APPENDIX B

IMPLEMENTATION TOOLS

WICHITA: PLACES FOR PEOPLE

WALKABLE DEVELOPMENT BOOK JUNE 2018

IMPLEMENTATION MEMORANDUM

The purpose of this memorandum is to summarize implementations tools that can be used individually or combined to support redevelopment.

The following provides a "toolkit" of resources that might be utilized in the implementation of the plan.
Cities have available a variety of fiscal tools to induce private investment. These generally fall under the following five categories:

- **Bond financing** (based on anticipated future revenue)
  Key Program: Tax Increment Financing (TIF)
- **Supplemental taxes**
  Key Programs: Community Improvement District (CID); Business Improvement District (BID)
- **Tax reductions**
  Key Programs: Industrial Revenue Bonds (IRB); Constitutional Exemption (EDX)
- **Grants**
- **Tax credits**
  Key Programs: Low Income Housing Tax Credits (LIHTC), New Markets Tax Credits (NMTC), Historic Tax Credits (HTC)

ANTICIPATED FUTURE REVENUE

In certain instances, future taxes generated by real estate investments can be used to finance current costs of facilitating those improvements. This mechanism is referred to generically as Tax Increment Financing (TIF). The capture of taxes resulting from increased assessed value (the increment) is used to pay debt service on bonds issued to fund selected costs of development.

This would involve the creation of new TIF districts in Areas of Opportunity. TIF revenue would be generated through the capture of net new property taxes, and could be used to finance public infrastructure and site acquisition and clearance.

To determine the efficacy of a TIF strategy, the level of taxable investment that is likely to be attracted to the selected areas has been evaluated as part of this project's market study—as has the value, or increment, that can be created for the larger TIF district. It would be critical for school district representatives to agree on an appropriate level of tax capture because property taxes provide significant funding for the school district.

SUPPLEMENTAL TAXES

This section focuses on improvement districts which are sometimes also referred to as special tax districts. In general, an improvement district generates a steady source of revenue to finance services and project costs that are considered "special" to landowners, residents, and businesses within a designated geographic area. Therefore, a separate tax is levied only on those properties within defined boundaries that will be benefited by these expenditures.

COMMUNITY IMPROVEMENT DISTRICT (CID) OR BUSINESS IMPROVEMENT DISTRICT (BID)

A CID, BID, or similar program typically involves a special sale tax or property tax that supports an array of needed supplemental programs and services. These often include marketing, maintenance, security, and limited capital improvements, including streetscape enhancements. It is important to note that the imposition of such supplemental taxes or fees do not have to be limited to businesses and commercial properties but can also come from residents and residential properties (BIDs are typically limited to commercial properties). In the case of condominium owners, this could be incorporated into the monthly condo fee if arranged for at the outset of the development or billed directly to each unit along with the property tax bill from the assessor.

TAX REDUCTIONS

Personal and real property tax reductions, or abatements, are common economic development incentives, particularly where significant new real estate investment occurs or new jobs are created. In most instances, the abatements act to reduce operating costs of investment real estate (office, industrial, retail, or rental apartment buildings) for a designated period of time. In Wichita, Kansas, the primary tax reduction program is Industrial Revenue Bonds (IRB), which allows for sales tax exemption on construction materials and property tax abatement, a payment-in-lieu of taxes (PILOT), or combination thereof. Abatement is available for a five-year term, with a second five-year term subject to approval by the governing body. IRBs are primarily available for businesses that maintain and create jobs and eligible businesses are defined by state statues.
Constitutional Exemption (EDX) primarily apply to warehouse/distribution and research/development companies that maintain or create significant new employment or export goods.

GRANTS

While far less available than in the past, there remain opportunities to obtain grants and soft loans from a wide variety of both public and private sources. Private corporate and charitable foundations do target their support to different aspects of urban investment and revitalization such as economic development, environment enhancement, historic preservation, and open space and parks. Most government grants are ones resulting from legislators' capacity to target appropriations to special community needs and high profile projects of wide public benefit. Foundations might be compelled to participate (financially or otherwise) in the project—particularly if a component of the project is consistent with a particular mission. For example, community development programs are often are supported by Wichita Community Foundation, Downing Family Foundation, and Kansas Health Foundation. These organizations, and others, also support workforce programs, education, and similar programs.

TAX CREDITS

Because the private market alone cannot deliver the products that are proposed as part of this development plan, public support is necessary to make development economically viable. Tax credits are one form of public participation that can be used to reduce the costs of development, thus making projects viable that otherwise could not be developed.

Three types of tax credits would be particularly useful: Low Income Housing Tax Credits (LIHTC) New Markets Tax Credits (NMTC), and Historic Tax Credits (HTC). LIHTC are used to provide affordable housing, defined broadly as rental units offered at below market rents to households that earn below 60 percent of area median income (AMI). New Markets Tax Credits are used for the development of commercial properties in distressed areas. Historic Tax Credits, as the name implies, can be applied toward the preservation, renovation, and rehabilitation of historic buildings.

There are many similarities in the broad ways in which the tax credits work. They provide tax credits for a percentage of eligible costs (which consist of most building hard and soft costs; infrastructure costs are rarely included). Once awarded, the future value of these tax credits can be bought and sold on the private market, usually at a discounted rate. This discounted rate becomes the “equity value” of the tax credits.

IMPACT OF TAX CREDITS ON PHASING

The state of Kansas places limits on the amount of tax credits that can be awarded to a project on an annual basis. This can have a significant impact on the phasing of a development. Further, tax credits are not necessarily awarded to the same project in consecutive years. In this way, an affordable project that could technically be absorbed into the market in two years might actually take five to seven years—or more—to develop, due to the constraint of limited tax credit allocations.

IMPACT OF NEW MARKETS TAX CREDITS ON LOCATION

New Markets Tax Credits can only be allocated in qualifying census tracts; the chief criterion for this designation is median household income.

LAND BANKS

Land banking is a tool used by more than 100 communities in the U.S. to help transition "vacant, abandoned, and tax delinquent properties into productive use." Land banks are typically created and managed by local governments or non-profits, or a partnership thereof. They function by acquiring title (ownership) of the problem properties, eliminate encumbrances, liabilities, and any title problems, and sell or otherwise transfer the properties to new and responsible owners whose proposals for the properties are consistent with neighborhood/community plans.*

Land banks are typically created by local ordinance based on state-enabling legislation. Kansas requirements include**:

- The land bank must be governed by a board of trustees;
- Members of the board of trustees cannot receive compensation (but may be paid their necessary expenses for attending meetings and carrying out their duties);
- The city may dissolve the land bank by ordinance;
- The county may dissolve the land bank by resolution;
- The board of trustees must keep accurate accounts of all receipts and disbursements;
- All records and accounts must be available to public inspection;
- The land bank must make an annual report to the Governing Body, which includes an inventory of all property held by the land bank;
- The board of trustees can sue and be sued; enter into contracts; appoint and remove staff; and
- The board of trustees may accept or refuse to accept any property.

Land banks are granted certain powers and legal authority to***:

- Obtain property at low or no cost through tax foreclosure
- Hold land tax-free
- Clear title issues and/or eliminate back taxes
- Lease properties for temporary uses
- Negotiate sales or land donations based on an outcome that aligns with community needs (as opposed to simply selling to the highest bidder)

Land banks are most effective in areas with large concentrations of vacant or abandoned property, properties with little or no market value, and properties with delinquent taxes that exceed market value, properties with title problems.

See footnotes for links with resources that have more information.

* Center for Community Progress Frequently Asked Questions on Land Banking. http://www.communityprogress.net/land-banking-faq-pages-449.php

** The Legal Basis for a Land Bank in Kansas: A discussion of the legal requirements and Sample Language. Public Health Law Center, May 2015. Retrieved from: https://www.livewelllawrence.org/DocumentCenter/View/145/LandBankKansas on July 13, 2018.

*** See 1.