

February 15, 2007

Mayor and City Council
City Hall
6 East 6th Street
Lawrence, Kansas 66044

Honorable Mayor and City Council Members:

This letter presents a summary of the benefit-cost analysis performed for: **API Foils, Inc.**

Description of the Tax Abatement Model

The model is an analysis of the economic impact that a new or expanding firm would have on the community when a property tax abatement is requested by a company. In particular, the model examines the economic impact on the city, county, public school districts, and the state of Kansas.

From the perspective of the units of local government the benefits that are studied are as follows:

- Increases in local sales tax collections through company and employee spending;
- Additional franchise fees on utilities (gas, electric, cable TV);
- Increases in property taxes from new houses and company buildings;
- Increased state funding for any new school children.

Similarly, costs to local government include:

- Operational and capital costs to provide streets, public utilities, police and fire protection, and other public services for the company and new residents;
- Specific costs related to the new firm and borne by the city, if any (new roads, bridges, sewer services, etc);
- Expenditures related to the local school districts for education of the school children of the new company employees.

In addition the model considers the impact on the state of Kansas:

- Benefits including state-level sales and income tax collections;
- State-level costs for services such as education.

To account for total economic impacts, secondary (multiplier) effects of a new development are estimated through the use of income and employment multipliers.

However, it should be stressed that the model *does not* measure non-fiscal impacts on the community such as:

- Intangible costs (air and water pollution, traffic congestion, etc.);
- Intangible benefits (increased quality of life, social benefits of economic growth, etc.);
- External impact on the surrounding communities;
- The likelihood that the firm would locate even without the abatement.

To truly capture the total impact of a new firm on the community, these other issues must be accurately recognized and carefully considered. The fiscal impact results presented here should only be *part* of the information used when deciding whether to grant an abatement.

The results are presented in terms of net benefits; that is, benefits minus costs. To provide a fuller understanding of the influence of the proposed tax abatement on different government units, the net benefit amount is calculated separately for the city of Lawrence, Douglas County, USD 497, and again as the total net-benefit of all three.

Summary of the Cost-Benefit Analysis for API Foils, Inc.

API Foils, Inc. is a manufacturer of decorative foils for use in hot and cold stamping applications. The company was formed in 1998 as a result of a merger of Dri Print Foils and Astor Universal. Astor Universal was started in 1995 at the East Hills Business Park. API Foils, Inc. currently employs 65 people in its Lawrence, Kansas facility. The company is looking to increase their manufacturing capacity in the U.S. to reduce dependency on affiliates and third party as well as provide for future growth. They are interested in an addition to their existing building on Greenway Circle in East Hills for expanded manufacturing and warehousing capacity. The expansion of their existing building would be 60,000 square feet in area; it will require no additional land purchase. The value of the building expansion is estimated to be \$4 to \$5 million (\$4.5 million is used for the purpose of the cost-benefit analysis). Furthermore, it is estimated that \$11 million worth of equipment would be purchased and installed over a period of three years (\$3.0 million in Year 1, \$5.5 million in Year 2, and \$2.5 million in Year 3). The completion date for the expansion is June 2010. API Foils, Inc. plans to hire 31 new employees (4 employees in Year 1, 6 employees in Year 2, and 21 employees in Year 3) in conjunction with their expansion plans. Salaries for these new employees range from \$30,000 to \$80,000, with the average being \$42,500.

The requested abatement is 55 percent for ten years on \$4,500,000 of real estate. *Effective* January 1, 2007, machinery and equipment acquired by qualified purchase or lease made or entered into after June 30, 2006 is exempt from property taxation in Kansas. Therefore, the \$11,000,000 investment in equipment is exempt from property taxation and is not part of the cost-benefit analysis.

Below are the fiscal impacts of the company's proposed project for the city of Lawrence, Douglas County, the Lawrence School District (497), and the combined total, assuming the abatement request is granted. The benefits are given as cumulative amounts for ten and fifteen years after the company expands. The benefit/cost ratios are also listed.

	<u>Year 10</u>		<u>Year 15</u>	
	Net Benefits	B/C Ratio	Net Benefits	B/C Ratio
City of Lawrence	\$1,191,536	9.00 to 1	\$1,604,239	9.52 to 1
Douglas County	\$136,457	2.83 to 1	\$221,044	3.34 to 1
USD 497	\$118,230	3.29 to 1	\$206,064	4.25 to 1
Combined City, Co., USD497	\$1,446,223	6.26 to 1	\$2,031,346	6.86 to 1

The impact on the state of Kansas has also been approximated, using three sources of revenue (income, property, and sales taxes) and the one significant area of expense: education. The approximate net benefit after fifteen years to the state is \$2,773,538.

Another way to view benefits is to look at how many jobs are created and the amount of disposable income that accrues to the firm's workers (wages and salaries plus benefits less taxes). In addition to these 'primary' effects, economic theory predicts there will also be 'secondary' effects, or spillovers, in the local community. Increased money circulation in the local economy as a direct result of plant and employee spending has been shown to create additional jobs and income. The summary of the direct effects and an estimate of the secondary effects resulting from the firm's activities for all of Douglas County are listed below.

	Disposable Income	Employment
Primary Effects	\$748,646	24
Secondary Effects	\$195,941	14
Total	\$944,588	38

Hopefully this analysis will be helpful to you in your decision making. We encourage you to call us at (785) 864-3701 if you have any questions or suggestions of ways in which this report might be made more useful to you. A complete report on the benefit-cost analysis accompanies this letter.

Sincerely,



Genna Hurd
Research Associate
Institute for Policy & Social Research

INSTITUTE FOR POLICY & SOCIAL RESEARCH
THE UNIVERSITY OF KANSAS

**Cost-Benefit Analysis of the
Fiscal and Economic Impact of a New or Expanding Firm
Requesting Tax Abatements**

Name of Firm: **API Foils, Inc.**
Type of Project: Expansion
Nature of Business: Manufacturing
Abatement Request: 100% for 10 years on new equipment
55% for 10 years on new real estate

Date of Analysis: February 15, 2007

prepared by:

Genna Hurd
Research Associate

Steven Maynard-Moody
Director
Institute for Policy & Social Research

Cost-Benefit Analysis for API

Introduction

This report summarizes the results of a benefit-cost analysis for API Foils, Inc. The analysis is based on the Fiscal and Economic Impact Model of the Institute for Policy & Social Research at the University of Kansas, as customized for the city of Lawrence.

Main Results

1. Applicant's New Investment

The applicant proposes a total investment of \$15.5 million in real estate and equipment. The firm also anticipates the creation of additional annual operating expenditures totaling \$7,126,000, of which \$145,775 (2 percent) is spent locally.

2. Amount of Abatement Requested

API Foils, Inc. is requesting a 55 percent abatement for ten years on all new real estate purchased. The real estate value of the business expansion is estimated to be \$4.5 million. *Effective January 1, 2007*, machinery and equipment acquired by qualified purchase or lease made or entered into after June 30, 2006 is exempt from property taxation in Kansas.* Therefore, the \$11 million in equipment investment is already exempt and not part of the abatement requested. The present value for the city, county and school district combined of the abated tax and discounted over a 10-year period is \$429,974. An additional \$98,162 is abated over the 10-year period by the state (Table 1).

3. Net Benefits over a 15-Year Period

Over a 15-year time span, the present value of net benefits to the city of Lawrence amounts to \$1,604,239, given the abatements requested by API Foils, Inc. The respective results are \$221,044 for Douglas County and \$206,064 for the Lawrence school district. The combined benefit for the city, county, and school district is \$2,031,346 if an abatement is granted. If *no* tax abatement is granted the present value of the net benefits would increase to \$1,724,581 for the city of Lawrence, \$358,074 for Douglas County, \$378,665 for USD 497, and \$2,461,320 for all three combined. These figures are shown in Table 4. For more detail, the Appendix shows cumulative net benefits for each of the 15 years (A-4).

4. New Employment and Jobs Provided

API Foils, Inc. plans to hire 31 new employees in conjunction with their expansion plans – 4 employees in the first year, 6 in the second year, and 21 in the third year. The average pay of all employees is \$34,032. In addition, the firm provides an average of 24 percent fringe benefits for all employees.

* HB 06-2583, Commercial/Industrial Machinery and Equipment Exemption, 2007 Personal Property Tax Summary, www.ksrevenue.org/pvd.htm.

5. Private Sector Income and Sales Associated with New Development

Table 5 shows that new total annual disposable income is estimated to be \$785,804 for Lawrence. Disposable income is salaries plus benefits minus income and other taxes. This figure includes disposable income to all employees of the firm as well as disposable income created through the multiplier effect. Local sales in Lawrence from the firm's purchases and from household expenditures amount to \$273,933. Of this amount, 17 percent, or \$46,226, is expected to be subject to local sales tax.

6. New Residents Associated with Development

After taking into account the employment multiplier effect, and estimating an average household size of 2.37 people for in-migrants, the project is expected to add 20 new residents to Douglas County.

7. New Schoolchildren Associated with Development

The model estimates not only the number of new schoolchildren associated with the firm, but also the number of new school kids expected to come from in-migrating secondary workers. The total number of new school kids enrolled in Lawrence public schools is estimated to be 3.

8. Multipliers

An income multiplier of 1.25 and an employment multiplier of 1.87 were calculated for this project. Every type of economic activity will have a different local multiplier effect depending on the characteristics of the incoming firm and employees.

9. Net Impact on the State of Kansas

In the first year, the state of Kansas will benefit from the proposed development through increased revenues in individual income taxes of \$6,660 a year. This includes income generated by secondary employment gains. The state will receive annual property taxes of \$11,636 when residential, plant and plant equipment taxes are added together. Sales tax collections on purchases and utility usage are estimated to total \$117,021 a year. Costs to the state are in the area of education, with basic state aid coming to \$2,971. The combination of these incomes and costs yields a net benefit of \$132,347 in the first year for the state. Over a fifteen year period, the present value of net benefits to the state of Kansas becomes \$2,773,538.

Reliability of Model Outcomes

The outcome of this cost-benefit analysis is intended to facilitate political decision making and does not represent precise values but reasonable approximations of the magnitude of the fiscal and economic impact of the project. The sensitive nature of the model to some variables such as the rate of in-migration associated with the new development suggests that one should view the results within a range rather than as a single outcome. Furthermore, the benefits and costs derived from this analysis do not include the intangible social costs or benefits, the benefits occurring during the construction phase of the project, or the costs associated with the chance that a firm might locate or expand in the community even without a tax abatement.

Conceptual limitations arise from the assumptions necessary for economic modeling. Empirical limitations of the input data may affect the reliability of the model's outcome. For example, this model does not allow for operating expense to vary over time. As new equipment is phased in, operating and utility expenses will change. The cost-benefit is also based on the most recent fiscal budgets and tax structures; city and county budgets are subject to change from year to year as are the property, income, and sales tax rates and franchise fees. For these reasons, it is stressed once again that the results of this model should not be used as the sole criterion in deciding whether a tax abatement should be granted, but rather, as one factor out of many involved in making such a decision.

Table 1

API Foils, Inc.

AMOUNT OF PROPERTY TAX ABATEMENT REQUESTED
55% for ten years on real estate

	Local				State	
	City	County	School District USD 497	Total	School	State Levy
Current mill levy	26.36	30.01	37.80		20.00	1.50
Abated Tax in First Year	\$16,309	\$18,571	\$23,391	\$58,271	\$12,375	\$928
Present Value of Abated Tax over 10 years in current dollars	\$120,342	\$137,030	\$172,601	\$429,974	\$91,314	\$6,849

Note: The present value of the 10-year tax abatement is calculated using a 7.5% discount rate.

Table 2
KEY FIRM-RELATED INPUT VARIABLES

1. Real Estate Investment	\$4,500,000		
2. Equipment Investment	Year 1 \$3,000,000	Year 2 \$5,500,000	Year 3 \$2,500,000
3. Annual Operating Expenses Percent Spent Locally	\$7,126,000 2.0%		
4. New Employment	Number	Average Salary	Average Fringe Benefits
Year 1 Total	4	\$42,500	-----
Professional	0	\$0	22%
Technical	1	\$80,000	18%
Production/Assembly	3	\$30,000	32%
Year 2 Total	6	\$32,500	-----
Professional	1	\$45,000	22%
Technical	0	\$0	18%
Production/Assembly	5	\$30,000	32%
Year 3 Total	21	\$32,857	-----
Professional	2	\$45,000	22%
Technical	2	\$45,000	18%
Production/Assembly	17	\$30,000	32%

Table 3

API Foils, Inc.

COMMUNITY VARIABLES

1. Estimated Location of New or Retained Employees	61.9% will live in Lawrence 15.6% will live in rest of Douglas county 22.5% will commute into county								
2. Estimated Characteristics of Firm's In-Migrants	100.0% of Managers will migrate in 50.4% of Professional/Technical will migrate in 14.5% of Production/Clerical will migrate in								
3. Estimated Number of Residents	17 in Lawrence 20 in Douglas County total								
4. Estimated Number of New Housing Units (from indirect residents)	7 in Lawrence 9 in Douglas County total								
5. Estimated Number of New School Children (from indirect residents)	3 in Lawrence (USD 497) 0 in Baldwin (USD 348) 0 in Eudora (USD 491)								
6. Percent of Disposable Income Spent by Firm Employees in Lawrence	58%								
7. Estimated Employment Multiplier	1.87								
Estimated Income Multiplier	1.25								
8. Annual Government Operating Expenditures Incurred by New Firm <i>and</i> New Residents	<table> <tr> <th>Amount:</th><th>Spent by:</th></tr> <tr> <td>\$6,239</td><td>Lawrence</td></tr> <tr> <td>\$3,183</td><td>Douglas County</td></tr> <tr> <td>\$1,864</td><td>Lawrence School District</td></tr> </table>	Amount:	Spent by:	\$6,239	Lawrence	\$3,183	Douglas County	\$1,864	Lawrence School District
Amount:	Spent by:								
\$6,239	Lawrence								
\$3,183	Douglas County								
\$1,864	Lawrence School District								
9. Capital Costs Incurred by Community from New Firm only	\$21,023 Lawrence \$12,111 Douglas County								
10. Capital Costs Incurred by Community from New Residents only	\$16,521 Lawrence \$6,112 Douglas County \$19,977 Lawrence School District								

Table 4

API Foils, Inc.

NET FISCAL BENEFITS FOR CITY, COUNTY, AND SCHOOL DISTRICT

Results are shown as present value of net benefits (benefits minus costs)
in current-year dollars, discounted over a 15 year period

Estimate of Net Benefits	55% Abatement	No Abatement
City of Lawrence	\$1,604,239	\$1,724,581
Douglas County	\$221,044	\$358,074
USD 497 (Lawrence)	\$206,064	\$378,665
Total	\$2,031,346	\$2,461,320
Total Benefit/Cost Ratio	6.86 to 1	8.11 to 1

Table 5

**NET CHANGE IN PRIVATE SECTOR INCOME AND SALES
IN LAWRENCE AND DOUGLAS COUNTY**

	Lawrence	Entire County
1. Total Increase in Disposable Income to Area Residents	\$785,804	\$944,588
- Primary Disposable Income to Firm Employees	\$597,689	\$748,646
- Secondary Income Created Through Multiplier Effect	\$188,115	\$195,941
2. Total Increase in Private Sector Sales for Local Businesses (First year of operation)	\$273,933	\$279,734
- Taxable Sales	\$46,226	\$48,469
- Non-taxable Sales	\$227,707	\$231,265

APPENDIX: Detailed Tables

PRESENT VALUE OF COSTS AND BENEFITS TO THE CITY GOVERNMENT

DISCOUNT RATE: 7.5%

YEAR	CAPITAL COST	OPERATING COST	TOTAL COST	TOTAL BENEFIT	Discount Factors 1/(1+disc)^(t-1)	DISCOUNTED COSTS	DISCOUNTED BENEFITS	NET BENEFITS B-C	CUMULATIVE NET BENEFITS	Real estate	ABATED TAX Depreciated equipment	Total discounted
1	24,034	3,902	27,936	119,010	1.0000	27,936	119,010	91,074	91,074	1 16,309	0	16,309
2	3,509	7,549	11,059	153,377	0.9302	10,287	142,676	132,389	223,463	2 16,309	0	15,171
3	10,001	18,717	28,718	197,977	0.8653	24,851	171,316	146,465	369,929	3 16,309	0	14,113
4	0	18,717	18,717	197,977	0.8050	15,067	159,364	144,297	514,226	4 16,309	0	13,128
5	0	18,717	18,717	197,977	0.7488	14,016	148,246	134,230	648,456	5 16,309	0	12,212
6	0	18,717	18,717	197,977	0.6966	13,038	137,903	124,865	773,321	6 16,309	0	11,360
7	0	18,717	18,717	197,977	0.6480	12,128	128,282	116,154	889,475	7 16,309	0	10,568
8	0	18,717	18,717	197,977	0.6028	11,282	119,332	108,050	997,525	8 16,309	0	9,830
9	0	18,717	18,717	197,977	0.5607	10,495	111,006	100,512	1,098,036	9 16,309	0	9,144
10	0	18,717	18,717	197,977	0.5216	9,763	103,262	93,499	1,191,536	10 16,309	0	8,507
11		18,717	18,717	214,287	0.4852	9,082	103,971	94,889	1,286,424			
12		18,717	18,717	214,287	0.4513	8,448	96,717	88,269	1,374,693			
13		18,717	18,717	214,287	0.4199	7,859	89,969	82,110	1,456,804			
14		18,717	18,717	214,287	0.3906	7,310	83,692	76,382	1,533,186			
15		18,717	18,717	214,287	0.3633	6,800	77,853	71,053	1,604,239			
Total			\$292,322	\$2,927,640		TOTAL \$188,361	\$1,792,599	\$1,604,239		163,090	0	120,342

Cost Benefit Ratio: 9.52

PRESENT VALUE OF COSTS AND BENEFITS TO THE COUNTY GOVERNMENT

DISCOUNT RATE: 7.5%

YEAR	CAPITAL COST	OPERATING COST	TOTAL COST	TOTAL BENEFIT	Discount Factors 1/(1+disc)^(t-1)	DISCOUNTED COSTS	DISCOUNTED BENEFITS	NET BENEFITS B-C	CUMULATIVE NET BENEFITS	Real estate	ABATED TAX Depreciated equipment	Total discounted
1	13,225	1,549	14,774	20,325	1.0000	14,774	20,325	5,551	5,551	1 18,571	0	18,571
2	1,298	3,502	4,800	22,959	0.9302	4,465	21,358	16,892	22,443	2 18,571	0	17,275
3	3,700	9,548	13,248	31,061	0.8653	11,464	26,878	15,414	37,857	3 18,571	0	16,070
4	0	9,548	9,548	31,061	0.8050	7,686	25,003	17,317	55,174	4 18,571	0	14,949
5	0	9,548	9,548	31,061	0.7488	7,149	23,258	16,109	71,283	5 18,571	0	13,906
6	0	9,548	9,548	31,061	0.6966	6,651	21,636	14,985	86,268	6 18,571	0	12,935
7	0	9,548	9,548	31,061	0.6480	6,187	20,126	13,939	100,207	7 18,571	0	12,033
8	0	9,548	9,548	31,061	0.6028	5,755	18,722	12,967	113,174	8 18,571	0	11,193
9	0	9,548	9,548	31,061	0.5607	5,353	17,416	12,062	125,236	9 18,571	0	10,413
10	0	9,548	9,548	31,061	0.5216	4,980	16,201	11,221	136,457	10 18,571	0	9,686
11		9,548	9,548	49,631	0.4852	4,633	24,081	19,448	155,905			
12		9,548	9,548	49,631	0.4513	4,309	22,401	18,091	173,997			
13		9,548	9,548	49,631	0.4199	4,009	20,838	16,829	190,826			
14		9,548	9,548	49,631	0.3906	3,729	19,384	15,655	206,481			
15		9,548	9,548	49,631	0.3633	3,469	18,032	14,563	221,044			
Total			\$147,395	\$539,924		TOTAL \$94,612	\$315,656	\$221,044		185,705	0	137,030

Cost Benefit Ratio: 3.34

PRESENT VALUE OF COSTS AND BENEFITS TO SCHOOL DISTRICTS

DISCOUNT RATE: 7.5%

YEAR	CAPITAL COST	OPERATING COST	TOTAL COST	TOTAL BENEFIT	Discount Factors 1/(1+disc)^(t-1)	DISCOUNTED COSTS	DISCOUNTED BENEFITS	NET BENEFITS B-C	CUMULATIVE NET BENEFITS	Real estate	ABATED TAX Depreciated equipment	Total discounted
1	3,641	1,019	4,660	20,296	1.0000	4,660	20,296	15,636	15,636	1 23,391	0	23,391
2	4,243	2,207	6,450	21,205	0.9302	6,000	19,726	13,726	29,361	2 23,391	0	21,759
3	12,092	5,592	17,684	23,822	0.8653	15,303	20,614	5,312	34,673	3 23,391	0	20,241
4	0	5,592	5,592	23,822	0.8050	4,501	19,176	14,675	49,348	4 23,391	0	18,829
5	0	5,592	5,592	23,822	0.7488	4,187	17,838	13,651	62,999	5 23,391	0	17,515
6	0	5,592	5,592	23,822	0.6966	3,895	16,594	12,699	75,698	6 23,391	0	16,293
7	0	5,592	5,592	23,822	0.6480	3,623	15,436	11,813	87,511	7 23,391	0	15,157
8	0	5,592	5,592	23,822	0.6028	3,370	14,359	10,989	98,500	8 23,391	0	14,099
9	0	5,592	5,592	23,822	0.5607	3,135	13,357	10,222	108,722	9 23,391	0	13,116
10	0	5,592	5,592	23,822	0.5216	2,917	12,425	9,509	118,230	10 23,391	0	12,200
11		5,592	5,592	47,214	0.4852	2,713	22,908	20,195	138,425	233,912 0		172,601
12		5,592	5,592	47,214	0.4513	2,524	21,310	18,786	157,211			
13		5,592	5,592	47,214	0.4199	2,348	19,823	17,475	174,686			
14		5,592	5,592	47,214	0.3906	2,184	18,440	16,256	190,942			
15		5,592	5,592	47,214	0.3633	2,032	17,153	15,122	206,064			
Total			\$95,894	\$468,149	TOTAL			\$63,391	\$269,455	\$206,064		

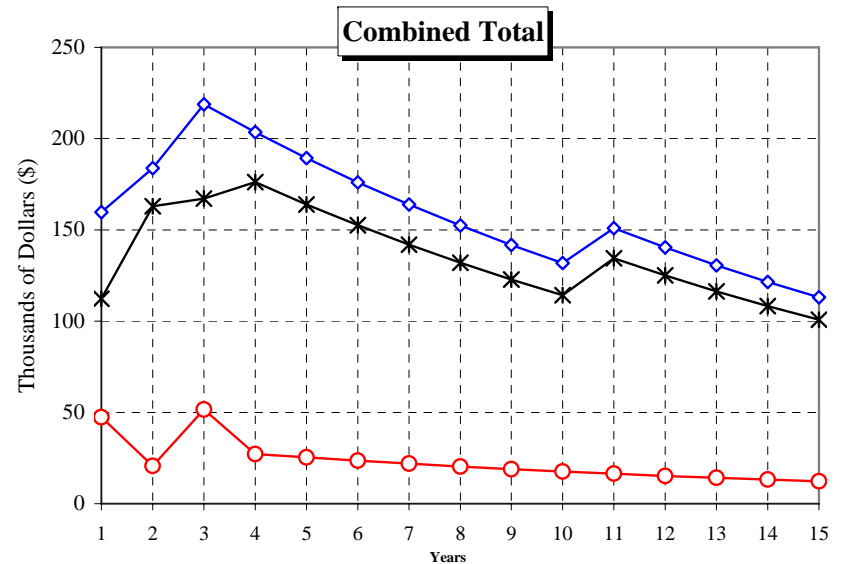
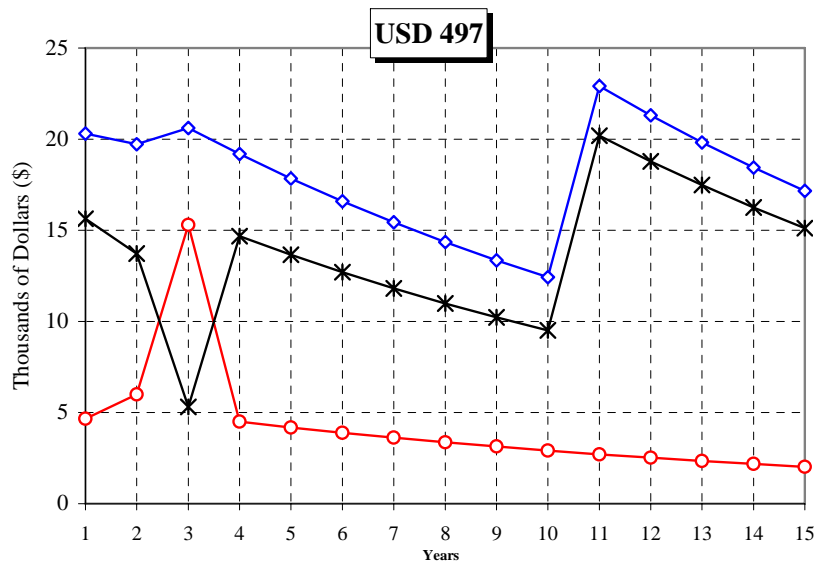
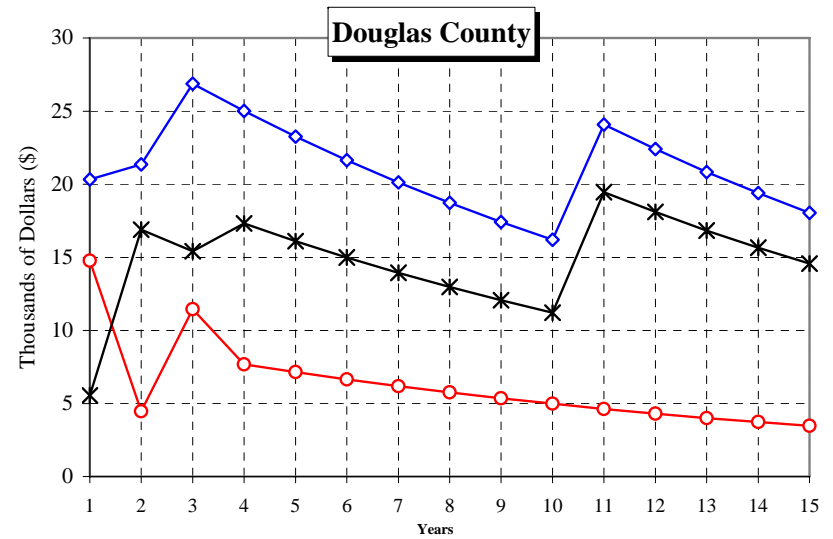
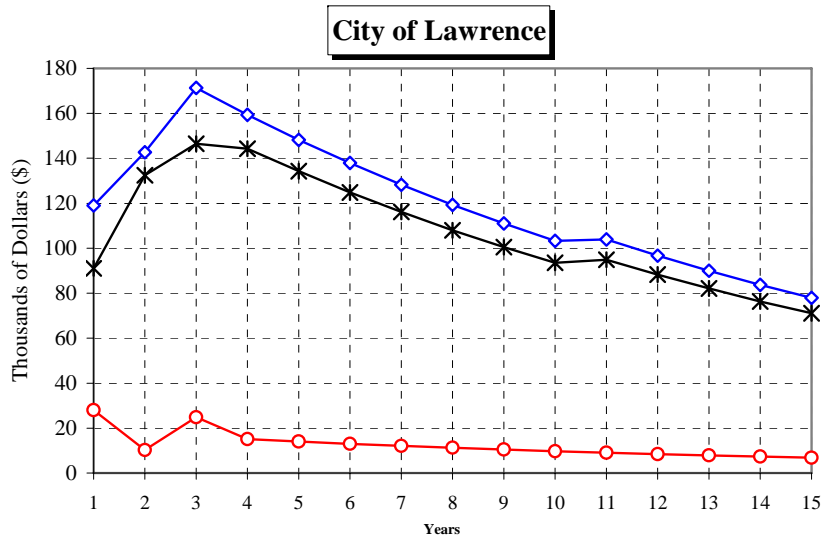
Cost Benefit Ratio: 4.25

PRESENT VALUE OF COSTS AND BENEFITS TO STATE OF KANSAS

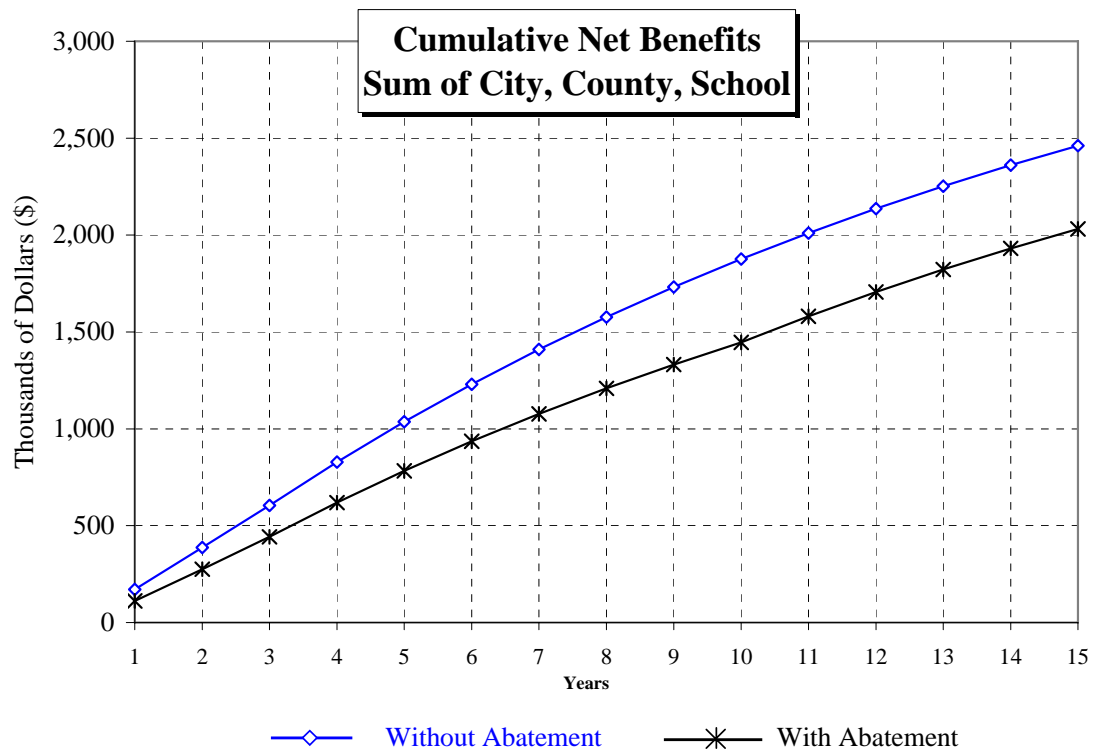
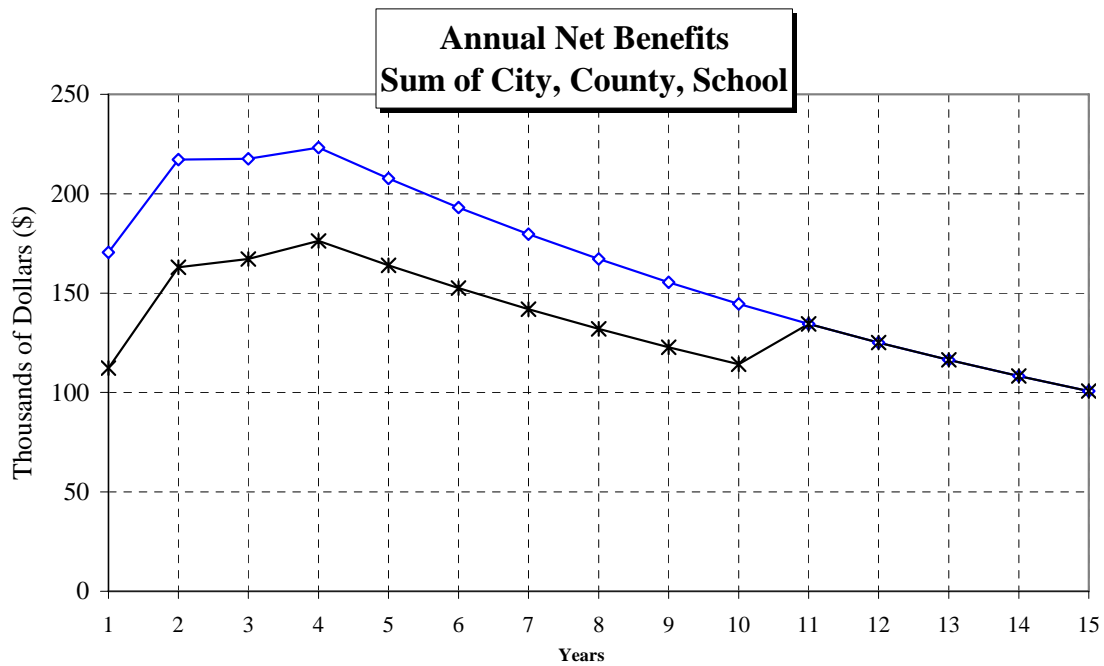
DISCOUNT RATE: 7.5%

YEAR	TOTAL COSTS	TOTAL BENEFIT	Discount Factors 1/(1+disc)^(t-1)	DISCOUNTED COSTS	DISCOUNTED BENEFITS	NET	CUMULATIVE	ABATED TAX			
						BENEFITS B-C	NET BENEFITS	Real estate	Depreciated equipment	Total discounted	
1	2,971	253,307	1.0000	2,971	253,307	250,337	250,337	1	13,303	0	13,303
2	6,448	266,889	0.9302	5,998	248,269	242,271	492,607	2	13,303	0	12,375
3	16,522	314,562	0.8653	14,297	272,201	257,903	750,511	3	13,303	0	11,512
4	16,522	314,562	0.8050	13,300	253,210	239,910	990,421	4	13,303	0	10,708
5	16,522	314,562	0.7488	12,372	235,544	223,172	1,213,593	5	13,303	0	9,961
6	16,522	314,562	0.6966	11,509	219,111	207,602	1,421,195	6	13,303	0	9,266
7	16,522	314,562	0.6480	10,706	203,824	193,118	1,614,313	7	13,303	0	8,620
8	16,522	314,562	0.6028	9,959	189,604	179,645	1,793,958	8	13,303	0	8,019
9	16,522	314,562	0.5607	9,264	176,376	167,111	1,961,069	9	13,303	0	7,459
10	16,522	314,562	0.5216	8,618	164,070	155,453	2,116,522	10	13,303	0	6,939
11	16,522	327,865	0.4852	8,017	159,078	151,062	2,267,584	133,031		0	98,162
12	16,522	327,865	0.4513	7,457	147,980	140,522	2,408,106				
13	16,522	327,865	0.4199	6,937	137,655	130,719	2,538,824				
14	16,522	327,865	0.3906	6,453	128,052	121,599	2,660,423				
15	16,522	327,865	0.3633	6,003	119,118	113,115	2,773,538				
Total	\$224,209	\$4,676,016		TOTAL	\$133,860	\$2,907,398	\$2,773,538				

Cost Benefit Ratio: 21.72



—◇— Discounted Benefits
 —○— Discounted Costs
 —*— Net Benefits



Firm Inputs*

(Data obtained from new firm/project)

A. Firm's Investment				Name of Firm or Project:	
1. Real Estate (not currently on the tax roll)	\$4,500,000	Total: \$7,500,000		API Foils, Inc.	
2. Equipment and Machinery	\$3,000,000			Nature of Business	Type of Project (new or expansion)
B. Percent of assessed valuation abated				Manufacturing	Expansion
1. Real Estate:	55.0%			Date of Analysis:	
2. Equipment:	0.0%			February 15, 2007	
C. Area of Facility in square feet	60,000				
D. Area of Facility and Land in acres	0.0	sq ft = 0			
E. Annual Utility Bills				Year 1	
1. Water / Sewer bill	60,000				
2. Gas	265,000				
3. Electric	325,000				
4. Telephone	15,000				
5. Cable TV	0				
6. TOTAL plant bill for municipal utilities	665,000			Franchise Fee Rates: Effective July 2007	
				Gas	5.00%
				Electricity	5.00%
F. Annual franchise fees on utilities	29,500	from ----->		Cable TV	5.00%
		Percent	Amount		
		Spent	Spent		
G. Annual Firm Operating Expenses	Expense:	Locally	Locally		
1. Professional Services	\$130,000	0.0%	0		
2. Business Services	\$477,000	12.5%	59,625		
3. Facilities Cleaning & Sanitation	\$9,000	0.0%	0		
4. Transportation	\$400,000	0.0%	0		
5. Office Supplies	\$15,000	1.0%	150		
6. Material and Goods	\$6,000,000	1.2%	72,000		
7. Insurance	\$75,000	0.0%	0		
8. Postage	\$0	0.0%	0		
9. Unspecified / Other	\$20,000	70.0%	14,000		
10. TOTAL Annual operating expenses	\$7,126,000		\$145,775		
H. Proportion of Operating Expenses Subject to Sales Taxes	49.49%				
I. Percent of Total Operating Expenses Spent in Lawrence (PCL):	2.0%				
Enter in others if applicable: Eudora	0.0%				
Baldwin	0.0%				
Rest of County	0.0%				
Schedule of New Employees	Number	Average Salary	Total Avg Salaries	Median Fringes	
J. Managerial/Professional					
1. Management	0	0	0	0%	
2. Professional	0	0	0	0%	
3. Other	0	0	0	0%	
Total	0	0	0	0%	average
K. Technical/Production					
1. Professional	1	80,000	80,000	18%	
2. Technical	0	0	0	0%	
3. Production/Assembly	0	0	0	0%	
Total	1	80,000	80,000	18%	average
L. Clerical/Assembly					
1. Clerical	3	30,000	90,000	32%	
2. Production/Assembly	0	0	0	0%	
3. Part-time	0	0	0	0%	
Total	3	30,000	90,000	32%	average
M. Employee Summary			Base Salary	Fringe Benefits	Base Salary
1. Total Managers	0		\$0	0%	>0
2. Total Prof./Tech.	1		\$80,000	18%	
3. Total Prod/Clerical	3		\$30,000	32%	
4. Total New Employment	4				
			\$170,000	Total Salaries	
			\$213,200	Total w/ benefits	
			\$42,500	Avg Salary	
			\$30,000	Lowest Salary (used for Secondary Workers)	
(Adjust federal tax rates below if wages exceed \$80,000)					

* The firm inputs in this table are those in Year 1 of the project. This project also included equipment and employment inputs in years 2 and 3, which are not presented in this table.

Note: The franchise fees utilized in this model are those negotiated to start in July 2007.

Other Employment Inputs

Year 2						
Schedule of New Employees						
		Number	Average Salary	Total Avg Salaries	Median Fringes	
J. Managerial/Professional						
1. Management		0	0	0	0%	
2. Professional		1	45,000	45,000	22%	
3. Other		0	0	0	0%	
	Total	1	45,000	45,000	22%	average
K. Technical/Production						
1. Professional		0	0	0	0%	
2. Technical		0	0	0	0%	
3. Production/Assembly		0	0	0	0%	
	Total	0	0	0	0%	average
L. Clerical/Assembly						
1. Clerical		0	0	0	0%	
2. Production/Assembly		5	30,000	150,000	32%	
3. Part-time		0	0	0	0%	
	Total	5	30,000	150,000	32%	average
M. Employee Summary				Base Salary	Fringe Benefits	Base Salary
1. Total Managers		1		\$45,000	22%	>0
2. Total Prof./Tech.		0		\$0	0%	
3. Total Prod/Clerical		5		\$30,000	32%	
4. Total New Employment		6				
				\$195,000	Total Salaries	
				\$252,900	Total w/ benefits	
(Adjust federal tax rates below if wages exceed \$80,000)				\$32,500	Avg Salary	
				\$30,000	Lowest Salary (used for Secondary Workers)	

Year 3						
Schedule of New Employees						
		Number	Average Salary	Total Avg Salaries	Median Fringes	
J. Managerial/Professional						
1. Management		0	0	0	0%	
2. Professional		2	45,000	90,000	22%	
3. Other		0	0	0	0%	
	Total	2	45,000	90,000	22%	average
K. Technical/Production						
1. Professional		2	45,000	90,000	18%	
2. Technical		0	0	0	0%	
3. Production/Assembly		0	0	0	0%	
	Total	2	45,000	90,000	18%	average
L. Clerical/Assembly						
1. Clerical		0	0	0	0%	
2. Production/Assembly		17	30,000	510,000	32%	
3. Part-time		0	0	0	0%	
	Total	17	30,000	510,000	32%	average
M. Employee Summary				Base Salary	Fringe Benefits	Base Salary
1. Total Managers		2		\$45,000	22%	>0
2. Total Prof./Tech.		2		\$45,000	18%	
3. Total Prod/Clerical		17		\$30,000	32%	
4. Total New Employment		21				
				\$690,000	Total Salaries	
				\$889,200	Total w/ benefits	
(Adjust federal tax rates below if wages exceed \$80,000)				\$32,857	Avg Salary	
				\$30,000	Lowest Salary (used for Secondary Workers)	

Disposable Income Calculations

Salaries, Benefits, Taxes, Unearned Income (in dollars)	LAWRENCE	BALDWIN	EUDORA	Remainder of COUNTY	OUTSIDE COUNTY
A. New firm's Managers / Upper Salary workers					
1. Base Salary	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000
2. Fringe benefits (added)	14,400	14,400	14,400	14,400	14,400
3. Federal Income Tax (subtracted)	8,470	8,470	8,470	8,470	8,470
4. State Income Tax (subtracted)	3,088	3,088	3,088	3,088	3,088
5. Social Security and Medicare (subtracted)	6,120	6,120	6,120	6,120	6,120
6. Property Tax (subtracted)	4,221	4,785	4,342	2,975	4,449
7. Plus unearned income (rent, interest, dividends, etc.)	100	100	100	100	100
B. New firm's Prof/Tech. Staff / Mid salary workers					
1. Base Salary	\$0	\$0	\$0	\$0	\$0
2. Plus Fringe benefits	0	0	0	0	0
3. Federal Income Tax (subtracted)	0	0	0	0	0
4. State Income Tax (subtracted)	0	0	0	0	0
5. Social Security and Medicare (subtracted)	0	0	0	0	0
6. Property Tax (subtracted)	0	0	0	0	0
7. Plus unearned income (rent, interest, dividends, etc.)	0	0	0	0	0
C. New firm's Production/Clerical Workers / Lower salary workers					
1. Base Salary	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
2. Plus Fringe benefits	9,600	9,600	9,600	9,600	9,600
3. Federal Income Tax (subtracted)	1,311	1,311	1,311	1,311	1,311
4. State Income Tax (subtracted)	672	672	672	672	672
5. Social Security and Medicare (subtracted)	2,295	2,295	2,295	2,295	2,295
6. Property Tax (subtracted)	1,583	1,794	1,628	1,116	1,669
7. Plus unearned income (rent, interest, dividends, etc.)	38	38	38	38	38
D. Displaced workers					
1. Base Salary	\$0	\$0	\$0	\$0	\$0
2. Plus Fringe benefits, (12%)	0	0	0	0	0
3. Federal Income Tax (subtracted)	0	0	0	0	0
4. State Income Tax (subtracted)	0	0	0	0	0
5. Social Security and Medicare (subtracted)	0	0	0	0	0
6. Property Tax (subtracted)	0	0	0	0	0
7. Plus unearned income (rent, interest, dividends, etc.)	0	0	0	0	0
E. Long-term vacated jobs and/or long-term unemployed getting a new job in new company					
1. Base Salary	\$0	\$0	\$0	\$0	\$0
2. Plus Fringe benefits, (12%)	0	0	0	0	0
3. Federal Income Tax (subtracted)	0	0	0	0	0
4. State Income Tax (subtracted)	0	0	0	0	0
5. Social Security and Medicare (subtracted)	0	0	0	0	0
6. Property Tax (subtracted)	0	0	0	0	0
7. Plus unearned income (rent, interest, dividends, etc.)	0	0	0	0	0
F. Social Security Rates					
1. Social Security Tax:	6.20%				
2. Social Security Income Cap:	97,500				
3. Medicare	1.45%				
G. Estimated average Federal tax rates on taxable income:					
\$60,000-80,000	17.9%	Appendix 1	Federal Deduction:	10,300	
\$40,000-60,000	16.0%		Federal Exemptions:	7,821	
\$20,000-40,000	13.7%		Total:	18,121	
below \$20,000	11.0%				
H. Estimated average State tax rates on taxable income:					
\$60,000-80,000	5.5%	Appendix 1	State Deduction:	6,000	
\$40,000-60,000	5.1%		State Exemptions:	5,333	
\$20,000-40,000	4.4%		Total:	11,333	
below \$20,000	3.6%				
I. Estimated Annual Property Tax as Percentage of Annual Income					
Lawrence	Baldwin	Eudora	Remainder of County	Outside County	
Managers:	5.28%	5.98%	5.43%	3.72%	5.56%
Prof/Tech:	0.00%	0.00%	0.00%	0.00%	0.00%
Production:	5.28%	5.98%	5.43%	3.72%	5.56%

Demographic Impact

(Data generated through employee surveys)

A. Living Patterns of new Employees		(average distribution according to Survey, Table 1)				
New workers distributed so that 22.5% commute, 61.9% live in Lawrence, 15.6% live outside Lawrence city limits.						
Distribution breakdown		61.9%	5.2%	5.2%	5.2%	22.5%
1. New firm's Manager		0.6	0.1	0.1	0.1	0.2
2. New firm's Professional / Technical staff		0.0	0.0	0.0	0.0	0.0
3. New firm's Prod/Clerical Workers		1.9	0.2	0.2	0.2	0.7
	Lawrence Total: 2.5			In County Total: 3.1		Grand Total: 4
B. Percentage of New workers migrating in						
1. Manager(s) migrating in	100.0%	100.0%	100.0%	100.0%	0.0%	100
2. Professional / Technical migrating in	50.4%	50.4%	50.4%	50.4%	0.0%	50.4
3. Prod/Clerical Workers migrating in	14.5%	14.5%	14.5%	14.5%	0.0%	14.5
4. Secondary worker/resident migration ratio	14.5%	14.5%	14.5%	14.5%	14.5%	14.5
C. Percentage of job changers within Douglas Co.						
1. Managers	0.0%					
2. Professional / Technical employees	53.9%					
3. Production / Clerical	62.2%					
D. Living Patterns of former Workforce						
1. Number of displaced workers	0	0	0	0	0	
2. Actual jobs vacated (enter if known)	0	0	0	0	0	
3. Maximum number of vacated jobs	1.2	0.1	0.1	0.1	0.1	0.4

Consumer and Plant Spending Inputs

Place of Spending	Place of Residence			DOUGLAS COUNTY OTHER	OUTSIDE DOUGLAS COUNTY
	LAWRENCE	BALDWIN	EUDORA		
A. Spending Patterns of Employees					
1. Lawrence	58%	50%	50%	50%	5%
2. Baldwin	1%	10%	0%	0%	0%
3. Eudora	1%	0%	10%	0%	0%
4. In rest of county	0%	0%	0%	0%	0%
B. Proportion of employees' disposable income spent in county which eventually becomes personal income to other residents (PSY)	BY DEFAULT			35%	
C. Proportion of employees' disposable income subject to LOCAL sales tax (City & County Tax)	BY DEFAULT			47%	
D. Proportion of plant operating budget spent in county which eventually becomes personal income locally (PSY)	BY DEFAULT			35%	
	Implied income multiplier:			1.255	

Lawrence Government Inputs

	LAWRENCE	BALDWIN	EUDORA	DOUGLAS COUNTY	
A. Property tax mill levy	26.358	32.371	21.182	30.013	
B. City and County option sales tax rate	1.0%	1.0%	1.0%	1.0%	
C. Residential assessment ratio	11.5%	11.5%	11.5%	11.5%	
D. Industrial assessment ratio, real estate	25%	25%	25%	25%	
E. Industrial assessment ratio, equipment	0%	0%	0%	0%	
F. City Share of County Sales Tax Revenues	59.0%	2.64%	3.13%	34.88%	
G1. Percent of Gross Income allocated to housing:	29.00%				
G2. Current Home Mortgage Rate	6.15%				
G3. Value of Purchased Homes					
A. Manager	\$317,341	\$317,341	\$317,341	\$317,341	
B. Professional/Technical	\$0	\$0	\$0	\$0	
C. Production/Clerical Workers	\$119,003	\$119,003	\$119,003	\$119,003	
D. Secondary Workers	\$119,003	\$119,003	\$119,003	\$119,003	
CITY INPUTS					
H. City population	88,664				
I. Existing city housing units	42,860				
J. Acres of Commercial Property in Lawrence	3,165				
	Lawrence	Baldwin	Eudora	Rest of County	County Total
NEW HOUSING UNITS					
1. Adjustment Factors for Housing	95%				
2. New housing units (Mgr)	0.59	0.05	0.05	0.05	
3. New housing units (Prof/Tech)	0.00	0.00	0.00	0.00	
4. New housing units (Prod/Clerical)	0.26	0.02	0.02	0.02	
5. New housing units: Secondary workers	0.41	0.03	0.03	0.03	1.57
Lawrence Total	1.26				
6. Persons per household - average Douglas County	2.37				
7. New residents expected from FIRM	2.11	0.18	0.18	0.18	2.6
8. Employment Multiplier	2.21	1.12	1.12	1.00	
9. New Residents Expected with Multiplier	3.14	0.18	0.18	0.18	3.67
10. Total New Employment with Multiplier	5.47	0.23	0.23	0.21	6.1

Lawrence Revenues and Expenditures

REVENUES AND EXPENDITURES FROM NEW RESIDENTS

A. Per Capita Revenue	\$344
B. Capital Cost (per housing unit)	794
C. Per Capita Operating Expenditures	480

RESIDENTIAL UTILITY REVENUES:

D. Annual Utility Bill (per housing unit)		
1. Average Water and Sewer Utility Bill (per housing unit)	\$660	
2. Franchise fees (per housing unit)	104	From: Average Annual Utility Bill per Household
		A. Gas: \$961
		B. Electricity: \$621
		C. Cable: \$503

RESIDENTIAL UTILITY EXPENDITURES

E. Capital Costs	1,602	
Per housing unit		
F. Operating Expenditures	20,554,399	Lawrence Budget
Per housing unit	480	

PLANT RELATED EXPENDITURES

A. Capital Costs		
(including roads, fire, police and other)	16,023	
B. Operating Expenditures		
(based on the average of costs per employee and	626	Cost per Employee: 313
costs per 100,000 square feet of facility and land area)		Costs per 100,000 sq.ft. total land area: 11092

PLANT RELATED UTILITY EXPENDITURES

C. Capital Costs	5,000
D. Operating Expenditures	1,000
(35,000 wage earners assumed)	

PLANT RELATED REVENUES

E. General Plant Revenues	624	Revenues per Employee: 312
(based on the average of revenues per employee and		Revenues per 100,000 sq.ft. total land area: 11066
revenues per 100,000 square feet of facility and land area)		
F. Payment in lieu of taxes (if applicable) / other revenues	0	

Douglas County Government, Revenues, and Expenditures

		Douglas County	
GENERAL INFORMATION			
A. Residential Property tax mill levy		30.013	
B. County option sales tax rate		1.0%	
C. County population		111,519	
D. Number of existing housing units		9,580	
E. Acres of Commercial Property		365	
REVENUES AND EXPENDITURES FROM NEW RESIDENTS:			
F. Per Capita Revenue (exclude property & sales tax)		\$216	
G. Capital Costs (per housing unit)		\$708	
H. Per Capita Operating Expenditures		\$306	
PLANT RELATED EXPENDITURES			
I. Capital Costs		\$12,111	
J. Operating Expenditures (based on the average of costs per employee and costs per 100,000 square feet of facility and land area)		\$363	Cost per Employee: 182 Costs per 100,000 sq.ft. total land area: 69430
PLANT RELATED REVENUES			
K. General Plant Revenues (based on the average of revenues per employee and revenues per 100,000 square feet of facility and land area)		\$397	Revenues per Employee: 198 Revenues per 100,000 sq.ft. total land area: 75804
L. Payment in lieu of taxes (if applicable) / other revenues		0	
M. New housing units expected within county		1.6	
N. Total value of new housing units (sum of all in-county communities)		\$333,274	
O. New Residents (in-migrants) expected		3.7	

School District Inputs

	USD 497 Lawrence	USD 348 Baldwin	USD 491 Eudora
ESTIMATE UNDER SCHOOL FINANCE PLAN			
A. Total Mill Levies for each district	57.804	67.234	66.273
1. Minus Statewide Mill Levies (20 mills school finance)	20.00	20.00	20.00
2. Equals District Mill Levies	37.80	47.23	46.27
B. NEW HOUSING UNITS IN EACH SCHOOL DISTRICT			
1. Number of new housing units (manager)	0.59	0.05	0.05
2. Number of new housing units (pro/tech)	0.00	0.00	0.00
3. Number of new housing units(prod/clerical)	0.26	0.02	0.02
4. Number of new housing units: Secondary workers	0.41	0.03	0.03
sum:	1.26	0.11	0.11
C. RATIO OF NEW SCHOOL-CHILDREN FROM IN-MIGRANTS (per working household member)			
1. Ratio per new working household member in 1990	0.353	0.353	0.353
2. Ratio per new working household member five years later	0.559	0.559	0.559
3. Ratio per new working household member (AVG 1990,1995)	0.456	0.456	0.456
D. NUMBER OF NEW SCHOOL CHILDREN DUE TO IN-MIGRANTS			
1. Number of School Children (manager)	0.60	0.04	0.04
2. Number of School Children (pro/tech)	0.28	0.02	0.02
3. Number of School Children (prod/clerical)	0.00	0.00	0.00
4. Number of School Kids: Secondary workers	0.12	0.01	0.01
	0.20	0.00	0.00
Employment multiplier	2.21	1.12	1.12
OPERATING EXPENDITURES AND CAPITAL COSTS			
E. Annual Basic State Aid Per Pupil	\$4,257		
F. Annual operating cost per pupil in excess of state funding	From K.S.A. 72-6410		
G. Annualized capital cost per pupil (replacement value)	1,689	1,687	1,764
H. Annualized capital outlay cost per pupil	5,000	5,000	5,000
(average Capital Outlay divided by average FTE)	1,036	449	745
1. Capital Outlay	11,000,000	645,936	1,022,381
2. Full Time Enrollment	10,622	1,439	1,373
I. Payment in lieu of taxes (if applicable) / other revenues	0		

This section is part of the school calculation:	State	USD 497 Lawrence	USD 348 Baldwin	USD 491 Eudora
J. 75th Percentile of Statewide AVPP	\$74,120			
K. Local Option Budget (LOB)	millions	17.945	2.427	2.422
L. Assessed Valuation of Districts	millions	894.0	66.3	50.8
M. Assessed Valuation per Pupil (AVPP)		\$84,167	\$46,076	\$36,969
N. Supplemental State Aid	millions	0.000	0.918	1.214
O. New Assessed Valuation per Pupil due to new children		\$84,162	\$46,075	\$36,968
P. New Supplemental State Aid due to new children	millions	0.000	0.918	1.214
Q. Additional Supplemental State Aid due to new children		\$0	\$37	\$31
R. State Median AVPP (School year 2001-02)		51,010	51,010	51,010
S. Bond & Interest Payment		10,888,303	1,147,738	1,792,551
Basic Percentage Factor: 25%				
T. State Aid Percentage Factor*		0.00%	29.93%	39.04%
U. State Capital Improvement Aid Amount		0	343,559	699,829
V. New State Aid Percentage Factor due to new children		0.00%	29.93%	39.04%
W. New State Capital Improvement Aid Amount		0	343,572	699,846
X. Additional Aid Amount Due to New Children		\$0	\$13	\$17

* Basic Percentage Factor is 5% for bonds issued prior to July 92
 * Basic Percentage Factor is 25% for bonds issued after July 92

State Government Inputs

A. Income Tax from Primary Workers (Year 1)			
	Management	Professional/ Technical	Assembly/ Clerical
1. Number of employees	1	0	3
2. Average Income	\$80,000	\$0	\$30,000
3. Income Tax per Worker (from 1SectionII.A, B, C)	\$3,088	\$0	\$672
4. Total Income Taxes from Primary Workers	\$5,102		
B. Income Tax from Secondary Income from Employee Spending			
1. State Income Multiplier:	1.25		
2. Total Secondary Income from Primary Employees	\$43,300		
3. Total State Income Tax from Secondary Income	\$1,558		
C. Total income tax from Primary and Secondary worker spending	\$6,660		
D. Secondary Income from Plant Spending			
1. Percent of Firm Spending that Becomes In-State Income	35.0%		
2. Total Annual Firm Spending (operating expenditures)	\$7,126,000		
3. Firm Spending that Becomes In-State Income	\$2,494,100		
4. Plus Secondary Income	\$3,129,360		
5. Total income tax from income created by plant spending:	\$112,579		
			Combined Total
PROPERTY TAXES			
E. State Mill Levies			21.5 mills
1. State Universal Mill Levy: 'School Finance Fund'	20.00 mills		
2. State Capital Improvement Levy: 'Education Building Fund'	1.5 mills		
F. State Assessment Ratios			
1. Industrial Assessment Ratio, Real Estate	25.0%		
2. Industrial Assessment Ratio, Equipment	0.0%		
3. Residential Assessment Ratio	11.5%		
G. Property Taxes on New Homes			
1. Total value of new homes purchased by workers:	\$333,274		
2. Amount of home value exempt from State property tax:	\$20,000		
3. Property tax exemption for residential home-owners	\$46		
H. SALES TAXES			
1. State sales tax rate	5.30%		
2. Disposable Primary Income from plant employees	173,931		
3. Proportion of disposable income subject to sales tax	47.0%		
4. Total personal income including secondary income	217,231		
5. Amount of disposable personal income subject to sales tax	102,098		
6. Sales Tax Revenues from workers/residents	5,411		
7. Taxable business purchases	72,150		
8. Plant purchases of taxable utilities	665,000		
9. Taxable Secondary income created from plant spending	1,470,799		
10. Sales Tax Revenues from Plant spending	117,021		
I. EDUCATION COSTS			
1. Total cost for basic state aid	2,872	# new school children x basic state aid	
2. Supplemental state aid	99		
3. Total cost for Schools	2,971		