

 <p data-bbox="451 170 748 243"><i>Sedgwick County... working for you</i></p>	<p data-bbox="894 134 1463 226">Reinvestment Housing Incentive District</p> <p data-bbox="1284 264 1474 289"><i>Adopted: 04/10/2024</i></p>
<p data-bbox="342 344 727 384">Adopted: 04/10/2024</p>	<p data-bbox="1036 344 1317 384">Policy No. 2.201</p>
<p data-bbox="269 447 802 487">Enabling Resolution: 076-2024</p>	<p data-bbox="992 447 1365 569">Developer/Reviewer: Division of Finance</p>

1. Purpose

Reinvestment Housing Incentive District (RHID), originally, the Rural Housing Incentive District, is a program designed to assist in the financing of public infrastructure to support the development of housing within cities and counties. RHID financing captures incremental property tax revenues that are created by development that occurs within the boundaries of the district. Governed by K.S.A. 12-5241 et seq., the incremental revenue may be used for certain statutorily defined costs. The use of RHID allows the sponsoring government to divert taxes levied by it and other governments to pay for those actions. If not for the public investments being made, the redevelopments and resulting tax increments being diverted to the projects would not otherwise occur. Because the addition of new or renovated housing units adds potential demand for fire protection services, for projects within Sedgwick County Fire District 1 (SCFD1), references to Sedgwick County and/or County shall be deemed to be applicable to SCFD1 as well.

Of the required steps for creating a RHID, Sedgwick County will focus most of its review when considering the establishment of same:

- A. City must prepare a Housing Needs Analysis that demonstrates:
 - 1. That there is a shortage of quality housing within City/County;
 - 2. That the shortage of housing is expected to persist;
 - 3. That the shortage of housing is a substantial deterrent to future economic growth in City/County; and
 - 4. That the future economic well-being of the City depends on governing body providing additional incentives for the construction or renovation of quality housing in City

- B. The County may, within 30 days of the date of the City’s public hearing to create the RHID, nullify the creation of the RHID if the BOCC determines the RHID will have an adverse effect on Sedgwick County.

2. Scope

The Board of County Commissioners has adopted this policy to guide County staff in the analysis of proposed RHIDs to provide framework within which staff and the Board of County Commissioners can evaluate and inform the public of the County’s position on a proposed RHID.

3. Policy Statement

Sedgwick County shall analyze proposed RHIDs and determine whether or not the proposed RHID creates adverse effects to Sedgwick County and/or the SCFD1. Due to the amount of eligible infrastructure required, Sedgwick County is predisposed to support urban infill efforts over suburban sprawl. Sedgwick County is also predisposed to support the creation of affordable housing over other types of development. Further, Sedgwick County will favor RHIDs with predetermined and agreed upon limitations on either the term of the RHID, or the total monetary incentive distributed to, and expended from the RHID fund. Communication with Sedgwick County as early as possible in the process of considering utilizing the RHID incentive is preferred versus waiting to engage the County until the statutorily required notification.

4. Adverse Effect

Adverse effect to the county shall be cause for disapproval of a RHID. Criteria for determining adverse effect to Sedgwick County and/or SCFD1 shall include, but not be limited to the following criteria:

- A. Potential loss of tax revenue and/or potential increase in public services could hinder effective delivery of said public services, and/or place an undue burden on the County or SCFD1.
- B. Proposed project is economically feasible without RHID funding support.
- C. Proposed private equity funding and/or financial guarantees are deemed insufficient to mitigate against default risk. Developer, or principal, is not current in payment of ad valorem tax or special assessments.
- D. Current and potential fiscal impacts to county government and/or SCFD1 are greater than benefits to same.
- E. Development plan and RHID boundaries are not contiguous.
- F. Limitations on the time period for the life of the RHID or a limit on the amount of incremental revenue allocated to the development are not part of the development agreement between City and developer.
- G. Sufficient data or notification was not provided for county staff to adequately review the proposal for a RHID.
- H. RHID overlaps with other economic development incentives, thus creating an inherently incompatible public financing support arrangement.
- I. Project creates an incentive, or equity issue, that is determined to create an unfair advantage for one housing developer over another.

5. Minimum Data Requirements

The proposed RHID shall describe how it would fulfill the basic statutory requirements, follow statutory procedures, and cite specifically applicable statutory references for the creation of the RHID.

No later than concurrent with providing official notice to County pursuant to K.S.A. 12-5245, and prior to obtaining Board of County Commission approval, the City shall provide to the County the following documents which define the conditions in KSA 12-5245 under which a RHID may be created as well as a fiscal analysis demonstrating the need for public funding assistance.

- A. The legal description and map required by K.S.A. 12-5244(a), and amendments thereto;
- B. The existing assessed valuation of the real estate in the proposed district, listing the land and improvement values separately;
- C. A list of the names and addresses of the owners of record of all real estate parcels within the proposed district;
- D. A description of the housing and public facilities project or projects that are proposed to be constructed or improved in the proposed district, and the location thereof;
- E. A listing of the names, addresses and specific interests in real estate in the proposed district of the developers responsible for development of the housing and public facilities in the proposed district;
- F. The contractual assurances, if any, the governing body has received from such developer or developers, guaranteeing the financial feasibility of specific housing tax incentive projects in the proposed district;
- G. A comprehensive analysis of the feasibility of providing housing tax incentives in the district, as provided in this act, that shows the public benefits derived from such district will exceed the costs and that the income therefrom, together with other sources of funding, will be sufficient to pay for the public improvements that may be undertaken in such district. If other sources of public or private funds are to be used to finance the improvements, they shall be identified in the analysis;
- H. A comprehensive fiscal analysis demonstrating that the project is not economically feasible without creating a RHID;
- I. A certified copy of the resolution adopted by the City's governing body;
- J. Other information deemed necessary by the County Commission or County Staff in order to complete due diligence in determining potential adverse effect to the County or SCFD1.

6. Economic Analysis, Evaluation Criteria and Risk Assessment Process

- A. Proposed uses of RHID financing will be subject to rigorous economic analysis and risk assessment. Finance Department staff will be responsible for overseeing the analysis and assessment process.
- B. The analysis and assessment of all proposed uses of RHID financing will address the following questions as part of the standard format for reports to the Board of County Commissioners:

1. That there is a shortage of quality housing within City that will be mitigated by the creation of the RHID
 2. That the shortage of housing is expected to persist due to the financial infeasibility of the development or other circumstances that require public funding assistance
 3. That the shortage of housing is a substantial deterrent to future value added economic growth in City and/or County that, among other factors, can be expected to:
 - a. Create and retain quality jobs.
 - b. Encourage additional capital investment.
 - c. Broaden and diversify the tax base.
 - d. Increase regional cooperation for economic development.
 4. That the future economic well-being of the City depends on governing body providing additional incentives for the construction or renovation of quality housing in City which may be demonstrated by:
 - a. Redeveloping neighborhoods.
 - b. Reducing crime.
 - c. Encouraging urban infill.
- C. Additional considerations include, but are not limited to:
1. How does the proposed development align with the objectives contained within the City's Housing Plan?
 2. How much private equity is being invested relative to the public funding support?
 3. Does the project fulfill a public purpose of providing quality affordable housing to support job growth, economic development, and /or mitigate urban decay?
 4. Developer qualifications and experience will be reviewed based on:
 - a. Credit history, including letters of good standing from lenders.
 - b. Experience with similar development projects.
 - c. Previous credit defaults.
 - d. Other considerations on a case by case basis.
 5. Total cost of project.
 6. Total number of units being developed.
 7. Are other funding sources available that could reduce public funding?
 8. Does project provide quality, affordable housing options to those otherwise unable to afford such housing options? Or, is the project limited to providing quality housing for occupants with an income below the area median income?
 9. Does project contribute to efforts to improve areas where urban decay is present?
- D. The results of the economic analysis and risk assessment will be presented to the Board of County Commissioners at the time of its review of the proposed use of RHID financing. The report will identify any elements of the proposed project that are not in conformance with this Reinvestment Housing Incentive District Policy
- E. Need for Public Assistance - In all cases, it is required that the need for RHID financing be demonstrated and documented by the city to the satisfaction of the Sedgwick County Division of Finance.

To the extent it is not part of the Minimum Data Requirements listed above, all such documentation, including development budgets, cash flow projections, market studies and other financial and market information, must be submitted upon request. If the request is based on financial gap considerations, the city proposing to create the RHID will demonstrate the profitability and feasibility of the project (i.e. gross profit, cash flow before taxes, cash-on-cash return, IRR, etc.), both with and without RHID financing. The County favors using RHID incremental taxes to reimburse the developer for upfront infrastructure expenditures versus utilizing RHID to supplant special assessments as a way to pay for special revenue bond financing. Should bond financing be employed in the project funding stack, a compelling case must be made by the City to show why RHID financing is required and preferred over special assessment or other repayment methods that do not involve County and other jurisdiction funding support.

- F. Amount of RHID Financing versus Private Investment - All RHID proposals should seek to maximize the amount of private investment per dollar of RHID financing. RHID financing as a percentage of total development costs and private equity funding will be reviewed for each project.

- G. Term of RHID Financing – Although statutorily authorized for up to 25 years, the term of the RHID shall be kept to a minimum. The proposed maximum term of any RHID financing shall be fully documented and explained to the Board of County Commissioners. BOCC prefers to support a RHID that establishes a pre-determined date for cessation of the RHID or a “not to exceed” amount of RHID incremental revenues. Such limitation on the term or total amount of public funding shall be a part of agreements between the City and developer, and shall be included in the City’s ordinance and County Resolution approving a RHID. Annual reports from the City to the County setting forth the annual and cumulative incremental taxes distributed, expenditures of RHID revenues, total project costs and remaining expenditures to satisfy the agreed upon expenditures shall be provided for tracking the progress toward cessation of the RHID incentive.