

**ECONOMIC DEVELOPMENT AND FINANCE
STANDING COMMITTEE MINUTES
Monday, October 10, 2016**

The meeting of the Economic Development and Finance Standing Committee was held on Monday, October 10, 2016, at 5:15 p.m., in the 5th Floor Conference Room of the Municipal Office Building. The following members were present: Commissioner McKiernan, Chairman; Commissioners Walker, Townsend, Murguia, and Walters; and BPU Board Member David Alvey. The following officials were also in attendance: Joe Connor and Melissa Mundt, Assistant County Administrators; Patrick Waters, Senior Attorney; Kathleen VonAchen, Chief Financial Officer; Mike Tobin, Public Works Department; Charles Brockman, Management Analysis, Economic Development; Wilba Miller, Community Development Director; Wendy Green, Assistant Counsel; and Patrolman Doug Bailey, Sergeant-At-Arms.

Chairman McKiernan called the meeting to order.

Roll call was taken and members were present as shown above.

There were no minutes for approval due to the cancellation of the August 8, 2016 meeting.

Chairman McKiernan said I think everybody knows there is a revision to today's agenda. There was a blue sheet that came out this afternoon. I do see you all have it. It will end up being Item No. 4 on the Committee Agenda tonight, so the last item that we consider.

Measurable Goals:

Item No. 1 – 16790...DISCUSSION: REVIEW OF DEPARTMENT GOALS

Synopsis: List of measurable goals, submitted by County Administrator's Office. (Information forthcoming) For information only.

Chairman McKiernan asked, Mr. Connor, are we going to go ahead and handle that like we did in Neighborhood and Community Development. **Mr. Connor** said the speech is the same, yes. **Chairman McKiernan** said in that case, we will continue that discussion at Strategic Planning on November 5.

Committee Agenda:

Item No. 1 – 16810...RESOLUTION: SET PUBLIC HEARING DATE FOR UNIVERSITY-ROSEDALE URBAN RENEWAL PLAN AMENDMENTS

Synopsis: A resolution setting October 27, 2016, as a public hearing date to consider amendments to the University-Rosedale Urban Renewal Plan in consideration of the Rainbow Village hotel development at the NW corner of 34th & Rainbow Blvd., submitted by Marlon Goff, Economic Development. It is requested that this item be fast tracked to the October 13, 2016 full commission meeting.

Commissioner Murguia said so, again, I just say we've seen this. We can go through it again. I'm fine with that, but unless anybody has a dying urge to see it again.

Action: **Commissioner Murguia made a motion, seconded by Commissioner Townsend, to approve and forward to full commission.**

Chairman McKiernan said I guess I'd ask you, Angela, since we have seen this presentation before, we know the background of this and we know why we're here, to set the public hearing agenda, is there anything new or changed that would really mean we should hear this presentation. Otherwise, we do have a motion to approve as submitted.

Angela Harshbarger, Economic Development, said it's back this evening because there were concerns raised about conformance with the Urban Renewal Plan in terms of the approved project. It was approved by the Planning Commission in September, so as to the questions about what the proposed amendments are to bring it into compliance. **Chairman McKiernan** said but the Planning Commission considered it and approved it. **Ms. Harshbarger** said they did. There's just some items from the 1964 Urban Renewal Plan that it does not conform to. The

lenders for the new market tax credits, when they reviewed that, had some concerns about that. That's why it's back tonight.

Chairman McKiernan said all we're doing tonight is simply setting the public hearing for the airing of any concerns. **Ms. Harshbarger** said correct and fast tracking the item to the October 13 Commission. **Commissioner Murguia** said for an issue that was around before I was born.

Patrick Waters, Senior Attorney, said the Planning Commission found the project to be in conformance with the Rosedale Master Plan. This involves a different document, the Urban Renewal Plan that was adopted way back in the 1960s. It's a slightly different item, which is why it's being brought before the Commission. **Chairman McKiernan** said if I'm not mistaken, we did actually have a presentation on that Urban Renewal Plan about six-seven months ago. **Ms. Harshbarger** said correct. It was considered because of removing the hotel restriction. **Chairman McKiernan** said effectively, we have a motion here to approve setting the date for the public hearing as submitted and there's a second on that.

Commissioner Walker said when it comes to these kinds of things of setting hearings, I would prefer, unless there is a commissioner or Mr. Alvey that wants to hear it, I don't want to hear it tonight, and then go through the same thing at the meeting. **Commissioner Murguia** said I second that. **Commissioner Walker** said we're just simply setting a hearing so that anybody who wants to speak for or against has an opportunity to do that. We're not going to probably change our mind about having a hearing. We have a motion and a second. I call for the question.

Chairman McKiernan said just to be clear since we have previously had this presentation, and we're all familiar with the background of the project, we are going to go ahead and move forward to set the public hearing date and we're going to fast track this to the October 13, or this coming Thursday's, full commission meeting.

Roll call was taken on the motion and there were six "Ayes," Alvey, Walters, Murguia, Townsend, Walker, McKiernan.

Item No. 2 – 16791....PUBLIC HEARING AND RESOLUTION: KCK BOYER MEDICAL OFFICE BUILDING PROJECT IRBS

Synopsis: Conduct a public hearing on October 27, 2016, to consider a resolution of intent to issue \$11M in industrial revenue bonds for the KCK Boyer Medical Office Building project consisting of 40,000 sq. ft., located at 1601 N. 98th Street, submitted by Angela Harshbarger, Economic Development. The project will create 50 new jobs. The 10-year fixed PILOT schedule will incorporate a 60% tax abatement.

Chairman McKiernan said once again, my understanding is that this is to set a public hearing date for the issuance of the industrial revenue bonds, is that correct. **Angela Harshbarger, Economic Development,** said correct.

Action: **Commissioner Murguia made a motion, seconded by Commissioner Townsend, to approve and forward to full commission.** Roll call was taken and there were six “Ayes,” Alvey, Walters, Murguia, Townsend, Walker, McKiernan.

Item No. 3 – 16813....RESOLUTION: SECOND AMENDMENT TO THE LEGENDS AUTO PLAZA DEVELOPMENT AGREEMENT (HONDA)

Synopsis: A resolution approving the Second Amendment to the Legends Auto Plaza Development Agreement (Honda) between the UG and KCK Development II, Inc. The Developer has proposed two other developments, which have received preliminary Planning approval, and, therefore, would like to remove lots 2, 3 and 4 from the Development Agreement, submitted by George Brajkovic, Economic Development Director.

George Brajkovic, Economic Development Director, said actually we do have a couple of folks here that I’d like to ask up. Kevin Quinn is with the development group that did this project and Curt Petersen with Polsinelli represented them.



Quick presentation for you.

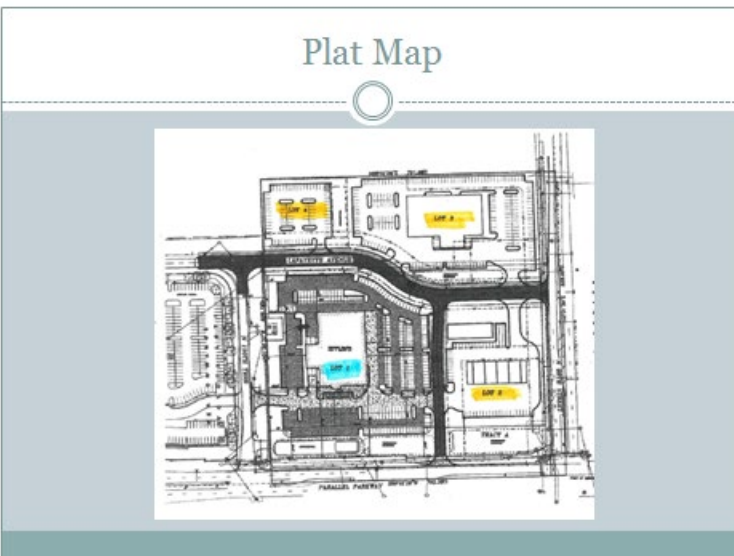


The project area that we're talking about is, that's the Legends Toyota and this is the Legends Honda. We did a development agreement if you recall. This was the former Roger Smith & Sons from State Avenue. This dealership moved out to this area. Then the same group decided to try to do a development package for this area.

October 10, 2016



If you kind of look at the parcels, the ones represented inside this black square represent the pieces of ground associated with this particular development agreement. What we're here to consider tonight is actually removing a couple of the lots, or the parcels, from the Development Agreement and I'll kind of get into why.



As we look at it, here's the plat map. This, again, offscreen here is the Toyota. This is the Honda dealership. These darker shaded streets are both the private drive as well as Lafayette Avenue that the UG required of the developer to put those roads in as part of this development package.

October 10, 2016

That left, after Lot 1 developed with the Honda, that left Lot 2, Lot 3 and Lot 4. What we were hoping to find was to attract a second car dealership here.

Development Agreement

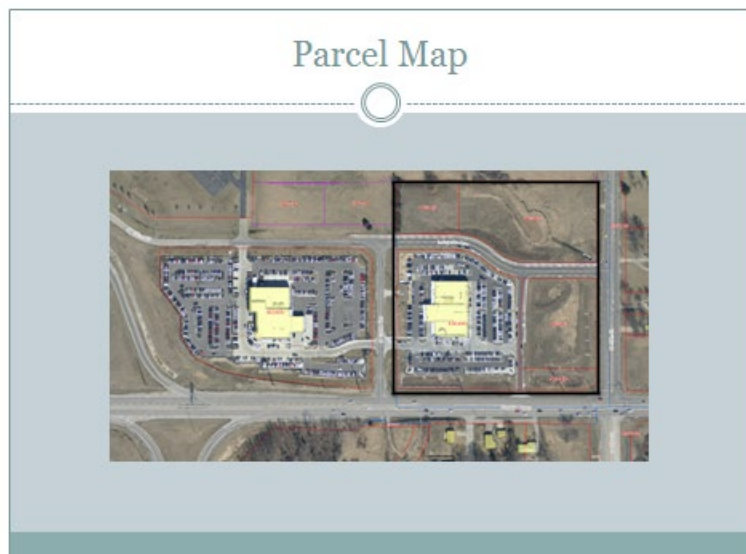
- **Adopted by R-95-11 on 12/15/2011**
 - UG Home Rule – 10 years for 100% property tax, and 0.90% sales tax
 - Capped at \$2.6M, additional incentives only if Dealership #2 constructed
 - L/M/W Construction
 - Construct Lafayette Ave – approx \$700k
- **First Amendment to DA – 04/05/2012**
 - Added L/M/W on Operations for 3 years – custodial, security, landscaping, auto & lot washing, and building maintenance
- **Second Amendment – proposed**
 - Remove Lots 2, 3, and 4 from DA

The nature of the Development Agreement was structured as such to offer an incentive package to get the two dealerships. The way the incentives, themselves, were approved back in 2011, and it was actually UG Home Rule where we gave the UG share, 100% of the UG share of property tax generated by the Honda, back to the project as well as .9% of the sales tax, capping that at a \$2.6M level. Like I mentioned, there were additional incentives that could go beyond that cap but only if they put in the second car dealership.

There were L/M/W requirements on the construction phase, which they met. As I mentioned earlier, they had to put in Lafayette Avenue. They had to actually design and construct that. That was approximately \$700,000 in cost.

We came back in 2012 because we asked for an amendment to the Development Agreement then. That actually gave us a chance to add additional L/M/W requirements to the project, so we put in an operational component. For three years, they had some goals for custodial, security, landscaping, auto and lot washing, and building maintenance. They've completed those as well.

Tonight we're here for the Second Amendment. That proposes to remove Lots 2, 3, and 4 from the Development Agreement. The primary reason from staff's perspective that we're asking to remove those is we have another Auto Mall development right across the street.



If you kind of look at the size of these lots, again, you kind of get a sense of — you can see the scale of it here. You see how large Toyota is, and then Honda. Part of this is going to be an overflow for the Honda. Then there's a collision center actually proposed here. Both of those projects have been vetted through Planning already. I believe you guys have your final plan tonight if we can get out of here in time.

New Proposals

- No public incentives for either project
- Collision Center (Lot 3)
 - \$3.5M investment
 - Up to 15 new jobs,
 - Average annual salary \$80k
- Car Wash/Overflow Lot (Lot 4)
 - \$2.9M investment
 - Up to 5 new jobs
 - Average Annual Salary \$30k

A little bit about what those new proposals are. The first bullet point is where I wanted to start. Those two projects aren't asking for any public incentives. Again, they've been vetted through Planning. They're looking to get final Planning approval tonight at the meeting.

A little bit about what they are, because I think they are good projects for that area as well. The collision center will go to Lot 3. It's a \$3.5M investment, up to 15 new jobs with an average salary of about \$80,000.

The car wash/overflow lot— the carwash project itself, I'm sorry, Kevin, if I'm kind of rolling through it. It's not actually a car wash that's open to the public. It's a car wash for the dealership, itself. Again, it's part of the overflow lot. Again, that, itself, is nearly a \$3M investment. We're projecting up to five new jobs. Again, you can see the average annual salary.

What we're here for tonight is the Second Amendment to the Development Agreement would remove Lots 2, 3, and 4 from the specifics of this Development Agreement.

Curt Petersen, Attorney with Polsinelli, said we can certainly answer any questions. One thing that I would be remiss if I didn't mention as well, George is right about the cost of Lafayette. The total public infrastructure that the Baxter Group put in under the auspices of the public/profit partnership was even above that \$2.6M eventual, hopeful, reimbursement amount. Otherwise, it looked a little lopsided when it was actually the other way around. They put a lot more in than they'll get out.

Action: **Commissioner Murguia made a motion, seconded by Commissioner Walters, to approve and forward to full commission.**

Commissioner Townsend said just one question. Does this removal of the property relieve the UG of any additional burdens or any burdens? That's the question. **Mr. Brajkovic** said, Patrick, if you want to answer that. From my perspective, it does.

We still have the agreement on the Honda dealership because they are in the middle of a ten-year agreement for us to reimburse for the cost that they submitted for eligible costs, again, up to that cap amount. So we'll continue to do that. But, for the lots that are being removed, since they're not going to be subject to the terms of this agreement, I don't believe we have any.

Mr. Petersen said it sounds kind of funny, but it's sadly true. When we have these development agreements in place and we deal with the buyers and then also the lenders of the buyers, they call me. Then I call staff and we end up having to negotiate partial assignments and assumptions and explain why this obligation doesn't flow to them because they're not the master

developer. However way you look at it, it saves time and money for both staff and us, too, since there's no real relevance, as George has already explained, of the Development Agreement to these lots. That answers your question, Commissioner?

Commissioner Townsend said not quite sure that it does, but maybe between now and the time this moves on, we can get a little bit more into that. Nothing detailed, but I just wanted to know if there were just certain obligations that we were being freed from. That's it. I would not withhold my agreement to move this on.

BPU Board Member Alvey said would these not be then eligible for the property tax rebate of the original agreement. **Mr. Petersen** said that's correct, yes. **BPU Board Member Alvey** said there will not be any UG incentives for the new projects moving forward. **Mr. Brajkovic** said definitively I can say there aren't any UG incentives for the car wash overflow or the collision center. I'm not sure what the future of Lot 2 holds, but we'll certainly keep that in mind. **Mr. Petersen** said we'd have to come back to you for that, if that answers your question. As George said, who knows. But right now we have no right to that without coming back and revisiting with you. **BPU Board Member Alvey** said the original agreement for these lots would be void. **Mr. Petersen** said correct.

Again, I know not to talk too much because you guys have a lot to do, but I will say, Commissioner, I'm listening to you not feel so totally satisfied, which means we're not doing a very good job. I thought of one other item that, I've been in this deal with Kevin and his partners for a long time so it may be implicit to me, but I want to make it explicit.

Another answer to your question is that Lot 3 up in the upper right there, which we all hoped would be another auto dealership, would have generated additional incentives that the UG would have given part of the property tax and sales tax. That I would call an obligation, probably the kind of thing you're talking about, that is going away with this.

Mr. Brajkovic said maybe to that end, for the Honda, we're capped at \$2.6M. We would have put another \$2.6M in had the second dealership gone in. I guess for the UG, rather than \$5.2M in incentives, we're staying capped at the \$2.6M.

Roll call was taken and there were six "Ayes," Alvey, Walters, Murguia, Townsend, Walker, McKiernan.

Item No. 4 – 16815...RESOLUTION/ORDINANCE: BOARD OF PUBLIC UTILITIES' BONDS

Synopsis: Request approval of the following Board of Public Utilities bond issuances, submitted by Kathleen VonAchen, Chief Financial Officer.

- Resolution authorizing the issuance of \$62M of utility system revenue bonds to finance improvements to the utility system.
- Ordinance authorizing the issuance of \$53M of Utility System Refunding Revenue Bonds, Series 2016-B, and \$62.5M of Utility System Improvement Revenue Bonds, Series 2016C.

Commissioner Murguia said I have another question about this presentation back to what Commissioner Walker said. We're going to hear this full presentation at the full commission meeting, correct? **Chairman McKiernan** said that is correct, is it? **Kathleen VonAchen, Chief Financial Officer**, said yes.

Commissioner Murguia said so really, in essence, it's sort of like just setting a hearing date. **Ms. VonAchen** said yes. **Commissioner Murguia** said I'm with Commissioner Walker. I would prefer that this be presented in front of the full commission. I've been out of pocket for a while and I just got this. I haven't reviewed it. I'd like a chance to review it and talk to my other fellow commissioners to see what's going on.

Action: **Commissioner Murguia made a motion, seconded by Commissioner Walters, to approve and fast track to October 13 full commission.**

Joe Connor, Assistant County Administrator, said we're not setting a public hearing with this. **Chairman McKiernan** said that is correct. We are forwarding this for presentation and vote at the October 13 meeting. At that time, we will get an entire presentation. **Mr. Connor** said I understand. The first two items we're setting public hearings. **Chairman McKiernan** said that's correct. **Mr. Connor** said which is different than this item. **Chairman McKiernan** said we're aware of that.

Commissioner Murguia said as long as we're going to get the presentation at the 13th. **Chairman McKiernan** said 13th, this Thursday. **Mr. Connor** said it'll be fast tracked and it'll be on. It won't be on consent. **Ms. VonAchen** said and your action is to recommend approval.

Right? **Chairman McKiernan** said correct. **Commissioner Murguia** said that won't put it on consent, will it. **Chairman McKiernan** said it will not be. **Commissioner Murguia** said we'll still have the presentation. **Chairman McKiernan** said because it's being fast tracked, it can't go on consent. **Ms. VonAchen** said it's a bond issue so you have to actually, it can't be on consent.

Roll call was taken and there were six "Ayes," Alvey, Walters, Murguia, Townsend, Walker, McKiernan.

Adjourn

Chairman McKiernan adjourned the meeting at 5:32 p.m.

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