

City of Hays
City Commission
Work Session Notes

Thursday, September 16, 2021 – 6:30 p.m.

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

Absent: Shaun Musil

September 2, 2021 Work Session Notes

There were no corrections or additions to the minutes of the work session held on September 2, 2021; the minutes stand approved as presented.

Incentives Request for the Redevelopment of Former St. Joseph's School

Kim Rupp, Director of Finance, stated that joining the meeting by phone was Special Counsel, Dominic Eck with Gilmore Bell. He also noted that Justin Pregont, the developer for this project, was in the audience should the Commissioners have any questions for them.

Mr. Rupp reported that St. Joseph's Apartments, LLC has submitted an application for a Rural Housing Incentive District (RHID). Their project involves an adaptive reuse and historic preservation project to create 12 high quality moderate income apartments inside the former St. Joseph's School located at 210 West 13th Street.

Mr. Rupp stated the first step in the RHID process is adopting a resolution making certain housing needs findings and determinations. Following adoption and publication, the resolution would then be sent to the Kansas Secretary of Commerce for approval to move forward with the RHID creation process. Additionally, the Developer is requesting the City support an application for a Moderate Income Housing Grant (MIH Grant) to further support the project. MIH Grants are funded by the State of Kansas and administered by the Kansas Housing Resources Corporation (KHRC). According to the KHRC Request for

Proposals, MIH Grant applications will be prioritized if the proposed project utilizes RHID financing. Therefore, participation from the City and other local taxing jurisdictions in RHID financing may result in additional project funding from the State. MIH Grant applications must include a resolution from the governing body of an eligible city or county indicating support for the project. Adopting the MIH Resolution would allow the Developer to continue with the preparation and submission of an application for a \$360,000 MIH Grant.

Mr. Rupp reviewed the RHID process. An RHID is defined by the city or county establishing the district and it is based on a housing needs analysis. The last housing needs analysis was completed by the Docking Institute at Fort Hays State University in 2017. The analysis must show a shortage of quality housing, that the shortage is expected to persist, that the shortage is a substantial deterrent to future economic growth, and development of quality housing is dependent on incentives. The proposed St. Joseph's Apartments fits within the findings of the 2017 report. The RHID captures 100% of incremental property taxes less 1.5 mills to the state and 20 mills to the school district. The taxes can be captured for up to 25 years per project and can be financed by either bonds or pay as you go.

The City's Economic Development Policy prohibits bond financing; therefore, the proposed development would be pay as you go. At expiration, the total improved valuation will be restored to all taxing jurisdictions. Mr. Rupp noted that given this property was owned by a religious community, it has been exempt from real property taxes since its inception in 1908. Also, one of the reasons this developer is able to apply the RHID to this project is because state statute regarding RHIDs was expanded to include preservation of historic buildings, those older than 25 years, for residential use in a central business district.

Total cost of the project is estimated to be \$2,640,000. That includes acquisition cost, construction work as well as soft costs such as architect, loan interest, consultants, developer fees, travel, and appliances. Based on current project cost estimates, the developer estimates that approximately \$1,782,500 of the total project costs are RHID-eligible expenses under State law and the City's

Economic Development Policy. Based on current plans to develop the project, it is estimated that the RHID would generate approximately \$450,000 in incremental property tax revenues over the 20-year term of the RHID. Only eligible RHID reimbursable expenses will be made available to the developer.

Mr. Pregont, owner of Todd Co., LLC, the developer for this project, and Interim City Manager for the City of Atchison, Kansas, stated the St. Joseph's School building is similar to a building project he executed in Atchison, Kansas, called 1913 Apartments that opened last July.

According to the developer, St. Joseph's Apartments will feature eight one-bedroom units averaging 770 square feet and four two-bedroom units averaging 1,000 square feet. He added that these units would be available to people whose income falls within a minimum and maximum range.

Vice-Mayer Ruder asked if laundry facilities would be available. He said the apartments would include washers and dryers.

Commissioner Mellick inquired about the rental requirements. He asked if the minimum income range would eliminate college students from living there. Mr. Pregont stated they would not be precluded because of their student status, but they could be precluded because of their income status. He added that other than the income restrictions it is open to anyone.

Mayor Jacobs stated she is extremely excited for this project. She feels this will enhance the downtown and will be a great asset for our community.

Mr. Pregont thanked the Commission for being open to the incentive request and added that without the incentives he would not be able to carry out this project.

At the September 23, 2021 Commission meeting, Commissioners will be asked to adopt two resolutions. The first resolution would make certain RHID housing needs findings and determinations. The second resolution would show support for a Moderate Income Housing Grant application for St. Joseph's Apartments, LLC.

Other Items for Discussion

Commissioner Berges stated the Kansas Shrine Bowl will be holding a press conference in the Commission Chambers tomorrow morning and will be making an announcement regarding the 50th Annual Kansas Shrine Bowl in 2023.

Mayor Jacobs thanked everyone for their work on the former St. Joseph's School building project and feels this is another great RHID project for our community.

The work session was adjourned at 6:49 p.m.

Submitted by: _____

Brenda Kitchen – City Clerk