

MINUTES OF THE MISSION CITY COUNCIL MEETING, OCTOBER 18, 2017

The Mission City Council met in regular session at Mission City Hall on Wednesday, October 18, 2017. The meeting was called to order by Mayor Schowengerdt. The following councilmembers were present: Ron Appletoft, Tom Geraghty, Suzie Gibbs, Kristin Inman, Debbie Kring, Pat Quinn, Arcie Rothrock, Nick Schlossmacher.

SPECIAL PRESENTATIONS

Waste Management Micro Grant Award

John Blessing, Waste Management stated that Mission is being awarded Waste Management's Green Grant for our recently established "Adopt-A-Street" program. This program works to assist communities with environmental or beautification efforts at the local level. He stated that Waste Management is happy to support Mission's program. Ms. Sitzman stated that the grant will assist with the program to pick-up litter on key roads in Mission. A brochure on the program has been developed by the Neighborhood Services Department and the program encourages community groups/volunteers to adopt a specific street. Their name will be placed on a sign in the area and the City will provide all the necessary supplies.

Recognition of Neighborhood Services Officers

Mayor Schowengerdt recognized Neighborhood Services Officers Nilo Fanska and James Gorham. He stated that they do a great job of working with our residents and businesses to keep Mission looking great and assist those who are having problems with their properties. This is a difficult and thankless job, but much appreciated. He noted that in addition to their code enforcement duties, they have taken over the annual inspections of our apartments, work with neighborhood groups and volunteers on neighborhood clean-up events, help residents who participate in the assistance programs, and assist with permitting. Ms. Sitzman stated that Neighborhood Services is the "caring" part of the department's mission statement. They handle over 500 cases per year, participate in community outreach, identify and help to fill needs in the neighborhoods, and work to educate and provide resources to residents. Mr. Fanska and Mr. Gorham were presented with certificates of appreciation.

CONSENT AGENDA

Moved by Gibbs, seconded by Rothrock to approve the Consent Agenda, item 3a.

3a. Minutes of the September 20, 2017 City Council Meeting

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Voting AYE: Appletoft, Geraghty, Gibbs, Inman, Kring, Quinn, Rothrock, Schlossmacher.
Motion carried.

PUBLIC COMMENTS

There were no public comments.

FINANCE & ADMINISTRATION COMMITTEE

Selection of Auditors

Councilmember Schlossmacher stated that Kansas Statutes require an annual audit of the City's financial statements. The City has used Mize, Houser & Company for many years under their contract that is on a four-year cycle. The last time the City sought proposals for auditors was in 2013. This past summer, an RFQ for auditors was issued with four firms responding. All four firms were evaluated, references checked, and interviewed. Staff recommends that the City enter into an agreement with Berberich, Trahan & Company to audit the City's financial statements for the 2017 fiscal year in an amount not to exceed \$27,000, and that we have the option to utilize them for three subsequent years. He stated that although Berberich, Trahan & Company was not the lowest bidder, they do have impressive experience and credentials, and have audited many cities similar in size to Mission.

Moved by Schlossmacher, seconded by Quinn to approve the selection of Berberich, Trahan & Co., P.A. to perform the annual audit of the City's financial statements for the fiscal year ending December 31, 2017, and for up to three subsequent years. There was no discussion on this item. Voting AYE: Appletoft, Geraghty, Gibbs, Inman, Kring, Quinn, Rothrock, Schlossmacher. **Motion carried.**

Classification & Compensation Plan Implementation Update

Councilmember Schlossmacher reported that this spring, the City contracted with The Austin Peters Group to conduct a classification and compensation study. During a worksession this summer, Council heard the initial findings of the study and directed staff to develop an implementation plan for the study's recommendations. This plan was approved by Council in August. Since then, and after fully costing out an alternative scenario, this option would more fully fund the recommendations and address the market compression issue more comprehensively. The additional cost to

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accomplish this more comprehensive one-time market compression adjustment is \$23,016.

Moved by Schlossmacher, seconded by Kring to approve additional funding in the amount of \$23,016 to implement the market pay compression recommendations from the 2017 Classification and Compensation Study. There was no discussion on this item. Voting AYE: Appletoft, Geraghty, Gibbs, Inman, Kring, Quinn, Rothrock, Schlossmacher. **Motion carried.**

COMMUNITY DEVELOPMENT COMMITTEE

Councilmember Inman did not have a report.

NEW BUSINESS

Ordinance Adopting the 4th Amended Gateway Redevelopment Project Plan

Ms. Smith stated that The Gateway Project was discussed during a worksession prior to this Council Meeting, but because no minutes are taken at worksessions she would like to provide a brief update on the items for consideration tonight.

The City has been working with the current development plan since 2016. The preliminary site plan was approved by Council on January 20, 2016 and the final site plan was approved by the Planning Commission in March 2017. The developers purchased this property in 2005 and have been working on the project since that time. There has always been a gap in the funding due to the unusual costs associated with this site and, because of that, the project is not economically viable without incentives. The project would utilize public/private funding that is mutually beneficial, and the staff and development team has been working with the developer on City participation details for the project. Ms. Smith asked that the powerpoint presentation from the October 18, 2017 Council Worksession be made a part of these minutes as they contain greater details on the proposed incentives. She also highlighted the terms of the proposed development agreement, which include:

Project receives

- 100% of the 1% CID fee over the 22-year term
- 100% of the Gateway area's property TIF over the 20-year term
- 55% of City general sales tax collected at the Gateway over 20-year TIF term
- 89% of City transient guest tax collected at the Gateway over 20-year TIF term

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- IRB sales tax exemption on construction materials

City receives

- 45% of the Gateway general sales tax over 20-year TIF term (then 100%)
- 11% of the Gateway transient guest tax over 20-year TIF term (then 100%)
- Stormwater assessments and utility fees
- Incremental City special sales taxes for streets (0.25%) and parks (0.375%).
These sunset in 2022/2023

She stated that over 20 years, it is anticipated that this will generate \$40.7 million for Mission, with a present value of \$29.6 million. The development agreement addresses the legacy costs of the project, includes milestones, and caps the CID and TIF if only Phase 1 of the project is built.

Mayor Schowengerdt noted the need for the dedicated sales taxes to be renewed due to the funds generated. Councilmember Appletoft stated that he has additional questions and comments from the worksession.

Tom Valenti, Gateway Developers, stated that on behalf of himself and his partners, they would like to thank Ms. Smith, Mr. Kimmel, Mr. Anderson, Mr. Heaven, the Mayor and all the staff that has worked on this project. He feels this is the start of a successful project. He stated that he proposed building this plan in phases to establish the confidence of the citizens, banking partners, and tenants in the project. This project will happen and will begin with the construction of Phase 1, which includes residential with retail underneath. Mr. Valenti stated that he has a great deal of money invested in the project and has not given up. He believes they now have the right combination of uses that will be highly successful, and a good deal for the City and the developer. He stressed that if Phase 1 of the project is not completed, he will lose everything. The Aloft and Element hotels have been signed, he anticipates robust rents from the residential component and to accomplish this the project will need to be beautiful, safe and clean. He discussed the “synergy” of the project components (residential, retail, hotel, office, conference/training center). Mr. Valenti stated that the tenant to fill the space previously slated for Walmart can not yet be announced as they are still in negotiations. He said that it would be unique and work well with the other project components, and that it is a large-scale food/entertainment market concept with indoor and outdoor components. He also provided information on his financing noting that the bank is also concerned with who his tenants are, but he needs to get this project off the ground to generate additional confidence in the project. He provided additional information on negotiations underway with unnamed tenants and stated that because

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these negotiations are not yet final, he can not announce the specific tenant name. Mr. Valenti stated that they must have tenants that justify their financing, that the retail landscape has changed in recent years with internet sales, and that he is confident they will bring great tenants to the project.

Councilmember Quinn asked what Mr. Valenti's confidence level is with the tenants they are pursuing. Mr. Valenti stated that he is very confident.

Councilmember Appletoft stated that he supports this project and the proposed tenants, but if Mr. Valenti is not yet ready to commit on a specific tenant he would like to wait so that the City and developer can jointly agree on the specifics of the project. Council would then know exactly what they are voting on. He understands the financial side, but is worried about the quality. He would like to "synch-up" prior to voting. Mr. Valenti stated again that he needs to get Phase 1 started to generate confidence. He discussed the need to get his financing underway with approval of this "deal" and in a perfect world all tenants would be signed, but they are still in talks with the larger tenants. He stated that he will not ever "get there" without this deal.

Mayor Schowengerdt stated that the concept is more important than the specific tenant, and that he feels this concept would work well with the other small businesses in Mission.

Councilmember Geraghty stated that approval of this development is the catalyst that will move the project forward even with unknown tenants, and feels this needs to be approved.

Councilmember Schlossmacher stated that he is still struggling with public incentives, but does believe that it is the concept that matters and that Mr. Valenti should elaborate on this for the public. Mr. Valenti stated that it is a food concept that would include a market (i.e., butcher, produce, entertainment spaces). The tenants would be changeable/flexible, and it would include a large, indoor/outdoor entertainment space (beautiful garden with seating). The space would also accommodate food trucks and/or farmer's market and would work well with the office, hotels, and apartments in the project. It would be a great place to live and he believes that once announced this concept will improve the quality of the small retail tenants in the project. Councilmember Schlossmacher stated that he is pleased with the flexibility that this space will bring. Mr. Valenti provided information on a project in Syracuse that is similar and the need to be creative to replace larger stores that are fading. He stated that this is an exciting and attractive concept that will spur growth in the area. Mayor

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Schowengerdt stated that this project will complement the “mom and pop” stores on Johnson Drive, as well as the businesses at the west end of the City.

Councilmember Appletoft stated that he feels this is the City’s last opportunity for control of the project and if the proposed “concept” does not sign, then the developer could bring anything to the site. Mr. Valenti stated that this is not the case as he must meet the City’s guidelines. Councilmember Quinn stated that if there are big differences in the project than what is currently proposed, this would void the development agreement. Mr. Valenti stated that if there are significant changes to the project, it would require him to go back to the Planning Commission. He believes in the proposed concept and asked for Council’s trust in him to see the project to conclusion.

Councilmember Rothrock asked if the development agreement’s requirements for the developer to stay current on taxes would override the three-year delinquency required before action can be taken by the County. Ms. Smith stated that they will be required to pay their taxes when due or go into default.

Moved by Quinn, seconded by Geraghty to adopt an ordinance of the Governing Body of the City of Mission, Kansas making findings and adopting a Fourth Amended Redevelopment Project Plan for Project Area 1 pursuant to K.S.A. 12-1770 et seq., and amendments thereto (Mission Gateway Project). Councilmember Gibbs asked if members of the development team would like to make comments on the project.

Bruce Kimmel, Financial Advisor, Ehlers, stated that Councilmember Appletoft made a good point in questioning why the developer and City are not “in synch” prior to voting. He stated that this is a \$200 million project with three major funding sources (59% bank, 27% equity, 14% SO bonds) and discussed the importance of each and the need for each to ensure the project works. He stated that although the SO bonds are the smallest portion, they are the “lynch pin” for the deal and discussed how these three funding sources work together to ensure the project performs as projected. Mr. Kimmel also stated that this is a good partnership, that the City did not have to give up a great deal financially, this agreement outperforms what we thought we would get initially, and some faith is required that the project will perform as projected.

Gary Anderson, Bond Counsel, Gilmore & Bell, stated that these decisions are always difficult as the developer always wants to get the maximum rate of return on the project. The City and developer have landed in the middle for this agreement and he is comfortable with it. Council must look at the numbers/economics, the project plan, community benefits and sometimes specific tenants although it is not unusual for a

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project to move forward with only half of the tenants known. This is a policy question that Council must be comfortable with as tenants are not guaranteed, and he stressed that the economics of the project only work with increased retail returns.

Pete Heaven, Land Use Attorney, Spencer Fane, stated that he has no reservations about this agreement and that it protects the City. He encouraged Council to move forward. Councilmember Schlossmacher questioned what would trigger the project going back to the Planning Commission. Mr. Heaven that a “substantial change” would be required and that this is usually 10% or more changes to the configuration/size of the project. This is something staff will watch and evaluate.

Mayor Schowengerdt opened the floor to public comments.

Josh Sturgis, Mission resident, stated that he supports responsible development and that he does not feel it is his job to bridge the gap in financing with tax dollars. He feels that when Mr. Valenti bought the property it became his problem and he does not want to subsidize the project. He also expressed his concerns with the delinquent property taxes on the property, and discussed an issue with a bookstore development by Mr. Valenti at Syracuse University. He stated that if the taxes have not been paid since 2015 he feels the City should be willing to wait one more year (foreclosure) until a responsible developer takes over the property. He does not support developers asking for incentives. Mayor Schowengerdt stated that he would like to concentrate on the future and not the past. Mr. Valenti responded that the Mission Mall was torn down in 2005 due to stormwater issues and he was told that incentives would be available for his mixed-use development. He also stated that in regards to the Syracuse University case, they were sued and won and he is confident they will also win the appeal.

Sollie Flora, Mission resident, stated that she shares Councilmember Appletoft's concerns. She appreciates staff's work on this agreement which seems to be a good deal, but would like for Council to postpone the vote on these issues tonight as the specific details were only available several hours ago.

The question was called. Voting AYE: Geraghty, Gibbs, Inman, Kring, Quinn, Schlossmacher, Schowengerdt. NAY: Appletoft, Rothrock. **Motion carried.**

Ordinance Authorizing Creation of the Gateway CID District #3

Moved by Quinn, seconded by Kring to adopt an ordinance authorizing the creation of the Mission Gateway Community Improvement District #3 in the City of Mission,

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Kansas; authorizing the making of certain project improvements relating thereto; approving the estimated costs of such project improvements; levying a Community Improvement District Sales Tax within such district; and providing for the method of financing the same. There was no discussion on this item. Voting AYE; Geraghty, Gibbs, Inman, Kring, Quinn, Schlossmacher. NAY: Appletoft, Rothrock. **Motion carried.**

Resolution of Intent to Issue Industrial Revenue Bonds, Gateway Project

Moved by Quinn, seconded by Geraghty to adopt a resolution determining the intent of the City of Mission, Kansas to issue its Industrial Revenue Bonds in one or more series in the aggregate amount not to exceed \$214,558,862 to finance the costs of acquiring, constructing and equipping multiple facilities for the benefit of Aryeh Realty, LLC and its successors and assigns. There was no discussion on this item. Voting AYE: Geraghty, Gibbs, Inman, Kring, Quinn, Schlossmacher. NAY: Appletoft, Rothrock. **Motion carried.**

Ordinance Approving 3rd Amended and Restated Redevelopment Agreement and Terminating Mission Gateway CID Districts #1 and #2

Moved by Quinn, seconded by Kring to adopt an ordinance of the Governing Body of the City of Mission, Kansas approving the Third Amended and Restated Redevelopment Agreement for the Mission Gateway Project and approving the termination of the Mission Gateway Community Improvement District #1 and the Mission Gateway Community Improvement District #2. Councilmember Schlossmacher stated that he understands there is some risk associated with this, but that he is optimistic for the project. Voting AYE: Geraghty, Gibbs, Inman, Kring, Quinn, Schlossmacher. NAY: Appletoft, Rothrock. **Motion carried.**

Appointment of City Land Use Attorney

Ms. Smith stated that Pete Heaven will be transitioning to the firm of Spencer Fane. The City must advise Lathrop & Gage of how we wish to have the matters handled by Mr. Heaven addressed going forward. In order to maintain continuity and experience with a number of current development project and land use issues, it is recommended that the Mr. Heaven, Spencer Fane Law Firm, be appointed to continue as the City's Land Use Attorney through December 31, 2018. She also stated that it is recommended that Tom Murray of Lathrop & Gage continue with our TUF litigation.

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Moved by Kring, seconded by Gibbs to approve Pete Heaven of Spencer Fane as the City's Land Use Attorney for a term expiring December 31, 2018, and confirm that the firm of Lathrop & Gage, in consultation with Pete Heaven, will continue to represent the City of Mission as it relates to litigation involving the Transportation Utility Fee. Voting AYE: Appletoft, Geraghty, Gibbs, Inman, Kring, Quinn, Rothrock, Schlossmacher. **Motion carried.**

Resolution Establishing and Appointing a City Historian

Moved by Kring, seconded by Schlossmacher to adopt a resolution establishing the volunteer position of City Historian for the City of Mission, Kansas and appointment Frank Bruce to the position through December 31, 2018. Councilmember Kring stated that Mr. Bruce will be a great asset in this position and Mayor Schowengerdt concurred, noting that "it has been a long-time coming." Voting AYE: Appletoft, Geraghty, Gibbs, Inman, Kring, Quinn, Rothrock, Schlossmacher. **Motion carried.**

Mr. Bruce thanked Council and stated that the history of Mission "is all of us" and he hopes to concentrate on our history from all perspectives. Councilmember Gibbs stated that Mr. Bruce will be setting up a history walking tour soon.

COMMENTS FROM THE CITY COUNCIL

Councilmember Kring announced the Ward III Quarterly Meeting scheduled for Thursday, October 19th at the Community Center, 7:00 p.m. All were invited to attend.

Councilmember Gibbs reported that the 3rd Grade students from Santa Fe Trail Elementary will visit City Hall on October 19th to present their ideas for possible improvements to Mohawk Park. They will also have in a tour of the Police Department, lunch in the park and a tour the CFD2 Fire Station in Mission. She invited all to attend.

Councilmember Gibbs announced that Santa Fe Trail students will also be caroling in various locations for the holidays.

Councilmember Gibbs stated that the American Government Class at Shawnee Mission North High School has invited councilmembers to speak. She asked those interested to contact her.

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MAYOR'S REPORT

Mayor Schowengerdt stated that he is excited for The Gateway Project to get underway and believes this is the right project for Mission at the right time. It will work well with the many smaller businesses along Johnson Drive.

CITY ADMINISTRATOR'S REPORT

Ms. Smith did not have a report.

EXECUTIVE SESSION

Moved by Geraghty, seconded by Gibbs to adjourn to Executive Session to discuss a personnel issue of non-elected personnel. Council will reconvene in Council Chambers at 8:19 p.m. (7 minutes). All present voted AYE. **Motion carried.**

Council adjourned to Executive Session at 8:12 p.m.

Council reconvened in Council Chambers at 8:19 p.m.

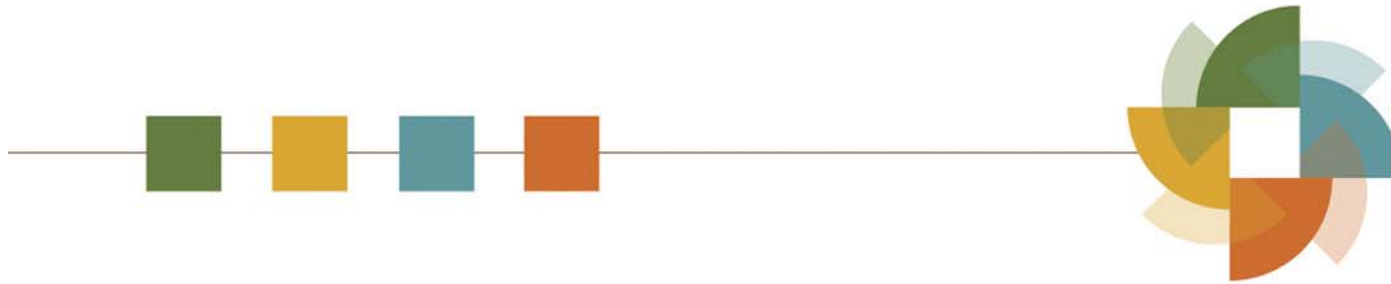
ADJOURNMENT

Moved by Quinn, seconded by Geraghty to adjourn the meeting at 8:19 p.m. All present voted AYE. **Motion carried.**

Respectfully submitted by Martha Sumrall, City Clerk.

Steve Schowengerdt, Mayor

Martha M. Sumrall, City Clerk



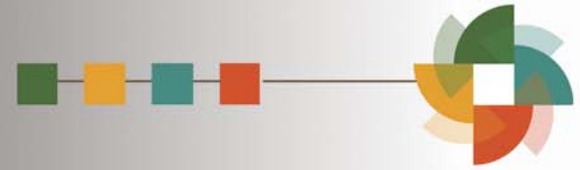
Mission Gateway Redevelopment Agreement

October 18, 2017



EHLERS
LEADERS IN PUBLIC FINANCE

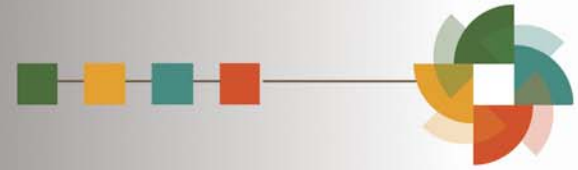
Overview



- Deciding Public Participation in Redevelopment
- Gateway Analysis and City Fiscal Strategy Considerations
- Proposed Project Financing Mechanisms
- Proposed City Benefits
- Risks and Rewards
- Questions?



Deciding Public Participation



- Is economic development a priority?
- What types of development are higher priorities?
- Are there specific areas of the city in which development is a higher priority than others?
- What benefits and costs (quantitative / qualitative) would the proposed project bring to the city?
 - Are the benefits at risk? Can the costs be mitigated?
- Does the developer have the capacity to complete the project and will it be a committed partner to the city?



Deciding Public Participation

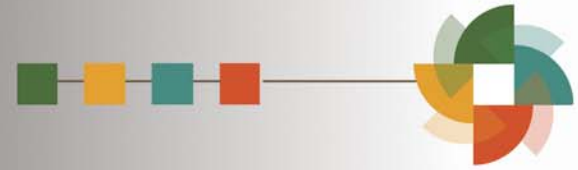


Given the answers to the first five questions...

- Is there a need for city participation – what is the fiscal “gap” and why does it exist?
- Is the city willing to assist the project by participating financially (forms and amounts TBD)?
- What tools might the city use to fill the gap?
- What negotiated public - private agreement allows the project to move forward as a “win-win”?
 - *Mutual Goal: Complete the entire Gateway development according to the approved plan as quickly as possible so that the City of Mission and Developer both benefit.*



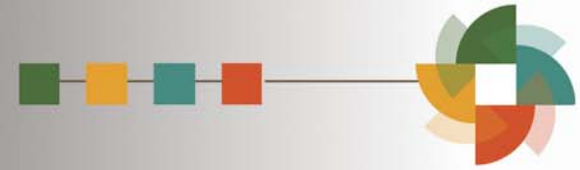
Deciding Public Participation



- Evaluate project feasibility – upfront and ongoing;
- Compare project budget / financing / operating proforma / future sale assumptions to similar projects;
- Estimate Developer internal rate of return (IRR) without participation, vs. with full Developer request, and compare to similar projects;
- Rerun development scenarios and Developer IRRs with alternate forms, amounts, and timing of financing tools; and
- In same scenarios, evaluate public costs / benefits...the “City IRR”



Gateway Analysis



Ehlers Interactive Financial Model:

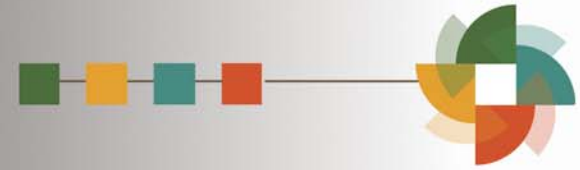
- Development Budget: Past and Future Costs
- TIF and CID Projections and Allocations
- Developer Equity, Bank Financing, and TIF / CID Bonds
- Proforma: Development – Opening – Full Operations
- Phase 1 vs. Phases 2 & 3

Two Primary Conclusions:

- Given extraordinary costs, Gateway is not reasonably viable without TIF, CID, and IRB participation
- Developer must complete entire project in order to achieve positive return on investment – Phase 1 is not enough.



City Fiscal Strategy




- ***Sales and transient guest taxes hold more value for Mission vs. its relatively small share of property TIF***
- CID holds little value for the City due to restrictions on how these revenues may be spent.
- The City will benefit more from retaining a portion of the incremental new sales and transient guest taxes during the full TIF term than it would from collecting TIF tails
- Allocating fixed percentages of sales and transient guest taxes to Project TIF will give the Developer an incentive to complete and open the Gateway promptly, and to make the SO Bond issuances as efficient as possible – thereby maximizing its potential for Tail reimbursements.

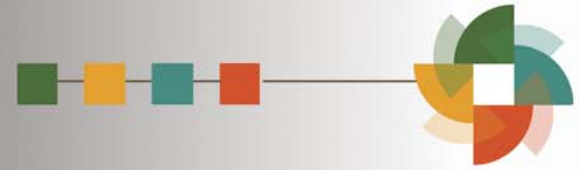


Financing Mechanisms



- Project receives 100% of 1% CID fee over 22-year term starting 2019 and ending 2040.
- Project receives 100% of Gateway area's property TIF over 20-year term (2019 through 2038).
- Project receives 55% of City general sales tax collected at Gateway over 20-year TIF term.
- Project receives 89% of City transient guest tax collected at Gateway over 20-year TIF term.
-  IRB sales tax exemption on construction materials.

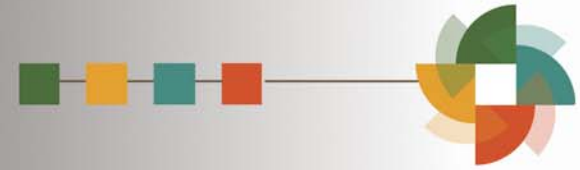
City Benefits



- City receives 45% of Gateway general sales tax over 20-year TIF term (and then 100%)
- City receives 11% of Gateway transient guest tax over 20-year TIF term (and then 100%)
- Stormwater assessments and utility fees
- Incremental City special sales taxes for streets (0.25%) and parks (0.375%) – 2022-23 “sunsets”
- Property taxes from TIF “base value”; business license and franchise fees



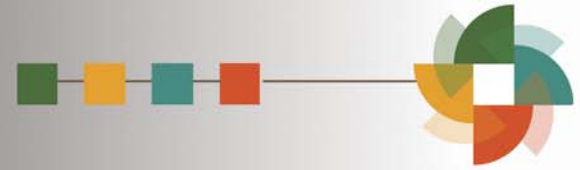
City's Short and Long Term Benefits (Rewards)



- Public revenue potential of development project
- Redevelopment and increased economic activity
- Achieving the vision for a mixed-use, high density project on the largest single remaining tract of land in the City



Limiting Risks



- Previously identified challenges or obstacles
 - Concerns over delinquent taxes and assessments
 - Concern that only Phase I will be built
 - Concern with unknown tenants
 - Concern with “legacy” costs
- A primary goal of the Redevelopment Agreement is to limit the City’s risk
 - How are we doing that?





- **QUESTIONS?**

