

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 10, 2019
RE: **2018 Annual Report: Economic Development Support & Compliance**

The City has released its *2018 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 2018, 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.

Property Tax Abatements

2018 saw two projects completed under the new Catalyst Property Tax Abatement program: VanTrust's Phase I, 150,000 s.f. industrial project is the first new construction project built in Lawrence VenturePark, a remediated brownfield site. Plastikon's Phase I & II expansion added 50,000 s.f. to its existing industrial facility in East Hills Business Park.

In 2018, Grandstand received authorization to participate in the Catalyst program for a 112,000 square feet expansion to their main facility in East Hills Business Park. Construction is anticipated to start in 2019 and be completed by the end of the year.

Four traditional (non-Catalyst) property tax abatements were active in 2018, with all companies meeting compliance: Amarr Garage Doors, Grandstand Sportswear and Glassware (Screen-It Graphics), Sunlite Science & Technology, and Rock Chalk Park¹. Overall, projects receiving tax abatements substantially outperformed projections for the year.

2018 Tax Abatements	Status	Projected	Delivered
Real Property Investment	↑ 122%	\$6 M	\$13.4 M
Personal Property Investment	↑ 3%	\$9.4 M	\$9.7 M
Full-Time Employment	↑ 171%	173	468
Company Wages	↑ 41%	\$33,461	\$47,086
Co Wage vs. Private Sector Wage	↑ \$13,487	\$33,599	\$47,086
Co Wages vs. 2018 Wage Floor	↑ \$20,067	\$27,019	\$47,086

Traditional property tax abatement projects paid approximately \$191,000 in property taxes out of a total \$341,000 due in 2018, with approximately \$150,000 abated.

Industrial Revenue Bonds (IRB)

Twelve Industrial Revenue Bonds (IRB) were outstanding in 2018, the majority of which were not affiliated with a property tax abatement, but rather were utilized to obtain a sales tax exemption on project construction materials.

Estimated sales tax exemption savings on three IRB projects completed in 2018 (826 Pennsylvania Street, the Boys and Girls Club center, and VanTrist Phase I) was \$867,400. Of that total, the City contributed an estimated \$205,000, the County contributed an estimated \$35,000, and the State contributed an estimated \$627,500 in sales tax exemption savings.² Note sales tax exemption savings are realized throughout project construction.

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 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.

Neighborhood Revitalization Areas (NRA)

Of the City's eight authorized Neighborhood Revitalization Areas (NRA), six projects were eligible for rebates. 2018 Rebates totaled a little over \$172,000. Overall (for all years in which a NRA rebate was given), NRA revitalized properties generated an average of 15% 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 NRAs have been authorized but were not yet due to receive rebates in 2018: 1101 Indiana Street NRA, and 800-815 Vermont Street NRA.

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 2018, approximately \$1.46 million remained outstanding on the original \$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).

TIFs distributions totaled approximately \$1.28 million in 2018. Of that amount, the City retained approximately \$36,000 in 2018 from the 9th & New Hampshire TIF to hold for a future Arts Commons project.

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.

- 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 (900 New Hampshire Street) and North (888 New Hampshire Street).

TDD distributions totaled approximately \$335,200 in 2018 with approximately \$169,500 retained by the City from the 9th & New Hampshire TDD district to pay back bonds for the 10th & New Hampshire parking garage.

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 2018 are shown below.

2018 Other Support Programs			2018 Assistance	
Support Program	Description	Location	City	County
Economic Development Services	Bioscience & Technology Business Center (BTBC)	2029 Becker & 4950 Research Pkwy	\$418,540	\$568,540
Economic Development Services	Chamber and KU-SBDC	718 New Hampshire	\$220,000	\$220,000
Workforce Training	Peaslee Technical Training Center	2920 Haskell Avenue	\$150,000	\$195,105
Expansion Assistance	Hilary's Expansion	2205 Haskell Avenue & 2151 Haskell Avenue	\$10,000	\$10,000

Historic Assistance and Investments

As a whole, companies participating in pay-as-you-go (PAYGO)³ economic development programs received approximately \$1.9 million in assistance for 2018 (approximately \$150,000 in property tax abatements, \$172,000 in Neighborhood Revitalization Area rebates, \$1.28 million in TIF property and sales tax reimbursements, and \$335,000 in TDD sales tax reimbursements).

In 2018, for every \$1 in public sector assistance provided for these programs, approximately \$4.18 in private sector capital investment was realized.

2018 Public Return on Private Capital Investment (by Year)	
Public Assistance:	\$1,898,516
Private Investment:	\$7,938,971
Private Investment for each Dollar of Public Assistance:	\$4.18

Actions to Date

4-16-19: City Commission received the *2018 Annual Report: Economic Development Support & Compliance* and referred to the Public Incentives Review Committee (PIRC) for review and recommendation.

Future Actions

5-21-19: City Commission to receive the Public Incentives Review Committee recommendations for the *2018 Annual Report: Economic Development Support & Compliance*. Review and accept the report, if appropriate.

Date TBD: County Commission to review the *2018 Annual Report: Economic Development Support & Compliance*.

Recommended Actions

PIRC to review *2018 Annual Report: Economic Development Support & Compliance* and vote on recommendation for City Commission to accept.

³ 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.