



Tuesday, August 2, 2022

3:30 PM

Economic Development Advisory Board

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- I. CALL TO ORDER
- II. MINUTES
  - a. Consider approving the minutes from the July 19, 2022 meeting.
- III. ACTION ITEMS
  - a. Review and consider recommending changes to the Business Incentive Policy.
- IV. DISCUSSION
- V. ADJOURNMENT



**REQUEST FOR ECONOMIC DEVELOPMENT  
ADVISORY BOARD ACTION  
CITY OF INDEPENDENCE  
AUGUST 2, 2022**

**Department Finance**

**Prepared By Lacey Lies**

**AGENDA ITEM** Consider approving the minutes from the July 19, 2022 meeting.

**SUMMARY RECOMMENDATION** Approve the minutes of the July 19, 2022 meeting.

**BACKGROUND**

**SUGGESTED MOTION** I move to approve the Minutes of the July 19, 2022 meeting.

**SUPPORTING DOCUMENTS**

1. 071922 EDAB Minutes - Draft

## Minutes of the Economic Development Advisory Board's July 19, 2022 Meeting

### I. CALL TO ORDER

#### a. Roll Call

**Present: Chuck Goad, Paul Yaroslaski, Jason Curtis, Wayne Staphany, Rod Zinn (by phone), Lacey Lies, Lisa Wilson, Tabatha Snodgrass**

**Absent: Lori Kelley**

**Excused:**

**Guests: Mayor Dean A. Hayse, John Garris, Mason Carter**

### II. DISCUSSION

#### a. Presentation on value mapping

**Mason Carter gave a presentation on Value Mapping.**

**Chuck Goad asked if more information could be gathered to help find correlations in age of structure and income differences.**

**Mayor Hayes said mapping of data is very applicable to our investments. As low values progress we can see that there is movement over time. This type of data should be utilized to see how the City could intervene.**

#### b. Update on Commission direction for a Gap Financing Policy

**The Commission indicated they were not interested at this time.**

#### c. Update on amendments to the Neighborhood Revitalization Districts allowing the transfer of incentives to the initial purchaser

**The Commission approved an amendment at the last meeting to allow incentives to the initial purchaser in residential areas.**

#### d. Request from Independence Main Street

**Tabatha Snodgrass is looking for some help with restaurants having seating for people with clients or special events. Since Brother's Railroad Inn closed we no longer have that in Independence.**

**Chuck Goad suggested recruiting a new restaurant.**

**Jason Curtis said prices have tripled since January plus it is more difficult to get people willing to work.**

#### e. Update from the BEST Committee

**Lisa Wilson said that BEST continues to meet on a monthly basis and it is still very viable and continues to be utilized.**

#### f. Update from the Broadband Committee

## Minutes of the Economic Development Advisory Board's July 19, 2022 Meeting

**Wayne Stephany said that the committee is still reaching out and gathering information. Right now we are facing the question of is the service poor enough that it is worth getting grants. The State people keep leading us back to the whole county which is very underserved.**

**Tabatha Snodgrass said all day on Friday no one was able to run credit cards at the downtown businesses.**

- g. Other items for discussion

**Lacey Lies will be going over the policy review at the next meeting.**

**The next meeting will be August 2nd.**

### III. ADJOURNMENT

- a. Chuck Goad adjourned the meeting.

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Chuck Goad, Chair

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Paul Yaroslaski, Secretary



**REQUEST FOR ECONOMIC DEVELOPMENT  
ADVISORY BOARD ACTION  
CITY OF INDEPENDENCE  
AUGUST 2, 2022**

**Department Finance**

**Prepared By Lacey Lies**

**AGENDA ITEM** Review and consider recommending changes to the Business Incentive Policy.

**SUMMARY RECOMMENDATION**

**BACKGROUND** Chair Chuck Goad would like the board to review the policy from Sedgwick County in addition to any amendments relative to our experience since adopting the City's incentive policy.

**SUGGESTED MOTION**

**SUPPORTING DOCUMENTS**

1. Business Incentive Policy-Adopted 08272020
2. Incentive Policy Sedgwick County, KS -- City of Wichita

**RESOLUTION NO. 2020-065**

**A Resolution Adopting a  
Business Incentive Policy for the City of Independence, Kansas**

*BE IT RESOLVED* by the Governing Body of the City of Independence, Kansas:

**Section 1.** The governing body hereby adopts the Business Incentive Policy, attached hereto and incorporated herein by reference.

**Section 2.** The Business Incentive Policy shall take effect immediately upon its adoption.

*Adopted by the Governing Body of the City of Independence, Kansas, on the 27<sup>th</sup> day of August, 2020.*

  
LEONHARD CAFLISCH, Mayor

ATTEST:

  
DAVID W. SCHWENKER, City Clerk



State of Kansas, Montgomery County  
This instrument was filed for  
Record on September 16, 2020 11:39 AM  
Recorded in Book 694 Page 841 - 849  
Fee: \$0.00 202003241



  
Marilyn Calhoun, Register of Deeds

**BUSINESS INCENTIVE POLICY  
THE CITY OF INDEPENDENCE, KANSAS**

**Section 1. Purpose.**

1.1. Growth. The City of Independence recognizes that the growth and development of new businesses is essential to Independence’s economic and social well-being. The City is committed to working collaboratively with its economic development partners to expand Independence’s economic base through incentive programs and development through the recruitment, retention, and expansion of a diverse mix of businesses in the local economy.

1.2. Overview. To stimulate economic growth, the City adopts the Business Incentive Policy to offer businesses assistance provided by the City and its economic development partners. Various incentive programs to new and expanding businesses and entrepreneurs are available which may include:

- a. Offering an employee-based Incentive Program to new and expanding businesses;
- b. Assisting businesses in finding available buildings, sites and lease space in partnership with Montgomery County Action Council “MCAC”, the Independence Chamber of Commerce, and Independence Main Street;
- c. Establishing relationships with national and local manufacturers, brokers and developers, market analytics, and provide data and resources as needed;
- d. Recruiting targeted industries and service providers;
- e. Recruiting new retail opportunities;
- f. Supporting new business inquiries for escalating entrepreneurial endeavors expanding into viable businesses.

1.3. Incentive Program Benefits/Eligible Uses. This program is established to aid new and existing businesses in setting up or expanding their company in Independence. The incentive funding provided can be utilized for a variety of purposes including moving expenses, property acquisition, capital expenditures, utilities/services, personnel expansion, or materials and supplies.

1.4. Authorization. The Incentive Program will be funded by the “Economic Development/ Transportation Fund.” Authorization for disbursement of incentives from this fund for the purposes of the Incentive Program must be approved by the City Commission or its designee.

**Section 2. Eligibility.**

2.1. Eligible Areas. Businesses located, or which will be located, within the city limits of the City of Independence are eligible. If a business locates outside the city limits, the property must be annexed by the City, or sign a pre-annexation agreement if the property is not currently eligible for annexation.

2.2. Eligible Applicants. Applicants should meet established qualification criteria such as:

a. Hiring or retaining five (5) or more full-time equivalent (FTE) employees, as defined by the Kansas Department of Labor, for a minimum of a five (5) year period and/or having annual or projected Gross Revenue of \$500,000; and

b. Pay a median wage in an amount equal to at least 100% of the county median wage or industry NAICS as published by the Kansas Department of Labor for the Southeast Kansas region at time of application. (*Note: If the median wage does not qualify for the incentive, then the annual average wage for the newly created jobs can be used.*)

Note: The NAICS Code lookup for median wages in Southeast Kansas is: <https://public.tableau.com/profile/kdol#!/vizhome/shared/HY6CPS9RZ>

c. Achieve an acceptable cost benefit analysis result for the specific business category as determined by the City Commission. While the results of the cost benefit analysis weigh heavily in the decisioning process, other criteria may be considered when it is in the best interest or promotes the well-being of the public.

### **Section 3. Categories.**

3.1. In General. The Incentive Program shall include five (5) categories of businesses to which incentives may be given depending on but not limited to economic impact, creditworthiness, job impact, and immediate need. See Appendix "A" for potential incentive terms and rates.

3.2. Large Industrial. A large industrial business is a business that employs over one hundred (100) FTE employees and has pay rates that exceed the median wage for their industry NAICS code. This business is eligible for incentives that can be used toward any expense related to opening the location in Independence.

3.3. Small Industrial. A small industry prospect would employ five (5) or more FTE employees that exceed the county median wage or average NAICS code wage standards.

3.4. Large Retail. Includes large retail businesses that have been specifically identified as priorities through market research such as a retail gap study, etc. Such businesses are typically identified in strategic planning documents by the City and/or one of its economic development partners. Annual sales are typically larger than \$1,000,000. Funds are encouraged to be used for facility or infrastructure improvements but may be used for capital, personnel, safety, or any other use that the company outlines in their project.

3.5. Small Retail. Includes small retail businesses that have been specifically identified as priorities through market research such as a retail gap study, etc. Annual sales are typically less than \$1,000,000. Funds are encouraged to be used for facility or infrastructure improvements but may be used for capital, personnel, safety, or any other use that the company outlines in their project.

3.6. Service. Service type businesses that have been identified to fill gaps or expand services desired by the public. Funds are encouraged to be used for facility or

infrastructure improvements but may be used for capital, personnel, safety, or any other use that the company outlines in their project.

#### **Section 4. Application and Approval Process.**

4.1. Application. To be eligible for an incentive offer, a business must fill out the Project Initiation Form, found in Appendix “B” of this document or on the City of Independence or MCAC websites at:

City of Independence: [www.independencesks.gov](http://www.independencesks.gov)

MCAC: [www.actioncouncil.com](http://www.actioncouncil.com)

Independence Chamber of Commerce: [www.indkschamber.org](http://www.indkschamber.org)

Independence Mainstreet: [www.independencemainstreet.com](http://www.independencemainstreet.com)

To speed up the process of the incentive package, an applicant may complete the first page of the application and send it to the City contact listed in Appendix “A”. If state incentives are sought, it is recommended to contact the MCAC listed in Appendix “A” to assist in form completion. This form should be completed and submitted at the same time as the Project Initiation Form.

4.2. Review. Upon receipt of the completed application and supporting documents, if any, staff will review the application and meet with the applicant to discuss incentives for which the applicant may be eligible as well as other recommendations that might benefit the business. This meeting should occur within one week of receipt of the completed application. Depending on various attributes of the request, the incentive could be structured as an up-front cash payment, an annual disbursement, or forgivable loan based on annual sales tax revenues or new jobs created. On a case by case basis, the City may also consider in-kind incentives such as waiver of certain customary fees.

4.3. Governing Body Approval. Incentives are approved by the City Commission or its designee as described in Appendix “A”. This policy allows City Staff to discuss potential incentives in excess of their authority during the rapid recruitment process. However, said discussions must include a disclaimer that ultimate approval rests with the City Commission or its designee. The City Manager will inform the City Commission such discussions are taking place as appropriate. Any incentive required to be brought before the Governing Body for approval, will include a recommendation by the Economic Development Advisory Board who is charged with vetting such requests. All recommendations will include documentation and/or information supporting the economic or other value to the City of Independence.

4.4. Follow-up. If an annual cash incentive is approved, the recipient shall provide the City as requested, sales reports, employee reports, or such other documentation required in order to determine the amount of the annual incentive payment. If a forgivable loan is approved, the recipient shall provide annual job reports, employee residency reports, or such other documentation that is required prior to any payments being forgiven. Annual reports are due within 60 days of recipients fiscal year-end to the Finance Director and the City Manager. Frequency of periodic reports will be specified on a case by case basis.

City staff will provide copies of all reports submitted to the Economic Development Advisory Board

for review and performance analysis.

**Section 5. Review of Business Incentive Policy.**

5.1. Review Frequency. The Business Incentive Policy will be reviewed annually by the Economic Development Advisory Board.

5.2. Amendments. If it is determined based on empirical data or current conditions that amendments to the policy are needed, the Board will make recommendations to the Commission for such amendments to be considered and adopted.

## APPENDIX “A”

The City Commission delegates approval authority for business incentives equal to but not exceeding \$25,000.00 to the City Manager. Business incentives above that amount require City Commission approval.

Category	FTE's or Annual Gross Revenue Required	Maximum Term of Incentive	Incentive Benchmark per Job	*FTE Residency Bonus 67301	*FTE Residency Bonus USD 446	**Eligible Up-Front Payment	**Eligible Forgivable Loan	**Eligible In- Kind Fee Waiver
Large Industrial	100 +	10 years	\$1,000	\$500	\$250	X	X	X
Small Industrial	5-100 or \$500,000	10 years	\$1,000	\$500	\$250	NA	X	X
Large Retail	5 or \$500,000	5 years	\$1,000	\$500	\$250	X	X	X
Small Retail	5 or \$500,000	5 years	\$1,000	\$500	\$250	NA	X	X
Service	5 or \$500,000	5 years	\$1,000	\$500	\$250	NA	X	X

\* May only qualify for one category of residency bonus

\*\* Structure at sole discretion of the City

### CONTACTS:

City of Independence  
 City Manager  
 811 W. Laurel St.  
 Independence, KS 67301  
 Phone: (620) 332-2506  
 Fax: (620) 332-2535  
 Email: [kellyp@independencesks.gov](mailto:kellyp@independencesks.gov)  
 Website: [www.independencesks.gov](http://www.independencesks.gov)

Montgomery County Action Council  
 Executive Director  
 115 S. 6th  
 Independence, KS 67301  
 Phone: (620) 331-3830  
 Cell: (620) 779-1922  
 Email: [tpurdon@actioncouncil.com](mailto:tpurdon@actioncouncil.com)  
 Website: [www.actioncouncil.com](http://www.actioncouncil.com)

## **APPENDIX “B”**

Form A – Project Initiation Form

Attached, or visit this link:

<https://forms.independenceks.gov/forms/iedab>

# Independence Economic Development Advisory Board Project Initiation Form

Date:

COMPANY INFORMATION					
Legal Name of Business:			Type of Business:		
Primary Contact Person:			Mobile Phone:		
Email:			Business Phone:		
Website:			Social Media:		
<b>Home Address</b> of Owner:					
Project Site Address:					
Date business started:			# of Owners:		
NAICS Code (manufacturing):			Business EIN:		
Is there housing involved in this project?			What's your ideal business location?		
Business Structure (LLC, Sole Proprietorship, Inc.):			New or Existing Business:		
Who have you worked with so far on the project?	<input type="checkbox"/> Montgomery County Action Council	<input type="checkbox"/> City of Independence	<input type="checkbox"/> Independence Economic Development Advisory Board		
	<input type="checkbox"/> Chamber of Commerce	<input type="checkbox"/> Main Street	<input type="checkbox"/> Realtor: _____		
	<input type="checkbox"/> ICC / FabLab	<input type="checkbox"/> Architect	<input type="checkbox"/> Banker/Financing		
	<input type="checkbox"/> Other: _____				
Total Project Cost (Estimate):		<b>Bank Financing:</b>		<b>Private Financing:</b>	
Is there a hard deadline for financing? If so, when:			Do you have Bank Financing? If so, list loan officer contact information. If not, have you contacted a bank about this project?		
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Jobs Created:					
Jobs Retained:					
Pay Range of Jobs:					
Describe the overall project:					

## INFORMATION NEEDED FOR LOAN/INCENTIVE TO BE FINALIZED:

<input type="checkbox"/>	Detailed Company Information Form	Page 1
<input type="checkbox"/>	Written Business Plan and/or Memo regarding plans for business and this project.  -Contact MCAC at <a href="mailto:Admin@actioncouncil.com">Admin@actioncouncil.com</a> or <a href="http://www.actioncouncil.com">www.actioncouncil.com</a> for SBDC assistance.	Description of Business Ownership Management Date Established Products/Services Market Analysis – Who is your competition? Future Plans
<input type="checkbox"/>	Funding Application:	<a href="https://www.actioncouncil.com/business/entrepreneurs-&amp;-small-businesses/?cat=Small+Business+Loans">https://www.actioncouncil.com/business/entrepreneurs-&amp;-small-businesses/?cat=Small+Business+Loans</a> – Small Business Loan Application
<input type="checkbox"/>	Financial Statements - Provided via excel sheet ( <a href="https://www.actioncouncil.com/business/entrepreneurs-&amp;-small-businesses/?cat=Small+Business+Loans">https://www.actioncouncil.com/business/entrepreneurs-&amp;-small-businesses/?cat=Small+Business+Loans</a> )	Project Cost Sheet Profit and Loss Statement Business Projections Sheet Personal Income Statement
<input type="checkbox"/>	Operating Agreement – LLC, Inc., etc.	Must be signed by all members of the LLC, Corp, etc.
<input type="checkbox"/>	Borrowing Resolution	Resolution allowing owner to take on debt and request financing. Must be signed by all company members on LLC, Corp, etc.
<input type="checkbox"/>	Credit Check	Experian Connect - \$15 per applicant will send applicant an email, who pays fee, and sends report to MCAC.
<input type="checkbox"/>	Marketing Release Statement	Required for E-Community and Network Kansas applicants.
<input type="checkbox"/>	Personal Financial Statement for all Key personnel	Included in Financial Worksheet document - Fill out for each Owner/Major Stockholder (We will request this if needed)
<input type="checkbox"/>	Tax records for past 3 years (Personal for Start Ups, Business for existing businesses)	This is required for approval.
<input type="checkbox"/>	Certificate of Good Standing – Kansas	<a href="https://www.kssos.org/other/certificate_good_standing.html">https://www.kssos.org/other/certificate_good_standing.html</a>
<input type="checkbox"/>	Obtain Building permit from City building department (if necessary)	David Cowan - 620.332.2528 or davidc@independenceks.gov
<input type="checkbox"/>	Obtain county and city business licenses if needed	
<input type="checkbox"/>	Purchase Life Insurance plan in the amount of the loan with an assignment to the lending organization. Contact Information:	All lenders must be listed as beneficiaries on life insurance Policy in the amount of any loan.



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## Sedgwick County, KS / City of Wichita Economic Development Incentive Policy

### Purpose

1. Economic development incentives are necessary because of the inherent competition between localities for new businesses and jobs and therefore shall be used prudently on projects where incentives can make a difference to either remain or locate in Sedgwick County. The governing bodies of both the City and County have adopted this policy with the recognition that certain provisions are applicable to only one and not both jurisdictions. The intent of these guidelines is to complement any incentive program that may be adopted by other municipalities within Sedgwick County or by the State of Kansas.
2. The objective of offering economic development incentives to businesses demonstrating long-term commitment to the community shall be to encourage the expansion of commerce by:
  1. Creating and retaining quality jobs;
  2. Broadening and diversifying the tax base;
  3. Encouraging capital investments;
  4. Increasing the region's global competitiveness;
  5. Promoting the growth and welfare of the City of Wichita and Sedgwick County.
3. Economic development incentives available from the City of Wichita and Sedgwick County include (but are not limited to) industrial revenue bonds (IRBs), property tax abatements, sales tax exemptions, loans, workforce training grants and infrastructure improvements. The City Council and/or Board of County Commissioners may determine the amount, terms and conditions of property tax abatements, loans and workforce training grants based on matrices that equate recommended incentive levels with job creation, wage levels and capital investments.
4. Each request for incentives will be evaluated on an individual basis. Changing economic conditions and availability of funds may cause the City of Wichita and Sedgwick County to modify, amend, or discontinue any economic development incentive program. Should an incentive program be discontinued, the City Council and Board of County Commissioners will honor any incentive committed to before the discontinuance of the program.

### Eligibility

1. Business Activity: To be eligible for any public incentives, a business must be engaged in one or more of the following activities:
  1. Manufacturing. Determined by appropriate NAICS codes
  2. Service Sector. Majority of revenues must be derived from transactions originating outside the State of Kansas.
  3. Research and Development. The conducting of research, development or testing for aviation, scientific, medical, food product or industrial purposes.
  4. Warehousing and Distribution. Majority of goods stored/shipped must be destined for end-users located outside the Wichita MSA.
  5. Corporate Headquarters. May include "back office" operations and customer service activities, but shall not include out-bound call centers. Majority of revenues must be derived from transactions originating outside the Wichita MSA.
  6. Transportation. Freight or passenger transportation services. Majority of revenue must be derived from interstate commerce/travel.
  7. Tourism. Attractions considered likely to attract at least 30% of attendees from outside the Wichita MSA.
  8. Medical Services. Regional medical centers and specialty hospitals considered likely to attract at least 30% of patients from outside the Wichita MSA.
  9. Speculative Industrial Buildings. Developer built facilities located in Wichita to be leased to one or more tenants operating in the areas of manufacturing, research and development or warehousing and distribution.
2. Value Added Job: A value added job produces goods and/or services that are sold predominately outside of the MSA. Importing wealth into the community through value added jobs grows the local economy, whereas non-value added jobs typically re-circulate wealth within the community.
3. Wage and Salary Criteria: A business may be considered for public incentives only if the average wages paid to its employees are equal to or greater than the average wages for that type of business as determined by the most appropriate available NAICS code within the Wichita MSA or greater than the average wage for all jobs in the Wichita MSA when wages are calculated excluding the wages for the transportation equipment manufacturing sector

#### Division of Finance



**Brent Shelton**  
Economic Development &  
Tax System Director

p: 316.660.9231

525 N Main St  
Suite 823  
Wichita, KS 67203

Email

(NAICS sector 336). In addition to meeting wage requirements, jobs created must include health care benefits. If health care benefits are not offered, wages must be 120% of the average wage as stated above. In cases where jobs do not meet the wage requirements, number of jobs may be considered.

4. Return on Public Investment (ROI): A cost/benefit analysis of each proposed incentive recipient will be completed prior to consideration by the appropriate governing body. A designated agent on behalf of the City and County will conduct the cost/benefit analysis and any fees associated with this analysis will be the responsibility of the applicant. The analysis will be performed for the number of years that equals the number of years the incentive recipient would be subject to clawback provisions. The ratio of public benefits to public costs, each on a present value basis, should not be less than 1.3 to one for both the general and debt service funds for the City of Wichita; for Sedgwick County should not be less than 1.3 overall. If the ratio of present value of benefits vs. cost is less than 1.3:1; two or more of the following mitigating factors may be cause for approval. Regardless of mitigating factors, the ratio cannot be less than 1.0:1.
  1. At least \$50,000,000 of capital investment is in real property that will be taxable following the expiration of any tax abatements.
  2. Creation or retention of at least 500 jobs with wages at least 110% of average wage for all jobs in the Wichita MSA when average wages are calculated excluding the wages for the transportation equipment manufacturing sector (NAICS sector 336).
  3. The present value of net benefits resulting from the cost/benefit analysis calculation is at least \$500,000.
 

Projects receiving an exception under this provision shall set annual job creation and investment goals which shall be reviewed by the appropriate staff of the City and/or County annually. Projects failing to meet such goals for two consecutive years or that fail to deliver the anticipated net present value of public benefits at the end of the analysis term may be subject to adjustment of tax abatement percentages and termination or repayment of cash incentives, pursuant to incentive agreements.
5. In addition to the above provisions, the City Council and/or County Commission may consider the following information when deciding whether to approve an incentive.
  1. The project is for a target industry as determined by the most recent strategic/cluster analysis for Economic Development for Sedgwick County/Wichita;
  2. The size of the project based upon private investment in the site development, plant facilities and infrastructure;
  3. The total number of jobs, wages, benefits and types of jobs created;
  4. The relationship between jobs development and total investment;
  5. Potential for future expansion and increased employment;
  6. Potential for retention of existing employment where it can be demonstrated that without incentives the jobs may be moved away from the area or eliminated, as evidenced by a written statement from the company.
  7. Potential for diversification of the regional economy;
  8. Potential for inclusion of disadvantaged minority or women-owned businesses as contractors, suppliers, etc.
  9. Project specific issues that impact upon local infrastructure responsibilities of the City and/or County;
  10. Project specific incentives that may be pursued to stimulate other development areas that the City and County may deem of significant benefit to the community;
  11. Economic development incentives from other local governments and/or the State;
  12. Financial impact and budget ramifications.
6. The City and County may conduct legal and/or financial research regarding the company as part of eligibility determination.
7. Economic development incentives may not be transferred or otherwise conveyed to another party without approval of the City Council and/or Board of County Commissioners.

## Implementation

1. All Economic Development Incentives will be formalized in a written agreement between the City of Wichita and/or Sedgwick County and the recipient company. The recipient company will be required to satisfy either numbers 1, 3 and 4 or numbers 2, 3 and 4 of the following performance criteria:
  1. Specific employment and capital investment targets
    1. Jobs created and payroll commitments
    2. Capital investment in real property
    3. Compliance with wage requirements
  2. Attainment of the anticipated ratio of public benefits to public costs
  3. Compliance with all applicable governmental laws, rules and regulations
  4. Compliance with any conditions imposed by the Economic Development Incentive Agreement.

## Incentives

The City and County will only consider giving incentives to companies relocating from neighboring communities when existing local conditions preclude continued operations in that community.

When a project includes tax abatements/exemptions, loans, workforce training grants, and infrastructure improvements, the private/public funding ratio of overall project costs must be 2 to 1. The present value of property and sales tax exemptions will be considered public funding.

### 1. Property Tax Abatement

1. The City of Wichita and Sedgwick County are authorized under state law to grant tax abatements on private business property either in connection with the issuance of IRBs or under Article 11 of the state constitution that enables economic development exemptions (EDX) for certain types of businesses. While IRB abatements may be granted for all types of business included in the list of eligible businesses, EDX abatements are limited to expanding manufacturing, research and development and warehouse and distribution businesses that create or retain jobs.
2. Property taxes may be abated for new improvements to real property and for newly acquired items of personal property not otherwise exempt under Kansas law, used by an eligible business in connection with an expansion or relocation of the business' operations in Wichita and/or Sedgwick County. Land and existing buildings are not generally eligible for property tax abatement. Existing buildings may only be considered for tax abatement if the building has been vacant for at least two years and is acquired by a party not related to the previous owner. Exceptions may be made for buildings used by target industries as determined by the most recent economic development strategic/cluster analysis for Sedgwick County/Wichita and in cases where reuse of the building within two years is deemed unlikely.
3. The term of tax abatement on real taxable property improvements under this Policy shall be an initial term of five years, plus an additional five years subject to review and approval of the City Council or Board of County Commissioners at the end of the initial term. Tax abatement on eligible items of personal property shall be limited to a term of five years.

4. The recommended percentage of property taxes to be abated shall be based on new job creation and capital investment by the eligible business, as follows:

**Job Creation:** For the purpose of determining the recommended percentage of tax abatement, the number of new full-time equivalent (FTE) jobs created by the project may be adjusted by a factor based on the relationship between the wages to be paid for the new jobs and the average wage for all jobs in the Wichita MSA. For example, if the area average wage is \$40,000 and the average wage for the created jobs is \$50,000, the factor for adjusting the number of created FTE jobs would be 125%. If the actual number of FTE jobs created is 60, the adjusted number of new FTE jobs used to determine the recommended abatement would be 75. For the purpose of this Policy, FTE jobs are defined as full-time employees who are paid to work at least 2,080 hours per year, or part-time or temporary employees consolidated to obtain the full-time equivalent of 2,080 hours per year. The amount of recommended tax abatement based solely on FTE job creation is based on a sliding scale that allows smaller projects to benefit. A property tax abatement may be recommended for each new FTE job as follows: 3% for the first five new FTE jobs, 2% for six to 10 new FTE jobs, 1.5% for 11 to 20 new FTE jobs, 1% for 21 to 50 new FTE jobs and 0.6% for each new FTE job in excess of 50, up to a maximum tax abatement for job creation of 100%.

1. **Capital Investment:** A property tax abatement may be recommended for each \$50,000 of private investment in plant and equipment as follows: Between \$50,000 and \$500,000 – 1.0%; between \$500,000 and \$1 million – 0.75%; between \$1 million and \$2 million – 0.5%; between \$2 million and \$5 million – 0.25%; above \$5 million – 0.10%. The maximum recommended tax abatement for capital investment is 100%.
2. **Location Premium:** Businesses in the City of Wichita shall be encouraged to locate and/or expand within special redevelopment areas of the City. To foster such action, businesses may receive additional recommended tax abatement equal to 20% for locating into special redevelopment areas, as may be determined from time-to-time by separate action of the City Council.
5. **Payments-In-Lieu-of-Taxes (PILOTs):** Any business receiving a tax abatement may be required to make payments in lieu of taxes equal to the amount of property tax abated. Said PILOT payments shall be payable to the Sedgwick County Treasurer for proportional distribution to all local taxing jurisdictions which levy taxes on the abated property. A business may also be required to make PILOT payments at any time in the event of non-compliance with the conditions imposed by the economic development incentive agreement, as an alternative to complete cancellation of the tax abatement.
6. **Service Fee Payments:** The City of Wichita and Sedgwick County reserve the right to impose on any business receiving tax abatements the payment of service fees through the provisions of the economic development incentive agreements for services provided by the applicable Unified School District and the Sedgwick County Fire District. The amount of the service fee shall be based on the tax rate of the applicable Unified School District and/or the Sedgwick County Fire District, and any service fees thus paid shall be remitted to such School and/or Fire District.
7. **Speculative Industrial Buildings:** Property and sales tax exemptions are the only incentives which may be considered for Speculative Industrial Buildings. Applicants for this incentive will be considered through December 31, 2014 at which time the incentive will no longer be offered, unless this incentive is extended by the City Council. Any exemption approved by the City Council prior to December 31, 2014 will be granted the exemption term as stated in paragraph IV.A.3. The recommended percentage of property taxes to be abated for Speculative Industrial Buildings shall be based on the total capital investment and job creation. The combined total exemption shall not exceed the maximum exemption based on building size. The criteria for consideration of exemption is as follows:
  1. **Building Size:** A property tax abatement may be recommended for buildings 50,000 square feet and larger. For the initial five-year abatement period, buildings will qualify for a maximum 100% tax abatement. Minimum ceiling clear height must be 28 feet. Speculative Industrial Buildings must be built at sites that meet minimum industrial site certification standards.
  2. **Job Creation:** For the purpose of determining the recommended percentage of tax abatement during the second five-year period, consideration will be given to total capital investment in the facility and the actual number of net new full-time equivalent (FTE) jobs created by tenants in the Speculative Industrial Building, based on the sliding scale described above in paragraph 4.a. The average annual wages paid for all net new jobs

shall be equal to, or greater than, the NAICS code for each tenant company; or equal to, or greater than, the average annual wages of all NAICS codes in the market, minus NAICS 336 (transportation equipment manufacturing).

3. The developer must finance the building with IRBs to qualify for any tax abatement.
  - d) All subleases with tenant businesses require City Council approval.
4. The total term of the tax abatement for any Speculative Industrial Building shall not exceed 10 years.
5. Full occupancy must be reached within five years of completion of the building or the tax abatement will be reduced proportionally.
6. At the five year compliance review, the property tax abatement will be terminated if actual jobs created by tenant businesses are less than those projected at the time of approval. A cost/benefit analysis will be completed at the time of the compliance review and will require a ratio of benefits to costs of 1.3-to-1 based upon capital investment and net new jobs created by the project.

## 2. Sales Tax Exemptions

Sales tax exemptions may be provided for purchases financed by Industrial Revenue Bonds (IRBs) and are subject to approval by the City Council or the Board of County Commissioners.

## 3. Cash Incentives

May be available to address extraordinary situations and are subject to budget constraints of the City of Wichita and Sedgwick County.

1. Loans may be structured so that a fraction of the principal may be forgiven over time based on achieving job creation and capital investment commitments.
2. Grants may be made as an alternative to loans with similar terms and conditions.
3. The term of the loan or grant shall not be less than the extent of the job creation commitment contained in the agreement.
4. Default of loans and grants will be subject to interest payment penalties if terms are not met.

## 4. Infrastructure Improvements

Infrastructure improvements to public infrastructures as an economic development incentive are determined on an individual basis.

## 5. Other Incentives

New incentive programs may be developed in the future. Such programs will be subject to this Policy.

# Compliance

1. Annual on-site reviews will be conducted by City and/or County Economic Development staff to establish compliance with the written agreement between the City of Wichita and/or Sedgwick County and the recipient company.
2. Tax abatements on real property will be reviewed after an initial term of five years; continued abatement is subject to review and approval by the City Council or Board of County Commissioners at the end of the initial term. The review will be based on the company's performance in meeting the terms and conditions in the written agreement.
3. The City of Wichita and Sedgwick County may amend an incentive agreement to reduce the recipient's obligations regarding employment levels, wage requirements, or non compliance penalties in the event of a federally-declared disaster or economic downturn.
 

An economic downturn is evidenced by a decline of at least 5.0 points in the WSU Current Economic Conditions Index from the point at which the incentive agreement was signed.
4. In such event, the economic development incentives may be continued if a majority of compliance criteria are met, including capital investments, actual ROI, and temporarily achieving job creation commitments. The City and County will include "clawback" provisions (relating to repayment or cessation of incentives) in all incentive agreements, and the City or County may exercise such provisions when the terms of the incentive agreements have not been met. Such clawback provisions will include payment-in-lieu-of-taxes equal to the dollar value of the last ten years of abated property taxes if a business moves its operations to another city or county and ceases its operations in Wichita or Sedgwick County within five years of receiving such abatements. For each year the company stays in Wichita/Sedgwick County after the expiration of the tax abatement, the amount of repayment shall be reduced by 20%. For example, if a company leaves Wichita/Sedgwick County in the first year after the expiration of the tax abatement, it shall repay 100% of the last ten years of property taxes abated. If the company.