

# Memo

To: City Commission  
From: Toby Dougherty, City Manager  
Date: 8-26-15  
Re: September 3, 2015 Work Session

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Please find the attached agenda and supporting documentation for the September 3, 2015 Work Session.

## Item 2 – NWK Investments – Request for Economic Development Incentives

Please refer to the voluminous packet of information included with this memo regarding NWK Investments' request for economic development assistance. Aaron White of the Ellis County Coalition for Economic Development, as well as James Millensifer representing Chance Management and NWK Investments, will be in attendance at the work session on Thursday to formally present the proposal and request for economic development incentives to the Governing Body for feedback and direction.

## Item 3 – Sanitary Sewer Heavy Cleaning

Please refer to the attached memorandum from Bernie Kitten, Director of Utilities, regarding sanitary sewer heavy cleaning. This is a little different from past requests City staff has brought forward regarding sanitary sewer cleaning as those have been more routine cleaning contracts. There are several lines in town that require a heaving cleaning. Some lines require a heavy cleaning before we can determine the relative condition of the line. Money was budgeted in the 2015 CIP for this process.

## Items 4 & 5 – King's Gate Addition Phase 2 – Subdivision Entrance Sign and Award of Bid

Items 4 and 5 are related to the King's Gate Addition Phase 2. Please refer to the attached correspondence from John Braun, Assistant Director of Public Works, and Jesse Rohr, Planning, Inspection and Enforcement Division Superintendent.

Item 6 – Rezoning of Lot 14 and a Portion of Lot 13, Block 21, Hays Plaza 3<sup>rd</sup> Addition (1601 East 27<sup>th</sup> Frontage Road) from R-1 to R-4

Please refer to the attached memorandum from Jesse Rohr regarding the rezoning of 1601 East 27<sup>th</sup> Street. This is a pretty straightforward request. City staff feels it is a very valid use of the property and will result in a dramatic improvement to the property as well as creating more living units.

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**CITY OF HAYS  
CITY COMMISSION WORK SESSION  
THURSDAY, SEPTEMBER 3, 2015 – 6:30 P.M.  
AGENDA**

1. **ITEM FOR REVIEW: [August 20, 2015 Work Session Notes \(PAGE 1\)](#)**  
DEPARTMENT HEAD RESPONSIBLE: Kim Rupp, Director of Finance
  
2. **ITEM FOR REVIEW: [NWK Investments – Request for Economic Development Incentives \(PAGE 7\)](#)**  
PERSONS RESPONSIBLE: Aaron White, Ellis County Coalition for Economic Development  
James Millensifer, Chance Management
  
3. **ITEM FOR REVIEW: [Sanitary Sewer Heavy Cleaning \(PAGE 139\)](#)**  
DEPARTMENT HEAD RESPONSIBLE: Bernie Kitten, Director of Public Works
  
4. **ITEM FOR REVIEW: [King’s Gate Addition Phase 2 – Subdivision Entrance Sign \(PAGE 171\)](#)**  
DEPARTMENT HEAD RESPONSIBLE: Greg Sund, Director of Public Works
  
5. **ITEM FOR REVIEW: [King’s Gate Addition Phase 2 – Award of Bid \(PAGE 181\)](#)**  
DEPARTMENT HEAD RESPONSIBLE: Greg Sund, Director of Public Works
  
6. **ITEM FOR REVIEW: [Rezoning of Lot 14 and a Portion of Lot 13, Block 21, Hays Plaza 3<sup>rd</sup> Addition \(1601 East 27th Frontage Road\) from R-1 to R-4 \(PAGE 189\)](#)**  
DEPARTMENT HEAD RESPONSIBLE: Greg Sund, Director of Public Works
  
7. **OTHER ITEMS FOR DISCUSSION**
  
8. **EXECUTIVE SESSION (IF REQUIRED)**
  
9. **ADJOURNMENT**

**ANY PERSON WITH A DISABILITY NEEDING SPECIAL ACCOMMODATIONS TO ATTEND THIS MEETING SHOULD CONTACT THE CITY MANAGER'S OFFICE 48 HOURS PRIOR TO THE SCHEDULED MEETING TIME. EVERY ATTEMPT WILL BE MADE TO ACCOMMODATE ANY REQUESTS FOR ASSISTANCE.**



City of Hays  
City Commission  
Work Session Notes  
Thursday, August 20, 2015 – 6:30 p.m.

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

Absent: James Meier

**August 6, 2015 Work Session Notes**

There were no corrections or additions to the minutes of the work session held on August 6, 2015; the minutes stand approved as presented.

**Request from the Friends of the Hays Dog Park for two Dog Park Shelters**

The Friends of the Hays Dog Park (FHDP) worked to implement a dog park at the Bickle-Schmidt Sports Complex in Hays. Phase one and phase two have been completed and they are requesting to begin the third and final phase. All funds for the dog park have come from the FHDP, via fundraisers and grants. The FHDP are requesting approval to transfer funds totaling \$18,840.75 from the Friends of the Hays Dog Park to the City of Hays Park Development Fund to cover the costs for the installation of two shelters from Quality Structures Incorporated (QSI) for a total amount of \$15,000 as well as concrete and supplies for \$3,840.75. The remainder of the items in phase three have minimal costs and can be purchased after the FHDP have obtained adequate funds to cover the costs.

At the August 27, 2015 Commission meeting, Commissioners will be requested to approve the transfer of funds totaling \$18,840.75 from the Friends of the Hays Dog Park to the City of Hays Park Development Fund to cover the costs for the installation of two shelters.

### **Removal of One-Way Street Designation for 6<sup>th</sup> and 7<sup>th</sup> Streets**

Commissioner Jones asked to discuss the possible removal of the one-way street designation for 6th and 7th Streets. The matter was discussed briefly at the July 2, 2015 work session. At that work session, the City Commission asked that this item be placed on a future work session agenda with additional public notice; encouraging people who may have an opinion on the matter to attend the work session.

City staff conducted a brief inquiry into the matter and sees no significant issues should the Commission choose to convert 7<sup>th</sup> Street from one-way traffic to two-way traffic. City staff does see significant issues with changing 6<sup>th</sup> Street from one-way to two-way traffic.

Chuck Taylor, owner of Chuck's Bar on West 7<sup>th</sup> Street, was not in favor of changing the one-way designation, but suggested adding angle parking on the north side of the street. He stated parking is very minimal and this would help out the businesses in the area.

Tony Taylor, owner of On the Rocks, located above Chucks Bar, stated adding the angle parking they are suggesting could increase parking by 50%.

Dave VanDoren, with the Hadley Center, stated many people go around the block unnecessarily due to the one-way streets. He proposed making it two-way from Main Street to Vine Street to alleviate this.

Commissioner Jones stated studies show one-way streets are not economically friendly to businesses. He also stated two-way traffic slows traffic naturally by left hand turns.

It was the consensus of the Commission that City staff research the addition of angle parking in the area and report back, but were not in support of changing the one-way designations.

### **Ordinance Regulating Sewer Rates for Private Well Owners**

At the July 16, 2015 work session a resident questioned why she was being charged \$24.65 per month for sewer usage as she is a private water well

owner. The commission asked that staff research this issue and report back to the Commission.

Finance Director, Kim Rupp, reported the flat sewer fee is used for customers that want to use our sewer system, but are not on city water due to having their own well. Residents do have an option to have a meter installed, but if they choose not to have the water usage from their well metered, we need a fee to cover the amount of waste they will put into our sewer system. A flat fee is required since we don't know how much water they are using and subsequently being put into our sewer system. The current charge, approximately equivalent to an average of 1000 cubic feet, is \$24.65.

City staff contacted other Cities in the area and found our fees are comparable and some Cities do not offer a flat sewer only fee, they require all city services.

City staff and the Commission agreed no change was necessary to the current flat sewer rate of \$24.65 for residential customers who are not using city water.

### **Annexation of 2225 West 41<sup>st</sup> Street**

The owners of 2225 W 41<sup>st</sup> Street have requested annexation of the property into the city limits of Hays. The primary reason for the request is to get City water service since the well serving the property has gone bad. The area proposed to be annexed is located along W. 41<sup>st</sup> St. between Smoky Hill Dr. and Covenant Dr. The property is contiguous (bounded on three sides) with the present city limits.

Approval of the annexation will allow the property owner to receive full benefits of city services, including utilities and fire and police protection. No additional infrastructure will be necessary because of this proposed annexation, since all city infrastructure and utilities are already in place.

Commissioners will be requested to approve an ordinance annexing 2225 W. 41<sup>st</sup> Street to the City of Hays at the August 27, 2015 Commission meeting.

### **Corps of Engineers' Section 205 Study Agreement**

Steven Walters, Stormwater Specialist, presented information to the Commissioners regarding a proposed 50/50 cost share agreement with the United States Army Corps of Engineers (USACE) to study the Lincoln Draw watershed. The City of Hays has studied the watershed for many years, but until the stormwater utility was established, there was not a funding mechanism to make needed improvements to the watershed. The Lincoln Draw watershed is the next logical flood reduction project to tackle based on the City of Hays Storm Water Master Plan. The proposed study is estimated to cost \$664,000 with the City share being \$332,000. Based on preliminary cost estimates, the construction phase is estimated at \$3.5 million with the City share being \$1.2 million. Preliminary review for the economic justification of the project estimate a \$9 benefit for \$1 spent based on the \$3.5 million construction estimate.

The City of Hays and the USACE have each budgeted \$75,000 for fiscal year 2015. The City of Hays has budgeted \$250,000 for fiscal year 2016. City staff is proposing to meet the \$75,000 2015 obligation through contracting Survey and Geotechnical as in-kind services. The study and subsequent project will provide benefits to the City of Hays, including allowing continued development in the Lincoln Draw watershed, as well as reducing flood risk in the core of the City.

Commissioner Schwaller stated we have not addressed this issue since the 1950's and it has only gotten worse and feels this is a critical issue.

At the August 27, 2015 Commission meeting, Commissioners will be requested to authorize the City Manager to enter an agreement with U.S. Army Corps of Engineers under the Section 205 program to conduct a study to determine the best locations for detention ponds in the Lincoln Draw watershed.

### **2016-2018 Memorandum of Agreement between the City of Hays and Fraternal Order of Police Lodge 48, Inc.**

The City of Hays' meet and confer team have reached a tentative agreement with the Fraternal Order of Police (FOP) Lodge 48 Inc. for a three

year term. The current agreement is set to expire at the end of 2015. This tentative agreement includes wages as the only automatic annual opener, a \$2,050 pay adjustment for 2016, \$1,500 pay adjustment to the bottom of the pay ranges, changing Short Term Disability payments from 100% to 70%, and minor clerical changes.

At the August 27, 2015 Commission meeting, Commissioners will be requested to authorize the Mayor, City Manager, Police Chief and the Director of Communications to sign the 2016-2018 Memorandum of Agreement.

**Add on Item - 2016-2018 Memorandum of Agreement between the City of Hays and International Association of Firefighters Local 2119 (IAFF)**

The City of Hays' meet and confer team have reached a tentative agreement with the Hays Firefighter Local 2119 of the International Association of Firefighters (IAFF) for a three year term. The current agreement is set to expire at the end of 2015. This tentative agreement includes wages as the only automatic annual opener, a \$2,050 pay adjustment for 2016 and \$1,500 pay adjustment to the bottom of the pay ranges.

At the August 27, 2015 Commission meeting, Commissioners will be requested to authorize the Mayor, City Manager, and Fire Chief to sign the 2016-2018 Memorandum of Agreement.

**Other Items for Discussion**

Commissioner Schwaller thanked Commissioner Jones for bringing forward the 6<sup>th</sup> and 7<sup>th</sup> Street one way designation for discussion.

Chairperson Phelps complimented the Utility crews for their work on the water line break on his street earlier this week.

The work session was adjourned at 7:31 p.m.

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

Brenda Kitchen – City Clerk



# Memo

To: City Commission  
From: Toby Dougherty, City Manager  
Date: 8-25-15  
Re: NWK Investments' Proposal

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Attached to this memorandum is the latest proposal we received from NWK Investments. As you will see, the proposal has been rewritten to clarify what the applicant is requesting. The revised proposal is pretty straightforward. The only item I feel needs clarified is on page one (1) where it is stated that there are \$10.5M in "public infrastructure improvements". The developer has identified \$10.5M in TIF eligible costs, but only \$3.5M - \$4M of these are for public infrastructure. The rest of the TIF eligible costs are for land acquisition, site development and private streets/paving.

There are three modifications to the existing proposal. The first modification is that the developer is asking the City to issue Tax Increment Financing (TIF) bonds to finance the TIF eligible costs. This is a deviation from what was originally proposed to the City when the developer claimed to have financing in place and proposed to finance, construct and install all necessary infrastructure. Also attached is a short memo from the City's financial advisor on the subject of TIF bonds.

The second change to the original proposal is that the developer is now asking the City to authorize the issuance of Industrial Revenue Bonds. The developer is asking for this as a way to avoid paying sales taxes on any construction materials.

The third change is a revised CID petition that covers only the property being developed. The previous petition was for several lots that will comprise the proposed TIF district.

Gilmore & Bell has reviewed all of the documents and confirmed that the incentives being requested are legal under the Commission's economic development policy and Kansas state law. The original work session memo from August 6<sup>th</sup> is included as the last attachment. The economics have not changed, except for the additional benefit the applicant is requesting with regard to the IRB.

The developer will be at the work session Thursday to present its proposal to the Commission.

# CITY OF HAYS, KANSAS

## PROJECT OVERVIEW AND SUMMARY OF ECONOMIC DEVELOPMENT INCENTIVES REQUEST

August 24, 2015

### The Proposed Project

The proposed project involves development of approximately 55 acres located at the intersection of 230<sup>th</sup> Avenue and 55<sup>th</sup> Street, map attached as **Exhibit A-1**. The property is currently outside of the City limits, but as part of development of the project, the property will be annexed into the City.

Phase one of the development involves construction of approximately 93,400 square feet of development known as **Big Creek Travel Plaza**, to be located on approximately 22.35 acres at the northwest corner of 230<sup>th</sup> Avenue and 55<sup>th</sup> Street. Phase one (referred to in this summary as the “Project”) is expected to consist of:

- an approximately 66,700 square foot, four-story, nationally-branded hotel featuring 90 rooms (+/-) and a meeting room designed to seat 150 to 200 guests;
- an approximately 14,000 square foot full-service travel plaza (truckstop), including a convenience store, diesel, gasoline and retail Compressed Natural Gas (CNG) and all the amenities for the professional traveler;
- an approximately 2,200 square foot free standing coffee shop (Starbucks);
- an approximately 3,000 square foot fast food restaurant (Taco John’s);
- a fast-casual complex of approximately 7,500 square feet designed to house a minimum of three retail businesses; and
- Infrastructure improvements required to serve the site including water, sewer, street improvements, and utilities:
  - Waterline along 55<sup>th</sup> Street from the water tower at US-183 and 55<sup>th</sup> Street
  - Sewer extension from the Hall Street manhole across I-70 and along the north side of I-70
  - Construction of 55<sup>th</sup> Street west of 230<sup>th</sup> Avenue approximately 500 feet

Phase two for the 22.35 acre site is expected to include a second hotel, a restaurant and a truck service center.

Future phases of development on the east side of 230<sup>th</sup> Street, both north and south of 55<sup>th</sup> Street, would include retail and commercial uses. NWK Investments plans to aggressively market the property to additional or new developers as well as participate in the construction of complementary businesses.

### Estimated Total Investment

The total costs of the Phase One Project are estimated at approximately \$27.5M. Of this amount, approximately \$10.5M of the Project costs are related to public infrastructure improvements. See attached **Exhibit B** for an itemized project cost estimate.

## **Proposed Method of Financing/Requested Economic Development Incentives**

The Developer requests that the City Commission approve staff to begin negotiating a Development Agreement to provide for construction of the Project, together with economic development incentives available for both the 22.35 acre Project and the rest of the 55 acre development site.

The specific economic development incentives being requested are as follows:

1. ***Community Improvement District (CID)*** with boundaries as shown on **Exhibit A-2** (approximately 22.35 acres). Within the CID, a 2.0% CID sales tax would be imposed. The CID sales tax revenues would be used to reimburse the Developer on a pay-as-you-go basis for CID-eligible expenses.

Based on current project cost estimates, we estimate that approximately \$17.5M of the total project costs are CID-eligible expenses under State law and the City's economic development policy (see **Exhibit B**). Based on current development plans, we estimate that the CID sales tax would generate approximately \$7.2M to fund CID-eligible expenses over the 22 year life of the CID. Future phases of development within the 22.35 acre CID would increase the amount of estimated CID revenues available to fund CID-eligible project costs. We request that all available CID revenues be available to reimburse CID-eligible costs.

2. ***Tax Increment Financing District (TIF)*** with boundaries as shown on **Exhibit A-3** (the entire 55 acres), including three separate project areas also shown on **Exhibit A-3**. The TIF District would capture all incremental property tax revenues from development within the TIF District. Sales taxes within the TIF District would not be captured. The TIF revenues would be used to pay for TIF-eligible expenses.

Currently, the Developer requests that the City proceed only with approval of a project plan for Project Area A shown on **Exhibit A-3** (approximately 22.35 acres where Phase I of the Project is located).

In connection with the TIF, the Developer requests that the City issue its Special Obligation TIF Bonds. The Special Obligation TIF Bonds would be paid solely from incremental property tax revenues generated within Project Area A; no general obligation or annual appropriation pledge of the City would be used as additional security for the Special Obligation TIF Bonds. Proceeds of the Special Obligation TIF Bonds would be used to reimburse the Developer for TIF-eligible expenses. The Special Obligation TIF Bonds would be sold by the City to a lender provided by the Developer, and would be issued as soon as the lender is willing to purchase the bonds.

If any TIF revenues are available after payment of the Special Obligation TIF Bonds, and the Developer has additional TIF-eligible expenses that have not yet been reimbursed, the additional TIF revenues would be used to reimburse the Developer on a pay-as-you-go basis.

Based on current project cost estimates, we estimate that approximately \$9.8M of the total Project costs are TIF-eligible expenses under State law and the City's economic development policy (see **Exhibit B**).

Based on current development plans for the first phase of development in Project Area A, we estimate that the TIF would generate approximately \$7.9M in incremental property tax revenues over the 20 year life of the TIF. Future phases of development within Project Area A and within the rest of the TIF District would increase the amount of incremental property

tax revenues available to fund TIF-eligible project costs. We request that all available TIF revenues be made available to the developer to reimburse TIF-eligible costs described on **Exhibit B**.

3. ***Industrial Revenue Bond (IRB), solely for sales tax exemption on construction materials.*** The Developer requests that the City issue an Industrial Revenue Bond, to be purchased by the Developer or its lender, in order to obtain a sales tax exemption on construction materials for the private improvements. Based on an estimated cost of \$9.1M for construction materials related to the private improvement portions of the Project, we estimate that the sales tax exemption would provide approximately \$732K of benefit to reduce overall project costs.

We assume that a sales tax exemption on construction materials for the public infrastructure improvements would be available without the issuance of IRBs. If that the exemption is not available, then we would request that the City permit the issuance of IRBs for the purposes of obtaining a sales tax exemption on construction materials for the public infrastructure improvements.

4. ***Cap on Total Reimbursable Costs.*** Although current estimates do not show that CID sales tax revenues or TIF property tax revenues will be sufficient to pay all eligible costs, we would like the Development Agreement entered into between the Developer and the City to leave open the possibility of additional reimbursement if CID or TIF revenues are greater than current projections. We agree that total reimbursement would not exceed 75% of the total project costs, per the City's economic development policy. Based on current revenue projections for the initial phase of the Project, the Developer would contribute a minimum of 38% of the total project costs.

### **Benefits to the City**

1. ***Public infrastructure.*** The intersection of 230<sup>th</sup> Ave and 55<sup>th</sup> Street will be rebuilt to accommodate traffic associated with the development. The actual construction and infrastructure required to tie in to the Hays water and sewer systems will enable the City to service additional new clients in the general area. Water pressure as well as the actual costs associated with providing water to the residents directly south of Interstate 70 will improve as a result of the development. The Developer will undertake to construct the improvements for the City, subject to the City's oversight to ensure that the public infrastructure improvements are constructed according to City specifications. The Developer will conduct all preliminary design and engineering (subject to the City's approval of the engineering firm). The City will approve design prior to construction, and the City will inspect before ownership is assumed.
2. ***Tax Revenue.*** The City and County would receive all new sales and transient guest taxes generated by the project. Sales tax revenues (Ellis County .50%, City General Fund 1.25% and Water Exploration .50%) are estimated to exceed \$7.85M during the first twenty years of the Project. Transient guest tax for the first twenty years is estimated at \$2.8M.

## **Proposed Timeline**

The proposed timeline for development of the Project, including following all required processes to establish the TIF and CID, is as follows:

|                    |  |
|--------------------|--|
| Now                | Negotiate Development Agreement  |
| September 10       | Annexation petition and TIF Information submitted to City  |
| September 24       | City Commission approve Annexation, call public hearing on CID, call public hearing on TIF District; Final Development Agreement approved by City Commission |
| September 28       | Mail and Publish notice of public hearing on TIF District  |
| October 8          | Public hearing on CID/TIF District   |
| October 8          | City Commission approve CID/TIF District   |
| November 7         | County/School District Veto Period for TIF expires   |
| October 8 - 21     | Planning Commission approve TIF Project Plan   |
| October 9          | TIF Project Plan to County and School District   |
| October 22         | City Commission calls public hearing on TIF Project Plan   |
| November 2         | Mail and publish notice for public hearing on TIF Project Plan   |
| November 12        | City Commission approve TIF Project Plan   |
| November 16        | Publish Ordinance approving TIF Project Plan   |
| December 10        | City Commission approve IRB Ordinance  |
| December 10        | City Commission approves ordinance for Special Obligation TIF Bonds  |
| December 31        | Special Obligation TIF Bonds issued; Developer reimbursed TIF-eligible expenses from bond proceeds   |
| December 31        | IRBs Issued  |
| November 16        | Construction Begins  |
| First Quarter 2017 | Construction Complete, Developer Certifies Project Costs to City   |
| Ongoing            | CID Sales Tax collections and Developer reimbursement of CID-eligible costs  |

**EXHIBIT A-1: PROJECT LOCATION**



NEW 8/13/2015

230TH AVE.

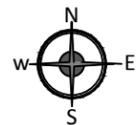
55TH STREET

I-70

55.590 Acres

Point of Beginning

Point of Commencement  
SW Corner Section 17



**LEGAL DESCRIPTION OF DISTRICT**

Combined legal description of parcels A-E, being a part of the Big Creek Development in Ellis County, Kansas.

A tract of land located in Sections 17, 18 and 20 in Township 13 South, Range 18 West of the 6th Principal Meridian, Ellis County, Kansas, described as follows:

Commencing at the Southwest corner of Section 17 (also being the Southeast corner of Section 18 and the Northwest corner of Section 20), Township 13 South, Range 18 West; Thence North 01 degrees 02 minutes 06 seconds East along the West line of Section 17 (also being the East line of Section 18), 542.87 feet to the Northwest corner of Parcel D and the Point of Beginning; Thence continuing North 01 degrees 02 minutes 06 seconds East along the West line of Section 17, 672.62 feet to the Northeast corner of Parcel A; Thence South 89 degrees 57 minutes 23 seconds West, 797.00 feet; Thence South 01 degrees 02 minutes 06 seconds West, 262.00 feet; Thence South 38 degrees 15 minutes 36 seconds West, 431.00 feet; Thence South 23 degrees 05 minutes 17 seconds West, 436.65 feet; Thence South 01 degrees 02 minutes 06 seconds West, 126.69 feet to the South line of Section 18; Thence South 89 degrees 41 minutes 50 seconds East along the South line of Section 18, 1141.64 feet to the Southeast corner of Section 18; Thence South 10 degrees 37 minutes 22 seconds East along the Interstate 70 right of way, 322.69 feet; Thence South 01 degrees 26 minutes 06 seconds East along the Interstate 70 right of way, 906.71 feet; Thence South 65 degrees 10 minutes 58 seconds East along the Interstate 70 right of way, 169.93 feet; Thence North 00 degrees 48 minutes 32 seconds East, 423.39 feet to the Southwest corner of Parcel C; Thence South 88 degrees 59 minutes 58 seconds East, 448.20 feet; Thence North 00 degrees 54 minutes 03 seconds East, 473.82 feet to the South county road right of way; Thence North 89 degrees 58 minutes 55 seconds West along the South county road right of way, 13.99 feet; Thence South 84 degrees 33 minutes 04 seconds West along the South county road right of way, 192.61 feet; Thence North 01 degrees 02 minutes 24 seconds East, 531.25 feet to the Northeast corner of Parcel E; Thence North 89 degrees 58 minutes 39 seconds West, 1129.52 feet to the Point of Beginning. Said tract contains 55.6 acres more less, which includes some county road right of way, and is subject to any easements or rights of way of record. This legal description is for informational purposes only. It should not be used to convey or sell any property.

| No. | Revision | Date |
|-----|----------|------|
|     |          |      |
|     |          |      |

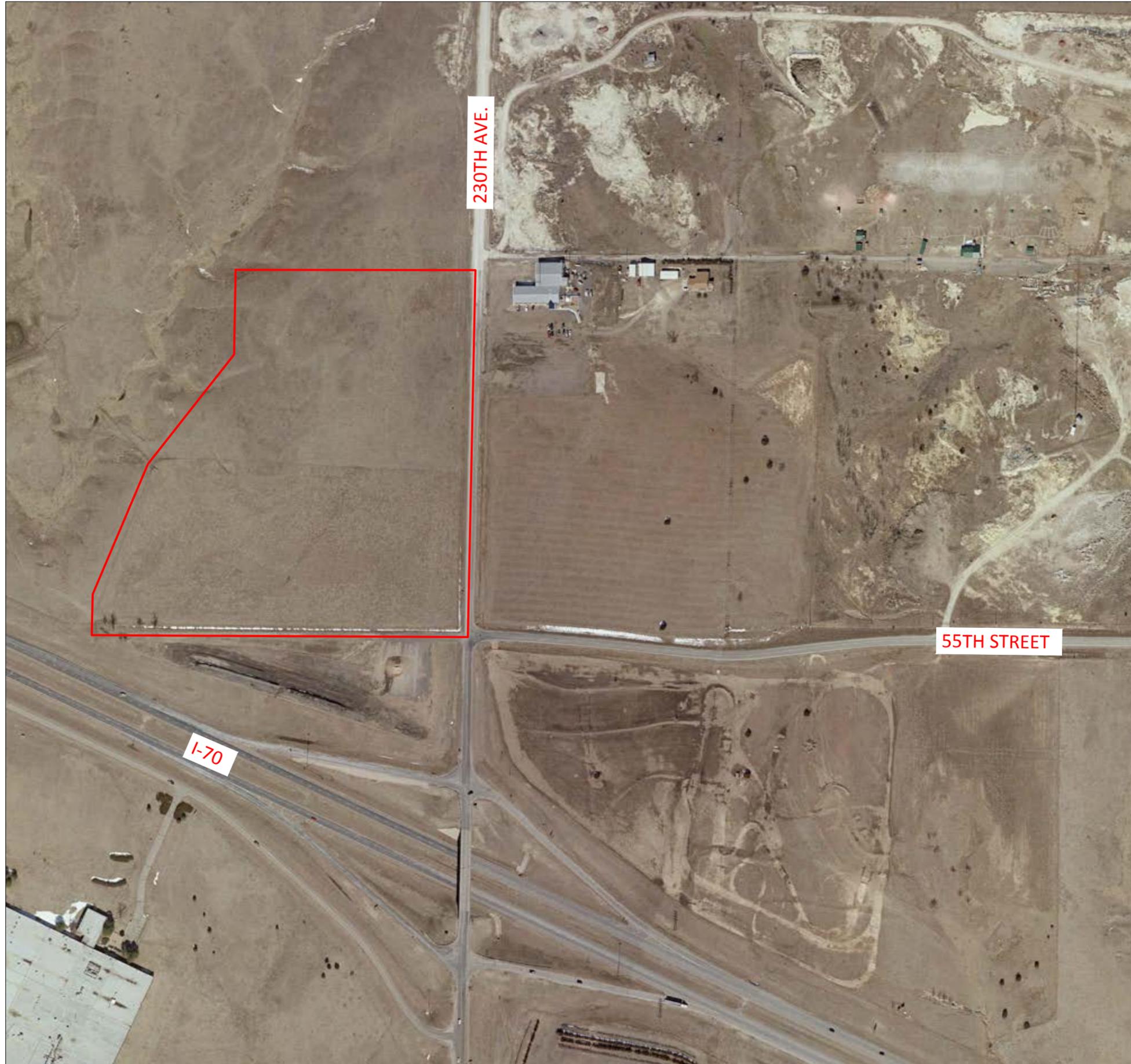
CITY OF HAYS, KANSAS  
 BIG CREEK DEVELOPMENT  
 EXHIBIT A-1

**DRIGGS DESIGN GROUP, PA**  
 Consulting Engineering Planning  
 MANHATTAN & HAYS



|              |        |
|--------------|--------|
| Project No.: | N/A    |
| Date:        | N/A    |
| Sheet No.:   | 1 OF 1 |

**EXHIBIT A-2: BOUNDARIES OF PROPOSED CID**



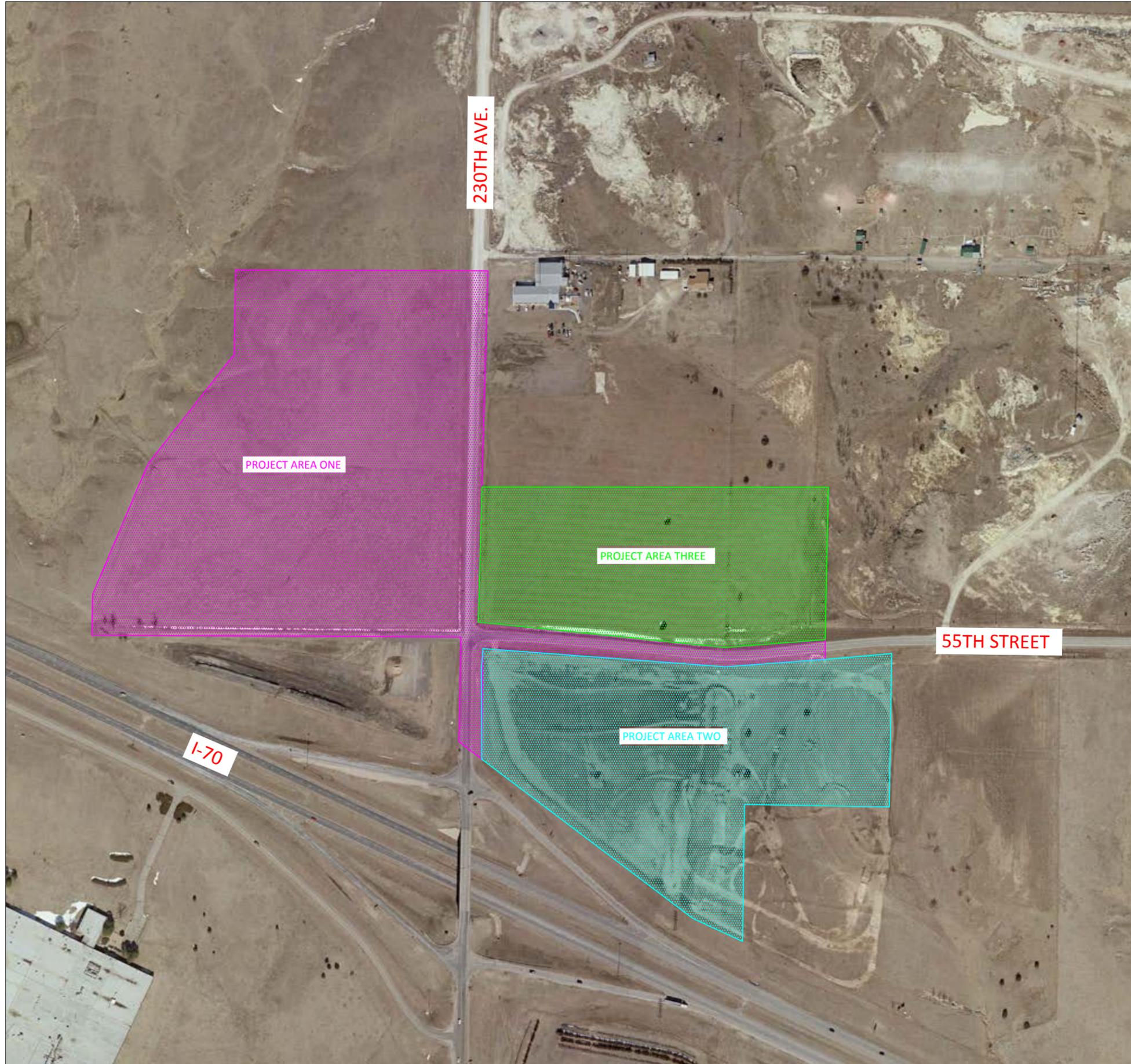
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CITY OF HAYS, KANSAS  
 BIG CREEK DEVELOPMENT  
 EXHIBIT A-2

**DRIGGS DESIGN GROUP, PA**  
 Consulting Engineering Planning  
 MANHATTAN & HAYS

|              |        |
|--------------|--------|
| Project No.: | N/A    |
| Date:        | N/A    |
| Sheet No.:   | 1 OF 1 |

**EXHIBIT A-3: BOUNDARIES OF PROPOSED TIF, INCLUDING PROJECT AREAS**



| No. | Revision | Date |
|-----|----------|------|
|     |          |      |
|     |          |      |
|     |          |      |

CITY OF HAYS, KANSAS  
 BIG CREEK DEVELOPMENT  
 EXHIBIT A-3

**DRIGGS DESIGN GROUP, PA**  
 Consulting Engineering Planning  
 MANHATTAN & HAYS



Project No.:  
 N/A  
 Date:  
 N/A  
 Sheet No.:  
 1 OF 1

**EXHIBIT B: PROPOSED PROJECT COSTS**

**BIG CREEK TRAVEL PLAZA  
PHASE ONE PROJECT COST ESTIMATE  
AUGUST 11, 2015**

| <u>Category</u>                         | <u>Details</u>  | <u>Total Cost</u>   | <u>TIF Eligible</u> | <u>CID Eligible</u>               |
|---|---|---------------------|---------------------|-----------------------------------|
| Land Cost                               |   | \$1,500,000         | \$1,500,000         | No                                |
| Engineering & Architecture Cost         | Professional fees associated with the preparation and implementation of the plan (attorneys' fees, engineering fees and architect fees).  | \$500,000           | Unclear             | Unclear                           |
| Civil Engineering                       | Includes: Survey, Civil Design, Site Utilities (Public), Coordination of Private Utilizes, Drainage Study   | \$200,000           | \$200,000           | Unclear;<br>eligible if in<br>CID |
| Site Preparation                        |   |                     |                     |                                   |
| Overall Site Preparation                |   | \$200,000           | \$200,000           | \$200,000                         |
| Engineering Cost Water & Sewer          |   |                     |                     |                                   |
| 55th Street Waterline Line Design       | From Water Tower at US-183 & 55th Street (Along 55th Street). <i>Includes Design &amp; Inspection</i>   | \$150,000           | \$150,000           | No                                |
| Hall St Sanitary Sewer Extension Design | From Hall Street Manhole across I-70 and along North Side of I-70. <i>Includes Design &amp; Inspection, Assist w/ Easement Acquisition</i>  | \$110,000           | \$110,000           | No                                |
| Interior Waterlines                     | Includes Design & Inspection  | \$35,000            | \$35,000            | No                                |
| Interior Sanitary Sewer                 | Includes Design & Inspection  | \$35,000            | \$35,000            | No                                |
| Water / Sewer to Location               |   |                     |                     |                                   |
| 55th Street Waterline                   | From Water Tower at US-183 & 55th Street (Along 55th Street)  | \$1,500,000         | \$1,500,000         | No                                |
| Hall St Sanitary Sewer Extension        | From Hall Street Manhole across I-70 and along North Side of I-70. <i>Includes \$150,000 for Acquisition of Utility Easements</i>   | \$1,200,000         | \$1,200,000         | No                                |
| Utilities - Street                      | 55th St West Connection to N Side of Travel Center & East to 230th Ave  | \$550,000           | \$550,000           | No                                |
| Utilities - Water                       | All of the work designed to create the main line water system (provide water to each building in phase one of the project). Including but not limited to; trenching, materials (pipe, fittings, sleeve, valves, manifold, etc.) laying and burying of pipe.   | \$175,000           | \$175,000           | \$175,000                         |
| Utilities - Sewer                       | All of the work required to tie each building in phase one to the main sewer system, including but not limited to; trenching, materials (pipe, fittings, etc.) laying and burying of pipe.  | \$175,000           | \$175,000           | \$175,000                         |
| Utilities - Electrical                  | All of the work required to tie each building in phase one to the main electrical system, including but not limited to; trenching, materials, laying and burying of electrical wire and cable, etc.   | \$125,000           | \$125,000           | \$125,000                         |
| Utilities - Curb & Gutter, Landscaping  | All work associated with the development of curb, gutters and sidewalks in phase one of the project, including but not limited to; grade work and materials, streetscape (ex. lighting, benches, awnings, barriers, etc.)   | \$325,000           | \$325,000           | \$325,000                         |
| Paving - Private                        | Includes but not limited to; subgrade prep, thicker pavement for truck access, paving of parking lot and delivery areas   | \$3,500,000         | \$3,500,000         | \$3,500,000                       |
| Construction Costs                      | Horizontal and vertical construction costs including but not limited to; building foundation, framing, floor, wall and ceiling materials (drywall, tile, carpet, paint and applicable materials) rough plumbing and electrical work, HVAC design and installation, exterior wall coverings and roofing materials. | \$14,000,000        | No                  | \$14,000,000                      |
| FF&E                                    |   | \$3,100,700         | No                  | No, per City policy               |
| <b>Total</b>                            |   | <b>\$27,380,700</b> | <b>\$9,780,000</b>  | <b>\$18,500,000</b>               |

## PETITION FOR THE CREATION OF THE BIG CREEK COMMUNITY IMPROVEMENT DISTRICT

TO: The Governing Body of the City of Hays, Kansas (the "Governing Body")

The undersigned owners of record, whether resident or not, of 100% of the land area contained within the hereinafter described proposed Community Improvement District (the "District") and 100% of the assessed valuation of land area within the proposed District, all to be annexed into the City of Hays, Kansas (the "City") prior to creation of the District, do hereby request that the Governing Body create such District and authorize the construction of the Project herein after set forth, all in the manner provided by K.S.A. 12-6a26 *et seq.* (the "Act") and the City of Hays Economic Development Policy for CIDs. In furtherance of such request, the petitioners state as follows:

### **General Nature of the Proposed District Project**

The general nature of the proposed District project (the "Project") includes but is not limited to: (1) constructing, furnishing and equipping a nationally branded hotel with approximately 90 rooms, a gas and diesel fuel station with traditional travel center amenities (drivers lounge, showers, etc.) and a complete convenience store (total structure approximately 15,000 square feet), free standing coffee house, free standing quick serve Mexican restaurant (each approximately 3,000 square feet) and a free standing retail structure of approximately 8,000 square feet that will house two fast casual restaurants, including all necessary buildings, structures and facilities and all utility and parking improvements necessary to service such buildings; (2) future capital expenditures and repairs related to such retail and hospitality infrastructure and related parking; and (3) public infrastructure improvements located within the District and outside the District but contiguous to the District, that are related to the Project and substantially for the benefit of the District, including costs of constructing (a) a water line along 55<sup>th</sup> Street from the water tower at US-183 and 55<sup>th</sup> Street; (b) a sewer extension from the Hall Street manhole across I-70 and along the north side of I-70, and (c) construction of 55<sup>th</sup> Street west of 230<sup>th</sup> Avenue approximately 500 feet.

### **Estimated CID Eligible Costs of the Project**

The estimated costs of the Project are approximately \$27,380,700. The total Project costs eligible under the Act and the City of Hays Economic Development Policy for CIDs are approximately \$18,500,000 (the "Reimbursable Cost").

### **Proposed Method of Financing the Project**

The project will be privately financed. The costs of the CID eligible improvements will be financed on a "pay-as-you-go" basis, i.e., the Reimbursable Cost will be paid for by the Developer without the issuance of additional notes or bonds by the City, and the Developer will be reimbursed for these Reimbursable Costs as moneys are collected in the District Fund through the imposition of a Community Improvement District Sales Tax (the "CID Tax").

### **Proposed Amount and Method of Assessment**

There will be no special assessments on property within the boundaries of the proposed District to pay the Project Costs.

### Proposed Amount of Community Improvement District Sales Tax

A CID Sales Tax will be imposed in the amount of 2.00% on the selling of tangible personal property at retail or rendering or furnishing of taxable services within the proposed District.

### Boundaries of Proposed Community Improvement District

A site plan generally outlining the boundaries of the proposed District is attached as Exhibit A hereto, and incorporated by reference herein.

The legal description of the boundaries of the proposed District is set forth on Exhibit B attached hereto, and incorporated by reference herein.

### Notice to Petition Signers

The names of the signers of this Petition may not be withdrawn from this Petition by the signers hereof after the Governing Body commences consideration of this Petition, or, later than seven (7) days after the filing hereof, whichever occurs first. The signers of this Petition consent to any assessments to the extent described herein without regard to benefits conferred by the Projects.

IN WITNESS WHEREOF, we the undersigned petitioners have executed the above foregoing Petition to create the Big Creek Community Improvement District on the dates recorded below:

*Owner: A tract of land located in the Southeast Quarter of Section 18, Township 13 South, Range 18 West of the 6<sup>th</sup> Principal Meridian, Ellis County, Kansas, more particularly described as follows:*

*Beginning at the Southeast corner of the Southeast Quarter of Section 18, Township 13 South, Range 18 West; Thence on an assumed bearing of North 01 degrees 29 minutes 37 seconds East along the East line of the Southeast Quarter a distance of 1135.49 feet; Thence North 89 degrees 35 minutes 06 seconds West a distance of 717.00 feet; Thence South 01 degrees 29 minutes 37 seconds West parallel with the East line of the Southeast Quarter a distance of 262.00 feet; Thence South 38 degrees 43 minutes 07 seconds West a distance of 431.00 feet; Thence South 23 degrees 32 minutes 48 seconds West a distance of 436.65 feet; Thence South 01 degrees 29 minutes 37 seconds West parallel with the East line of the Southeast Quarter a distance of 126.69 feet to the South line of the Southeast Quarter; Thence South 89 degrees 14 minutes 22 seconds East along the South line of the Southeast Quarter a distance of 1141.65 feet to the Point of Beginning. Said tract contains 24.07 acres more or less and is subject to any easements or rights-of-way of record.*

By: 

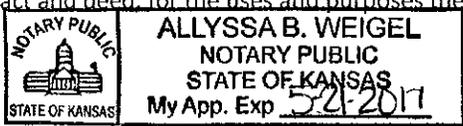
Date of Signature: 8-18-15

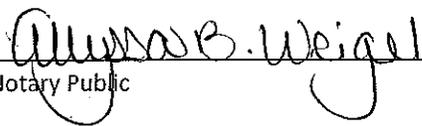
Name: Dan Hess

Title: Owner

State of Kansas )  
  )SS:  
County of Ellis )

The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of August, 2015, by, Dan Hess, to me personally known to be the identical person who signed his name to the within and foregoing instrument and acknowledged to that he executed the same as his free and voluntary act and deed, for the uses and purposes there set forth.



  
Notary Public

My appointment expires: 5-21-2017



| No. | Revision | Date |
|-----|----------|------|
|     |          |      |
|     |          |      |
|     |          |      |

CITY OF HAYS, KANSAS  
 BIG CREEK DEVELOPMENT  
 EXHIBIT A-2

**DRIGGS DESIGN GROUP, PA**  
 Consulting Engineering Planning  
 MANHATTAN & HAYS



Project No.:  
 N/A  
 Date:  
 N/A  
 Sheet No.:  
 1 OF 1

## EXHIBIT B

### CID PETITION – LEGAL DESCRIPTION

*A tract of land located in the Southeast Quarter of Section 18, Township 13 South, Range 18 West of the 6<sup>th</sup> Principal Meridian, Ellis County, Kansas, more particularly described as follows:*

*Beginning at the Southeast corner of the Southeast Quarter of Section 18, Township 13 South, Range 18 West; Thence on an assumed bearing of North 01 degrees 29 minutes 37 seconds East along the East line of the Southeast Quarter a distance of 1135.49 feet; Thence North 89 degrees 35 minutes 06 seconds West a distance of 717.00 feet; Thence South 01 degrees 29 minutes 37 seconds West parallel with the East line of the Southeast Quarter a distance of 262.00 feet; Thence South 38 degrees 43 minutes 07 seconds West a distance of 431.00 feet; Thence South 23 degrees 32 minutes 48 seconds West a distance of 436.65 feet; Thence South 01 degrees 29 minutes 37 seconds West parallel with the East line of the Southeast Quarter a distance of 126.69 feet to the South line of the Southeast Quarter; Thence South 89 degrees 14 minutes 22 seconds East along the South line of the Southeast Quarter a distance of 1141.65 feet to the Point of Beginning. Said tract contains 24.07 acres more or less and is subject to any easements or rights-of-way of record.*



GILMORE & BELL PC  
2405 GRAND BOULEVARD, SUITE 1100  
KANSAS CITY, MISSOURI 64108-2521  
816-221-1000 | 816-221-1018 FAX  
GILMOREBELL.COM

TO: TOBY DOUGHERTY

FROM: GINA RIEKHOF, GILMORE & BELL, P.C.

DATE: AUGUST 24, 2015

RE: BIG CREEK TRAVEL PLAZA/NWK INVESTMENTS, LLC PROPOSAL FOR ECONOMIC DEVELOPMENT INCENTIVES

---

Per our engagement letter with the City, we are serving as special counsel representing the City in connection with the proposed Big Creek Travel and related development project. As attorneys for the City and per your request, we have reviewed (1) the attached proposal for various economic development incentives and (2) the attached CID Petition.

The attached proposal and CID Petition both comply with Kansas law related to CID, TIF and IRBs. The proposal also requests incentives that are permitted under the City's economic development policy.

We are not passing upon the advisability of granting any or all of the requested incentives.

If the City desires to move forward to more fully consider all or a portion of the requested incentives, we would need direction about specific incentives/terms to include or exclude in a proposed development agreement related to the project.

# Tax Increment Financing Overview and Impact on City

## General

Tax Increment Financing (TIF) is an economic development tool that uses the increased property and/or sales taxes generated by real estate development within a specially created tax increment financing district to pay for certain eligible costs associated with the development. Eligible project costs include land acquisition, demolition, public and site improvements and related administrative costs (“Eligible Costs”).

## Methods to Pay Eligible Costs

There are two primary ways that tax revenues from a TIF district can be captured and used to pay for Eligible Costs:

1. **Pay-As-You-Go TIF** – With this version of TIF, the project developer typically pays for all of the cost of constructing their project, including Eligible Costs. Once the project is generating new tax revenue, all or a portion of these taxes are returned to developer to reimburse them for the Eligible Costs. It could take many years for the developer to be fully reimbursed, if ever.
2. **Bonded TIF** – With certain projects, it may be possible for TIF bonds to be issued to pay for the Eligible Costs. The bonds may be issued before, during or after the construction of the project depending on the nature of the development and bond investor view of the credit risk. After the bonds are issued, the incremental taxes generated from the development are first used to repay the bonds. Excess taxes can be used to pay off bonds early, pay for other Eligible Costs or returned to the city.

## Risks to City

**TIF projects typically do not expose a city to any direct financial liability** - In most instances, a city will not make any commitments to pay for Eligible Costs or to repay TIF bonds, other than from the increased tax revenue generated from the project. If the tax revenues are not sufficient to make these payments, the City is under no legal or moral obligation to make up the shortfall.

A city should very carefully consider the ramifications of guaranteeing, either through an annual appropriation or through a general obligation pledge, any TIF bond issue. Several municipalities in Kansas and Missouri have experienced significant financial difficulties because they agreed to guarantee the performance of TIF or similar economic development projects.

There are, however, other risks that a city should consider before creating a TIF district:

1. **Unnecessary Subsidy** - Prior to approving a TIF project a city should carefully consider if the property being developed would eventually develop anyway without utilizing TIF or whether less desirable development might occur. One risk of utilizing TIF is that a City could unnecessarily forego future tax revenues to help develop a parcel of property that was going to develop eventually anyway. This places a burden on future taxpayers.
2. **Ongoing Administrative Burden** – The creation and ongoing administration of a TIF district can place a significant amount of burden on a city’s staff. In particular, in order to make sure the appropriate tax revenues are being identified and captured, city staff will have to work closely each year with county and state officials. It is very common that tax records in TIF districts are not correctly set up, monitored or updated to assure that that all appropriate taxes are levied, collected and distributed. The burden of reviewing this inevitably falls on the city and will consume many hours of staff time.
3. **Troubled Project Bonds** – Even if a city is not financially liable for paying TIF bonds, it is very likely that they will incur legal and other expenses if the TIF project does not generate sufficient revenue to pay the debt. If such a situation occurs, the City will need to have legal representation in discussions with bond holders and property owners as they attempt to work out the financing.

The above information is not intended to be a comprehensive analysis of the structure and risks of tax increment financing. It is simply intended to provide an overview of some primary features and considerations that should be discussed when a TIF project has been proposed to a city.

***Prepared by George K. Baum & Company***

# **Commission Work Session Agenda**

## **Memo**

**From:** Toby Dougherty – City Manager

**Work Session:** August 6, 2015

**Subject:** NWK Investments Request for Economic Development Incentives

**Person(s) Responsible:** Aaron White  
Director  
Ellis County Coalition for Economic Development

James Millensifer  
Vice President of Operations  
Chance Management

### **Summary**

The developer, NWK Investments, LLC, wishes to develop 23.3 acres of land at the NW corner of 230<sup>th</sup> Avenue and 55<sup>th</sup> St. The developer plans to invest up to \$28 million to create a travel plaza, restaurants, and hotel on the property. It is not in the city limits and is not currently served by any municipal infrastructure. The developer wishes to utilize a Tax Increment Finance (TIF) district and a Community Improvement District (CID) to help finance the project and create the necessary utility infrastructure. Incentives requested may amount to \$21 million over 22 years. The developer has offered to finance, construct, and oversize the necessary water, sewer, and street infrastructure.

City staff evaluated the proposal and determined that it would cost \$94k annually to provide general services to the area and cover the long-term street liability.

Revenues for City of Hays to offset these costs are projected to be \$94k the first year, increasing in future years. Utility revenue from the proposed development would not be sufficient to cover the capital costs of the infrastructure, leaving an annual

shortfall of \$20k. However, there are added benefits to the community at large with the proposed water main improvements. The proposed development will also create additional water sales tax and transient guest tax revenues. City staff recommends approval of the request to utilize economic development incentives.

### **The Project**

NWK Investments, LLC wishes to develop 23.3 acres of land, creating a travel plaza, restaurants, and a hotel. The developer is paying \$1.5 million, or \$64k an acre for the property. According to the developer, the first phase will consist of 93,000 square feet of retail space. Projected taxable revenues are: \$7.5 million year one, and \$10 million year five. The developer has offered to secure financing for, install to City of Hays' specifications, and oversize, all public infrastructure needed to serve the development. The project is expected to create 69 full-time and 46 part-time jobs. According to a WSU cost-benefit analysis, the project carries a 133% ROI and a 2.33 benefit cost ratio for the City of Hays.

### **Infrastructure Requirements**

The area is not in the city limits and is not served by any City of Hays infrastructure. In order to serve the property, the intersection of 230<sup>th</sup> and 55<sup>th</sup> Streets would need to be rebuilt at an estimated cost of \$1.5 million. Sanitary sewer would need to connect to the current system via boring under Interstate 70. The estimated cost for this is \$900k. Water would need to be conveyed two miles from the 55<sup>th</sup> St tower and looped into the system south of Interstate 70. Estimated cost for this is \$1.5 million. It is impractical to bring water under the interstate from the south as it is a different system than the 55<sup>th</sup> St tower and would require new pumping infrastructure, creating a high annual cost (energy) to pump the water to the property. Looping the line to the system south of I-70 has benefits to the city at large. The area immediately to the south of I-70 is the furthest from the distribution pumps and the highest elevation in that system. Therefore, a lot of energy is expended to move the water there. There are also issues with pressure and water flow in that portion of the system. Looping with the 55<sup>th</sup> St tower would help provide pressure and flow.

The total infrastructure estimate to serve the property is \$3.9 million.

The developer has agreed to secure financing for all public infrastructure. In addition to financing the improvements, the developer has agreed to engineer, and have constructed, all improvements, and that the improvements will be built to city specifications. The developer has agreed that the infrastructure will be oversized at no cost to the city. Lastly, the developer agrees that City Staff will approve the construction and inspection engineer, as well as the final design.

### **Economic Incentives Requested**

NWK Investments is requesting the utilization of two economic development incentives. Each are explained below.

#### **CID**

The developer wishes to utilize a CID to help offset eligible development costs. The developer would like to implement a 2% CID for 22 years, the maximum allowed by state statute and the City's Economic Development Policy. According to revenue projections, the 2% CID would generate approximately \$8 million over the 22 years from the proposed development.

The CID petition proposes to include five parcels. They are: the parcel that will comprise the development, as well as the two parcels immediately south of Celebration Community Church, and the Doonan parcels to the west and North of the Peterbilt dealership. A visual is included with this memo. The developer has identified \$14.5 million in CID eligible costs. It is the developer's intent to recover as much of the CID eligible expenses as possible assuming the other four parcels develop.

#### **TIF**

The Developer wishes to create a TIF district to recover up to \$7 million in TIF eligible expenses (finance and interest costs included). The developer wishes to keep 100% of the City of Hays, Ellis County, and USD 489 property tax. It is estimated the TIF district would be in place for 15-20 years depending on the annual sales, property tax valuations, and actual cost of improvements.

### **Compliance with Economic Development Policy**

The application for economic incentives is in compliance with the City of Hays' Economic Development Policy. With regard to the "but for" provision of the policy,

the developer states the project will not happen without the incentives being requested.

**Financial Bottom Line**

***\* Financial analysis is based solely upon the proposal being presented and does not take into account future development in the TIF and CID district. Future development is possible, but is not guaranteed.***

It is expected to cost \$72k annually to provide general services to the area. The annual street liability being assumed by the city at large is \$22k. This creates a total annual liability of \$94k. Assuming 100% of the City’s property taxes are diverted, revenues received by the City of Hays will be \$94k the first year and increasing in subsequent years.

City staff also evaluated the economics of assumed liability for water and sewer infrastructure. The annual liability of extending the water system is \$21k. Based on projected water usage, the development would contribute \$5k annually towards capital replacement and maintenance, resulting in a shortfall of \$16k annually. The annual liability of extending the sewer system is \$9k. Based on projected usage, the development would contribute \$5k annually towards capital replacement and maintenance, resulting in a shortfall of \$4k annually.

Net bottom line

|                       | Revenues  | Liabilities | Net gain/loss |
|-----------------------|-----------|-------------|---------------|
| Sales Tax             | \$94,000  |             |               |
| Utility Capital       | \$10,000  |             |               |
| Transient Guest Tax   | \$110,000 |             |               |
| Water Sales Tax       | \$37,500  |             |               |
| General Services      |           | \$72,000    |               |
| Street                |           | \$22,000    |               |
| Water/Sewer liability |           | \$30,000    |               |
|                       | <hr/>     | <hr/>       | <hr/>         |
|                       | \$251,500 | \$124,000   | \$127,500     |

## **Pros and Cons**

### **Pros**

- Creation and oversizing of public infrastructure
  - Developer assumes financing and construction risk
- City does not manage infrastructure project
- Future property and sales tax revenues (15-20 years, after TIF debt is paid)
- Looping the water system
  - Looping the system has a benefit to the city at large, and staff has wished to do this for many years. However, the cost could not be justified. The annual liability of \$16k created by the project is something that staff feels is worth the investment given the benefits of looping the system.
- New sales taxes
  - \$94k – General Fund
  - \$37.5k – Water Sales Tax
- Transient Guest Tax of \$110k
- Potential for additional development, and increased revenues, once infrastructure is in place
- Risk – The financial risk for infrastructure is assumed by the developer.

### **Cons**

- Cost to provide services account for a significant portion of new general fund sales tax revenues
- Assumed water and sewer infrastructure liability higher than projected revenues
- Risk – The City is assuming the infrastructure and general service liability. If the area doesn't develop as planned, revenues may not be sufficient to cover.

### **Details to Consider Moving Forward**

If the Commission is to consider moving forward with the request, the following items need to be considered:

- There are five parcels identified in the CID petition. It is staff's recommendation that all five of these parcels be annexed into the City of Hays to ensure orderly development.
- The five parcels mentioned above are currently in Trego County RWD #2 territory. It is the recommendation of staff that all five properties be released from the territory so the City can serve with water when they develop. Staff is already working on this.
- The developer alludes to a possible KDOT grant for the rebuilding of the 55<sup>th</sup> and 230<sup>th</sup> intersection. This reference is to a discussion the developer had with Ellis County and KDOT officials about a possible grant. City staff has not been part of this discussion and has no plans to seek a grant to rebuild the intersection.

| Annual Liability/Revenue    |                 |
|-----------------------------|-----------------|
| General Fund (GF)           |                 |
| Services (24 ac.) =         | \$72,000        |
| Street Liability =          | \$22,000        |
| <b>Total GF Liability =</b> | <b>\$94,000</b> |
| GF Revenue =                | \$94,000        |
|                             |                 |
| Water Liability=            | \$21,000        |
| Capital Revenues=           | \$ 5,000        |
|                             |                 |
| Sewer Liability =           | \$ 9,000        |
| Capital Revenues=           | \$ 5,000        |

# Woofter Proposal Utility and Infrastructure Costs July, 2015

Woofter Site

Proposed Road Improvements  
2575 LF  
2-lanes Concrete with  
shoulders \$1.5 Million

55th Street

To North Tower

Proposed Sanitary Sewer  
5400 LF = \$900K

Proposed Water  
15,140 LF + PRV  
\$1.5M

By-pass

| Legend                                |                 |
|---------------------------------------|-----------------|
| <span style="color: blue;">█</span>   | Existing Water  |
| <span style="color: green;">█</span>  | Existing Sewer  |
| <span style="color: yellow;">█</span> | Potential Sewer |
| <span style="color: blue;">█</span>   | Potential Water |

Water = \$1.5M Sewer = \$900K Road = \$1.5M Total = \$3.9M

**Supplemental information—Big Creek Travel Plaza**

**Square Footage—**

NWK Investments LLC has not created any formal drawing or blueprints for the proposed buildings in project one of the Big Creek Travel Plaza. We have however completed our preliminary conceptual “footprint” and are prepared to submit the following information:

- The ground floor of the hotel will be approximately 18,700 square feet with levels two, three and four at approximately 16,000 square feet each for a total of 66,700
- The Travel Plaza will be approximately 14,000 square feet
- The Fast Casual complex will be approximately 7,500 square feet
- Taco John’s will be approximately 3,000 square feet
- Starbucks will be approximately 2,200 square feet

Phase one of the Big Creek Travel Plaza will be approximately 93,400 square feet.

**CID/TIF Eligible Construction Expenses—**

“With our consultation with City representatives, we are including our current estimates for Eligible TIF and CID expenses that can be reimbursed from the collected Tax Revenues generated by the project district. Once we have been approved by the City, to negotiate further on the Final Development Agreement with the City, and move forward to construction, we will continue to refine these numbers to the City’s approval.” —NWK Investments LLC

Total Project Cost Estimate--\$27,380,700 (including FF&E)

| TIF eligible expense                          | Cost        | Comments   |
|---|-------------|--|
| Land Cost                                     | \$1,500,000 |  |
| Engineering and Architecture                  | \$500,000   |  |
| Civil Engineering                             | \$200,000   | Includes survey, civil design, site utilities (public), coordination of private utilities, drainage study                      |
| Overall site preparation                      | \$200,000   |  |
| 55 <sup>th</sup> St. Waterline Line Design    | \$150,000   | From water tower at US-183 & 55 <sup>th</sup> St. (along 55 <sup>th</sup> St.)   |
| Hall St. Sanitary Sewer Extension Design      | \$110,000   | From Hall St. manhole across I-70 and along north side of I-70. Includes design and inspection, assist w/ easement acquisition |
| Interior Waterlines                           | \$35,000    | Includes design and inspection   |
| Interior Sanitary Sewer                       | \$35,000    | Includes design and inspection   |
| 55 <sup>th</sup> St. Waterline to location    | \$1,500,000 | From water tower at US-183 & 55 <sup>th</sup> St.  |
| Hall St. Sanitary Sewer Extension to location | \$1,200,000 | From Hall St. manhole across I-70 and along north side of I-70. Includes \$150,000 for acquisition of utility easement         |
| Utilities—Street                              | \$550,000   | 55 <sup>th</sup> St. west connection to north side of travel center and east to 230 <sup>th</sup> Ave.                         |

Total TIF eligible expenses—\$5,980,000

| CID eligible expenses     | Cost                | Comments  |
|---------------------------|---------------------|---|
| Utilities—Water           | \$175,000           | 8" water line   |
| Utilities—Sewer           | \$175,000           | 8" sanitary sewer line  |
| Utilities—Electrical      | \$125,000           |   |
| Utilities—Curb and Gutter | \$325,000           |   |
| Paving—Private            | \$3,500,000         | Includes curb and gutter, signage and pavement markings, subgrade prep, and thicker pavement for truck access |
| <b>Construction Costs</b> | <b>\$14,000,000</b> |   |

Total CID Eligible Expenses—\$18,300,000

Maximum allowable CID return under City Policy (\$27,380,700 x 75%)—\$20,535,525

Maximum return from CID, after deducting TIF eligible expenses—\$14,555,525

**Estimated Revenue Projections—**

The following revenue projections (pro forma data listed in Tab 5, Page 8 of the business plan) and TIF/CID generations are based on the non-fuel sales from the following proposed stores: Taco John's, Starbucks, convenience store, Asian, Better Burger, and hotel.

| Year of Operation | Retail sales estimate | CID revenue estimate | TIF revenue estimate for City general fund at 1.25% | TIF revenue estimate for City water fund at .5% |
|-------------------|-----------------------|----------------------|---|---|
| Year 1            | \$7,534,001           | \$150,680            | \$94,175  | \$37,650  |
| Year 2            | \$8,187,273           | \$163,745            | \$102,340   | \$40,936  |
| Year 3            | \$8,864,922           | \$177,298            | \$110,811   | \$44,324  |
| Year 4            | \$9,432,400           | \$188,648            | \$117,905   | \$47,162  |
| Year 5            | \$10,025,770          | \$200,515            | \$125,322   | \$50,128  |

The following table is fuel sales volume projections for gasoline and diesel fuel. Fuel pricing is quite volatile, so gross revenue projections are based on July 1<sup>st</sup> price (national average from AAA) , 1 month ago, and one year ago. Fuel sales have no impact on City tax revenue.

| Year of Operation | Fuel volume, gas and diesel combined, in gallons | Sales Revenue based on July 1 <sup>st</sup> average price | Sales Revenue based on June 1 <sup>st</sup> average price | Sales Revenue based on 1 year ago average price |
|-------------------|--|---|---|---|
| Year 1            | 3,500,000  | \$9,808,200   | \$9,842,200   | \$13,244,700                                    |
| Year 2            | 3,900,000  | \$10,929,600  | \$10,967,800  | \$14,759,700                                    |
| Year 3            | 4,700,000  | \$12,611,700  | \$12,656,200  | \$17,032,200                                    |
| Year 4            | 5,300,000  | \$14,854,500  | \$14,907,400  | \$20,062,200                                    |
| Year 5            | 6,000,000  | \$16,821,000  | \$16,884,000  | \$22,725,000                                    |

**Estimated Transient Guest Tax Revenue—**

This data reflect the estimated transient guest tax revenue generated from the hotel operation, at the current 5% rate. This is revenue that will go to the City.

| Year of Operation | Estimated guest room revenue | Estimated transient guest tax revenue at 5% |
|-------------------|------------------------------|---|
| Year 1            | \$2,205,338                  | \$110,266                                   |
| Year 2            | \$2,349,176                  | \$117,458                                   |
| Year 3            | \$2,522,574                  | \$126,128                                   |
| Year 4            | \$2,648,702                  | \$132,435                                   |
| Year 5            | \$2,891,274                  | \$144,563                                   |

**Estimated Property Tax Valuations—**

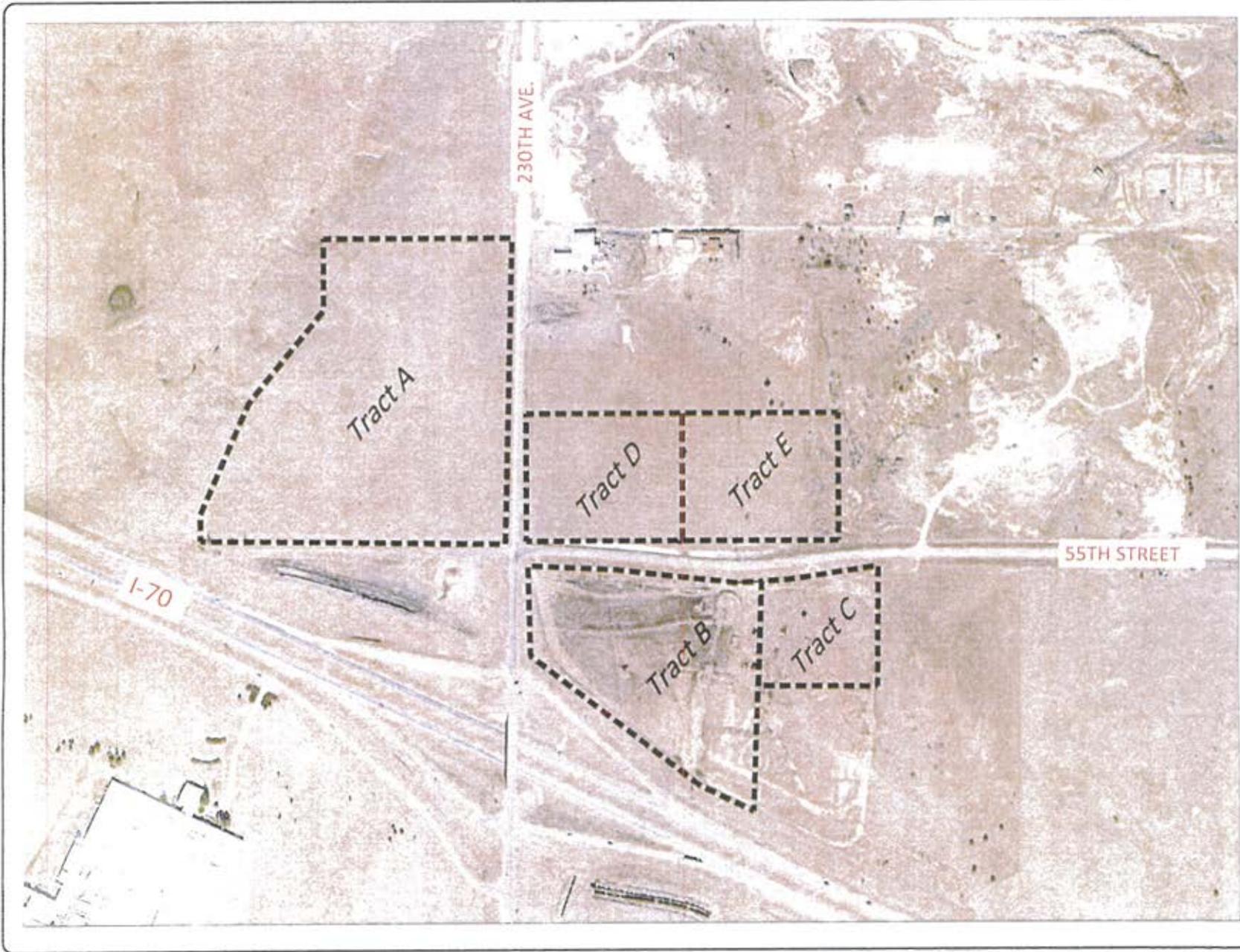
The following property tax data is an estimate based on current market values and tax rate. This represents the estimated value of the property tax portion of the TIF.

|         |    |              |
|---------|----|--------------|
| Year 1  | \$ | -            |
| Year 2  | \$ | 317,017.00   |
| Year 3  | \$ | 323,358.00   |
| Year 4  | \$ | 337,394.00   |
| Year 5  | \$ | 344,143.00   |
| Year 6  | \$ | 351,026.00   |
| Year 7  | \$ | 358,047.00   |
| Year 8  | \$ | 365,209.00   |
| Year 9  | \$ | 372,514.00   |
| Year 10 | \$ | 379,964.00   |
| Year 11 | \$ | 387,564.00   |
| Year 12 | \$ | 395,316.00   |
| Year 13 | \$ | 403,223.00   |
| Year 14 | \$ | 411,319.00   |
| Year 15 | \$ | 419,515.00   |
| Year 16 | \$ | 427,906.00   |
| Year 17 | \$ | 436,464.00   |
| Year 18 | \$ | 445,194.00   |
| Year 19 | \$ | 454,099.00   |
| Year 20 | \$ | 463,181.00   |
| Totals  | \$ | 7,392,453.00 |

**Traffic Counts—**

The following table represents the estimated vehicle traffic using the travel plaza retailers, by month

|                            | Jan   | Feb   | Mar   | Apr   | May   | June  | July  | Aug   | Sept  | Oct   | Nov   | Dec   |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Food Traffic               | 55    | 58    | 66    | 64    | 74    | 89    | 93    | 88    | 76    | 78    | 71    | 76    |
| Hotel Traffic              | 20    | 16    | 25    | 22    | 29    | 33    | 36    | 34    | 26    | 25    | 26    | 27    |
| Staff Traffic              | 30    | 26    | 32    | 35    | 40    | 50    | 55    | 48    | 35    | 38    | 38    | 42    |
| Gas Traffic                | 310   | 278   | 434   | 349   | 494   | 581   | 721   | 582   | 407   | 389   | 403   | 455   |
|                            |       |       |       |       |       |       |       |       |       |       |       |       |
| Daily Auto Traffic Average | 415   | 378   | 557   | 470   | 637   | 753   | 905   | 752   | 544   | 529   | 539   | 600   |
| Daily Semi traffic Average | 37    | 33    | 51    | 41    | 58    | 69    | 85    | 69    | 48    | 46    | 48    | 54    |
|                            |       |       |       |       |       |       |       |       |       |       |       |       |
| Monthly Auto Total         | 12862 | 10592 | 17263 | 14905 | 19743 | 22576 | 28061 | 23300 | 16308 | 16407 | 16160 | 18593 |
| Monthly Semi Total         | 1135  | 921   | 1591  | 1237  | 1809  | 2060  | 2641  | 2133  | 1442  | 1425  | 1430  | 1666  |



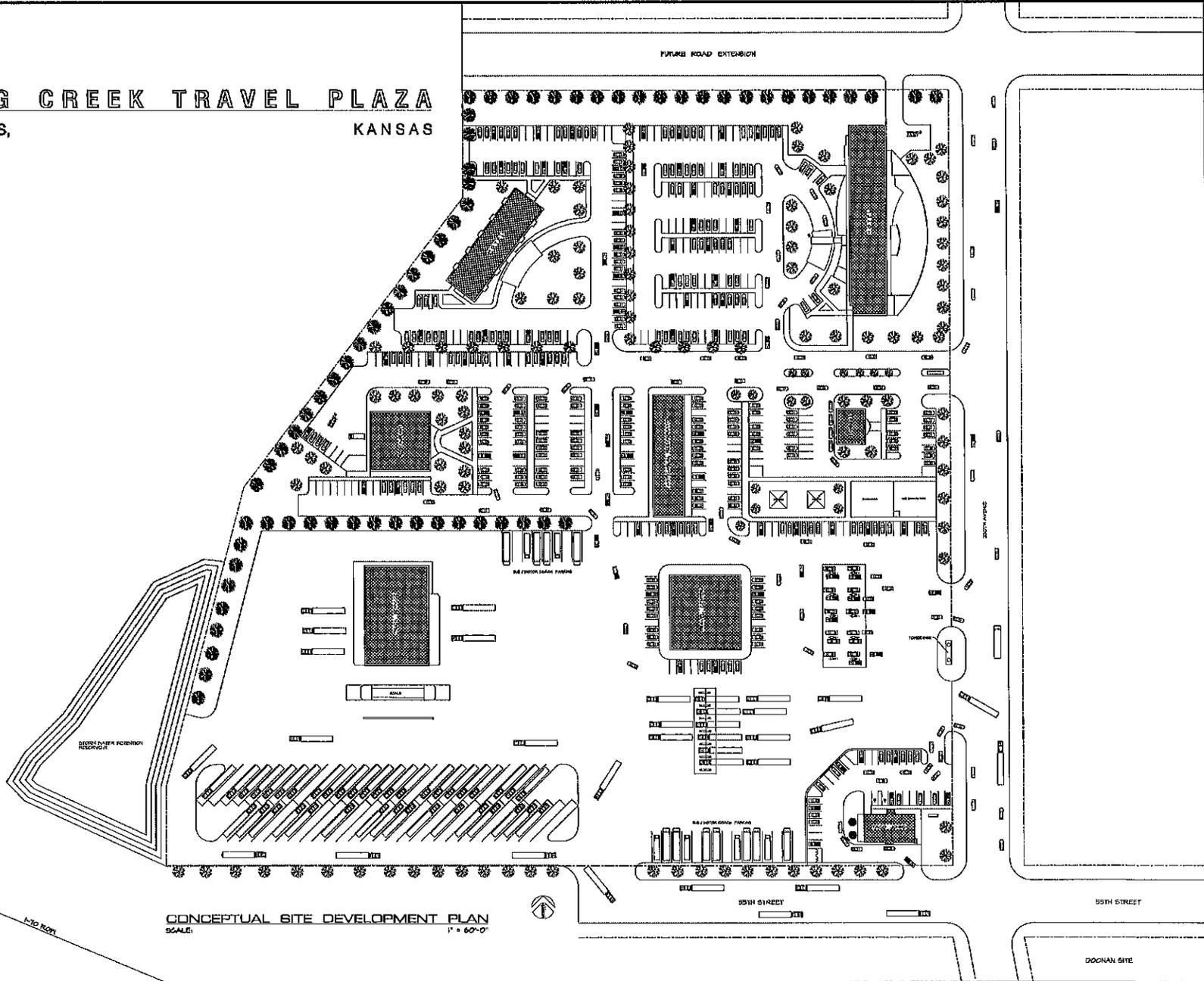
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|  |  |  |  |
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|  |  |  |  |

CITY OF HAYS, KANSAS  
 BIG CREEK DEVELOPMENT  
 EXHIBIT B

**DRIGGS DESIGN GROUP, PA**  
 Surveying Engineering Planning  
 MANHATTAN & HAYS

|              |          |
|--------------|----------|
| Project No.: | N/A      |
| Date:        | 6/8/2015 |
| Sheet No.:   | 1 OF 1   |

**BIG CREEK TRAVEL PLAZA**  
**HAYS, KANSAS**



**CONCEPTUAL SITE DEVELOPMENT PLAN**  
 SCALE: 1" = 60'-0"



**STRAIT ASSOCIATES ARCHITECTS**  
 485 NORTH COURT  
 POST OFFICE BOX 332  
 COLBY, KANSAS 67701  
 TELEPHONE: 785.460.8363  
 FACSIMILE: 785.460.9710

PROGRESS

BIG CREEK TRAVEL PLAZA  
 HAYS, KANSAS

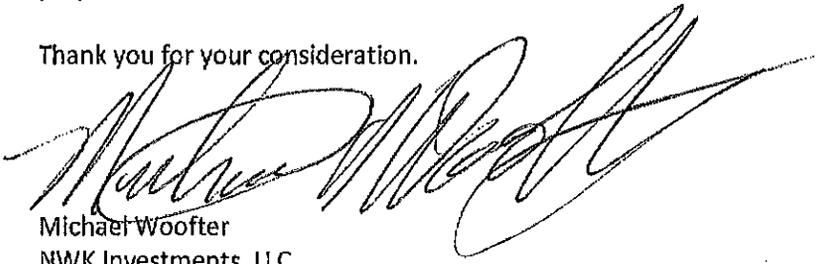
|             |         |
|-------------|---------|
| PROJECT NO. | 1421    |
| DATE        | 12/2/14 |
| REVISED     | AS1     |
| DRAWN       | SS      |
| CHECKED     | DP X    |

July 14, 2015  
The Honorable Eber Phelps  
and Commission Members of the  
City of Hays, Kansas  
1507 Main Street  
Hays, Kansas 67601

As part of our ongoing conversations with Hays City Management concerning the Big Creek Travel Plaza project, NWK Investment LLC would like to make the following change to our Application for Economic Incentives:

NWK Investment LLC is withdrawing our request to retain .25% of the sales tax revenue for the purposed TIF District.

Thank you for your consideration.

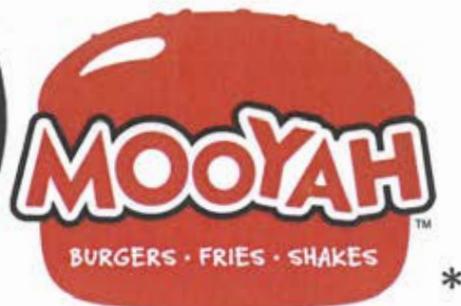
A handwritten signature in black ink, appearing to read "Michael Woofter", written over a large, faint, circular watermark or stamp.

Michael Woofter  
NWK Investments, LLC

NWK INVESTMENTS, LLC

DEVELOPER OF

BIG CREEK TRAVEL PLAZA



CITY OF HAYS, KANSAS – TIF / CID APPLICATION

SERIES 2015

\*Impending Franchisors

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- V. Big Creek Business Plan
- VI. Tax Increment Financing in Kansas
- VII. Site Plans and Renderings
- VIII. Water
- IX. Traffic
- X. Financing Revenue Study (Canyon Research)
- XI. Tax Increment Revenue Study (Oppenheimer)
- XII. WSU Cost Benefit Analysis

CITY OF HAYS, KANSAS

SPECIAL REVENUE BONDS SERIES 2015

BIG CREEK TRAVEL PLAZA  
NWK INVESTMENTS, LLC  
BIG CREEK TRAVEL PLAZA

June 8, 2015

The Honorable Eber Phelps  
and Commission Members of the  
**City of Hays, Kansas**  
1507 Main Street  
Hays, Kansas 67601

RE: Approximately \$13,000,000 City of Hays, Kansas, Tax Increment and Community Improvement District Financing Revenue Bonds, Series 2015 (Big Creek Travel Plaza Project)

The Honorable Mayor Schwaller and City Commission Members,

Our Company is pleased to be working with the City of Hays, Kansas on the proposed Big Creek Travel Plaza Project. We are requesting the City's help through the issuance of Tax Increment and Community Improvement District Financing Bonds that will be used to provide funds for acquiring, improving, and providing utilities to our proposed retail site, located at I-70 and 230<sup>th</sup> Avenue. This report will show that through the use of the City's Incentives, a site that may be unusable for years, can be developed into a viable, attractive retail center immediately, and pay for itself through the increased Property Tax, and Retail Sales Tax Increment, at no cost to the local citizens, while the City, County, local School District, and State benefit tremendously.

We are proposing to develop a total of approximately 50 acres using this method, starting with the 22.35 acres outlined in this application, specifically located on the NW corner of 230<sup>th</sup> Avenue and 55<sup>th</sup> Street. The current plan is to develop the area with a hotel, mixed retail space, and a travel plaza including a convenience store, a free standing coffee shop, and fast food franchises. Construction will also include infrastructure improvements required to serve the site including water, sewer, street improvements, and utilities, at no planned cost to the City. We have a successful history with this type of development, which can be toured in Colby, Kansas.

As stated earlier, we believe this report shows that the Tax Increment and Community Improvement District will be self-supporting, at no cost to the City, and will provide additional

business, development, jobs, and ancillary taxes to the area. We are ready to start construction immediately upon the finalization of this plan, and look forward to a successful relationship with the City for years to come. We are available to answer any questions you may have regarding our request, and are prepared to present these details to the City directly.

Mike Woofter  
NWK Investments, LLC

## **Project Overview**

NWK Investments LLC will work with Chance Management and a construction management company to develop "Big Creek Travel Plaza" on the far west side of Hays in central Ellis County. The location of the proposed center is northwest of the interchange at 230<sup>th</sup> Ave and 55<sup>th</sup> Street, just north and west of exit 157 on Interstate 70.

Big Creek will have two primary focuses of business; the hospitality industry (food and beverage, lodging) and the retail fuel industry (traditional service station and convenience store). Revenue will be derived from local and transient guests.

Phase one of Big Creek Travel Plaza will be comprised of a nationally branded hotel, a gas and diesel fuel station with traditional travel center amenities (drivers lounge, showers, etc.) a complete convenience store, coffee house and a free standing quick serve Mexican restaurant. In addition, there will be a free standing structure designed to house two or three fast casual restaurant concepts and perhaps one other business. The development will serve the highway traveler, the general population of Hays proper, Ellis County and the students, faculty and visitors at Fort Hays State University (FHSU).

Restaurant and food service profit centers will incorporate menu and beverage items that appeal to both the highway traveler and area residents. All meal day parts will be represented in both quick serve and fast casual applications. A diverse and unique mix of food types will be available. Travelers will have a variety to select from while area residents will enjoy new destination dining options.

A nationally branded hotel will provide Ellis County with an alternative to traditional midscale properties. The hotel will focus on business travelers and families looking for a higher level of amenities in their lodging choice. The hotel will feature meeting facilities for the businesses in the Hays area.

Big Creek Fuel will provide diesel, gasoline and compressed natural gas to local customers as well as the highway traveler. Infrastructure, pricing and marketing strategies will focus on auto traffic (gasoline) and local diesel clientele. The stop will welcome Interstate 70 diesel customers and will provide all the amenities of a full service truck stop. The convenience store will be stocked with merchandise designed to generate revenue from the highway traveler as well as local consumers.

Preliminary construction for Big Creek Travel Plaza will commence 30 to 60 days after formal and legal approval from all entities. Numerous factors can influence the actual construction schedule but current estimates identify a 14 to 16 month timeline for completion. It is NWK Investments LLC objective to be operational at Big Creek Travel Plaza by second quarter 2017.

NWK Investments LLC is challenged with significant logistical opportunities at the proposed location. Water, sewer, utilities and street development are just part of the infrastructure requirements to ensure the area can be developed. The proposed location is simply pasture land without any traditional substructure required for retail or commercial entities. Because of these costly requirements, NWK Investments Inc. would be unable to move forward without utilizing the financing tools created and approved by the State of Kansas to support redevelopment.

NWK Investments Inc. suggests the following development terms with regard to the Big Creek Travel Plaza:

- NWK Investments LLC will utilize a Community Improvement District of 2%, for up to 22 years, to fund eligible construction costs.
- NWK Investments LLC to utilize 100% of the property tax increment, as well as 25 cents of the City of Hays General Fund sales tax to fund TIF eligible expenditures.
- TIF will expire when eligible costs are paid.
- NWK Investments LLC will secure financing and be responsible for payment, for all public infrastructure related to the development.
- City to retain 1 cent of the General Fund sales tax, as well as the ½ cent sales tax dedicated to water, during the TIF payback period.
- NWK Investments LLC will support to reconstruct, to city specifications, the intersection of 230<sup>th</sup> Ave and 55<sup>th</sup> Street, KDOT has allocated \$1.5M for this project as well.
- NWK Investments LLC will create, to city specifications, any public streets within the development that are necessary to serve the property and maintain future access and connectivity.
- NWK Investments LLC agrees to extend and oversize city water and sewer infrastructure to city specifications.
- NWK Investments LLC to conduct preliminary design and engineering of all public infrastructure.
  - NWK investments LLC and the city of Hays will agree on a licensed engineering firm to perform the engineering for all public and private infrastructure.
  - City must approve design before construction begins.
  - City will inspect before ownership is assumed.
  - If any defects arise as a result of the NWK Investments LLC failure to adhere to the agreed to design and construction standards, NWK Investments LLC will be responsible for the cost to correct. This will apply to material defects only and not routine maintenance or normal wear and tear.

NWK Investments LLC is requesting the creation of a Tax Increment Financing District and a Community Improvement District to support the Big Creek Travel Plaza development. Without these tools, overall development and construction costs would be too great to allow for the project to move forward.

Current development cost estimates show the entire project to be at or above \$22M, not including those costs associated with the potential support to KDOT and Ellis County for the reconstruction of the 230<sup>th</sup> and 55<sup>th</sup> interchange and the water and sewer installation. Of the \$22M, approximately \$6M would be considered TIF eligible expenses. NWK Investments Inc. projections, supported by the cost benefit analysis from two separate entities, Wichita State University and Canyon Research indicate that the TIF would be more than sufficient to cover the cost of the project.

## Construction Costs

|  |                     |   |
|--|---------------------|---|
| <b>Land Cost</b>                           | \$1,500,000         |   |
| <b>Engineering &amp; Architecture Cost</b> | \$500,000           |   |
| <b>Civil Engineering</b>                   | \$200,000           | Includes: Survey, Civil Design, Site Utilities (Public), Coordination of Private Utilities, Drainage Study                                    |
| <b>Site Preparation</b>                    |                     |   |
| Overall Site Preparation                   | \$200,000           |   |
| <b>Engineering Cost Water &amp; Sewer</b>  |                     |   |
| 55th Street Waterline Line Design          | \$150,000           | From Water Tower at US-183 & 55th Street (Along 55th Street).<br><i>Includes Design &amp; Inspection</i>                                      |
| Hall St Sanitary Sewer Extension Design    | \$110,000           | From Hall Street Manhole across I-70 and along North Side of I-70.<br><i>Includes Design &amp; Inspection, Assist w/ Easement Acquisition</i> |
| Interior Waterlines                        | \$35,000            | Includes Design & Inspection  |
| Interior Sanitary Sewer                    | \$35,000            | Includes Design & Inspection  |
| <b>Water / Sewer to Location</b>           |                     |   |
| 55th Street Waterline                      | \$1,500,000         | From Water Tower at US-183 & 55th Street (Along 55th Street)  |
| Hall St Sanitary Sewer Extension           | \$1,200,000         | From Hall Street Manhole across I-70 and along North Side of I-70.<br>Includes \$150,000 for Acquisition of Utility Easements                 |
| <b>Utilities - Street</b>                  | \$550,000           | 55th St West Connection to N Side of Travel Center & East to 230th Ave  |
| <b>Utilities - Water</b>                   | \$175,000           | 8" waterline  |
| <b>Utilities - Sewer</b>                   | \$175,000           | 8" Sanitary Sewer   |
| <b>Utilities - Electrical</b>              | \$125,000           |   |
| <b>Utilities - Curb &amp; Gutter</b>       | \$325,000           |   |
| <b>Paving - Private</b>                    | \$3,500,000         | Includes Curb & Gutter, Signage & Pavement Markings, Subgrade Prep, Thicker Pavement for Truck Access   |
| <b>Construction Costs</b>                  | \$14,000,000        |   |
| <b>FF&amp;E</b>                            | \$3,100,700         |   |
| <b>Total</b>                               | <b>\$27,380,700</b> |   |

NWK Investments LLC is requesting a 2% CID not to exceed 22 years or eligible expenses, based on the statutory limits set by the State of Kansas and the City of Hays Economic Development Policy for CID's. Revenue projections over the first 20 years of the Big Creek Travel Plaza are just under \$360M. 2% of the projected revenue would total just under \$7.2M, far below the potential eligible expenses.

Redevelopment incentives outlined total approximately \$18M indicating that NWK Investments LLC would carry over 35% of the weight, estimated at \$10M, well above the 25% set by the City of Hays

Economic Development Policy. In addition, the cost benefit analysis from Wichita State University indicates that as proposed, the project carries a 133% ROI and 2.33 benefit cost ratio for the City of Hays.

In addition to the financial benefits to the city, infrastructure (water and sewer) development would open up additional areas for retail and commercial expansion in the general area. USD 489 would also capture between \$500K and \$700K of incremental tax revenue during the first ten years of the project.

NWK Investments LLC encourages the City of Hays to see the advantage of incorporating additional acreage in the general area into the TIF and CID redevelopment districts. We believe the parcels identified in the map (included) titled "Exhibit A" are critical to the overall development opportunity. By including these additional areas in the district, the property becomes more attractive to new businesses currently looking for opportunities in northwest Kansas and or Ellis County.

NWK Investments LLC has reviewed the plans with USD 489 and the Ellis County Commissioners as the two organizations have "veto" power over the proposed project. Both groups showed unanimous backing, and in fact, each passed a resolution to send written support of the Big Creek Travel Plaza to the City of Hays. Trego County District #2 Water Board supports the project as well having voted unanimously to grant the City of Hays permission to sell water within the District's boundaries.

Big Creek Travel Plaza provides significant opportunity for the City of Hays, Ellis County, local residents and visitors to the area as well as transient guests from the interstate. The restaurant and hospitality businesses will offer variety and choice not currently available or accessible. The fuel station will bring additional competition and compressed natural gas to the market. While competitive businesses may see Big Creek as threat, improved operational activities and lower prices should be the end result for the consumer. It's also likely that commercial real estate pricing will become more competitive and may in fact lead to further development in other parts of Hays and Ellis County.

Big Creek Travel Plaza will be the largest commercial development project for the city since the construction of the Hays Mall. The project will bring significant short and long term financial benefits to the City of Hays, Ellis County and USD 489. Transient Guest (Bed) Tax generated by the new hotel should exceed \$600K in the first five years alone. The project will also develop infrastructure that will promote and support additional development in the years to come, generating additional financial benefit for the City of Hays. Big Creek Travel Plaza is simply a component of productive growth for the City of Hays.





2. List the type of retail or service firm to be located in the proposed development (include details of the nature and scope of the operation of the business):  
Hotel: upscale sleeping accommodations as well as a small bistro and lounge providing limited hours of service. Retail space: facility will accommodate 2 fast casual dining concepts, with a higher level of quality/service than typical fast food. Asian Fusion and Better Burgers franchises concepts are being considered, but final franchise selections have not been made at this point. Travel Center: Fuel sales and customary convenience store items, as well as grab and go food offerings and traditional truck stop amenities (showers, laundry, etc.) for the professional traveler. A free standing fast food franchise and a nationally branded coffee shop are also in the mix.
3. What percentage of the facility will the applicant occupy? TBD (90% - 100%)
4. Do any of the proposed retailers or service firms have a product or process that may pose or create an environmental hazard when it is sold, destroyed or discarded? No
5. Please list all new employees and proposed wages, excluding fringe benefits, by the job titles included in the Annual Wage Survey prepared by the Kansas Department of Human Resources, if possible.

| Category<br>Full-time<br>Employees | Job Title                   | Salary<br>Range                 | # New<br>Employees | # of<br>Transfers | Avg.<br>Annual<br>Salary | Date<br>Hired |
|------------------------------------|-----------------------------|---------------------------------|--------------------|-------------------|--------------------------|---------------|
| Management                         | General Managers            | \$34k - \$52K                   | 6                  |                   |                          |               |
| Management                         | Salaried Assistant Managers | \$28K - \$32K                   | 2                  |                   |                          |               |
| Hourly Shift Lead                  |                             | \$12 - \$15 an hour             | 16                 |                   |                          |               |
| Hourly Full Time                   |                             | \$9 - \$11 an hour              | 45                 |                   |                          |               |
| Category<br>Part-time<br>employees | Job Title                   | Salary<br>Range                 | # New<br>Employees | # of<br>Transfers | Avg.<br>Annual<br>Salary | Date<br>Hired |
| Hourly Part Time                   |                             | Minimum wage to \$10.00 an hour | 46                 |                   |                          |               |
|                                    |                             |                                 |                    |                   |                          |               |
|                                    |                             |                                 |                    |                   |                          |               |

6. What are the employer's share of fringe benefits including health insurance but excluding vacation, holidays, and sick leave, as a percentage of annual salary by employee category? Also indicate the percentage of health insurance cost paid by the employer.

| Category   | Fringe Benefit % | Health Insurance<br>(% Paid by Employer) |
|------------|------------------|--|
| Management | Based on salary  | 50% at 90 days, grows to 100% at 5yrs*   |

| Type of Expense  | Actual <sup>1</sup> | Projected Total <sup>2</sup> | % Spent in Ellis County |                   |
|--|---------------------|------------------------------|-------------------------|-------------------|
|  | \$ Amount           | \$ Amount                    | Actual %                | Projected Total % |
| Professional services (legal, accounting, advertising, etc.) |                     |                              |                         |                   |
| Business service (training, maintenance)                     |                     |                              |                         |                   |
| cleaning services  |                     |                              |                         |                   |
| transportation   |                     |                              |                         |                   |
| office supplies  |                     |                              |                         |                   |
| material and goods   |                     | \$1,690,142                  |                         | \$84,507          |
| other (specify)  |                     |                              |                         |                   |

|                   |                      |  |
|-------------------|----------------------|--|
| Management        | Based on salary      | 50% at 90 days, grows to 100% at 5yrs* |
| Hourly Shift Lead | Based on hourly wage | 50% at 90 days, grows to 100% at 5yrs* |
| Hourly Full Time  | Based on hourly wage | 50% at 90 days, grows to 100% at 5yrs* |

Note: Percentage varies with salary or hourly wage level, benefit package selected and tenure

7. Briefly describe your medical, vacation, sick leave and retirement benefits. (Attach any appropriate benefit summary publications if applicable)

TBD – NWK Investment LLC is being formed for the Hays project, at this point it would be inappropriate to specify benefits. However, it is the LLC's intent to be more than competitive in reference to benefits. Health Care (ACA approved) will be offered, vacation and retirement are planned in principle.

8. Provide a breakdown of your annual operating expenses. Indicate the percentage of total annual operation expenses that will be spent locally within Ellis County for each item. For firms expanding their facilities and operations in Ellis County, indicate the current annual operating expenses and provide a projection for the incremental expenses after the expansion. For firms planning to newly locate in Ellis County an accurate projection of future annual operational expenses need to be provided.

Please refer to pages 10 and 11 in the HaysWest Business Plan

### Annual Operational Expenses<sup>3</sup>

Budget Expenses  
Subtotal \$1,711,178

<sup>1</sup> For existing facility, if applicable.

<sup>2</sup> After construction or expansion of new facility.

<sup>3</sup> Do not report labor costs, debt service, purchase of equipment subject to personal property tax.

**IV. TAX ABATEMENT INFORMATION (Not applicable to Retail Development).**

A. Amount or percentage of tax abatement requested and duration: N/A \_\_\_\_\_

B. In-lieu-of-tax payments offered and duration: N/A \_\_\_\_\_ TBD \_\_\_\_\_

C. Why tax abatement is a critical factor in determining whether the proposed project is to be completed?

A Tax Increment and Community Improvement District is critical for the infrastructure development and improvements benefiting the project as well as the community. This project would not be financially feasible without the local incentives, and a project development would never occur in this area for years to come.

**V. OTHER INCENTIVE INFORMATION**

**Annual Operational Expenses<sup>4</sup>**

| Type of Expense | Actual (\$ amount) | Projected Total (\$ amount) |
|-----------------|--------------------|-----------------------------|
| Telephone       |                    | \$12,873                    |
| Electricity     |                    | \$107,610                   |
| Gas             |                    | \$19,115                    |
| Water           |                    | \$31,014                    |
| Waste Water     |                    | \$14,491                    |
| Garbage         |                    | \$7,778                     |
| Cable           |                    | \$7,933                     |
| Other           |                    | \$317                       |

Budget Expenses  
Subtotal \$201,132

1. State all incentives being requested within this application:

- Tax Increment Financing (TIF)
  - NWK Investments LLC is seeking to establish a TIF district in the property, which was designated a pre-1992 Enterprise Zone. The TIF funds requested for use by the developer would include the property tax increment, and the incremental sales tax collected on the site.
    - The estimated value of the Property Tax to be generated at the project Site will be an estimated \$317,000, graduating up each year, for 20 years.

<sup>4</sup> Do not report labor costs, debt service, purchase of equipment subject to personal property tax.

- The estimated value of the Sales Tax collected, is \$228,000, graduating up each year for twenty years. NWK Inc. is requesting to retain .25% of the established city sales tax.
- The TIF generated revenues would be used to pay for eligible costs of the project, including public infrastructure, i.e. water/sewer/street improvements to the property usually covered by the City.
- The Projections are more completely reviewed in the report submitted by Oppenheimer & Co. (Appendix VI).
- NWK Investments Inc. requests Sales Tax Exemption on applicable construction cost for the project.
- Community Improvement District (CID)
  - NWK Investments LLC is seeking to establish a CID in the proposed site. The developer proposes an additional 2% sales tax in the district, affecting non-fuel revenues only.
    - The estimated value of the CID, based on projected non-fuel revenues of \$10M graduating up each year, of \$203,000 annually.
    - CID revenues will be used to offset eligible infrastructure expenses.
    - The term of the CID will not exceed 22 years or exceed the eligible expenses, based on the statutory limits set by Kansas and the City of Hays Economic Development Policy for CID's.
    - The Projections are more completely reviewed in the report submitted by Oppenheimer & Co. (Appendix VI).

Financial projections listed above can be found in the NWK Investments LLC business plan on pages 10 and 11.

2. Provide reasons why economic incentives are necessary for the project:

The proposed site will require significant public infrastructure improvements, planning cost, water/sewer/street/utility relocation, as well as significant investment in private infrastructure and FFE. City staff has provided an estimate for water/sewer/street improvements with a cost of \$2.72 million, including \$491,000 in water and sewer line upsizing typically provided by the City. NWK Investments LLC is proposing to pay for 100% of these costs. Construction cost estimates for private improvements is \$10.1 million. Use of CID and TIF financing tools allows NWK Investments LLC to offset some of these expenses. Without the funds generated through these programs, the project becomes too costly to develop.

3. What improvements or services will need to be provided by the City or County to accommodate this improvement?

The City would need to provide access to water and sewer services, as well as required street upgrades. NWK Investments LLC is offering to pay for the infrastructure, leaving no cost to the city. NWK Investments LLC is offering to contract for engineering and construction service, with approval from the City.

**VI. GENERAL CONDITIONS**

The following general conditions are understood and agreed to by the firm receiving economic incentives from the City of Hays:

1. The applicant must agree to and reimburse the City for the costs of any legal, financial, or administrative research and work done in reviewing the proposal, preparing other necessary legal documents, and researching the qualifications of the applicant.
2. The applicant must also agree to sign an agreement making a minimum payment in lieu of property taxes.
3. Prior to issuance of the economic incentives, the applicant's proposal and information may require approval from the Kansas Department of Commerce and/or other state agencies.
4. The applicant agrees to provide additional information considered necessary by the City Manager to make a recommendation to the City Commission on granting the economic incentives.
5. Each business receiving economic incentives must complete an annual report by March 1 of each year covering the previous calendar year. Any business that has received an economic incentive shall pay an annual renewal fee of \$100.00.
6. Enclosed is the application fee of \$250.00/\$1,000.00, as defined in Section 7 (Fee Schedule) of the Economic Development Policy, payable to the City of Hays, Kansas.

**I (we) verify that the above information and assurances made are complete and correct to the best of my (our) knowledge.**

\_\_\_\_\_  
Signature (print name)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature (print name)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

**PETITION FOR THE CREATION OF THE BIG CREEK COMMUNITY IMPROVEMENT DISTRICT**

**TO:** The Governing Body of the City of Hays, Kansas (the "Governing Body")

The undersigned owners of record, whether resident or not, of at least 55% of the land area contained within the hereinafter described proposed Community Improvement District (the "District") and at least 55% of the assessed valuation of land area within the proposed District, all to be located within the city of Hays, Kansas (the "City"), do hereby request that the Governing Body create such District and authorize the construction of the Project herein after set forth, all in the manner provided by K.S.A. 12-6a26 *et seq.* (the "Act") and the City of Hays Economic Development Policy for CID's. In furtherance of such request, the petitioners state as follows:

**General Nature of the Proposed District Project**

The general nature of the proposed District project (the "Project") to be constructed within the District includes but is not limited to: (1) constructing, furnishing and equipping a nationally branded hotel with approximately 90 rooms, a gas and diesel fuel station with traditional travel center amenities (drivers lounge, showers, etc.) and a complete convenience store (total structure approximately 15,000 square feet), free standing coffee house, free standing quick serve Mexican restaurant (each approximately 3,000 square feet) and a free standing retail structure of approximately 8,000 square feet that will house two fast casual restaurants and (2) ongoing operations and maintenance expenses and future capital expenditures and repairs related to such retail and hospitality infrastructure and related parking (to the extent such expenses are permitted by the Act).

**Notice to Petition Signers**

The names of the signers of this Petition may not be withdrawn from this Petition by the signers hereof after the Governing Body commences consideration of this Petition, or, later than seven (7) days after the filing hereof, whichever occurs first. The signers of this Petition consent to any assessments to the extent described herein without regard to benefits conferred by the Projects.

IN WITNESS WHEREOF, we the undersigned petitioners have executed the above foregoing Petition to create the Big Creek Community Improvement District on the dates recorded below:

Owner: A tract of land located in the Southeast Quarter of Section 18, Township 13 South, Range 18 West of the 6<sup>th</sup> Principal Meridian, Ellis County, Kansas (identified as "Parcel A" on Exhibit B), more particularly described as follows:

Beginning at the Southeast corner of the Southeast Quarter of Section 18, Township 13 South, Range 18 West; Thence on an assumed bearing of North 01 degrees 29 minutes 37 seconds East along the East line of the Southeast Quarter a distance of 1135.49 feet; Thence North 89 degrees 35 minutes 06 seconds West a distance of 717.00 feet; Thence South 01 degrees 29 minutes 37 seconds West parallel with the East line of the Southeast Quarter a distance of 262.00 feet; Thence South 38 degrees 43 minutes 07 seconds West a distance of 431.00 feet; Thence South 23 degrees 32 minutes 48 seconds West a distance of 436.65 feet; Thence South 01 degrees 29 minutes 37 seconds West parallel with the East line of the Southeast Quarter a distance of 126.69 feet to the South line of the Southeast Quarter; Thence South 89 degrees 14 minutes 22 seconds East along the South line of the Southeast Quarter a distance of 1141.65 feet to the Point of Beginning. Said tract contains 24.07 acres more or less and is subject to any easements or rights-of-way of record.

By: Hess Land  
Name: Don Hess  
Title: pres.

Date of Signature: 6-16-15

State of Kansas )  
  )SS:  
County of Ellis )

The foregoing instrument was acknowledged before me this 16<sup>th</sup> day of June, 2015, by, Allyssa B. Weigel, to me personally known to be the identical person who signed his name to the within and foregoing instrument and acknowledged to that he executed the same as his free and voluntary act and deed, for the uses and purposes there set forth.

My appointment expires: 5-21-2017

Allyssa B. Weigel  
Notary Public  
**ALLYSSA B. WEIGEL**  
NOTARY PUBLIC  
STATE OF KANSAS  
My App. Exp 5-21-2017

**Proposed Amount and Method of Assessment**

There will be no special assessments on property within the boundaries of the proposed District to pay the Project Costs.

**Proposed Amount of Community Improvement District Sales Tax**

A CID Sales Tax will be imposed in the amount of 2.00% on the selling of tangible personal property at retail or rendering or furnishing of taxable services within the proposed District.

**Boundaries of Proposed Community Improvement District**

A site plan generally outlining the boundaries of the proposed District is attached as Exhibit A hereto, and incorporated by reference herein.

A site plan generally outlining the boundaries of each individual property of the proposed District is attached as Exhibit B hereto, and incorporated by reference herein.

The legal description of individual properties in the proposed District is set forth on Exhibit C attached hereto, and incorporated by reference herein.



Notice to Petition Signers

The names of the signers of this Petition may not be withdrawn from this Petition by the signers hereof after the Governing Body commences consideration of this Petition, or, later than seven (7) days after the filing hereof, whichever occurs first. The signers of this Petition consent to any assessments to the extent described herein without regard to benefits conferred by the Projects.

IN WITNESS WHEREOF, we the undersigned petitioners have executed the above foregoing Petition to create the Big Creek Community Improvement District on the dates recorded below:

Owner: *That part of the Northwest Quarter of the Northwest Quarter of Section 20, Township 13 South, Range 18 West, of the 6th Principal Meridian, Ellis County, Kansas (identified as "Parcel B" on Exhibit B), described as follows:*

*Commencing at the northwest corner of said Section 20: thence on an assumed bearing of South 89 degrees 58 minutes .39 seconds East, along the north line of said Section 20, a distance of 44.40 feet; thence South 00 degrees 01 minutes 21 seconds West a distance of 50.00 feet to the intersection of the south county road right of way with the north right of way for Interstate 70, and the point of beginning of the land to be described; thence South 89 degrees 58 minutes 39 seconds East, along the south county road right of way, a distance of 103.60 feet; thence South 85 degrees 34 minutes 44 seconds East, along said county right of way, a distance of 651.92 feet to a point that is 100.00 feet south of the north line of said Section 20; thence North 84 degrees 33 minutes 04 seconds East, along said right of way, a distance of 86.81 feet; thence South 00 degrees 48 minutes, 32 seconds West, along a line parallel with the west line of said section 20, a distance of 847.82 feet to a point on the north Interstate 70 right of way; thence North 65 degrees 10 minutes 58 seconds West, along said Interstate 70 right of way, a distance of 169.93 feet; thence North 52 degrees 59 minutes 11 seconds West, along said right of way, a distance of 758.89 feet; thence North 10 degrees, 37 minutes 22 seconds West, along said right of way, a distance of 367.91 feet to the point of beginning. This tract contains 11.175 acres.*

Owner: *That part of the Northwest Quarter of the Northwest Quarter of Section 20, Township 13 South, Range 18 West of the 6th Principal Meridian, Ellis County, Kansas (identified as "Parcel C" on Exhibit B), described as follows:*

*Commencing at the Northeast Corner of the Northwest Quarter of the Northwest Quarter, thence S00°54'03.11"W, along the East line of said Northwest Quarter of the Northwest Quarter, a distance of 50.00 feet to the intersection of the South line of the county road right of way, and for a point of beginning; thence N89°58'39"W, 13.99 feet; thence S84°33'04"W, along said county road right of way, a distance of 437.58 feet; thence S00°48'32"W, along a line parallel with the West*





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CITY OF HAYS, KANSAS  
BIG CREEK DEVELOPMENT  
EXHIBIT A

**DRIGGS DESIGN GROUP, PA**  
Surveying    Engineering    Planning  
MANHATTAN & HAYS



Project No.: N/A  
Date: 6/9/2015  
Sheet No.: 1 OF 1



NOT TO SCALE

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CITY OF HAYS, KANSAS  
 BIG CREEK DEVELOPMENT  
 EXHIBIT B

**DRIGGS DESIGN GROUP, PA**  
 Surveying    Engineering    Planning  
 MANHATTAN & HAYS

Project No: N/A  
 Date: 6/8/2015  
 Sheet No: 1 OF 1

## Exhibit C

### Parcel A

A tract of land located in the Southeast Quarter of Section 18, Township 13 South, Range 18 West of the 6<sup>th</sup> Principal Meridian, Ellis County, Kansas, more particularly described as follows:

Beginning at the Southeast corner of the Southeast Quarter of Section 18, Township 13 South, Range 18 West; Thence on an assumed bearing of North 01 degrees 29 minutes 37 seconds East along the East line of the Southeast Quarter a distance of 1135.49 feet; Thence North 89 degrees 35 minutes 06 seconds West a distance of 717.00 feet; Thence South 01 degrees 29 minutes 37 seconds West parallel with the East line of the Southeast Quarter a distance of 262.00 feet; Thence South 38 degrees 43 minutes 07 seconds West a distance of 431.00 feet; Thence South 23 degrees 32 minutes 48 seconds West a distance of 436.65 feet; Thence South 01 degrees 29 minutes 37 seconds West parallel with the East line of the Southeast Quarter a distance of 126.69 feet to the South line of the Southeast Quarter; Thence South 89 degrees 14 minutes 22 seconds East along the South line of the Southeast Quarter a distance of 1141.65 feet to the Point of Beginning. Said tract contains 24.07 acres more or less and is subject to any easements or rights-of-way of record.

### Parcel B

That part of the Northwest Quarter of the Northwest Quarter of Section 20, Township 13 South, Range 18 West, of the 6<sup>th</sup> Principal Meridian, Ellis County, Kansas, described as follows:

Commencing at the northwest corner of said Section 20: thence on an assumed bearing of South 89 degrees 58 minutes .39 seconds East, along the north line of said Section 20, a distance of 44.40 feet; thence South 00 degrees 01 minutes 21 seconds West a distance of 50.00 feet to the intersection of the south county road right of way with the north right of way for Interstate 70, and the point of beginning of the land to be described; thence South 89 degrees 58 minutes 39 seconds East, along the south county road right of way, a distance of 103.60 feet; thence South 85 degrees 34 minutes 44 seconds East, along said county right of way, a distance of 651.92 feet to a point that is 100.00 feet south of the north line of said Section 20; thence North 84 degrees 33 minutes 04 seconds East, along said right of way, a distance of 86.81 feet; thence South 00 degrees 48 minutes, 32 seconds West, along a line parallel with the west line of said section 20, a distance of 847.82 feet to a point on the north Interstate 70 right of way; thence North 65 degrees 10 minutes 58 seconds West, along said Interstate 70 right of way, a distance of 169.93 feet; thence North 52 degrees 59 minutes 11 seconds West, along said right of way, a distance of 758.89 feet; thence North 10 degrees, 37 minutes 22 seconds West, along said right of way, a distance of 367.91 feet to the point of beginning. This tract contains 11.175 acres.

### Parcel C

*That part of the Northwest Quarter of the Northwest Quarter of Section 20, Township 13 South, Range 18 West of the 6<sup>th</sup> Principal Meridian, Ellis County, Kansas, described as follows:*

*Commencing at the Northeast Corner of the Northwest Quarter of the Northwest Quarter, thence S00°54'03.11W, along the East line of said Northwest Quarter of the Northwest Quarter, a distance*

*of 50.00 feet to the intersection of the South line of the county road right of way, and for a point of beginning; thence N89°58'39"W, 13.99 feet; thence S84°33'04"W, along said county road right of way, a distance of 437.58 feet; thence S00°48'32"W, along a line parallel with the West line of said Section 20, a distance of 424.43 feet; thence S88°59'58"E, a distance of 448.20 feet to a point on the East line of said Northwest Quarter of the Northwest Quarter; thence N00°54'03"E, along said East line, a distance of 473.82 feet to the point of beginning. This tract contains 4.63 acres.*

**Parcel D**

That part of the Southwest Quarter of Section 17, Township 13 South, Range 18 West, of the 6<sup>th</sup> Principal Meridian, Ellis County, Kansas, described as follows:

Beginning at the southwest corner of said Southwest Quarter; thence on an assumed bearing of South 89 degrees 58 minutes 39 seconds East, along the south line of said Southwest Quarter, a distance of 564.74 feet; thence North 01 degrees 02 minutes 24 seconds East a distance of 462.87 feet; thence North 89 degrees 58 minutes 39 seconds West, parallel with the south line of said Southwest Quarter, a distance of 564.78 feet to a point on the west line of said Southwest Quarter; thence South 01 degrees 02 minutes 06 seconds West, along said west line, a distance of 462.87 feet to the point of beginning.

This tract contains 6.000 acres, including 0.961 acres of county road right of way.

**Parcel E**

That part of the Southwest Quarter of Section 17, Township 13 South, Range 18 West, of the 6<sup>th</sup> Principal Meridian, Ellis County, Kansas, described as follows:

Commencing at the southwest corner of said Southwest Quarter; thence on an assumed bearing of South 89 degrees 58 minutes 39 seconds East, along the south line of said Southwest Quarter, a distance of 564.74 feet to the point of beginning of the land to be described; thence continuing South 89 degrees 58 minutes 39 seconds East, along the south line of said Southwest Quarter, a distance of 564.74 feet to the southeast corner of an existing tract owned by the Celebration Community Church; thence North 01 degrees 02 minutes 24 seconds East, along the east line of said existing tract, a distance of 462.87 feet; thence North 89 degrees 58 minutes 39 seconds West, parallel with the south line of said Southwest Quarter, a distance of 564.74 feet; thence South 01 degrees 02 minutes 24 seconds West, parallel with the east line of said existing tract, a distance of 462.87 feet to the point of beginning.

This tract contains 6.000 acres, including 0.648 acres of county road right of way.

# Big Creek Business Plan

NWK INVESTMENTS LLC  
MIKE WOOFER

## **Executive Summary**

Chance Management, Colby, Kansas will be working with a construction management company to develop 22.35 acres on the far west side of Hays in central Ellis County. The location is on the northwest side of the interchange connecting the US 183 byway with Interstate 70. This is the first interstate exit for Hays from the west and also serves as the exit to access Fort Hays State University.

Chance Management is a hospitality and retail property management services company in northwest Kansas. Current businesses include full and quick serve restaurants, hotel and convention facilities and a complete travel center. Chance employs 8 full time staff members that work directly with and supervise over 225 salaried and hourly employees. The company provides complete operational, accounting, risk management and human resource services and acts as the franchisee / franchisor liaison. Chance Management has full accountability for the financial success of each business.

The project will be funded primarily with private dollars enhanced by the development of a Community Improvement District (CID), Tax Increment Financing (TIF), and minimal traditional financing. Cost projections are estimated to be between \$24M and \$28M. NWK Investments LLC will own the proposed development. Actual investors for NWK Investments LLC are yet to be determined but Mike Woofter will be part of the investment team. Share cost and other structural components for Northwest LLC will be finalized once the target investment level is archived. NWK Investments LLC will employ all site level staff members and Chance Management will be contracted to provide operational and accounting support.

Once completed the development might be referred to as "Big Creek Travel Plaza".

"Profit Centers" at Big Creek will be comprised of a nationally branded hotel, a gas and diesel fuel station with traditional travel center amenities (drivers lounge, showers, etc.) and a complete convenience store. The development will have a free standing Starbucks Coffee House and a free standing quick serve Mexican restaurant. In addition, there will be a forth free standing structure designed to house two or three Fast Casual restaurant concepts and perhaps one other business. The development will serve the highway traveler (predominantly auto traffic), the general population of Hays proper, Ellis County and the students, faculty and visitors at Fort Hays State University (FHSU).

## **Company Summary**

Big Creek will have two primary focuses of business; the hospitality industry (Food and Beverage, Lodging) and the retail fuel industry (traditional Service Station and Convenience Store). Revenue will be derived from local and transient guests.

Restaurant and food service profit centers will incorporate menu and beverage items that appeal to both the highway traveler and area residents. All meal day parts will be represented in both quick serve and fast casual applications. A diverse and unique mix of food types will be available. Travelers will have variety to select from while area residents will enjoy new destination dining options.

A nationally branded hotel will provide Ellis County with an alternative to traditional midscale properties. The hotel will focus on business travelers and families looking for a higher level of amenities in their lodging choice. The hotel will feature meeting facilities for the businesses in the Hays area.

Big Creek Fuel will provide diesel, gasoline and compressed natural gas to local customers as well as the highway traveler. Infrastructure, pricing and marketing strategies will focus on auto traffic (gasoline) and local diesel clientele. The stop will welcome interstate diesel customers and will provide all the amenities of a full service truck stop. The convenience store will be stocked with merchandise designed to generate revenue from the highway traveler as well as local consumers.

The Big Creek location was specifically selected to leverage interstate traffic, the proximity to FHSU and the growing commercial trade at the interchange. Kansas Department of Transportation has plans to widen and pave the road north of the site and there is potential opportunity for the development of a 183 bypass. In the next one to three years the number of Ellis County residents working in a two mile radius of the site should increase by close to 50%. These potential customers represent tens of thousands of dollars in incremental revenue associated with food and beverage as well as fuel purchases. New food service establishments will increase the amount of traffic exiting the interstate generating incremental revenue. As the community continues to grow, Big Creek will become a center for local activities.

### **Market Analysis**

Big Creek will be a leader in northwest Kansas for the Hospitality and Retail Fuel Industry. Competition for local customers will come from other food service, restaurants and retail gas stations in Ellis County.

- Hays – largest city in northwest Kansas, at the crossroads of Interstate 70 and US 183
- Hays population – 20,510 (not including university)
- Home of Fort Hays State University – 13,441 students (4,767 traditional on campus)
- Ellis County population – 29,053 (not including university)
- 308 miles west to Denver and 256 miles east to Kansas City

Ellis is one of the few counties in western Kansas to show continued population growth over the last 20 (11.11% since 1988, 7.29% in the last 8).

Hays, Kansas has over 25 establishments serving food and beverage. According to referenceUSA database, the ten “chain” restaurants generated close to \$22M in revenue in fiscal year 2012. Adding data generated from the website “Manta” suggests total revenue in the area from food and beverage would easily have exceed \$32M annually. These figures do not include food and beverage sales from FHSU or traditional gas station “Grab and Go” sales.

There are 15 retail gas stations in Hays and eight truck stops located on the Interstate within 100 miles east and west of Big Creek. Five of the truck stops concentrate on the traditional, over the road trucker as well as “four wheel” auto traffic. These five locations feature showers, driver’s lounges, laundry facilities and other features associated with traditional truck stops. The remaining three provide limited amenities to the professional driver but from an appearance standpoint still resemble a “truck stop”.

Hays has 15 motels with approximately 1000 rooms. Actual occupancy levels are difficult to determine but working backwards from the reported transient guest tax suggests the Hays motels are doing well. Big Creek will not only compete for current overnight guests to Ellis County, but will attract business travelers that currently stop in Salina and communities further east. Introducing a property to western Kansas with increased amenities will promote additional overnight stays.

Ellis County residents, Interstate 70 traffic counts and the FHSU population, warrant an additional hotel, restaurants and a retail fuel outlet. HaysWest will encourage incremental stops for the traveling public as well as compete for market share from local residents.

2012 Gross annual revenue for current "chain" Full Serve and Quick Serve Restaurants (referenceUSA database)

|                       |                     |
|-----------------------|---------------------|
| Applebee's            | \$6,010,000         |
| Carlos O'Kelly's      | \$2,885,000         |
| Golden Corral         | \$2,805,000         |
| Whiskey Creek         | \$2,284,000         |
| McDonalds             | \$1,883,000         |
| Montana Mike's        | \$1,803,000         |
| Arby's                | \$1,402,000         |
| Wendy's               | \$1,122,000         |
| Freddy's Steak Burger | \$801,000           |
| KFC                   | \$761,000           |
| <b>Total</b>          | <b>\$21,756,000</b> |

This data represents ten of the 25 establishments serving food and beverage in the City of Hays

Source: U.S. Census Bureau Population Estimates Program

|              | Estimate<br>2012 | Census<br>2010 | Estimate<br>2005 | Census<br>2000 | Estimate<br>1995 | Census<br>1990 | Estimate<br>1985 | Census<br>1980 | Estimate<br>1975 | Census<br>1970 |
|--------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|
| Cheyenne     | 2,678            | 2,726          | 2,863            | 3,165          | 3,177            | 3,243          | 3,590            | 3,678          | 4,000            | 4,256          |
| Decatur      | 2,871            | 2,961          | 3,068            | 3,472          | 3,543            | 4,021          | 4,466            | 4,509          | 4,700            | 4,988          |
| Dickinson    | 19,762           | 19,754         | 18,902           | 19,344         | 19,732           | 18,958         | 19,086           | 20,175         | 21,300           | 19,993         |
| <b>Ellis</b> | <b>29,053</b>    | <b>28,452</b>  | <b>27,135</b>    | <b>27,507</b>  | <b>26,391</b>    | <b>26,004</b>  | <b>28,015</b>    | <b>26,098</b>  | <b>25,500</b>    | <b>24,730</b>  |
| Gove         | 2,729            | 2,695          | 2,728            | 3,068          | 3,117            | 3,231          | 3,560            | 3,726          | 3,800            | 3,940          |
| Graham       | 2,578            | 2,597          | 2,663            | 2,946          | 3,288            | 3,543          | 4,099            | 3,995          | 4,400            | 4,751          |
| Greeley      | 1,298            | 1,247          | 1,327            | 1,534          | 1,765            | 1,774          | 1,807            | 1,845          | 1,800            | 1,819          |
| Lane         | 1,704            | 1,750          | 1,832            | 2,155          | 2,277            | 2,375          | 2,542            | 2,472          | 2,700            | 2,707          |
| Logan        | 2,784            | 2,756          | 2,752            | 3,046          | 3,154            | 3,081          | 3,305            | 3,478          | 3,800            | 3,814          |
| Ness         | 3,068            | 3,107          | 3,053            | 3,454          | 3,753            | 4,033          | 4,713            | 4,498          | 4,500            | 4,791          |
| Norton       | 5,612            | 5,671          | 5,578            | 5,953          | 5,784            | 5,947          | 6,370            | 6,689          | 6,900            | 7,279          |
| Phillips     | 5,519            | 5,642          | 5,444            | 6,001          | 6,261            | 6,590          | 6,973            | 7,406          | 8,100            | 7,888          |
| Rawlins      | 2,560            | 2,519          | 2,603            | 2,966          | 3,223            | 3,404          | 3,739            | 4,105          | 4,000            | 4,393          |
| Rooks        | 5,223            | 5,181          | 5,259            | 5,685          | 5,845            | 6,039          | 6,944            | 7,006          | 7,000            | 7,628          |
| Rush         | 3,220            | 3,307          | 3,312            | 3,551          | 3,556            | 3,842          | 4,361            | 4,516          | 4,800            | 5,117          |
| Scott        | 4,937            | 4,936          | 4,641            | 5,120          | 5,066            | 5,289          | 5,769            | 5,782          | 5,700            | 5,606          |
| Sheridan     | 2,538            | 2,556          | 2,529            | 2,813          | 2,774            | 3,043          | 3,293            | 3,544          | 3,700            | 3,859          |
| Sherman      | 6,113            | 6,010          | 6,075            | 6,760          | 6,745            | 6,926          | 7,360            | 7,759          | 8,300            | 7,792          |
| Smith        | 3,765            | 3,853          | 4,086            | 4,536          | 4,799            | 5,078          | 5,501            | 5,947          | 6,400            | 6,757          |
| Thomas       | 7,941            | 7,900          | 7,564            | 8,180          | 8,333            | 8,258          | 8,675            | 8,451          | 8,100            | 7,501          |
| Trego        | 2,986            | 3,001          | 3,009            | 3,319          | 3,466            | 3,694          | 4,168            | 4,165          | 4,300            | 4,436          |
| Wallace      | 1,517            | 1,485          | 1,510            | 1,749          | 1,802            | 1,821          | 1,966            | 2,045          | 2,100            | 2,215          |
| Wichita      | 2,256            | 2,234          | 2,309            | 2,531          | 2,781            | 2,758          | 2,881            | 3,041          | 3,500            | 3,274          |

Actual Transient Guest Tax as reported

|             | Fiscal Year      |                  |                  | Quarter Definition                 |
|-------------|------------------|------------------|------------------|------------------------------------|
|             | 2011             | 2012             | 2013             |                                    |
| 1st Quarter | \$221,647        | \$250,972        | \$233,247        | July through Sep of previous year  |
| 2nd Quarter | \$163,477        | \$194,608        | \$225,020        | Oct through Dec of previous year   |
| 3rd Quarter | \$124,818        | \$135,994        | \$119,736        | Jan through Mar of current year    |
| 4th Quarter | \$197,698        | \$190,429        | \$174,225        | April through June of current year |
|             | <u>\$707,640</u> | <u>\$772,003</u> | <u>\$752,228</u> |                                    |

Taxable revenue (based on 5% bedding tax)

|             | Fiscal Year         |                     |                     | Quarter Definition                 |
|-------------|---------------------|---------------------|---------------------|------------------------------------|
|             | 2011                | 2012                | 2013                |                                    |
| 1st Quarter | \$4,432,940         | \$5,019,440         | \$4,664,940         | July through Sep of previous year  |
| 2nd Quarter | \$3,269,540         | \$3,892,160         | \$4,500,400         | Oct through Dec of previous year   |
| 3rd Quarter | \$2,496,360         | \$2,719,880         | \$2,394,720         | Jan through Mar of current year    |
| 4th Quarter | \$3,953,960         | \$3,808,580         | \$3,484,500         | April through June of current year |
| Total       | <u>\$14,152,800</u> | <u>\$15,440,060</u> | <u>\$15,044,560</u> |                                    |

Estimated rooms rented, based on average ADR\* (cell A22)

|                  | Fiscal Year   |               |               | Quarter Definition                 |
|------------------|---------------|---------------|---------------|------------------------------------|
|                  | 2011          | 2012          | 2013          |                                    |
| \$80 1st Quarter | 55412         | 62743         | 58312         | July through Sep of previous year  |
| 2nd Quarter      | 40869         | 48652         | 56255         | Oct through Dec of previous year   |
| 3rd Quarter      | 31205         | 33999         | 29934         | Jan through Mar of current year    |
| 4th Quarter      | 49425         | 47607         | 43556         | April through June of current year |
| Total            | <u>176910</u> | <u>193001</u> | <u>188057</u> |                                    |

Estimated Occ % (based on 1008 available rooms)

|             | Fiscal Year   |               |               | Quarter Definition                 |
|-------------|---------------|---------------|---------------|------------------------------------|
|             | 2011          | 2012          | 2013          |                                    |
| 1st Quarter | 60.24%        | 68.21%        | 63.40%        | July through Sep of previous year  |
| 2nd Quarter | 44.43%        | 52.89%        | 61.16%        | Oct through Dec of previous year   |
| 3rd Quarter | 33.93%        | 36.96%        | 32.54%        | Jan through Mar of current year    |
| 4th Quarter | 53.73%        | 51.76%        | 47.35%        | April through June of current year |
| Total       | <u>48.08%</u> | <u>52.46%</u> | <u>51.11%</u> |                                    |

**2013 KDOT Traffic Statistics - Interstate 70 at Wakeeney, KS**

|     | 7 Day   |            |                     |                |
|-----|---------|------------|---------------------|----------------|
|     | Average | Max Volume | % Change vs 12      | % Change vs 11 |
| Jan | 7221    | 9482       | 4.40%               | 7.00%          |
| Feb | 6109    | 7700       | -7.00%              | -2.30%         |
| Mar | 8456    | 13140      | -2.70%              | -1.70%         |
| Apr | 7984    | 10276      | <i>no 2012 data</i> | 2.80%          |
| May | 10025   | 15029      | 0.80%               | 7.70%          |
| Jun | 11571   | 14893      | 2.30%               | 3.40%          |
| Jul | 12969   | 18709      | 5.60%               | 0.40%          |
| Aug | 11407   | 14751      | -3.00%              | -0.50%         |
| Sep | 9473    | 13469      | 3.20%               | -4.90%         |
| Oct | 9089    | 11135      | 3.60%               | 4.30%          |
| Nov | 8616    | 16289      | -2.90%              | 1.00%          |
| Dec | 8693    | 9102       | 5.80%               | 10.70%         |

**2013 KDOT Traffic Statistics - Interstate 70 at Wilson, KS**

|     | 7 Day   |            |                     |                     |
|-----|---------|------------|---------------------|---------------------|
|     | Average | Max Volume | % Change vs 12      | % Change vs 11      |
| Jan | 8075    | 10480      | -10.90%             | 6.20%               |
| Feb | 7304    | 10041      | -4.40%              | 6.10%               |
| Mar | 9661    | 14398      | 3.20%               | 7.70%               |
| Apr | 8981    | 12003      | 5.70%               | 5.60%               |
| May | 11337   | 17130      | -2.00%              | 10.49%              |
| Jun | 12506   | 15835      | 7.90%               | 4.70%               |
| Jul | 13780   | 19965      | <i>no 2012 data</i> | 1.30%               |
| Aug | 12605   | 16558      | <i>no 2012 data</i> | 3.70%               |
| Sep | 10769   | 15673      | <i>no 2012 data</i> | 0.00%               |
| Oct | 10264   | 12630      | <i>no 2012 data</i> | 5.40%               |
| Nov | 9897    | 18493      | -7.20%              | <i>no 2011 data</i> |
| Dec | 10309   | 20934      | 5.60%               | -12.70%             |

**2014 KDOT Traffic Statistics - Interstate 70 at Wakeeney, KS**

|     | 7 Day   |            |                |                |
|-----|---------|------------|----------------|----------------|
|     | Average | Max Volume | % Change vs 13 | % Change vs 12 |
| Jan | 7506    | 11690      | 3.90%          | 8.50%          |
| Feb | 6882    | 8954       | 12.70%         | 4.80%          |
| Mar | 9181    | 13026      | 8.60%          | 5.70%          |
| Apr | 8686    | 11037      | 6.40%          | 6.30%          |
| May | 10612   | 15544      | 4.80%          | 5.70%          |
| Jun | 12200   | 14809      | 5.40%          | 7.90%          |
| Jul | 13182   | 19179      | 5.50%          | 11.40%         |
| Aug | 12189   | 16686      | 6.90%          | 3.70%          |
| Sep | 10393   | 14423      | 9.70%          | 13.20%         |
| Oct | 9914    | 11566      | 8.90%          | 12.80%         |
| Nov | 9177    | 19343      | 9.70%          | 6.60%          |
| Dec | 9078    | 16339      | 6.20%          | 12.40%         |

**2014 KDOT Traffic Statistics - Interstate 70 at Wilson, KS**

|     | 7 Day   |            |                |                |
|-----|---------|------------|----------------|----------------|
|     | Average | Max Volume | % Change vs 13 | % Change vs 12 |
| Jan | 6882    | 8954       | 1.80%          | -0.70%         |
| Feb | 7560    | 10143      | 3.50%          | -1.00%         |
| Mar | 10140   | 15051      | 5.00%          | 8.30%          |
| Apr | 9582    | 13179      | 7.80%          | 14.00%         |
| May | 11752   | 17483      | 5.10%          | 3.10%          |
| Jun | 13277   | 16193      | 6.20%          | 14.50%         |
| Jul | 14714   | 20744      | 6.80%          | no 2012 data   |
| Aug | 13281   | 18168      | 5.40%          | no 2012 data   |
| Sep | 11419   | 16416      | 6.00%          | no 2012 data   |
| Oct | 10839   | 13468      | 8.70%          | no 2012 data   |
| Nov | 10195   | 22215      | 4.60%          | 2.80%          |
| Dec | 9930    | 18664      | 4.10%          | 9.90%          |

## Management Summary

Big Creek will be directly supervised by Chance Management of Colby, Kansas. Chance will provide complete operational, accounting, risk management and human resource services and act as the franchisee / franchisor liaison. Chance Management will have full accountability for the financial success of Big Creek with compensation based on a percentage of all non-fuel revenues.

James Millensifer, Chance Management VP of Operations will oversee preliminary operational supervision including; management recruitment and training, franchise communication, opening checklists and countdowns, and the "Big Creek Grand Opening". Chance Directors; Jayson Woofter, Martha Brewer and Keith O'Dell will provided additional support with Cynthia Bieberle taking on the pre-opening accounting responsibilities. Cora Lee Park (Oakley, KS) has been contracted to oversee a variety of pre and post construction activities including deeds, construction liens, and shareholder documentation.

Big Creek will employ approximately 115 employees:

|               | Salaried<br>GM | Salaried<br>AM | Hourly<br>Shift Lead | Hourly<br>Full Time | Hourly<br>Part Time | Total Staff<br>Members |
|---------------|----------------|----------------|----------------------|---------------------|---------------------|------------------------|
| Mexican QSR   | 1              | 0              | 3                    | 8                   | 8                   | 20                     |
| Starbucks     | 1              | 0              | 3                    | 6                   | 6                   | 16                     |
| C Store Fuel  | 1              | 1              | 2                    | 4                   | 5                   | 13                     |
| Asian Fusin   | 1              | 0              | 3                    | 7                   | 7                   | 18                     |
| Better Burger | 1              | 0              | 3                    | 7                   | 7                   | 18                     |
| Hotel         | 1              | 1              | 2                    | 13                  | 13                  | 30                     |
| <b>Total</b>  | <b>6</b>       | <b>2</b>       | <b>16</b>            | <b>45</b>           | <b>46</b>           | <b>115</b>             |

Each business at Big Creek will operate as a specific profit center with the GM accountable for the financial success of their area. Chance will determine the appropriate management structure and hierarchy among its Directors and site General Managers after the grand opening. The Hotel and Convenience Store GMs will likely share higher levels of responsibilities at Big Creek.

## Products and Services

Big Creek will feature gas, diesel, compressed natural gas (CNG) and diesel exhaust fluid (DEF) at the pump. Diesel pricing and payment strategies will be implemented to engage local businesses that purchase large volumes of fuel for their fleets. The station will aggressively market diesel products to traditional "over the road" truckers. Interstate traffic as well as the local residents of Hays and Ellis County will be the target for gasoline marketing activities. Chance Management's current relationship with a nationally recognized refinery will provide an opportunity to be highly competitive and still retain superior margins on all fuel revenue.

Traditional convenience store items will be featured at Big Creek; candy, gum, salty snacks, tobacco products, coffee and soft drinks will account for the majority of the non-fuel revenue. "Grab and Go" food items (hot and cold sandwiches, fresh fruit and salads, deep fried snacks) will be prepared on premise and be privately labeled with the HaysWest brand. The store will also feature general merchandise items such as novelties, health and beauty aids, maps and travel accessories and a small selection of trucker supplies. Starbucks and

the quick serve Mexican restaurant will each feature a drive up window to accommodate local guests as well as the highway traveler.

The hotel (90 rooms +/-) will be a nationally branded property designed to meet the needs of the business traveler as well as families off the interstate. It will also provide visitors to Fort Hays State University with an option to choose from vs. the traditional midscale "breakfast included" chain hotel. The property will feature a small bistro and lounge primarily designed for hotel guests as well as meeting rooms and a business center. The average daily rate generated at the hotel will be indicative of the amenities provided at the property.

Chance Management is interested in bringing two new fast casual restaurant concepts to the Hays area. The objective is to secure an Asian concept and a Gourmet Hamburger restaurant for our free standing structure. A third option might also include a traditional sit down restaurant centered on the breakfast day part. While the distinction "Fast Casual" can be subjective, our intention is to provide both the highway traveler and the local guest a dining option that delivers superior food quality and great hospitality in a contemporary setting.

### **Marketing and Sales**

Big Creek Fuel will provide gasoline to local customers as well as the highway traveler. Pricing strategies will be based on an attempt to maintain a minimum of \$.14 per gallon margin on gasoline. Big Creek will receive deliveries weekly (at a minimum). The most current bill of lading (BOL) will dictate posted pricing, however, when the landed cost per gallon for the most recent delivery is significantly different than the current inventory on hand, competition will influence pricing; i.e., unless local competition shows a significant difference, Big Creek will be slow to react to a landed price decrease, quick to react to a landed price increase.

Diesel pricing at Big Creek will be based on the desire to maintain a minimum \$.20 per gallon margin. The station will not attempt to meet or beat the pricing strategies of the traditional truck stops east and west of the location. Big Creek will however work with local businesses that purchase a high quantity of fuel (diesel or gas) for their fleets. Volume potential, credit terms and secondary sales opportunity (candy, gum, cigarettes, etc.) will be factors contemplated during price negotiations.

Compressed natural gas (CNG) is a cleaner, more economical alternative fuel that is gaining widespread acceptance. In early February 2014, Chevrolet announced that their biggest selling truck, the Silverado, would have CNG capability starting with the 2015 model. Numerous business and communities across the country are converting existing fleets or purchasing new vehicles that burn CNG. Big Creek will be among the first retail fuel outlets along Interstate 70 to provide CNG.

Gasoline, diesel and CNG marking will include interstate billboards and electronic high rise price signage. In addition, the complementary businesses (Starbucks, Taco Johns, etc.) will be leveraged to promote local and transient visits to the location. C Store merchandise and pricing strategies will be designed to encourage daily visits from the large number of employees north and south of the location. Demographics of the local work force suggest that fuel purchases typically occur not based on price point, but; ease (location), speed of service and secondary purchase opportunity. Employees of area businesses who purchase sport and energy drinks, tobacco products, grab and go food, salty snacks and traditional fountain drinks will find these items readily available, competitively priced and displayed to make their purchase easy and convenient.

Starbucks and Taco Johns will be marketed to attract local and interstate traffic. Both businesses will each have a drive-thru to leverage the transient guest and also serve as a convenience to the local cliental. Local

Store Marketing or “LSM” (fund raisers, sponsorship, loyalty programs, and word of mouth campaigns) will be the primary focus to attract the university community. Product and price point at both businesses are popular among the student population. The site is also conveniently located to leverage traffic in to and out of the FHSU and the Ellis County residents commuting from areas west of Hays.

The two fast casual restaurants will attract interstate traffic with billboard and on-site signage, but significant focus on traditional marketing activities including print, radio and TV, will be made to attract Ellis County residents. Restaurant menu, design and pricing strategies will be key factors promoting Big Creek as a destination dining location. The Asian concept will promote home meal replacement through take out as well as dine in capacity for lunch and dinner. The Burger concept will promote “casual theme” restaurant quality in a faster and more economical setting. Again, traditional marketing activities, along with LSM, will be used to promote the free standing restaurant complex at Big Creek.

Restroom cleanliness cannot be over looked as a key marketing factor for any business located on the interstate. Big Creek will open with and maintain a mantra of “the cleanest restrooms in western Kansas”. Management and hourly staff at each business will embrace this concept.

The Big Creek Hotel will be marketed as a step above traditional “free breakfast” hotel and motels in Ellis County. The property will certainly accept drop in traffic but will concentrate on building business through franchisor bookings, FHSU and corporate visitors, and families traveling Interstate 70. Billboards will promote the property to travelers on the interstate influencing current and future stays. Complementary businesses (Starbucks) will also introduce the hotel to business travelers who will modify current travel plans or take note for future overnight stays in the Ellis County area. The Hotel will feature a bistro offering adult beverages and light meals allowing guests the opportunity to make just one stop.

Social media will be paramount to the success of Big Creek. Franchisor strategies will be supplemented with significant efforts at the local level. All profit centers will have a presence on a central Big Creek website.

Big Creek will be a unique campus of business in western Kansas; businesses that offer superior food, beverage and fuel services to local and transient guests. Traditional marketing and LSM efforts will introduce the area to the guest base. Superior hospitality and product quality will lead to loyalty.

## Revenue Projections

|                      |                     | Year 1             | Year 2             | Year 3             | Year 4             | Year 5              | Total               |
|----------------------|---------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| <b>Taco John's</b>   | Revenue             | \$859,000          | \$901,950          | \$947,048          | \$994,400          | \$1,044,120         | \$4,746,517         |
| <b>Starbucks</b>     | Revenue             | \$892,500          | \$937,125          | \$983,981          | \$1,033,180        | \$1,084,839         | \$4,931,626         |
| <b>C Store</b>       | Non Fuel Revenue    | \$1,371,183        | \$1,679,722        | \$1,971,019        | \$2,193,802        | \$2,305,194         | \$9,520,919         |
| <b>Asian</b>         | Revenue             | \$900,000          | \$945,000          | \$992,250          | \$1,041,863        | \$1,093,956         | \$4,973,068         |
| <b>Better Burger</b> | Revenue             | \$1,107,500        | \$1,162,875        | \$1,221,019        | \$1,282,070        | \$1,346,173         | \$6,119,637         |
| <b>Hotel</b>         | Guest Room          | \$2,205,338        | \$2,349,176        | \$2,522,574        | \$2,648,702        | \$2,891,274         | \$12,617,063        |
|                      | Meeting Room        | \$11,027           | \$11,746           | \$12,613           | \$13,244           | \$14,456            | \$63,085            |
|                      | Food and Beverage   | \$176,427          | \$187,934          | \$201,806          | \$211,896          | \$231,302           | \$1,009,365         |
|                      | Other Income        | \$11,027           | \$11,746           | \$12,613           | \$13,244           | \$14,456            | \$63,085            |
|                      | <b>Total Income</b> | <b>\$2,403,818</b> | <b>\$2,560,601</b> | <b>\$2,749,605</b> | <b>\$2,887,085</b> | <b>\$3,151,489</b>  | <b>\$13,752,599</b> |
| <b>Total Revenue</b> |                     | <b>\$7,534,001</b> | <b>\$8,187,273</b> | <b>\$8,864,922</b> | <b>\$9,432,400</b> | <b>\$10,025,770</b> | <b>\$44,044,366</b> |

| Breakout                                   | Year 1      | Year 2      | Year 3      | Year 4      | Year 5      | Total       |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Expenses</b>                            | \$1,022,521 | \$1,081,697 | \$1,149,196 | \$1,206,656 | \$1,293,400 | \$5,753,469 |
| Supplies                                   | \$402,456   | \$422,579   | \$443,708   | \$465,893   | \$489,188   | \$513,647   |
| Laundry / Uniforms                         | \$16,200    | \$17,010    | \$17,861    | \$18,754    | \$19,691    | \$20,676    |
| Office Expenses                            | \$30,000    | \$31,500    | \$33,075    | \$34,729    | \$36,465    | \$38,288    |
| Utilities                                  | \$201,132   | \$211,189   | \$221,748   | \$232,835   | \$244,477   | \$256,701   |
| Repairs and<br>Maintenance                 | \$138,000   | \$144,900   | \$152,145   | \$159,752   | \$167,740   | \$176,127   |
| Other Expenses***                          | \$234,733   | \$254,520   | \$280,660   | \$294,693   | \$335,838   | \$4,748,030 |
| <b>Local (Hays and Ellis CO)</b>           | \$381,583   | \$401,065   | \$421,789   | \$442,878   | \$466,343   | \$2,113,658 |
| <b>National / Kansas / NWK</b>             | \$640,937   | \$680,632   | \$727,407   | \$763,778   | \$827,057   | \$3,639,811 |
| <b>Advertising</b>                         | \$208,313   | \$219,826   | \$232,647   | \$244,279   | \$260,095   | \$1,165,161 |
| Local (Hays and Ellis CO)                  | \$52,078    | \$54,957    | \$58,162    | \$61,070    | \$65,024    | \$291,290   |
| National                                   | \$156,235   | \$164,870   | \$174,485   | \$183,210   | \$195,071   | \$873,870   |
| <b>Accounting</b>                          | \$276,180   | \$291,452   | \$308,464   | \$323,887   | \$344,883   | \$1,544,867 |
| Local (Hays and Ellis CO)                  | \$65,000    | \$75,000    | \$85,000    | \$95,000    | \$105,000   | \$425,000   |
| NWK  | \$211,180   | \$221,452   | \$233,464   | \$243,887   | \$259,883   | \$1,169,867 |
| <b>Total Local (Hays and Ellis<br/>CO)</b> | \$498,661   | \$531,022   | \$564,951   | \$598,948   | \$636,366   | \$2,829,948 |

\*Royalties

No impact on the local community or NWK in general

\*\* Band Card Fees

Minimal impact on Hays, Ellis CO and NWK

\*\*\*Other Expenses

Include

Reservation Systems, Computer Software, Cash Long / Short Insurance, Taxes, Licenses, Extermination, Legal Fees, Contributions, Bank Card Fees (non-fuel), Discounts, Dues and Subscriptions, Equipment Rental, Signage, Management and Employee Travel, etc.

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## MEMORANDUM

July 2014

### TAX INCREMENT FINANCING IN KANSAS

#### I. GENERAL

Tax increment financing is a statutory procedure available to cities in the State of Kansas to encourage redevelopment within certain eligible areas. Cities may coordinate with non-governmental developers to undertake redevelopment projects in such areas that meet statutory criteria. Such projects may include acquisition of a site or sites and existing structures thereon, razing such structures, site preparation, infrastructure improvements, parking facilities and certain other costs. Financing is available from the proceeds of bonds to be issued by the city. Such bonds are primarily secured by the incremental increase in property taxes within the redevelopment district as a result of the new construction or rehabilitation, but may, under certain circumstances, also be general obligations of the city. The city may also use franchise fees and sales taxes generated within the redevelopment district to pay the bonds or finance the project costs. The city may sell or lease property acquired for redevelopment purposes to developers, but may not (except in limited circumstances) finance with bonds the construction of or improvements to buildings or structures to be owned by or leased to developers.

The theory of tax increment financing is by encouraging redevelopment projects, the value of real property in a redevelopment district will increase. When a redevelopment project plan is adopted, the assessed valuation of real property in the redevelopment district is frozen for tax purposes at the current base level prior to construction of redevelopment improvements. As property is improved, the assessed value in the redevelopment district increases above the base level. This "increment" produced is captured and utilized to pay the costs associated with the redevelopment, including debt service on bonds issued by the city to finance the redevelopment projects. The net effect of tax increment financing is to permit the city and a developer to use a portion of the property taxes that otherwise would be paid on a completed redevelopment project to repay all or a portion of the redevelopment costs of the city, thereby reducing or eliminating debt service requirements on that portion of the project associated with the tax increment. Future tax increases associated with redevelopment are **not** abated, but rather are used to fund costs associated with redevelopment.

The remainder of this memorandum outlines Kansas statutory provisions relating to tax increment financing, provides a summary of procedures necessary to implement a tax increment project and analyzes federal tax laws affecting bonds issued by cities to finance tax increment projects. Additional questions relating to this subject may be addressed to **Gary A. Anderson** of our Kansas City office or **Joe L. Norton** or **Kevin M. Cowan** of our Wichita office.

## II. KANSAS STATUTORY PROVISIONS

**General.** K.S.A. 12-1770 *et seq.* (the "Act") authorizes cities to create redevelopment districts, acquire certain property and to issue special obligation bonds and/or full faith and credit tax increment bonds for the financing of redevelopment projects. Any city proposing to undertake one or more redevelopment projects (the "Project") must create a redevelopment district (the "District") by adoption of an ordinance, which District may contain multiple redevelopment project areas. The District must be located in an eligible area, which is a blighted area, a conservation area, enterprise zones established prior to July 1, 1992 located within cities, an intermodal transportation area for handling freight through railway and trucking operations, a major tourism area, a major commercial entertainment and tourism area or bioscience development area within the control of the Kansas bioscience authority. The District may also include property outside of the city with the consent of the county commission. The city is required to conduct a public hearing on the creation of the District. At the conclusion of such public hearing, the governing body of the city may create the District, by ordinance adopted by a majority vote. No privately owned property shall be acquired and redeveloped under the provisions of the Act if the board of county commissioners or the board of education levying taxes on property proposed to be included in the District determines that the proposed District will have an adverse effect on such county or school district.

The city must also prepare a redevelopment project plan (the "Plan") in consultation with the planning commission of the city. The Plan must contain, among other items, a summary of the comprehensive feasibility study showing the benefits derived from the Project will exceed the costs and that the income therefrom will be sufficient to pay for the Project, a description of the buildings and facilities proposed to be constructed or improved and a relocation assistance plan for property owners within the District. The city is required to conduct a public hearing on the adoption of the Plan. At the conclusion of such public hearing, the governing body of the city may approve the Plan, by ordinance adopted by two-thirds vote. Once the Plan has been adopted in accordance with the specific provisions of the Act, the city may purchase or otherwise acquire real property. Eminent domain proceedings may be pursued upon two-thirds vote of the governing body of the city. Any property acquired by the city under the Act may be sold or leased to any person, firm or corporation, as the developer, in accordance with the Plan. The Plan may be undertaken in separate stages. Any Project shall be completed within twenty (20) years from the date of the approval of the Plan; provided that environmentally related Projects must be completed within twenty years from the date of a consent decree agreement with environmental regulators (unless a longer period for such Projects is approved by the affected county and board of education).

Changes to the District area may be made by the city after the creation of the District. Real property can be added or removed within a District and a District may be reconfigured into several Districts or multiple redevelopment project areas. These changes to the District generally require compliance with the same notice and hearing requirements for the creation of a District.

**Blighted Areas.** For the purposes of the Act, the term "blighted area" means an area which: (1) because of the presence of a majority of the following factors, substantially impairs or arrests the sound development and growth of the city or constitutes an economic or social liability or is a menace to the public health, safety, morals or welfare in its present condition and use: (a) a substantial number of deteriorated deteriorating structures; (b) predominance of defective or inadequate street layout; (c) unsanitary or unsafe conditions; (d) deterioration of site improvements; (e) diversity of ownership; (f) tax or special assessment delinquency exceeding the fair value of the land; (g) defective or unusual conditions of title; (h) improper subdivision or obsolete platting or land uses; (i) the existence of conditions which endanger life or property by fire and other causes; or (j) conditions which create economic obsolescence; or (2) has been identified by any state or federal environmental agency as being environmentally contaminated to an extent that requires a remedial investigation, feasibility study and remediation or other similar state or federal action; or (3) a majority of the property is a 100-year floodplain area; or (4) previously was found by resolution of the governing body to be a slum or a blighted area under K.S.A. 17-4742 *et seq.*, ("Urban Renewal Law") and amendments thereto.

**Conservation Areas.** For the purpose of the Act, the term "conservation area" means any improved area comprising 15% or less of the land area within the corporate limits of a city in which 50% or more of the structures in the area have an age of 35 years or more, which area is not yet blighted, but may become a blighted area due to the existence of a combination of two or more of the following factors: (i) Dilapidation, obsolescence or deterioration of the structures; (ii) illegal use of individual structures; (iii) the presence of structures below minimum code standards; (iv) building abandonment; (v) excessive vacancies; (vi) overcrowding of structures and community facilities; or (vii) inadequate utilities and infrastructure.

**Tax Increment Captured.** In any Plan the primary revenue source for repayment of debt is the tax increment generated from the redevelopment of the Project within the District. The Act provides that such increment is that portion of *ad valorem* taxes collected on real property (land and improvements thereon) within the District that is in excess of the amount produced from such property attributable to the assessed valuation of such property prior to the date the District was established. *Ad valorem* taxes collected on assessed valuation in existence on the date of establishment of the District will continue to be distributed to all taxing districts in the same manner as all other property taxes. The state school finance levy will be excluded from the tax increment. The increased increment in city sales tax, transient guest tax and city franchise fees within the District may also be captured and with the consent of the county, the county sales tax generated within the District may be captured. The additional tax increment shall be captured, placed in a special fund and applied only for the purposes of paying the costs of the Project, including repayment of any authorized indebtedness associated with the Project. When such bonds and the interest thereon shall have been paid, the increment shall be apportioned to all taxing jurisdictions as before the creation of the District; provided however, if the Project has not been completed, the increment shall continue to be captured for the special fund until the Project is completed, not to exceed 20 years after date of approval of the Plan.

The incremental increase in valuation is excluded in determining the bonded debt limit of the affected taxing jurisdictions or for any purpose other than raising funds for the District. The county appraiser will certify the amount of the increment to the county clerk on or before July 1 of each year. *The raising or lowering of tax levies by the affected taxing district (city, county and school district) or state law changes (e.g., school district funding formula and classification amendments) have an impact on the increment captured in each year.*

**Bond Authority.** Cities may use proceeds of special obligation bonds or full faith and credit tax increment bonds to finance a Project. The city may also issue industrial revenue bonds to benefit a developer located with the District. The maximum maturity of any such special obligation bonds or full faith and credit tax increment bonds shall be twenty (20) years, except for an auto race track facility. The Act specifies several different permissible uses of proceeds ("Redevelopment Project Costs"), including:

1. Acquisition of property within the redevelopment project area.
2. Payment of relocation assistance pursuant to a relocation assistance plan.
3. Site Preparation including utility relocations.
4. Sanitary and storm sewers and lift stations.
5. Drainage conduits, channels, levees and river walk canal facilities.
6. Street grading, paving, graveling, macadamizing, curbing, guttering and surfacing.
7. Street lighting fixtures, connection and facilities.
8. Underground gas, water, heating and electrical services and connections located within the public right-of-way.
9. Sidewalks and pedestrian underpasses or overpasses.
10. Drives and driveway approaches located within public right-of-way.
11. Water mains and extensions.
12. Plazas and arcades.

13. Major multi-sport athletic complexes utilized for training athletes, team practice, playing athletic games or hosting events.
14. Museum facilities owned and operated by political subdivision or nonprofit corporations.
15. Parking facilities, including multilevel parking facilities.
16. Landscaping and plantings; fountains, shelters, benches, sculptures, lighting, decorations and similar amenities.
17. Related expenses to redevelop and finance the Project.
18. Wet lab equipment found to be necessary or appropriate for a commercial incubator wet lab facility.
19. Acquisition of land for and the construction and installation of publicly-owned infrastructure improvements which serve an intermodal transportation area and are located outside of a redevelopment district.
20. Costs for infrastructure located outside the redevelopment district but contiguous to any portion of the redevelopment district and such infrastructure is necessary for the implementation of the redevelopment plan by the city.

***Redevelopment Project Costs may not include costs incurred in connection with the construction of buildings or other structures to be owned by or leased to a developer (except for an auto race track facility or a multilevel parking facility).***

***Special Obligation Bonds.*** A city may issue special obligation bonds in one or more series to finance those permissible expenses of a Project. Such bonds are payable, both as to principal and interest: (1) from tax increments allocated to, and paid into a special fund of the city; (2) from revenues of the city derived from or held in connection with the undertaking and carrying out of any Project; (3) from any private sources, contributions or other financial assistance from the state or federal government; (4) from all or a portion of the revenue received by the city from transient guest tax and locals sales and uses taxes generated from the Project, (5) from all or a portion of the increased revenue received by a city from franchise fees within the district, (5) from county transient guest, local sales and use tax generated from the Project, with the county's consent, or (6) by any combination of these methods. If a project is financed in whole or in part with a loan from the Kansas transportation revolving fund, then from the transportation revolving loan fund.

Special obligation bonds are not general obligations of the city, nor in any event shall they give rise to a charge against its general credit or taxing powers or be payable out of any funds or properties other than as described above. These bonds shall be exempt from all state taxes except inheritance taxes and do not count toward the city's bonded debt limitations.

***Full Faith and Credit Bonds.*** Cities may also issue full faith and credit tax increment bonds to finance a Project. These bonds are payable, both as to principal and interest: (1) from the revenue sources identified for special obligation bonds; and (2) from a pledge of the city's full faith and credit to use its *ad valorem* taxing authority for repayment thereof in the event all other authorized sources of revenue are not sufficient. Prior to the issuance of these bonds, a feasibility study is required showing that the benefits derived from the Project will exceed the cost and that the income therefrom will be sufficient to pay the costs of the Project. The resolution establishing the public hearing on the Plan shall state the city's intent to issue full faith and credit tax increment bonds. The city may issue such bonds unless a protest petition signed by not less than three percent (3%) of the qualified voters of the city is filed with the city clerk within sixty (60) days following the date of such public hearing.

Full faith and credit tax increment bonds are general obligations of the city and are exempt from all state taxes except inheritance taxes. The amount of full faith and credit tax increment bonds issued and outstanding which exceed three percent (3%) of the assessed valuation of the city shall be within the bonded debt limit of the city.

**Industrial Revenue Bonds.** The city may issue industrial revenue bonds pursuant to K.S.A. 12-1740 *et seq.* to benefit a developer within the District. All state law benefits associated with such bonds shall be available, **except that no *ad valorem* tax abatement shall be available.**

### **Relocation Assistance Plan**

The city must adopt a relocation assistance plan prior to undertaking the Project. The assistance plan must provide for relocation payments to persons and businesses who move from real property or must move personal property as a result of the Project. No persons or families residing in the redevelopment district may be displaced unless there is a suitable housing unit available and ready for occupancy. The city also is responsible for damages to retailers by reason of liquidation of inventories necessitated by relocation.

### **III. PROCEDURES FOR IMPLEMENTING A TAX INCREMENT FINANCING PROJECT**

Pursuant to the Act, the city must establish the District and prepare a Plan in consultation with the planning commission of the city which outlines the proposed Project. The specific Project area must be an eligible area. The Act provides separate procedures for establishing a District and approving a Plan. A summary of the procedural steps necessary to establish the District and approve the Plan are as follows:

1. The city adopts a resolution stating that it is considering creation of a District and describes the District Plan. Notice of public hearing is disseminated to affected county, school district and property owners and published in official city newspaper. The city adopts a resolution calling a public hearing, which fixes the date, time and location of the hearing and provides for giving notice of such public hearing. The date of the public hearing shall be not less than thirty (30) or more than seventy (70) days after adoption of the resolution calling the public hearing. At the conclusion of the public hearing, the city adopts a resolution finding that a certain area within the city meets the requirements of the Act and that the redevelopment of the area is necessary to promote the general and economic welfare of the city. Thereafter, the city passes an ordinance creating the District.
2. No privately owned property may be acquired or redeveloped under the Act, if the board of county commissioners or the board of education levying taxes on such property determines by resolution adopted within 30 days following the conclusion of the public hearing for the establishment of the District, that the proposed District will have an adverse effect on the county or the school district.
3. The city formulates the Plan in conjunction with the planning commission. The city must also prepare a comprehensive feasibility study on the benefits and costs of the Project and the expected income derived therefrom. The planning commission must determine that the Plan is consistent with the comprehensive general plan for the development of the city. The Plan shall contain the following: (a) a summary of the feasibility study; (b) identification of the District and Project area; (c) a map of the redevelopment area; (d) the relocation assistance plan; (e) a detailed description of the buildings and facilities to be constructed or improved; and (f) other relevant information. A copy of the Plan is forwarded to the county and school board.
4. The city adopts a resolution calling a public hearing, which fixes the date, time and location of the hearing and provides for giving notice of such public hearing. The date of the public hearing shall be not less than thirty (30) or more than seventy (70) days after adoption of the resolution calling the public hearing. The resolution shall describe the Plan, the boundaries of the District (including a map thereof), the method of financing the same (*i.e.*, special obligation bonds or full faith and credit bonds) and other relevant matters. A copy of such resolution shall be delivered to the county and school board associated with the

District and mailed (certified) within ten (10) days to each owner and occupant of property within the District. The resolution shall also be published one time in the official city newspaper not less than one (1) week or more than two (2) weeks preceding the date of public hearing.

5. Upon conclusion of the public hearing and upon making the appropriate findings, the city may adopt the Plan by an ordinance passed by not less than two-thirds vote of the governing body.
6. The city issues full faith and credit bonds or special obligation bonds to finance the Project. No full faith and credit tax increment bonds may be issued until the sixty (60) day protest period expires after the date of public hearing.
7. The city may proceed to acquire property within the District by purchase or eminent domain (2/3 vote of city governing body required) and implement the Plan. **However, a City may not exercise eminent domain in conservation areas and after July 1, 2007 there are significant restrictions on the ability to use eminent domain.**

#### IV. FEDERAL TAX CONSIDERATIONS

**General.** Special obligation bonds or full faith and credit bonds may be issued either as "tax-exempt" or taxable obligations. The interest on such obligations will be excluded from federal income taxation if the proceeds are used only for a governmental purpose or if the bonds meet certain other requirements established in the Internal Revenue Code of 1986, as amended (the "Code").

**Governmental Purpose Bonds.** The interest on Bonds, the proceeds of which are used to finance traditional governmental facilities such as streets, water lines and sewers, typically is excluded from gross income for purposes of federal income taxation under *Section 103* of the Code ("Governmental Purpose Bonds"). This generally will be true even when the bonds are secured by a guaranty of a private developer or paid from tax increment payments made by the owner/developer, provided the governmental facilities are available for use by members of the general public on an equal basis. However, if bond proceeds are used to finance facilities used in the trade or business of a developer or other non-governmental entity, the bonds typically will qualify as Governmental Purpose Bonds only if the sources of repayment or security are limited to general tax revenues or tax increment payments made by the public. If the bonds are not Governmental Purpose Bonds, interest typically will be excluded from gross income for Federal income tax purposes only if the uses of the bond proceeds are restricted to the narrow statutorily-defined purposes of a "qualified private activity bond" and the issue meets a number of other requirements imposed by the Code only on qualified private activity bonds. Interest paid on private activity bonds that are not "qualified private activity bonds" will be included in gross income for federal income tax purposes.

**Private Activity Bond Tests.** A bond is a "private activity bond" (as said term is defined in *Section 141* of the Code) if it meets either the "private business tests" or the "private loan financing test." The "private business tests" consist of (a) the "private business use test" and (b) the "private security or payments test." If both of these tests are met, the bonds meet the "private business tests" and will be "private activity bonds."

The "private business use test" is met if more than 10% of the proceeds of an issue are to be used, directly or indirectly, in the trade or business of any person other than a governmental unit. Use by a person in a trade or business on the same basis as the general public is disregarded. Thus, if bond proceeds are used for essential governmental functions, it typically does not matter that a single developer owns the land, provided that the developer is proceeding to develop and sell the land to members of the general public for residential or commercial use. Treasury regulations generally provide that private use of bond financed

property exists if a person or entity has special legal entitlements with respect to bond-financed property. However, special more rigorous rules apply if the bond financed property is not reasonably available for use by members of the general public in a manner similar to use of the property by persons engaged in a trade or business. Temporary use of bond financed property by a developer of an improvement that carries out an essential governmental function, during the period the project is under development, typically is not treated as private use, pursuant to a specific exception contained in the treasury regulations.

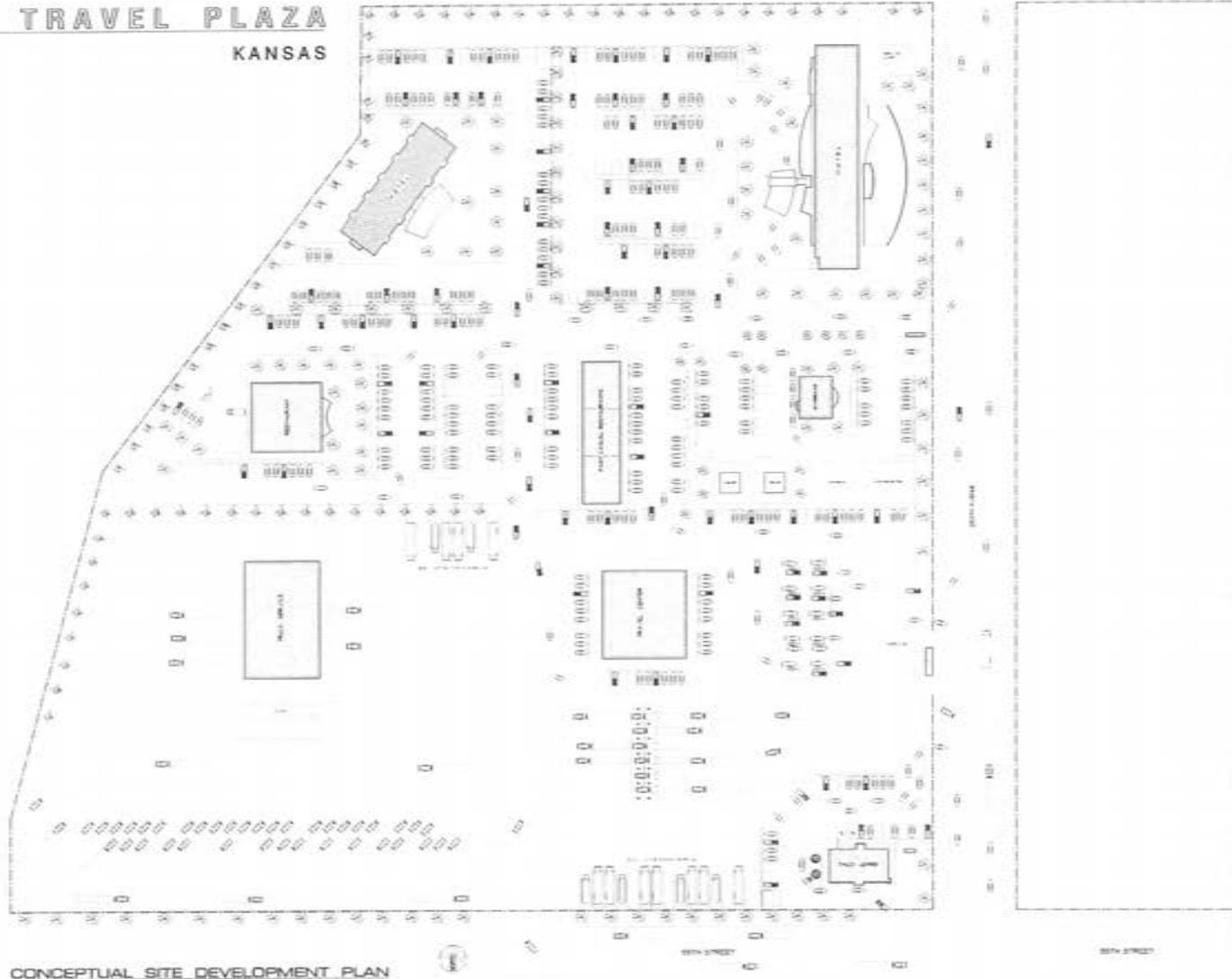
The "private security or payments test" is met if payment of the principal of or the interest on more than 10% of the proceeds of an issue is (under the terms of such an issue or any underlying arrangement) directly or indirectly: (a) are secured by an interest in (i) property used or to be used for a private business use, or (ii) payments in respect of such property; or (b) to be derived from payments (whether or not to the issuer), in respect of property or borrowed money, used or to be used for private business use.

With respect to the private security interest or payment test, Treasury Regulations provide:

1. Ad valorem taxes, or tax increments are classified as "revenues from generally applicable taxes," and therefore are not treated as payments for purposes of the private security interest or private payment test unless a person enters into an "impermissible agreement" with respect to the payment or collection of tax such as, for example, agreeing to be personally liable for the collection of an ad valorem tax that generally does not impose personal liability or agreeing that the property will have a minimum assessed value.
2. Payments made by a lessee of bond-financed property to a redevelopment agency or similar agency are considered to be private payments, even though the city is the issuer of the bonds and does not receive payments from the redevelopment agency.
3. Where bonds are used to acquire land that is to be sold to private persons for redevelopment, amounts paid by those persons for the land are payments for purposes of the private security interest or private payment test, even though incremental property tax revenues are the stated security for the bonds.

The "private loan financing test" is met if the proceeds of an issue are to be used directly or indirectly to make or finance loans to persons other than a governmental unit if the loan exceeds the lesser of: (a) Five percent (5%) of such proceeds, or (b) \$5,000,000. "Private business use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit. Any activity carried on by a person other than a natural person shall be treated as a trade or business. This test typically is not met in a tax increment financing except under unusual circumstances where bonds issued for public improvements are nominally "guaranteed" by a developer, the guaranty is almost certain to be called upon and the developer has no reasonable expectation of repayment of amounts it advances under the guaranty. Under these facts, the "guaranty" might be characterized for federal income tax purposes as an indirect loan of the bond proceeds to the developer.

**BIG CREEK TRAVEL PLAZA**  
**HAYS, KANSAS**



CONCEPTUAL SITE DEVELOPMENT PLAN



**STRAIT ASSOCIATES ARCHITECTS**

485 NORTH COURT  
 POST OFFICE BOX 332  
 COLBY, KANSAS 67011

TELEPHONE: 785.460.8363  
 FACSIMILE: 785.460.9770

PROGRESS

BIG CREEK TRAVEL PLAZA  
 HAYS, KANSAS

|             |       |
|-------------|-------|
| PROJECT NO. | 100   |
| DATE        | 02/14 |
| REVISION    | AS1   |
| DRAWN BY    |       |
| CHECKED     | GP X  |



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CITY OF HAYS, KANSAS  
BIG CREEK DEVELOPMENT  
EXHIBIT A

**DRIGGS DESIGN GROUP, PA**  
Surveying Engineering Planning  
MANHATTAN & HAYS



Project No: N/A  
Date: 6/8/2015  
Sheet No: 1 OF 1

|   |              |   |
|---|--------------|---|
| Land Cost                               | \$1,500,000  |   |
| Engineering & Architecture Cost         | \$500,000    |   |
| Civil Engineering                       | \$200,000    | Includes: Survey, Civil Design, Site Utilities (Public), Coordination of Private Utilizes, Drainage Study                       |
| Site Preparation                        |              |   |
| Overall Site Preparation                | \$200,000    |   |
| Engineering Cost Water & Sewer          |              |   |
| 55th Street Waterline Line Design       | \$150,000    | From Water Tower at US-183 & 55th Street (Along 55th Street). Includes Design & Inspection                                      |
| Hall St Sanitary Sewer Extension Design | \$110,000    | From Hall Street Manhole across I-70 and along North Side of I-70. Includes Design & Inspection, Assist w/ Easement Acquisition |
| Interior Waterlines                     | \$35,000     | Includes Design & Inspection  |
| Interior Sanitary Sewer                 | \$35,000     | Includes Design & Inspection  |
| Water / Sewer to Location               |              |   |
| 55th Street Waterline                   | \$1,500,000  | From Water Tower at US-183 & 55th Street (Along 55th Street)  |
| Hall St Sanitary Sewer Extension        | \$1,200,000  | From Hall Street Manhole across I-70 and along North Side of I-70. Includes \$150,000 for Acquisition of Utility Easements      |
| Utilities - Street                      | \$550,000    | 55th St West Connection to N Side of Travel Center & East to 230th Ave  |
| Utilities - Water                       | \$175,000    | 8" waterline  |
| Utilities - Sewer                       | \$175,000    | 8" Sanitary Sewer   |
| Utilities - Electrical                  | \$125,000    |   |
| Utilities - Curb & Gutter               | \$325,000    |   |
| Paving - Private                        | \$3,500,000  | Includes Curb & Gutter, Signage & Pavement Markings, Subgrade Prep, Thicker Pavement for Truck Access                           |
| Construction Costs                      | \$14,000,000 |   |
| FF&E                                    | \$3,100,700  |   |
| Total                                   | \$27,380,700 |   |











**Projected H2O usage for Big Creek Travel Plaza**

|              | Burger              | Asian           | Starbucks       | Taco Johns      | Travel Plaza     | Hotel            | Total                |
|--------------|---------------------|-----------------|-----------------|-----------------|------------------|------------------|----------------------|
| Jan          | 24,000              | 25,000          | 19,000          | 19,000          | 121,500          | 225,000          | 433,500              |
| Feb          | 20,000              | 22,000          | 18,000          | 18,000          | 111,375          | 190,000          | 379,375              |
| Mar          | 25,000              | 28,000          | 23,000          | 23,000          | 151,875          | 250,000          | 500,875              |
| Apr          | 24,000              | 26,000          | 20,000          | 20,000          | 151,875          | 225,000          | 466,875              |
| May          | 29,000              | 36,000          | 26,000          | 26,000          | 182,250          | 250,000          | 549,250              |
| Jun          | 44,000              | 52,000          | 38,000          | 38,000          | 212,625          | 300,000          | 684,625              |
| Jul          | 46,000              | 54,000          | 41,000          | 41,000          | 212,625          | 325,000          | 719,625              |
| Aug          | 46,000              | 54,000          | 41,000          | 41,000          | 212,625          | 325,000          | 719,625              |
| Sep          | 44,000              | 52,000          | 37,000          | 37,000          | 192,375          | 300,000          | 662,375              |
| Oct          | 25,000              | 28,000          | 23,000          | 23,000          | 162,000          | 250,000          | 511,000              |
| Nov          | 24,000              | 27,000          | 19,000          | 19,000          | 141,750          | 225,000          | 455,750              |
| Dec          | 24,000              | 27,000          | 18,000          | 18,000          | 121,500          | 225,000          | 433,500              |
| <b>Total</b> | <b>375,000</b>      | <b>431,000</b>  | <b>323,000</b>  | <b>323,000</b>  | <b>1,974,375</b> | <b>3,090,000</b> | <b>6,516,375</b>     |
|              | <b>One 2" Meter</b> | <b>2" Meter</b> | <b>2" Meter</b> | <b>2" Meter</b> | <b>2" Meter</b>  | <b>2" Meter</b>  | <b>5 - 2" Meters</b> |

**Waste Water**

The expected composition of the waste water for the proposed development will be residential and light commercial in nature. The residential composition is anticipated for the hotels, while the light commercial usage would be expected for the other amenities.

# Usage Report

From: 01/01/2014 Through: 12/31/2014

Sorted By: Account Number

For 3838

| Location No         | Acct No.   | Name     | Service Address      |            |         | Route                      |            |           | Prior Date | Prior Read | Current Date | Current Read       |         |
|---------------------|------------|----------|----------------------|------------|---------|----------------------------|------------|-----------|------------|------------|--------------|--------------------|---------|
| Meter No.           | Change Out | Size     | Service              | Tran Date  | Measure | Act Usage                  | Bill Usage | Adj Usage | Adj Amt    | Charges    |              |                    |         |
| 172540              | 3838       |          | WWS INC.-COMFORT INN |            |         | 2225 S RANGE - COMFORT INN |            |           | 02         |            |              |                    |         |
| 71884730            |            | 2" METER | WATER                | 01/31/2014 | Gallons | 78267.                     | 78267.     | 0.        | 0.00       | 165.50     | 12/20/2013   | 1087204 01/20/2014 | 1165471 |
| 71884730            |            | 2" METER | WATER                | 02/28/2014 | Gallons | 81479.                     | 81479.     | 0.        | 0.00       | 168.56     | 01/20/2014   | 1165471 02/20/2014 | 1246950 |
| 71884730            |            | 2" METER | WATER                | 03/31/2014 | Gallons | 70226.                     | 70226.     | 0.        | 0.00       | 157.86     | 02/20/2014   | 1246950 03/20/2014 | 1317176 |
| 71884730            |            | 2" METER | WATER                | 04/30/2014 | Gallons | 89386.                     | 89386.     | 0.        | 0.00       | 176.07     | 03/20/2014   | 1317176 04/21/2014 | 1406562 |
| 71884730            |            | 2" METER | WATER                | 05/31/2014 | Gallons | 92524.                     | 92524.     | 0.        | 0.00       | 179.05     | 04/21/2014   | 1406562 05/20/2014 | 1499086 |
| 71884730            |            | 2" METER | WATER                | 06/30/2014 | Gallons | 103265.                    | 103265.    | 0.        | 0.00       | 189.25     | 05/20/2014   | 1499086 06/20/2014 | 1602351 |
| 71884730            |            | 2" METER | WATER                | 07/31/2014 | Gallons | 108673.                    | 108673.    | 0.        | 0.00       | 194.39     | 06/20/2014   | 1602351 07/21/2014 | 1711024 |
| 71884730            |            | 2" METER | WATER                | 08/31/2014 | Gallons | 125301.                    | 125301.    | 0.        | 0.00       | 210.19     | 07/21/2014   | 1711024 08/20/2014 | 1836325 |
| 71884730            |            | 2" METER | WATER                | 09/30/2014 | Gallons | 94884.                     | 94884.     | 0.        | 0.00       | 181.29     | 08/20/2014   | 1836325 09/19/2014 | 1931209 |
| 71884730            |            | 2" METER | WATER                | 10/31/2014 | Gallons | 104321.                    | 104321.    | 0.        | 0.00       | 190.25     | 09/19/2014   | 1931209 10/20/2014 | 2035530 |
| 71884730            |            | 2" METER | WATER                | 11/30/2014 | Gallons | 91485.                     | 91485.     | 0.        | 0.00       | 178.06     | 10/20/2014   | 2035530 11/20/2014 | 2127015 |
| 71884730            |            | 2" METER | WATER                | 12/31/2014 | Gallons | 84998.                     | 84998.     | 0.        | 0.00       | 171.90     | 11/20/2014   | 2127015 12/19/2014 | 2212013 |
| 71897374            |            | 2" METER | WATER 2              | 01/31/2014 | Gallons | 190401.                    | 190401.    | 0.        | 0.00       | 272.03     | 12/20/2013   | 2237328 01/20/2014 | 2427729 |
| 71897374            |            | 2" METER | WATER 2              | 02/28/2014 | Gallons | 156755.                    | 156755.    | 0.        | 0.00       | 240.07     | 01/20/2014   | 2427729 02/20/2014 | 2584484 |
| 71897374            |            | 2" METER | WATER 2              | 03/31/2014 | Gallons | 159762.                    | 159762.    | 0.        | 0.00       | 242.92     | 02/20/2014   | 2584484 03/20/2014 | 2744246 |
| 71897374            |            | 2" METER | WATER 2              | 04/30/2014 | Gallons | 181039.                    | 181039.    | 0.        | 0.00       | 263.14     | 03/20/2014   | 2744246 04/21/2014 | 2925285 |
| 71897374            |            | 2" METER | WATER 2              | 05/31/2014 | Gallons | 181915.                    | 181915.    | 0.        | 0.00       | 263.97     | 04/21/2014   | 2925285 05/20/2014 | 3107200 |
| 71897374            |            | 2" METER | WATER 2              | 06/30/2014 | Gallons | 191291.                    | 191291.    | 0.        | 0.00       | 272.88     | 05/20/2014   | 3107200 06/20/2014 | 3298491 |
| 71897374            |            | 2" METER | WATER 2              | 07/31/2014 | Gallons | 233697.                    | 233697.    | 0.        | 0.00       | 313.16     | 06/20/2014   | 3298491 07/21/2014 | 3532188 |
| 71897374            |            | 2" METER | WATER 2              | 08/31/2014 | Gallons | 220287.                    | 220287.    | 0.        | 0.00       | 300.42     | 07/21/2014   | 3532188 08/20/2014 | 3752475 |
| 71897374            |            | 2" METER | WATER 2              | 09/30/2014 | Gallons | 164437.                    | 164437.    | 0.        | 0.00       | 247.37     | 08/20/2014   | 3752475 09/19/2014 | 3916912 |
| 71897374            |            | 2" METER | WATER 2              | 10/31/2014 | Gallons | 158048.                    | 158048.    | 0.        | 0.00       | 241.30     | 09/19/2014   | 3916912 10/20/2014 | 4074960 |
| 71897374            |            | 2" METER | WATER 2              | 11/30/2014 | Gallons | 171883.                    | 171883.    | 0.        | 0.00       | 254.44     | 10/20/2014   | 4074960 11/20/2014 | 4246843 |
| 71897374            |            | 2" METER | WATER 2              | 12/31/2014 | Gallons | 125614.                    | 125614.    | 0.        | 0.00       | 210.48     | 11/20/2014   | 4246843 12/19/2014 | 4372457 |
| <b>Grand Totals</b> |            |          | WATER                |            | Gallons | 1124809.                   | 1124809.   | 0.        | 0.00       | 2162.37    |              |                    |         |
|                     |            |          | WATER 2              |            | Gallons | 2135129.                   | 2135129.   | 0.        | 0.00       | 3122.18    |              |                    |         |

|                                | Jan        | Feb        | Mar        | Apr        | May        | Jun        | Jul        | Aug        | Sep        | Oct        | Nov        | Dec        |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Burger Transactions            | 58         | 60         | 65         | 65         | 73         | 87         | 92         | 84         | 71         | 73         | 67         | 69         |
| Asian Transactions             | 34         | 37         | 44         | 42         | 54         | 63         | 67         | 64         | 56         | 57         | 49         | 50         |
| Taco Transactions              | 47         | 45         | 50         | 50         | 56         | 63         | 69         | 65         | 60         | 60         | 52         | 56         |
| Coffee Transactions            | 81         | 89         | 105        | 100        | 113        | 142        | 145        | 137        | 117        | 121        | 117        | 129        |
| <b>Total Food Transactions</b> | <b>219</b> | <b>231</b> | <b>264</b> | <b>257</b> | <b>295</b> | <b>355</b> | <b>374</b> | <b>351</b> | <b>303</b> | <b>311</b> | <b>284</b> | <b>304</b> |
| Food Traffic Total             | 55         | 58         | 66         | 64         | 74         | 89         | 93         | 88         | 76         | 78         | 71         | 76         |
| Hotel Traffic                  | 20         | 16         | 25         | 22         | 29         | 33         | 36         | 34         | 26         | 25         | 26         | 27         |
| Staff Traffic                  | 30         | 26         | 32         | 35         | 40         | 50         | 55         | 48         | 35         | 38         | 38         | 42         |
| Gas Traffic                    | 310        | 278        | 434        | 349        | 494        | 581        | 721        | 582        | 407        | 389        | 403        | 455        |
| Daily Auto Average             | 415        | 378        | 557        | 470        | 637        | 753        | 905        | 752        | 544        | 529        | 539        | 600        |
| Daily Semi Average             | 37         | 33         | 51         | 41         | 58         | 69         | 85         | 69         | 48         | 46         | 48         | 54         |
| Monthly Auto Total             | 12862      | 10592      | 17263      | 14095      | 19743      | 22576      | 28061      | 23300      | 16308      | 16407      | 16160      | 18593      |
| Monthly Semi Total             | 1135       | 921        | 1591       | 1237       | 1809       | 2060       | 2641       | 2133       | 1442       | 1425       | 1430       | 1666       |

### Big Creek Travel Center Estimated Monthly Traffic Counts

**TAX INCREMENT FINANCING REVENUE STUDY  
PROPOSED MIXED-USE COMMERCIAL DEVELOPMENT  
INTERSTATE 70 AND 230<sup>th</sup> AVENUE  
ELLIS COUNTY, KANSAS**

November 2014

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# **CANYON RESEARCH SOUTHWEST, INC.**

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COMMERCIAL REAL ESTATE RESEARCH AND ANALYSIS

**TAX INCREMENT FINANCING REVENUE STUDY  
PROPOSED MIXED-USE COMMERCIAL DEVELOPMENT  
INTERSTATE 70 AND 230<sup>th</sup> AVENUE  
ELLIS COUNTY, KANSAS**

November 2014

Prepared for:

NWK Investments, LLC  
1965 Thielen Avenue  
Colby, KS 67701

Prepared by:

Canyon Research Southwest, Inc.  
475 Ellicott Street, Suite 301  
Buffalo, NY 14203

PR# 14-09-04

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# CANYON RESEARCH SOUTHWEST, INC.

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COMMERCIAL REAL ESTATE RESEARCH AND ANALYSIS

November 3, 2014

Mike Woofter  
NWK Investments, LLC  
1965 Thielen Avenue  
Colby, KS 67701

RE: Tax Increment Financing Revenue Study  
Interstate 70 and 230<sup>th</sup> Avenue; Ellis County, Kansas

Mike;

Tax Increment Financing ("TIF") is being sought to assist with financing eligible project costs associated with development of for a 22.35-acre mixed-use project to be located approximately ¼-mile north of Interstate 70 on the west side of 230<sup>th</sup> Avenue in unincorporated Ellis County, Kansas. The Project Area is designed for a hotel with meeting space, truck stop, restaurants and retail shop space. Plans call for annexing the property into the City of Hays, Kansas. A Community Improvement District ("CID") is also proposed to assist in funding eligible project costs.

The attached report provides incremental TIF and CID revenue estimates generated by the planned development through maturity of the proposed TIF Plan.

Upon review of the report, should any questions arise or additional information requested, contact me directly at (716) 551-0655.

Respectfully submitted,

**CANYON RESEARCH SOUTHWEST, INC.**

Eric S. Lander, Principal

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## SUMMARY OF MAJOR FINDINGS

Tax Increment Financing (“TIF”) and a Community Improvement District (“CID”) are being sought to assist with financing eligible project costs associated with development of a 22.35-acre mixed-use project to be located approximately ¼-mile north of Interstate 70 on the west side of 230<sup>th</sup> Avenue in unincorporated Ellis County, Kansas. Plans call for annexing the property into the City of Hays, Kansas. The Project Area is designed for a hotel with meeting space, truck stop, restaurants and retail shop space.

Canyon Research Southwest, Inc. has prepared the enclosed *TIF Revenue Study* that forecasts incremental real property tax and sales tax revenues generated by the proposed TIF Plan as well as CID sales tax revenues. The major report findings are summarized below.

### Tax Increment Financing Revenue

Tax Increment Financing (“TIF”) is designed to assist in the reimbursement of eligible project costs related to the proposed Project Area. The TIF Act defines the types of revenues that can be captured to pay for TIF-eligible costs. These TIF revenues are:

- 100 percent of the incremental real property taxes generated by the tax rates of all property tax jurisdictions within the Project Area;
- 100 percent of the incremental sales taxes generated within the Project Area by the City of Hays and Ellis County; and
- Community Improvement District (“CID”) sales tax levy of 2.0 percent.

As illustrated by the table on the following page, throughout the 20-year maturity of the TIF Plan the Project Area is estimated to generate approximately \$15.5 million in incremental TIF revenue. Sources of TIF funds include \$7.4 million in real property taxes and \$8.1 million in retail sales taxes. In addition, throughout maturity of the TIF Plan the Project Area is estimated to generate approximately \$7.2 million in CID revenues. Collectively, the TIF and CID are estimated to generate a total of \$22.6 million in incremental tax revenues.

The USD 489 currently collects \$15.76 per year in real property taxes from the subject property. At the current real property assessment and mill levy, without approval of the TIF Plan and development of the proposed project, over the next twenty years the USD 489 is estimated to collect real property tax revenues totaling approximately \$315. Conversely, approval of the TIF Plan and development of the proposed project is estimated to net the USD 489 approximately \$1.65 million in real property tax revenues throughout the 20-year maturity of the TIF Plan.

*These TIF revenue projections were based on current market conditions and tax rates, and represents estimates only. Information was obtained from the client, Ellis County and the City of Hays, Kansas and is deemed to be reliable and accurate.*

**Summary of Estimated TIF and CID Revenues  
Proposed Mixed-Use Development in Ellis County, Kansas**

| Year          | TIF Revenue Generated |                    | CID Revenues       | Total Revenues      |
|---------------|-----------------------|--------------------|--------------------|---------------------|
|               | Real Property         | Retail Sales       |                    |                     |
| 2016          | \$0                   | \$203,288          | \$180,700          | \$383,988           |
| 2017          | \$317,017             | \$228,336          | \$202,965          | \$748,317           |
| 2018          | \$323,358             | \$354,607          | \$315,207          | \$993,171           |
| 2019          | \$337,394             | \$361,699          | \$321,511          | \$1,020,604         |
| 2020          | \$344,143             | \$368,933          | \$327,941          | \$1,041,017         |
| 2021          | \$351,026             | \$376,312          | \$334,500          | \$1,061,838         |
| 2022          | \$358,047             | \$383,838          | \$341,190          | \$1,083,075         |
| 2023          | \$365,209             | \$391,515          | \$348,013          | \$1,104,737         |
| 2024          | \$372,514             | \$399,345          | \$354,974          | \$1,126,833         |
| 2025          | \$379,964             | \$407,332          | \$362,073          | \$1,149,370         |
| 2026          | \$387,564             | \$415,479          | \$369,315          | \$1,172,358         |
| 2027          | \$395,316             | \$423,789          | \$376,701          | \$1,195,806         |
| 2028          | \$403,223             | \$432,264          | \$384,235          | \$1,219,723         |
| 2029          | \$411,288             | \$440,910          | \$391,920          | \$1,244,118         |
| 2030          | \$419,515             | \$449,728          | \$399,758          | \$1,269,001         |
| 2031          | \$427,906             | \$458,722          | \$407,753          | \$1,294,381         |
| 2032          | \$436,464             | \$467,897          | \$415,908          | \$1,320,269         |
| 2033          | \$445,194             | \$477,255          | \$424,226          | \$1,346,675         |
| 2034          | \$454,099             | \$486,800          | \$432,711          | \$1,373,610         |
| 2035          | \$463,181             | \$496,536          | \$441,365          | \$1,401,082         |
| 2036          | \$0                   | \$42,206           | \$37,516           | \$79,722            |
| <b>Totals</b> | <b>\$7,392,422</b>    | <b>\$8,066,791</b> | <b>\$7,170,481</b> | <b>\$22,629,694</b> |

**TAX INCREMENT FINANCING REVENUE STUDY  
PROPOSED MIXED-USE COMMERCIAL DEVELOPMENT  
INTERSTATE 70 AND 230<sup>th</sup> AVENUE  
ELLIS COUNTY, KANSAS**

November 2014

# INTRODUCTION

## Study Objective and Organization

Tax Increment Financing (“TIF”) and a Community Improvement District (“CID”) are being sought to assist with financing eligible project costs associated with development of a 22.35-acre mixed-use project to be located approximately ¼-mile north of Interstate 70 on the west side of 230<sup>th</sup> Avenue in unincorporated Ellis County, Kansas. The Project Area is designed for a hotel with meeting space, truck stop, restaurants and retail shop space.

This study provides incremental real property tax and retail sales tax revenue estimates generated by the Project Area throughout the statutory 20-year life of the proposed TIF Plan. The incremental tax revenues were determined by projecting the annual real property tax and retail sales tax revenues and, then subtracting base year revenues. The base revenues were estimated in the calendar year immediately prior to approval of the TIF Plan. These pre-TIF revenues continue to accrue to all jurisdictions as before; they are not subject to capture for TIF. Community Improvement District (“CID”) revenues in the form of a 2.0 percent sales tax levy were also estimated throughout maturity of the TIF Plan.

## Development Plan

The Project Area consists of a 22.35-acre site located approximately ¼-mile north of Interstate 70 on the west side of 230<sup>th</sup> Avenue in unincorporated Ellis County, Kansas. Plans call for annexing the property into the City of Hays, Kansas. The Project Plan is designed for five building sites accommodating a hotel with meeting space, truck stop, restaurants and retail shops.

Building #1 is designed for a 15,000 square foot commercial building housing a convenience store with a fuel desk, prep kitchen, storage and restrooms. The building will also house a 2,000 square foot Starbucks. Alternatives for the Starbucks include occupying a freestanding building or an end cap space in Building #3. Both options would include a drive-thru.

Building #2 will accommodate the construction of an 88-room hotel featuring a small bistro and bar, meeting space for up to 200 people, a small business center, fitness center and outdoor pool.

Building #3 will consist of up to 10,000 square feet of retail shop space. Two casual restaurants have committed to occupying between 1,800 and 2,200 square feet of space each, including an Asian Fusion concept and a Better Burger concept. The remaining retail shop space will be subdivided and leased to retail or service businesses.

Building #4 is designed for a 1,500 square foot freestanding Taco Johns restaurant.

The final project component will be a freestanding pad site designed to accommodate a full-service restaurant. While no building will be constructed, all utilities will be extended to the site. The pad site is designed to accommodate a 10,000 square foot building.

# TIF REVENUE PROJECTIONS

Tax Increment Financing (“TIF”) is being sought to assist with financing eligible project costs associated with developing a 22.35-acre site located approximately ¼-mile north of Interstate 70 on the west side of 230<sup>th</sup> Avenue in unincorporated Ellis County, Kansas. This section of the report forecasts incremental TIF and CID revenue generated by the Project Area through maturity of the proposed TIF Plan.

## Methodology for Forecasting TIF Revenues

The Kansas Tax Increment Financing Act permits cities to establish Redevelopment Districts and carry out redevelopment projects within such districts. Sections 12-1770 through 12-1780a of the Kansas Statutes provide a means for cities to finance infrastructure improvements and land acquisition costs with incremental real estate taxes and sales tax revenues. These TIF-eligible costs can be reimbursed one of two ways: (1) with “pay-as-you-go” reimbursement as the additional tax revenues come in from year to year or (2) from bonds sold at the beginning of the project and paid off using annual tax revenues.

The purpose of the TIF Act is to “promote, stimulate and develop the general and economic welfare of the State of Kansas and its communities and to assist in the development and redevelopment of eligible areas within and without a city thereby promoting the general welfare of the citizens of this state.” The TIF Act requires projects to be completed within 20 years from the date of the approval of a project plan.

Certain eligible expenses associated with the proposed Project Area will be funded through use of Tax Increment Financing (“TIF”). The TIF Act defines the types of revenues that can be captured to pay for TIF-eligible costs. These TIF revenues are:

- 100 percent of the incremental real property taxes generated by the tax rates of all property tax jurisdictions within the Project Area;
- 100 percent of the incremental sales taxes generated within the Project Area by the City of Hays and Ellis County.
- Community Improvement District (“CID”) sales tax levy of 2.0 percent.

The incremental revenues from real property taxes and local sales taxes are determined by projecting the annual tax revenues from these sources and, then, subtracting a base year amount of revenues that were generated within the Project Area in the calendar year immediately prior to approval of the TIF Plan. These pre-TIF revenues continue to accrue to all jurisdictions as before; they are not subject to capture for TIF.

## Real Property Taxes

The TIF Plan will make available incremental real property taxes for use to reimburse eligible project costs on an as-collected basis or to retire bonds or other obligations that may be issued. The TIF revenues would apply to all taxing districts (i.e., county, school district, roads, etc.), unless an exception was made. The incremental real property tax revenues to be captured by the TIF Plan include all revenues generated by the future assessed value of the Project Area above the base year. The Project Area is part of a larger 488-acre landholding. The January 1, 2014 assessed value for the entire property was reported by the Ellis County Appraiser's Office at \$7,421, or \$15.21 per acre. On a pro-rata basis, the assessed valuation for the Project Area is estimated at \$340.

### Project Area Estimated Base Year Assessed Valuation

| Tax Parcel ID                                  | Appraised Value | Assessed Value |
|--|-----------------|----------------|
| 026-133-08-0-00-00-001.07-0                    | \$11,960        | \$2,990        |
| 026-134-18-0-00-00-001.01-0                    | \$4,380         | \$1,314        |
| 026-134-18-0-00-00-003.00-0                    | \$2,810         | \$843          |
| 026-139-30-0-00-00-016.02-0                    | \$7,580         | \$2,274        |
| <b>Totals</b>                                  | <b>\$26,730</b> | <b>\$7,421</b> |
| Assessed Value Per Acre                        |                 | \$15.21        |
| <b>Project Area's Estimated Assessed Value</b> |                 | <b>\$340</b>   |

Source: Ellis County Appraiser's Office.

Property tax rates may be adjusted every year. Because any future adjustments that may occur are unknown, including an increase or decrease in tax levies due to voter approval, to remain conservative the 2013 Mill Levy rates are used to project future real property tax revenues. The table below summarizes the Project Area's TIF-eligible mill levy rates. Applying the estimated 2014 assessed value for the Project Area of \$340 by the TIF-eligible 2013 mill levy rate of 89.704 per \$1,000 of assessed value yields base year real property taxes of \$31 (rounded).

### TIF-Eligible Real Property Mill Levy Rates; 2013

| Taxing District             | Mill Rate      | TIF Captured  | TIF Ineligible |
|-----------------------------|----------------|---------------|----------------|
| State of Kansas             | 1.500          | 0.000         | 1.500          |
| Ellis County                | 34.232         | 34.232        | 0.000          |
| City of Hays, Kansas        | 25.360         | 25.360        | 0.000          |
| Unified School District 489 | 46.361         | 26.361        | 20.000         |
| Recreation Commission       | 3.751          | 3.751         | 0.000          |
| <b>Totals</b>               | <b>111.204</b> | <b>89.704</b> | <b>21.500</b>  |

Source: Hays County Treasurer.

## **Sales Taxes**

According to the TIF Act, only the City and County retail sales tax rates are subject to TIF capture. Therefore, sales taxes levied by the City of Hays and Ellis County are eligible for the retirement of TIF bonds.

Taxable retail sales generated by businesses operating in the Project Area are subject to a sales tax rate of 8.40 percent consisting of 6.15 percent for the State of Kansas, 0.50 percent for Ellis County and 1.75 percent for the City of Hays. The State of Kansas sales tax rate of 6.15 percent is exempt from TIF capture.

The City of Hays' sales rate is 1.75 percent, comprised of 1.25 percent to the General Fund and 0.5 percent to a water exploration reserve fund. The General Fund services include, police, fire, parks, IT, dispatch, municipal court, public works, City Clerk/Finance and so on.

In May 2013, Ellis County voters approved a sales tax rate of 0.50 percent. The sales tax went into effect in October 2013 and will fund two projects, a new combined Emergency Medical Services/Rural Fire building, and safety and security improvements to the Ellis County jail and courthouse. The sales tax will sunset in five years, or when the project is paid off, whichever comes first. Total costs, with interest, are estimated at \$14.3 million dollars.

The state's TIF statute does allow the governing body to decide what if any of the local sales tax could be captured for the TIF district. For the purpose of this report the combined City of Hays and Ellis County sales tax rate of 2.25 percent was applied when estimating incremental sales tax revenue generated by the Project Area and captured under the proposed TIF Plan.

The incremental retail sales taxes generated by the TIF Plan for use in retirement of TIF bond obligations is determined by subtracting the base year retail sales taxes from the new level of taxation generated by the Project Area. The Project Area is currently vacant land and does not support commercial development. Therefore, this report used base year taxable retail sales of \$0.

## **Community Improvement District**

A Community Improvement District ("CID") is also being proposed to assist in funding eligible project costs. For the purpose of this report the CID sales tax levy has been set at 2.0 percent.

## **Timing of TIF Revenues**

The TIF Act authorizes the capture of TIF revenues for a period of 20 years from the date of the ordinance adopting or activating the TIF Plan. The initial phase of the Project Plan is tentatively scheduled to open by February 2016, including Buildings 1-4. The restaurant pad will have all site work in place and marketed to national restaurant chains. A sit-down restaurant is anticipated to open by early 2018.

For the purpose of this report TIF revenue generated by the Project Area were estimated from February 1, 2016 through January 30, 2036.

## **TIF Revenue Estimates**

Based on the assumptions discussed in the prior section of the report, TIF and CID revenues are estimated for the Project Area throughout the statutory 20-year life of the TIF Plan.

### **Real Estate Property Taxes**

Tax Increment Financing involves the creation of an increment (increase over a base year) in the real estate taxes that are generated from a defined geographic area of a community. Upon establishment of a redevelopment district, the total assessed value of all taxable real estate within the district is determined. This valuation is referred to as the district's base year "Original Assessed Value." Property taxes attributable to the district's Original Assessed Value are annually collected and distributed by the county treasurer to the appropriate city, county, school district, and all other taxing subdivisions in the same manner as other property taxes.

As new development occurs within the redevelopment district, the total assessed valuation of the district in any given year will presumably exceed its base year Original Assessed Value. Property tax revenue generated by applying the sum of the property tax rates of all TIF-eligible taxing subdivisions to the increase in assessed value over and above the base year Original Assessed Value is referred to as the "tax increment." All tax increment is collected by the county and distributed to the city to be deposited in a TIF fund.

The TIF Plan calls for development of the Project Area with an 88-room hotel with meeting space, truck stop, restaurants and retail shop space. The cost to construct all the project components is estimated at \$13.7 million to \$21.8 million, excluding site work and infrastructure. This section of the report provides incremental real property tax revenue forecasts throughout the statutory 20-year life of the TIF Plan.

The appraised valuation of real property in Ellis County is established on January 1<sup>st</sup> of each year. According to the Ellis County Appraiser the Project Area's January 1, 2014 appraised value is estimated at \$26,730. This appraised value is for vacant land only. Upon completion during 2016 of the proposed commercial structures the County Appraiser will re-assess the property as of January 1, 2017 to account for the new improvements. The County Appraiser arrives at a real property's appraised value by estimating the replacement cost new, less depreciation. A commercial property's assessed valuation is then calculated by multiplying the appraised value by an assessment ratio of 25 percent.

Based on development cost estimates provided by the client as well as consulting RS Means and Marshall Valuation Services, upon completion the total appraised valuation for January 1, 2017 is conservatively estimated at \$3.0 million for Building #1 (Convenience store and Starbucks); \$8.8 million for Building #2 consisting of the hotel and meeting space; \$2.0 million for Building #3 (10,000 square foot of retail shops) and \$337,500 for Taco Johns. The January 1, 2017 appraised valuation for the Project Area upon completion of the commercial structures proposed for Phase 1 is estimated at \$14,137,500.

The assessment ratio in Ellis County is 25 percent for commercial and industrial property, yielding a January 1, 2017 assessed valuation for the Project Area of \$3,534,375. At a TIF-eligible Mill Levy of 89.704 per \$1,000 in assessed valuation and base year real property taxes of \$27, the incremental increase in real property taxes for 2017 is estimated at \$317,021.

Real property in Kansas is appraised every year. From 1994 through 2013 the Consumer Price Index (CPI) rose at an average annual rate of 2.425 percent. This report assumes that the Project Area's assessed valuation will appreciate at a conservative annualized rate of 2.0 percent through maturity of the TIF Plan. A property's assessed value can only be determined by the Ellis County Appraiser, therefore, the estimates of future assessed valuation concluded to in this report will likely vary from actual future assessments.

The freestanding full-service restaurant is anticipated to open in early 2018 and be re-assessed on January 1, 2019 for \$2.25 million. The January 1, 2019 assessed valuation of the Project Area is estimated at \$3,761,539, yielding an incremental increase of real property taxes of \$337,398.

As illustrated by the table on the following page, throughout the statutory 20-year maturity of the TIF Plan total incremental real property tax revenues are estimated at approximately \$7.4 million. For the purpose of this study the TIF Plan matures on January 30, 2036. The real property taxes resulting from the January 1, 2036 assessment won't be levied and collected until after the TIF Plan matures, so as a result the 2036 real property tax revenues were omitted for 2036.

The 2013 real property tax levy for the USD 489 is 46.361 per \$1,000 in assessed valuation. Of the current mill levy, 26.361 Mills per \$1,000 in assessed valuation are eligible for TIF capture. Based on the subject property's current assessed valuation of \$340, the USD 489 collects approximately \$15.76 per year in real property taxes from the subject property. At the current real property assessment and mill levy, without approval of the TIF Plan and development of the proposed project over the next twenty years the USD 489 is estimated to collect real property tax revenues totaling approximately \$315. Conversely, approval of the TIF Plan and development of the proposed project is estimated to net the USD 489 approximately \$1.65 million in real property tax revenues throughout the 20-year maturity of the TIF Plan.

### Estimated Incremental Real Property Tax Revenues

| Year          | Base Year Property Taxes | Total New Assessed Value | TIF-Eligible Property Tax Rate | New Property Taxes | TIF-Eligible Incremental Property Taxes | Taxes Allocated to USD 489 With TIF | Taxes Allocated to USD 489 With Out TIF |
|---------------|--------------------------|--------------------------|--------------------------------|--------------------|---|-------------------------------------|---|
| 2016          | \$31                     | \$340                    | \$0.089704                     | \$31               | \$0                                     | \$7                                 | \$16                                    |
| 2017          | \$31                     | \$3,534,375              | \$0.089704                     | \$317,048          | \$317,017                               | \$70,688                            | \$16                                    |
| 2018          | \$31                     | \$3,605,063              | \$0.089704                     | \$323,389          | \$323,358                               | \$72,101                            | \$16                                    |
| 2019          | \$31                     | \$3,761,539              | \$0.089704                     | \$337,425          | \$337,394                               | \$75,231                            | \$16                                    |
| 2020          | \$31                     | \$3,836,770              | \$0.089704                     | \$344,174          | \$344,143                               | \$76,735                            | \$16                                    |
| 2021          | \$31                     | \$3,913,505              | \$0.089704                     | \$351,057          | \$351,026                               | \$78,270                            | \$16                                    |
| 2022          | \$31                     | \$3,991,775              | \$0.089704                     | \$358,078          | \$358,047                               | \$79,836                            | \$16                                    |
| 2023          | \$31                     | \$4,071,611              | \$0.089704                     | \$365,240          | \$365,209                               | \$81,432                            | \$16                                    |
| 2024          | \$31                     | \$4,153,043              | \$0.089704                     | \$372,545          | \$372,514                               | \$83,061                            | \$16                                    |
| 2025          | \$31                     | \$4,236,104              | \$0.089704                     | \$379,995          | \$379,964                               | \$84,722                            | \$16                                    |
| 2026          | \$31                     | \$4,320,826              | \$0.089704                     | \$387,595          | \$387,564                               | \$86,417                            | \$16                                    |
| 2027          | \$31                     | \$4,407,242              | \$0.089704                     | \$395,347          | \$395,316                               | \$88,145                            | \$16                                    |
| 2028          | \$31                     | \$4,495,387              | \$0.089704                     | \$403,254          | \$403,223                               | \$89,908                            | \$16                                    |
| 2029          | \$31                     | \$4,585,295              | \$0.089704                     | \$411,319          | \$411,288                               | \$91,706                            | \$16                                    |
| 2030          | \$31                     | \$4,677,001              | \$0.089704                     | \$419,546          | \$419,515                               | \$93,540                            | \$16                                    |
| 2031          | \$31                     | \$4,770,541              | \$0.089704                     | \$427,937          | \$427,906                               | \$95,411                            | \$16                                    |
| 2032          | \$31                     | \$4,865,952              | \$0.089704                     | \$436,495          | \$436,464                               | \$97,319                            | \$16                                    |
| 2033          | \$31                     | \$4,963,271              | \$0.089704                     | \$445,225          | \$445,194                               | \$99,265                            | \$16                                    |
| 2034          | \$31                     | \$5,062,536              | \$0.089704                     | \$454,130          | \$454,099                               | \$101,251                           | \$16                                    |
| 2035          | \$31                     | \$5,163,787              | \$0.089704                     | \$463,212          | \$463,181                               | \$103,276                           | \$16                                    |
| <b>Totals</b> |                          |                          |                                | <b>\$7,393,042</b> | <b>\$7,392,422</b>                      | <b>\$1,648,319</b>                  | <b>\$315</b>                            |

Source: Canyon Research Southwest, Inc.; November 2014.

## Retail Sales Taxes

This section of the report provides incremental retail sales tax estimates generated by the Project Area through maturity of the TIF Plan. For the purpose of this report the combined City of Hays and Ellis County sales tax rate of 2.25 percent was applied when estimating incremental sales tax revenue generated by the Project Area and captured under the proposed TIF Plan. Base year taxable retail sales for the Project Area are estimated at \$0.

Retail sales generators for the Project Area include a convenience store, hotel, restaurants and shops space. Taxable retail and lodging sales were estimated for the Project Area were based on several sources, including:

1. *Dollars & Cents of Shopping Centers* published by the Urban Land Institute;
2. Sales data published by the International Council of Shopping Centers;
3. National Retail Federation's *Top 100 Retailers 2014*;
4. Competitive hotel operating results provided by Smith Travel Research;
5. *Nation's Restaurant News Top 100*;
6. Sales data published by publicly-held retailers; and
7. Consultant's internal database.

The 13,000 square foot convenience store and 2,000 square foot Starbucks housed in Building #1 is scheduled to open by February 2016. According to the National Association of Convenience Stores (NACS), the average new convenience store is 3,590 square feet. Based on reported sales by such convenience store chains as 7-Eleven and Circle K, first year taxable sales excluding fuel for the planned convenience store are estimated at \$125 per square foot, or approximately \$1.5 million. Convenience store sales are forecast at \$1.7 million in 2017 and stabilize in 2018 at \$1.95 million. First year sales for Starbucks are forecast at \$870,000, reaching \$988,280 by 2018.

Building #2 is designed for an 88-room hotel with a bistro and meeting space. The hotel is scheduled to open by February 2016 with stabilized occupancy estimated to require three years. Inclusive of room, food and beverage and meeting space revenues, gross taxable sales for the hotel are estimated at \$2.2 million in 2016, \$2.56 million in 2017, and \$2.75 million at stabilization in 2018.

Building #3 is scheduled to open by February 2016 designed for up to 10,000 square feet of building area housing retail shops and restaurants. According to Nation's Restaurant News, such national casual dining restaurant chains as Applebee's, Carrabba's Italian Grill, Chili's, Longhorn Steakhouse, Olive Garden, Outback Steakhouse, On the Border Mexican Cantina, Red Lobster, Red Robin, and Texas Roadhouse reported average store sales of \$2.4 to \$4.6 million, averaging approximately \$3.2 million, or \$465 to \$650 per square foot. Meanwhile, national fast

food restaurant chains as McDonalds, Wendy's, Burger King, Taco Bell, KFC, Pizza Hut and Arby's reported average store sales of \$724,000 to \$2.4 million, averaging approximately \$1.25 million, or \$375 per square foot. First-year taxable sales for the retail shops and restaurants in Building #3 are estimated to average \$400 per square foot, totaling \$3.67 million in Year 1.

Building #4 is designed for a 1,500 square foot Taco John's restaurant. The scheduled opening date is February 2016. First year sales are estimated at \$575 per square foot.

A freestanding building is designed for up to 10,000 square feet of sit-down restaurant space. The building is anticipated to open by early 2018. First-year taxable sales for the sit-down restaurant space are estimated to average \$500 per square foot, totaling \$5.0 million.

As outlined in the table below, the Project Area is forecast to generate taxable sales of approximately \$9.0 million in 2016; \$10.1 million in 2017 and \$15.8 million in 2018. Throughout maturity of the TIF Plan, annual retail sales for businesses operating within the Project Area are forecast to escalate at an average annual rate of 2.0 percent.

### Forecast Project Area Retail Sales

| Project Component          | Building Sq. Ft. | Hotel Rooms | Sales Per Sq. Ft. | 2016               | 2017                | 2018                |
|----------------------------|------------------|-------------|-------------------|--------------------|---------------------|---------------------|
| <b>Building #1</b>         |                  |             |                   |                    |                     |                     |
| Convenience Store          | 13,000           |             | \$125             | \$1,500,000        | \$1,657,500         | \$1,950,000         |
| Starbucks                  | 2,000            |             | \$475             | \$870,000          | \$969,000           | \$988,380           |
|                            |                  |             |                   |                    |                     |                     |
| <b>Building #2</b>         |                  |             |                   |                    |                     |                     |
| Hotel & Bistro             |                  | 88          |                   | \$2,200,000        | \$2,550,000         | \$2,750,000         |
| Meeting Space              |                  |             |                   | \$10,000           | \$12,000            | \$13,000            |
|                            |                  |             |                   |                    |                     |                     |
| <b>Building #3</b>         |                  |             |                   |                    |                     |                     |
| Retail Shops & Restaurants | 10,000           |             | \$400             | \$3,665,000        | \$4,080,000         | \$4,161,600         |
|                            |                  |             |                   |                    |                     |                     |
| <b>Building #4</b>         |                  |             |                   |                    |                     |                     |
| Taco Johns                 | 1,500            |             | \$575             | \$790,000          | \$879,750           | \$897,345           |
|                            |                  |             |                   |                    |                     |                     |
| Full-Service Restaurant    | 10,000           |             | \$500             |                    |                     | \$5,000,000         |
|                            |                  |             |                   |                    |                     |                     |
| <b>Total Taxable Sales</b> |                  |             |                   | <b>\$9,035,000</b> | <b>\$10,148,250</b> | <b>\$15,760,325</b> |

As outlined in the table on page 10, throughout the statutory 20-year maturity of the TIF Plan total incremental retail sales tax revenues generated by the Project Area are estimated at approximately \$8.1 million.

### Estimated Incremental Retail Sales Tax Revenues

| Year         | Base Year Retail Sales | Forecast New Retail Sales | Incremental Increase in Retail Sales | Ellis County 0.50% | City General 1.25% | City Water Exploration 0.50% | TIF-Eligible Incremental Sales Tax |
|--------------|------------------------|---------------------------|--------------------------------------|--------------------|--------------------|------------------------------|------------------------------------|
| 2016         | \$0                    | \$9,035,000               | \$9,035,000                          | \$45,175           | \$112,938          | \$45,175                     | \$203,288                          |
| 2017         | \$0                    | \$10,148,250              | \$10,148,250                         | \$50,741           | \$126,853          | \$50,741                     | \$228,336                          |
| 2018         | \$0                    | \$15,760,325              | \$15,760,325                         | \$78,802           | \$197,004          | \$78,802                     | \$354,607                          |
| 2019         | \$0                    | \$16,075,532              | \$16,075,532                         | \$80,378           | \$200,944          | \$80,378                     | \$361,699                          |
| 2020         | \$0                    | \$16,397,042              | \$16,397,042                         | \$81,985           | \$204,963          | \$81,985                     | \$368,933                          |
| 2021         | \$0                    | \$16,724,983              | \$16,724,983                         | \$83,625           | \$209,062          | \$83,625                     | \$376,312                          |
| 2022         | \$0                    | \$17,059,483              | \$17,059,483                         | \$85,297           | \$213,244          | \$85,297                     | \$383,838                          |
| 2023         | \$0                    | \$17,400,672              | \$17,400,672                         | \$87,003           | \$217,508          | \$87,003                     | \$391,515                          |
| 2024         | \$0                    | \$17,748,686              | \$17,748,686                         | \$88,743           | \$221,859          | \$88,743                     | \$399,345                          |
| 2025         | \$0                    | \$18,103,659              | \$18,103,659                         | \$90,518           | \$226,296          | \$90,518                     | \$407,332                          |
| 2026         | \$0                    | \$18,465,733              | \$18,465,733                         | \$92,329           | \$230,822          | \$92,329                     | \$415,479                          |
| 2027         | \$0                    | \$18,835,047              | \$18,835,047                         | \$94,175           | \$235,438          | \$94,175                     | \$423,789                          |
| 2028         | \$0                    | \$19,211,748              | \$19,211,748                         | \$96,059           | \$240,147          | \$96,059                     | \$432,264                          |
| 2029         | \$0                    | \$19,595,983              | \$19,595,983                         | \$97,980           | \$244,950          | \$97,980                     | \$440,910                          |
| 2030         | \$0                    | \$19,987,903              | \$19,987,903                         | \$99,940           | \$249,849          | \$99,940                     | \$449,728                          |
| 2031         | \$0                    | \$20,387,661              | \$20,387,661                         | \$101,938          | \$254,846          | \$101,938                    | \$458,722                          |
| 2032         | \$0                    | \$20,795,414              | \$20,795,414                         | \$103,977          | \$259,943          | \$103,977                    | \$467,897                          |
| 2033         | \$0                    | \$21,211,322              | \$21,211,322                         | \$106,057          | \$265,142          | \$106,057                    | \$477,255                          |
| 2034         | \$0                    | \$21,635,549              | \$21,635,549                         | \$108,178          | \$270,444          | \$108,178                    | \$486,800                          |
| 2035         | \$0                    | \$22,068,260              | \$22,068,260                         | \$110,341          | \$275,853          | \$110,341                    | \$496,536                          |
| 2036         | \$0                    | \$1,875,802               | \$1,875,802                          | \$9,379            | \$23,448           | \$9,379                      | \$42,206                           |
| <b>Total</b> |                        |                           |                                      |                    |                    |                              | <b>\$8,066,791</b>                 |

## CID Revenue Estimates

On April 23, 2009, H.B. 2324 was enacted, known as the Community Improvement District Act (CID Act). The CID Act permits the establishment of community improvement districts (CIDs and individually a CID) that create new revenue sources to finance real estate development. It confers powers for economic development purposes and any other purpose for which public money may be expended. A CID can be used to finance any "cost" of a "project." Under the CID Act, a "cost" means the cost of land, materials, labor, and other lawful expenses incurred in planning and doing any project, as well as costs to create the CID and employ "consultants" (including attorneys, financial advisors, engineers, and architects), and other administrative and preliminary expenses.

As an additional or alternative financing source, a municipality may impose a CID sales tax on sales within the CID. The amount of the CID sales tax may be in any increment of 0.10 percent or 0.25 percent, not to exceed 2 percent. As outlined in the table below, at a CID sales tax rate of 2.0 percent, throughout the statutory 20-year maturity of the TIF Plan total CID sales tax revenues generated by the Project Area are estimated at approximately \$7.2 million.

### Community Improvement District Sales Tax Revenues

| Year         | Forecast<br>Retail Sales | CID<br>Revenue<br>2.00% |
|--------------|--------------------------|-------------------------|
| 2016         | \$9,035,000              | \$180,700               |
| 2017         | \$10,148,250             | \$202,965               |
| 2018         | \$15,760,325             | \$315,207               |
| 2019         | \$16,075,532             | \$321,511               |
| 2020         | \$16,397,042             | \$327,941               |
| 2021         | \$16,724,983             | \$334,500               |
| 2022         | \$17,059,483             | \$341,190               |
| 2023         | \$17,400,672             | \$348,013               |
| 2024         | \$17,748,686             | \$354,974               |
| 2025         | \$18,103,659             | \$362,073               |
| 2026         | \$18,465,733             | \$369,315               |
| 2027         | \$18,835,047             | \$376,701               |
| 2028         | \$19,211,748             | \$384,235               |
| 2029         | \$19,595,983             | \$391,920               |
| 2030         | \$19,987,903             | \$399,758               |
| 2031         | \$20,387,661             | \$407,753               |
| 2032         | \$20,795,414             | \$415,908               |
| 2033         | \$21,211,322             | \$424,226               |
| 2034         | \$21,635,549             | \$432,711               |
| 2035         | \$22,068,260             | \$441,365               |
| 2036         | \$1,875,802              | \$37,516                |
| <b>Total</b> |                          | <b>\$7,170,481</b>      |

Source: Canyon Research Southwest, Inc.; November 2014.

## **Total TIF & CID Revenues**

The table below summarizes the incremental TIF and CID revenue estimates for the Project Area. Revenue sources include real property taxes and retail sales taxes. Throughout the statutory 20-year maturity of the TIF Plan, construction of a convenience store, restaurants, retail shops and hotel is estimated to generate approximately \$15.5 million in TIF revenues and \$7.2 million in CID sales tax revenues. Sources of TIF funds include \$7.4 million in real property taxes and \$8.1 million in retail sales taxes.

### **Estimated Incremental TIF Revenues**

| Year          | TIF Revenue Generated |                    |                    | Total Revenues      |
|---------------|-----------------------|--------------------|--------------------|---------------------|
|               | Real Property         | Retail Sales       | CID Revenues       |                     |
| 2016          | \$0                   | \$203,288          | \$180,700          | \$383,988           |
| 2017          | \$317,017             | \$228,336          | \$202,965          | \$748,317           |
| 2018          | \$323,358             | \$354,607          | \$315,207          | \$993,171           |
| 2019          | \$337,394             | \$361,699          | \$321,511          | \$1,020,604         |
| 2020          | \$344,143             | \$368,933          | \$327,941          | \$1,041,017         |
| 2021          | \$351,026             | \$376,312          | \$334,500          | \$1,061,838         |
| 2022          | \$358,047             | \$383,838          | \$341,190          | \$1,083,075         |
| 2023          | \$365,209             | \$391,515          | \$348,013          | \$1,104,737         |
| 2024          | \$372,514             | \$399,345          | \$354,974          | \$1,126,833         |
| 2025          | \$379,964             | \$407,332          | \$362,073          | \$1,149,370         |
| 2026          | \$387,564             | \$415,479          | \$369,315          | \$1,172,358         |
| 2027          | \$395,316             | \$423,789          | \$376,701          | \$1,195,806         |
| 2028          | \$403,223             | \$432,264          | \$384,235          | \$1,219,723         |
| 2029          | \$411,288             | \$440,910          | \$391,920          | \$1,244,118         |
| 2030          | \$419,515             | \$449,728          | \$399,758          | \$1,269,001         |
| 2031          | \$427,906             | \$458,722          | \$407,753          | \$1,294,381         |
| 2032          | \$436,464             | \$467,897          | \$415,908          | \$1,320,269         |
| 2033          | \$445,194             | \$477,255          | \$424,226          | \$1,346,675         |
| 2034          | \$454,099             | \$486,800          | \$432,711          | \$1,373,610         |
| 2035          | \$463,181             | \$496,536          | \$441,365          | \$1,401,082         |
| 2036          | \$0                   | \$42,206           | \$37,516           | \$79,722            |
| <b>Totals</b> | <b>\$7,392,422</b>    | <b>\$8,066,791</b> | <b>\$7,170,481</b> | <b>\$22,629,694</b> |

# ADDENDA

# EXHIBIT A

Canyon Research Southwest, Inc.  
List of Public Financing Projects

Canyon Research Southwest, Inc. has performed market studies and revenue projections for several Tax Increment Financing bond redevelopment areas within Kansas, Missouri and Oklahoma, including:

### **Tax Increment Financing**

- 718,406 square foot Summit Woods Crossing in Lee's Summit, Missouri;
- 579,980 square foot Blue Ridge Mall Redevelopment in Kansas City, Missouri;
- Old Orchard TIF District in Webster Groves, Missouri;
- Downtown Manhattan Redevelopment District in Manhattan, Kansas;
- Strother Road TIF District; Lee's Summit, Missouri;
- 724,333 square foot Gravois Bluffs East & West in Fenton, Missouri;
- 519,295 square foot Prewitt Point in Osage Beach, Missouri;
- 1,073,743 square foot Branson Hills Shopping Center in Branson, Missouri;
- 935,459 square foot Eagles Landing Shopping Center in Lake Ozark, Missouri;
- 930,845 square foot Tulsa Hills Shopping Center in Tulsa, Oklahoma;
- 426,105 square foot Catoosa Hills Shopping Center in Catoosa, Oklahoma;
- 398,100 square foot Belton Town Centre in Belton, Missouri;
- 394,001 square foot Antioch Crossing in Kansas City, Missouri;
- 351,748 square foot Adams Farms TIF Plan in Blue Springs, Missouri;
- 304,299 square foot 1717 Market Place in Joplin, Missouri;
- Highway 7 Corridor TIF District in Blue Springs, Missouri;
- Liberty Triangle in Liberty, Missouri;
- 106-acre Tuscan Village mixed-use development in St. Joseph, Missouri;
- 675,960 square foot Shoppes at North Village in St. Joseph, Missouri;
- 29<sup>th</sup> Street & Highway 69 Bypass TIF District in Pittsburg, Kansas;
- North Southgate Center in Olathe, Kansas;
- 230,860 square foot Venture Shopping Center in Roeland Park, Kansas;
- 175,072 square foot North Broadway in Pittsburg, Kansas;
- 89,850 square foot Maryville Town Center in Maryville, Missouri;
- 119,390 square foot Harrisonville Center in Harrisonville, Missouri;
- Highway 61 Redevelopment Area in Moscow Mills, Missouri;
- 435-acre West 370 TIF District in St. Charles, Missouri;
- 115,904 South U.S. 65 TIF in Chillicothe, Missouri;
- 82-unit Printers Lofts at 1611-1627 Locust Street in St. Louis, Missouri;
- 40-unit Railway Lofts at 1619 Washington Avenue in St. Louis, Missouri;
- 24-unit Moon Bros. Carriage Lofts at 1324 Washington Avenue in St. Louis, Missouri;
- 64-unit Bankers Lofts at 901 Washington Avenue in St. Louis, Missouri;
- 70,832 square foot Curlee Building at 1001 Washington Avenue in St. Louis, Missouri;
- 52-unit Dorsa Lofts in St. Louis, Missouri;
- 24-unit Grace Lofts at 1324 Washington Avenue in St. Louis, Missouri;
- 104-unit The Georgian at 1515 Lafayette Avenue in St. Louis, Missouri;
- 49-unit Westgate Lofts at 410 North Jefferson Avenue in St. Louis, Missouri; and
- 48-unit Terrace Lofts at 1300 Convention Plaza in St. Louis, Missouri.

# **EXHIBIT B**

## **Canyon Research Southwest, Inc., Client Roster**

## **Canyon Research Southwest, Inc. Client List**

Canyon Research Southwest, Inc. has provided real estate consulting services for a number of leading organizations including:

American Furniture Warehouse (Englewood, CO)  
Arizona State Land Department  
Bain & Company, Inc. (Boston, Massachusetts)  
Bashas' Markets  
Bayer Properties (Birmingham, Alabama)  
Belz-Burrow (Jonesboro, Arkansas)  
Bridgeview Bank Group  
Browning-Ferris Industries  
Burch & Cracchiolo PA  
Cameron Group (Syracuse, New York)  
Carrow Real Estate Services (Albany, New York)  
Cass County, Missouri  
Cavan Real Estate Investments  
D.J. Christie, Inc. (Overland Park, Kansas)  
Church of Jesus Christ of Latter Day Saints  
City of Belton, Missouri  
City of Dodge, Kansas  
City of Fenton, Missouri  
City of Glendale Economic Development Department  
City of Independence, Missouri  
City of Lee's Summit, Missouri  
City of Liberty, Missouri  
City of Osage Beach, Missouri  
City of Mesa Economic Development Department  
City of Mesa Real Estate Services  
City of Norman, Oklahoma  
City of Overland Park, Kansas  
City of Phoenix Economic Development Department  
City of Phoenix Real Estate Department  
City of St. Charles, Missouri  
City of Tucson Community Services Department  
City of Warsaw, Missouri  
City of Wichita, Kansas  
DeRito Partners Development, Inc.  
Dial Realty (Omaha, Nebraska and Overland Park, Kansas)  
DMB Associates  
DMJM Arizona Inc.  
EDAW, Inc. (Denver, Colorado)  
Gilded Age (St. Louis, Missouri)  
W.M. Grace Development  
Greystone Group (Newport Beach, California)  
Hanford/Healy Advisory Company  
Heritage Bank (Louisville, Colorado)  
Highwoods Properties (Kansas City, MO)

*Canyon Research Southwest, Inc.*

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Holiday Hospitality Corporation (Atlanta, Georgia)  
Jordan & Bischoff, PLC  
JPI Development  
Kaiser Permanente (Oakland, California)  
Kessinger Hunter (Overland Park, Kansas)  
Landmark Organization (Austin, Texas)  
Lawrence Group (St. Louis, MO)  
Lee's Summit Economic Development Council (Lee's Summit, Missouri)  
Lewis and Roca  
Lowe's Companies, Inc. (West Bloomfield, MI)  
Lund Cadillac  
Marriott International, Inc. (Washington, D.C.)  
MCO Properties  
Meritage Homes  
Metropolitan Housing Corporation (Tucson, Arizona)  
Monterey Homes  
Mountain Funding (Charlotte, North Carolina)  
Navajo Nation Division of Economic Development  
Opus Northwest Corporation  
Opus West Corporation  
Pederson Group, Inc.  
Phelps Dodge Corporation  
Piper Jaffray (Kansas City, Missouri)  
Pivotal Group  
Pulte Home Corporation  
Pulte Homes of Greater Kansas City  
Pyramid Development (St. Louis, Missouri)  
Ralph J. Brekan & Company  
RED Development (Kansas City, Missouri)  
R.H. Johnson & Company (Kansas City, Missouri)  
Richmond American Homes  
River Run Development (Boise, Idaho)  
Royal Properties (Champaign, Illinois)  
Salt River Project  
Steiner + Associates, Inc. (Columbus, Ohio)  
Summit Development Group (St. Louis, Missouri)  
SWD Holdings (San Francisco, California)  
The Innova Group Tucson (Tucson, Arizona)  
The University of Arizona Department of Economic Development (Tucson, Arizona)  
The University of Arizona Medical Center (Tucson, Arizona)  
Trammell Crow Residential  
Union Homes (Salt Lake City, Utah)  
Unified Government of Wyandotte County and City of Kansas City, Kansas  
Wal-Mart, Inc. (Bentonville, Arkansas)  
Waste Management  
Wells Fargo Bank NA  
Widewaters (Syracuse, New York)  
Wolfswinkel Group

| Canyon Tax Increment Calculations  |                     |                    |                     |                    |                     |
|--|---------------------|--------------------|---------------------|--------------------|---------------------|
| TAX INCREMENT FINANCING REVENUE STUDY<br>PROPOSED MIXED-USE COMMERCIAL DEVELOPMENT<br>INTERSTATE 70 AND 230th AVENUE<br>ELLIS COUNTY, KANSAS |                     |                    |                     |                    |                     |
| Year   | TIF Revenue         |                    |                     | CID Sales Taxes    | Total For Bonds     |
|  | Real Property Taxes | Retail Sales Taxes | TOTAL TIF           | 2.00%              |                     |
| 1  | \$317,021           | \$228,336          | \$545,356           | \$202,965          | \$748,321           |
| 2  | \$323,362           | \$354,607          | \$677,969           | \$315,207          | \$993,175           |
| 3  | \$337,398           | \$361,699          | \$699,098           | \$321,511          | \$1,020,608         |
| 4  | \$344,147           | \$368,933          | \$713,080           | \$327,941          | \$1,041,021         |
| 5  | \$351,030           | \$376,312          | \$727,342           | \$334,500          | \$1,061,842         |
| 6  | \$358,051           | \$383,838          | \$741,890           | \$341,190          | \$1,083,079         |
| 7  | \$365,213           | \$391,515          | \$756,728           | \$348,013          | \$1,104,741         |
| 8  | \$372,518           | \$399,345          | \$771,863           | \$354,974          | \$1,126,837         |
| 9  | \$379,968           | \$407,332          | \$787,301           | \$362,073          | \$1,149,374         |
| 10   | \$387,568           | \$415,479          | \$803,047           | \$369,315          | \$1,172,362         |
| 11   | \$395,320           | \$423,789          | \$819,109           | \$376,701          | \$1,195,810         |
| 12   | \$403,227           | \$432,264          | \$835,492           | \$384,235          | \$1,219,727         |
| 13   | \$411,292           | \$440,910          | \$852,202           | \$391,920          | \$1,244,122         |
| 14   | \$419,519           | \$449,728          | \$869,247           | \$399,758          | \$1,269,005         |
| 15   | \$427,910           | \$458,722          | \$886,632           | \$407,753          | \$1,294,385         |
| 16   | \$436,468           | \$467,897          | \$904,365           | \$415,908          | \$1,320,273         |
| 17   | \$445,198           | \$477,255          | \$922,453           | \$424,226          | \$1,346,679         |
| 18   | \$454,103           | \$486,800          | \$940,903           | \$432,711          | \$1,373,614         |
| 19   | \$463,185           | \$496,536          | \$959,721           | \$441,365          | \$1,401,086         |
| 20   | \$472,450           | \$42,206           | \$514,655           | \$37,516           | \$552,171           |
| <b>Projected Total</b>   | <b>\$7,864,948</b>  | <b>\$7,863,504</b> | <b>\$15,728,451</b> | <b>\$6,989,781</b> | <b>\$22,718,232</b> |

PRELIMINARY DISCUSSION DRAFT  
12-30-2014

Debt Service Calculations

| Year | Principal           | Interest Rate | Interest            | Annual P&I           | Revenue Coverage |
|------|---------------------|---------------|---------------------|----------------------|------------------|
| 1    | \$ 0                | 6.000%        | \$ 561,900          | \$ 561,900           | 133%             |
| 2    | 170,000             | 6.000%        | 561,900             | 731,900              | 136%             |
| 3    | 200,000             | 6.000%        | 551,700             | 751,700              | 138%             |
| 4    | 230,000             | 6.000%        | 539,700             | 769,700              | 135%             |
| 5    | 260,000             | 6.000%        | 525,900             | 785,900              | 135%             |
| 6    | 290,000             | 6.000%        | 510,300             | 800,300              | 135%             |
| 7    | 325,000             | 6.000%        | 492,900             | 817,900              | 135%             |
| 8    | 360,000             | 6.000%        | 473,400             | 833,400              | 135%             |
| 9    | 395,000             | 6.000%        | 451,800             | 846,800              | 136%             |
| 10   | 440,000             | 6.000%        | 428,100             | 868,100              | 135%             |
| 11   | 480,000             | 6.000%        | 401,700             | 881,700              | 136%             |
| 12   | 530,000             | 6.000%        | 372,900             | 902,900              | 135%             |
| 13   | 580,000             | 6.000%        | 341,100             | 921,100              | 135%             |
| 14   | 630,000             | 6.000%        | 306,300             | 936,300              | 136%             |
| 15   | 690,000             | 6.000%        | 268,500             | 958,500              | 135%             |
| 16   | 750,000             | 6.000%        | 227,100             | 977,100              | 135%             |
| 17   | 815,000             | 6.000%        | 182,100             | 997,100              | 135%             |
| 18   | 880,000             | 6.000%        | 133,200             | 1,013,200            | 136%             |
| 19   | 955,000             | 6.000%        | 80,400              | 1,035,400            | 135%             |
| 20   | 385,000             | 6.000%        | 23,100              | 408,100              | 135%             |
|      | <b>\$ 9,365,000</b> |               | <b>\$ 7,434,000</b> | <b>\$ 16,799,000</b> |                  |

Amount of Bond Financing

check = 135%

DISCLAIMERS

Oppenheimer is providing the information contained in this document for discussion purposes only in anticipation of serving as underwriter or placement agent to the issuer. The primary role of Oppenheimer as a underwriter or placement agent is to place securities with investors, in an arm's-length commercial transaction. Oppenheimer is not acting as a municipal advisor, financial advisor or fiduciary to the issuer or any other person or entity. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934.

Any projections contained herein are preliminary. These projections are provided solely for your information and consideration and are subject to change at any time without notice. The information contained in this presentation may include results of analyses from a quantitative model which represents potential future events that may or may not be realized. Any estimates included herein constitute projections as of the date hereof and are subject to change without any notice. Unless specifically requested by our client, we will not update these projections for subsequent changes or modifications due to changes in law, regulations, financial market conditions or other material future events.

Our review is limited to the conclusions specifically set forth herein and is based on the completeness and accuracy of the stated facts, assumptions and/or representations made to us. In rendering our advice, we may consider financial market conditions that are subject to change, and any such changes could affect the future validity of the projections.

CONDITIONS AND ASSUMPTIONS

These cash flow schedules are based on estimates, assumptions, views, and information obtained through a variety of sources, none of this information has been independently verified by Oppenheimer & Co. Projections are based on a series of market assessments and capital market assumptions and should only be used as an indication of how the project might perform. Assumptions about the future of regional, state, and national economies or future action by various parties cannot be assured or guaranteed. The success of the financing will depend on the timing and execution of a complex series of events, both internal and external to the Project. Events or actions that alter assumed events, assumptions, or conditions used in the evaluation shall be considered a cause to void all results. This analysis contains prospective information, opinions, and views regarding tax increments and is not provided as an assurance that certain levels of performance or that certain events will occur. Actual results will vary from the data described herein and the variations may be material. Because the future is uncertain and there is risk associated with any financing, Oppenheimer & Co. assumes no responsibility for any degree of risk involved.

**TAX INCREMENT FINANCING REVENUE STUDY  
PROPOSED MIXED-USE COMMERCIAL DEVELOPMENT  
INTERSTATE 70 AND 230th AVENUE  
ELLIS COUNTY, KANSAS**

**Summary of Estimated TIF and CID Revenues  
Proposed Mixed-Use Development in Ellis County, Kansas**

| Year   | TIF Revenue   |              | CID Revenues | Total Revenues |
|--------|---------------|--------------|--------------|----------------|
|        | Real Property | Retail Sales |              |                |
| 2016   | \$0           | \$203,288    | \$180,700    | \$383,988      |
| 2017   | \$317,021     | \$228,336    | \$202,965    | \$748,321      |
| 2018   | \$323,362     | \$354,607    | \$315,207    | \$993,175      |
| 2019   | \$337,398     | \$361,699    | \$321,511    | \$1,020,608    |
| 2020   | \$344,147     | \$368,933    | \$327,941    | \$1,041,021    |
| 2021   | \$351,030     | \$376,312    | \$334,500    | \$1,061,842    |
| 2022   | \$358,051     | \$383,838    | \$341,190    | \$1,083,079    |
| 2023   | \$365,213     | \$391,515    | \$348,013    | \$1,104,741    |
| 2024   | \$372,518     | \$399,345    | \$354,974    | \$1,126,837    |
| 2025   | \$379,968     | \$407,332    | \$362,073    | \$1,149,374    |
| 2026   | \$387,568     | \$415,479    | \$369,315    | \$1,172,362    |
| 2027   | \$395,320     | \$423,789    | \$376,701    | \$1,195,810    |
| 2028   | \$403,227     | \$432,264    | \$384,235    | \$1,219,727    |
| 2029   | \$411,292     | \$440,910    | \$391,920    | \$1,244,122    |
| 2030   | \$419,519     | \$449,728    | \$399,758    | \$1,269,005    |
| 2031   | \$427,910     | \$458,722    | \$407,753    | \$1,294,385    |
| 2032   | \$436,468     | \$467,897    | \$415,908    | \$1,320,273    |
| 2033   | \$445,198     | \$477,255    | \$424,226    | \$1,346,679    |
| 2034   | \$454,103     | \$486,800    | \$432,711    | \$1,373,614    |
| 2035   | \$463,185     | \$496,536    | \$441,365    | \$1,401,086    |
| 2036   | \$472,450     | \$42,206     | \$37,516     | \$552,171      |
| Totals | \$7,864,948   | \$8,066,791  | \$7,170,481  | \$23,102,220   |

Source: Canyon Research Southwest, Inc.



Center for Economic Development and Business Research  
 Wichita State University  
 1845 Fairmount St.  
 Wichita, Kansas 67260-0121  
 (316) 978-3225

DATE OF ANALYSIS 6/8/2015  
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 VERSION OF ANALYSIS V8

| <b>PROJECT SUMMARY (no multipliers, no substitution)</b> |                    |
|--|--------------------|
| Company Name   | Project Woofter II |
| Number of new jobs for 10-year period                    | 92                 |
| Amount of payroll for 10-year period                     | \$23,888,875       |
| Amount of capital investment for 10-year period          | \$23,500,000       |
| Land   | \$1,500,000        |
| Buildings  | \$14,000,000       |
| Machinery and Equipment                                  | \$8,000,000        |

| <b>INCENTIVE SUMMARY</b>        |           |
|---------------------------------|-----------|
| <b>City Incentives - Hays</b>   | 1,326,042 |
| Tax abatement                   | 887,600   |
| Sales tax exemption             | 438,442   |
| Forgivable loans                | 0         |
| Infrastructure                  | 0         |
| Cash value all other incentives | 0         |

|                                  |           |
|----------------------------------|-----------|
| <b>County Incentives - Ellis</b> | 1,202,597 |
| Tax abatement                    | 1,198,120 |
| Sales tax exemption              | 4,477     |
| Forgivable loans                 | 0         |
| Infrastructure                   | 0         |
| Cash value all other incentives  | 0         |

|                                 |           |
|---------------------------------|-----------|
| <b>State Incentives</b>         | 1,183,000 |
| Tax abatement                   | 752,500   |
| Sales tax exemption             | 430,500   |
| Forgivable loans                | 0         |
| Training dollars                | 0         |
| Infrastructure                  | 0         |
| Cash value all other incentives | 0         |

|  |         |
|--|---------|
| <b>School District Incentives - 489 Hays</b> | 586,600 |
| Tax abatement                                | 586,600 |



Center for Economic Development and Business Research  
 Wichita State University  
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 Wichita, Kansas 67260-0121  
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| <b>TAX ABATEMENT PARAMETERS</b> |        |
|---------------------------------|--------|
| <i>Real Property</i>            |        |
| Number of years                 | 10     |
| Percentage                      | 100.0% |
| <i>Personal Property</i>        |        |
| Number of years                 | 0      |
| Percentage                      | 0.0%   |

| <b>CONSTRUCTION IMPACTS</b> |        |
|-----------------------------|--------|
| Jobs Multiplier             | 1.2365 |
| Earnings Multiplier         | 1.2036 |

|                         |             |
|-------------------------|-------------|
| Direct jobs             | 146         |
| Direct payroll earnings | \$7,000,000 |

|                        |             |
|------------------------|-------------|
| Total jobs             | 181         |
| Total payroll earnings | \$8,425,200 |

| <b>SUBSTITUTION</b>                                |   |
|--|---|
| Firm NAICS code                                    | 7211A0 Hotels and motels, including casino hotels |
| Substitution percentage applied to firm operations | 50.0%   |

| <b>FIRM MULTIPLIERS (On-going Operations)</b> |        |
|---|--------|
| Jobs  | 1.0941 |
| Earnings                                      | 1.1709 |

| <b>ECONOMIC IMPACT OF FIRM OPERATIONS</b> |    |
|---|----|
| <i>Number of jobs 10-year period</i>      |    |
| Direct                                    | 46 |
| Total                                     | 50 |

|  |              |
|--|--------------|
| <i>Payroll earnings for 10-year period</i> |              |
| Direct                                     | \$11,944,437 |
| Total                                      | \$13,985,742 |



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| <b>FISCAL IMPACT</b>                |                   |
|-------------------------------------|-------------------|
| <b>City Fiscal Impacts. - Hays</b>  |                   |
|                                     | <i>Discounted</i> |
| Present value of net benefits       | \$1,467,834       |
| <i>Rate of Return on Investment</i> |                   |
| Net public benefits 10-year period  | \$1,467,834       |
| Public costs 10-year period         | \$1,106,285       |
| ROI                                 | 132.7%            |
| <i>Benefit-Cost Ratio</i>           |                   |
| Public benefits 10-year period      | \$2,574,119       |
| Public costs 10-year period         | \$1,106,285       |
| Benefit-Cost Ratio                  | 2.33              |

|                                       |                   |
|---------------------------------------|-------------------|
| <b>County Fiscal Impacts. - Ellis</b> |                   |
|                                       | <i>Discounted</i> |
| Present value of net benefits         | \$177,223         |
| <i>Rate of Return on Investment</i>   |                   |
| Net public benefits 10-year period    | \$177,223         |
| Public costs 10-year period           | \$1,000,906       |
| ROI                                   | 17.7%             |
| <i>Benefit-Cost Ratio</i>             |                   |
| Public benefits 10-year period        | \$1,178,129       |
| Public costs 10-year period           | \$1,000,906       |
| Benefit-Cost Ratio                    | 1.18              |

|                                     |                   |
|-------------------------------------|-------------------|
| <b>State Fiscal Impacts</b>         |                   |
|                                     | <i>Discounted</i> |
| Present value of net benefits       | \$5,322,152       |
| <i>Rate of Return on Investment</i> |                   |
| Net public benefits 10-year period  | \$5,322,152       |
| Public costs 10-year period         | \$1,056,325       |
| ROI                                 | 503.8%            |
| <i>Benefit-Cost Ratio</i>           |                   |
| Public benefits 10-year period      | \$6,378,477       |
| Public costs 10-year period         | \$1,056,325       |
| Benefit-Cost Ratio                  | 6.04              |

|   |                   |
|---|-------------------|
| <b>School District Fiscal Impacts. - 489 Hays</b> |                   |
|   | <i>Discounted</i> |
| Present value of net benefits                     | \$0               |
| <i>Rate of Return on Investment</i>               |                   |
| Net public benefits 10-year period                | \$0               |
| Public costs 10-year period                       | \$487,852         |
| ROI   | 0.0%              |
| <i>Benefit-Cost Ratio</i>                         |                   |
| Public benefits 10-year period                    | \$487,852         |
| Public costs 10-year period                       | \$487,852         |
| Benefit-Cost Ratio                                | 1.00              |

*In the preparation of this report, the Center for Economic Development and Business Research assumed that all information and data provided by the applicant or others is accurate and reliable. CEDBR did not take extraordinary steps to verify or audit such information, but relied on such information and data as provided for purposes of the project.*

*This analysis requires CEDBR to make predictive forecasts, estimates and/or projections (hereinafter collectively referred to as "FORWARD-LOOKING STATEMENTS"). These FORWARD-LOOKING STATEMENTS are based on information and data provided by others and involve risks, uncertainties and assumptions that are difficult to predict. The FORWARD-LOOKING STATEMENTS should not be considered as guarantees or assurances that a certain level of performance will be achieved or that certain events will occur. While CEDBR believes that all FORWARD-LOOKING STATEMENTS it provides are reasonable based on the information and data available at the time of writing, actual outcomes and results are dependent on a variety of factors and may differ materially from what is expressed or forecast. CEDBR does not assume any responsibility for any and all decisions made or actions taken based upon the FORWARD-LOOKING STATEMENTS provided by CEDBR.*

**CEDBR-FISCAL IMPACT MODEL FIRM DATA SHEET**

**COMPANY INFORMATION**

|  |   |
|--|---|
| Company name or project name   | Project Woofter II                                |
| Contact name   | Aaron White                                       |
| Contact telephone number   | (785) 628-3102                                    |
| Contact e-mail address   | aaron@haysamerica.net                             |
| Company NAICS Code - <i>Please select a NAICS code from the list provided. Model parameters are set based on the NAICS selected.</i> | 7211A0 Hotels and motels, including casino hotels |
| Substitution Override  |   |
| Year of application  | 2015  |

**SITE LOCATION** - *If incentives are being requested for more than one physical location, and these locations are in*

|                 |          |
|-----------------|----------|
| Street Address  |          |
| City            | Hays     |
| County          | Ellis    |
| School District | 489 Hays |

**REAL PROPERTY CONSTRUCTION AND IMPROVEMENTS** - *If construction is expected to significantly exceed 12-*

|  |              |
|--|--------------|
| <b>Expansion #1</b>  |              |
| Year of expansion  | 2015         |
| <i>Market value of firm's initial NEW OR ADDITIONAL investment in:</i>   |              |
| Land   | \$1,500,000  |
| Building and improvements  | \$14,000,000 |
| Furniture, fixtures and equipment (including machinery)                  | \$8,000,000  |
| <i>Initial construction or expansion:</i>                                |              |
| Cost of construction at the firm's new or expanded facility              | \$14,000,000 |
| <i>Amount of taxable construction materials purchased in:</i>            |              |
| City   | \$2,100,000  |
| County (should include city amount)                                      | \$2,100,000  |
| State (should include city and county amounts)                           | \$7,000,000  |
| <i>Amount of taxable furniture, fixtures and equipment purchased in:</i> |              |
| City   |              |
| County (should include city amount)                                      |              |
| State (should include city and county amounts)                           |              |
| Total construction salaries  | \$7,000,000  |
| <b>Expansion #2 (if applicable)</b>                                      |              |
| Year of expansion  |              |
| <i>Market value of firm's initial NEW OR ADDITIONAL investment in:</i>   |              |
| Land   |              |
| Building and improvements  |              |
| Furniture, fixtures and equipment (including machinery)                  |              |
| <i>Initial construction or expansion:</i>                                |              |
| Cost of construction at the firm's new or expanded facility              |              |
| <i>Amount of taxable construction materials purchased in:</i>            |              |
| City   |              |
| County (should include city amount)                                      |              |
| State (should include city and county amounts)                           |              |
| <i>Amount of taxable furniture, fixtures and equipment purchased in:</i> |              |
| City   |              |
| County (should include city amount)                                      |              |
| State (should include city and county amounts)                           |              |
| Total construction salaries  |              |

|  |  |
|--|--|
| <b>Expansion #3 (if applicable)</b>                                      |  |
| Year of expansion  |  |
| <i>Market value of firm's initial NEW OR ADDITIONAL investment in:</i>   |  |
| Land   |  |
| Building and improvements  |  |
| Furniture, fixtures and equipment (including machinery)                  |  |
| <i>Initial construction or expansion:</i>                                |  |
| Cost of construction at the firm's new or expanded facility              |  |
| <i>Amount of taxable construction materials purchased in:</i>            |  |
| City   |  |
| County (should include city amount)                                      |  |
| State (should include city and county amounts)                           |  |
| <i>Amount of taxable furniture, fixtures and equipment purchased in:</i> |  |
| City   |  |
| County (should include city amount)                                      |  |
| State (should include city and county amounts)                           |  |
| Total construction salaries  |  |

**OPERATIONS**

First Year of Full Operations As a Result of This Project 2016

|  |              |
|--|--------------|
| <i>New or additional sales of the firm related to this project</i> |              |
| Year 1   | \$9,035,000  |
| Year 2   | \$10,148,250 |
| Year 3   | \$15,760,325 |
| Year 4   | \$16,075,532 |
| Year 5   | \$16,397,042 |
| Year 6   | \$16,724,983 |
| Year 7   | \$17,059,483 |
| Year 8   | \$17,400,672 |
| Year 9   | \$17,748,686 |
| Year 10  | \$18,103,659 |
| <i>Percent of these sales subject to sales taxes in the:</i>       |              |
| City   | 100.0%       |
| County   | 100.0%       |
| State  | 100.0%       |

Annual net taxable income, as a percent of sales, on which state corporate income taxes will be computed:

|   |  |
|---|--|
| <i>New or additional purchases of the firm related to this project</i>            |  |
| Year 1  |  |
| Year 2  |  |
| Year 3  |  |
| Year 4  |  |
| Year 5  |  |
| Year 6  |  |
| Year 7  |  |
| Year 8  |  |
| Year 9  |  |
| Year 10   |  |
| <i>Percent of these purchases subject to sales/compensating use taxes in the:</i> |  |
| City  |  |
| County  |  |
| State   |  |

| <b>EMPLOYMENT</b>  |          |
|--|----------|
| <i>Number of NEW employees to be hired each year as a result of this project</i>   |          |
| Year 1   | 92       |
| Year 2   |          |
| Year 3   |          |
| Year 4   |          |
| Year 5   |          |
| Year 6   |          |
| Year 7   |          |
| Year 8   |          |
| Year 9   |          |
| Year 10  |          |
| <i>Number of these employees moving to county each year FROM OUT-OF-STATE</i>  |          |
| Year 1   |          |
| Year 2   |          |
| Year 3   |          |
| Year 4   |          |
| Year 5   |          |
| Year 6   |          |
| Year 7   |          |
| Year 8   |          |
| Year 9   |          |
| Year 10  |          |
| <i>Number of these employees moving to county each year FROM OTHER KANSAS COUNTIES</i>                                     |          |
| Year 1   |          |
| Year 2   |          |
| Year 3   |          |
| Year 4   |          |
| Year 5   |          |
| Year 6   |          |
| Year 7   |          |
| Year 8   |          |
| Year 9   |          |
| Year 10  |          |
| <i>Weighted average annual salary of all NEW employees, including all employees hired to date, related to this project</i> |          |
| Year 1   | \$23,714 |
| Year 2   | \$24,188 |
| Year 3   | \$24,672 |
| Year 4   | \$25,165 |
| Year 5   | \$25,669 |
| Year 6   | \$26,182 |
| Year 7   | \$26,706 |
| Year 8   | \$27,240 |
| Year 9   | \$27,785 |
| Year 10  | \$28,340 |

| <b>VISITORS - Include customers, vendors and company employees from other locations in the count of visitors</b> |       |
|--|-------|
| <i>Number of ADDITIONAL out-of-county visitors expected at the firm as a result of this project</i>              |       |
| Year 1   | 3,310 |
| Year 2   | 3,310 |
| Year 3   | 3,310 |
| Year 4   | 3,310 |
| Year 5   | 3,310 |
| Year 6   | 3,310 |
| Year 7   | 3,310 |
| Year 8   | 3,310 |
| Year 9   | 3,310 |
| Year 10  | 3,310 |
|  |       |
| Number of days that each visitor will stay in the area   | 1     |
| Number of nights that a typical visitor will stay in a local hotel or motel                                      | 1     |
|  |       |
| Percentage of visitors traveling on business   | 50%   |
| Percentage of visitors traveling for leisure   | 50%   |
|  |       |
| Percentage of visitor's expenditures spent in the same city as firm's location                                   | 0%    |
| Percentage of visitor's expenditures spent in the same county as firm's location                                 | 100%  |
| Percentage of visitor's expenditures spent in Kansas   | 100%  |

| <b>PAYMENT BY THE COMPANY TO TAXING JURISDICTIONS - Such as payments in lieu of taxes</b> |  |
|---|--|
| <i>Firm payments to the City</i>  |  |
| Year 1  |  |
| Year 2  |  |
| Year 3  |  |
| Year 4  |  |
| Year 5  |  |
| Year 6  |  |
| Year 7  |  |
| Year 8  |  |
| Year 9  |  |
| Year 10   |  |
|   |  |
| <i>Firm payments to the County</i>  |  |
| Year 1  |  |
| Year 2  |  |
| Year 3  |  |
| Year 4  |  |
| Year 5  |  |
| Year 6  |  |
| Year 7  |  |
| Year 8  |  |
| Year 9  |  |
| Year 10   |  |
|   |  |
| <i>Firm payments to the State of Kansas</i>   |  |
| Year 1  |  |
| Year 2  |  |
| Year 3  |  |
| Year 4  |  |
| Year 5  |  |
| Year 6  |  |
| Year 7  |  |
| Year 8  |  |
| Year 9  |  |
| Year 10   |  |

| Firm payments to the School District |  |
|--------------------------------------|--|
| Year 1                               |  |
| Year 2                               |  |
| Year 3                               |  |
| Year 4                               |  |
| Year 5                               |  |
| Year 6                               |  |
| Year 7                               |  |
| Year 8                               |  |
| Year 9                               |  |
| Year 10                              |  |

**CEDBR-FISCAL IMPACT MODEL INCENTIVE INFORMATION**

**CONTACT INFORMATION FOR CEDBR REGARDING INCENTIVE AMOUNTS**

|                          |  |
|--------------------------|--|
| Contact name             |  |
| Contact telephone number |  |
| Contact e-mail address   |  |

**SALES TAX EXEMPTION ON CONSTRUCTION MATERIALS**

|  |        |
|--|--------|
| Sales tax exemption <b>EXPANSION #1</b> (please enter yes or no)             | Yes    |
| Percent of construction material costs funded by IRB for <b>EXPANSION #1</b> | 100.0% |
| Sales tax exemption <b>EXPANSION #2</b> (please enter yes or no)             | No     |
| Percent of construction material costs funded by IRB for <b>EXPANSION #2</b> | 0.0%   |
| Sales tax exemption <b>EXPANSION #3</b> (please enter yes or no)             | No     |
| Percent of construction material costs funded by IRB for <b>EXPANSION #3</b> | 0.0%   |
| Sales tax exemption <b>EXPANSION #4</b> (please enter yes or no)             | No     |

**SALES TAX EXEMPTION FOR OPERATIONS**

|   |          |
|---|----------|
| Value of sales tax exemption for OPERATIONS -- CITY |          |
| Year 1  | \$22,588 |
| Year 2  | \$25,371 |
| Year 3  | \$39,401 |
| Year 4  | \$40,189 |
| Year 5  | \$40,993 |
| Year 6  | \$41,812 |
| Year 7  | \$42,649 |
| Year 8  | \$43,502 |
| Year 9  | \$44,372 |
| Year 10   | \$45,259 |

|   |  |
|---|--|
| Value of sales tax exemption for OPERATIONS -- COUNTY |  |
| Year 1  |  |
| Year 2  |  |
| Year 3  |  |
| Year 4  |  |
| Year 5  |  |
| Year 6  |  |
| Year 7  |  |
| Year 8  |  |
| Year 9  |  |
| Year 10   |  |

|  |  |
|--|--|
| Value of sales tax exemption for OPERATIONS -- STATE |  |
| Year 1   |  |
| Year 2   |  |
| Year 3   |  |
| Year 4   |  |
| Year 5   |  |
| Year 6   |  |
| Year 7   |  |
| Year 8   |  |
| Year 9   |  |
| Year 10  |  |

**PROPERTY TAX ABATEMENT**

|   |        |
|---|--------|
| Property tax abatement - Real property land and buildings |        |
| Number of Years   | 10     |
| Percentage  | 100.0% |
| Property tax abatement - Machinery and equipment          |        |
| Number of Years   | 0      |
| Percentage  | 0.0%   |

| <b>FORGIVABLE LOANS - Cash value</b>    |  |
|---|--|
| Forgivable loans (cash value) -- CITY   |  |
| Year 1                                  |  |
| Year 2                                  |  |
| Year 3                                  |  |
| Year 4                                  |  |
| Year 5                                  |  |
| Year 6                                  |  |
| Year 7                                  |  |
| Year 8                                  |  |
| Year 9                                  |  |
| Year 10                                 |  |
| Forgivable loans (cash value) -- COUNTY |  |
| Year 1                                  |  |
| Year 2                                  |  |
| Year 3                                  |  |
| Year 4                                  |  |
| Year 5                                  |  |
| Year 6                                  |  |
| Year 7                                  |  |
| Year 8                                  |  |
| Year 9                                  |  |
| Year 10                                 |  |
| Forgivable loans (cash value) -- STATE  |  |
| Year 1                                  |  |
| Year 2                                  |  |
| Year 3                                  |  |
| Year 4                                  |  |
| Year 5                                  |  |
| Year 6                                  |  |
| Year 7                                  |  |
| Year 8                                  |  |
| Year 9                                  |  |
| Year 10                                 |  |

| <b>STATE TRAINING DOLLARS</b>                |  |
|--|--|
| Training dollars KIT/KER/IMPACT (cash value) |  |
| Year 1                                       |  |
| Year 2                                       |  |
| Year 3                                       |  |
| Year 4                                       |  |
| Year 5                                       |  |
| Year 6                                       |  |
| Year 7                                       |  |
| Year 8                                       |  |
| Year 9                                       |  |
| Year 10                                      |  |

| <b>INFRASTRUCTURE IMPROVEMENTS</b>                 |  |
|--|--|
| Infrastructure improvements (cash value) -- CITY   |  |
| Year 1   |  |
| Year 2   |  |
| Year 3   |  |
| Year 4   |  |
| Year 5   |  |
| Year 6   |  |
| Year 7   |  |
| Year 8   |  |
| Year 9   |  |
| Year 10  |  |
| Infrastructure improvements (cash value) -- COUNTY |  |
| Year 1   |  |
| Year 2   |  |
| Year 3   |  |
| Year 4   |  |
| Year 5   |  |
| Year 6   |  |
| Year 7   |  |
| Year 8   |  |
| Year 9   |  |
| Year 10  |  |
| Infrastructure improvements (cash value) -- STATE  |  |
| Year 1   |  |
| Year 2   |  |
| Year 3   |  |
| Year 4   |  |
| Year 5   |  |
| Year 6   |  |
| Year 7   |  |
| Year 8   |  |
| Year 9   |  |
| Year 10  |  |

| <b>OTHER INVENTIVES - Cash value</b>                |  |
|---|--|
| <b>Cash value of all other incentives -- CITY</b>   |  |
| Year 1  |  |
| Year 2  |  |
| Year 3  |  |
| Year 4  |  |
| Year 5  |  |
| Year 6  |  |
| Year 7  |  |
| Year 8  |  |
| Year 9  |  |
| Year 10   |  |
| <b>Cash value of all other incentives -- COUNTY</b> |  |
| Year 1  |  |
| Year 2  |  |
| Year 3  |  |
| Year 4  |  |
| Year 5  |  |
| Year 6  |  |
| Year 7  |  |
| Year 8  |  |
| Year 9  |  |
| Year 10   |  |
| <b>Cash value of all other incentives -- STATE</b>  |  |
| Year 1  |  |
| Year 2  |  |
| Year 3  |  |
| Year 4  |  |
| Year 5  |  |
| Year 6  |  |
| Year 7  |  |
| Year 8  |  |
| Year 9  |  |
| Year 10   |  |



# Commission Work Session Agenda

## Memo

**From:** Bernie Kitten, Utilities Director

**Work Session:** September 3, 2015

**Subject:** Sanitary Sewer Heavy Cleaning; COH 2015-16

**Person(s) Responsible:** Bernie Kitten, Director of Utilities  
Johnny O'Connor, Assistant Director of Utilities

### Summary

The Utilities Department initiated a multi year program to clean sewer mains in 2013. Mayer Specialty Service, LLC was chosen in 2013. In summer of 2013 they cleaned and videoed 19 miles of sewer mains and again in 2014. During that time, Mayer Specialty identified several segments that required heavy cleaning that was beyond the scope of the normal cleaning contract. City Staff also identified other areas that need heavy cleaning. We estimate that in the 10 inch to 24 inch lines we have about 14,000 ft. of potential heavy cleaning. The per foot cost ranges from \$10.55 to heavy clean a 24 inch sewer to only \$0.80 to light clean a 10 inch sewer. Mayer will log Heavy, Medium, and Light cleaning footage and bill us accordingly.

Staff recommends we accept the bid with Mayer Specialty Services, LLC with a not to exceed \$121,383.40. Money is budgeted for this item in the 2015 CIP.

### Background

Proper operation and maintenance of a collection system is required by the city's wastewater discharge permit. Problems caused by a lack of sewer cleaning include: sewer backups, manhole overflows, public exposure to raw sewage, and regulatory fines. Not removing settled solids that accumulate in the lines can cause generation of hydrogen sulfide gas. This gas is corrosive to concrete and could be the cause of the manhole deterioration we are experiencing. On average, municipalities are cleaning approximately 29% of their sewer lines per year. In Hays, our goal is 33% (38 miles) per year.

The Utilities department has existing staff that does emergency call out for sewer backup removal. They also clean certain problem lines every 6 months. Currently, there is not enough utility staff to achieve the regular line cleaning goal of one third of the town.

In the past 2 years, city operators cleaned the "flushing maintenance route" and about one sixth of the regular lines by using one Operator and one summer helper. We contracted Mayer Specialties, who cleaned one sixth, 19 miles. This allowed Utilities to reach the

one third goal of cleaning for 2013 and 2014. Through this program Mayer Specialties was able to identify many areas in our system that needed additional work in the areas of heavy cleaning, which includes root removal, chemical root treatment, protruding tap removal, pipe descaling, sedimentation and debris removal.

### **Discussion**

To move to the Heavy Cleaning phase of our sewer rehabilitation program, bids were solicited with a detailed proposal sheet and sent to potentially three (3) vendors, UMC-Wildcat, Mayer Specialties, and AAA Pipeline. These vendors were selected through the National Association of Sewer Service Companies (NASSCO) in which only one submitted a proposal.

Mayer Specialty Service, LLC submitted a proposal of \$121,383.40 that includes heavy to light cleaning, and other line maintenance done during cleaning.

We estimate that in the 10 inch to 24 inch lines we have about 14,000 ft. of potential heavy cleaning. The per foot cost ranges from \$10.55 to heavy clean a 24 inch pipe to only \$0.80 to light clean a 10 inch sewer. Mayer will log Heavy, Medium, and Light cleaning footage and bill us accordingly. The work will be logged daily with CCTV inspection being required in order to accept the work that was performed. That video will be incorporated into the baseline video we are creating of all 114 miles of sewer lines to create a record of this asset. We will be able to detect of flaws and will allow planning for repairs before catastrophic failure.

Staff has had good experience with the company. In the summer of 2013 and 2014; Mayer Specialty cleaned and videoed 19 miles of sewer. Staff was very pleased with the work. They completed the work in a timely manner. They placed door hangers on all affected customers. They handled customer problems professionally and promptly with follow up.

### **Legal Consideration**

There are no known legal obstacles to proceeding as recommended by City Staff.

### **Financial Consideration**

The Quote for \$121,383.40 is under the \$150,000 that was programmed into the 2015 Capital Improvement Plan. The expenditure is to be from the Water and Sewer Capital Reserves.

### **Options**

1. Accept proposal from Mayer Specialty Services, LLC, for sanitary heavy sewer cleaning not to exceed \$121,383.40.
2. Provide alternate direction to City Staff
3. Do nothing.

### **Recommendation**

Staff recommends accepting the sanitary heavy sewer cleaning proposal from Mayer Specialty Services, LLC not to exceed \$121,383.40 and the expenditure is to be from the Water and Sewer Capital Reserves.

### **Action Requested**

Accepting the sanitary heavy sewer cleaning proposal from Mayer Specialty Services, LLC not to exceed \$121,383.40, and is to be funded from funded from Water Sewer Capitol Reserves.

### **Supporting Documentation**

2015 Map of Heavy Cleaning Area (Included in Invitation to Bid)  
2015 Mayer Proposal Sanitary Sewer Heavy Cleaning Agreement  
August 4th 2015 Invitation to Bid

# City of Hays

## DIA



# MAYER

## SPECIALTY SERVICES, L.L.C.

August 3, 2015

Johnny O'Connor  
Hays, City of  
1000 Vine St.  
Hays, KS 67601

Dear Johnny,

Mayer Specialty Services, LLC is excited to submit our proposal to assist you with the following project:

***SANITARY SEWER HEAVY CLEANING & CCTV INSPECTION  
CITY OF HAYS, KS***

We have a complete understanding of the requirements needed for this inspection and our team of trained technicians is prepared to handle every aspect of this project. We have the capacity, knowledge and experience to complete this project for you in a timely manner and are prepared to make a solid commitment to this project.

- We have a complete PACP/MACP/LACP certified CCTV inspection crew assembled and ready – no outside services required.
- Our approach is straightforward, comprehensive, and complete; we meet every aspect of this project.
- We are a local Kansas company offering extremely reasonable and cost-effective rates for our services.
- We utilize state of the art Aries CCTV inspection equipment.
- We utilize PACP certified InspectIT reporting software.

Mr. O'Connor, our team is available to begin this project October 1, 2015 and we understand the importance finishing the project uninterruptedly and in a timely fashion. We have worked with you on several projects and you are aware of the fact that you can contact any of us anytime via mobile phone, email or at the office. Through our previous projects you'll know we'll provide an efficient process and comprehensive reporting to complete this project on time and within budget. We would be proud to complete this project for you and look forward to working with you.

Sincerely,



Todd Mayer  
President

**PROPOSAL**

**COH PROJECT NO. 2015-16**

***Sanitary Sewer Heavy Cleaning***

- The undersigned declares he/she has examined the Request for Proposals and all attached documents and has determined for himself/herself the conditions affecting the work. The Consultant hereby proposes to do the work called for in the RFP and attached documents.

Required Documents Attached (Yes / No)

*Proof of Qualifications/Experience* YES  
*References -* YES  
*Detailed Scope of Work -* YES

| Item Number               | Description             | Estimated Quantity | Unit       | Unit Price Light Cleaning | Unit Price Medium Cleaning | Unit Price Heavy Cleaning | Extended Heavy Cleaning |
|---------------------------|-------------------------|--------------------|------------|---------------------------|----------------------------|---------------------------|-------------------------|
| 1                         |                         |                    |            |                           |                            |                           |                         |
| 2                         | 24" Pipe                | 2053               | Liner Foot | \$1.50                    | \$8.75                     | \$10.55                   | \$21,659.15             |
| 3                         | 18" Pipe                | 2552               | Liner Foot | \$1.25                    | \$5.60                     | \$ 6.60                   | \$16,843.20             |
| 4                         | 15" Pipe                | 4750               | Liner Foot | \$1.05                    | \$4.35                     | \$ 5.05                   | \$23,987.50             |
| 5                         | 12" Pipe                | 4069               | Liner Foot | \$0.90                    | \$3.30                     | \$ 3.75                   | \$15,258.75             |
| 6                         | 10" Pipe                | 0536               | Liner Foot | \$0.80                    | \$2.75                     | \$ 3.05                   | \$ 1,634.80             |
| <b>Sub Total Cleaning</b> |                         |                    |            |                           |                            |                           | \$79,383.40             |
| 7                         | Root Removal            | 40                 | Hour       |                           |                            | \$360.00                  | \$14,400.00             |
| 8                         | Chemical Root Treatment | 20                 | Hour       |                           |                            | \$660.00                  | \$13,200.00             |
| 9                         | Protruding Tap Removal  | 20                 | Hour       |                           |                            | \$360.00                  | \$ 7,200.00             |
| 10                        | Pipe Descaling          | 20                 | Hour       |                           |                            | \$360.00                  | \$ 7,200.00             |
| 11                        | CCTV Inspection         |                    | Required   |                           |                            |                           | No Charge               |
| <b>Estimated Total</b>    |                         |                    |            |                           |                            |                           | \$121,383.40            |

Contractor's CCTV operator is NASSCO – PACP certified YES X NO     

Contractor will utilize NASSCO – PACP certified television inspection software YES X NO     

(NAASCO – National Association of Sewer Service Companies PACP – Pipeline Assessment and Certification Program)

Contractor's proposal meets all specifications without exception YES X NO     

*Proof of Insurance* YES, ENCLOSED

*Proof of licensure*  
Acknowledgement of Addenda/Revisions  
(If Any # \_\_\_\_, # \_\_\_\_, # \_\_\_\_)

N/A  
NONE

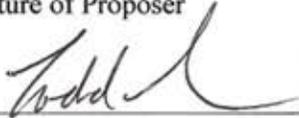
List of exceptions to the scope of services:

NONE

---

Dated this 3rd day of August, 2015.

Signature of Proposer



By

Todd Mayer, President

Title

Mayer Specialty Services, LLC

Company Name

# MAYER

## SPECIALTY SERVICES, L.L.C.

### BACKGROUND AND EXPERIENCE EMPLOYEE QUALIFICATIONS CONFIDENTIAL

**Todd Mayer, President** – 32 years industry-specific experience

**April 2001 – Present**

- Owner/President of Mayer Specialty Services, LLC offering:
  - Sewer manhole and other wastewater structure rehabilitation
    - Certified applicator for Strong-Seal products
    - Certified applicator of Zebron, 100% Solids Hybrid Polyurethane
  - CCTV Sewer line inspections
    - State-of-the-art equipment and itPipes recording software
  - Sewer Line Cleaning
    - High pressure/volume water blasting
    - Numerous nozzle types, percussion cutters and various hydraulic powered mechanical cleaning devices
  - Vacuum Removal & Excavation
  - Chemical Grouting
    - Pipe joints, manholes and other sewer structures
  - Chemical Sewer Root Control
    - Certified applicator of RootX chemical root inhibitor
  - Force Sewer Main & Water Main Cleaning
    - Progressive pigging method, line sizes 4" & up
  - New construction acceptance testing
    - Hydrostatic for Water & Force Sewer Mains
    - Vacuum for Manholes
    - Air Pressure for New Gravity Sewer Mains
    - Deflection for New Gravity Sewer Mains
    - CCTV for New Gravity Sewer Mains
  - "Hot" Tapping of Live Water Lines – ¾" – 12" Taps on Any Size Main
  - Internal CIPP Point Repairs, 3" – 24" Pipe

#### FACILITIES:

A 140,000 square foot shop/office located at 831 Industrial Road, Goddard, Kansas.

#### EQUIPMENT:

|                                      |  |
|--------------------------------------|--|
| 4 – Combination Sewer Cleaner Trucks | 1 – Chemical Grouting Trailer          |
| 3 – Sewer Cleaner Trucks             | 2 – Cementitious Rehabilitation Trucks |
| 2 – Easement Machines & Trailers     | 2 – 1,500 Gal. Water Trucks            |
| 4 – CCTV Trucks                      | 3 – Enclosed Job Trailers              |
| 2 – Zebron Application Trucks        | 6 – Pickup Trucks                      |
| 2 – Flat Bed Trailers                | Support Equipment                      |

#### EMPLOYEES:

19 – Full-time field technicians with a combined 90 years industry-specific experience  
4 – Full-time office staff with a combined 30 years industry-specific experience  
1 – Full-time equipment maintenance technician

# MAYER

## SPECIALTY SERVICES, L.L.C.

BACKGROUND AND EXPERIENCE  
EMPLOYEE QUALIFICATIONS  
CONFIDENTIAL

Todd Mayer, President, cont.

**Previous Experience:**

**September 1983 – April 2001 Triple C of Wichita – Utility Maintenance Contractors, Inc.**

Sept. 1983 – May 1984 – Laborer installing residential sewers

May 1984 – May 1985 – Crew Lead Man installing residential sewers & municipal sewer mains, manholes, storm sewers and water mains

May 1985 – Aug. 1985 – Foreman installing residential sewers & municipal sewer mains, manholes, storm sewers and water mains

*In August of 1985, Triple C of Wichita became Utility Maintenance Contractors, Inc. At this time the focus was changed from residential/municipal installation company to a strictly municipal service company providing sanitary & storm sewer cleaning, CCTV inspections and acceptance testing of new sewer mains and manholes. The company also expanded its base of operations from the Wichita metro area to include all of Kansas and eventually on into Oklahoma, Colorado, Nebraska, Missouri, Iowa & Texas.*

**Aug. 1985 – July 1994 – Field Supervisor – three 3-man crews**

- Sept. 1985 – Certified by Cues, Inc of Orlando Fla. as CCTV operator
- Oct. 1985 - Began operation of the first privately owned CCTV inspection truck in the State of Kansas
- June 1989 – Became the second person nation-wide to be certified as a Strong-Seal applicator of cementitious manhole rehabilitation products – Began developing a market and rehabilitating manholes in Kansas
- Dec. 1991 – Became, if not the first, at least one of the first certified applicators of Raven Lining Systems 100% solids epoxy coatings as used to protect sewer manholes and other sewer/WWTP and industrial structures. Helped design and built the first truck-mounted Raven mobile application rig. Began developing a market and applying Raven as a protective coating on wastewater structures

**July 1994 – April 2001 – Operations manager**

- Four 3-man crews
- Preparing bids
- Scheduling work
- Large project site supervision
- Supervised equipment repair & maintenance
- Personnel control
- Facilities maintenance

### **Responsibilities & Duties**

August 2001 - Present

- Scheduling and execution of the company's contract sanitary sewer maintenance programs for over 80 municipalities completing an average of 1.3 million feet of sanitary sewer lines each year.
- Supervision of 3-4 crew members.
- Preparation of all reports of work completed, timesheets, etc. Ability to read maps and plans.
- Addressing and resolving complaints in an efficient and timely manner.
- Ensuring adherence to safe work practices and procedures at all times.
- Maintaining equipment in good working order.

### **Similar Projects Completed**

City of Garden City, KS  
Mike Muirhead – 620-271-1577  
301 N 8<sup>th</sup> St  
Garden City, KS 67846

*Multi-year Sanitary Sewer Maintenance Program 2012-2014  
565,996 lf cleaned with 10% television inspection*

City of Kingman, KS  
Dale Robinson – 620-532-5347  
324 N Main  
Kingman, KS 67068

*Multi-year Sanitary Sewer Maintenance Program 2011-2013  
136,830 lf cleaned with 10% television inspection*

### **Certification**

- PACP/MACP/LACP certified by NASSCO; certificate number available upon request.
- Current, up-to-date certification in Confined Space, CPR, First Aid, Lock-out/Tag-out, Personal Protective Equipment, Fit Testing, Respiratory Training, Bloodborne Pathogen, OSHA Record Keeping, Accident Investigating & Reporting, Violation and Disciplinary Action, Powered Industrial Trucks, Drug & Alcohol Policy, OSHA 10-hour
- Class B CDL
- DOT Physical
- Forklift Certification

Extensive knowledge of various sewer cleaning and television inspection equipment and software  
Computer skills

National Association of Sewer Service Companies  
NASSCO, Inc.

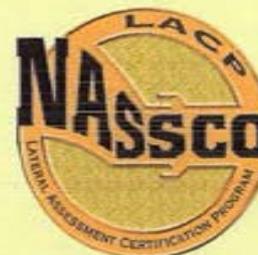
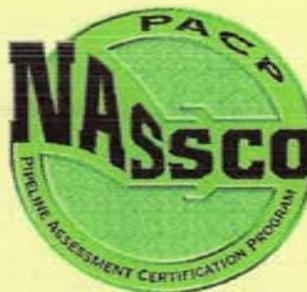
# Certificate of Completion

This is to certify that

**Ed Reavis**

Is certified to practice PACP, MACP and LACP.  
Certification is valid for three years from the date of issuance.

CERTIFICATE NUMBER: U-411-12558



*Theodore J. DeBoda*

Signature Theodore J. DeBoda, P.E., Executive Director

4/11/14

Date of Issuance

NOTE: THE USER IS NOT AN EMPLOYEE, AGENT OR PARTNER OF NASSCO. THE USER ACKNOWLEDGES AND AGREES THAT NASSCO DOES NOT SUPERVISE OR CONTROL THE USER AND THAT NASSCO SHALL NOT BE RESPONSIBLE FOR ANY ACTS OR OMISSIONS OF THE USER.

# MAYER

## SPECIALTY SERVICES, L.L.C.

BACKGROUND AND EXPERIENCE  
REFERENCES  
CONFIDENTIAL

### Municipal Maintenance Program References:

| Contact Info  | Agreement Dates | Project Information   |
|---|-----------------|---|
| Tim Aelmore<br>City of Bel Aire<br>7651 E Central Park Ave<br>Bel Aire, KS 67226<br>Phone: 316-744-2888 | 2010-12         | Sewer Maintenance Program<br>Total Project Completed: 154,851 lineal feet |
| Mike Murihead<br>City of Garden City<br>301 N. 8th St.<br>Garden City, KS 67846<br>Phone: 620-271-1577  | 2012-14         | Sewer Maintenance Program<br>Total Project Completed: 565,996 lineal feet |

### Cleaning & Television Inspection Program References:

| Contact Info  | Agreement Dates | Project Information   |
|---|-----------------|---|
| Bernie Kitten<br>City of Hays<br>1000 Vine St<br>Hays, KS 67601<br>Phone: 785-628-7380                                  | 2013-2014       | Cleaning & Television Inspection Program<br>Total Project Completed: 204,461 lineal feet            |
| Monty Hole<br>City of Salina<br>300 W Ash<br>Salina, KS 67402<br>Phone: 785-826-7315                                    | 2015            | Cleaning & Television Inspection Program<br>Total Project Completed: 130,000 lineal feet            |
| Sam Johnson, PE<br>BG Consultants, Inc.<br>4806 Vue Du Lac Pl<br>Manhattan, KS 66503<br>Phone: 785-537-7448<br>Ext 1119 | 2011            | CCTV Inspection of Sanitary Sewer System in<br>Horton, Kansas<br>Total Project Completed: 94,215 lf |

**PROJECT DESCRIPTION**  
**SANITARY SEWER HEAVY CLEANING & CCTV INSPECTION**  
**CITY OF HAYS, KANSAS**

- This proposal includes all labor, material, and equipment for heavy sanitary sewer cleaning, inspection, and inspection reporting.
- The purpose of this project is to clean the sewer, inspect it, and provide inspection reports.

**SCHEDULING AND EXECUTION OF THE WORK**

- Proposed start date is October 1, 2015; expected completion date is November 30, 2015 with the final report(s) being submitted by December 14, 2015 or no more than 10 days from completion of project.
- The Client and the Contractor will establish a schedule that identifies the project itinerary that is mutually beneficial to both parties within the performance period.
- The Contractor will work in a continuous fashion once the project is started.
- Reasonable allowances, as mutually agreed upon by both the Client and the Contractor, for weather and other occurrences outside of either party's control will be reason to deviate from schedule and/or extend the performance period.

**WORK AND MATERIALS PROVIDED BY THE CITY OF HAYS OR OTHERS**

- Community awareness that the sewer project is scheduled with the Contractor.
- Legal and physical access to manholes within this sewer in project.
- Exposure of buried manholes and seized manhole lids loosened prior to Contractor mobilization.
- Any excavation, opening, back filling, and/or repair of sewers, and/or streets, required to remove the Contractor's equipment caught in the sewer pipe due to sewer defects.
- Access to nearest fire hydrants or water source of clean potable water @ 200 gpm minimum.
- A location near work site where debris, removed from the sewer cleaning operation, can be deposited.
- City to provide an export of a shape file including all lines, upstream and downstream manholes, streets GIS ID's, pipe sizes and pipe materials for import into inspection software.
- City to provide any traffic control required beyond cones, channelizers and utility work ahead signs.

**WORK AND MATERIALS PROVIDED BY THE CONTRACTOR**

**Sewer cleaning:**

- Contractor will provide sewer cleaning notices (see enclosed sample) and distribute to individually affected customers.
- Sewers will be heavy cleaned by removing grit, loose solids, and grease as per RFP specifications:
  - Light cleaning – defined as maximum of one pass of the jet nozzle.
  - Medium cleaning – defined as two to four passes of the jet nozzle.
  - Heavy cleaning – defined as five or more passes of the jet nozzle.
  - Descaling of pipe – defined as multiple passes with mechanical equipment to remove scale build-up to restore pipe to near-original inside diameter.
- The cleaning equipment will be truck mounted combination water jet/vacuum unit(s).

- Water jet performance of minimum of 65 gallons per minute at 2,000 PSI.
- Prior to the sewer cleaning operation, the Client and Contractor will agree on a sewer cleaning sequence. In general, the sewer cleaning process will proceed from the upper ends of each sewer basin to the lower ends.
- Sewers will be cleaned by introducing the water jet into the sewer line facing against the sewer flow and retrieving the water jet under pressure with the sewer flow.
- Debris will be removed by vacuum to prevent workers from entering manholes. The Contractor will collect and transport, to the site provided by the client, all debris removed during the sewer cleaning operation.

**Sewer inspection:**

- The Contractor will perform closed circuit video inspection of the sewers using current state-of-the-art technology and PACP/MACP/LACP certified & trained employees.
- CCTV camera will be high-resolution color with adjustable iris focus.
- CCTV camera will have pan and tilt capabilities that allow up close and right-angled inspections of defects and other significant observations.
- A remote controlled transporter will be utilized to transport the video camera.
- Lighting on video camera will be suitable to allow proper illumination and a clear video image of the entire periphery of the pipe.
- The camera will be operative in 100% humidity conditions.
- The camera, television monitor, and other components of the video system will produce a high quality video image.
- Footage distance measured by video system will be accurate within 1% and will be used to determine footages for reporting and payment. The centerline between manholes will be the reference points used to determine footage measurements
- Video inspection will not exceed a traverse rate of 30 feet per minute so that sewer line can later be thoroughly examined by the Client while viewing videotapes.

**Sewer inspection reporting:**

- Audio reporting will be avoided to prevent inconsistent operator subjectivity. All observations will be chosen from a standard table of descriptions incorporated in the video reporting software. The same defect and observation description tables will be used on all future project reports.
- All observations and defects will be recorded.
- The Contractor will make a color recording of all sewers inspected. The video recording will include on-screen observation identifications that label continuous footages, defects, pipe diameter, direction of flow, direction of viewing, manhole and street reference locations. A computer, integrated with the video inspection equipment, will be used to eliminate errors from separate processes.
- All defects and observations will be described with a standard PACP table of descriptions so that there is no variation caused by operator subjectivity
- The Contractor will provide a printed legend of defect classifications that identifies a color-coded rating system for defect observations and their severity. The severity of each defect or observation will be recorded and rated according to the legend of classification published by NASSCO/PACP.

- The television inspection data will be exported with video files, photos, pdf's and other data for import into City's GIS mapping and Lucity program. Data will be delivered to the Client within ten (10) calendar days of the last day of the performance period.

**INSPECTION REVERSALS**

- A reversal is defined as any situation during the inspection that prevents the inspection camera from passing. Examples could include such things as protruding service connections, off sets, severe roots, etc.
- The Contractor will perform a reversal and access the opposite manhole of the inspection segment and finish inspecting the remaining portion of the segment in the opposite direction anytime a reversal condition is encountered.

**INSURANCE**

- Mayer Specialty Services, LLC will maintain General Liability and Auto Liability Insurance throughout the duration of the contract, with limits not less than \$2,000,000 General Liability, \$1,000,000 Auto, and \$500,000 Workers Compensation and Employers' Liability.
- Proof of insurance, in the form of an insurance certificate, will be issued to Client prior to the start of the project.



## SEWER CLEANING NOTIFICATION

We will be cleaning sanitary sewers in your area

FROM (DATE)  
THROUGH (DATE)

STARTING ABOUT 7AM, IT WILL TAKE MOST OF THE DAY.

Sewer lines can develop air pressure or a partial vacuum from the cleaning process.

Usually any excess air pressure or vacuum will dissipate through your plumbing vents, but occasionally there are homes with inadequate plumbing vents (no vents, undersized vents or obstructed vents).

In the case of inadequate venting air pressure could escape through your toilet, floor, sink, tub or shower drains causing water to splash out or, a vacuum could draw the water out of your fixture traps causing an unpleasant odor.

To guard against this possibility please:

- COVER ALL FLOOR DRAINS WITH PLASTIC AND PLACE A WEIGHT ON THE PLASTIC.
- COVER ALL TOILETS WITH PLASTIC AND CLOSE THE LID ON THE PLASTIC.
- IF YOU SHOULD EXPERIENCE AN UNPLEASANT ODOR, RUN WATER INTO EACH DRAIN TO RE-FILL THE TRAPS

Water and drains may be used as normal.

*The cleaning of sanitary sewers is necessary to help prevent stoppages.*

THANK YOU FOR YOUR COOPERATION  
OUR APOLOGIES FOR THIS INCONVENIENCE

If you have any questions, please call:

***City of Hays***  
***Request for Proposals***

***COH Project 2015-16***  
***Sanitary Sewer Heavy Cleaning***

***Date of Issue:*** ***July 1, 2015***  
***Proposal Due Date:*** ***August 4, 2015***  
***Tentative City Commission Approval:*** ***September 10, 2015***

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## 1. Introduction

The City of Hays Utilities Department is accepting proposals for the heavy cleaning of its sanitary sewer system.

This written Request for Proposal (RFP) states the scope of the City of Hays requirements and specifies the general rules for preparing the proposal.

The proposal should clearly demonstrate how the firm can best satisfy the requirements of the City of Hays. The City of Hays shall reserve the right to enter an agreement with the firm presenting the proposal that is most advantageous to the City of Hays.

## 2. Rules of Preparation

The submitted proposals must follow the rules and the format established within this RFP. Adherence to these rules will ensure a fair and objective analysis of all proposals. Failure to comply with any portion of this request may result in rejection of a proposal.

## 3. Inquiries

The Utilities Department of the City of Hays has prepared this RFP and has designated the Assistant Director, Johnny O'Connor, as project manager. Please direct questions or comments concerning either the administrative or technical requirements of this RFP to:

Johnny O'Connor, Assistant Director  
City of Hays Utilities Department  
1000 Vine Street  
Hays, Kansas 67601  
(785) 628-7380 office  
(785) 628-7382 fax  
[joconnor@haysusa.com](mailto:joconnor@haysusa.com)

To ensure a timely response, questions requiring a response should be faxed or e-mailed to the Project Manager at the specified number or address above.

## 4. Submission of Proposals

**Please prepare and submit two (2) copies of the proposal.** Completed proposals should be sealed and clearly marked "RFP for Sanitary Sewer Heavy Cleaning" and be submitted no later than **3:00 P.M. August 04, 2015 to the City Clerk, 1507 Main Street, PO Box 490, Hays, KS 67601.**

Proposals received after the above date and time will be considered late and will not be accepted. Any late proposals will be returned unopened to the firm. Responses will be evaluated objectively based on the firm's responses to the RFP.

The City of Hays will not pay costs incurred in the proposal preparation including the costs for printing, mailing, etc. All costs for the preparation of the proposal shall be borne by the proposing firm.

## 5. Notification of Withdrawal of Proposal

Proposals may be modified or withdrawn by an authorized representative of the firm or by formal written notice prior to the final due date and time specified for proposal submission. Submitted proposals will become the property of the City of Hays after the proposal submission deadline.

## 6. Minimum Specifications/Scope of Services

Proposals should address all services necessary to complete the project. Services required include, but may not be limited to the Items of Work detailed in **Exhibit A**. All work shall be in conformance with the 2006 International Building Code.

## 7. Contractual Obligations

The successful contractor will be required to accept a Purchase Order from the City of Hays in which the contractor will undertake certain obligations. These obligations include, but are not limited to, the following:

*Inclusion of Bid* - The proposal submitted in response to this RFP will be incorporated as part of the Contract for Delivery.

*Indemnification and Insurance* - The successful firm(s) shall indemnify and hold the City of Hays and its officers, agents, employees and assigns, harmless from any liability imposed for injury whether arising before or after completion of work hereunder, or in any manner directly or indirectly caused, occasioned or contributed to, or claimed to be caused, occasioned or contributed to, in whole or in part, by reason of any act or omission, including strict liability or negligence of firm, or of anyone acting under firm's direction or control or on its behalf, in connection with or incident to, or arising out of the performance of this contract. Successful firm shall maintain the following insurance requirements during the time of performance of these services and contract period. An insurance certificate must be on file with the City Clerk's office within four weeks of the signing of the contract by both parties.

- a. General Liability Insurance, with a combined single limit of \$100,000 for each occurrence and \$200,000 in the aggregate
- b. Automobile Liability Insurance – per law.
- c. Worker's Compensation insurance in accordance with statutory requirements and Employer's Liability Insurance, with a limit of \$500,000 for each occurrence

The successful firm shall require all of its subcontractors to maintain the same level of insurance listed above.

*Selection* – The final award is subject to the approval of the Hays City Commission.

## 8. Right of the City of Hays to Reject Proposals

The City of Hays reserves the right to reject any and all proposals or any part of any proposals, to waive minor defects or technicalities, or to solicit new proposals on the same project or on a modified project that may include portions of the originally proposed project as the City of Hays may deem necessary in its best interest. The City also reserves the right to negotiate with any firm, all or part of any proposal that is in the best interest of the City.

## 9. Evaluations

Evaluation of the proposals will be based on the proposal that will best serve the City of Hays. The following items will be used in Hays' evaluation of alternatives:

1. Efficiency of Heavy Cleaning.
2. Customer Service.
3. Overall Cost of Project.

5. References and reviews.

**10. Non-limitations to RFP**

The format of the RFP must be followed and all requested information must be submitted as indicated; however, the City of Hays is receptive to any additional suggestions pertaining to services development, additional related capabilities, and any alternative methods for providing related services. Any exceptions to the RFP terms and conditions must be included in writing in the proposal.

**11. Interpretations and addenda**

No interpretation made to any respondent as to the meaning of the RFP shall be binding on the City of Hays unless repeated in writing and distributed as an addendum by the City of Hays. Interpretations and/or clarification shall be requested in writing from the contact person listed in Section 3.

**12. Projected Schedule of Events**

|   |                   |
|---|-------------------|
| Release of RFP Document                 | <u>07/01/2015</u> |
| Last day to submit proposals            | <u>08/04/2015</u> |
| Staff recommendation to City Commission | <u>09/03/2015</u> |
| Tentative Notice to Proceed.            | <u>09/11/2015</u> |

**13. Proposal Response Format**

In order to facilitate the analysis of responses to this RFP, firms are required to prepare their proposal in accordance with the instructions outlined in section 4.

Proposals should be prepared as simply as possible and provide a straightforward, concise description of the firm's capabilities to satisfy the requirements of the RFP. Expensive bindings, promotional material, etc., are not necessary or desired.

Emphasis should be concentrated on accuracy, completeness, and clarity of content.

The bid shall include, as a minimum:

1. Fee/Cost Proposal: Lump Sum to provide all services complete with start and completion dates.
2. Qualifications/Experience: Provide a list of similar projects your company has completed
3. References (3 minimum)
4. Detailed Scope of Work
5. Proof of Contractor Licensure
6. Proof of Insurance

Factors to be weighed in the City's decision-making

1. Efficiency of Heavy Cleaning.
2. Customer Service.
3. Overall Cost of Project.
4. References and reviews.

## 14. Confidentiality of Documents

All responses to the RFP submitted by firms shall be deemed public documents at the time opened by City of Hays. The RFP is not intended to elicit proprietary information from the firm. If proprietary information is submitted as part of the proposal, such information is to be labeled proprietary and be accompanied with a request that the information is to be returned by the City of Hays to the submitter. Any proposal that is submitted with a blanket statement or limitation that would prohibit or limit such public inspection shall be considered non-responsive and shall be rejected.

## 15. Legal Notice

### Required Contractual Provisions

Unless specifically waived in its request for bids or request for proposals, or included as alternate provisions to be bid or proposed, the City of Hays, Kansas, shall not award contracts nor let bids to individuals or entities unless the vendor, contractor or individual agrees to indemnify and hold the City of Hays, Kansas, harmless from any and all losses, damages or expenses of any kind arising out of any and all claims, demands, or causes of action initiated against the City of Hays, Kansas, by competing entities bidding on the project which is the subject of the contract.

### Prohibited Contractual Provisions.

Unless specifically waived in its request for bids or request for proposals, or included as alternate provisions to be bid or proposed, the City of Hays, Kansas, shall not award contracts nor let bids to individuals or entities which attempt to do any of the following or include any of the following in the proposed contract:

- 1) Any diminishment of the common law or statutory standard of care, limitation of liability, or other attempt to reduce responsibility for mistake, error, or negligence of any type on the part of the vendor, contractor or individual.
- 2) Attempts to limit liability for breach of contract or negligent performance to the amount of the payment to the contractor by the city.
- 3) Attempt to claim ownership of intellectual property created during the performance of the contract with the city.
- 4) Arbitration agreements.
- 5) Provision for damages for breach by owner contrary to common law or statute including, but not limited to, any attempt to provide for attorney fees as part of recoverable damages.
- 6) Attempt to designate any forum or venue for resolution of disputes other than Ellis County District Court, Kansas.
- 7) Any other attempted reallocation of risk contrary to common law or statute.

- 8) Any attempt to eliminate the city's ability to collect consequential, exemplary or punitive damages, or any other measure of damages permitted by law, in an action against the vendor, contractor or individual for breach of contract.

Prohibited Acts.

Unless specifically permitted to do so by the request for bids or request for proposals, no vendor, contractor or individual submitting proposals or bids to the City of Hays, Kansas, shall attempt to insert any of the contractual provisions prohibited by Section 2-577 into any contracts or agreements proposed to the City of Hays, Kansas.

Penalty for Violation of Article.

Any vendor, contractor or individual who, without the express permission of the City Manager of the City of Hays, Kansas, proposes to enter into or enters into a contract with the City of Hays, Kansas, which omits any of the contract provisions required by Section 2-576 of this article or contains any of the contract provisions barred by Section 2-577 of this article, may be found by the City Manager of the City of Hays, Kansas, to be in violation of this article and vendors, contractors or individuals found to be in violation of this article may be barred from bidding on future contracts with the City of Hays, Kansas.

Conflict Between Article and Contract

To the extent any contract entered into by or on behalf of the City of Hays, Kansas omits any of the contract provisions required by Section 2-576 of this article, the article will prevail and the required contract provisions will be read into the contract. To the extent any contract entered into by or on behalf of the City of Hays, Kansas contains any of the contract provisions barred by Section 2-577 of this article, the article will prevail and the offending provisions shall be null and void and shall be unenforceable as to the City of Hays, Kansas.

The City of Hays expects a professional job, done commensurate with the standards and practices of the profession/or business.

All persons awarded and/or entering into purchase orders with the City of Hays shall be subject to and required to comply with all applicable City, State and Federal provisions.

The City of Hays has an affirmative action program. Any firm will be required to include the following statement in any contract with the City of Hays:

"Contractor shall not discriminate in the employment of persons engaged in the performance of this Agreement on account of race, color, national origin, ancestry, religion, sex, marital status, physical handicap, or medical condition, in violation of any federal or state law. Contractor shall comply with all requirements of the City of Hays pertaining to affirmative action with regard to employment while this Agreement is in effect."

At any time, the City may elect to abandon the project. At that time, the contractor would be compensated for all items previously completed.

Rights to intellectual property developed, utilized, or modified in the performance of services shall remain the property of the City of Hays.

## Exhibit A: Project scope

Project shall include the following:

### 1 **DESCRIPTION OF THE WORK**

- 1.1 The work to be done under this specification includes all mobilization, labor, materials and equipment required for the removal of sediment, rocks, sludge, debris, grease accumulations, root obstructions and protruding lateral connections from the sanitary sewer line segments identified on the attached sewer maps.
- 1.2 The project includes approximately 14,000 lineal feet of 10"- 24" diameter sanitary sewer. It is expected that not all 14,000 lineal feet is exclusive to heavy cleaning and the following criteria should be followed to fulfill criteria in section 1.4
- 1.3 Types of cleaning of sanitary sewers:
  - a) Light cleaning of sewers consists of a maximum of 1 pass of the jet nozzle. Light cleaning of laterals will consist of flushing water into a cleanout.
  - b) Medium cleaning of sewers consists of 2 to 4 passes of the jet nozzle. Medium cleaning of laterals will consist of 1 to 4 passes with a jet nozzle.
  - c) Heavy cleaning consists of 5 or more passes of the jet nozzle such as removing heavy grease, debris, and roots.
  - d) Descaling of Pipe: Multiple passes with mechanical equipment to remove scale build up to restore pipe to original inside diameter.
- 1.4 A daily log shall be maintained to record the location of the manholes and sewer lines, lengths of the lines cleaned, method of cleaning, lines sizes, identify type of cleaning (light, medium, or heavy), and type of debris removed. Observations are to be recorded on a cleaning report form provided by contractor.
- 1.5 The purpose of this project is to complete the heavy cleaning of all identified lines and restore each line segment to a minimum of 90% of its original carrying capacity.

### 2 **PLANS**

- 2.1 The City will provide maps or prints for sewers to be cleaned that are highlighted to identify their inclusion for this project.
- 2.2 The City will provide reference numbers for all manholes on the maps or prints for the purpose of the Contractor referencing on cleaning reports.
- 2.3 The City desires television inspection data to be provided for import into an asset management program. City will provide an export of a shape file including all lines, upstream and downstream manholes, streets, GIS ID's, pipe sizes and pipe materials that are included in the project.

### 3 **SCHEDULING AND EXECUTION OF THE WORK**

- 3.1 The project performance period will be continuous from the start of project.
- 3.2 The City will give the Contractor a notice to proceed after the Contractor has submitted satisfactory insurance documents specified in section 6 of this document.

- 3.3 The City and the Contractor will establish a schedule that identifies the project itinerary that is mutually beneficial to both parties and will allow completion of the work within the project performance period.
- 3.4 Prior to the sewer cleaning operation, the City and Contractor will agree on a sewer cleaning sequence. In general, the sewer cleaning process will proceed from the upper ends of each sewer basin to the lower ends.
- 3.5 The Contractor will work in a continuous fashion once the project is started.
- 3.6 Reasonable allowances, as mutually agreed upon by both the City and the Contractor, for weather and other occurrences outside of either party's control will be reason to deviate from schedule and/or extend the performance period.

4 **WORK AND MATERIALS PROVIDED BY THE CITY**

- 4.1 The City will provide the following at no cost to the Contractor:
  - 4.1.1 Community awareness that sewer project is scheduled with the Contractor. The city will provide media outlet notification to citizens and will receive and forward all customer complaints to the contractor.
  - 4.1.2 Legal and physical truck access to manholes within this sewer project.
  - 4.1.3 Exposure of buried manholes and seized manhole lids loosened prior to Contractor mobilization.
  - 4.1.4 Any excavation, opening, back filling, and/or repair of sewers, and/or streets, required to remove the Contractor's equipment caught in the sewer pipe due to sewer defects.
  - 4.1.5 Water for cleaning equipment and access to nearest fire hydrants. Should the City require contractor to record and report amount of water used on the project the City shall provide meter and waive any and all applicable rental fees.
  - 4.1.6 All debris removed from the sewer cleaning operation can be deposited at Hays Water Reclamation Facility sludge drying beds.
  - 4.1.7 City will provide any traffic control required beyond cones, channelizers and utility work ahead signs.

5 **WORK AND MATERIALS PROVIDED BY THE CONTRACTOR**

- 5.1 Sewer line heavy cleaning:
  - 5.1.1 Community awareness that sewer project is scheduled with the Contractor. Contractor will provide sewer cleaning notices to distribute to individually affected customer (Door Knockers). Contractor will handle any customer complaints forwarded by the city
  - 5.1.2 Sewers will be cleaned in accordance with section 1.3 and 1.4 by removing sediment, rocks, sludge, debris and grease accumulations using a Warthog nozzle.
  - 5.1.3 The cleaning equipment will be truck mounted combination water jet/vacuum unit(s).
  - 5.1.4 Water jet performance of a minimum of 65 gallons per minute at 2,000 PSI.
  - 5.1.5 Vacuum unit shall have 8" vacuum hose system with capability of 2,700 CFM and extension tubes to vacuum at a depth of 30 vertical feet,

- minimum of a 9 yard debris storage tank and be specifically designed for sewer cleaning.
- 5.1.6 Sewers will be cleaned by introducing a water jet into the sewer line facing against the sewer flow and retrieving the water jet under pressure with the sewer flow.
  - 5.1.7 Contractor shall remove all sludge, dirt, sand, rocks, grease and other solid or semisolid material and debris resulting from the cleaning operations from the downstream manhole of the sewer segment being cleaned. Passing material from sewer segment to sewer segment shall not be permitted. Vacuum tubes will be placed in the downstream invert of each set-up manhole (access permitting) and left in place as the cleaning is being performed. The Contractor will collect and transport, to the disposal site provided by the City, all debris removed during the sewer cleaning operation.
  - 5.1.8 In addition to the use of the Warthog nozzle, heavy cleaning may utilize other specially designed nozzles for large diameter lines, hydraulically powered mechanical cutters, bucket machines or other devices as necessary.
  - 5.1.9 If cleaning of an entire sewer section cannot be successfully performed from one manhole, equipment shall be set up on the other manhole and cleaning again attempted. If on reverse set-up successful cleaning also cannot be performed or equipment fails to traverse entire sewer line section, it shall be assumed that a major blockage or defect exists and cleaning effort shall be abandoned.
  - 5.1.10 Contractor shall clean sewers in accordance with industry standards and will not be held responsible for any damages that may occur because of improperly vented structures, pre-existing conditions or anything introduced into the system which is not normal sewage.
  - 5.1.11 Work may need to be done at low flow periods/at night.
- 5.2 Root obstruction removal:
- 5.2.1 Although many roots will be removed during the heavy cleaning process, some roots or root obstruction may still exist. If in the opinion of the Utility Director/or designee these roots should be removed, they will be removed at the hourly rate stated on the bid submittal.
  - 5.2.2 Root removal may be accomplished utilizing the Warthog, hydraulically powered mechanical cutters, bucket machines or other devices as necessary.
- 5.3 Chemical Root Treatment:
- 5.3.1 To aid in the removal of roots and at the option of the Utility Director/or designee, line sections with excessive root intrusion may be treated with an approved herbicide at the unit price stated on the bid submittal which will also reflect the cost of chemical.
  - 5.3.2 The application of the herbicide shall be done in accordance with the manufacturer's recommendations and specifications.

- 5.4 Protruding tap removal:
  - 5.4.1 Lateral taps that protrude into the main and prevent the passage of the cleaning equipment may be removed at the option of the Utility Director/or designee at the unit price stated on the bid submittal.
  - 5.4.2 Lateral tap removal shall be performed utilizing hydraulically powered mechanical cutters or other devices as necessary.
- 5.5 Descaling of pipe:
  - 5.5.1 Although some scaling will be removed during the heavy cleaning process, some scaling or scaling obstruction may still exist. If in the opinion of the Utility Director/or designee these scaling should be removed, they will be removed at the hourly rate stated on the bid submittal.
  - 5.5.2 Descaling of pipe shall be performed with multiple passes with mechanical equipment to remove scale build up to restore pipe to original inside diameter.

## 6 ACCEPTANCE

- 6.1 Acceptance of sewer line cleaning will be based on inspection at manholes and viewing of video inspection completed by the contractor following cleaning.
- 6.2 The entire length of each line is to be televised with camera equipment suitable for large line inspection.
- 6.3 If cleaning is deemed unsatisfactory, contractor shall re-clean and re-inspect the sewer line until cleaning is shown to be satisfactory.
- 6.4 TV inspection may need to occur during low flow periods (such as at night) or the flows may need to be temporarily blocked to properly evaluate the cleanliness of the lines.
- 6.5 The Contractor will perform the City desired closed circuit video inspection of the sewers using current state-of-the-art technology and NASSCO - PACP certified operators. All sewer inspection reporting shall be performed utilizing a software program that is NASSCO – PACP Certified. Contractor will export television inspection data with video files, photos, pdf's and other data for import into City's GIS mapping and Lucity program. Please contact the City IT Department Technician at 785-628-4239 for further details

**PROPOSAL**

**COH PROJECT NO. 2015-16**

***Sanitary Sewer Heavy Cleaning***

- The undersigned declares he/she has examined the Request for Proposals and all attached documents and has determined for himself/herself the conditions affecting the work. The Consultant hereby proposes to do the work called for in the RFP and attached documents.

Required Documents Attached \_\_\_\_\_ (Yes / No)

*Proof of Qualifications/Experience* \_\_\_\_\_

*References -* \_\_\_\_\_

*Detailed Scope of Work -* \_\_\_\_\_

| Item Number               | Description             | Estimated Quantity | Unit       | Unit Price Light Cleaning | Unit Price Medium Cleaning | Unit Price Heavy Cleaning | Extended Heavy Cleaning |
|---------------------------|-------------------------|--------------------|------------|---------------------------|----------------------------|---------------------------|-------------------------|
| 1                         |                         |                    |            |                           |                            |                           |                         |
| 2                         | 24" Pipe                | 2053               | Liner Foot |                           |                            |                           |                         |
| 3                         | 18" Pipe                | 2552               | Liner Foot |                           |                            |                           |                         |
| 4                         | 15" Pipe                | 4750               | Liner Foot |                           |                            |                           |                         |
| 5                         | 12" Pipe                | 4069               | Liner Foot |                           |                            |                           |                         |
| 6                         | 10" Pipe                | 0536               | Liner Foot |                           |                            |                           |                         |
| <b>Sub Total Cleaning</b> |                         |                    |            |                           |                            |                           |                         |
| 7                         | Root Removal            | 40                 | Hour       |                           |                            |                           |                         |
| 8                         | Chemical Root Treatment | 20                 | Hour       |                           |                            |                           |                         |
| 9                         | Protruding Tap Removal  | 20                 | Hour       |                           |                            |                           |                         |
| 10                        | Pipe Descaling          | 20                 | Hour       |                           |                            |                           |                         |
| 11                        | CCTV Inspection         |                    | Required   |                           |                            |                           | No Charge               |
| <b>Estimated Total</b>    |                         |                    |            |                           |                            |                           |                         |

Contractor's CCTV operator is NASSCO – PACP certified YES \_\_\_ NO \_\_\_

Contractor will utilize NASSCO – PACP certified television inspection software YES \_\_\_ NO \_\_\_

(NASSCO – National Association of Sewer Service Companies PACP – Pipeline Assessment and Certification Program)

Contractor's proposal meets all specifications without exception YES \_\_\_ NO \_\_\_

*Proof of Insurance* \_\_\_\_\_

Sanitary Sewer Heavy Cleaning  
July 1, 2015

*Proof of licensure*

Acknowledgement of Addenda/Revisions

(If Any # \_\_\_\_, # \_\_\_\_, # \_\_\_\_)

\_\_\_\_\_  
\_\_\_\_\_

List of exceptions to the scope of services:

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2015.

Signature of Proposer

\_\_\_\_\_  
By

\_\_\_\_\_  
Title

\_\_\_\_\_  
Company Name





# Commission Work Session Agenda

## Memo

**From:** Jesse Rohr, PIE Superintendent

**Work Session:** September 3, 2015

**Subject:** King's Gate Addition Phase 2 – Subdivision Entrance Sign

**Person(s) Responsible:** Toby Dougherty, City Manager  
Greg Sund, Director of Public Works

### Summary

During the platting process of the King's Gate Addition in 2010, provisions were put in place for future construction of a subdivision entrance sign which identifies the housing development at the intersection of 41<sup>st</sup> St. and King's Gate Dr. For a sign such as the proposed King's Gate sign, it is necessary to have an agreement in place for future maintenance. Covenant Land & Developing, Inc. (Developer of King's Gate Addition) has proposed an agreement (attached) to serve this purpose. Staff recommends authorizing the City Manager to sign an agreement with Covenant Land & Developing, Inc. to allow the placement of the proposed island median and sign at the entrance to King's Gate Dr. located at the intersection of W. 41<sup>st</sup> St. and King's Gate Dr.

### Background

In March 2015, Covenant Land and Development, Inc. petitioned the City for Street, Storm Sewer, Water, and Sanitary Sewer Improvements to an area containing 23 lots for Phase II of the King's Gate Addition. Construction is set to begin in the fall of 2015.

A resolution establishing a benefit district and authorizing the improvements was approved by the City Commission on March 26, 2015. Also at that time, an Engineering Service Agreement was entered with Ruder Engineering for design and construction phase services.

During the platting of this development in 2010, provisions were put in place for future construction of a subdivision entrance sign at the intersection of 41<sup>st</sup> St. and King's Gate Dr.

### Discussion

As part of Phase II of this development is a proposed island median at the entrance to the development as was initially discussed during the plat approval process in May, 2010. The intention of the median is to have monument sign (subdivision entrance sign)

identifying the housing development. There is 20' of "extra" right of way that was platted in 2010 in order to accommodate the median and sign.

There is some precedence to such a sign in Hays, with the most similar instance being the Sternberg entrance sign at 27<sup>th</sup> and Sternberg Dr. The proposed King's Gate sign serves a similar purpose.

For a sign such as the proposed King's Gate sign, it is necessary to have an agreement in place for future maintenance. The attorney for Covenant Builder's (Developer of King's Gate) has drafted an agreement (attached) to serve this purpose. The agreement is intended to limit the City's exposure and future liabilities for the sign.

### **Legal Consideration**

There are no known legal obstacles to proceeding as recommended by City Staff.

### **Financial Consideration**

The agreement, as drafted, reduces the City's financial liability and no concerns are noted.

### **Options**

Options include the following:

- Authorize the City Manager to sign the agreement with Covenant Land & Developing, Inc. as drafted and approved by the City's attorney for the placement of the median sign
- Provide other options to staff and the developer

### **Recommendation**

Staff recommends authorizing the City Manager to sign the agreement.

### **Action Requested**

Authorize the City Manager to sign an agreement with Covenant Land & Developing, Inc. to allow the placement of the proposed island median and sign at the entrance to King's Gate Dr. located at the intersection of W. 41<sup>st</sup> St. and King's Gate Dr.

### **Supporting Documentation**

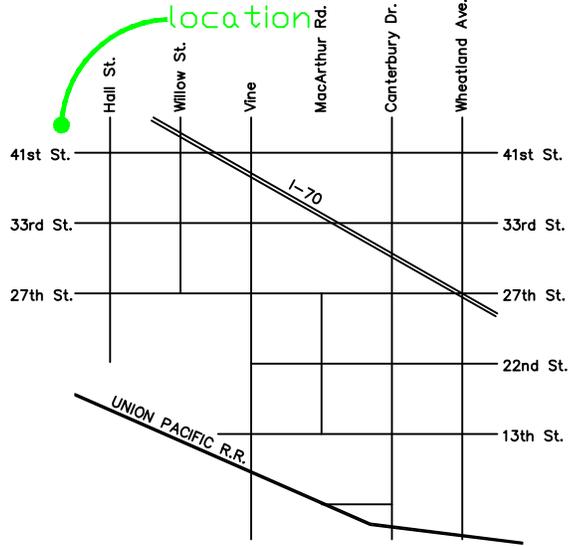
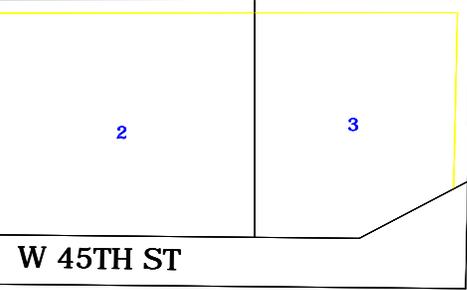
Location Map  
Sign Drawing  
Agreement



# City of Hays, Public Works Department

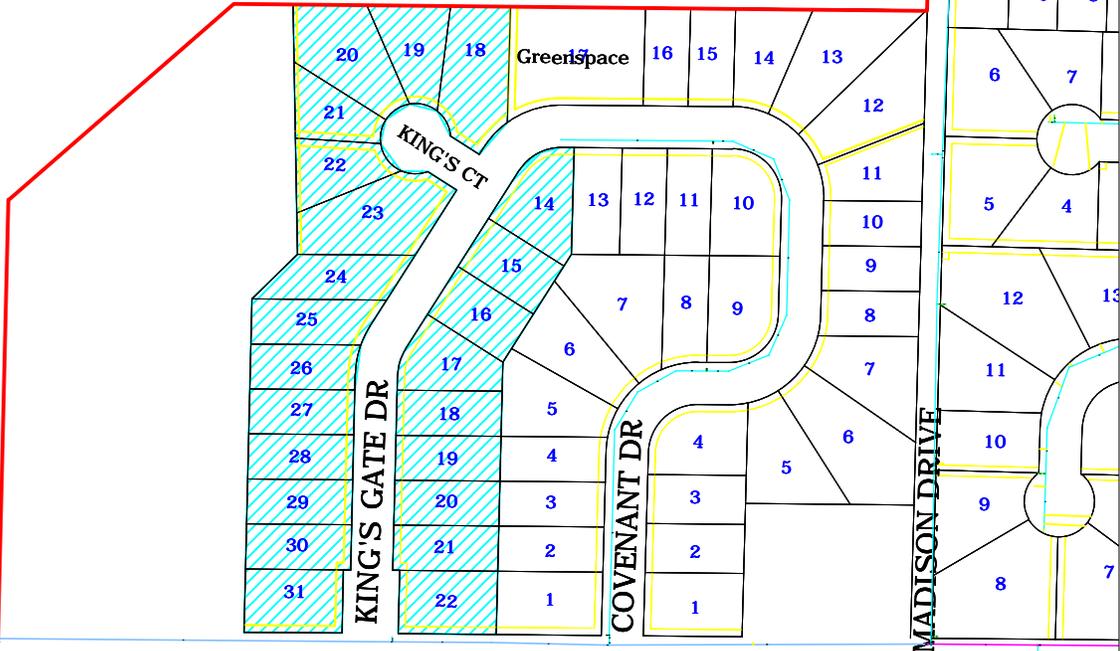
## King's Gate Addition - Award of Bid

### August 2015



CITY OF HAYS, ELLIS COUNTY, KANSAS

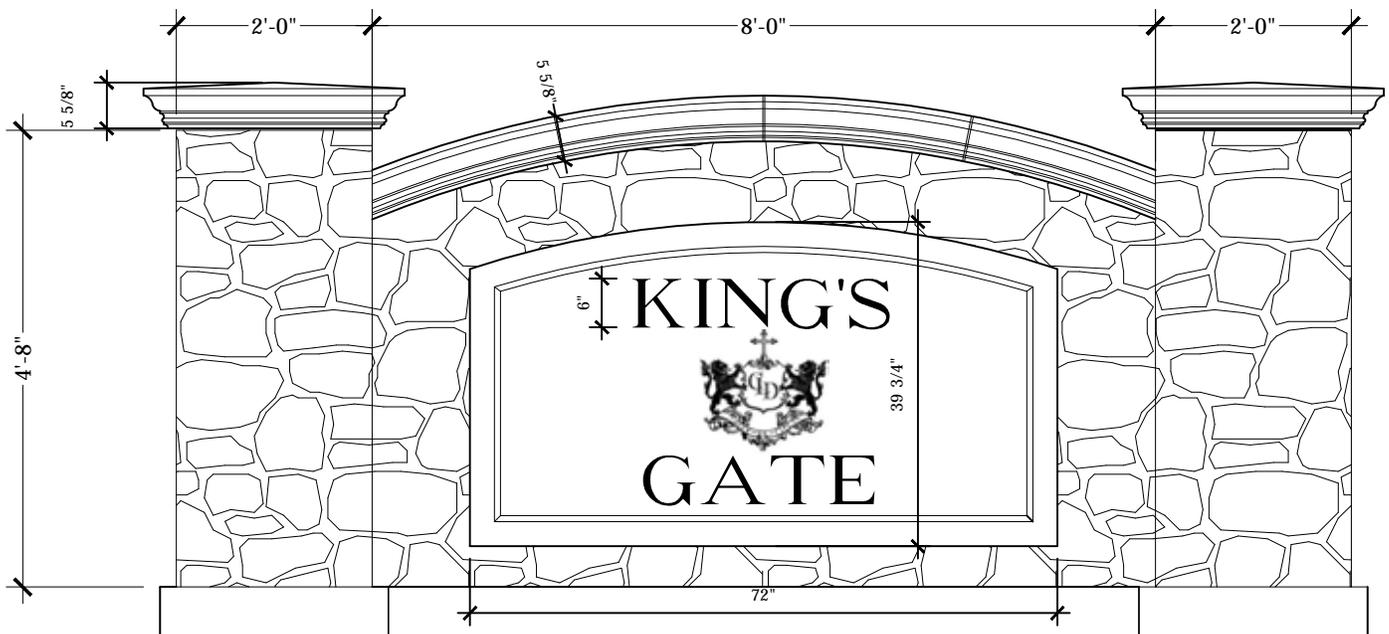
000 BLK



W 41ST ST

-  City Limit
-  Kings Gate Addition Phase II



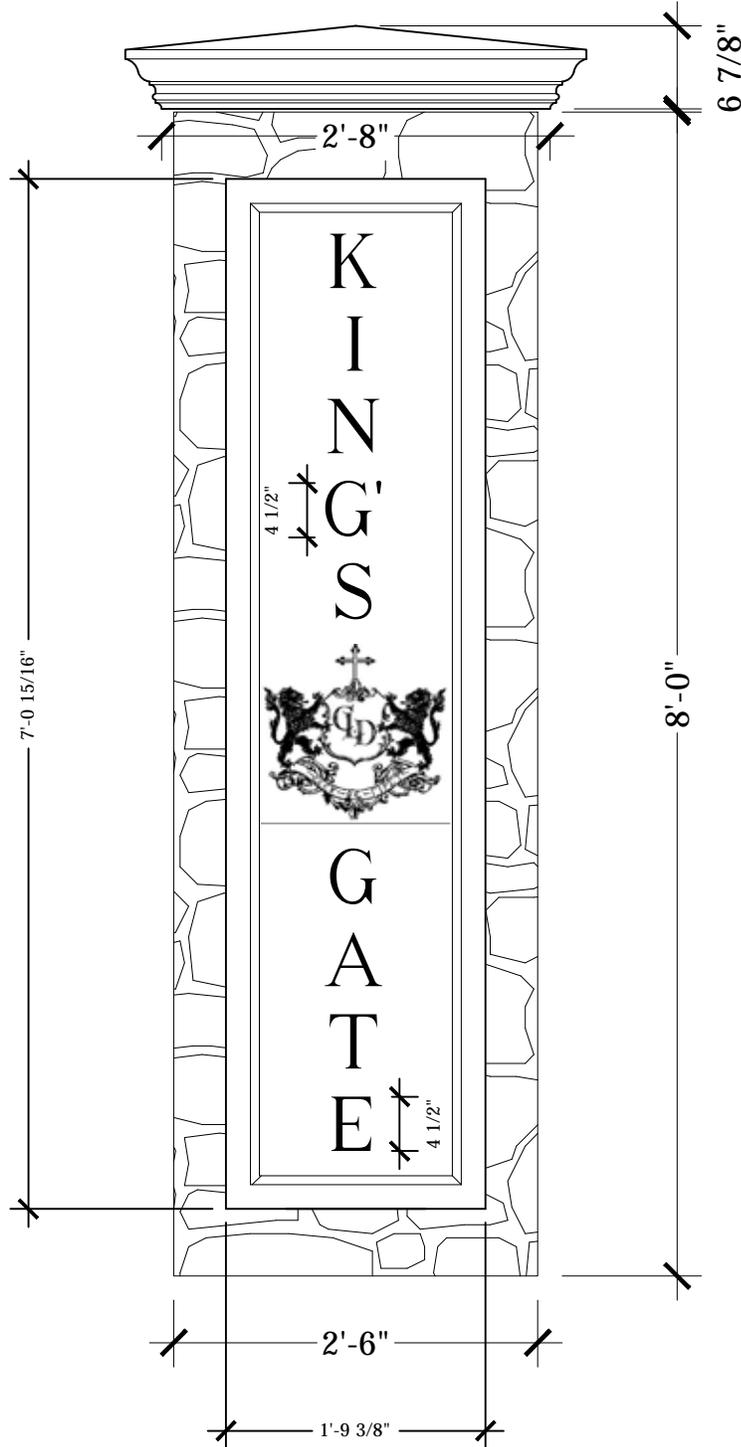


|                |                          |                |            |              |         |        |
|----------------|--------------------------|----------------|------------|--------------|---------|--------|
| DRAWING TITLE: | <b>SIGN</b>              | UNIT LOCATION: | ENTRY GATE | UNITS. REQ.: | -       |        |
| CUSTOMER:      | <b>COVENANT BUILDERS</b> |                |            | COLOR:       | TBD     |        |
| ADDRESS:       | 4101 COVENANT DR.        |                | CITY, ST:  | KS           | FINISH: | SMOOTH |
| DATE STARTED:  | 12/22/14                 | DATE PRINTED:  | 8/21/15    | DRAWN BY:    | RES     |        |

PAGE #

# P4

DELIVERY DATE: 814-1422



|                |                          |               |                |            |              |   |
|----------------|--------------------------|---------------|----------------|------------|--------------|---|
| DRAWING TITLE: | <b>POST</b>              |               | UNIT LOCATION: | ENTRY GATE | UNITS. REQ.: | - |
| CUSTOMER:      | <b>COVENANT BUILDERS</b> |               |                |            |              |   |
| ADDRESS:       | 4101 COVENANT DR.        |               |                | COLOR:     | TBD          |   |
| CITY, ST:      | KS                       |               |                | FINISH:    | SMOOTH       |   |
| DATE STARTED:  | 12/22/14                 | DATE PRINTED: | 8/21/15        | DRAWN BY:  | RES          |   |

PAGE #  
**P2**

DELIVERY DATE:  
814-1422

## WARRANTY AND MAINTENANCE AGREEMENT

THIS WARRANTY AND MAINTENANCE AGREEMENT (“the/this Agreement”) is entered into and effective as of the date last executed below, by and between Covenant Land & Developing, Inc., a corporation organized and operated pursuant to laws of the State of Kansas (“Covenant”), and the City of Hays, a municipal corporation incorporated and existing under and by virtue of the laws of the State of Kansas, of Ellis County, Kansas (“the City”).

WHEREAS, Covenant is a construction company that develops residential neighborhoods in the City and has caused certain real property to be surveyed and platted in accordance with the laws of the State of Kansas as an addition to the City, with said platted real estate known as KING’S GATE FIRST ADDITION, PHASE II, TO THE CITY OF HAYS, KANSAS (“the Development”); and

WHEREAS, pursuant to the plat of the Development, the City and Covenant have worked together to design a street, King’s Gate Drive, that will permit access from the Development to, and intersect with, 41st Street; and

WHEREAS, the accepted and approved plat for the Development provides for the placement of a monument-style sign (“the Sign”) as a dividing feature in the median between the ingress and egress lanes on King’s Gate Drive in the City’s right-of-way at the 41st Street intersection, as specifically located on the plat of the Development, which is incorporated herein by reference; and

WHEREAS, Covenant and the City wish to enter into this Agreement to define the terms for maintenance of the Sign after its construction.

NOW, THEREFORE, in consideration for the above, the performance of the parties related to the Development, the promises herein and other good and valuable consideration, the parties agree as follows:

1. **The Sign.** The Sign shall be designed and constructed by Covenant in conformance with the City’s standards and consistent with the design plans submitted to and approved by the City in conjunction with the adoption and approval of the plat of the Development. Covenant shall bear the costs of designing and constructing the Sign. The Sign shall be located in and become a fixture upon the City’s right-of-way, subject to City ownership and control.

2. **Responsibility to Maintain and Warrant.** After completion of the Sign and median upon which it sets, the City shall have no responsibility to maintain the Sign and/or median. Covenant shall, to the extent that Covenant is willing and able, warrant the Sign and median from and against any defects in design, workmanship or materials used in construction of the Sign and median and shall bear the cost of any such defects and resulting repairs or replacements. In addition, Covenant, to the extent that Covenant is willing and able, shall maintain the Sign and median as needed, at no cost to the City. Nothing in this Agreement shall be construed as preventing Covenant from seeking to recover the costs of any repairs or replacements from a subcontractor engaged by Covenant.

3. **Exception due to Casualty.** The terms of Covenant’s responsibility to maintain and warrant the Sign and median in paragraph 2 notwithstanding, the parties agree that to the extent damage to the Sign and/or median results from the negligent or intentional act of any third party or employee or other agent of the City, the costs of repairing such damage or replacing the Sign and/or median shall not be borne by Covenant.

4. **Removal Fee.** Covenant shall pay a one-time fee to the City of Two Thousand Dollars (\$2,000.00)(“the Removal Fee”), to be utilized as set forth in paragraph 5. The Removal Fee shall be due to the City within 30 days after execution of this Agreement.

5. **City’s Obligation to Maintain.** The parties agree and Covenant acknowledges that the Sign will be located within City right-of-way and subject to the City’s control and police powers. Should the Sign and/or median fall into disrepair and Covenant is no longer willing or able to provide the warranties, maintenance, repair or replacement outlined in paragraph 2, then the City will not be bound to maintain, replace or keep the Sign in place and the City shall have the discretion to use the Removal Fee to remove the Sign and median if, in its sole discretion, the governing body of the City so elects.

6. **Miscellaneous.**

(a) Each person signing on behalf of the parties to this Agreement represents and warrants that he/she has full authority to execute this Agreement on behalf of such party and that this Agreement will constitute a legal and binding obligation of such party.

(b) This Agreement shall be construed in accordance with and pursuant to Kansas law. The District Court of Ellis County, Kansas, shall have jurisdiction over the subject matter of this Agreement and the parties hereto, and said court shall be the exclusive venue for any disputes involving the interpretation of this Agreement.

(c) Should any provision of this Agreement be determined by a Court of competent jurisdiction to be illegal or unenforceable for any reason, the remaining terms hereof shall be interpreted as though the offending provision has been removed from this Agreement and the remaining terms, to the fullest extent possible, shall remain effective.

IN WITNESS WHEREOF, the parties have executed this Agreement as follows:

City of Hays

Covenant Land & Developing, Inc.

By: \_\_\_\_\_  
Toby Dougherty, City Manager

By: \_\_\_\_\_  
Katherine E. Burnett, President

Date: \_\_\_\_\_

Date: \_\_\_\_\_



# Commission Work Session Agenda

## Memo

**From:** John Braun, Assistant Director of Public Works

**Work Session:** September 3, 2015

**Subject:** King's Gate Addition Phase 2 – Award of Bid

**Person(s) Responsible:** Toby Dougherty, City Manager  
Greg Sund, Director of Public Works

### Summary

In March Covenant Land and Development, Inc. petitioned the City for improvements to an area containing 23 lots in the King's Gate Addition within the City of Hays, and bids for construction were received on August 4th. Staff recommends accepting the bid from APAC in the amount of \$639,403.83 for the construction of street, water, storm water and sanitary sewer improvements within the King's Gate Addition, Phase 2, with the project cost to be paid by the developer and Special Assessment to the Benefit District.

### Background

In March 2015, Covenant Land and Development, Inc. petitioned the City for Street, Storm Sewer, Water, and Sanitary Sewer Improvements to an area containing 23 lots in the King's Gate Addition within the City of Hays. The general nature of the proposed improvements is as follows:

- The construction of King's Gate Drive, including a short cul-de-sac (King's Court) and all related curb, gutter and stormwater sewer improvements. Also included is a proposed island median at the entrance to the development as was initially discussed during the plat approval process in May, 2010. The intention of the median is to have monument sign identifying the housing development. The proposed sign was discussed in a previous agenda item.
- The construction of approximately 800 linear feet of 8" water line and 180 linear feet of 4" water line, fire hydrants, service connections and all other necessary and related water improvements.
- The construction of approximately 900 linear feet of 8" sanitary sewer line, manholes, sanitary sewer service connections and all other necessary and related sanitary sewer improvements.

This is the logical continuation of the King's Gate Addition that has been developing in phases over the last few years. This project follows the plan that has been set forth and constructed in

phases over the last 5 years and would complete the connection of King’s Gate Drive to 41<sup>st</sup> Street. A resolution establishing a benefit district and authorizing the improvements was approved by the City Commission on March 26, 2015. Also at that time, an Engineering Service Agreement was entered with Ruder Engineering for design and construction phase services.

### Discussion

Bids for this project were opened on August 4, 2015 with bids coming from two (2) bidders: APAC and J Corp. Bids were structured to allow for either asphalt or concrete pavement. J Corp submitted the lowest bid in the amount of **\$637,957.70** using concrete pavement; however, J Corp’s proposal indicated a start date of April 1, 2016; whereas, APAC’s proposal indicated a start date of November 30, 2015. Since the difference in price between J Corp’s bid and APAC’s bid is only \$1,446, the developer requested awarding the bid to APAC to achieve the earlier start date. Therefore, the recommendation is to award bid with asphalt pavement to APAC in the amount of \$639,403.83.

#### Summary of Bids

|                   | Engineer’s      |                     |               |
|-------------------|-----------------|---------------------|---------------|
|                   | <u>Estimate</u> | <u>APAC</u>         | <u>J Corp</u> |
| Sanitary Sewer    | \$255,059.60    | \$237,523.40        | \$189,521.60  |
| Water             | \$134,822.00    | \$97,841.14         | \$124,937.00  |
| Street/Storm      | \$232,213.40    | \$198,474.64        | \$191,917.10  |
| <br>              |                 |                     |               |
| Concrete Pavement | \$143,544.00    | \$186,158.63        | \$131,582.00  |
| Asphalt Pavement  | \$122,610.50    | \$105,564.65        | no bid        |
| <br>              |                 |                     |               |
| TOTAL (concrete)  | \$765,639.00    | \$719,997.81        | \$637,957.70  |
| TOTAL (asphalt)   | \$744,705.50    | <b>\$639,403.83</b> | no bid        |

A detailed tabulation of bids is attached.

Since there is no City share for oversizing, and the adjacent street pavement is asphalt, staff has no objection to recommending the award of bid to APAC as proposed by the developer.

### Legal Consideration

There are no known legal obstacles to proceeding as recommended by City Staff.

## Financial Consideration

Estimated total Project Cost:

|                     | Total               | Developer (30%)     | Benefit District<br>(70%) |
|---------------------|---------------------|---------------------|---------------------------|
| Design & Insp       | \$33,900.00         | \$10,170.00         | \$23,730.00               |
| Construction        | \$639,403.83        | \$191,821.15        | \$447,582.68              |
| Issuance &<br>Admin | \$50,000.00         | \$15,000.00         | \$35,000.00               |
| <b>TOTALS</b>       | <b>\$723,303.83</b> | <b>\$216,991.15</b> | <b>\$506,312.68</b>       |

|                            |             |
|----------------------------|-------------|
| Lots                       | 23          |
| Per Lot                    | \$22,013.59 |
| Per month (15 yrs @<br>3%) | \$152.02    |

There is no City share for oversizing.

The developer is financing the improvements through the creation of a special benefit district. Per the City's Development Policy, the developer pays 30% of the project cost up front with the remaining 70% assessed to the benefit district. The per lot Special Assessment is estimated to be approximately \$22,000. Based on the 15 year assessment at an assumed interest rate of 3%, the estimated monthly assessment per lot would be approximately \$152 per month.

The estimated \$506,312 to be special assessed would be bonded.

### Options

Options include the following:

- Award contract as recommended by city staff
- Provide alternate direction to staff
- Do nothing.

### Recommendation

Staff recommends entering a contract with APAC as presented.

### Action Requested

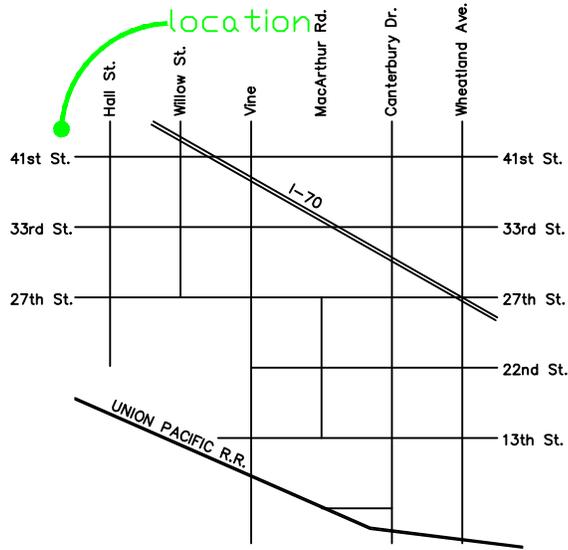
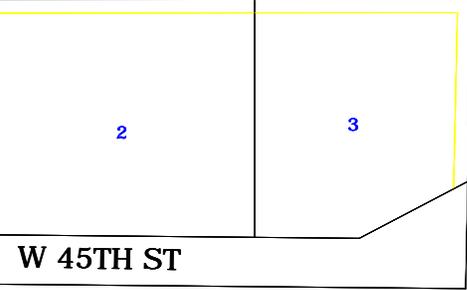
Authorize the City Manager to enter into a contract with APAC in the amount of **\$639,403.83** for construction of street, water, storm water and sanitary sewer improvements within the King's Gate Addition, Phase 2, with the project cost to be paid by the developer and Special Assessment to the Benefit District.

### Supporting Documentation

Location Maps  
Bid Tabulation

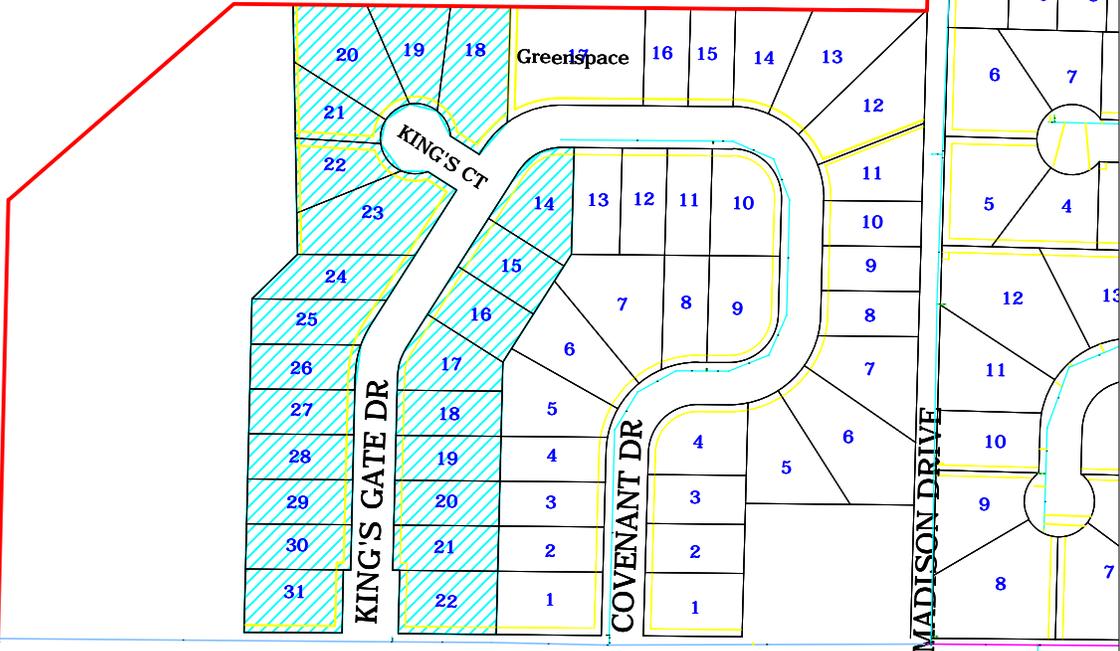


# City of Hays, Public Works Department King's Gate Addition - Award of Bid August 2015



CITY OF HAYS, ELLIS COUNTY, KANSAS

000 BLK



W 41ST ST

-  City Limit
-  Kings Gate Addition Phase II

|                            |                                | ENGINEER'S ESTIMATE |             | APAC-KANSAS, INC.<br>P.O. BOX 190<br>HAYS, KS 67601 |             | J CORP<br>1707 E. 10TH<br>HAYS, KS 67601 |             |              |            |       |            |       |
|----------------------------|--------------------------------|---------------------|-------------|---|-------------|--|-------------|--------------|------------|-------|------------|-------|
| ITEM NO.                   | DESCRIPTION                    | QUANTITY & UNIT     | UNIT PRICE  | TOTAL   | UNIT PRICE  | TOTAL                                    | UNIT PRICE  | TOTAL        | UNIT PRICE | TOTAL | UNIT PRICE | TOTAL |
| <u>SANITARY SEWER</u>      |                                |                     |             |   |             |  |             |              |            |       |            |       |
| 1                          | Mobilization                   | 1.0 LS              | \$15,000.00 | \$15,000.00   | \$6,100.00  | \$6,100.00                               | \$13,000.00 | \$13,000.00  |            |       |            |       |
| 2                          | Traffic Control                | 1.0 LS              | \$5,000.00  | \$5,000.00  | \$2,000.00  | \$2,000.00                               | \$2,200.00  | \$2,200.00   |            |       |            |       |
| 3                          | Construction Staking           | 1.0 LS              | \$1,200.00  | \$1,200.00  | \$2,000.00  | \$2,000.00                               | \$2,500.00  | \$2,500.00   |            |       |            |       |
| 29                         | Trenching 0'-8'                | 65.0 LF             | \$14.00     | \$910.00  | \$17.00     | \$1,105.00                               | \$20.00     | \$1,300.00   |            |       |            |       |
| 30                         | Trenching 8'-10'               | 26.0 LF             | \$16.00     | \$416.00  | \$21.30     | \$553.80                                 | \$20.00     | \$520.00     |            |       |            |       |
| 31                         | Trenching 10'-12'              | 38.0 LF             | \$18.00     | \$684.00  | \$29.10     | \$1,105.80                               | \$20.00     | \$760.00     |            |       |            |       |
| 32                         | Trenching 12'-14'              | 301.0 LF            | \$20.00     | \$6,020.00  | \$27.50     | \$8,277.50                               | \$25.00     | \$7,525.00   |            |       |            |       |
| 33                         | Trenching 14'-16'              | 165.0 LF            | \$24.00     | \$3,960.00  | \$33.50     | \$5,527.50                               | \$25.00     | \$4,125.00   |            |       |            |       |
| 34                         | Trenching 16'-18'              | 111.0 LF            | \$34.00     | \$3,774.00  | \$44.80     | \$4,972.80                               | \$35.00     | \$3,885.00   |            |       |            |       |
| 35                         | Trenching 18'-20'              | 110.0 LF            | \$38.00     | \$4,180.00  | \$55.30     | \$6,083.00                               | \$50.00     | \$5,500.00   |            |       |            |       |
| 36                         | Bore for Sewer Line            | 90.0 LF             | \$400.00    | \$36,000.00   | \$86.67     | \$7,800.30                               | \$85.00     | \$7,650.00   |            |       |            |       |
| 37                         | Connect to Existing Sewer Line | 1.0 EA              | \$3,200.00  | \$3,200.00  | \$10,200.00 | \$10,200.00                              | \$3,500.00  | \$3,500.00   |            |       |            |       |
| 38                         | Type I Manhole                 | 4.0 EA              | \$3,600.00  | \$14,400.00   | \$6,400.00  | \$25,600.00                              | \$3,600.00  | \$14,400.00  |            |       |            |       |
| 39                         | Extra Depth Type I Manhole     | 30.0 LF             | \$380.00    | \$11,400.00   | \$400.00    | \$12,000.00                              | \$200.00    | \$6,000.00   |            |       |            |       |
| 40                         | 4" Sanitary Sewer              | 1,268.0 LF          | \$92.00     | \$116,656.00  | \$96.00     | \$121,728.00                             | \$60.00     | \$76,080.00  |            |       |            |       |
| 41                         | 8" Sanitary sewer              | 905.7 LF            | \$28.00     | \$25,359.60   | \$21.00     | \$19,019.70                              | \$38.00     | \$34,416.60  |            |       |            |       |
| 42                         | 8"x 4" Wye                     | 2.0 EA              | \$200.00    | \$400.00  | \$100.00    | \$200.00                                 | \$200.00    | \$400.00     |            |       |            |       |
| 43                         | 8"x 4" Combination Tee/Wye     | 21.0 EA             | \$200.00    | \$4,200.00  | \$100.00    | \$2,100.00                               | \$225.00    | \$4,725.00   |            |       |            |       |
| 44                         | 4" Cap (Sanitary Sewer)        | 23.0 EA             | \$100.00    | \$2,300.00  | \$50.00     | \$1,150.00                               | \$45.00     | \$1,035.00   |            |       |            |       |
| TOTAL SANITARY SEWER IMPR. |                                |                     |             | \$255,059.60  |             | \$237,523.40                             |             | \$189,521.60 |            |       |            |       |
| <u>WATER</u>               |                                |                     |             |   |             |  |             |              |            |       |            |       |
| 1                          | Mobilization                   | 1.0 LS              | \$15,000.00 | \$15,000.00   | \$1,900.00  | \$1,900.00                               | \$8,000.00  | \$8,000.00   |            |       |            |       |
| 2                          | Traffic Control                | 1.0 LS              | \$5,000.00  | \$5,000.00  | \$1,900.00  | \$1,900.00                               | \$1,000.00  | \$1,000.00   |            |       |            |       |
| 3                          | Construction Staking           | 1.0 LS              | \$1,000.00  | \$1,000.00  | \$2,000.00  | \$2,000.00                               | \$2,500.00  | \$2,500.00   |            |       |            |       |
| 45                         | 4" Water Line (C900 PVC)       | 178.0 LF            | \$25.00     | \$4,450.00  | \$19.80     | \$3,524.40                               | \$30.00     | \$5,340.00   |            |       |            |       |
| 46                         | 6" Water Line (DIP)            | 8.0 LF              | \$60.00     | \$480.00  | \$83.00     | \$664.00                                 | \$100.00    | \$800.00     |            |       |            |       |
| 47                         | 8" Water Line (C900 PVC)       | 791.2 LF            | \$30.00     | \$23,736.00   | \$25.20     | \$19,938.24                              | \$40.00     | \$31,648.00  |            |       |            |       |
| 48                         | 8" x 6" Tee                    | 2.0 EA              | \$300.00    | \$600.00  | \$515.00    | \$1,030.00                               | \$425.00    | \$850.00     |            |       |            |       |
| 49                         | 8" x 4" Tee                    | 1.0 EA              | \$300.00    | \$300.00  | \$500.00    | \$500.00                                 | \$375.00    | \$375.00     |            |       |            |       |
| 50                         | 8" Bend, 45 Degree             | 2.0 EA              | \$300.00    | \$600.00  | \$400.00    | \$800.00                                 | \$300.00    | \$600.00     |            |       |            |       |
| 51                         | 8" Bend, 22.5 Degree           | 2.0 EA              | \$300.00    | \$600.00  | \$400.00    | \$800.00                                 | \$290.00    | \$580.00     |            |       |            |       |
| 52                         | 8" Bend, 11.25 Degree          | 3.0 EA              | \$300.00    | \$900.00  | \$375.00    | \$1,125.00                               | \$300.00    | \$900.00     |            |       |            |       |
| 53                         | 4" Cap (Water)                 | 1.0 EA              | \$300.00    | \$300.00  | \$275.00    | \$275.00                                 | \$50.00     | \$50.00      |            |       |            |       |
| 54                         | Connect to Existing Fitting    | 2.0 EA              | \$1,600.00  | \$3,200.00  | \$950.00    | \$1,900.00                               | \$1,000.00  | \$2,000.00   |            |       |            |       |
| 55                         | 2" Flush Valve                 | 1.0 EA              | \$2,000.00  | \$2,000.00  | \$1,400.00  | \$1,400.00                               | \$1,800.00  | \$1,800.00   |            |       |            |       |
| 56                         | 8" Gate Valve                  | 2.0 EA              | \$2,000.00  | \$4,000.00  | \$1,400.00  | \$2,800.00                               | \$1,400.00  | \$2,800.00   |            |       |            |       |
| 57                         | 6" Gate Valve                  | 2.0 EA              | \$1,500.00  | \$3,000.00  | \$1,100.00  | \$2,200.00                               | \$1,200.00  | \$2,400.00   |            |       |            |       |
| 58                         | 4" Gate Valve                  | 1.0 EA              | \$1,200.00  | \$1,200.00  | \$925.00    | \$925.00                                 | \$900.00    | \$900.00     |            |       |            |       |
| 59                         | Fire Hydrant                   | 2.0 EA              | \$2,800.00  | \$5,600.00  | \$2,800.00  | \$5,600.00                               | \$3,350.00  | \$6,700.00   |            |       |            |       |
| 60                         | Meter Set                      | 24.0 EA             | \$1,500.00  | \$36,000.00   | \$1,350.00  | \$32,400.00                              | \$1,200.00  | \$28,800.00  |            |       |            |       |
| 61                         | Service Connection (1")        | 24.0 EA             | \$300.00    | \$7,200.00  | \$170.00    | \$4,080.00                               | \$250.00    | \$6,000.00   |            |       |            |       |
| 62                         | Service Saddle (1" x 4")       | 4.0 EA              | \$250.00    | \$1,000.00  | \$115.00    | \$460.00                                 | \$175.00    | \$700.00     |            |       |            |       |
| 63                         | Service Saddle (1" x 8")       | 20.0 EA             | \$250.00    | \$5,000.00  | \$140.00    | \$2,800.00                               | \$270.00    | \$5,400.00   |            |       |            |       |
| 64                         | Service Line (1")              | 1,138.0 LF          | \$12.00     | \$13,656.00   | \$7.75      | \$8,819.50                               | \$13.00     | \$14,794.00  |            |       |            |       |
| TOTAL WATER IMPROVEMENTS   |                                |                     |             | \$134,822.00  |             | \$97,841.14                              |             | \$124,937.00 |            |       |            |       |

| BID TABULATION (CONT.)               |                                     | ENGINEER'S ESTIMATE |             | APAC-KANSAS, INC.<br>P.O. BOX 190<br>HAYS, KS 67601 |             | J CORP<br>1707 E. 10TH<br>HAYS, KS 67601 |             |              |            |       |            |       |
|--------------------------------------|-------------------------------------|---------------------|-------------|---|-------------|--|-------------|--------------|------------|-------|------------|-------|
| 46TH STREET SECOND ADDITION, PHASE 2 |                                     |                     |             |   |             |  |             |              |            |       |            |       |
| ITEM NO.                             | DESCRIPTION                         | QUANTITY & UNIT     | UNIT PRICE  | TOTAL   | UNIT PRICE  | TOTAL                                    | UNIT PRICE  | TOTAL        | UNIT PRICE | TOTAL | UNIT PRICE | TOTAL |
| <u>STREETS</u>                       |                                     |                     |             |   |             |  |             |              |            |       |            |       |
| 1                                    | Mobilization                        | 1.0 LS              | \$20,000.00 | \$20,000.00   | \$22,700.00 | \$22,700.00                              | \$20,000.00 | \$20,000.00  |            |       |            |       |
| 2                                    | Traffic Control                     | 1.0 LS              | \$5,000.00  | \$5,000.00  | \$2,500.00  | \$2,500.00                               | \$2,000.00  | \$2,000.00   |            |       |            |       |
| 3                                    | Construction Staking                | 1.0 LS              | \$3,000.00  | \$3,000.00  | \$2,500.00  | \$2,500.00                               | \$3,000.00  | \$3,000.00   |            |       |            |       |
| 4                                    | Pavement Removal                    | 11.0 SY             | \$25.00     | \$275.00  | \$12.00     | \$132.00                                 | \$50.00     | \$550.00     |            |       |            |       |
| 5                                    | Saw Cut                             | 31.0 LF             | \$12.00     | \$372.00  | \$6.00      | \$186.00                                 | \$5.00      | \$155.00     |            |       |            |       |
| 6                                    | Seeding & Mulching                  | 3.5 AC              | \$1,500.00  | \$5,250.00  | \$1,648.00  | \$5,768.00                               | \$2,200.00  | \$7,700.00   |            |       |            |       |
| 7                                    | Common Excavation                   | 1,915.0 CY          | \$10.00     | \$19,150.00   | \$9.50      | \$18,192.50                              | \$10.00     | \$19,150.00  |            |       |            |       |
| 8                                    | Embankment                          | 1,745.0 CY          | \$10.00     | \$17,450.00   | \$7.50      | \$13,087.50                              | \$7.00      | \$12,215.00  |            |       |            |       |
| 9                                    | Contractor Furnished Borrow         | 440.0 CY            | \$20.00     | \$8,800.00  | \$11.00     | \$4,840.00                               | \$10.00     | \$4,400.00   |            |       |            |       |
| 10                                   | Fly Ash                             | 239.0 Tons          | \$85.00     | \$20,315.00   | \$70.00     | \$16,730.00                              | \$80.00     | \$19,120.00  |            |       |            |       |
| 11                                   | Water (Fly Ash)                     | 95.0 Mgal           | \$25.00     | \$2,375.00  | \$30.00     | \$2,850.00                               | \$30.00     | \$2,850.00   |            |       |            |       |
| 12                                   | Manipulation (Fly Ash)              | 4,018.0 SY          | \$6.00      | \$24,108.00   | \$2.80      | \$11,250.40                              | \$3.00      | \$12,054.00  |            |       |            |       |
| 13                                   | Relocate Aggregate Ditch Lining, 6" | 100.0 Tons          | \$85.00     | \$8,500.00  | \$12.00     | \$1,200.00                               | \$20.00     | \$2,000.00   |            |       |            |       |
| 14                                   | Valley Gutter, 7" (AE)              | 57.2 SY             | \$80.00     | \$4,576.00  | \$92.25     | \$5,276.70                               | \$44.00     | \$2,516.80   |            |       |            |       |
| 15                                   | Curb Return, 7" (AE)                | 37.9 SY             | \$80.00     | \$3,032.00  | \$77.80     | \$2,948.62                               | \$44.00     | \$1,667.60   |            |       |            |       |
| 19                                   | Layback Curb & Gutter (AE)          | 1,888.9 LF          | \$26.00     | \$49,111.40   | \$28.00     | \$52,889.20                              | \$24.00     | \$45,333.60  |            |       |            |       |
| 20                                   | 8" Special Curb & Gutter (AE)       | 56.0 LF             | \$70.00     | \$3,920.00  | \$49.00     | \$2,744.00                               | \$40.00     | \$2,240.00   |            |       |            |       |
| 21                                   | Integral Curb (AE)                  | 100.5 LF            | \$15.00     | \$1,507.50  | \$16.00     | \$1,608.00                               | \$35.00     | \$3,517.50   |            |       |            |       |
| 22                                   | Sidewalk, 6" (AE)                   | 324.9 SF            | \$10.00     | \$3,249.00  | \$12.85     | \$4,174.97                               | \$4.00      | \$1,299.60   |            |       |            |       |
| 23                                   | Ramp Pavers                         | 20.0 SF             | \$20.00     | \$400.00  | \$40.00     | \$800.00                                 | \$50.00     | \$1,000.00   |            |       |            |       |
| 24                                   | 24" RCP End Section                 | 1.0 EA              | \$1,000.00  | \$1,000.00  | \$630.00    | \$630.00                                 | \$975.00    | \$975.00     |            |       |            |       |
| 25                                   | 18" HDPE Storm Sewer                | 133.5 LF            | \$35.00     | \$4,672.50  | \$35.50     | \$4,739.25                               | \$38.00     | \$5,073.00   |            |       |            |       |
| 26                                   | Storm Sewer Manhole                 | 1.0 EA              | \$5,000.00  | \$5,000.00  | \$3,000.00  | \$3,000.00                               | \$3,500.00  | \$3,500.00   |            |       |            |       |
| 27                                   | Curb Inlet, 10'                     | 1.0 EA              | \$6,000.00  | \$6,000.00  | \$6,200.00  | \$6,200.00                               | \$5,800.00  | \$5,800.00   |            |       |            |       |
| 28                                   | Silt Fence Barrier                  | 1,350.0 LF          | \$4.00      | \$5,400.00  | \$2.40      | \$3,240.00                               | \$3.00      | \$4,050.00   |            |       |            |       |
| 28A                                  | Silt Sock                           | 1,950.0 LF          | \$5.00      | \$9,750.00  | \$4.25      | \$8,287.50                               | \$5.00      | \$9,750.00   |            |       |            |       |
| TOTAL STREET IMPROVEMENTS            |                                     |                     |             | \$232,213.40  |             | \$198,474.64                             |             | \$191,917.10 |            |       |            |       |
| <u>ALTERNATE NO. 1</u>               |                                     |                     |             |   |             |  |             |              |            |       |            |       |
| 16                                   | Concrete Pavement, 6" (AE)          | 2,990.5 SY          | \$48.00     | \$143,544.00  | \$62.25     | \$186,158.63                             | \$44.00     | \$131,582.00 |            |       |            |       |
| TOTAL ALTERNATE NO. 1                |                                     |                     |             | \$143,544.00  |             | \$186,158.63                             |             | \$131,582.00 |            |       |            |       |
| <u>ALTERNATE NO. 2</u>               |                                     |                     |             |   |             |  |             |              |            |       |            |       |
| 17                                   | Bituminous Surface Course, 2"       | 2,990.5 SF          | \$15.00     | \$44,857.50   | \$12.50     | \$37,381.25                              |             | \$0.00       |            |       |            |       |
| 18                                   | Bituminous Base Course, 4"          | 2,990.5 SF          | \$26.00     | \$77,753.00   | \$22.80     | \$68,183.40                              |             | \$0.00       |            |       |            |       |
| TOTAL ALTERNATE NO. 2                |                                     |                     |             | \$122,610.50  |             | \$105,564.65                             |             | No Bid       |            |       |            |       |
| TOTAL PROJECT w/ALT 1                |                                     |                     |             | \$765,639.00  |             | \$719,997.81                             |             | \$637,957.70 |            |       |            |       |
| TOTAL PROJECT w/ALT 2                |                                     |                     |             | \$744,705.50  |             | \$639,403.83                             |             | No Bid       |            |       |            |       |



# Commission Work Session Agenda

## Memo

**From:** Jesse Rohr, PIE Superintendent

**Work Session:** September 3, 2015

**Subject:** Rezoning of Lot 14 and a Portion of Lot 13, Block 21, Hays Plaza 3<sup>rd</sup> Addition (R-1 to R-4)

**Person(s) Responsible:** Toby Dougherty, City Manager  
Greg Sund, Director of Public Works

### Summary

The owner of 1601 E 27<sup>th</sup> Frontage Rd. (Lot 14 and a portion of Lot 13, Block 21, Hays Plaza 3<sup>rd</sup> Addition) has submitted a request to rezone the property from single-family residential district (R-1) to multi-family dwelling district (R-4). A public hearing was conducted on August 17, 2015 at the regular meeting of the Planning Commission and it was recommended by a vote of 4-1 that the rezoning be approved. The zoning change from R-1 to R-4 would allow for single-family, two-family, OR multi-family dwelling units to be constructed. Staff, as well as the Planning Commission, recommends approving an ordinance rezoning Lot 14 and a portion of Lot 13, Block 21, Hays Plaza 3<sup>rd</sup> Addition (1601 E. 27<sup>th</sup> Frontage Rd) from R-1 (single-family residential district) to R-4 (multi-family dwelling district).

### Background

This property is currently for sale and could potentially redevelop. There is currently a single-family dwelling on the property. The existing home is a manufactured home that was built in 1972. Any plans for redevelopment of this site should be encouraged, as long as they are compatible with the surrounding area.

### Discussion

The owner of 1601 E 27<sup>th</sup> Frontage Rd. (Lot 14 and a portion of Lot 13, Block 21, Hays Plaza 3<sup>rd</sup> Addition) has submitted a request to rezone the property from single-family residential district (R-1) to multi-family dwelling district (R-4). The property abuts existing multi-family zoning (R-4) as well as Single-Family (R-1) and Commercial (C-2) zoning.

This property, which fronts E. 27<sup>th</sup> St., is not very conducive to single-family residential development due to its location along a major arterial street. Other uses, such as multi-family or commercial are more fitting for the location.

A public hearing was conducted on August 17, 2015 at the regular meeting of the Planning Commission. All property owners within 200 feet of the subject property were notified of the public hearing. Two property owners spoke out at the hearing, with one

being opposed to the rezoning request. Concerns of “higher property taxes” and “lower property values” were brought up by the nearby property owner in opposition to the rezoning request.

The Comprehensive Plan identifies this area and the remainder of the block as “Low Density Residential” which, when compared to high and medium density, rates a 3-4 respectively out of 5 on the compatibility matrix scale in the Comprehensive Plan, with 5 being the most compatible.

The item was approved by a vote of 4-1 and a favorable recommendation was made by the Planning Commission to the City Commission to approve the rezoning, primarily due to the existing uses and zoning of the surrounding properties.

### **Legal Consideration**

There are no known legal obstacles to proceeding as recommended by City staff.

### **Financial Consideration**

None identified at this time.

### **Options**

The City Commission has the following options:

- Approve the rezoning request from R-1 to R-4 as recommended by the Planning Commission and City staff
- Send the request back to the Planning Commission for further consideration with specific basis for further review
- Deny the rezoning request from R-1 to R-4 (Requires a 2/3 majority vote to overturn the P.C. recommendation)

### **Recommendation**

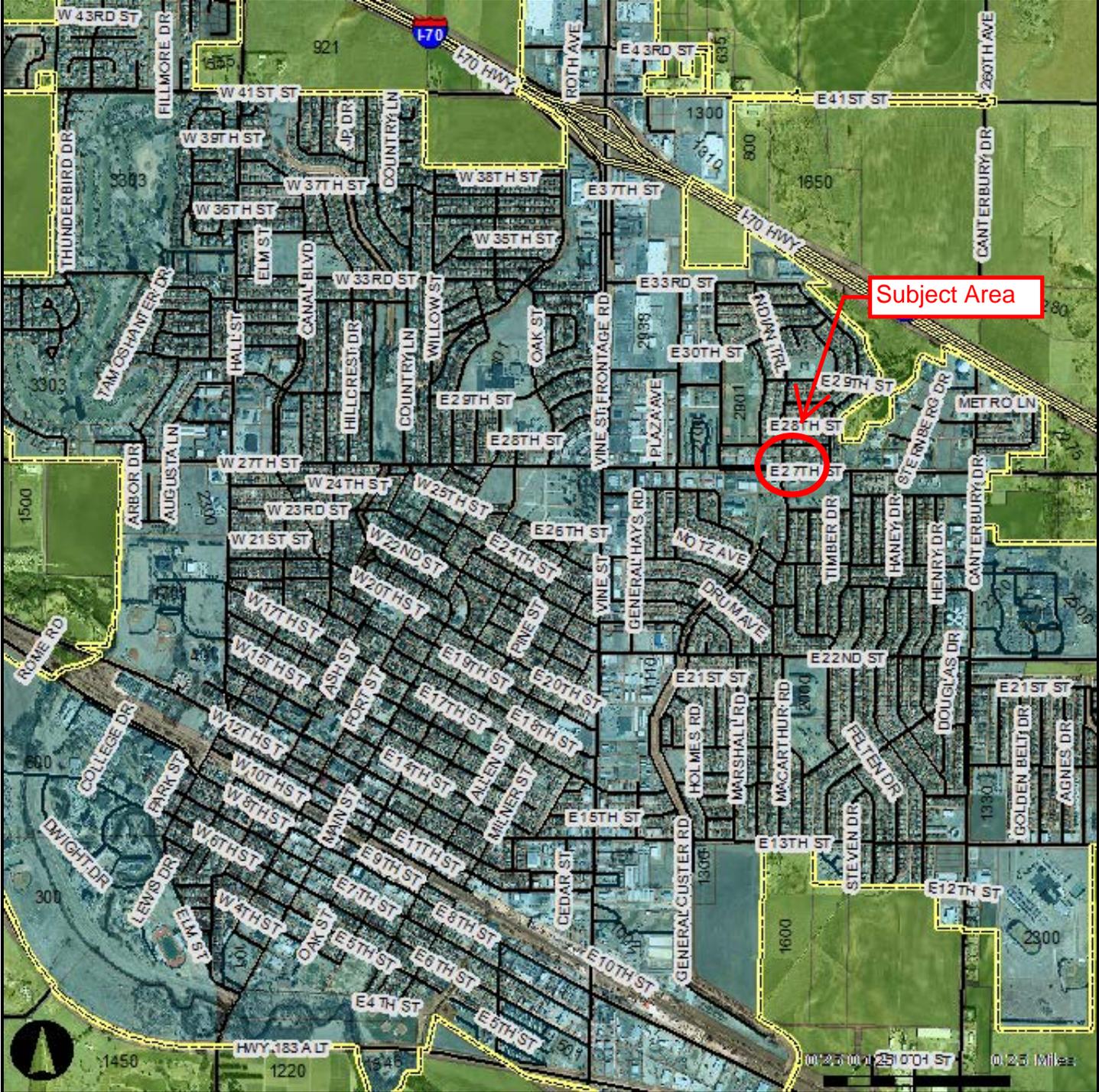
Staff, as well as the Planning Commission, recommends approving this rezoning request from R-1 to R-4 as submitted to encourage redevelopment of this property to a use more suitable to the location.

### **Action Requested**

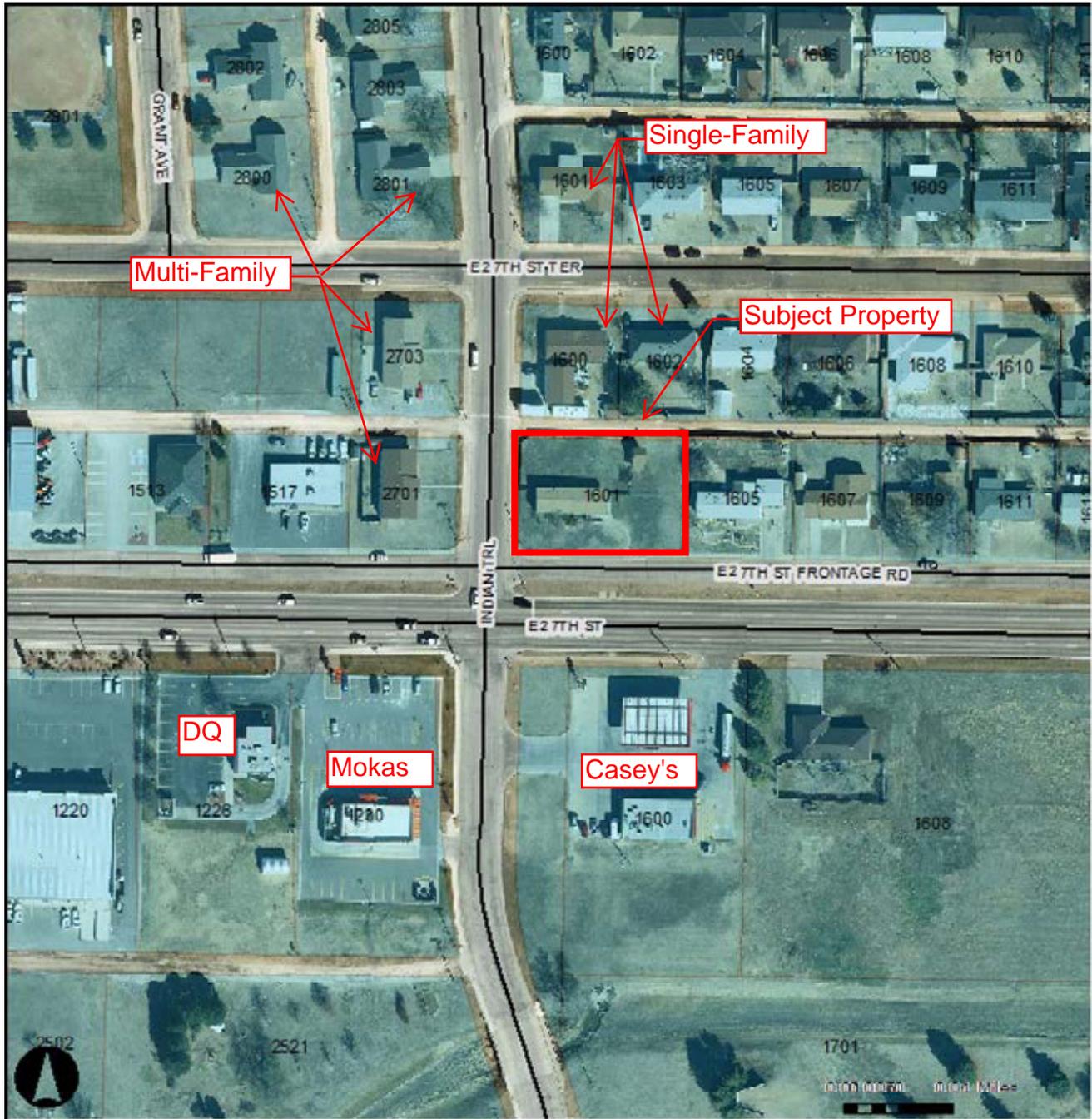
Approve an ordinance rezoning the property of 1601 E. 27<sup>th</sup> Frontage Rd. (Lot 14 and a Portion of Lot 13, Block 21, Hays Plaza 3<sup>rd</sup> Addition) from R-1 to R-4.

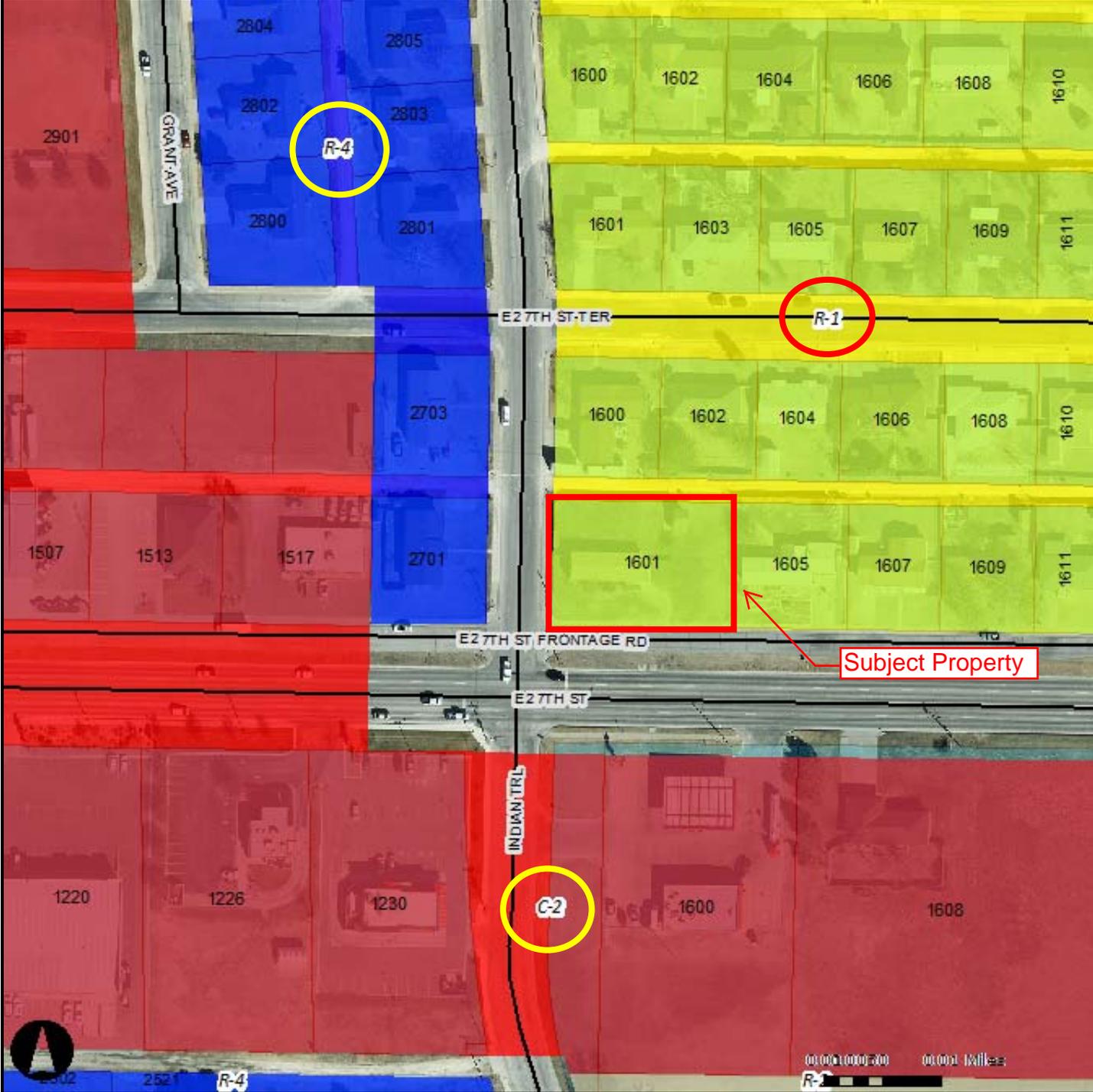
### **Supporting Documentation**

Map(s)  
Planning Commission Findings of Fact  
Ordinance



# 1601 E 27th





1612 Frontage Rd

Hays, Kansas

Street View - Apr 2013



**PLANNING COMMISSION FINDINGS OF FACT**

1. CASE NO.: **15-02Z** FILING FEE PAID: **\$140.00**
  2. DATE FILED: **07/20/2015**
  3. DATE ADVERTISED FOR HEARING: **07/26/2015**
  4. PUBLIC HEARING DATE: **08/17/2015**
  5. APPLICANT'S NAME: **Carol J. Purdy**
  6. LOCATION OF PROPERTY: **1601 E 27<sup>th</sup> Frontage Rd**
  7. DESCRIPTION OF PROPERTY: **Residential – Single Family**
  8. PRESENT USE OF PROPERTY: **Single Family Dwelling**
  9. PRESENT ZONING: **“R-1”** REQUESTED ZONING: **“R-4”**
- 

1. CHARACTER OF THE NEIGHBORHOOD:  
DIRECTION  
  
NORTH: **Single Family Dwellings**  
  
SOUTH: **General Commercial & Service (27th Frontage Road and 27<sup>th</sup> Street)**  
  
EAST: **Single Family Dwellings**  
  
WEST: **Multiple-Family Dwellings (Apartment housing fronting Indian Trail)**
2. THE ZONING OF SURROUNDING PROPERTY:  
DIRECTION  
  
NORTH: **“R-1” Single Family Dwelling District**  
  
SOUTH: **“C-2” General Commercial & Service District**  
  
EAST: **“R-1” Single Family Dwelling District**  
  
WEST: **“R-4” Multiple Family Dwelling District**
3. CONSIDERATION OF THE RECOMMENDATIONS OF PERMANENT PROFESSIONAL STAFF: **The area is identified on the Future Land Use map as mixed use of low to medium density residential and/or commercial**

use. Although the Comprehensive Plan identifies this immediate area as “Low Density Residential”, the surrounding areas are denoted as “Commercial”, “Mixed Use”, and “Park/Greenway” uses. The property abuts existing multi-family zoning (R-4) as well as Single-Family (R-1) and Commercial (C-2) zoning. This property would be best suited for single-family attached dwellings (duplexes) OR multiple-family types of units.

A. DEDICATION OR RESERVATION NEEDED FOR:

1. DRAINAGE: **Existing**
2. STREETS: **Existing**
3. UTILITY EASEMENTS:
  - a. ELECTRICITY: **Yes - existing**
  - b. GAS: **Yes - existing**
  - c. SEWERS: **Yes - existing**
  - d. WATER: **Yes - existing**
4. SHOULD PLATTING BE REQUIRED: **Property is platted**

B. TRAFFIC CONDITIONS:

1. CLASSIFICATION OF STREET ON WHICH PROPERTY FRONTS:  
**Local Frontage Road that fronts an Arterial Street**
2. RIGHT-OF-WAY WIDTH: **N/A**
3. SIGHT DISTANCE: **OK**
4. TURNING MOVEMENTS: **OK**
5. COMMENTS ON TRAFFIC: **Local**

4. THE SUITABILITY OF THE SUBJECT PROPERTY FOR THE USES TO WHICH IT HAS BEEN RESTRICTED: **While the property may appear to be suited for single family uses similar to what is currently in place, the proximity of the property to 27<sup>th</sup> St. and abutting commercial and multi-family uses makes the property a candidate for uses other than single-family dwellings.**
5. THE EXTENT TO WHICH REMOVAL OF THE RESTRICTIONS WILL DETRIMENTALLY AFFECT NEARBY PROPERTY: **There is no evidence presented in this case or similar cases in the past where the development of various housing types near single-family uses has posed a threat or become a detriment to the existing uses. While there may be a perception that such a proposal will cause a downturn in nearby property values or increased crime in the area, there is not sufficient evidence to back up such claims. The same holds true for the nearby commercial uses, which should benefit in a positive way from having additional residents moved into the area.**
6. THE LENGTH OF TIME THE SUBJECT PROPERTY HAS REMAINED VACANT AS ZONED: **N/A**
7. THE RELATIVE GAIN TO THE PUBLIC HEALTH, SAFETY, AND WELFARE BY THE DESTRUCTION OF THE VALUE OF THE NEIGHBORING PROPERTY, AS COMPARED TO THE HARDSHIP IMPOSED ON THE INDIVIDUAL

**LANDOWNER:** Neighboring property values typically tend to stay level or increase as new development takes place in adjacent areas, as long as the development stays within the character of the existing neighborhood. The impact of the rezoning, if approved, should not be destructive to neighboring property and should actually enhance the surrounding area as development occurs. This property, which fronts E. 27<sup>th</sup> St., is not very conducive to single-family residential development due to the nature of its location along a busy arterial street. Other uses, such as multi-family or commercial are more fitting for the location.

8. **THE CONFORMANCE OF THE REQUESTED CHANGE TO THE ADOPTED OR RECOGNIZED MASTER PLAN BEING UTILIZED BY THE CITY:**

**The Comprehensive Plan identifies this immediate area and the remainder of the block as “Low Density Residential” which, when compared to medium and high density, rates a 3-4 respectively out of 5 on the compatibility matrix scale in the Comprehensive Plan, with 5 being the most compatible.**

**The surrounding area is identified on the Future Land Use map as a potential mix of low to medium density dwellings with abutting commercial uses as well. The area fronts a frontage road that fronts 27<sup>th</sup> Street, an arterial street.**

**The area is bordered by an existing “R-1” Single Family Dwelling district to the north and east and Indian Trail (Collector Street) zoned for Multiple-Family Dwellings directly to the west. The property fronts 27<sup>th</sup> Frontage Road/27<sup>th</sup> Street with “C-2” General Commercial and Service District to the south. It would be well suited for single-family attached dwellings (duplexes) OR multiple-family types of units.**

**The request for the “R-4” Multiple Family zoning classification does fit the overall scheme of the surrounding properties and that of the master plan. Being able to provide property for additional housing with minimal extensions of City streets or utilities is not only acceptable, but recommended. Staff does recommend the change of zoning classification from “R-1” Single Family Residential Dwelling to “R-4” Multiple Family Dwelling District.**

**ORDINANCE NO.**

**AN ORDINANCE REZONING A TRACT OF LAND SITUATED IN THE SOUTH HALF (1/2) OF SECTION TWENTY SEVEN (27), TOWNSHIP THIRTEEN (13) SOUTH, RANGE EIGHTEEN (18) WEST OF THE 6<sup>TH</sup> P.M. IN ELLIS COUNTY, KANSAS, MORE PARTICULARLY DESCRIBED AS FOLLOWS:**

**LOT FOURTEEN (14) AND THE WEST SEVENTY (70) FEET OF LOT THIRTEEN (13), BLOCK TWENTY-ONE (21) OF THE HAYS PLAZA 3RD ADDITION TO THE CITY OF HAYS, ELLIS COUNTY, KANSAS, OTHERWISE KNOWN AS 1601 E. 27<sup>th</sup> FRONTAGE RD.,**

**FROM "R-1" SINGLE-FAMILY DWELLING DISTRICT TO "R-4" MULTI-FAMILY DWELLING DISTRICT.**

**WHEREAS**, the Hays Area Planning Commission, after due and legal notice published in the Hays Daily News, the official city newspaper, on July 26, 2015, and after a public hearing held in conformity with such notice on August 17, 2015, did, on the last mentioned date, recommend to the Governing Body of the City of Hays, Kansas, the re-zoning of the following-described real estate:

THAT PART OF THE SOUTH HALF (1/2) OF SECTION TWENTY SEVEN (27), TOWNSHIP THIRTEEN (13) SOUTH, RANGE EIGHTEEN (18) WEST OF THE 6<sup>TH</sup> P.M. IN ELLIS COUNTY, KANSAS, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

LOT FOURTEEN (14) AND THE WEST SEVENTY (70) FEET OF LOT THIRTEEN (13), BLOCK TWENTY-ONE (21) OF THE HAYS PLAZA 3RD ADDITION TO THE CITY OF HAYS, ELLIS COUNTY, KANSAS, OTHERWISE KNOWN AS 1601 E. 27<sup>th</sup> FRONTAGE RD.,

from "R-1" SINGLE-FAMILY DWELLING DISTRICT to "R-4" MULTI-FAMILY DWELLING DISTRICT;

**WHEREAS**, upon due consideration, it appears that the best interests of the City of Hays, Kansas, will be subserved by the following recommendation of the Hays Area Planning Commission,

**NOW THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF HAYS, KANSAS:**

Section 1. That the following-described real estate, to-wit:

THAT PART OF THE SOUTH HALF (1/2) OF SECTION TWENTY SEVEN (27), TOWNSHIP THIRTEEN (13) SOUTH, RANGE EIGHTEEN (18) WEST OF THE 6<sup>TH</sup> P.M. IN ELLIS COUNTY, KANSAS, MORE PARTICULARLY

DESCRIBED AS FOLLOWS:

LOT FOURTEEN (14) AND THE WEST SEVENTY (70) FEET OF LOT THIRTEEN (13), BLOCK TWENTY-ONE (21) OF THE HAYS PLAZA 3RD ADDITION TO THE CITY OF HAYS, ELLIS COUNTY, KANSAS, OTHERWISE KNOWN AS 1601 E. 27<sup>th</sup> FRONTAGE RD.,

be rezoned from "R-1" SINGLE-FAMILY DWELLING DISTRICT to "R-4" MULTI-FAMILY DWELLING DISTRICT.

Section 2. This ordinance shall take effect upon its publication in the Hays Daily News, the official city newspaper.

PASSED by the Governing Body on the \_\_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
Eber Phelps, Mayor

ATTEST:

\_\_\_\_\_  
Brenda Kitchen, City Clerk

(SEAL)