



2015 City of Lawrence, Kansas

Annual Report: Economic Development Support & Compliance

City Commission, County Commission, PIRC, JEDC



Overview

- ▶ Annual ED report covers public assistance provided to aid economic and community development efforts:
 - Project
 - Assistance provided
 - Applicable compliance performance measures
- ▶ Continually evolving
 - County participation
 - Expired programs
 - Investment data



Community Support

- ▶ Pay-As-You-Go (PAYGO) Programs
 - Tax Abatements & IRBs
 - NRA
 - TIF
 - TDD
- ▶ Direct Support
 - ED Services
 - Relocation
 - Infrastructure
 - Historic Rehab
 - Workforce Development
 - Small Business Assistance



Property Tax Abatements

2015 Property Tax Abatements		
Company	Abatement %	Expires
Amarr	55% personal property	2019
Screen-It Graphics/Grandstand	65% on real property	2021
Rock Chalk Park	100% on real property	2023
Sunlite Science & Technology, Inc.	50% on real property	2023



Property Tax Abatements

- ❖ All companies with active tax abatements met substantial compliance measures for 2015
- ❖ Tax abatement companies substantially outperformed projections for the year:

Real Property Investment:	↑ 52%	(\$5.9+M projected, \$9+M delivered)
Personal Property Investment:	↑ 3%	(\$9.4M projected, \$9.7M delivered)
Full-Time Employment:	↑ 174%	(129 projected, 354 created)
Company Wages:	↑ 20%	(\$31,526 projected, \$37,760 delivered)
Co. Wages vs. Average Private-Sector Wage:	↑ \$7,055	(\$37,760 vs. \$30,705 average private community wage)
Co. Wages vs. 2015 Wage Floor:	↑ \$11,635	(\$37,760 vs. \$26,125 Wage Floor 2015 Rate)



Property Tax Abatements

2015 Tax Generation (on portion of property receiving an abatement)			
Company & Abatement %	Total Tax Potential	Abated Tax Amount	Taxes Paid (or to be paid) by Property Owner
Amarr Garage Doors, Inc.			
Personal (55%)**	\$159,558	\$28,593	\$130,853
Grandstand/Screen-It Graphics			
Real (65%)	\$152,958	\$99,422	\$53,536
Sunlite Science & Technology			
Real (50%)	\$42,363	\$21,182	\$21,181
Total	\$354,879	\$149,197	\$205,570

Source: Douglas County



Property Tax Abatements

2015 Local Expenditures & Outside Sales

Company	Expenditures Spent Within Lawrence	Sales Generated Outside Lawrence
Amarr Garage Doors Inc.	5%	99%
Grandstand/Screen-It Graphics	4%	99%
Sunlite Science & Technology	9%	99%



Industrial Revenue Bonds (IRB)

Conduit financing mechanism used in association with a property tax abatement or to obtain a sales tax exemption on project construction materials (aka stand-alone IRB)

- ❖ No liability on part of City to purchase or pay back bonds
- ❖ No obligation on the part of the city to finance the project.
- ❖ # 2015 IRBs authorized: 7
- ❖ Stand-Alone IRBs (no tax abatement): 4



Industrial Revenue Bonds (IRB)

2015 Industrial Revenue Bonds (IRB)			
IRB	Amount Authorized	Year Matures	Project
Bowersock: Series 2011B & 2011C	\$27,000,000	2037	Hydro-Electric Facility
PROSOCO, Inc: Series 1998A (\$5,800,000) & Series 1998B	\$8,040,000	2019	Manufacturing Facility
9th & New Hampshire LLC: Series 2012 (9th & New Hampshire South	\$17,250,000	2015	Mixed Use Hotel (900 New Hampshire Street: South Project)
Rock Chalk Park	\$40,000,000	2023	Commercial Recreational Facility
1101/1115 Indiana Street	\$76,000,000	2017	Mixed-Use, Retail and Student Housing
100 East 9th Street LLC: Series 2015 (9th & New Hampshire North Project)	\$23,000,000	2015	Mixed-Use Commercial/Residential
Dwayne Peaslee Technical Training Center, Inc.: Series 2015	\$1,600,000	2015	Technical Training Center
Eldridge Expansion (705 Massachusetts Street)	\$12,500,000	n/a	Hotel Expansion

=Stand-Alone IRB



IRB Sales Tax Exemption Savings (est.)

Stand-Alone IRB: Sales Tax Exemption Values (est.)								
Project	Estimated Completion	Materials Expense	1.55% City	Countywide 1% (July 2015 Rates)			6.50% State	Total Est Amount
				0.00574847	0.00360074	0.00065079		
				City Portion	County Portion	Other Jurisdictions		
1101/1115 Indiana Street	2017	\$27,616,342	\$428,053	\$158,752	\$99,439	\$2,277	\$1,795,062	\$2,483,584
900 New Hampshire: South	2015	\$6,900,000	\$106,950	\$39,664	\$24,845	\$2,277	\$448,500	\$622,237
900 New Hampshire: North	2016	\$12,958,077	\$200,850	\$74,489	\$46,659	\$2,277	\$842,275	\$1,166,550
Peaslee Tech	2015	\$3,200,000	\$49,600	\$18,395	\$11,522	\$2,277	\$208,000	\$289,795
705 Massachusetts Street	2017	\$5,067,700	\$78,549	\$29,132	\$18,247	\$2,277	\$329,401	\$457,606
800 New Hampshire	2017	\$3,498,982	\$54,234	\$20,114	\$12,599	\$2,277	\$227,434	\$316,658
Pioneer Ridge	2016	\$5,416,977	\$83,963	\$31,139	\$19,505	\$2,277	\$352,104	\$488,988
Total City: Projects Completed in 2015			\$156,550	\$58,060				\$214,610
Total County: Projects Completed in 2015								\$36,367
Total State: Projects Completed in 2015								\$656,500
Total 2015:								\$907,477



Neighborhood Revitalization Areas (NRA)

Property tax rebate given as a percentage of the incremental increase in property value, resulting from improvements

- ❖ Incremental Increase in property value, due to improvements, is subject to NRA
- ❖ Base property value is shielded from NRA rebate
- ❖ City, County, and USD each decide their participation
- ❖ # NRA 2015 rebates provided: 3
- ❖ 2015 Total NRA Distributions: \$69,705
- ❖ NRA property taxes up 10.5% in 2015 (8.7% for all rebated years)



Neighborhood Revitalization Areas (NRA)

2015 Neighborhood Revitalization Areas (NRA)				
NRA	Project	% Rebate	Duration	First NRA Tax Year
8th and Pennsylvania District	(720 E 9th Street)(2)	95%	Based on amount rebated (1)	2011
1040 Vermont	Treanor Architect's Headquarters	Declining, 2015 = 95%	10 years	2013
810/812 Pennsylvania	Cider Building Art Gallery	95%	10 years	2014
1106 Rhode Island	Hernly Architect's Office	85%	10 years	2016
1101/1115 Indiana	Mixed-Use, Student Housing	85%	10 years	2017
900 Delaware	9 Del Lofts	95%	15 years	2016
705 Massachusetts Street	Eldridge Hotel expansion	85%	15 years	2017

= Received Rebate in 2015



Tax Increment Financing (TIF)

Pledges future gains in sales and/or property taxes generated within the district, to finance improvements which will result in those tax gains.

- ❖ Incremental Increase in property value, due to improvements, is subject to TIF
- ❖ Base property value is shielded from TIF reimbursement
- ❖ Used to reduce the higher costs associated with redevelopment in blighted or challenging development areas
- ❖ # Active TIF Districts: 3
- ❖ 2015 Total TIF Distributions: \$553,056



Tax Increment Financing (TIF)

2015 Tax Increment Financing (TIF)			
TIF	Established	Expires	Eligible Expenses
Downtown 2000 Redevelopment <i>(Original 9th and New Hampshire)</i>	Aug. 1999	April 2020	\$8,645,000
The Oread	Feb. 2008	April 2028	\$11,000,000
9th & New Hampshire: South Project	Aug. 2012	May 2032	\$4,000,000
9th & New Hampshire: North Project		April 2034	\$4,750,000



Transportation Development District (TDD)

A special taxing district in which a transportation sales tax or special property assessment tax is charged

- ❖ Promotes economic development by encouraging quality, transportation-related infrastructure that benefits a development and the public
- ❖ # Active TDDs: 3
- ❖ TDD Tax Rate: 1%
- ❖ 2015 Total TDD Distributions: \$209,410



Transportation Development District (TDD)

2015 Transportation Development District (TDD)

TDD	Starts	Expires	Eligible Expenses
The Oread	Oct. 2009	Oct. 2031	\$11,000,000
Free-State (Bauer Farms)	April 2009	April 2031	\$5,000,000
9th & New Hampshire	Jan. 2015	Jan. 2037	\$3,000,000



Direct Support Programs

2015 Direct Support Programs	
Program	Description
Operations & Fixed Assets	BTBC
Economic Development Services	EDC, KU-SBDC
Neighborhood Infrastructure/Improvements	9 Del Lofts
Shared Infrastructure, Development/Permit Fee Rebates	Rock Chalk Park*
Development Grant	1106 Rhode Island Street
Relocation Assistance	Integrated Animal Health
Workforce Training: Development Grants & Loans	Peaslee Tech Remodel
Workforce Training: Operations	Peaslee Tech Operations
Business Expansion	PROSOCO
Affordable Housing	Cedarwood Sr. Cottages



Support Information

- ▶ Appendix A: Regulating Documents
- ▶ Appendix B: Historical Assistance & Investment Data

Summary: Reimbursement by Year					
Incentive Program	2011 Tax Year	2012 Tax Year	2013 Tax Year	2014 Tax Year	2015 Tax Year
Tax Abatement	\$66,248	\$184,224	\$159,464	\$181,318	\$149,197
NRA	\$12,515	\$11,982	\$38,975	\$65,090	\$69,705
TIF (property and sales tax)	\$626,882	\$515,284	\$480,458	\$460,457	\$553,056
TDD (sales tax)	\$156,334	\$196,516	\$182,282	\$182,177	\$209,410
Total	\$861,979	\$908,006	\$861,179	\$889,042	\$981,368

Source: City of Lawrence, Kansas

- ❖ In 2015, for every \$1 in public sector assistance given to PAYGO projects, \$5.61 in private sector capital investment was realized.



Support Information

- ▶ Appendix C: Expired Programs
 - ❖ Prosoco Tax Abatement—Property fully on tax rolls in 2015.

Prosoco Performance At Tax Abatement Expiration			
PROSOCO, Inc.	Projected	Actual	Comparison (Projected to Actual)
Real Property Investment	\$2,348,000	\$2,397,288	102%
Personal Property Investment	\$260,000	\$662,312	255%
Full-Time Employees	50	69	138%
Average Wages (2014 Dollars)	\$29,937	\$50,309	168%

Prosoco: Public Return on Private Capital Investment (Total over 10-year Incentive Period)	
Public Assistance:	\$361,325
Private Investment:	\$3,059,600
Private Investment for each Dollar of Public Assistance:	\$8.47



Support Information

- ▶ Appendix D: County-Specific Programs
 - ❖ Support for Barry Plastics
- ▶ Appendix E: Supplemental Information



Review & Recommendations

- ▶ PIRC & JEDC:
 - On May 2, 2016, JEDC voted to accept the report and recommend the report be accepted by the City Commission. The motion passed unanimously.
 - On May 17, 2016, PIRC unanimously passed a motion to recommend the report to the City and County Commissions.

- ▶ County Commission:
 - The County Commission met and reviewed the report on May 18, 2016. The County Commission accepted the report and asked for minor additions in next year's version of the report.



Requested Actions

- ▶ City Commissions:
 - ❖ Accept PIRC and JEDC Recommendations
 - ❖ Vote to accept the Report, if appropriate



Thank you!

