

City of Hays
City Commission
Work Session Notes
Thursday, November 17, 2016 – 6:30 p.m.

Present: Shaun Musil, James Meier, Henry Schwaller IV, Lance Jones, Eber Phelps, John Bird, Toby Dougherty, and Kim Rupp

November 3, 2016 Work Session Notes

There were no corrections or additions to the minutes of the work session held on November 3, 2016; the minutes stand approved as presented.

**Hays Extended Stay Hotel Partners Community Improvement District (CID)
– Ordinance and Development Agreement**

**Hays Extended Stay Hotel Partners II Community Improvement District
(CID) – Ordinance and Development Agreement**

These two agenda items were presented together for discussion and are referred to as CID I and CID II.

Kim Rupp, Finance Director, reported that Hays Extended Stay Hotel Partners LP seeks incentives related to construction of an approximately 41,000 square foot Town Place Suites hotel featuring 80 rooms (+/-), to be located at the northeast corner of the intersection of I-70 and Vine Street (Highway 183), immediately east of the Best Western, north of the Hampton Inn, and south of the JT Travel Plaza that is currently under construction.

Two separate CID petitions have been submitted; one petition seeks to impose a 1% CID sales tax on only the hotel property (CID I), and a second petition seeks to impose an additional 1% CID sales tax on the hotel property and the JT Travel Plaza property (CID II).

If approved, the total sales tax at the Travel Plaza would be 10.5%, and the total sales tax at the Hotel would be 16.5%.

Mr. Rupp explained that the first step in the statutorily-outlined process is for the City Commission to hold a public hearing on the matter which has been scheduled for November 22, 2016. Should the Commission choose to move forward with the process, the next step involves negotiating a development agreement, and ultimately, adopting an ordinance creating the Community Improvement District.

The draft Development Agreement has been reviewed by the City's bond counsel and City Attorney. In addition to the standard language, City staff has included that even if the CID sales tax revenues from either of the proposed CIDs exceed expectations, the developer would not be reimbursed from the two CIDs combined for more than \$1,733,318 plus the developer's actual costs of interest on any financing arranged by them at a rate not to exceed 7% per annum.

The Development Agreements will be presented to the Commission for consideration following the Public Hearing at the November 22, 2016 Commission meeting.

Hays Investors Community Improvement District (CID) – Ordinance and Development Agreement

Finance Director, Kim Rupp, also reported that Hays Investors LLC has submitted a petition for the creation of a CID to construct approximately 73,000 square feet of retail space, to be located on approximately 9.1 acres at the northeast corner of I-70 and Vine Street (Highway 183), and directly north of Home Depot. This development is expected to consist of an approximately 50,000 square foot building to be used by a national retailer and another 23,000 square feet of retail space. The CID would impose a 1% CID sales tax on the property. The total retail project cost is estimated to be \$13,671,702. The total CID eligible expenses requested for reimbursement over the 22 year life of the CID is \$3,613,702. If approved, the total sales tax on the retail development proposed would be 10.5%.

The first step in the statutorily-outlined process is for the City Commission to hold a public hearing on the matter which has been scheduled for November

22, 2016. Should the Commission choose to move forward with the process, the next step involves negotiating a development agreement, and ultimately, adopting an ordinance creating the CID.

The draft Development Agreement has been reviewed by the City's bond counsel and City Attorney. In addition to the standard language, City staff has included that even if the CID sales tax revenues exceed expectations, the developer will not be reimbursed for CID-eligible expenses for more than \$3,613,702.17 plus actual costs of interest on any financing by the developer at a rate not to exceed 7%.

In the event certificates of occupancy for 73,000 square feet of retail space are not issued within 36 months of approval of the CID, then the CID will be dissolved.

So long as the CID on the retail project property is in existence, the developer will not request, and the City will not approve, any additional economic development incentives on the retail project property.

The developer has requested a last minute change to Section 20, of the Development Agreement which would give the developer the right to seek changes to the agreement due to changing economic and market conditions.

City Manager, Toby Dougherty, stated with the new language requested in Section 20, the developer would have the right to come back and ask for a modification to the development agreement.

Aaron White, Ellis County Coalition for Economic Development Director, stated this change is likely being requested by the developer's lending bank. He stated the lender is drafting a letter stating that they are expecting the CID as a backstop to their lending.

Vice-Chairperson Meier stated he doesn't understand what difference this makes. Even though we include that you can't ask for more incentives on this property in the development agreement, there isn't anything stopping them from asking for more incentives, and a future Commission could take action to amend it and change it anyway.

City Manager, Toby Dougherty, stated that this change does not obligate the Commission to anything. He also reminded the Commission that we have had declining sales tax revenues and our general fund is funded with sales tax and we need all the general fund revenue we can get.

It was the consensus of the Commission to move the development agreement forward for consideration, with the proposed change, at the November 22, 2016 Commission meeting.

Ordinance and Resolution to Authorize the Issuance of General Obligation Refunding and Improvement Bonds, Series 2016-A

Kim Rupp, Finance Director, reported that on November 22, 2016, the City will take bids for the purchase of approximately \$5,995,000 of General Obligation Refunding Bonds, Series 2016A (the "Bonds"). Final versions of the ordinance and resolution, as well as final payment terms on the Bonds, will be made available by George K. Baum & Co., the City's Financial Advisor, and Gilmore & Bell, P.C., the City's Bond Counsel, after the sale of the Bonds and before the November 22, 2016 Commission meeting. Staff recommends approval of both the ordinance and resolution for the General Obligation Refunding Bonds, Series 2016A.

At the November 22, 2016 Commission meeting, Commissioners will be asked to approve an ordinance authorizing and providing for the issuance of General Obligation Refunding Bonds Series 2016A and approve a resolution prescribing the form and details of and authorizing and directing the sale and delivery of General Obligation Refunding Bonds Series 2016A.

Mr. Rupp also reported that the City has received a AA rating with stable outlook on our Standard and Poor rating.

Other Items for Discussion

There were no other items for discussion.

The work session was adjourned at 7:05 p.m.

Submitted by: _____

Brenda Kitchen – City Clerk