

RESOLUTION

A RESOLUTION ADOPTING A TAX INCREMENT FINANCING POLICY TO FACILITATE ANALYSIS OF THE FINANCIAL IMPACT OF PROPOSED TAX INCREMENT FINANCING DISTRICTS TO SEDGWICK COUNTY.

WHEREAS, K.S.A. 12-1770 *et seq*, as amended, enables cities to establish tax increment financing districts (hereinafter referred to as TIF districts) to fund redevelopment projects in eligible areas; and

WHEREAS, K.S.A. 12-1771 (d), as amended, provides a county or school district within the proposed district, the opportunity to object to the creation of a TIF district if the proposed redevelopment district will have an adverse effect on a county or school district; and

WHEREAS, in order to evaluate all proposed TIF districts, Sedgwick County has established criteria to be used in the determination of adverse impacts of TIF districts on Sedgwick County; and

WHEREAS, the criteria and evaluation process are included in the Tax Increment Financing Policy.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF SEDGWICK COUNTY, KANSAS, that the policy attached hereto regarding the criteria and evaluation process to be used in the analysis of adverse impacts to Sedgwick County from the creation of TIF districts be and is hereby adopted.

Commissioners present and voting were:

DAVID M. UNRUH  
TIM R. NORTON  
THOMAS G. WINTERS  
KELLY PARKS  
GWEN WELSHIMER

Aye  
Aye  
Aye  
Aye  
Aye

Dated this 11 day of June, 2008.

BOARD OF COUNTY COMMISSIONERS  
OF SEDGWICK COUNTY, KANSAS



ATTEST:

Don Brace

DON BRACE, County Clerk

Thomas G. Winters  
THOMAS G. WINTERS, Chairman  
Commissioner, Third District

Tim R. Norton  
TIM R. NORTON, Chair Pro Tem  
Commissioner, Second District

David M. Unruh  
DAVID M. UNRUH  
Commissioner, First District


Kelly Parks  
KELLY PARKS  
Commissioner, Fourth District

Gwen Welshimer  
GWEN WELSHIMER  
Commissioner, Fifth District

APPROVED AS TO FORM:

Patricia J. Parker

PATRICIA J. PARKER  
Assistant County Counselor

	<b>CHAPTER:</b>	<b>POLICY:</b> Tax increment finance
		<b>PAGES:</b> 4
<b>SUBJECT:</b> Consideration of city requests to create TIF districts		
<b>RELATED POLICIES:</b>	<b>ENABLING RESOLUTION:</b>	90-08
	<b>RESOLUTION DATE:</b>	6/11/2008
	<b>REVISED RESOLUTION &amp; DATE:</b>	
<b>OFFICE WITH PRIMARY RESPONSIBILITY:</b> Finance		

**Introduction**

Tax increment financing is a tool that enables governments to fund infrastructure, land acquisition, and other public investments in private redevelopment projects. The use of tax increment financing does not authorize any action not otherwise permitted; it merely allows the sponsoring government to divert taxes levied by it and other governments to pay for those actions. It presumes that if it were not for the public investments being made, the redevelopments and resulting tax increments being diverted to the projects would not otherwise occur.

Kansas state statutes permit only cities to create redevelopment districts and to divert taxes levied by the overlapping county and school district to the city project. Cities must conduct public hearings and adopt ordinances with descriptions of proposed redevelopment districts. After a city passes such an ordinance, the county has 30 days to deny the creation of the redevelopment district. Upon finding that creation of a redevelopment district could cause adverse effects to the county, the Board of County Commissioners may deny the proposal, and in such case the city may not proceed with tax increments as a funding tool for the project. This policy outlines the criteria to be used by Sedgwick County Government in the determination of adverse impacts of redevelopment districts (referred to herein as "TIF districts."). This policy will govern consideration by the county of all TIF districts proposed by every city located in Sedgwick County.

**Purpose of Policy**

This Tax Increment Policy has been approved by the Board of County Commissioners for the following purposes:

- to guide staff in forming recommendations regarding the approval of TIF districts;

- to provide a framework within which staff and the Board of County Commissioners can evaluate proposed uses of tax increment financing; and
- to inform the public of the County's position on the use of tax increment financing and the process through which decisions regarding the use of the tool are made.

### **Policy statement**

It is the policy of Sedgwick County to support city efforts to eliminate blight and promote redevelopment of substandard areas by allowing the diversion of county tax revenues to TIF districts when such actions are shown to create no adverse impacts.

### **Adverse Effect**

Adverse effect to the county shall be cause for disapproval of a TIF district. Adverse effect to Sedgwick County shall be evaluated by the following criteria:

1. Potential loss of tax revenue would hinder effective future delivery of public services.
2. Proposed project is economically feasible without county funding support.
3. Proposed private equity funding is insufficient to effect default risk.
4. Costs to county government are greater than benefits to county government.
5. Sufficient data or notification was not provided for county staff to adequately review the proposal for a TIF district.

### **Minimum data requirements**

The proposal for a TIF district shall describe how it would fulfill the basic statutory requirements, follow statutory procedures, and cite specifically applicable statutory references for the creation of TIF districts.

K.S.A. §12-1771 et. seq. defines the conditions under which a TIF district may be created. Current statutory conditions require the property to be included in the TIF district be blighted; be in need of conservation to avoid becoming blighted; or be a major tourism area, a major commercial entertainment and tourism area, an intermodal transportation area, a bioscience development area, or an enterprise zone. Definitions of each of these conditions are specified in state law. The mere existence of any of these conditions is not adequate evidence that creation of a TIF district will have no adverse impact on the county. A city desiring to create a TIF district shall provide the county with sufficient data to demonstrate conclusively the absence of adverse impacts on county government. To enable analysis and consideration before the statutory deadline for county action, the following data elements must be received by the county Finance Division at the earliest possible time, and in no event later than the date of the city's adoption of an ordinance creating a TIF district.

1. A legal description of the real estate forming the boundaries of the proposed TIF district and a map depicting the existing parcels of real estate;
2. The existing assessed valuation of the real estate in the proposed district, listing the land and building values separately;
3. A list of names and addresses of the owners of record of real estate within the district;

4. The existing zoning classifications and district boundaries and the existing and proposed land uses within the area;
5. A detailed description of the proposed projects for which the TIF district is to be created;
6. A market feasibility assessment showing whether the marketplace needs and will support the planned project;
7. A project pro forma showing detailed sources and uses of project funding and identifying the shortfall between anticipated private funding and project costs;
8. A tax increment funding analysis showing how the public funding will be provided for the proposed project and detailing planned yearly sources and uses of tax increment revenue;
9. Evidence that the anticipated private funding can be acquired, such as a letter of intent from a financial institution;
10. Description of plans for improving or expanding municipal services within the TIF district including, but not limited to, buildings and facilities, sanitary and storm sewers and lift stations, drainage conduits, channels and levies, refuse collection, road and street maintenance, street lighting and fixtures, underground gas, water, heating, and electrical services and connections in the right-of-way, sidewalks and pedestrian underpasses and overpasses, drives and driveway approaches within the right-of-way, water mains and extensions, plazas and arcades, parking facilities, landscaping and plantings, fountains, shelters, benches, sculptures, lighting, decorations, and similar amenities;

### **Economic Analysis and Risk Assessment Process**

1. Proposed uses of tax increment financing will be subject to rigorous economic analysis and risk assessment. Finance Department staff will be responsible for overseeing the analysis and assessment process.
2. The analysis and assessment of all proposed uses of tax increment financing will address the following questions as part of the standard format for reports to the Board of County Commissioners:
  - What is the public purpose of the financial assistance to the project?
  - Why is there a financial need for public investment and/or subsidy?
  - What is the total cost of the project?
  - What are the proposed levels of public participation and of private equity participation by the developer?
  - What are the risks associated with the project?
  - What are the alternative plans for managing the risk?
  - How does the proposed project finance plan compare with previously approved comparable projects?
  - What is the project's impact on other publicly financed projects?
3. The results of the economic analysis and risk assessment will be presented to the Board of County Commissioners at the time of the request for approval of the proposed use of tax increment financing. The report will identify any elements of the proposed project that are not in conformance with this Tax Increment Policy.

### **Evaluation Criteria**

The following items will be taken into consideration in the evaluation of any development proposal requesting tax increment assistance.

1. Need For Public Assistance – In all cases, it is required that the need for tax increment financing to pay for public improvements be demonstrated and documented by the city to the satisfaction of the Finance Department. 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 TIF district 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 tax increment financing.
2. Amount of Tax Increment Financing versus Private Investment - All TIF district proposals should seek to maximize the amount of private investment per dollar of tax increment financing. Tax increment financing as percentages of total development costs and private equity funding will be determined for each project (or discrete portion of a project receiving a subsidy) and compared to other development projects or subprojects of similar scope and magnitude whenever possible.
3. Term of Tax Increment Financing –The term of the tax increment financing shall be kept to a minimum. The proposed term of any tax increment financing shall be fully documented and explained to the Board of County Commissioners.
4. Development Benefits and Costs – The direct and indirect benefits of the development proposal shall be determined and quantified to the degree possible. Benefits shall include, but are not limited to, employment benefits (number of jobs retained or created, percentage of jobs held by County residents, wage and salary information, etc.), tax base benefits (estimated market value of new development, new property taxes generated, etc.), housing benefits (number of new rental or ownership units, number of affordable units, etc.), and other benefits relating to transportation, parking, blight remediation, environmental cleanup and historic preservation.

Costs of the development proposal to the County shall also be identified to the degree possible. Such costs shall include, but are not limited to, additional required infrastructure, required local contributions by the County, and the impact on the County's budget if tax increment financing is used. The timeframe used for these cost estimates should equal the timeframe of the project finance plan.