

COUNCIL ACTION FORM

Meeting Date: September 14, 2023

Staff Contact: Jeff White, Financial Advisor

Agenda Item: Consideration of an Ordinance Making Findings and Establishing a Redevelopment District Pursuant to K.S.A. 12-1770 *et seq.*, and Amendments Thereto

Background/Description of Item

Kansas law (KSA 12-1770 *et seq.*) permits cities to create tax increment financing (TIF) districts. A TIF district is a defined geographic area in which assessed valuations in the year in which a district is created are established as a base and for which property taxes generated on assessed valuation above that base value are captured and redirected for the payment or reimbursement of statutorily-eligible costs incurred within the district.

TIF in Kansas is a two-step process: the governing body may create a district by ordinance, subject to certain requirements, and then, within an approved district, the governing body may approve one or more TIF project plans. At the point at which a TIF project plan is in place, the City can begin to pay or reimburse TIF eligible costs within the district.

In order to create a TIF district—the first of the two creation steps—the governing body must adopt a resolution setting a public hearing no less than 30 and not more than 70 days following adoption of the resolution. The governing body adopted such a resolution on July 13, 2023, setting the public hearing for tonight’s meeting. The City was obligated to and did provide direct notice to affected parties of the upcoming public hearing. After the public hearing concludes, the governing body may consider passage of the ordinance creating the TIF district.

In its action to pass the TIF district ordinance, the governing body must make a finding that the area proposed for inclusion in the district qualifies for TIF under Kansas law. Potentially eligible areas include: blighted areas; conservation areas; land designed before 1992 as an enterprise zone; an intermodal transportation area; a major tourism area; a major commercial entertainment and tourism area; or a bioscience development area.

The ordinance before the governing body would create a TIF district on approximately 8.72 acres with eligibility as a *conservation area*. A conservation area means any improved area comprising 15% or less of the land area within the corporate limits of a city in which 50% or more of the structures in the area have an age of 35 years or more, which area is not yet blighted, but may become a blighted area due to the existence of a combination of two or more of the following factors: dilapidation, obsolescence or deterioration of the structures; illegal use of individual structures; the presence of structures below minimum code standards; building abandonment; excessive vacancies; overcrowding of structures and community facilities; or inadequate utilities and infrastructure.

The TIF district plan calls for redevelopment in one project area to include: a mixed-use development with uses consisting of some or all of general commercial and retail development, including development of up to approximately four (4) multistory facilities; recreational uses; associated public and private infrastructure; site work, including demolition; utilities; storm water and drainage; landscaping, plantings, fountains, shelters, benches, sculptures, lighting, decorations and similar amenities; parking facilities; and other items allowable state law.

Kansas law provides that, if any land within a proposed TIF district is currently subject to *ad valorem* property taxes, any county (Johnson, in this case) and school district (SMSD, in this case) impacted by the TIF district’s creation would have a right to exercise a veto over the creation of the district. None of the land within this proposed TIF district is subject to *ad valorem* property taxes and, as such, neither Johnson County nor SMSD

will have a statutory right to veto the creation of the district should the governing body determine to create it by ordinance following the public hearing.

Staff Comments/Recommendation

Staff recommends the governing body hold the public hearing and, upon its conclusion, pass the ordinance as presented.

Budget Impact

The creation of a TIF district would not have any immediate budgetary impact. No TIF increment may be spent unless and until the governing body concludes the process to create the TIF project area by adopting a subsequent ordinance doing so.

Suggested Motion

I move passage of Ordinance Number 1037, making findings and establishing a redevelopment district pursuant to KSA 12-1770 *et seq.* and amendments thereto.