

City of Hays
City Commission
Work Session Notes
Thursday, May 7, 2020 – 6:30 p.m.

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

April 16, 2020 Work Session Notes

There were no corrections or additions to the minutes of the work session held on April 16, 2020; the minutes stand approved as presented.

Ellis County Funding Request

City Manager, Toby Dougherty, stated the City of Hays is in receipt of a request from the Ellis County Commission for funding support of its Northwest Corridor Project. A letter from the Ellis County Commissioners requested the City of Hays contribute \$750,000 of the City's share of the 2021 proceeds from the new half-cent countywide sales tax to support the project.

Vice-Mayor Jacobs suggested moving this discussion to a June meeting once the 2021 budget has been reviewed. She thinks the Northwest Corridor Project is important to our community, but she is not prepared to discuss it at this time.

Mayor Musil noted that the City of Hays has in the past contributed to other County projects. Mr. Dougherty stated that the City of Hays did give up the City's share of the one-half cent County sales tax to help fund the Law Enforcement Center, the Courthouse remodel, and the new Rural Fire/EMS building. Mayor Musil stated he feels they owe it to the taxpayers to work together with the County. He added that he is in favor of this project, but this is not a City project and we all have our own issues to deal with financially right now. He also feels it would be better to discuss this at a later date.

Commissioner Berges agreed and stated it is premature to make a decision at this time as to what should be done with the City's portion of the sales tax.

Commissioner Mellick added that the City relies on sales tax to fund the budget and feels we should not discuss this until they have a full grasp of what the 2021 budget will look like.

Commissioner Ruder stated he is employed by Ellis County and would recuse himself from this discussion.

Resolution Setting a Public Hearing for Consideration of Establishing the Tallgrass Second Addition Rural Housing Incentive District

Kim Rupp, Director of Finance, reported that Heart of America Corporation, a Kansas not for profit corporation, submitted an application for economic incentives and the required application fee relating to a residential project and related infrastructure.

The Developer seeks to develop the street and infrastructure to serve approximately 75 residential housing lots generally located at the northeast corner of 22nd Street and Wheatland Avenue, with expected home values ranging from \$175,000 to \$225,000. The Developer is requesting rural housing incentive district financing (RHID) and estimates the RHID will generate approximately \$3,227,355 of revenue over the maximum 25-year term; which would be made available to reimburse the Developer for RHID-eligible project costs on a pay-as-you-go basis. Total cost of the project is estimated to be \$3,210,600 with all of that eligible for RHID reimbursement.

Adopting this Resolution to call a public hearing on the establishment of an RHID would be the next step in the statutory process for RHID financing. The public hearing and subsequent consideration of an Ordinance establishing the RHID would be scheduled for June 25, 2020.

A proposed Development Plan has been created to describe the housing development, and a Development Agreement would be entered into upon

creation of the RHID to govern the rights and responsibilities of the City and the Developer.

Commissioner Ruder asked if the project would include local contractors.

Doug Williams, Executive Director of Grow Hays, representing Heart of America Development, stated the majority of the activity will be with local builders.

Vice-Mayor Jacobs stated there may be more opportunities for rural areas like ours because due to the Covid-19 pandemic people have found how easy it is to work remotely. We may see people wanting to get out of big cities and they may see the opportunities we have in Hays. She thinks this development is well suited to that kind of activity.

Mr. Williams agreed and he is confident this project will move forward even with the coronavirus.

At the May 14, 2020 Commission meeting, Commissioners will be asked to approve a Resolution setting a public hearing for the establishment of the Tallgrass Second Addition Rural Housing Incentive District and adoption of a Development Plan.

North Vine Street Corridor Project – Designation of Main Trafficways for Purposes of General Obligation Bond Financing

Kim Rupp, Director of Finance, stated since 2015 City staff has been working on this project to improve Vine Street from 32nd Street to 41st/Mopar intersection. The project will improve pavement, curb, gutter, sidewalk, drainage, signage, street lighting, installation of roundabouts, and other related improvements along an approximately 3,400 foot section of Vine Street. The project also includes the construction or reconstruction of West Frontage Road, connection of West 37th Street to Skyline Drive, connection of Skyline Drive to West 41st Street, installation of a shared-use path along the west side of Vine Street, and upgrading pedestrian crossings.

Bids for the construction of the North Vine Street Corridor Project were opened by the Kansas Department of Transportation (KDOT) on March 25, 2020.

The low bid was from Smoky Hill, LLC of Salina, Kansas and the City previously authorized KDOT to move forward with awarding the bid to Smoky Hill, LLC. The City's share of the project costs will be primarily financed with general obligation (GO) bonds to be issued in the future. This ordinance designating certain City streets as main trafficways is the first step in authorizing this project for GO bond financing under Kansas law.

At the May 14, 2020 Commission meeting, Commissioners will be asked to approve an ordinance designating certain streets within the City of Hays, Kansas as main trafficways for the purpose of general obligation bond financing.

D & J Land and Development Tax Increment Financing District – Ordinance Adopting a TIF Project Plan, Providing for the Conveyance of Certain Property, and Approving a Development Agreement

Kim Rupp, Director of Finance, introduced Kevin Wempe, Special Counsel with Gilmore & Bell, PC, who joined the meeting by phone.

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 Developer is requesting tax increment financing (TIF) on a pay-as-you-go basis, the establishment of a community improvement district for the levy of a special sales tax, and conveyance of a 4.611 acre property from the City to the Developer. The Developer estimates the TIF will generate approximately \$14.95M of revenue over the maximum 20-year term, which would be made available to reimburse Developer for TIF eligible project costs.

On March 26, 2020, the Commission adopted a Resolution calling a public hearing regarding the adoption of the plan. The required public hearing will be held at the May 14, 2020 Commission meeting. Following the public hearing, the Commission will consider an Ordinance adopting the plan, authorizing the conveyance of the property, and approving the development agreement between the City and the Developer.

Mr. Rupp reviewed the Project Plan. The plan provides that the project encompasses approximately 45 acres generally located at the northwest corner of 230th Avenue and Interstate 70. The developer seeks reimbursement of certain TIF-eligible project costs of the project from TIF revenues, among other incentives. A portion of the project consists of land acquisition, the construction of the travel plaza and truck wash, site grading, and related infrastructure improvements, including extension of water, sewer, street, utilities, and pedestrian improvements to serve the project. The balance of the project consists of development of the approximately nine outparcel pad sites in the Redevelopment District for restaurant, retail, hotel or other commercial uses. The developer improvements are expected to begin very soon in 2020 and take approximately 18 months to complete. The other private improvements are tentatively planned to complete construction and commence operations beginning in 2022 but that ultimately depends on timing of purchase and construction by end users.

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.

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 upon full completion, the Phase I Development will 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.

Collin Bielser, Assistant City Manager, reviewed the provisions of the Development Agreement, which establishes expectations and responsibilities of each party.

At the May 14, 2020 Commission meeting, Commissioners will be asked to adopt the D & J Land and Development Tax Increment Financing District Project Plan, providing for the conveyance of certain property, and approving a Development Agreement.

Ordinance Authorizing the Creation of the D & J Land and Development Community Improvement District

Kim Rupp, Director of Finance, stated D & J Land and Development LLC, has submitted a petition to create a Community Improvement District (CID) with plans to develop the site generally located at the northwest corner of 230th Avenue and 55th Street for various commercial uses. The Developer wishes to establish a 2.00% CID sales tax on a portion of the project site in order to fund certain project expenditures.

The CID petition was submitted by the current property owner, Hess Land, LLC, a Kansas limited liability company, at the request of the Developer. The developer is under contract to acquire the property from the petitioner following the City's approval of all incentives requested by the Developer.

The proposed CID encompasses the travel plaza and truck wash previously mentioned. The proposed improvements include the installation of buildings, landscaping, lighting, infrastructure, utilities, and 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.

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 on the district will generate \$2.92M over the 22 year life of the CID. Again 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.

The Commission adopted Resolution No. 2020-010 at its March 26, 2020, meeting calling a public hearing on the establishment of the CID, and the required notice was published and sent to the property owners within the CID.

At the May 14, 2020 Commission meeting, Commissioners will be asked to approve the Ordinance establishing the D & J Land and Development Community Development District and levying a 2% CID Sales Tax.

Other Items for Discussion

Toby Dougherty, City Manager, provided an update on the Governor's plan to re-open the State. He stated Phase 1 went into effect on May 4, 2020 and is expected to run through May 18, 2020 when the transition to Phase 2 may begin if the Governor chooses to move to the next phase. He reviewed the changes the City has planned for when Phase 2 begins. He noted that protective measures have been put in place to protect the public and employees as we begin to re-open.

Commissioner Mellick stated that the people in Ellis County have done a great job in keeping the number of Coronavirus cases low and we need to continue doing what we can to stay safe.

Commissioner Ruder reminded everyone to continue to follow the recommendations of the Ellis County Health Department, Kansas Department of Health and Environment (KDHE), and Center for Disease Control (CDC).

Vice-Mayor Jacobs congratulated City Attorney, John T. Bird, on his recent marriage.

Mayor Musil stated it is exciting to see businesses begin to re-open and encouraged everyone to remain diligent.

The work session was adjourned at 7:11 p.m.

Submitted by: _____

Brenda Kitchen – City Clerk