

At the March 26, 2020 Commission meeting, Commissioners will be asked to adopt a resolution setting a public hearing date of May 14, 2020 regarding the adoption of the D & J Land Development TIF Project Plan.

**Resolution Calling for a Public Hearing on the D & J Land Development Community Improvement District (CID)**

Kim Rupp, Finance Director, stated D & J Land and Development, LLC, has submitted a petition to the City of Hays to create a Community Improvement District (CID). They have also included the application for economic development incentives and fees as required by the City's Economic Development Policy.

Mr. Rupp stated CIDs were enacted in 2009 to help city's promote business activity and economic development. CIDs are designed to be a special assessment and/or a special sales tax on retail sales up to a 2% max for no longer than 22 years. CIDs are used to help property owners reimburse themselves for public buildings, infrastructure, parking, landscape, and the promotion of tourism and recreational or cultural activities. Mr. Rupp clarified these are not sales taxes that already exist; they are an additional sales tax on retail sales at the defined property area.

The Developer seeks to develop the site generally located at the northwest corner of 230th Avenue and 55<sup>th</sup> Street for various commercial uses. The proposed improvements include the installation of buildings, landscaping, lighting, infrastructure, utilities, sidewalks, installation of parking lots and methods of ingress and egress; all consistent with the development of commercial property within the authorized zoning for the property.

The Developer wishes to put in place a 2% CID sales tax on a portion of the project site in order to fund certain project expenditures. Total estimated project costs for the travel plaza and truck wash are at \$6M with \$4.3M of that eligible for CID reimbursement. The developer has projected that the 2% CID sales tax on the district will generate \$2.92M over the 22 year life of the CID. This is a pay-as-you-go scenario so the City will not issue bonds for the project costs. Those will be privately funded up front by the Developer.

At the March 26, 2020 Commission meeting, Commissioners will be asked to move the petition forward by adopting the resolution setting a public hearing of May 14, 2020 on the creation of the CID.

Commissioner Berges asked if the CID ends if they collect their costs prior to the 22 year life of the CID. Mr. Rupp stated the CID does stop once they hit their cap.

### **Legal Notice Publication and Proposed Charter Ordinance Allowing City of Hays to Publish Official Notices via Website**

Collin Beilser, Assistant City Manager, stated this agenda item is recommended as a way to make publications less costly to the taxpayer and increase publication timing and efficiency. Recently, it has become more costly and difficult to publicize ordinances and other legal notices in the Hays Daily News.

The Hays Daily News has significantly reduced the size of their local staff. This has caused delayed responses to phone and email requests. The placement of items in the paper are determined by someone in Salina, not locally, and design and sizing are completed by a third party in Topeka. This recently caused one publication to be increased in size without notification increasing the cost from \$165 to \$415. The average annual cost for legal publications is \$9,400.

Some ordinances and zoning requests require a public hearing, those hearings are time sensitive. The ability to control timing and frequency of publications will facilitate quicker and more noticeable notifications.

K.S.A. 12-1651 requires a city to designate a newspaper to be the official city publication; however, that statute is not uniformly applicable to all cities in Kansas. Therefore, the City of Hays can adopt a charter ordinance to modify the requirement and designate the City of Hays website as the official city news outlet.

A charter ordinance must be adopted by two-thirds vote and must be published twice in the Hays Daily News. A 60 day protest period must pass before it becomes effective. If during the 60 day protest period, a protest signed by 10% or more of the electors is filed, the charter ordinance must be submitted to a vote.

Mr. Bielser stated should the Commission choose to move this forward; staff would create a legal publication news flash. This news flash module would allow citizens to sign up and receive notifications when legal publications are posted.

Vice-Mayor Jacobs stated she thinks this is an excellent idea because in today's society so many people are used to going to websites for their information. She stated it is important to communicate to citizens how they can sign up for these notifications.

Mayor Musil wondered how the number of hits to our website compares to the number of newspaper subscribers. He also noted this would save taxpayers money.

Commissioner Berges added that this would be on the website longer than in one edition of the newspaper.

Commissioner Mellick stated this would make legal publications accessible 24 hours a day from anywhere.

Commissioner Ruder added that if you sign up for these notifications they can be sent directly to your e-mail.

At the March 26, 2020 Commission meeting, Commissioners will be asked to approve a charter ordinance allowing the City of Hays to publish official notices via the City website.

**Other Items for Discussion**

Commissioner Mellick stated these are trying times for everyone and he thinks if everyone in our community will take the proper precautions we can remain at low risk of the Coronavirus.

Commissioner Berges recommended that everyone make sure that the news they get comes from a trusted source as there is a lot of misinformation in times like this.

Commissioner Ruder stated that the Kansas Department of Health and Environment (KDHE), Center for Disease Control (CDC), Hays Medical Center, and the Ellis County Health Department are good sources of information to keep informed on the most up to date information.

Vice-Mayor Jacobs added that if you are trusting nothing but social media, she suggested you look at another source.

Mayor Musil stated that the City of Hays is focused on providing city services for our residents while ensuring the health of our employees and customers. He urged all Hays residents to take the appropriate measures to help slow the spread of the Coronavirus and to be good neighbors.

The work session was adjourned at 7:04 p.m.

Submitted by: \_\_\_\_\_

Brenda Kitchen – City Clerk