

City of Lawrence
Public Incentives Review Committee
March 5, 2013 minutes

MEMBERS PRESENT: Dennis Highberger, Mike Gaughan, Brad Burnside, Rob Chestnut, Bob Schumm, Mike Dever, Cindy Yulich

MEMBERS ABSENT: Shannon Kimball

STAFF PRESENT: David L. Corliss, Diane Stoddard, Britt Crum-Cano

PUBLIC PRESENT: Dennis Yoder, Curt Peterson, Chad Lawhorn, and others

Mayor Schumm called the meeting to order.

Yulich made motion to approve the 07/10/12 minutes, Burnside seconded. Passed 7-0.

Corliss introduced Dennis Yoder, Superintendent of Lecompton School District and Curt Peterson, attorney for Bliss Sports and representing the applicant.

Corliss introduced the application and staff report in regards to the tax abatement request for Bliss Sports for Rock Chalk Park. Corliss reviewed the role of the PIRC and stated that the tax abatement was on the City Commission meeting agenda for 03/05/13 to receive the recommendation of the PIRC.

Corliss stated that the City has been in discussions in regards to a recreation facility with the University of Kansas for about a year about a joint facility. The City Commission tonight is considering a development agreement regarding a recreation facility. Building permit plans are on the table for the KU portion of Rock Chalk Park and include soccer, softball, and track/field stadiums. Estimated cost is \$40M. Because of structure of financing arrangement for KU, they are not automatically eligible for tax abatement. If this project was constructed on KU property, there wouldn't be land use issues or tax or sales tax issues because it would be constructed by KU. Instead, it's being constructed on property not owned by KU and the facilities not owned by KU and they will lease the facility from bliss sports. That relationship is what is eligible for the tax abatement exemption.

Crum-Cano reviewed the project, stating that the applicant was requesting a ten-year, 100% property tax abatement. It is a multi-sports campus facility. The City owns 26 acres and wants to build a recreation center in that area. The City is naturally exempt from sales tax from construction related to materials and that is what Bliss Sports is asking for on the KU portion. There will be 17 new jobs with an average salary over 10 years of \$50,900. City has approved Resolution of Intent to issue Industrial Revenue Bonds. City needs to consider ordinance to eventually authorize the bond issuance.

Crum-Cano reviewed the incentives and benefit cost ratios: City 1.62, County 2.69, USD 497 33.16, State 41.59, total value \$17,916.09. She provided a summary of CSL economic impact analysis. Crum-Cano said the statutes limit the project to a maximum ten year abatement period and the project would be subject to taxes after 10 years. Staff believes the project has fiscal and economic benefits to the community that are not counted in the benefit-cost analysis, but were outlined in the CSL Study, which is an economic impact study. Further she mentioned that if the project proceeds, staff recommends the abatement be contingent on the facility being used for KU athletes during the ten-year term as opposed to a performance agreement tied to job creation.

Crum-Cano introduced Curt Peterson, attorney on behalf of Bliss Sports. Peterson showed the latest rendering of the complex. Peterson stated he would address questions submitted by Mr. Chestnut. He stated that KU had two, third-party contractors provide estimates on the project that came in over \$50M. He acknowledged that the state statutes could change allowing the project to be tax exempt after ten years. He stated that the project would bring significant financial impacts related to bringing in visitors for athletic events.

Highberger asked why the building won't meet energy star criteria. Peterson stated there are very few stadiums in the county that qualify. It would be feasible to get to LEED standing. As far as energy star, he didn't believe it was available for a stadium, but was open to it if it was. Highberger asked about stormwater management plans. Peterson stated he knows that detention was part of the project. Corliss indicated that he spoke with Chuck Soules, and the stormwater plans haven't been completed yet. Corliss stated that he believed the next rendition of plans would be in conformance with the city's standards.

Highberger asked about the salary of indirect jobs indicated in the model. Crum-Cano clarified that the figure relates to direct salaries with multipliers, and wasn't only a salary figure. Improved labeling of this figure was discussed.

Gaughan asked why KU would not own the land. Dever stated that KU Endowment is a tax exempt entity, but because of private ownership of facilities, that would negate their tax exemption status. Corliss said that the reason KU is structured with Bliss Sports is that has been the only relationship that has come forward to provide them with these facilities at an acceptable cost. Mayor Schumm indicated that Mr. Zenger said they did not have the wherewithal to bond this project when they could complete this project with an annual lease payment, and could utilize bonding for other facilities at KU. Mayor Schumm also stated this project could easily leave the community, that there are other communities that would want these facilities and that it would be a shame to lose this opportunity. Gaughan acknowledged that the City Commission was wrestling with this at a different level than PIRC. He then asked about the new employees indicated in the application. Peterson stated that Kansas Athletics would be the employer related to these new projected employees.

Chestnut thanked Mr. Peterson for his answers. He asked about the other land that may be developed in the future on the site and the process related to that future

development. Corliss stated that the City Commission had approved the KU facilities at this point and that if the property owner wished to have additional facilities at that site, they have to come back to planning commission to get a SUP and then ultimately back to the City Commission in the future. He further noted that the modified Resolution of Intent for the project makes it clear that the IRBs and property tax abatement would cover only the KU facilities: track/field, softball, soccer, and related improvements.

Burnside asked about the performance agreement. Corliss indicated that there was an extensive development agreement in place that indicates performance. There would also be a requirement that the facilities are operated as KU facilities during the term of the abatement.

Gaughan asked about whether they could request the same abatement for an additional ten years. It was clarified that the statutes only allow for a ten year abatement. However, an abatement could cover a future expansion, but that would have to go through an approval process. It was also clarified that the abatement was tied to the owner and the use of the property in this case.

There was some discussion about including infrastructure in the benefit-cost analysis. It was agreed that the City Commission was looking at the entire project and that the role of PIRC was to weigh in on the tax abatement for the KU facilities.

Burnside made a motion to approve a ten-year, 100% tax abatement for this application and project. Dever seconded the motion. Yulich declared that she was abstaining due to a conflict of interest. The motion was tied 3-3, with Burnside, Schumm and Dever voting in favor and Chestnut, Highberger and Gaughan voting against.

The meeting was adjourned at 5:24 p.m.