



DATE: September 2, 2026
TO: Bel Aire City Council
FROM: Ted Henry, City Manager
SUBJECT: KVH Chophouse - IRB Letter of Intent

Background

KVH Chophouse LLC has submitted an application requesting Industrial Revenue Bond (IRB) financing and associated economic development incentives for the construction of a new full-service restaurant at the southeast corner of Lot 1, Block 19 of the Central Park Addition, along Rock Road near Central Park Avenue.

The proposed project represents an estimated investment of approximately \$2.6 million and is expected to create approximately 47 full-time-equivalent jobs at full operation. The proposed restaurant would provide a full-service dining option that is not currently available within Bel Aire.

The location of the project is particularly important to the City. Situated along the Rock Road corridor near City Hall, the property is in an area where the City has long sought additional commercial development. Development of KVH Chophouse would convert a largely non-revenue-producing property into a significant private investment and introduce a destination restaurant to the area. Staff believes the project could also serve as a catalyst for additional commercial activity and investment on the surrounding undeveloped property.

The property is currently undeveloped and is being used as a hay field directly across from City Hall. Based on Sedgwick County records, the entire tract currently generates \$51 annually in property taxes for all taxing jurisdictions combined. (\$15 to the City of Bel Aire) Development of the KVH Chophouse would significantly increase the property's taxable value. Following the proposed abatement, staff estimates the fully developed property could generate approximately \$120,000 annually in property taxes for all taxing jurisdictions combined. (\$35,000 annually to the City). The CBA confirms that the City's cumulative fiscal position becomes positive after the exemption expires and the property returns fully to the tax rolls.

Cost-Benefit Analysis

In accordance with the City's Comprehensive Economic Development Policy, the Kansas Public Finance Center at Wichita State University completed a Cost-Benefit Analysis of the requested incentives.

The CBA evaluated the applicant's request for a 100% ad valorem property tax exemption for ten years, with no Payment in Lieu of Taxes (PILOT), together with a sales tax exemption on eligible construction materials. The estimated present value of the requested incentives is approximately \$736,156, representing approximately 26.3% of the project's stated capital cost.

The analysis found a positive long-term fiscal return from the project. For the City of Bel Aire, the estimated present value of benefits is \$424,141 compared with \$250,194 in costs, resulting in a net present benefit of \$173,947, a benefit-cost ratio of 1.70, and an estimated return on investment of 69.5%. For all local taxing jurisdictions combined, the analysis estimates a net present benefit of \$281,241 and a benefit-cost ratio of 1.53.

The sensitivity analysis provides additional support for the results. Across 5,000 simulations using varying assumptions, the median benefit-cost ratio for all local jurisdictions was 1.53 and exceeded 1.00 in 100% of the simulations. The return on investment to local jurisdictions was also positive in every simulation.

Importantly, the CBA does not assign a financial benefit to the potential impact this project could have on surrounding development. The report recognizes that development of the first parcel may affect the timing, pace or value of development on the remainder of the tract and that establishing the first business of this type in a smaller city may influence subsequent commercial interest. Those potential benefits are not included in the calculated benefit-cost ratios.

Comprehensive Plan Alignment

The proposed KVH Chophouse project is consistent with the economic development goals identified in the Bel Aire 2035 Comprehensive Plan. The Plan recognizes the importance of the City's non-residential development in enhancing the quality of life for residents and visitors. It also recognizes that Bel Aire residents currently leave the City for many commercial amenities, including restaurants, and identifies additional local commercial options as an opportunity to allow residents to dine and shop closer to home while also creating destinations that attract visitors to Bel Aire.

The Comprehensive Plan also supports small and local business development and calls for the City to review and market its economic development incentive policies and processes. The proposed KVH Chophouse project advances these objectives by adding a new full-service dining option within Bel Aire and making a significant private investment in an undeveloped site.

The project's location also supports the intent of the Comprehensive Plan. Development of the site along Rock Road near Central Park Avenue would introduce a destination commercial use in an area where additional commercial investment is desired. The CBA identifies the project as the first development on the larger tract and recognizes the potential for the project to influence the timing, pace or value of future development on the remaining property, although no financial value for that potential catalyst effect is included in the CBA.

Staff believes the proposed project and the use of economic development incentives to support it are consistent with the vision and economic development objectives established in the Bel Aire 2035 Comprehensive Plan.

Proposed Incentive

Based on the CBA, the project's alignment with the Comprehensive Plan, and the strategic importance of the location, staff recommends supporting the incentive request as submitted.

The proposed Letter of Intent provides for the issuance of taxable Industrial Revenue Bonds in an amount not to exceed \$2.6 million, a 100% ad valorem property tax exemption for ten years and a sales tax exemption for eligible construction materials and equipment associated with the IRB-financed project.

The City would assess a 1% origination fee, payable in ten annual installments over the ten-year abatement period, as well as an annual \$2,400 administrative fee while the bonds remain outstanding. The \$2,400 annual administrative fee is consistent with the City's more recent IRB agreements.

Staff believes the full incentive is appropriate in this case because the project provides benefits beyond the individual development. It introduces a type of commercial use not currently available within Bel Aire, develops a currently undeveloped site along a key commercial corridor, and has the potential to serve as a catalyst for additional private investment in the surrounding area. Even without assigning a value to those potential secondary development benefits, the CBA projects a positive long-term fiscal return to the City.

Furthermore, as the applicant will discuss with the City Council, the level of investment and risk associated with developing this project in Bel Aire makes the requested incentive an important component of the project's financial feasibility. The applicant has indicated that the project cannot move forward without the full ten-year, 100% abatement. Based on the information provided by the applicant, staff believes the request satisfies the City's "but-for" consideration.

Process and Next Steps

Approval of the Letter of Intent is not final authorization of the Industrial Revenue Bonds or the tax exemption. Rather, approval establishes the City's intent to proceed with the proposed incentive package and allows the applicant to move forward with the formal IRB process.

Following approval of the Letter of Intent, KVH Chophouse will work with the City's bond counsel and City staff to prepare the necessary IRB documents. The process will include preparation of the bond documents, required notices, scheduling and conducting the required public hearing, and bringing the final IRB documents and incentives back to the City Council for consideration.

Final issuance of the bonds and approval of the associated incentives will therefore require additional action by the City Council. This approach is consistent with the City's previous IRB letters, which provide that an LOI remains subject to subsequent Council actions and execution of the necessary documents.

Recommendation

Staff recommends approval of the Letter of Intent with KVH Chophouse LLC providing for the issuance of Industrial Revenue Bonds in an amount not to exceed \$2.6 million, a 100% ad valorem property tax exemption for ten years and a sales tax exemption for eligible project costs, subject to completion of the required IRB process and final approval by the City Council.

Staff's recommendation is based on the positive long-term fiscal return identified in the Cost-Benefit Analysis, the project's alignment with the economic development goals of the Bel Aire 2035 Comprehensive Plan, and the opportunity for the project to serve as a catalyst for additional commercial investment in the surrounding area.