TO: Mayor and City Council

SUBJECT: Resolution Considering the Establishment of a Redevelopment District (Tax Increment Financing) (District I)

INITIATED BY: Office of Urban Development

AGENDA: New Business

Recommendation: Adopt the resolution.

Background: H.H. Holding, LLC, a team of local investors led by Dr. Kevass Harding, has purchased the Ken Mar shopping center at the intersection of 13th and Oliver. The team has requested assistance from the City of Wichita in the redevelopment of property, through the use of tax increment financing. Procedures for the use of tax increment financing require the establishment of a redevelopment district following a public hearing on the matter. At this time, the City is being asked to adopt a resolution setting the public hearing for August 12, 2008.

Analysis: The area proposed for redevelopment is shown on Exhibit ‘A’ to the attached resolution. The area is bounded on the south by 13th Street North, on the west by Pershing Avenue, on the north by 14th Street North and to the east by Oliver Avenue. This is an area that qualifies as a “conservation area” under the state TIF statutes. The structures within the district were constructed in the 1950’s and are showing signs of deterioration. The Ken Mar neighborhood suffers from a higher than average unemployment rate, high concentration of individuals below the poverty level and below average value of housing units.

H.H. Holding, LLC purchased the property in April 2008. The developer is proposing to perform extensive renovation on the two larger structures to attract a new anchor tenant and attract 6-10 additional commercial tenants and restaurants. In addition to the renovation, the developer will add up to four out-parcels along 13th Street and Oliver. Tax increment financing would be used to pay for eligible redevelopment costs, which include (without limitation) land acquisition, demolition, site preparation, utilities, landscaping, paving and public infrastructure.

Tax increment financing allows the increased tax revenue that results from the redevelopment of property to be reinvested in the redevelopment project. Once a TIF district is established and a redevelopment project plan is adopted by City Council, the increment of increased tax revenue is set aside by the County Treasurer, to be used by the City to repay bonds issued to finance certain improvements that are specified in the redevelopment project plan. After the bonds are retired, the property tax increment is distributed to the City, County, School District and other applicable taxing jurisdictions.

The first step in establishing the tax increment district is the adoption of a resolution which states that the City Council is considering the establishment of the TIF district and sets the date for a public hearing on the matter. The earliest date a public hearing may be held for this project is August 12, 2008. After closing the public hearing, the City Council may adopt an ordinance establishing the redevelopment district. The final step in the approval process involves the adoption of a detailed project plan and approval of a development agreement by City Council.
The initiating resolution now before Council for adoption directs the City Clerk to publish the resolution in the City’s official newspaper and to mail copies, by certified mail, to the owners and occupants of all property located within the district and to the Board of County Commissioners and Board of Education. The resolution also includes a map of the proposed district and a proposed district plan identifying potential redevelopment project areas and a general description of buildings and facilities to be constructed or improved.

Tax increment financing falls under the City’s Economic Development Incentive Policy, and as such this project will be subject to the provisions of said Policy, unless specifically waived or adjusted by the City Council. For example, it may be necessary to waive or adjust the requirement that projects must show a cost-benefit ratio of at least 1.3 to one in order to receive incentives. The Ken Mar redevelopment is a small commercial redevelopment project with years of deferred maintenance, therefore it is unlikely the project will meet the minimum ratio.

**Financial Considerations:** The cost of mailing the Resolution to all owners and occupants of property located within the proposed district will be charged to Economic Development Fund and will be ultimately financed with TIF revenues.

The developer will be required by the development agreement to provide satisfactory guarantees for the payment of any shortfall in TIF revenues available for debt service on all “full faith and credit” TIF bonds issued by the City for this TIF district.

**Goal Impact:** Economic Vitality and Affordable Living and Quality of Life. Redevelopment of blighted areas, and declining areas, are needed to avoid economic stagnation. Business prospects and workers seeking to relocate are attracted to cities that support redevelopment in older areas.

**Legal Considerations:** State law allows cities to establish redevelopment districts in areas that are considered conservation areas based on findings that a majority of the structures in the area are at least 35 years old and the area is not yet blighted but may become blighted due to dilapidation, excessive vacancies or building abandonment. Such findings shall be set forth in the ordinance presented to the City Council for adoption following the public hearing on August 12, 2008. During a 30-day period following the public hearing, the Sedgwick County Board of County Commissioners and the USD 259 Board of Education will have the right to veto the establishment of the redevelopment district.

**Recommendations/Actions:** It is recommended that the City Council adopt the resolution providing notice of consideration for the establishment of the proposed redevelopment district and setting a public hearing for August 12, 2008.

**Attachments:** Resolution and Exhibits