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May 20, 2010

VIA E-MAIL ONLY

Mayor Mike Amyx
City Hall, PO Box 708
Lawrence, KS 66044

*Re: May 24, 2010 City Commission Study Session
Community Improvement District ("CID") Policy*

Dear Mayor Amyx:

The opportunity to use CID financing in Lawrence is a significant asset to our community. The purpose of this letter is to provide the City Commission with additional information that may be helpful in its deliberations.

- The CID sales tax does not decrease the City's tax revenue in any way. To the contrary, CID projects will increase the ad valorem property tax base and thereby support the City's basic services. CID proceeds can only be used for eligible expenditures, virtually all of which will increase the property tax base of the community, thereby benefitting all of our local governments (City, County, and School District).
- The redevelopment agreement between the City and the petitioner that formalizes the use of a CID is an asset that banks can collateralize. Unlike simple price increases that are not collateral assets to a bank, a CID is a "project starter," which may provide the additional collateral needed to obtain a loan.
- If a CID project fails, neither the taxpayers nor the City have any financial responsibility to the developer or its lender. All of the risk is carried by the developer and the retailer.
- The City's CID policy requires 100% approval of property owners to form a CID, and therefore no CID will be imposed on a landowner against his or her will.
- Every Kansas legislator and senator from the Lawrence-area delegation voted in favor of the CID statute, which was enacted by Gov. Kathleen Sebelius.

Mayor Mike Amyx
May 20, 2010
Page 2

- Forming a CID is relatively expensive for the applicant. In addition to the City's \$2,500 nonrefundable fee, the applicant will pay its own engineering fees, architectural fees, and attorneys' fees. The applicant must also pay the City's attorneys' fees for outside counsel and all publication costs. These expenses to process a typical CID project likely range from an estimated \$25,000 to \$50,000, not to mention the ongoing administration costs that are subtracted from sales tax receipts by the State by statute. A CID will not be formed to fix a pot hole in a parking lot or to paint a building. To be worthwhile (and to comply with the City's policy), a CID project must be a major renovation, expansion, remodel, or new construction. Given these threshold expenses associated with forming a CID, we do not anticipate that CID's will proliferate as some have speculated.
- Information regarding the location and amount of all special sales tax districts in Kansas, including TDD, TIF, STAR, and CID projects, is available online right now at the Kansas Department of Revenue's website. I suggest that the City add a hyperlink to its own website to provide the public with a further means of notice of all existing CID's in Lawrence. Individuals desiring to avoid special sales taxes could easily use that information to make shopping decisions.
- We know that there is interest among some property owners and retailers in Lawrence to use CID financing to enable development (both new and infill). National retailers are also responding favorably to the use of CID financing to offset capital investment.

To summarize, the CID statute (overwhelmingly approved by the Kansas legislature last year) and the CID policy (unanimously approved by the City Commission this past month), already address many of the concerns expressed to the City Commission. If the direct benefits to our community and the process is better understood, I believe that there will be broad support of the City's CID policy.

Very truly yours,



Matthew S. Gough
of Barber Emerson, L.C.

MSG:kd1

cc: David Corliss, City Manager (via e-mail only)
Roger Zalneraitis (via e-mail only)