Economic Development Policies

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Overview of Presentation

- Purpose and Background
- Overarching Policy
- Tax Abatement Policy (and ED Boards)
- Benefit-Cost Model
- Key Discussion Items

Purpose of Tonight's Presentation

- To seek comment and feedback on key outstanding issues with regard to new economic development policies and the benefit-cost model.

Key Items for Discussion

- Process for Overarching Policy
- Quantifying "Substantial Compliance"
- Requirements for tax abatements
- Penalties and Fees
- Role of Boards in economic development
- Output from the benefit-cost model

Background

- Origins in late 2007 and early 2008
- TIF and TDD drafts in April, adopted in August
- Next steps: benefit-cost model and additional economic development policies

Methodology for Policies

- Review existing City policy if available
- Conduct “best practice” analysis of peer communities
  - Includes review of policies and meeting with staff when appropriate
- Draft policy and provide opportunity for comment
- Incorporate feedback into final policy

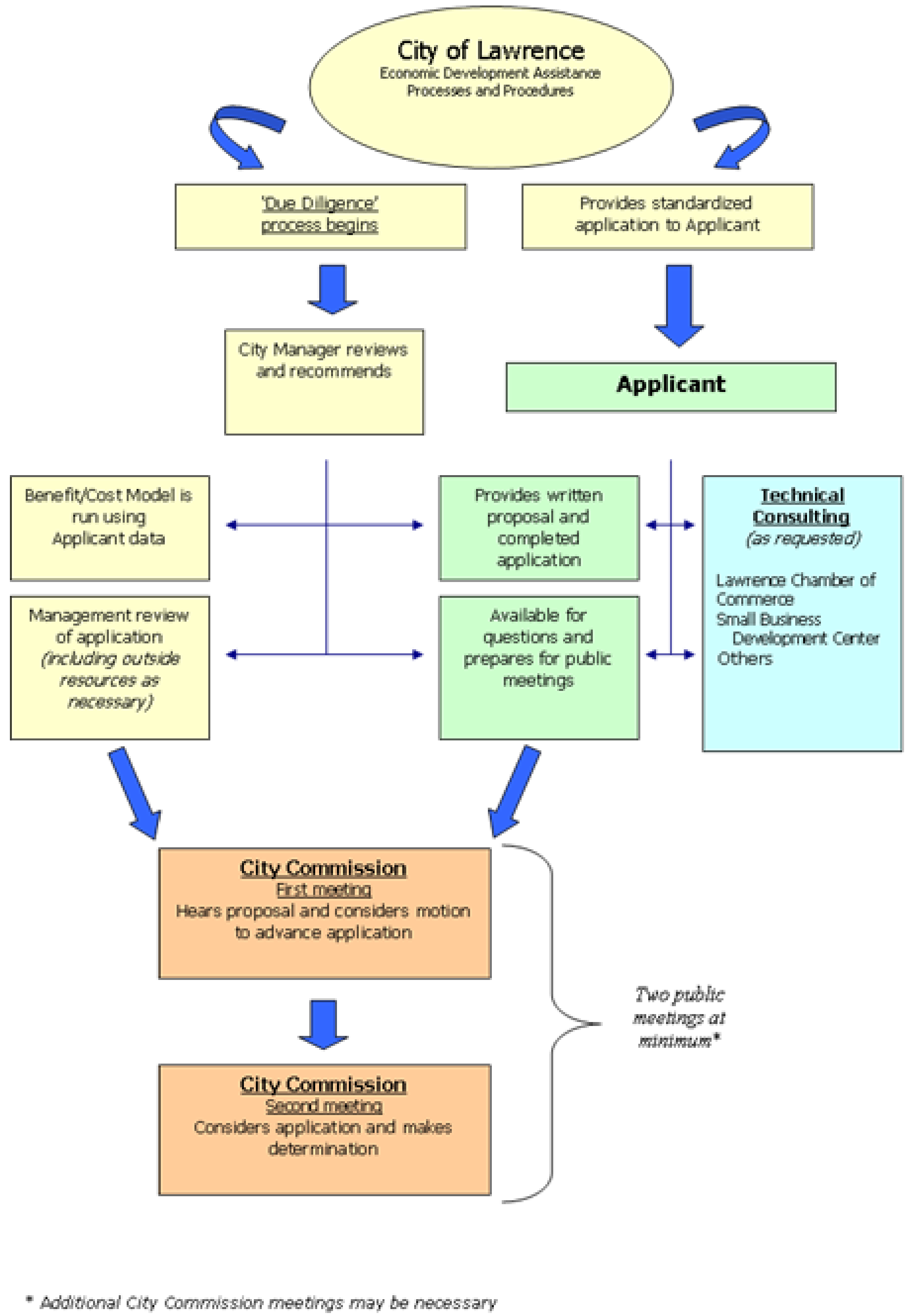
“Overarching” Economic Development Policy

- Purpose is to provide a consistent process and procedure for cash or cashlike incentives not governed by state law.
  - Example of cashlike incentives: loans, grants, private infrastructure requests
  - Not meant as a substitution where state law governs incentives

“Overarching” Economic Development Policy (Cont’d)

- Key features:
  - Objectives matched to Horizons 2020
  - Potential incentives governed
  - Application procedures
  - Analytic requirements where appropriate
  - Accountability

Two Meetings in Application Procedure:



“Substantial Compliance”

- Performance agreement sets annual jobs, wage, capital investment, and other targets (ie health care)
- Performance average, quantified, and evaluated:

% compliance with annual target	Amount of incentive to be received
90-100%	100%
80-89%	85%
70-79%	75%
Below 70%	No incentive

Tax Abatement Policy

- First enacted in 1991
- Updated in 2001 to include a benefit-cost ratio target, PIRC, performance agreements
- Update in 2003 to include wage and health requirements

Requirements for Tax Abatements

- Defining the size of businesses
  - Should they only be applied to small and medium businesses?
  - What is meant by “big”?
- Environmental policies
  - How to properly incorporate concerns for sustainability?

Abatement Penalties and Fees

- Annual charges currently higher than what other communities charge

- Penalties may be duplicative if governed by “Substantial compliance” provision

Economic Development Boards

- Economic Development Board
  - Hasn’t met in over a year
- PIRC
  - Currently provides an annual compliance rule for abatements
  - Meets about once a year, in part due to a lack of abatements recently
- Role of both boards going forward?

Benefit-Cost Model

- Previously used KU to run analysis
- Model needed to be updated
- Desire to bring analysis in-house
  - Fewer variables
  - Easier to test multiple scenarios

Key Features

- Model looks at costs and benefits that accrue to taxing jurisdictions only
- Not meant to account for such things as environmental impact, improved job market, etc.

Costs and Revenues

- Revenues: property taxes, sales taxes, transfers to school district, franchise fees, ancillary fees, income and corporate income taxes (for the state of Kansas)
- Costs: transfers to school district (for the State), infrastructure, operating costs, interest on debt

Output

- Key Feature is Output
- Sample available in agenda packet
- Discussion: additional variables that you would like to see?

Discussion

Discussion: Overarching Policy

- Number of meetings for incentives
- Definition of “Substantial Compliance”

Discussion: Tax Abatements

- Size of business and environmental soundness
- Penalties and fees
- Portions of overarching policy that will govern abatements
- Role of PIRC and Economic Development Board

Discussion: Benefit-Cost Model

- Output
- Additional items