Reeb said in the Kansas Wage Survey, there was a category for the Lawrence area itself and perhaps the Table 3 column should be changed from "Kansas Wage Survey Mean Wage" to something else.

Johnson said the Lawrence wages were used when available and when they were not used there was an asterisk.

Robinson asked how Lawrence compared to Kansas.

Reeb said it depended on the particular job.

Mayor Dever asked Corliss if this was the type of information they would be lacking if the Lawrence MSA information would no longer be reported by the Bureau of Labor Statistics.

Corliss said he did not know if it directly was. Amy Miller in the Planning Office said it would be a little bit more difficult to get some information, but staff was still trying to research that. They were still trying to assess the impact.

Mayor Dever said the next item was to go over the Tax Increment Financing and Transportation Development District draft policies.

Reeb said the Committee was charged with forwarding the report to the City Commission by May 1st and so a motion to that effect would be appropriate.

Johnson asked if they were also going to approve the minutes today.

Mayor Dever said he wanted to make sure everyone was comfortable with the information in the report and then they could revisit it and approve it when they were done.

* Diane Stoddard said a few weeks ago the City Commission talked about these draft policies and would like to hear from the PIRC and get their input. There were two draft policies that were involved in economic development. Tax increment financing was a redevelopment tool that enables the incremental revenues that come from a development project to go back to pay for public improvements associated with the development.

McFadden asked if Stoddard could explain that a little bit more.

Stoddard said it could be property tax revenue or it could be sales tax or both. She said it was best explained graphically. When they had a geographical area and were raising the property tax in the area and then you place a district on this area. You do a project to redevelopment the area where you have a commercial use and were generating much more in property tax and sales tax. The incremental amount would be utilized to pay back for the various costs associated with that project. This primarily was used for public infrastructure costs. It was meant as a redevelopment tool when you are trying to encourage redevelopment in an area.

Transportation Development Districts are a similar type of a concept. Again they would place either special assessments or special sales tax on an area and that additional revenue would go back to pay certain transportation oriented costs associated with the project, for example if they had a large commercial development that would require a great amount of traffic improvements. This particular tool requires the unanimous consent for the owners so it was most typically applied to single developments.

Robinson asked when they developed the TIF and TDD agreement, was it just always 100% of the overage that went back or was it a percentage that could be negotiated.

Stoddard said that amount could be negotiated. She said it might not always be 100% of the increment. It might not be 100% of the sales tax or any of the tax. It also might be guest tax.

Johnson asked if there could be a TDD within a TIF.

Stoddard said yes, you could because the TDD was a sales tax add on.

Johnson said you could have a TIF that was in one block, but because of the infrastructure needs at the intersection could there be a TDD to just that location within the TIF.

Corliss said yes.

Stoddard said you could not have a neighborhood revitalization area over a TIF. She said the TDD was an add on and that was like the Oread Project.

She said taking up the draft TIF policy, there were several things she tried to do as explained in the staff memo. She tried to focus on the process requirements and the criteria. She tried to focus on those instead of rehashing the statutory requirements. She tried to emphasize some of the local elements of the process like how someone might approach the city to apply and local requirements.

She said with the TIF they would require a proposal being received from the applicant. The statutory process would be followed and would require a redevelopment agreement with the applicant and the statutory process would be followed. It would require a redevelopment agreement with the applicant and would lay out the requirements related to the project and the requirements of the City.

She said regarding the criteria in the draft policy, it indicated that the City would judiciously utilize this tool for projects that demonstrate a substantial and significant public benefit to the community, that the project would achieve economic goals through various means and there was an outline in the draft in what that would be. This would be of community wide importance and would meet with the comprehensive plan. The draft policy said that there were about four principles and without the use of TIF, the project would not happen. She said it talked about the debt issuance for those projects that they were issuing debt for tax increment financing, special obligation bonds, the debt coverage would be at least 1.25 times the debt service. Those were not necessarily spelled out in statute, but were good to have as a rule of thumb. The amount of the TIF assistance would be based on the economic significance to the community and went to the earlier question that based on what kind of project they were looking at. There would be flexibility there. The TIF and TDD proposals each provide for redevelopment and stabilization of areas that would be favored with the idea of redevelopment being the goal. Each of the policies talked about the development requirements. It said that the developer must demonstrate the financial ability to complete and operate the project. The projects would have at least a 50% developer cost contribution toward the project costs. Projects that do have that would be viewed more favorably. They were looking at all the costs in the project and that developer was putting in at least 50%, which would be favorable to the City. The draft also indicated a redevelopment plan was required and that the City required the developer to front certain costs such as the evaluation of the proposal which was the feasibility analysis that was required and bond counsel costs and those kinds of things. They were TIF eligible expenses, but those expenses had to be paid before a district was established. As in 12th & Oread project, the applicant was required to pay those costs up front.

For transportation development districts, a petition would be submitted in accordance with state statute for transportation development district and it would follow a statutory process regarding public notice and creation of the district. As far as the criteria in the draft, the TDD could be used to reimburse the City for certain public infrastructure costs. It could be pay as you go and what they meant by that was, as an example, they receive sales tax from the TDD and they would provide the developer that if the developer fronted the cost. There was a way for the community to also issue debt up front, in which case the City would use the proceeds to retire that debt. There was a statement in the draft that the use of a TDD should not enable a development to skirt the City's development policy, so a developer would still be required to do everything he would be required to do otherwise. At least one of the following would be met: it was a project that promoted or supported efforts to redevelop sites, it was a retail attraction or mixed use attraction, it would result in building transportation infrastructure the City would require and would otherwise build. She said as for developer requirements they would continue to have evidence the developer could do the project and also that projects that have developer contributions in excess of 15% of the TDD eligible expenses would be viewed favorably. A development agreement would be required and the applicant would be required to pay for analysis fees that may be necessary in the establishment of that.

Stoddard said the Commission requested feedback from PIRC and the public before finalizing the policies. They were looking for any thoughts from this group if there were any thoughts they wanted to submit as a group or individually. They were actively receiving a number of letters from many people. They also placed this on their website to get feedback. Lisa Patterson was working on sending out a newsflash to the City's distribution list to also seek public input on this.

Mayor Dever asked if there had been much feedback.

Stoddard said she had not received any feedback. There was a batch of letters that were sent out late last week and another batch that had been sent out today. It had been on the website since Monday.

Mayor Dever asked if it was a 30 day comment period.

Stoddard said they would wait at least that long.

Mayor Dever said 30 days was a good amount of time to get the amount of feedback and could determine if they were getting any response and could incorporate those responses. He received a lot of information from staff and it was a little less complicated but had been thinking about it for a long time.

Johnson asked if they have actually done this with the 12th & Oread project and were creating a policy in which they would be guided to go forward.

Mayor Dever said correct.

Johnson said he would support that and understood. He asked that under part of it, it said that City staff did not believe these fees were necessary given the project improvement. He could not agree more because creating fees that make hurdles up front did not send the best message. The criteria, it seemed to him when they said the City would use this judiciously for projects that demonstrated a substantial and significant public benefit. He thought that was great but if they said that, then why did they raise the question before. He said what they were saying was if it was in the best interest of the City, then they were interested, so why would they come down later in a paragraph and justifying why they would do it. They would set up that argument. He could not possibly agree more with the first statement. They were going to do this because it was in the best interest of the City and the community. They were not going to do it because the people would not do it because you would not give them a break.

Commissioner Highberger said we had actually gone through this process and they had to review potential returns of the project. He asked why give away public tax money if they did not have to.

Johnson said because they are not giving away public tax money. They were trying to get tax money.

Commissioner Highberger said why give away potential tax revenue that they would not have to give away.

Johnson said he subscribed to the idea that there should be the cost benefit analysis, but people doing this would say if they did this without the TIF, here was the economics. They were going to do it anyway if they applied for it. The process of applying for this, they could demonstrate to the City that in doing this, they would conclude it was good for the community; if it turned out to be good for everyone, great. He was not saying they should not do the analysis or listen to the argument, but do not be the one coming out of the chute that they were not going to do this without the TIF.

Robinson asked how they would demonstrate that.

Mayor Dever said they would say it would cost a certain amount of dollars and would want a certain amount of return on their investment, and without this incentive they could not get a market return.

Robinson said so they were going to hold that with that credit.

Johnson said if they did not have a policy and gave no indication they were willing to do these type of things, then it was presumptuous for someone to come and ask for one. If they developed a policy, just like a tax abatement policy, then they would have a policy. He asked why someone would not look at the policy to determine they were eligible for it and apply for it. He said if it was good policy and good for the community they would do it.

Commissioner Highberger said because it would be better for them if they had additional income.

Johnson said of course, and it would be better if they paid more taxes, but it did not work that way. They were not giving away anything but making revenue to pay for costs for a period of time. They were not taking money out of their treasury and giving it to someone else.

Mayor Dever said it would be giving from the treasury.

Johnson said no, because it was used to pay.

McFadden said if they had a policy, it should apply to everyone. If not, then they should not have a policy. You should not have to prove you were not going to do it if you did not get the TIF.

Mayor Dever said he thought that the but/for was an indication but for the incentive the developer would not get a fair return. He would not necessarily do it, but may do it and suffer from lower returns because in 10 years from now it may pen out great but the initial debt load may not be great and would do better elsewhere. This way they would get a market return and would be guidance they would get a fair one.

Robinson said so anyone that applied for the TIF was going to go through that process. It was going to be a but/for requirement.

Corliss said the draft policy they put together for comment was an additional procedural requirement beyond the state law. The state law said you had to have hearings, the taxing entities that would be impacted by the incremental revenue, which would be the school district and the county, and they would have an opportunity to review and veto the district. It was an addition to the statutory requirements. One of the reasons they thought some of the analysis of the incentive was appropriate and the but/for issue was they thought it was the public's question; would the project proceed but/for the incentive. For the Oread Project, in addition to the feasibility study, the revenue for the project paid for the public improvements, which was required by state law, and had an inquiry of whether or not a subsidy was required for the project to proceed. They were looking at the market rate of return to determine if it was reasonable with or without the incentive. It gave additional tools for the decision makers to make judgments about and determine if it was in the best interest of the community. The additional tools helped analyze the economics of the project and which was why they were suggesting whether it should be articulated as the but/for principle. These were additional requirements beyond any project that could qualify. As they develop as a community and stress redevelopment as a community, there may be many projects that would qualify for incremental revenue. What they want to say was that it may be true procedurally from the statute, but wanted to ask additional questions like what would happen if the incentive was not there. He said it was his observation that was one of the questions that continued to come out; was the incentive necessary for the project to proceed. They needed facts and data and with those facts and data you would make assumptions. If they got additional data, it would help with that issue.

Mayor Dever said they could not change the price and had to charge what they needed to charge. They might draw in customers they may not have had before. If they would come across something they liked, they would have to determine whether or not they would pay for it. They needed to attract those people and as a City they had to have a maximized amount for tax payers while knowing without certain incentives that it would not happen. He said it should be fair to everyone and every development should go through the process. It was prudent for them to have a tool and rule in place.

McFadden asked if there were specific numbers on the Oread project for the market rate of return.

Mayor Dever said yes.

McFadden said she would like to know the difference between what they would like to have and what reality was.

Commissioner Highberger said the firm that did the feasibility study did a survey on rates of return on comparable projects in the country.

McFadden said it did not seem like they were getting that specific in terms of what they would accept in the difference.

Mayor Dever said the but/for was what they had to get around and what it meant.

Corliss said they still had to satisfy but/for the incentive, the project would not proceed. It would be a matter of judgment.

Johnson said it went back to the first statement. They did not care about the rate of return for the developer, but what was in the best interest of the community.

Corliss said if McDonald's said they would not build a new restaurant unless the City gave them $100 million, they would say they did not think that was in the best interest of the community. Those were the easy ones. The hard ones were a special type of project where they would need additional tools to analyze it.

Johnson said the draft TIF policy mentioned the project must have debt coverage of at least 1.25 times the debt service. He asked why more than 1 and why not 1.0 or 1.5.

Stoddard said a lot of times that was an issue with the bonds they issue as special obligation bonds that they could at least generate more revenue than they would anticipate. It was more of a marketing aspect of the bonds.

Johnson asked if it was a reasonable number.

Corliss said bond counsel indicated that it was a standard requirement. It was an additional revenue assurance.

Johnson said under the development requirements, projects that have at least a 50% developer contribution toward the total development cost would be viewed favorably. He asked why they would not say 100% would be better. He did not understand what that meant by the developer's contribution.

Commissioner Highberger said this was referring to the public portion part.

Mayor Dever said if they built a $75 million parking garage and a $25 million hotel, it would be steep.

Johnson said under the TDD, projects that had private fundings and contributions of the developer in excess of 15% would be more favorable.

Stoddard said the difference was in the TIF it was looking at the total project cost. On the TDD the 15% was referring to just the TDD eligible costs, the transportation related costs. She said there was no magic in the numbers and it was maybe a guide for the City Commission about what might feel right or an expectation for the developer.

Johnson said he was trying to understand why that was the number.

Stoddard said in looking at policies from other communities, the numbers were somewhat similar. Some of the communities had thresholds and others had definite thresholds in what the developer must contribute. That way the figure could rise, fall or change and could be dependent on what they were looking at.

Johnson asked what the impression of the image they were giving to a developer who was at 25%, versus 50%, or versus 75%. He asked if that was the message they wanted to send.

Corliss said for example look at the 900 block Parking Garage. The public paid for that improvement with the plans there would be redevelopment to the south and north of that. The redevelopment today had been to the south. The parking garage was in the $7 million range and the development was not at that level. They were to do other work to the north. It did not mean that was bad, because it benefited the Arts Center and the rest of downtown. That statement there they needed to make an additional inquiry. They were trying to indicate to the community that with other TIF policies, they wanted to look at the relation of what the developer was putting in and what the community was putting in.

Stoddard said they needed to decide if it should be a guideline or requirement.

Mayor Dever said it was nebulous there.

Johnson said he was in favor of what they were doing and in favor of the policy. People know what to expect and what they could apply for. He said he was good with it.

Robinson asked if they could go back to the analogy of the hotel and the parking lot. She asked if it was just the parking lot that was eligible for the TIF and not the hotel.

Mayor Dever said in this case it was both.

Corliss said for it to be reimbursed, it had to be public improvements or a certain developer related private improvements. A private parking garage would be eligible and certain site preparation and building permit would be eligible. The actual construction of a private building, the hotel itself, would not be eligible to be reimbursed with the TIF revenue. They were getting a lot of public improvement, but had to have a way to pay for it.

Mayor Dever said with the tax schedule, it would be fully taxable and it seemed like it should be relative to try to encourage comparable investment.

Commissioner Highberger said he liked the emphasis on the TIF portion and suggested they limit it to rehabilitation. He thought this was great work and the only other suggestion he would make was add statements about what was favored and would like to have both for TIF and TDD statements where projects were favored.

Corliss said in conservation areas, he thought it was not quite blight but trying to conserve, there were some statutory requirements that talked about redevelopment of that area. The developers at Bauer Farms, they were talking about TDD as means for paying for that. They could not talk about TIF because it was a corn field. TIF did not work for redevelopment on farm ground.

McFadden said she wanted to make sure they were doing a good job and make sure they were financially liable to operate whatever it was in future projects.

Stoddard said they had an analysis, like with Springsted that took their information and gave their opinion.

McFadden asked if they audited the financials of existing entities.

Corliss said one of the redevelopment requirements was that they could get certain level of assurances from a financial institution. One of the additional assurances for the community was that there was no City debt obligation for that project. There was not City debt extended from that and the project would be reimbursed by tax revenue.

Stoddard said they would require financial statements and questions to determine their financial ability.

McFadden said the only other comment was what the proposal shall include, they needed to make sure they were specific enough to get what they wanted from the developer. She said they needed to put in the policy exactly what they wanted to make sure they got it the first time because it would expedite things.

Mayor Dever asked for a motion to approve the April 14, 2007 meeting minutes.

Moved by Dever, seconded by Highberger to approve the PIRC meeting minutes from April 14, 2007. Motion carried unanimously.

Mayor Dever asked to go back to the review of the draft 2007 Tax Abatement Report. He said he thought they had come out ahead by the number of jobs they had seen in regards to the reports they had seen. He was glad to see that.

Moved by Johnson, seconded by McFadden to approve the 2007 Tax Abatement Report and forward it to the City Commission. Motion carried unanimously.

The meeting adjourned at approximately 5:20 p.m.