

Memorandum

City of Lawrence

City Manager's Office

TO: Thomas M. Markus, City Manager
CC: Diane Stoddard, Assistant City Manager
Casey Toomay, Assistant City Manager
FROM: Britt Crum-Cano, Economic Development Coordinator
DATE: May 2, 2017
RE: 2016 Annual Report: Economic Development Support & Compliance

The City has released its *2016 Annual Report: Economic Support & Compliance*. The report covers public assistance to aid economic and community development efforts, providing details on the project, public assistance provided, and applicable compliance performance measures.

For 2016, the City, along with its economic development partners, supported a variety of assistance programs for both large and small businesses, ranging from pay-as-you-go programs such as property tax abatements, tax increment financing, neighborhood revitalization, and transportation development districts to providing direct support for relocation, infrastructure, historic rehab., business expansion, affordable housing, workforce development, and small business assistance services. In addition to City contributions, a summary of County-only economic development programs is also included.

New this year, the report presents a brief overview of the economic climate for the community, profiling jobs, wages, and the balance between commercial and non-commercial community assets. Data on additional economic indicators is also included.

Highlights from the 2016 report include:

Property Tax Abatements

Four (4) companies had active property tax abatements in 2016, with all meeting substantial compliance measures: Amarr Garage Doors, Grandstand Sportswear and Glassware (Screen-It Graphics), Sunlite Science & Technology, and Rock Chalk Park¹.

¹ KU would normally enjoy a 100% property tax abatement on their property for the duration of ownership. However, given the structure of the Rock Chalk Park project with KU Athletics entering into a long term lease with a private developer to construct the facilities, an automatic property tax exemption was not possible. A property tax abatement was utilized to assist KU in pursuing this project. Due to the unique nature of the project and its primary benefits related

Overall, the properties receiving a tax abatement substantially outperformed projections for the year.

Real Property Investment:	↑ 72%	(\$6M projected, \$10.3M delivered)
Personal Property Investment:	↑ 3%	(\$9.4M projected, \$9.7M delivered)
Full-Time Employment:	↑ 162%	(142 projected, 372 created)
Company Wages:	↑ 24%	(\$32,094 projected, \$39,802 delivered)
Co. Wages vs. Average Private-Sector Wage:	↑ \$8,480	(\$39,802 vs. \$31,322 average private community wage)
Co. Wages vs. 2016 Wage Floor:	↑ \$13,594	(\$39,802 vs. \$26,208 Wage Floor 2016 Rate)

Based on the portion of property receiving an abatement, the three companies receiving a tax abatement paid a combined \$194,837 in property taxes out of a total \$341,955 due in 2016 (\$147,117 abated).

Industrial Revenue Bonds (IRB)

Nine (9) companies had Industrial Revenue Bonds (IRB) in 2016. IRBs are a conduit financing tool with the companies being entirely responsible for principal and interest payments on the bonds.

The majority of IRBs were not affiliated with a property tax abatement, but rather used to obtain a sales tax exemption on project construction materials. Estimated sales tax exemption savings for stand-alone IRB projects completed in 2016 was \$1,164,140. Of that total, the City contributed an estimated \$275,086, the County contributed an estimated \$46,779, and the State contributed an estimated \$842,275 in sales tax exemption savings.² Note sales tax exemption savings are realized throughout project construction.

Neighborhood Revitalization Areas (NRA)

Of the City's seven (7) authorized Neighborhood Revitalization Areas (NRA), five (5) were eligible for rebates, with rebates totaling \$110,300 for 2016. After rebates, taxing jurisdictions realized an average of 18.6% more real property tax revenues in 2016 compared to if these properties had been left in original condition.

to assisting KU Athletics and drawing visitors from outside the community rather than job creation, no job creation performance or wage requirements were imposed.

² Amounts shown were estimated based on project cost assumptions provided by applicant, 50% materials cost for new construction projects and 100% materials and labor costs for remodeling projects. IRB sales tax exemption savings are realized during project construction with the State administering and monitoring the program.

Overall (for all years in which a NRA rebate was given), the NRA revitalized properties generated an average of 12.8% more real property tax revenues as compared to property tax revenues that would have been realized if the properties were left in original condition.

Two additional NRAs have been authorized, but are not yet due to receive rebates: 1101/1115 Indiana Street and 826 Pennsylvania Street.

Tax increment Financing (TIF)

The City continues to support three (3) Tax Increment Financing (TIF) districts.

- The Downtown 2000 Redevelopment TIF District was created to support the development of the City parking garage at 10th and New Hampshire and other cultural, commercial, office, and apartment developments. At the end of 2016, approximately \$2.77 million remained outstanding on the \$8.6 million bond debt.
- The Oread TIF District was created to help fund public improvements supporting the multi-level lodging, hospitality, and business venues at 12th and Oread. Public improvements to streets and infrastructure, including a parking garage, were financed initially by the developer and are reimbursed annually through both TIF and TDD revenues generated within the district. The district began generating TIF revenues in 2009.
- The 9th & New Hampshire TIF District was created in 2012 and includes two project areas: South (900 New Hampshire Street) and North (888 New Hampshire Street). During 2016, the South Project area generated both TIF sales and property tax revenues, but the North Project was finishing construction and did not have reimbursements.

TIFs distributions were approximately \$788, 600 in 2016. ³

Transportation Development Districts (TDD)

Currently, the City has three (3) authorized TDD districts. In all TDD districts, public improvements are financed initially by the developer and are reimbursed annually via a one percent (1%) transportation district sales tax on retail or taxable services occurring within the district.

³ Not all amounts distributed for The Oread project had been reimbursed in 2015 and 2016 due to a contractual dispute.

- The Oread TDD District (located at W. 12th Street & Oread Avenue) began generating sales tax revenues in 2009.
- The Free-State (Bauer Farm) TDD District (located at West 6th Street and Wakarusa Drive) began generating sales tax revenues in 2009.
- The 9th & New Hampshire TDD District was created in 2012 and includes two project areas: South and North. During 2016, TDD revenues were generated by the South Project, but the North Project was finishing construction and did not have reimbursements.

TDD distributions totaled approximately \$278,700 in 2016. ⁴

Direct Support Economic Development Programs

The City also participates in other programs which directly assist economic development services and projects. The programs and projects supported in 2016 are shown below.

2016 Direct Support Programs		
Support Program	Description	Location
Economic Development Services	BTBC	2029 Becker & 4950 Research Pkwy
Economic Development Services	EDC/Chamber and KU-SBDC	718 New Hampshire
Shared Infrastructure	Rock Chalk Park	6100 Rock Chalk Drive
Development Grant	1106 Rhode Island Street Improvements	1106 Rhode Island Street
Relocation Assistance	Integrated Animal Health	2029 Becker Drive
Workforce Training	Peaslee Technical Training Center	2920 Haskell Avenue
Affordable Housing	Cedarwood Sr. Cottages	2575 Cedarwood Avenue

Historic Assistance and Investments

As a whole, companies participating in pay-as-you-go (PAYGO)⁵ economic development programs received approximately \$1,324,596 in assistance for 2016 (\$147,035 in tax abatements, \$110,304 in Neighborhood Revitalization Area rebates, \$788,562 in TIF

⁴ Not all amounts distributed for The Oread project had been reimbursed in 2015 and 2016 due to a contractual dispute.

⁵ PAYGO programs require the property developer/owner to front expenses for project improvements. Once the project is completed and begins to generate new tax revenues, a portion of project-generated tax revenues is reimbursed back over a specified period of time to the developer/owner to help offset the costs of these improvements.

property and sales tax reimbursements, and \$278,695 in TDD sales tax reimbursements).⁶

In 2016, for every \$1 in public sector assistance provided for these programs, approximately \$4.69 in private sector capital investment was realized.

Actions to Date:

4-4-17: City Commission received the *2016 Annual Report: Economic Development Support & Compliance* and referred to the Public Incentives Review Committee (PIRC) for review and recommendation.

4-17-17: PIRC reviewed the *2016 Annual Report: Economic Development Support & Compliance* and voted unanimously to recommend the City and County Commissions accept the report.

4-26-17: County Commission reviewed the *2016 Annual Report: Economic Development Support & Compliance* and voted to accept.

Recommended Actions

5-2-17: City Commission to receive the Public Incentives Review Committee recommendations for the *2016 Annual Report: Economic Development Support & Compliance*. Review and accept the report, if appropriate.

⁶ Amounts shown include all revenues distributed by the state and county. However, at the end of 2015, the City had not reimbursed all Oread TIF and TDD distributions due to a contractual dispute.