

CITY OF SALINA

REQUEST FOR CITY COMMISSION ACTION

DATE
06/27/2016

TIME
4:00 P.M.

AGENDA SECTION NO: 3	ORIGINATING DEPARTMENT: City Manager's Office BY: Mike Schrage, Deputy City Manager	FISCAL APPROVAL: BY: FINAL APPROVAL: BY:
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ITEM:

Resolution No. 16-7395 A resolution calling and providing for the giving of notice of a public hearing of the advisability of creating a community improvement district in the city of Salina, Kansas to be known as the Downtown Community Improvement District and regarding the City's intent to levy a Community Improvement District Sales Tax within such district (Downtown)

Resolution No. 16-7396 A resolution calling and providing for the giving of notice of a public hearing of the advisability of creating a community improvement district in the city of Salina, Kansas to be known as the Alley Community Improvement District and regarding the City's intent to levy a Community Improvement District Sales Tax within such district (Alley)

Resolution No. 16-7397 A resolution calling and providing for the giving of notice of a public hearing of the advisability of creating a community improvement district in the city of Salina, Kansas to be known as the Hotel Community Improvement District and regarding the City's intent to levy a Community Improvement District Sales Tax within such district (Hotel)

BACKGROUND:

Community Improvement Districts – In General

The Community Improvement District Act was approved by the Kansas legislature in 2009 and became effective July 1, 2009. It provides for the creation of community improvement districts (CIDs) to finance eligible projects. In addition to identifying eligible uses of funds, the Act specifies the funding sources and financing tools that can be utilized as well as the methods by which a CID can be formed.

Eligible Uses of Funds

In summary, eligible uses of funds include:

- Construction
 - Buildings
 - Sidewalks
 - Streets
 - Roads
 - Parking Lots
 - Parking Garages
 - Streetscapes
 - Lighting
 - Parks
 - Landscapes
 - Information booths, bus stops, restrooms and kiosks
 - Cultural amenities
 - Mass transit facilities
 - Lakes, dams, levees, waterways, etc.
- Provision or contracting for the provision of

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- Music
- News
- Childcare
- Parking lots or garages
- Security personnel equipment or facilities for the protection of property or persons
- Cleaning maintenance or other services to public or private property
- Economic impact planning, marketing or other studies
- Production and/or promotion of any tourism, recreational or cultural activity or special event
- Supporting business activity and economic development
- Providing or supporting business employee training programs

Permissible funding sources include:

- Special assessments levied on property within the CID
- Special sales tax in any increment of .10% or .25% up to a maximum of 2% for a maximum duration of 22 years imposed on the sales of tangible personal property at retail or the furnishing of services within the CID
- Any other funds appropriated by the municipality, or
- Any combination thereof

Unlike 12-6a special assessments, 100% of the assessments must be paid by property owners within the CID and no portion of the special assessments may be paid by the city at-large. However, special assessments may be reduced by other revenues which can include funds appropriated by the municipality.

Another notable difference from the provisions of 12-6a special assessment financing is that not all benefitting parties have to be within the district boundaries and subject to assessments, sales taxes or the petition provision.

Financing alternatives provided in the Act include:

- Pay-As-You-Go distribution of revenue as it is received to the CID for use as originally specified
- Full Faith and Credit Bonds (also known as General Obligation or G.O. Bonds) – bonds payable from the CID revenue sources described above and from a pledge of the City's full faith and credit to use its taxing authority in the event that all other authorized sources of revenue are not sufficient.
- Special Obligation Bonds – bonds payable from the CID revenue sources described above without obligation to utilize taxing powers or any other funds beyond the CID funds described above and committed to by the City as it relates to each specific project

Methods to form a CID vary depending on the proposed funding sources and financing structures as follows:

- If special assessment funding without G.O. Bond financing is desired, the CID may be initiated

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by a petition signed by all of the property owners within the proposed district and public notice and hearings may be waived.

- If sales tax or G.O. Bond financing are desired or less than 100% of the district property owners have signed the petition, then the petition must be signed by the owners of 55% of the land area and the owners of 55% of the assessed value within the proposed district.

Once a valid petition is received, ***the process to authorize a CID*** includes the following:

- Governing Body adoption of a resolution calling a public hearing on the advisability of creating the CID
- Publication of notice of the public hearing twice in the local, legal newspaper
- Notification of all property owners within the proposed CID via certified mail
- Conduct a public hearing
- Adoption of a resolution or ordinance authorizing the CID, approving the cost estimate if applicable, levying the CID sales tax, approving the amount of any special assessments and approving the method of financing

The Act also provides a 30-day statute of limitations to bring suit or otherwise question the validity of a CID.

In January of 2010, the City Commission approved Resolution No. 10-6700, creating a CID policy for the application of this incentive by the staff and governing body in the city of Salina. A copy of the policy is attached for your reference.

The policy was drafted as staff's best effort to anticipate the type of CID projects that might come before the Governing Body and prescribe an application, review and approval process. Since adoption of the policy one application has been received and ultimately approved. This action created the S&B South Ninth Community Improvement District levying a 2% sales tax on the Hampton Inn, Courtyard by Marriott and proposed Hilton Garden Inn for the purpose of providing financial assistance in the construction of the convention center component of the Hilton Garden Inn project.

It is worth noting that while the policy prescribes submission requirements and review criteria in considerable detail, it is unable to anticipate all project submission scenarios. All submittals have Additionally, the policy specifically indicates that "this application procedure is established under the authority of the City Manager."

General categories address by the policy include:

- Application contents
- Levels of financial participation by the applicant
- Required application fees
- Evaluation by a staff finance team
- Criteria for review

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- City Commission review
- Public Notice & Hearing
- Actions upon approval

On Thursday, August 25, 2016, the City received three C.I.D. petition applications each proposing the levying of a 1% C.I.D. sales tax to fund projects as originally proposed in the STAR Bond Project Plan. As detailed in the attached exhibits, one proposed C.I.D. district would levy a 1% C.I.D. sales tax for the downtown district; one proposed C.I.D. district would levy an additional 1% C.I.D. sales tax on the site of the proposed downtown hotel project; and one proposed C.I.D. district would levy a 1% C.I.D. sales tax on the site of the proposed Alley entertainment complex.

The Hotel & Alley CID applications are more consistent with the prior CID application received and the type of application anticipated by the CID policy. The nature of the proposed Downtown CID district is unique in terms of its breadth as well as its intention to fund on-going services. Consequently, the application is not as detailed a more typical construction project.

The formation of three CIDs has been included in the various STAR & T.I.F. project descriptions and applications as far back as the formation of the STAR Bond & T.I.F. districts in June of 2015. Additionally, the STAR Bond plan previously submitted to the City contains considerable discussion of the proposed CID funding and the projects to be funded. That is due in large part to the proposed integration of various public and private funding sources to make the broader scope of the total downtown redevelopment possible. A comprehensive development agreement is currently being negotiated to address all of the costs allocations associated with the proposed downtown redevelopment projects and funding sources. In particular, the STAR Bond Plan Sources & Uses of Funds contains separate columns for the three different CID districts and itemizes the proposed uses of the CID funds for the various projects identified as part of the STAR Bond Plan. The CID policy calls for review of CID submittals by the Finance Team. These particular CID requests are part of the broader redevelopment project and related development agreement negotiations. It would be premature of City staff to make CID determinations in advance of the City Commission considering the Development Agreement.

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The proposed uses of the CID funds are itemized in the STAR Bond Plan as follows:

	Downtown CID	Alley CID	Hotel CID
Hotel Infrastructure			\$673,250
Hotel Parking Hard Costs	\$500,000		
Hotel Building			\$332,779
Alley Entertainment Complex		\$628,676	
New Tenant / Vacant Space Construction	\$2,789,062		
Improvements to Existing Retail	\$1,300,000		
Master Developer Legal & Accounting	\$200,000		
Downtown Maintenance & Security	\$2,300,000		
Contingency	\$500,000		

The following excerpts from the STAR Bond Plan have been attached for further review:

- Narrative description of the Family Entertainment Center
- Narrative description of the Hilton Hotel, Restaurant & Meeting Space
- Narrative description of the Retail, Housing & Higher Education Development
- Table 1 - Estimated Total Cost of the STAR Bond Project (including CID projects)
- Table 4 – Sources of Funds
- Downtown Salina Development Area Exhibits
- Downtown Salina Streetscape Plan Exhibits (relates to Downtown Maintenance & Security Expenses)
- The Alley Exhibits
- Hotel Conceptual Plans Exhibits
- Downtown Salina, Kansas Redevelopment Project Draft

All three CID districts are proposed to be Pay-As-You-Go funding and the requisite ownership and value signature thresholds have been met. Since the hotel and alley are under single ownership the value and area represented by the signatories is 100%. With respect to the Downtown CID, the value of the properties owned by the signatories exceeds 70% and the land area owned by the signatories exceeds 60%. It is notable that the City & County are not signatories do the petitions while City & County property accounts for 18.96% of the CID district area due in large part to the number and area of the various public parking lots within the proposed downtown CID district. A map of the Downtown CID prepared by City staff has been attached for your reference.

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The attached resolutions propose public hearing dates of September 19th for each CID petition. That date was chosen to correspond with the scheduled consideration of the STAR Bond Plan and the T.I.F. Plan. Staff will conduct the review of the application and finances and prepare the recommendation described in the CID policy the week of August 29th and make any additional information requested and provided, as well as the conclusions of staff's review available to the City Commission and the general public by September 2nd, which is 17 days in advance of the proposed September 19th public hearing date.

CONFORMANCE WITH THE STRATEGIC PLAN:

The proposed action is consistent with the following components of the City's shared vision statement:

- Salina will be a city that is exciting to live in and thriving both economically and socially.
- Salina will be a place with a quality of life that not only appeals to residents, but also to visitors.
- The City Commission of Salina will have committed to providing the highest quality City services possible within available resources. The City Commission recognizes their role and responsibility to provide the needed policy direction and resources to its administration. At the same time, the City's administrative personnel are committed daily to transforming this direction and resources into the highest possible quality of municipal services, consistent with the expectations of both the City Commission and the citizens of Salina.
- Downtown Salina will be a thriving and vibrant place. It will include an artistic flair that complements diverse and successful business development, including: entertainment, professional services, restaurants and retail development. In addition, the downtown will include residential uses consistent with the desired, mixed-use activity.
- Salina will encourage and be supportive of industrial development, economic expansion, market-driven tax base growth, and home grown entrepreneurialism.

The proposed action is also consistent with the following goals contained in the City's strategic plan:

Goal #1: The city will create a community of mixed-use, quality development and redevelopment.

Goal #3: The city will provide the highest quality of services, consistent with governing body direction, available resources and staff commitment to quality.

Goal #5: The city will maintain a commitment to making downtown Salina a thriving and vibrant center of the community.

FISCAL NOTE:

Other than publication and certified mailings costs, there is no cost associated with setting the public hearing dates for the CID requests.

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COMMISSION ACTION OR RECOMMENDED ACTION:

Staff has identified the following options for the City Commission's consideration:

1. Approve Resolutions 16-7395, 16-7396 & 16-7397 as provided setting the respective public hearing dates as September 19, 2016.
2. Amend Resolutions 16-7395, 16-7396 & 16-7397 establishing an alternate public hearing date provided that it is at least 3 weeks after passage of the resolution(s) setting the hearing date.
3. Postpone consideration of any or all of the resolutions to a specified date and instruct staff regarding any additional information that the City Commission would like to be provided for their future consideration.
4. Decline to act on any or all resolutions, at this time, resulting in deferring further action on the CID projects until further notice.

Staff recommends Option #1.

Attachments:

- Downtown CID Petition & Signature Pages
- Alley CID Application
- Hotel CID Application
- Downtown CID Map
- Resolution 10-6700 (CID Policy)
- STAR Bond Plan Excerpts
- Resolution No. 16-7395
- Resolution No. 16-7396
- Resolution No. 16-7397