

DRAFT
City of Lawrence
Public Incentives Review Committee
February 3, 2015 minutes

MEMBERS PRESENT: Mayor Mike Amyx, Linda Jalenak, Vice Mayor Jeremy Farmer, Brian Iverson, Shannon Kimball, County Commissioner Mike Gaughan

MEMBERS ABSENT: Brad Burnside

STAFF PRESENT: Diane Stoddard, Britt Crum-Cano, David Corliss, Kevyn Gero

PUBLIC PRESENT: Approximately ten members of the public

Mayor Amyx called the meeting to order. The minutes of the September 2014 meeting were discussed. A spelling error of Ms. Jalenak's name in the first paragraph was noted. A motion was made by Mr. Iverson, seconded by Ms. Jalenak to approve the September 2014 meeting minutes as corrected. Motion approved unanimously 6-0.

Nancy Longhurst, representative of the Eldridge Hotel, provided a briefing to PIRC regarding the proposed project and the request. The project would include an expansion into the empty lot to the south- adding 54 new hotel rooms, \$12.5 M project, 50,000 square foot building, expanding the kitchen and several other amenities. The group is requesting a 15 year 95% neighborhood revitalization area (NRA) and industrial revenue bond financing in order to access a sales tax exemption on construction materials. The vacant lot used to have a building on it, but the site has been vacant since 1973. She stated that the lot has been unproductive since this time. She stated they want to provide more hotel rooms and meeting rooms in order to bring people downtown from outside of the community. She stated that there would be operational efficiencies combining the expanded facility with the existing facility. The group is committed to the long term of the hotel and downtown Lawrence. She stated that currently the hotel has a 50 space lot to the north where they valet park their hotel guests. This lot would continue to be utilized. She stated that the expanded project would bring significant new revenue to the City.

Ms. Crum-Cano briefed the group on the analysis regarding the Eldridge project. She explained the incentive request, explaining how the NRA and IRB financing works. Regarding eligibility with the current NRA and IRB policies, she stated that staff believes that the project is eligible for use of these tools. She explained the assumptions utilized in the analysis and indicated that she consulted with the County Appraiser's office regarding the property tax estimates. The base taxes would be approximately \$4900. She explained the 15 and 20 year evaluation period analysis for the NRA request with and without including the sales tax revenues. All of the scenarios met or exceeded the

1.25 revenues without including sales tax revenues for the 20 year evaluation period. Under the 15 year analysis, the county ratios are not met in the scenarios without the sales tax revenues. All of the ratios were met when sales taxes were taken into consideration.

Commissioner Gaughan asked about the city's share of the county sales tax. Mr. Corliss replied that approximately 2/3 of the county's sales tax went to the City of Lawrence. He was concerned that the analysis didn't reflect that. Ms. Crum-Cano responded that the sales tax was not broken out that finely.

The analysis that looks at whether the project would proceed without assistance, the "but for" analysis demonstrated the need for incentives for the project. She said that what was less apparent was the need for a 10 year versus a 15 year NRA. The difference to the owners between the two time frame scenarios is approximately \$750,000. She noted that some additional considerations included the improvement to the now-vacant lot, opportunity to promote increased visitor traffic for downtown, infill opportunity, and the parking impacts in the area. She stated that staff recommended some conditions on the incentive, if approved, to comply with all land use and architectural approvals related to the project and that the project commence and end within a certain timeframe.

Ms. Kimball stated that she was aware that staff worked with the school finance director, but that the school district doesn't get any additional revenue from the project as shown in the analysis and that the school district only has new revenue if there are new students generated. Mr. Iverson asked about the conditions on land use and said that clawback provisions may impact financing. Crum-Cano said that the conditions varied by project. Mr. Corliss stated that it was up to PIRC and the City Commission whether condition requirements are appropriate.

Crum-Cano added that an additional summary of the data was provided at the request of Vice Mayor Farmer. She summarized the information on that summary. There were a few clarifying questions about the summary. Mr. Gaughan noted that the project heavily weighted sales tax and guest tax for the City and he noted it wasn't the same for the county. Crum-Cano stated that the sales tax and guest tax did impact the City and that the change in the county mill levy also had an impact on the cost/benefit model. Mr. Corliss said that the City's guest tax was a 6% fee that was generally used to market the community for visitors. It is restricted revenue, not a general fund revenue. Crum-Cano added that she did not factor in the guest tax in the benefit/cost analysis.

Mayor Amyx asked about the difference between the 10 year and the 15 year NRA regarding the profit loss on the project. Crum-Cano reviewed the profit and loss projections under each scenario.

Ms. Kimball asked about the last project that was approved and the duration. Crum-Cano indicated that a 15 year NRA for the 9 Del Loft project was approved. It was stated that was for an affordable housing project. Ms. Kimball stated that the affordable housing was an important component of that project and she felt that filling a vacant lot downtown was equally compelling to justify a 15 year NRA.

Mayor Amyx asked Ms. Longhurst about parking. She stated that the lot is a service lot only used for valet for the hotel. Mayor Amyx was concerned about parking being a growing issue. Ms. Longhurst stated that currently parking is not an issue, even when they have weddings at the hotel. She stated that most guests come in late at night. Ms. Jalenak said that her concern was for other people including people eating at the hotel.

There were some clarifying questions regarding the break-out of the revenue between the city and the county. Vice Mayor Farmer estimated approximately \$854,000 net gain to the City with a 15 year NRA. He stated that after the rebate, the City has a net gain of over \$200,000. Ms. Jalenak stated that it was compelling to get significant revenue from outside the city. Commissioner Gaughan stated that he wanted to see the break out on the county taxes when this item comes before them. Mr. Iverson asked about what property tax assumptions were used. Crum-Cano stated that it is the income appraisal method of the county and takes into account adding an adjustment factor annually.

Mayor Amyx stated that he was still concerned with the parking issue. There was a question about utilization of the new parking garage.

Vice Mayor Farmer asked if the project will proceed with less than a 15 year NRA. Ms. Longhurst stated that the projected needed the 15 year support. She said that she wouldn't state on the record that they wouldn't do it for less than the 15 year NRA without going back to her partners. However, the project did need the 15 year NRA. She stated that the project was the perfect situation for an NRA and that the project would be a win-win. Vice Mayor Farmer asked about the source of the numbers. Ms. Longhurst stated that they know the occupancy and their numbers and have the history. Vice Mayor Farmer asked whether a budget to actual report should be included. Crum-Cano stated that a few things made it difficult and the city would have to have access to the books to verify that. Ms. Stoddard also stated that the NRA tool was a bit different tool in that the benefit to the project was directly related to the increase in revenues generated by the project.

Commissioner Gaughan stated that the 15 year didn't work for the County.

Ms. Kimball left the meeting.

Ms. Jalenak made a motion to recommend a 15 year NRA with the conditions outlined by staff. Seconded by Mr. Iverson. The motion was approved 4-1. Commissioner Gaughan made a motion to recommend IRB financing for the project. The motion was seconded by Vice Mayor Farmer. The motion was approved 5-0.

Curtis Peterson, representing the applicant for the Pioneer Ridge retirement community project, summarized the project and the request. The project is an independent living facility, which is an expansion of their current facility and is a \$12 M construction project with additional investment in FF&E. He stated that the project relates to the retirement efforts and the project will be the nicest independent living facility in the community and

the project completes the continuum of care cited in the retirement report. He stated that the project is close to amenities within walking distance with the location. He stated that the project enables the opportunity for people to return to the community and it provides a place for existing residents in Lawrence to have an opportunity for a nice facility in Lawrence. His request is IRB financing to access a sales tax exemption on construction materials. He stated that the project will result in additional ongoing property tax revenue.

Commissioner Gaughan said that the decision on this project would set a precedent for the future. Commissioner Gaughan made the motion to recommend IRB financing for the project. The motion was seconded by Jalenak seconded. Motion was approved 5-0.

A motion was made by Vice Mayor Farmer to adjourn. Seconded by Mr. Iverson. The motion was approved 5-0. The meeting was adjourned at approximately 5:35 pm.