



CITY OF SHAWNEE POLICY STATEMENT

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PURPOSE

The proper use of a Community Improvement District (“CID”) can promote, stimulate and develop the general and economic welfare of and quality of life in the City of Shawnee, Kansas (the “City”). This Policy establishes the procedures of the City, for considering applications for Community Improvement Districts used for economic development, including community development and tourism and cultural activities, in accordance with the provisions of K.S.A. 12-6a26 through K.S.A. 12-6a36, inclusive (the “Act”).

LEGAL AUTHORITY

The authority and decision to approve the establishment of a CID is within the sole discretion of the Governing Body of the City. The Governing Body is under no obligation to approve a petition or form a CID, nor does the City relinquish its authority to initiate projects by whatever other financing means it deems necessary to promote the general health and welfare of the City. This policy is intended to provide a guide for the Governing Body in considering applications and outlines the policies and procedures to be followed by applicants. The Governing Body reserves the right to reject any proposal for a petition for creation of a CID at any time in the review process when it considers such action to be in the best interests of the City.

1. General Policies

- a. Application. Interested parties shall submit a CID request via the application for public financial participation provided by the City. The City Finance Team shall review all CID applications for compliance with City policy and Kansas (the “State”) law and make a recommendation for preliminary approval and a decision to forward a petition to the City Council for consideration and action. A proposed petition in the form attached hereto as Exhibit A shall accompany each application for a CID. If the Finance Team believes the application and proposed petition meets the criteria set forth in this Policy and should be recommended for approval, the Finance Team will work with the petitioner(s) to develop a Finance Plan to present to the Governing Body when it considers the petition to establish the CID.
- b. Petition. A valid CID petition must be submitted with signatures of either of the following:
 - i. 100% of the property owners of all of the land area within the proposed Special Assessment CID who seek financing solely by assessment. If all landowners petition for a CID, then the City may proceed with its creation by



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a majority vote of the Governing Body and assessments without notice or public hearing; or

- ii. By property owners representing more than 55% of the land area of the proposed Sales Tax CID, or Combined Sales Tax and Special Assessment CID and also signed by property owners collectively owning more than 55% of the assessed value of the land within the proposed CID. If this petition method is utilized, then the City will be required to adopt a resolution giving public notice of a hearing on the advisability of the creation and financing of a CID. The Governing Body may adopt a resolution or ordinance by a majority vote to authorize the project and create the CID.

The CID boundaries and the method of financing the project shall not require that all property that is benefited by the project, whether the benefited property is within or without the CID, be included in the CID or be subject to an assessment or the CID sales tax.

- c. Term. The Governing Body shall review the financial feasibility of each CID proposed for consideration and shall use this information in determining the appropriate term of financing for projects within the CID. Any CID sales tax shall expire no later than the date the bonds issued to finance such project or refunding bonds issued for the project mature. In the event pay-as-you-go financing is utilized, CID sales tax shall expire twenty-two (22) years from the date the state director of taxation begins collecting such tax or when the bonds or pay-as-you-go costs have been paid. CID Bonds shall mature no more than twenty-two (22) years from date of issue.
- d. No Council or public hearing consideration will occur unless all information is provided at least ten (10) business days prior to any such scheduled meeting. All fees and requirements of a funding agreement must also be met before Governing Body consideration.

2. Criteria for Use of Community Improvement District

- a. The decision to establish a CID is within the sole discretion of the Governing Body. In determining whether or not to approve a petition to establish a CID, the Governing Body will evaluate whether or not creation of a CID is in the City's best interest, by considering one or more of the following criteria:



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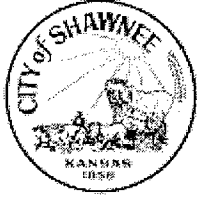
- i. Promotes and supports efforts to develop or redevelop commercial sites to provide for reinvestment in our community;
- ii. Stimulates quality, retail development to enhance the City's economic base;
- iii. Attracts and promotes mixed use, urban development;
- iv. Allows for the construction of infrastructure including the construction of infrastructure beyond what the City would require or otherwise build;
- v. The projects will be located in an area that has been targeted by the Governing Body for economic development or redevelopment; or has specific site constraints making development more difficult or costly;
- vi. The impact on other infrastructure systems, to include the cost of core system extensions to areas not adjacent to existing systems;
- vii. The financial risk to the City and any other government units of the financing proposal, to include exposure of the general property tax levy, enterprise funds positions and credit rating;
- viii. Recommendation of the City Finance Team; or
- ix. Whatever other factors the Governing Body deems relevant to its decision.

b. Conformance to local requirements including:

- i. Compliance with uses anticipated in the Comprehensive Plan.
- ii. High degree of architectural design and site layout.
- iii. Enhanced use of landscaping, water quality BMP's and other sustainable features.
- iv. Design of infrastructure to meet public and/or private standards.

c. Additional Considerations:

- i. Cost of the proposed improvements identified in the CID;
- ii. Sources of funding, including the amount of equity funding in comparison to public funding;
- iii. Payment risk mitigation mechanisms offered by the applicant;
- iv. Experience and stability of the proposed developer;
- v. Whether or not tenants are in place; and the nature and quality of the tenants;
- vi. Economic competition the projects within the CID has and is expected to have in the future; and
- vii. Impact to current businesses within the City.



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FINANCING

1. Source of Funds. Eligible CID projects may be financed by any single, a combination, or all of the following sources:
 - a. The City is authorized to levy and collect CID Special Assessments imposed on property in the CID pursuant to this Act which have been paid in full prior to the date set by the Governing Body as provided in the General Improvement and Assessment Law, K.S.A. 12-6a10, *et. seq.* and the City's Administrative Policy and Procedures for Special Benefit Districts. Two exceptions to the General Improvement and Assessment Law are provided:
 - i. No assessments can be levied against the City-at-large, and
 - ii. If a project is also financed by a pledge of sales tax revenues or annually appropriated funds of the City, the amount of each annual special assessment may be reduced or eliminated to the extent that sufficient taxes and/or funds have been received to pay the debt service on any bonds issued pursuant to the Act.
 - b. A pledge of all of the revenue received from a CID Sales Tax on the selling of tangible personal property at retail or rendering or furnishing services taxable pursuant to the provisions of the Kansas retailer's sales tax act, within a CID, in any increment of .10% or .25%, not to exceed 2% (the "CID Sales Tax"), as authorized by the Act; or
 - c. Any other funds annually appropriated by the Governing Body.
2. Finance Plan. If the Finance Team reviews the application and the petition and finds it in the City's best interest to recommend creation of the CID to the Governing Body, the Finance Team will work with the applicant to create a Finance Plan which shall be presented to the Governing Body for consideration along with the petition. The Finance Plan shall address the recommended method of financing and specific terms associated therewith.
3. Bonds.
 - a. The City may issue CID Bonds to finance a project. In no event shall special assessments be levied against the City-at-large. Guidelines for the issuance of CID Bonds include:



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- (1) If bonds are issued, the sales tax imposed to pay the bonds shall expire no later than the date the bonds mature;
 - (2) If pay-as-you-go financing is utilized, the sales tax imposed shall expire 22 years from the date the State Director of Taxation begins collecting the tax or when all project costs have been paid; and
 - (3) The minimum issue size for CID bonds issued by the City will be \$3,000,000, unless an exception is approved by the Governing Body.
- b. CID Bonds issued under this Policy must include security for the bonds of a sufficient amount to minimize any risk of default and be allowed by State and Federal Tax laws.
- c. CID Bonds issued under this Policy must be sold to qualified investors (as defined by the Securities and Exchange Commission Regulation D-) in accordance with the minimum denominations as provided therein.
- d. CID Bonds must initially be offered in denominations of \$100,000 or greater. These minimum denominations may be reduced (upon consultation with the City's bond counsel and financial advisor) when one or more of the following are met:
- (1) The projects being bond financed are substantially leased;
 - (2) The estimated revenue stream yields significant debt service coverage on the bonds;
 - (3) Construction of the projects being bond financed is 100% complete;
 - (4) The repayment term is less than or equal to 60% of the maximum permitted repayment term; and/or
 - (5) Waiver of the minimum denomination provision by the Governing Body.
- e. If a negotiated sale of the bonds is necessary, the City will normally select the underwriter(s) needed to structure, price, and sell the bonds through a competitive process. Exceptions to this process may be approved by the City Manager upon consultation with the City's bond counsel and financial advisor. City staff and the City's financial advisor will be directly involved in all negotiated sale pricing.
- f. At its sole discretion, the City may require that an independent feasibility study of future CID revenues be performed, with any such cost born by the applicant if not reimbursable from the CID bond proceeds.



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4. Annual Appropriation. The Governing Body may choose to, but is not obligated, to annually appropriate funds to secure CID revenue bonds. IN THE EVENT THIS SECURITY OPTION IS PUT FORTH THE FINANCING PLAN SHALL SPECIFICALLY ADDRESS THE RISK MITIGATION STEPS TO ENSURE AN EXTREMELY LOW PROBABILITY OF THE CITY HAVING TO USE ITS GENERAL REVENUES FOR DEBT SERVICE
5. Reimbursement CID. Petitioner(s) may be reimbursed for projects within the CID on a "pay-as-you-go" basis until the Governing Body determines issuance of CID Bonds is viable and in the City's best interest.
6. Project Funds. A separate fund shall be created for each CID and each project and such fund shall be identified by a suitable title. The proceeds from the sale of bonds, CID sales taxes and any other moneys appropriated by the Governing Body shall be credited to such fund and the fund shall be solely used to pay the costs of the projects.
7. Fees Associated with CID.
 - a. Initial Application Fee. A non-refundable amount of \$5,000 shall accompany the CID application.
 - b. Funding Agreement. The City will retain administrative and professional staff, outside counsel and consultants, and incur expenses which it, in its sole discretion, deems necessary to consider the CID. The applicant shall enter into a funding agreement in order to pay the City for its fees and expenses; the time of its administrative and professional staff, as the City may from time to time deem appropriate; all charges for the City's outside counsel, including the fees of the City Attorney, and consultants; and all other expenses incurred by the City. The funding agreement shall call for the applicant to establish a fund in the amount of \$20,000 (the Fund) in order to ensure the prompt and timely payment of the above charges. The City shall use the Fund to pay for the City's Bond Counsel, Financial Advisor and other professional consultants' fees and apply the hourly fees incurred by the City's professional consultants for work on the CID against the Fund.



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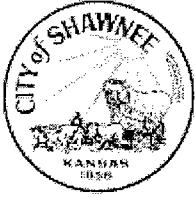
8. Development Agreement.

- a. Prior to beginning development of the CID (including the issuance of bonds), the Owner shall execute a Development Agreement as approved by the Governing Body.

PROCEDURES

The following basic procedures shall govern the approval of all CID within the City. All requests for or applications CID shall be considered and acted upon in accordance with this Policy. These procedures are established under the authority of the City Manager. These provisions may be waived by the City Manager, if such waiver is in the best interest of the City and does not conflict with any statutory or procedural requirement of state law.

1. CID Application Process. The applicant shall make application for a CID by completing and filing five copies of the application provided by the City. The CID application shall include, but is not limited to:
 - a. Legal description of the proposed boundaries of the CID;
 - b. Map of the district area with accompanying tax parcel I.D. information;
 - c. A detailed description that identifies the proposed buildings, facilities and other improvements to be constructed in the CID, including the estimated fair market and assessed value of the improvements and the estimated date in which construction of the improvements will be commenced and completed;
 - d. Current and proposed taxable retail sales within the CID; and
 - e. The applicable application fee.
2. General Application Procedure. The Finance Director shall distribute the copies to the Finance Team. The City will only consider full and complete applications. The applicant will also be responsible for providing whatever additional information requested by staff or the Governing Body as necessary for assisting the City in making its recommendation or decision on the application and the petition. Any inaccuracy, misstatement or error in fact may render the application null and void and may be cause for the repeal of any development assistance ultimately provided by the City through the Act in reliance upon said information



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3. Application and Administration Fees. CID applications shall be accompanied by an application fee. This fee is in addition to other fees which may be required by the City, including fees for the issuance of tax-exempt or taxable bonds, costs incurred for preparation of studies as required by this Policy, and costs incurred, if any, for review and work done by the City's Financial Advisor and Bond Counsel. In addition, any applicant that receives approval shall pay an annual administration service fee. All fees shall be due and payable as provided for herein or as otherwise set forth in an approved Development Agreement.
 - a. Initial Application Fee. A non-refundable amount of \$5,000.00 shall accompany the CID application.
 - b. Annual Administrative Service Fee. An amount equal to 0.5% of the annual taxes reimbursed to applicant or its successor in interest.
 - c. Funding Agreement. The City will retain administrative and professional staff, outside counsel and consultants, and incur expenses which it, in its sole discretion, deems necessary to consider the application. The applicant shall enter into a funding agreement in order to pay the City for its fees and expenses; the time of its administrative and professional staff, as the City may from time to time deem appropriate; all charges for the City's outside counsel, including the fees of the City Attorney, and consultants; and all other expenses incurred by the City. The funding agreement shall call for the applicant to establish a fund in the amount of \$20,000 (the Fund) in order to insure the prompt and timely payment of the above charges. The City shall use the Fund to pay for City Bond Counsel, Financial Advisor and other professional consultants' fees and apply the hourly fees incurred by the City's professional consultants for work on the application.
4. Finance Team Review. The Finance Team shall review applications. The Finance Team will verify that the CID is necessary to promote the general and economic welfare of the City; gather and review such additional information as may be deemed necessary to determine if the applicant meets the objectives of this Policy; obtain input of applicable City departments with respect to the proposed physical plan and infrastructure needs; prepare a timeline for processing the application; conduct discussions and negotiations with the applicant; and recommend to the Governing Body whether the application should be favorably considered.

