

# **SPECIAL CITY COMMISSION MEETING AGENDA**

Rose Room - Ford County Government Center

Monday, July 14, 2014

6:30 p.m. or

Immediately following the Joint City/County Meeting

MEETING #4964

## **CALL TO ORDER**

## **ROLL CALL**

## **NEW BUSINESS**

1. Approval of Feasibility Study Authorization

## **ADJOURNMENT**

# Memorandum

*To: City Commissioners*  
*From: Cherise Tieben, City Manager*  
*Date: July 14, 2014*  
*Subject: Approval of Feasibility Study*  
*Agenda Item: New Business*

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**Recommendation:** Staff recommends approval of the proposal from Real Estate Research Consultants (RERC) for the feasibility study for the STAR bond Heritage Hotel development.

**Background:** The proposed hotel development to be located near the new Aquatic Facility in Wright Park is moving forward. Since a STAR bond issue will be necessary for the complete development of this portion of this heritage downtown area the STAR bond statutes require that a facility study be conducted prior to the issuance of bonds.

RERC is a well-recognized research group which has been involved in several major STAR Bond issues in Kansas and has worked closely with the Department of Commerce on these types of projects. They as are well acquainted with the requirements of the Kansas STAR bond statutes and come highly recommended for this unique type of feasibility study. The results of this study are necessary to proceed with the heritage hotel project.

**Justification:** The proposed study is required by Kansas law in order to issue STAR bonds for the hotel development and other improvements in the Heritage Area.

**Financial Considerations:** The required feasibility study will be completed within 8 weeks for a fee of not to exceed \$39,950 plus actual expenses. Funds are available from the STAR bond project fund and would be reimbursable to the City from STAR bond proceeds.

**Legal Considerations:** The proposed agreement has been reviewed and approved by City Legal Counsel.

**Attachments:** Letter agreement for Heritage Hotel STAR bond feasibility.

July 10, 2014

Cherise Tieben  
City Manager  
City of Dodge City  
806 Second Avenue  
Dodge City, KS 67801

Dear Ms. Tieben:

This letter and accompanying materials are provided in response to a Request for Proposal initiated by Bill Crandall of CarrBaierCrandall, LLC (CBC) on behalf of the City of Dodge City (the City). We understand you desire an analysis of certain proposed commercial development within the Heritage Hotel District that will eventually be a part of a planned STAR Bond District. Real Estate Research Consultants, Inc. (RERC) has prepared this submission based on conversations with representatives of CBC.

As we understand the situation, the City is in the process of creating a STAR bond project district comprised of two nearby, but not immediately contiguous, areas. The primary retail site designated as the "Entertainment Project Area" is adjacent to the Boot Hill Casino & Resort, United Wireless Arena and Magouirk Conference Center. The second site, designated as the "Heritage Hotel District" includes the Boot Hill Museum and historic downtown area.

The City intends to utilize STAR Bonds authorized under Kansas law to incentivize development in these two areas. At this point in time, however, our analysis will be limited to the Heritage Hotel District. The City desires to retain a qualified independent third party consulting firm to prepare a revenue study focused on this planned development and the major new facilities that would be constructed. This study would determine the potential revenue streams associated with the current and planned program. It is envisioned this analysis would ultimately lead to STAR bond issuance, and RERC's documentation would be used to facilitate the marketing and placement of that debt. As we have in similar situations, we would also anticipate being involved in the continuing review of this financing plan and any changes to the concept which could impact this plan.

RERC is well qualified to assist in this effort based on the significant experience of our firm in this field and numerous similar assignments completed in the Kansas City region. Among the most recent:

- RERC is now in the process of completing an assignment for the City of Grandview, Missouri, where we are providing estimates of sales tax and property tax revenue generated by a Tax Increment Financing District (TIF) for the redevelopment of the Truman's Marketplace retail center that includes approximately 580,000 square feet of retail and restaurant components.
- Earlier this year RERC completed an assignment for the City of Raymore, Missouri that also involved estimating sales and property taxes generated by

current and proposed development in the Raymore Galleria project. Approximately \$16,000,000 of bonds were sold, secured by the revenue streams estimated by RERC. RERC also completed an assignment for the City of Mission, Kansas that involved estimating the sales and property taxes that could be generated by the proposed Gateway at Mission retail and entertainment project.

- The City of Grain Valley, Missouri, retained RERC to provide estimates of sales tax and property tax revenue generated by a TIF District that included 100,000 to 125,000 square feet of retail and restaurant components. That analysis was used to determine the sales and property taxes generated by the project, which were also used to issue bonds supported by those revenue streams.
- In 2011 RERC conducted an analysis for the City of Independence, Missouri of sales tax and property tax revenue generated by retail development linked to the Falls at Crackerneck Creek. The City retained RERC to conduct an additional sales tax and property tax analysis for another proposed project within an adjacent TIF district. That analysis was completed in November 2012.
- RERC was engaged by the City of Lee's Summit and a private development group to ascertain the market demand for a proposed retail and entertainment project to be developed adjacent to a planned sports complex. This research effort was completed in late April 2013.

Our history in the area also includes many years of service with the Unified Government of Wyandotte County/Kansas City, Kansas. RERC completed an update of Sales Tax Anticipation Revenue (STAR) bond revenues at the Village West project for the Unified Government, continuing a relationship that began in 2000. This most recent effort involved updating our sales tax projections in preparation for refinancing a 2001 bond issue. Earlier assignments for the Unified Government included approximately \$150,000,000 in STAR bonds that were issued in 2010 in connection with the new MLS soccer stadium in the Village West Redevelopment Area. That analysis updated RERC's 2005 study which itself had resulted in a successful offering of approximately \$174,000,000 in STAR bonds. In 2010 we also conducted an analysis for a proposed bond offering related to the Plaza at the Speedway retail development just to the north of Village West.

In addition to these very close or comparable work efforts, RERC has performed similar analyses for retail and entertainment complexes in Manhattan, Kansas; Wheeling, West Virginia; Louisville, Kentucky and Orlando, Florida. These projects are described in detail in a later section of this submittal.

We believe it is worth mentioning that our firm has represented both private clients in their development efforts, as well as the public sector where the need for transparency and full disclosure dictate a certain level of documentation and quality control. RERC fills an unusual space in the real estate consulting industry as we have a commitment to the unusual demands of the public sector while also appreciating the special entrepreneurial expertise offered by the private sector. This balancing of roles and perspectives is an added dimension we bring to assignments such as the current one.

As you might suspect, the rapid and surprising changes in the economy have resulted in a number of unexpected consequences or outcomes. We are pleased, given this context, how reliable and accurate our longer term financial projections have proven themselves to be. Most of the actual results have tracked very closely to our moderate scenario estimates. What ultimately is the best indication of our performance is that RERC's clients *continue* to retain the firm for related or subsequent work. The references supplied later in this submittal provide additional information on RERC's performance on comparable projects.

We believe this experience strongly positions our firm to produce an efficient and focused analysis and documentation that is acceptable to the underwriting and investment community. We are confident in our abilities to produce similar results for your project in Dodge City.

The project will be managed by David R. Darsey, who is a Senior Principal within RERC. Mr. Darsey will be the principal contact person for the firm. He can be reached at the following address, phone number and e-mail address:

Real Estate Research Consultants, Inc.  
618 E. South Street, Suite 600  
Orlando, FL 32801  
Phone: (407) 843-5635 x3152  
E-Mail: [ddarsey@rearcinc.com](mailto:ddarsey@rearcinc.com)

Owen M. Beitsch, PhD, FAICP, CRE, who is also a Senior Principal within RERC, will provide project oversight and quality control review.

This response is organized in the following sections.

Section 1 – Scope of Services  
Section 2 – Professional Fees, Timing and Terms of Engagement  
Section 3 – Qualifications and Experience  
Section 4 – References  
Section 5 – Resumes of RERC Personnel Assigned to the Project

We look forward to the possibility of joining the City's planning team. Please call us with any questions you may have about this response.

Thank you very much for your consideration.

Sincerely,



David R. Darsey  
Senior Principal

A GAI COMPANY

**Real Estate RESEARCH**  
CONSULTANTS

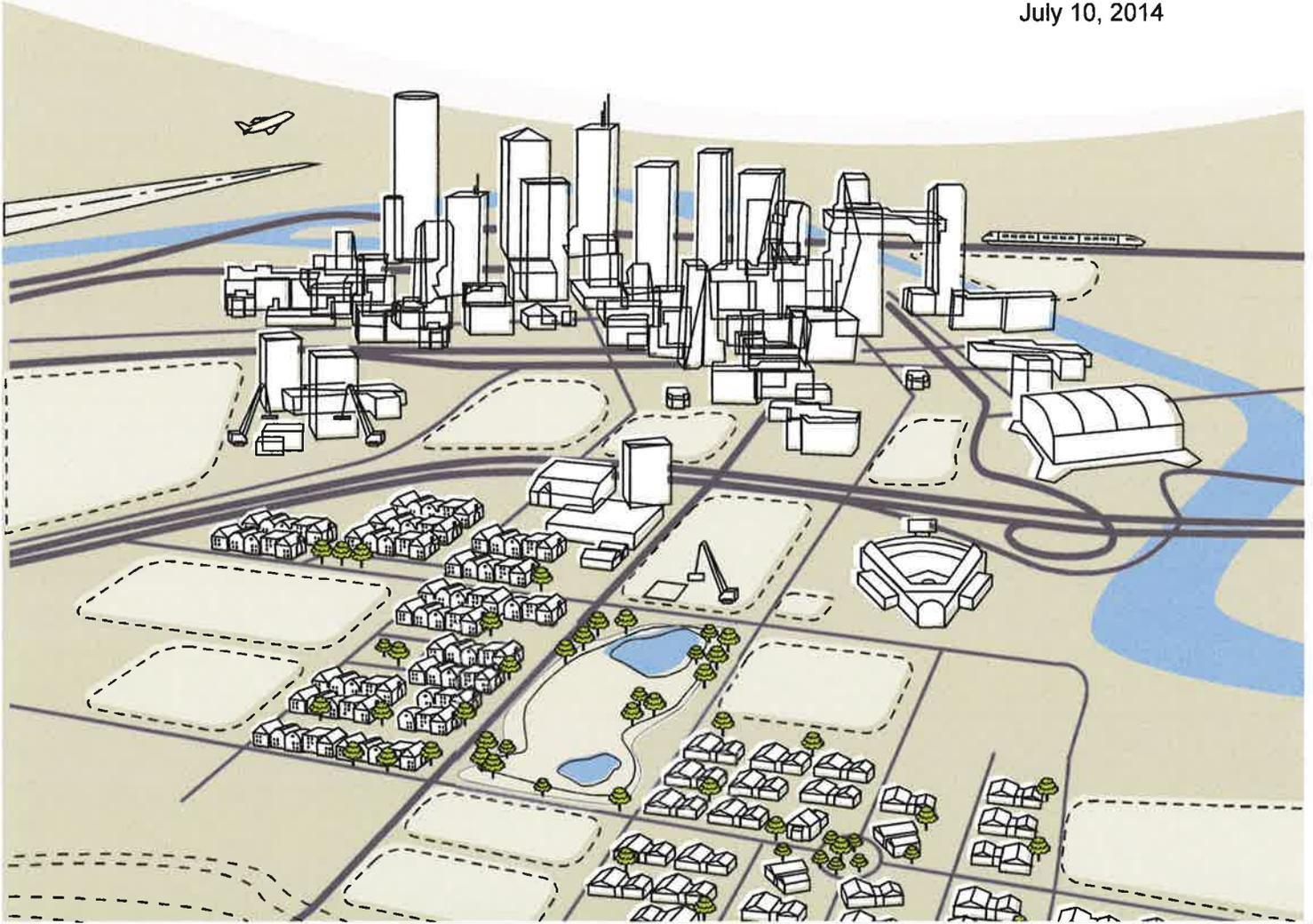
618 E. South Street, Suite 600  
Orlando, FL 32801

407.843.5635  
www.ercinc.com

## Request for Proposal Heritage Hotel STAR District Bond Revenue Study

### Dodge City Heritage Hotel STAR Bond District

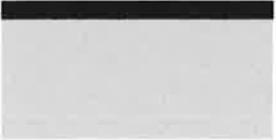
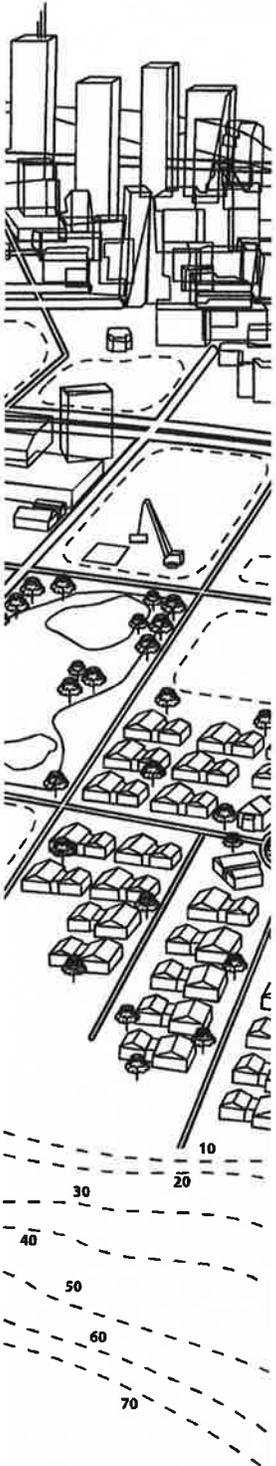
July 10, 2014



STRATEGISTS ■ ECONOMISTS ■ PLANNERS ■ ADVISORS

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## SECTION 1 SCOPE OF SERVICES

From discussions with member of the City's consulting team, we understand principal new components of the Heritage Hotel District will include:

- A 90 room Holiday Inn Express.
- Approximately 4,500 square foot of restaurant space.
- An antique mall of about 10,000 to 12,000 square feet.
- A 3,000 seat amphitheater.
- A City owned and operated aquatics park.
- An RV campground of approximately 6-8 acres.
- An expansion of the existing Lewis Ford-Lincoln car dealership.

In addition to these new or expanded operators, the Heritage Hotel District also includes the existing Boot Hill Museum and the Gunsmoke Street retail area.

The analysis will focus on determining a gross level of sales and sales tax revenues for the proposed *new operators* as noted above since these types of activities will be the major contributors to STAR bond eligible revenue. Although at this level of analysis specific types of retail operators would not be identified, the analysis will provide the City feedback on the sales taxes that could be generated by these new operators. An estimate of the sales taxes generated by these new operators and the existing retail base within the Heritage Hotel District would be prepared, but this would be at a higher level and not tenant specific for the existing base.

We have prepared this scope of services to address the issues described above. This scope can be modified after your review if needed.

### Heritage Hotel District STAR Bond Revenue Study

**Task 1.1** Phone conference with client to outline assignment goals, receive project orientation, and obtain additional client prepared data as needed. RERC would prepare a list of required data needs and due dates for receiving this information. In order to meet deadlines, timely receipt of all requested information is critical.

**Task 1.2** Obtain the most current proposed project information from the developer and others as needed. This would include all proposed development within the district but is expected to focus on the concepts noted above. Ideally this would include all current/committed and proposed/non-committed operators within the development. This information should include:

- Tenant name
- Tenant square footage
- Planned opening date
- Status of current negotiations:
  - Signed Lease or Purchase Agreement
  - Letter of Intent – Executed
  - Letter of Intent – Negotiating
  - Other-Available Space

For those operators that have signed a Lease, Purchase Agreement or Letter of Intent, the client, developer, or specific operator will provide a copy for RERC review.

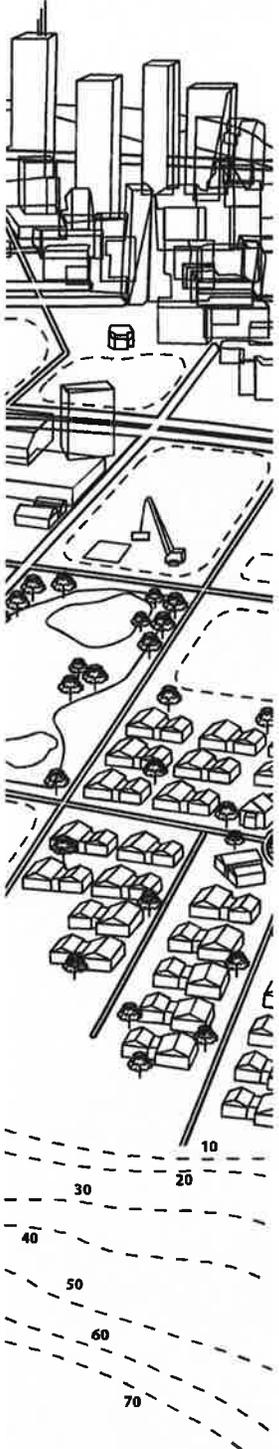
**Task 1.3** Prior to our fieldwork described in Task 1.4 below, obtain the following information:

- City or their representatives to provide information on the existing retail operators within the Heritage Hotel District. This could include:
  - Total retail and restaurant square feet.
  - Type of retail and restaurant operators.
  - Historic growth trends.
  - Some of this information might be contained in the County's property tax roll but the extent of its public availability is known. We have assumed that the City can assist us in obtaining this information from the appropriate source.
- City to provide proposed aquatics park concept and plans. Obtain information on any existing similar parks that may be operated by the City.
- Obtain contact at Boot Hill Museum. Obtain the following info from the museum:
  - Historic attendance trends over the last five years.
  - Ticket prices.
  - Current physical plant.
  - Any plans for expansion.
  - Site visit and meeting to occur during fieldwork.
- Obtain contact for Lewis Ford-Lincoln dealer. Obtain the following info:
  - Current physical plant.
  - Plans for expansion.
  - Historic sales trends over the last five years.
  - Expected impact of expansion on future sales.
  - Discuss the unique nature of how sales taxes are applied to auto sales, such as how sales from residents of another county are treated, limits on sales applicable for sales tax, etc.
  - Site visit and meeting to occur during fieldwork.
- Obtain visitation, lodging and tourism information from the Dodge City Convention & Visitors Bureau (CVB). Obtain from the CVB any contacts at local merchants associations, if they exist in the area.

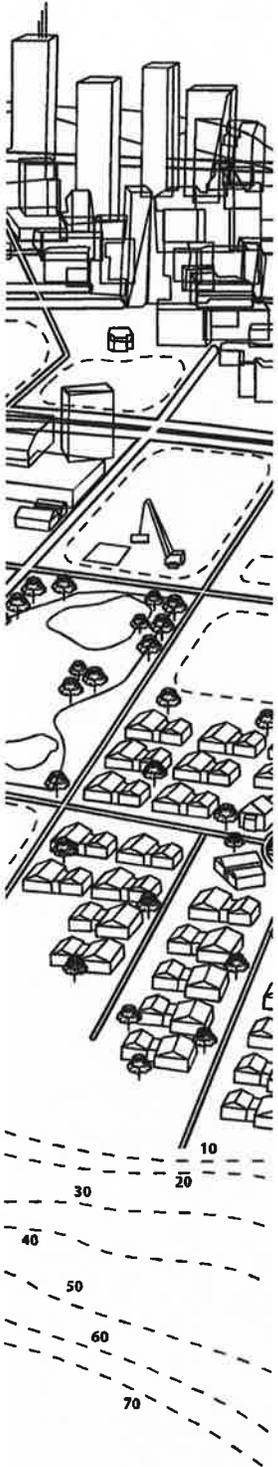
**Task 1.4** Conduct on-site fieldwork. This could include the following work steps:

- Meet with City and its representatives.
- Meet with representatives of the developer.
- Meet with Boot Hill Museum representatives.
- Meet with Lewis Ford-Lincoln dealer representatives.
- Meet with Dodge City CVB.
- Conduct a site and area inspection.
- Analyze existing or proposed competitive or comparable concentrations of development in the region that might have a bearing on the Dodge City Heritage Hotel District. This would include all major retail concentrations in the Dodge City area but would focus

on those that have been recently developed or proposed in the vicinity of the District.

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- Task 1.5** Obtain historic and projected area demographic information as needed, such as population, households and income data.
  - Task 1.6** Profile the current lodging market in Dodge City using data obtained from the Dodge City CVB.
  - Task 1.7** If available, obtain historical sales and sales tax data for all current operators within heritage Hotel District area. This information would need to be provided by the City or state. In prior studies we have conducted, this information was made available to us in some aggregate form, such as groups of like operators. RERC will keep this information confidential. We will be willing to sign a confidentiality agreement to that effect.
  - Task 1.8** Conduct phone interviews with key selected major operators within the project to discuss their operating history to date and their company generated sales projections. RERC has had success in the past talking with many operators but the ability to complete this will ultimately be determined by the willingness of these companies to discuss their internal projections. This could include any change in operating status of major retailers represented within the project based on relevant news or financial reports.
  - Task 1.9** Obtain historical retail sales tax collections for selected groupings of retail and restaurant operators in Kansas (as available), identical or similar to proposed operators within the project. This information would be obtained from the Kansas Department of Taxation.
  - Task 1.10** Prepare estimates of the project's sales and the resulting sales tax revenues generated by for the project over the life of the bonds. RERC would make use of existing sales data for identified operators and would also obtain updated estimates via public financial documents such as annual reports or Form 10K's, the operators, or other nationally recognized statistics from such organizations as the Urban Land Institute or the International Council of Shopping Centers. These estimates would include up to three scenarios (low, moderate, high) reflecting various levels of retail sales performance. We would separate projections from committed and non-committed operators.
  - Task 1.11** Debrief client on findings via a conference call.
  - Task 1.12** Summarize the analysis in a draft report suitable for inclusion in a bond offering statement.
  - Task 1.13** Revise the draft report as necessary to reflect comments from the project team.
  - Task 1.14** If issued, review the Preliminary Offering Statement (POS) for treatment of RERC generated data and provide edits and comments to the project team.

**Task 1.15** If needed, prepare a memorandum that could be included in the offering statement that updates our sales tax projections based on any new data that may have come to light since the draft report was issued.



## SECTION 2 PROFESSIONAL FEES, TIMING AND TERMS OF THE ENGAGEMENT

Fee estimates are based upon the anticipated manpower required to complete the research and analysis, as proposed. These estimates may be affected by significant additions or deletions to the research program. Also, if the project is terminated before completion of the assignment we will only bill you for time expended to date.



	<u>Timing</u>	<u>Fees Not To Exceed</u>
<b>Heritage Hotel District Revenue Study</b>	<b>6-8 weeks</b>	<b>\$39,950</b>

The client team's review of documentation and reports is not included in this estimated schedule. This fee quote is good for up to 60 days from the date of this proposal.

Invoices will be issued as work progresses and are payable upon receipt. Please note that the report will remain as a draft until all outstanding invoices are paid.

RERC's fees would include the work tasks noted. Conference calls and verbal project updates are included in the fee. These fees exclude out-of-pocket expenses associated with automobile use, telephone, photocopying, report production costs, or travel, etc. Expenses would be billed at cost. We believe the revenue study could be accomplished with one trip to Dodge City associated with our fieldwork. If additional fieldwork is necessary, it would be billed at cost.

### Miscellaneous Terms of the Engagement

The following paragraphs express conditions and limitations, which our firm necessarily states with any engagement of this nature. Please call us if you should have questions.

Our services will not include legal and regulatory counseling although we may comment on matters associated with zoning, as well as, other state and local government regulations, permits and licenses. Further, no effort will be made to determine the possible effects on any specific projects as they may be influenced by present or future federal, state or local legislation, including any bond restrictions, changes in tax structure or tax law, environmental or ecological matters, or interpretations thereof. Our documentation will contain a statement to that effect.

Any conclusions and/or any prospective financial information that may be included in our documentation will be based on estimates and assumptions from previous studies, information developed from supplemental research, knowledge of the industry and other sources, including certain information that you may provide. These sources of information and bases of significant estimates and assumptions will be stated in our documentation. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur. Therefore, actual results achieved will vary from any estimates, and the variations may be material. Our documentation will contain a statement to that effect.

The terms of this engagement will be such that we will have no obligation to revise the documentation to reflect events or conditions, which occur subsequent to the date of the documentation. Our documentation will contain a statement to that effect.

Our documentation will be intended solely for your information, potential financial partners and lenders and internal planning and should be relied upon only for this purpose. We will

so state in our documentation. We understand it is the intent of the City to use our documentation and report in an offering circular or registration statement. Permission will be granted to use our documentation after reviewing any offering statement with our accompanying report. If this proposal is acceptable, please sign in the space provided and return one copy to RERC. This will serve as authorization to proceed.

**AUTHORIZATION TO PROCEED**

\_\_\_\_\_  
Name/Title

\_\_\_\_\_  
Date

