# May 2016 Minutes

Joint Economic Development Council Meeting
Monday, May 2, 2016
The Chamber Conference room
The Chamber Office

Members in Attendance: **Melinda Henderson, Larry McElwain, Cal Karlin, Mike Orozco, Mike Gaughan, Rebecca Gaston, Barack Matite**

Ex Officio: **Bonnie Lowe**, **Craig Weinaug, Tom Markus**

Also in Attendance: **Britt Crum-Cano, Brady Pollington, Lindsey Slater, Nikki Wentling, Logan Isaman**

The meeting was called to order at 3:01 p.m. by Larry McElwain.

Review and consideration of approval of Quarter 2 (April 2016) minutes.
Correction by Melinda: last bullet, three entities involved in funding the partnership - city, county, Chamber. Please list all three.
Addition to clarify approval: The JEDC reached the number of votes needed via email after the meeting.

*With changes, Cal Karlin moves and Mike Orozco seconds a motion to approve the second quarter minutes. The motion passes unanimously.*

2015 Economic Development Report - Britt Crum-Cano

- We do the report every year. It used to be just property tax abatements, but I wanted to put everything in the report and for it to act more like a record for each year. That way we can look back as a reference and to see how things are working.
- This year, county participation has been added. It also includes additions like expired programs (Prosoco) and investment data.
- Pay as you go vs direct support programs distinction. Major ED programs are pay as you go, but they don't have to be. Pay as you go reduces risk. The property owner and developer puts money up front and the project has to generate revenue to get a portion of those back. City doesn't put money up front for those projects. If they don't perform, they don't get it.
- 2015 property tax abatements: Amarr (personal), Grandstand, Rock Chalk Park, Sunlite Science and Technology (real property).
- Rock Chalk Park is an anomaly, it was more to help support KU.

- Companies with abatements to create jobs and investment have been successful. All companies with active tax abatements met substantial compliance measures for 2015. 354 jobs were created, which is a 174 percent increase. Wages are higher than most companies and are above the wage floor.
- None of the companies are getting a 100 percent abatement, so they still do pay a portion of taxes on their properties. About $205,000 in taxes paid.
- IRBs can be used to get a tax abatement or as a stand-alone to get sales tax exemption on construction materials. An IRB has no liability on the part of the city. 7 were authorized, 4 as a stand-alone with no tax abatement.
- IRBs were used for a variety of projects. Hard to figure out sales tax because it's a program of the state. Sales tax exemption is through entire construction period, so it's hard to tell each year.
- NRAs are a revitalization tool to bring areas back to life that may be distressed or underperforming. It's a popular tool — 3 companies with rebates in 2015. Several more got authorized but are not yet eligible for the rebate. Total in 2015 about $70,000. Base value of the property is shielded, it's only a rebate on incremental increase in property value due to improvements.
- NRA property taxes up 10.5 percent in 2015.
- TIF - pledges future gains in sales and/or property taxes generated within the district. It's on the incremental increase in property value. Base value shielded just like with NRA. There are 3 active TIF districts.
- TDD - 3 active districts, charges extra 1 percent sales tax and that money goes toward transportation related reimbursements. Ex: 9th and New Hampshire South Project (underground parking built under hotel).
- TDD and TIF are for very specific types of expenses. Regulated by the state. TDD is transportation, TIF also has to be for public improvements.
- Direct Support — city and the county come up with dollars to support things that they feel are valuable. Examples: BTBC, EDC, Rock Chalk Park, Peaslee Tech, Integrated Animal Health, etc. We have a wide variety of programs going on.
- After the report is approved by Lawrence City Commissioners, it will be online.
- In 2015, every $1 in public sector assistance given to PAYGO projects lead to $5.61 in private sector capital investment.
- Total reimbursement in 2015: $981,368.
- Prosoco tax abatement expired and is full on tax rolls in 2015.
- The county wanted more information included and Berry Plastics is included in Appendix D because of support from the county.
- The Commission got the report in April and sent it to PIRC and JEDC.

*Mike Orozco moved and Melinda Henderson seconded to accept the report and recommend the report be accepted by the City Commission. The motion passed unanimously.*

<u>Discussion of ED incentives policies changes - Britt Crum-Cano</u>

- City commissioners have been discussing ED policies and if there should be changes. ED is constantly evolving with new challenges. Policies do need to be revisited from time to time. They are tools to meet community goals. That's one of the tasks we have now. The commission has asked for JEDC feedback on potential policy changes.
- Brady: When considering incentives, companies are looking to select a market or location where they could be the most successful. Eventually, a project gets to incentives. It's a

process of elimination. We get to the point in the process where areas are similar and the decision could come down to incentives available.

- Britt: We run preliminary analytics and see what we could offer. Companies come and ask for technical data on services and capacities and then they want to know what we have on the table to offer.
- Craig: our offers are similarly vague as the information we initially get. It usually takes until after the first or second cut to get the information that we really need to see what we can offer.
- Mike O.: We don't want to limit ourselves as far as flexibility. We want to give the Commission the ability to pick and choose what we can offer projects. We don't want to limit ourselves, that's not to say every deal means we're going to be aggressive but we want the capacity to be able to do it when something great comes through our community.
- Britt: you have to look beyond the words of policies and what the unintended consequences might be. It comes down to our governing body to decide how to use these tools. They can be effective and be used in many ways, but it's down to the Commission to decide how to use them.

- Application: Pretty straightforward. The Commission wanted list of public benefits on the front page. Some application fees exist except for TDDs, TIFs, and the staff is looking at NRA application fees. Do we want to charge on a tiered basis based on project size? Some ideas with samples of what our neighboring committees charge. Disclosures: vice mayor wanted more disclosure as far as property owners. Want to add some clarification for applicant that fees aren't refundable. Application fee submitted with application.

  - Cal: change "actual" to "individual" partners' names under Disclosures.
  - Bonnie suggests looking at comparable communities outside Kansas.
  - Brady: fees could be contradictory to offering an incentive.
  - Craig: It's not a revenue raiser for the city. The one benefit is if we get an inquiry from someone who's not really that serious.
  - Britt: They really vary on a case by case basis.
  - Brady: Projects seeking incentives means we've walked that project out far enough.
  - Mike G.: Maybe if it's a viable project for which the fee would be a barrier, maybe it could be covered by the EDC/Chamber.
  - Tom: It's a minimal barrier. They're not just going to play the game and get in that way. I think in this community, it's a fair thing to charge the fees since there's some tension about the use of incentives to begin with. Shows we're being responsible with our time in review of these requests. I don't think these fees will scare anyone away. It's the cost of doing business. I'm an advocate of cost recovery to some degree. It should relate to what it's costing the system to review or go through the process to do these things.
  - Melinda: I think our fees look reasonable compared to most of the other ones.
  - Britt: Fees haven't been modified since I've been on board, but that's what the Commission is talking about adjusting. The NRAs haven't been charged anything and they've become very popular and take a huge amount of time.
  - Larry: legitimizing value of what the city has to go through to get everything done. I think fees are reasonable and legitimize time you're putting into this.

- Rebecca: NRA fees seem higher than other areas.
- Britt: NRAs based on project cost. Tried to analyze time and effort that went in. We thought tiered system might help different sized projects. Not sure what current fees are based on.
- Rebecca: makes sense to be consistent, wouldn't we want to base all the fees on the cost to the city?
- Britt: gets tricky when I'm trying to figure out how much it'll cost because it's so project dependent. Some companies are more organized than others, etc. There's no typical project. It's been all over the board.
- Tom: Some advantage to predictability of what the amounts are. You can cost stuff out to the Nth degree. It's a never ending process.
- Rebecca: Will people be encouraged to apply for TDD and TIF because they don't have fees?
- Britt: Typically, we require developer to pay for 3rd party consultants to do the work on it because it's incredibly involved. We ask for funding agreement.
- Britt: We don't charge origination fees and most of our neighboring communities do. This came about from 800 NH project and City Commission wanted to have a funding source.
- Craig: I'd like to have a general policy statement instead of deciding fees specifically.

- IRB Policy
    - No origination fee. We haven't charged for a but/for analysis to be performed. Other change is affordable housing provision; some commissioners want to support this. Change would set aside affordable housing for residential projects if they are seeking incentives.
    - Tom: Original logic of creative incentive is you're creating public purpose value. That includes affordable housing in public purpose by going through incentive process. This is a choice, explained to them as going through process.
    - Brady: why wouldn't community just develop program to develop affordable housing?
    - Tom: Fair question, looking at revenue sources, but you need to provide wide array of different options to get affordable housing done. Using incentive mechanism, we proposed it in Iowa City with specific developers and had positive response to it. Scattered site mixed with other income levels is the most successful way in approaching affordable housing for families and getting them in different parts of the community. It might be unique to us here, but I think it's being explored. It's probably one of the more critical things we do for workforce when you think about it. We can have all sorts of expensive housing but at the same time, if you want to encourage development, affordable housing is an asset to attract business to the community. There's a lot of mixed used potential in downtown Lawrence, with wide array of different tools to use when it comes to affordable housing. Nexus between social justice and corporate welfare, connects the two. There are a lot of reasons to do it and it's just another tool.
- Next topic: health care provision. Tax abatement - companies must provide health insurance to full time employees by paying 70 percent of premium or pay $1.50 more above the wage floor. One commissioner doesn't believe the $1.50 is enough.

- Melinda: Maybe we need to increase the $1.50 when we increase the wage floor to keep up with rising cost of insurance.
- Mike G: I think we have to have someone think of this carefully. But don't most of our companies offer health insurance and the $1.50 doesn't come into play?
- Britt: Most confusing to figure this one out. Amarr is self-insured, but for smaller companies, it gets a little trickier.

- NRA Policy
  - Britt: Biggest thing here is flat 50 percent rebate level for 10 years. Special exception to change that. In the past we've had the flexibility, but here they want to have a standard on that.
  - Larry: Why do we want to cap it at 50? Why put a ceiling on something that could cause Lawrence to be eliminated from a project?
  - Britt: not 100 percent sure.
  - Brady: confusing to say it'll have a cap but the Commission could consider a larger request.
  - Britt: If someone wants more, then the Commission might be able to require the owner to pay for additional studies to provide exceptional benefits, etc.
  - Tom: the commission feels it's an appropriate level. They haven't had a chance to debate all these issues themselves.
  - Britt: They've had study sessions.
  - Tom: There is an exception provision on higher levels. There's some value in having something down so the expectations are out there.
  - Craig: you want your policy to reflect where you think you can get with city commissioners. You've got language in there to make exceptions for great companies. You don't want the policy to be so far different from what elected officials are willing to do. There are people that would like to see the number higher, but it sets up for failure if the number is higher than what officials are going to do.
  - Tom: this tells companies what the Commission in this case thinks is reasonable. It's subjective. The other thing that happens is we're dealing with developers who know their business better than we do. This tells them up front where we are comfortable. If you work it in another fashion, you don't really have a policy and everyone gets to make their own case. Putting something in there creates some consistency.
  - Mike G: We should clarify how a company goes about doing something that's not the max. The process of varying from 50 percent and 10 years should be clarified.
- TDD
  - Britt: repeat of similar topics, but change is but/for provision. This suggestion is that if it's related to affordable housing or primary job creation, you don't have to do the but/for. It requires looking at very sensitive financial data. The company has to be willing to share.
  - Brady: Should include retention of primary jobs.
  - Britt: This makes it easier for me because we don't have to run but/for every single time.
- TIF & CID
  - Britt: both also include the suggestion that but/for wouldn't have to be done in relation to affordable housing or primary job creation.

- General Discussions

- Melinda: whenever we run a cost benefit analysis, do we just do that for IRBs and tax abatements?
- Britt: Not required for NRAs, but we run it for pretty much anything.
- Melinda: Why results over 15 years if benefit is for 10?
- Britt: you have to go beyond for a few years to see what you're getting back.
- Melinda: I've seen abatements where it takes over 10 years to see positive numbers, but others show a positive reflection within 10 years.
- Craig: all sorts of subjective judgments. My starting point for the analysis is the ratio. We've run it for different numbers. You've got PIRC that scrutinizes each one. It's going to be run 16 different ways to answer questions, and then you just have to make a judgment call. Number of years doesn't make much of a difference in the real world. I think 15 years is good.
- Britt: The reality is I don't just run one cost benefit analysis.
- Mike G: Commission is trying to put stamp on here with recovering costs when heavy lifting happens during proposal, they want to emphasize affordable housing with residential projects, and they want to have some structure to some projects, especially the NRA projects.
- Britt: One commissioner is against neighborhood NRA for gentrification.
- Melinda: I'd like to see language in here to be considered because I don't think a NRA is going to cause gentrification and we can have a whole discussion on that. It's happening now without NRAs. It needs to be part of the discussion.
- Craig: email comments to Britt for recommendations.
- Britt: Have comment to me before PIRC meeting on May 17th.

*Mike Orozco moves and Mike Gaughan seconds a motion to adjourn. The motion passed unanimously. The meeting was adjourned at 4:57 p.m.*