

# Meeting Minutes

## City of Lawrence Public Incentives Review Committee April 17, 2017 minutes

MEMBERS PRESENT: Mayor Leslie Soden, Vice Mayor Stuart Boley, Bradley Burnside, County Commissioner Mike Gaughan, Michelle Fales, Ken Easthouse

MEMBERS ABSENT: Shannon Kimball, Aron Cromwell

STAFF PRESENT: Britt Crum-Cano

PUBLIC PRESENT: Dan Dannenberg

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Vice-Mayor Boley called the meeting to order at approximately 9:37 a.m.

Boley introduced himself and asked everyone to introduce themselves.

Boley stated that since this was his, Fales and Easthouse's first meeting, and they were not at the last meeting, the minutes should be deferred to the next meeting where a majority of the members that were present could approve the minutes.

Boley briefly went over the KOMA rules and asked everyone to adhere by them.

Boley stated the next item of the agenda was to review the 2016 Annual Report: Economic Development Support & Compliance and vote on recommendation for City Commission to accept.

Crum-Cano explained the process of PIRC reviewing the report and presented an overview of the report. The two main categories are Pay-As-You-Go (PAYGO) and Direct Support. Key information consists of project, type of economic development (ED) support received, applicable compliance performance measures, and annual assistance amounts. It is continually evolving – economic snapshot is new for 2017.

PAYGO programs include property tax abatements, IRBs NRAs, TIFs, and TDDs. Direct support includes economic development services (BTBC, EDC), relocation assistance, infrastructure, historic rehab, workforce development, small business assistance, and affordable housing.

Crum-Cano went over the companies that are actively receiving 2016 tax abatements. Crum-Cano stated that all companies that had received tax abatements met substantial compliance measures for 2016 and outperformed projections for the year.

Next Crum-Cano went over the 2016 tax generation (on portion of property receiving an abatement) and the 2016 local expenditures and outside sales for the companies.

Crum-Cano went over IRB's (conduit financing mechanism) and stated there is no liability on part of the City to purchase or pay back bonds and there is no obligation on the part of the City to finance the project.

Crum-Cano stated there were nine (9) IRBs, with the bulk of them considered stand-alone (i.e. not affiliated with a property tax abatement) used for obtaining a sales tax exemption on project construction materials.

Crum-Cano next went over NRAs, which are property tax rebates given as a percentage of the incremental increase in property value resulting from improvements. Only the incremental increase in property value is subject to NRA rebate since the base property value is shielded. The City, County, and School District each decide their participation. There are seven active NRA's and five rebates were provided in 2016. Boley asked if NRAs are applicant restricted and asked what caused the expiration of the original 9<sup>th</sup> & Pennsylvania Street NRA. Crum-Cano mentioned that NRA was restricted to a specific time period by agreement. Fales asked if there was only one NRA that had been approved by all three taxing jurisdictions. Gaughan explained all NRAs were approved by the three taxing jurisdictions (City, County, School District). Crum-Cano stated that NRA property taxes were up 18.6% in 2016 and NRA property taxes were up 12.8% for all rebated years.

TIF works a lot like an NRA regarding reimbursement of property tax revenues since only the incremental increase in property value due to improvements is subject to reimbursement. The base property value (what property originally generated) is shielded from TIF reimbursement. There are three active TIF districts and the total TIF distribution in 2016 was \$778,600.

TDD is a special taxing district in which a 1% transportation sales tax is collected. The City has three TDD districts, with \$278,700 distributed in 2016.

Direct support programs - There are six direct support programs in 2016.

Included in the report are regulating documents, historical assistance and investment data. In 2016, for every \$1.00 in public sector assistance given to PAYGO projects, \$4.69 in private sector capital investment was realized.

Also included in the report are matured, non-initiated, or expired programs; county-specific programs; supplemental information; and economic metrics.

Economic snapshot includes metrics on employment growth, income growth, tax base, and economic indicators.

Employment growth – 2015 job growth was up 1.3% compared to the previous year and up 4.5% compared to five and 10 years ago (2011).

Unemployment has been on a downward trend, steadily declining since 2010. Dropped 0.40 in 2015 from previous year, 2% over the past five years (since 2011) and minimally over the past ten years.

Community work force – more people commuting in for jobs (Lawrence) than out for jobs, but opposite in Douglas County.

Income growth is good.

Tax base – commercial property is assessed at 25%, and residential property is assessed at 11.5%.

Crum-Cano next went over the Economic Indicators – U.S. inflation and Lawrence MSA median income.

Crum-Cano stated on the city website is a very exhaustive economic development report that she did a few years ago. She can start pulling data to that level. She feels that as we get into the strategic planning, more details will be included. Soden asked that she send a link to the report to PIRC members.

Crum-Cano went over the total sales and use tax by year. Boley suggested she add the City's portion of the countywide 1% sales tax to the Sales & Use Tax table.

Boley asked if Crum-Cano could tell them what the anticipated use of this report would be. Crum-Cano stated it's a historical record of what we've done this year. It also provides information on recently matured projects. Secondly it's a source of actual data, information. We are keeping track of how much revenue is coming in and going out, etc. The report can provide feedback on how well economic development programs are performing. Boley asked who she anticipated using that data and Crum-Cano stated she anticipates it being used by our economic development partners, staff, and the public. Gaughan stated it's been useful to County Commissioners as well. Crum-Cano said one of the main purposes of PIRC is to review this annual report. If there was a compliance problem, it provides an opportunity for the Committee to hear from the developer/property owner and decide if they should receive future assistance. For example, during recession Amarr couldn't meet their workforce requirements due to industry downturns. PIRC decided that was not a time to penalize them, so as a result they chose to allow them to receive their tax abatement, and now, they have recovered very well and have not had any other issues. Boley mentioned that the HERE project has not received a rebate as the project is not completed. He would like the amount of 2016 property taxes the company paid on the property included in the report. Crum-Cano stated she could add the amount of 2016 property taxes paid by HERE Kansas into the report. She also mentioned the report includes a footnote explaining the 2016 Memorandum of Understanding and how it affects when the company will receive their first rebate payment.

Boley asked that details on the total Menard's assistance package that was approved, but has not yet been initiated, be included in the report. (In addition to the 50%, 10 year property tax abatement, other assistance included grants by the City and County to help with property special assessments and the transfer of the bulk warehouse building to the company.) Crum-Cano stated she would add those details/amounts in Appendix C.

Gaughan asked Crum-Cano to walk them through the Sunlite abatement. Crum-Cano explained there is a performance agreement with each property tax abatement project and compliance is measured according to the parameters specified within the agreement. The four major compliance categories for property tax abatements includes, capital investment, job creation, wages (split into two sub-categories: average wages, meeting wage floor minimum), and company paid healthcare premiums. Each major category is weighted (25%) with the 25% for the two wage subcategories split (12.5% each). Overall compliance is then subject to a blended compliance schedule, as per policy. For example, if the company meets 90% or above compliance, they are eligible for 100% of their annual abatement. The lower the percentage of compliance, the less percentage of the abatement the company will be eligible to receive, with 70% or lower producing no compliance.

Vice Mayer Boley state he wanted to look into the policy as weighting the categories can balance out one category out-performing and another under-performing.

Gaughan explained that since Sunlite met at least 90% blended compliance, the company is eligible for 100% of their abatement. Easthouse shared concerns that the FTE for Sunlite looks lower than it should be. Crum-Cano mentioned Sunlite is a very small business that had just graduated from the BTBC, but could not meet thresholds under the tax abatement policy. The City's tax abatement policy is not set up to help very small entrepreneurial (second-stage) businesses. However, the prior commission decided they still wanted to help this company and provide them a property tax abatement. Compliance measurement is tied to their performance agreement.

Boley isn't concerned about it but needs to understand it.

Soden provided format suggestions, suggesting it would be helpful to have the financial information in Appendix B interspersed throughout the main body of the report. Crum-Cano mentioned this could be a change made to the 2017 report. For the 2016 report, Soden suggested referencing specific Appendix page numbers within the main body of the report instead of referencing the Appendix in general.

Gaughan made a motion to recommend the City and County Commissions accept the report. Easthouse seconded. Motion passed 6-0.

Boley moved to adjourn at 10:50 a.m., Easthouse seconded. Motion passed.