

# Memorandum

## City of Lawrence

### City Manager's Office

TO: Tom Markus, City Manager  
CC: Diane Stoddard, Assistant City Manager  
Casey Toomay, Assistant City Manager  
FROM: Britt Crum-Cano, Economic Development Coordinator  
DATE: August 13, 2018  
RE: Technical Memo: Heritage Tractor request for Industrial Revenue Bond financing.

*Please see attachments at end of memo.*

#### **Project Overview**

Heritage Tractor has distributed agricultural equipment since 2009 at its Lawrence location on 1110 E. 23rd Street. On May 5, 2018, a fire destroyed their current facility. The business is now doing business across the street at 1105 East 23rd Street until a new facility can be built.

The company wishes to rebuild a larger facility at their current site and is requesting Industrial Revenue Bonds (IRB) to obtain a sales tax exemption on construction materials. Plans call for a 22,000 square foot building to be constructed on 3.5 acres to replace the 14,000 square foot building that was destroyed.

This facility would allow Heritage Tractor to keep its existing Lawrence employees. The Company reports its existing Lawrence employment base is 28 jobs at an average annual salary of \$50,000. In addition, the company expects to increase employment by another 5-10 jobs over the next few years.

#### **Incentive Request**

Staff received an application from Heritage Tractor on July 3, 2018, requesting Industrial Revenue Bond (IRB) financing to access a sales tax exemption on project construction materials. The applicant is requesting up to \$3 million in industrial revenue bonds to cover total project costs. Of that amount, approximately \$1.5 million is estimated to be spent on project materials subject to sales tax.

Note this IRB request is not affiliated with a property tax abatement. (State statutes require a benefit-cost analysis be performed for a tax abatement, but not for a sales tax exemption IRB.)

**About Industrial Revenue Bonds**

Industrial Revenue Bonds (IRBs) are an incentive established by the State of Kansas to enhance economic development and improve the quality of life. Considered a “conduit financing mechanism” whereby the City can assist companies in acquiring facilities, renovating structures, and purchasing machinery and equipment through bond issuance, IRBs can be useful to companies in obtaining favorable rate financing for their project, as well as providing a sales tax exemption on project construction materials.

IRBs are repayable solely by the company and place no financial risk on the City. When IRBs have been issued, the municipality owns the underlying asset and the debt is repaid through revenues earned on the property that have been financed by the bonds. If the company defaults, the bond owners cannot look to the City for payment.

**IRB Eligibility**

According to City policy (Resolution No. 7184, dated January 15, 2017), the City may consider, and from time to time issue IRBs when a proposed project furthers the economic goals and objectives of the City, as outlined in Horizon 2020 (the City's Comprehensive Plan).

<b>Economic goals of the City as set forth in policy and Horizon 2020 (Comprehensive Plan of Lawrence and Douglas County):</b>		
<i>Horizon 2020 Goals</i>	<i>Project Notes</i>	<i>Qualifies (Y/N)</i>
Place high priority on retention and expansion of existing businesses.	Heritage Tractor is a local, existing business with 28 full-time employees.	Yes
Encourage existing industry to expand.	In addition to replacing a destroyed facility, the new building will accommodate additional employees.	Yes
Assist new business start-ups	Does not apply	No
Recruit new companies from out-of-state and internationally	Does not apply	No
Encourage high technology and research based businesses.	Does not apply	No
Encourage training and development of Lawrence area employees	The company provides over 40 hours of annual training to all employees, much of which is provided by corporate John Deere as well as through other outlets.	Yes
Encourage location and retention of businesses which are good "corporate citizens" that will add to the quality of life in Lawrence through their leadership and support of local civic and philanthropic organizations.	Heritage Tractor provides ample employee training. The company is actively involved with the Douglas Co. Fair, multiple local schools and churches, and local FFA and Vo-tech programs.	Yes

Additional eligibility criteria, as stipulated in the Policy, are outlined below, along with notes on related project qualifications:

## 2.5 IRBs REVIEW CRITERIA

Public Benefits		Project Notes
2.5.1	In considering whether to approve an application for an IRB, the Governing Body shall determine if the proposed project achieves one or more of the following public benefits:	
	(a): The project meets the economic development goals and objectives of the City, as outlined in this policy and in <i>Horizon 2020, the Comprehensive Plan for the City of Lawrence and Unincorporated Douglas County</i> ;	Supports full-time jobs with benefits
	(b): The project enhances Downtown Lawrence;	No-project is not located Downtown
	(c): The project promotes infill through the development of vacant lots, the rehabilitation of deteriorated properties, or the adaptive reuse of historic properties;	In-fill development on site of existing, destroyed facility
	(d): The project incorporates environmentally sustainable elements into the design and operation of the facility;	New facility will incorporate LED lighting throughout facility and green space as allowed.
(e): The project provides other benefits to the City or meets other goals of the City, particularly those set forth in <i>Horizon 2020, the Comprehensive Plan for the City of Lawrence and Unincorporated Douglas County</i> .	Yes: See H2020 Table	
Benefit/Cost Threshold		Project Notes
2.5.2	When considered in conjunction with a property tax abatement, it is the policy of the City to view more favorably those applications requesting the City to issue IRBs where the proposed project is projected to result in a positive benefit/cost ratio of 1.25 or greater, over a 15-year period, as determined by application of the benefit/cost model described in more detail in Section 1.8.1, above.	n/a: No property tax abatement requested
Competitive Advantage		Project Notes
2.5.3	It is the policy of the City to view more favorably those applications requesting the City to issue IRBs, where the project generates revenues from outside this community and enhances the quality of life for residents of this community. The City does not favor those applications requesting the City to issue IRBs, where the project primarily will compete with existing businesses. See also Section 1.8.8:	Customers are drawn from an approximate 60 mile radius of site with over 65% of company revenues coming from outside the city limits of Lawrence.
1.8.8	No Unfair Advantage: It is the policy of the City to deny any application or petition requesting economic development incentives where, in the judgment of the Governing Body, the economic development incentive, if granted, will provide a business with an unfair competitive advantage over another existing business that competes in the same local market for the same consumers.	Due to the destruction of business property by fire, the IRB sales tax exemption helps restore business operations within the community.
Targeted Businesses		Project Notes
2.5.4	It is the policy of the City to view more favorably proposed projects involving targeted business as set forth at Section 1.3.3:	
	1.3.3 (a): Life Sciences/Research	No
	1.3.3 (b): Information Technology	No
	1.3.3 (c): Aviation and Aerospace	No
	1.3.3 (d): Value-added Agriculture	No
1.3.3 (e): Light Manufacturing and Distribution	No	
Retail and Residential Projects		Project Notes
2.5.5	It is the policy of the City to decline to issue IRBs for projects that are largely retail or residential in nature, except that:	
	(a): City may consider the issuance of IRBs for proposed projects that are primarily retail in nature, if the applicant demonstrates that the proposed project is exceptional and that it is likely to add to the City's retail base by attracting additional retail sales to the community or by capturing retail sales that are leaking from the community to other markets.	A new facility will help draw customers from a wide radius, allowing Lawrence to keep those revenues within the community.
	(b): City may consider the issuance of IRBs for proposed projects that are primarily residential in nature, if the primary purpose of the proposed project is to provide affordable housing, multi-family dwellings, senior living, or a mixed-use development.	n/a: No residential
2.5.6	If the proposed project requesting the City to issue IRBs includes any residential dwelling units, then the proposed project must comply with the City's policy regarding economic development incentives and affordable housing as set forth in Section 1.8.3.	n/a: No residential

Continued

City policy also mentions other project qualities that are favored or preferred when issuing IRBs. Those aspects are outlined below, along with project notes.

<b>Other Policy Considerations</b>	
1.8.1.2 In addition to the foregoing nonexclusive factors, in performing the benefit/cost analysis the City may also consider one or more of the following nonexclusive factors:	Project Notes
(a) the degree to which the proposed project improves the diversification of the City's economy;	n/a
(b) the kinds of job the proposed project will create in relation to the kinds of skills available in the local labor market	Project allows retention of 28 current Lawrence employees with \$50,000 annual average salary. Company provides generous health care to its employees.
(c) the degree to which the ultimate market for the proposed project's products or services reside outside the community, recognizing that outside markets bring "new money" to the local economy;	Over 65% of company revenue comes from outside the city limits.
(d) the potential of the proposed project to expand and create additional jobs in the future;	After the new facility is built, the company anticipates adding 5-10 jobs within the next few years.
(e) the beneficial impact the proposed project may have on the City, resulting from its creation of other new jobs and businesses, from its use of local products or other materials and substances in manufacturing, or from its creation of niche businesses, such as those in the bioscience arena;	The company's local jobs support agricultural production activities in the area, which brings in additional revenue and jobs.
(f) the beneficial impact the proposed project may have on the environmental quality of the region or, through its products or services, nationally, as well any efforts the proposed project makes to promote sustainability or to mitigate environmental harm.	New facility will incorporate LED lighting throughout facility and green space as allowed.
(g) the beneficial impact the proposed project will have on a particular area of the City, including designated enterprise zones and areas of needed revitalization or redevelopment; or	This will benefit east Lawrence in an area that could otherwise not be developed for some time.
(h) the compatibility of the location of the proposed project with land use and development plans of the City and the availability of existing infrastructure facilities and essential public services.	The project will require a rezoning to combine two parcels into one. Land use will be the same as previous facility.

As indicated above, the proposed project appears to meet City eligibility criteria for support.

### **Previously Authorized IRBs**

The below tables summarize City IRB support on community development and economic development projects for not-for-profit and for-profit companies.

<b>IRBs: Outstanding</b>					
<b>Company</b>	<b>Date of Issue</b>	<b>Issuing Ord. #</b>	<b>Year Matures</b>	<b>Amount Authorized</b>	<b>Project</b>
Bowersock: Series 2011B & 2011C	2010/2011	8607 & 8620	2037	\$27,000,000	Hydro-Electric Facility
Rock Chalk Park	Oct. 2013	8862	2023	\$40,000,000	Commercial Recreational Facility
826 Pennsylvania Street*	Dec. 2016	9316	2018	\$3,200,000	Mixed-Use Commercial/Multi-Family Residential
Dwayne Peaslee Technical Training Center, Inc.: Series 2016*	Dec. 2016	9321	2019	\$2,000,000	Technical Training Center
Boys & Girls Club*	Dec. 2017	9431	2020	\$5,000,000	Teen facility addition to College & Career Center
Vermont Place	Note 1				Mixed-Use Commercial/Residential
Humane Society	Note 2				New Animal Shelter

\* Stand-alone IRB used for a sales tax exemption on construction materials

(1) Resolution of Intent No. 7173 authorized 10-3-2017. Bond have not yet been issued.

(2) Resolution of Intent No. 7249 authorized 5-1-2018. Bonds have not yet been issued.

<b>IRBs: Matured (no longer outstanding)</b>					
<b>Company</b>	<b>Date of Issue</b>	<b>Issuing Ord #</b>	<b>Matured</b>	<b>Amount Authorized</b>	<b>Project</b>
800 New Hampshire: Series 2016*	April 2016	9210	2018	\$7,800,00	Mixed-Use Commercial/Multi-Family Residential
1101 Indiana Street (HERE KS)*	Nov. 2014	9053	2017	\$76,000,000	Mixed-Use, Retail and Student Housing
100 East 9th Street LLC (888 New Hampshire, North Project): Series 2015*	Mar. 2015	9093	2017	\$23,000,000	Mixed-Use Commercial/Residential
Dwayne Peaslee Technical Training Center, Inc.: Series 2015	May 2015	9111	2017	\$1,600,000	Technical Training Center
DST Systems, Inc: Series 2001	2001	7331	2012	\$9,000, 000	Acquisition & Renovation of Existing Office Building
Neuvant House II*	2013	8901	2014	\$2,500,000	Specialty Healthcare Facility
9th & New Hampshire LLC: Series 2012 (South Project)*	2012	8804	2015	\$17,250,000	Mixed Use Hotel (900 New Hampshire Street: South Project)
PROSOCO, Inc: Series 1998A (\$5,800,000) & Series 1998B (\$2,240,000)	1999	7060	2019	\$8,040,000	Manufacturing Facility
Pioneer Ridge*	Feb. 2016	9184	2017	\$14,500,000	Commercial, Independent Living Facility
Eldridge Expansion (705 Massachusetts Street)*	Oct. 2015	9161	n/a	\$12,500,000	Hotel expansion, did not proceed. Terminated by applicant in 2016.

## Historical IRB Support

Ord	Ord Date	Project	Bond Series	Bonds	Amount Authorized (up to)	Purpose
Ord 4948	7/25/1978	Prairie- Ridge	Series July 1, 1978	Revenue Bonds (Housing Development)	\$2,310,800	<b>Senior Apartments</b> , low income housing. Some HUD subsidized.
Ord 5045	5/15/1979	Vermont Towers	Series May 1, 1979	Revenue Bonds (Housing Development)	\$1,757,000	<b>Apartments</b> . Low-rent, subsidized
Ord 6553	5/31/1994	Drury Place at Alvamar	Series 1994	Revenue Bonds (Elderly Housing)	\$2,880,000	Acquiring, constructing, installing and equipping an <b>Elderly Housing Apartment Project</b>
Ord 6395	12/22/1992	Brandon Woods	Series 1993	Revenue Refunding Bonds (Multi-Family Housing Development)	\$6,000,000	Refund <b>Multi-Family Housing development</b> variable rate demand revenue bonds, Series 1987 Multi-Family Housing Development
Ord 5739	3/31/1987	Brandon Woods	Series 1987	Variable Rate Demand Revenue Bonds	\$6,000,000	Acquire, purchase, construct and install a <b>Commercial Multi-Family Housing Project</b> .
Ord 4627	11/11/1975	Lawrence Presbyterian Manor	Series 11-1-1975	IRB	\$2,000,000	<b>Elderly Housing</b>
Ord 5706	7/1/1986	Lawrence Presbyterian Manor	Series 1986	IRB	\$3,500,000	Purchase, construct and equip certain additions and improvements to an existing <b>Nursing Home Facility</b> .

### **Estimated Sales Tax Savings**

The costs of incentives are restricted to a sales tax exemption on construction materials for the project. Assuming a total project cost of \$3,000,000 and using the most recent (January 2018) Kansas Department of Revenue countywide sales tax ratios, staff estimates the total value of exempted sales taxes to be approximately \$135,000.

### **Breakout of Sales Tax Savings Estimations**

<b>Total Project Costs</b>	<b>Materials Expense %</b>	<b>Estimated Materials Cost</b>
\$3,000,000	50.00%	\$1,500,000

<b>Heritage Tractor: Sales Tax Exemption</b>		
Taxing Jurisdiction	Tax Rate (Jan 2018)	Est Sales Tax Amount
City	1.55%	\$23,250
County	1.00%	\$15,000
City Portion of 1% Countywide Sales Tax		\$8,545
County Portion of 1% Countywide Sales Tax		\$5,478
Other County Municipalities Portion of 1% Countywide Sales Tax		\$977
<b>State</b>	6.50%	\$97,500
<b>Total</b>	<b>9.05%</b>	<b>\$135,750</b>

Of this total exemption, the City is estimated to forego approximately \$31,800 in sales tax revenues and the County is estimated to forego approximately \$5,500 in sales tax revenues. The State would forego approximately \$98,000 in sales tax revenues.

<b>Summary of Estimated Sales Tax Savings: Heritage Tractor</b>			
<b>City</b>	<b>Tax Rate</b>	<b>Est Sales Tax Amount</b>	<b>Total</b>
City Sales Tax	1.55%	\$23,250	\$31,795
City Portion of Countywide 1% Sales Tax	0.57%	\$8,545	
<b>County</b>	<b>Tax Rate</b>	<b>Est Sales Tax Amount</b>	<b>Total</b>
County Portion of Countywide 1% Sales Tax	0.37%	\$5,478	\$5,478
<b>State</b>	<b>Tax Rate</b>	<b>Est Sales Tax Amount</b>	<b>Total</b>
State	6.50%	\$97,500	\$97,500
<b>Other</b>	<b>Tax Rate</b>	<b>Est Sales Tax Amount</b>	<b>Total</b>
*Other County Municipalities Portion of Countywide 1% Sales Tax	0.07%	\$977	\$977
<b>Total</b>	<b>9.05%</b>	<b>\$135,750</b>	<b>\$135,750</b>

It should be noted that per the City’s economic development policy (Resolution No. 7184, Section 2.9.1-2), for IRBs requested solely to obtain a sales tax exemption, the applicant shall pay the City an IRB origination fee, at the rate of 0.004 on the par amount of bonds being issued, at the time of bond closing. If the applicant is a Federally registered not-for-profit organization or if the project will create primary jobs or provide affordable housing, the City may waive a portion or all of the origination fee. The origination fee on \$3,000,000 of IRB issuance is estimated at \$12,000.

**Actions To-Date**

**City Commission Receipt of Request:**

The City Commission received the request at their July 10, 2018 meeting and referred it to the Public Incentives Review Committee (PIRC) for review and recommendation.

**PIRC Requested Action**

Consider and provide recommendation on the Heritage Tractor request for IRB financing to obtain a sales tax exemption on construction materials for rebuilding a facility to replace the facility destroyed by fire at 1110 E. 23rd Street.



## **Attachments**

1. Application & Request Letter

July 9, 2018

Tom Markus, City Manager and City Commissioners  
City of Lawrence,  
6 East 6<sup>th</sup> Street  
Lawrence, Kansas 66044

Re: Request Letter

Dear Mr. Markus and City Commissioners:

We are requesting an IRB to obtain a sales tax exemption on construction materials. These incentives are needed to help with the cost of rebuilding our facility which was destroyed by fire. Although we had insurance on the building, the insurance will cover less than half of the losses we have suffered from the fire and the disruption of business.

Further, the facility we wish to construct will be larger than our former facility, in our expectation of not only retaining the high paying jobs that we currently have in Lawrence, but adding new ones as well. We currently employ about 28 persons at an average compensation of \$50,000 and we expect to increase that by an additional 5-10 jobs in the new few years. These local jobs all generate revenues for the City of Lawrence through the local spending and taxes of the employees.

Please let us know if there is any additional information we may provide.

Sincerely,

Derek Dummermuth, CFO and Owner.

**City of Lawrence, Kansas**  
**Economic & Community Development**  
**Application for Economic Development Assistance**



The City of Lawrence considers support for economic or community development projects that will provide local public benefits. When requesting assistance for projects, please provide a request letter to the City Commission describing the project, details on the local public benefits it provides, a description of the assistance requested, and why this assistance is needed for the project to proceed. If available, project renderings and graphics are encouraged to be included along with your submission materials. Submit request letter along with the below, completed application for assistance, supporting materials, and applicable fees to:

Lawrence City Commission  
Attn: City of Lawrence, Economic Development Coordinator  
6 East 6<sup>th</sup> Street  
Lawrence, KS 66044

*Request materials can be submitted electronically to the Economic Development Coordinator: at: [bcano@lawrenceks.org](mailto:bcano@lawrenceks.org)*

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Please indicate which public benefits your project brings to the local community. *(Mark all that go above and beyond normal City requirements. Please explain in detail the project's public benefits in the request letter.) (see answers below)*

- Primary job creation:**
  - Primary businesses typically serve customers outside of the immediate area, therefore importing dollars into the community through its sales.**
  - Non-primary businesses provide goods and services to the local business and consumers, thereby circulating dollars within the community.
- Above average wages**
- Jobs with employee benefits including healthcare insurance**
- Revitalization of dilapidated, unsafe, underutilized, or historic property**
- Retention or expansion of existing business**
- Tax base growth**

The information on this form will be used by the City to consider your request for development support and may also be used to prepare a cost-benefit or other analysis of the project. Information provided on this form will be available for public viewing and will be part of compliance benchmarks, if approved for assistance. Prior to submission, applicant may wish to seek technical assistance from City Staff, the Chamber of Commerce, the Small Business Development Center, or others to address questions and ensure the application is complete.

Please provide data in the cells below. Applicant is encouraged to attach additional pages as necessary to fully explain and support the answers to each question. Note anything additional you wish the City to take into consideration for your request and provide supporting documentation.

Applicant Contact Information	
Name:	Rob Mandel
Title:	CPA
Organization:	Heritage Tractor
Address 1:	1110 E. 23 <sup>rd</sup> Street, Lawrence, KS
Address 2:	
Phone:	816 416-7050
Email:	rmandel@stintax.com
Fax:	

**Application Tips:**

Enter contact information for the company representative completing this application.

Economic Development Support Requested		
City Incentives	Amount	Term (in years)
Tax Increment Financing District (TIF)		
Transportation Development District (TDD)		
Neighborhood Revitalization Area (NRA)		
Tax Abatement (TA)		
Industrial Revenue Bonds (IRBs)	1,250,000	2
Community Improvement District (CID)		
Other (Please Describe): To be determined.		

**Application Tips:**

**Applicable Terms:**

- TIF: Up to 20 years
- TDD: Up to 22 years
- TA: Up to 10 years
- CID: Up to 22 years

IRBs: If applying for IRBs, please enter the amount that will cover all construction costs for the project. Enter "n/a" for term.

Examples: City provided water main along ABC Street from 1st Street to 2nd Street, employee training grant for 5 years at \$500/new employee, etc.

Project Information	
Name of Company Seeking Incentive(s):	Heritage Tractor
Project Type (check one):	Expansion:
	New Facility: X
Company Type (check one):	Existing Local Company: X
	Out-of-Area Company Locating Locally: X
Current Company Address:	1110 E. 23 <sup>rd</sup> Street
Location of Proposed New Facility/Expansion Project:	1110 E. 23 <sup>rd</sup> Street
Describe the Company's Plans to Develop or Expand in the Community:  Planning to build new \$2.5M (est) building in Lawrence, to employ about 30 employees with an average salary of around \$45,000.	
Operations Start Date at the Expansion or New Facility:	asap
Industry NAICS # for the New or Expanded Facility (6-digit code):	423820
Describe the Primary Industry the New or Expanded Facility Will Support: Agriculture	

**Application Tips:**

*Company's Plans: e.g. ABC manufacturing is the nation's largest processors of wind turbine components. The company plans to construct a new 250,000 sf manufacturing plant in Commerce Park, initially employing 150 with an average annual salary of \$35,000 each. Another 50 employees will be hired in Year 5 and 40 in year 7. The firm expects to initially invest \$5 million in land and buildings and anticipates a 50,000 sf, \$2 million expansion in Year 5 and another 50,000 sf expansion in Year 7.*

Link for NAICS code lookup:  
<http://www.naics.com/search.htm>

Capital Investment Information for New Facility or Expansion			
Estimated Size of New Facility (square feet):	22,000		
Estimated Size of Land for New Facility (acres):	3.5		
<b>For the new or expanded facility, enter the amount the company anticipates spending for initial and subsequent investments in land, buildings and improvements (do not include machinery or equipment):</b>			
Year	Buildings & Other Real Property Improvements	Land	Total
1	\$2,500,000	1,100,000	\$3,600,000
2			
3			
4			
5			
6			
7			
8			
9			
10			
<b>Total</b>			
Will land be leased from the City or County (Y/N):	N		
If yes, Monthly Lease Rate for Land:			

**Application Tips:**

*If expansion, only include information on size and values of the new facility, not existing facility.*

*If land is currently owned, enter current land value from Douglas County property tax records. Otherwise, enter the market value amount the company will pay for land.*

Local Utility Expenses		
Utility	Current Local Monthly Expenses	Projected Local Monthly Expenses at New Facility
Gas		1,000
Electricity		2,000
Phone		1,000
Cable		200
Operating Expenditures		
For Expansion Projects, Current Annual Operating Expenses at Existing Facility:		
Annual Operating Expenses after Expansion/Relocation:		1,800,000
% of Additional Operating Expenses Anticipated to be Spent Locally:		80%
Revenues		
% of Revenues at the new Lawrence Facility Anticipated to Come from Non-Local Sources.		20% (est)
Anticipated Annual Gross Profits:		\$500,000 anticipated annual net operating income.
Anticipated Annual Net Operating Income (at stabilization):		
Anticipated Annual Net Operating Expenses (at stabilization):		

**Application Tips:**

Current Local Monthly Expenses: Enter 0 for an out-of-area relocation or if project involves a separate, new facility.

Projected Local Monthly Expenses: Enter expense amounts anticipated at the new facility.

Existing Facility Annual Operating Expenses: Enter 0 if project is being relocated from out-of-area or if project involves a separate, new facility.

% Additional Operating Expenses Spent Locally: Enter % of operating expenses anticipated to be spent in Lawrence/Douglas County as a result of the project.

Exports: Enter % of revenues (from the sale of goods or services) anticipated to be generated from sources outside of Lawrence/Douglas County.

Anticipated Annual Gross Profits: Please provide an estimate of anticipated Annual Gross Profits (\$). Note: For expansions, please enter anticipated gross annual profits from expansion.

IRB and Tax Abatement Request Information	
If you are seeking an IRB, please list the firm that will be receiving the IRB:  Heritage Tractor	
Will your firm be leasing the building or the land in your expansion or newly constructed facility? (Y/N)	N
If you are leasing the building or land, and you are seeking a tax abatement <u>without</u> an IRB, please list the tenant and owner and the financial relationship between tenant and owner.	
Total Cost of <u>Initial</u> Construction for the Project:	\$2,500,000
Estimated Cost of Construction Materials for <u>Initial</u> Construction:	\$1,500,000

Note: Applicant may be required to provide additional financial information for the project and company.

Environmental Information	
Will the new facility meet Energy STAR criteria? (Y/N)	N
Will the project seek or be designed to LEED certification standards? (Y/N)	N
If yes, please indicate level:	Certification
	Silver
	Gold
	Platinum
Please describe environmentally friendly features of the project:	
<p>We will use LED lighting throughout the building, will have green space wherever we are allowed and will make the building as energy efficient as possible. We will also look into the possibility of putting solar panels on the site.</p>	
Please describe anticipated positive environmental impacts resulting from the project:	
N/A	
Please describe anticipated negative environmental impacts and planned remediation efforts:	
N/A	

**Application Tips:**

*Environmentally Friendly Features: e.g. Low-energy, led lighting used throughout, pedestrian friendly elements including green space, bike paths, water saving native plantings used in landscapes, etc.*

**Additional Community Benefits**

Describe Other Local Economic Benefits Resulting From Project: Highly paid jobs, support agriculture production activities in area, which brings in additional revenues and jobs.

Describe Other Quality of Life Benefits Resulting From Project: High paying jobs, generous healthcare benefits provided. We are also involved with multiple local charities and activities such as 4H, FFA, etc.

**Application Tips:**

**Local Economic Benefits:** Include additional benefits not directly related to project capital investment and direct employment (e.g. Project attracting overnight visitors that will spend on lodging, entertainment, food and beverages, shopping, etc.)

**Quality of Life Benefits:** Include tangible and intangible benefits; such as how company is/will be a good corporate citizen, community involvement, local philanthropy efforts, and how project /company will contribute to local well being of citizens.



Employment Information									
<b>Construction Employment for New Facility or Expansion</b>									
# Full-Time, Construction Jobs:								20	
Average Annual Salary for Full-Time, Construction Workers (during construction period):								35,000	
Construction Period (months):								8 months	
<b>For Expansion, # of Full-Time Employees Currently Working in Lawrence:</b>									
<b>New Employment Resulting from Project</b>									
Net New Jobs (full-time, permanent)	Year	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary
	1	20	35,000						
	2								
	3								
	4								
	5								
	6								
	7								
	8								
	9								
	10								
<b>Total</b>									
<b>Anticipated # of Employees to Be Relocated Locally as a Result of the Project</b>									
# of Net New Full-Time Employees Anticipated to be Relocated From Outside of Kansas:								NA	
# of Net New Full-Time Employees Anticipated to be Relocated from Outside of Lawrence/Douglas County:								8	
<b># of Local, Full-Time Jobs Anticipated At End of Incentives Period:</b>									

**Application Tips:**

Enter 0 if project is new or relocation.

Enter information by major job category (e.g. administrative, support, professional, executive, production, etc.)

For a local expansion, *Net New Jobs* = number of additional employees to be hired each year, excluding employees that are already employed in Lawrence. )

*Average Annual Salary:* Only provide wage information. Do not include the value of non-wage benefits such as insurance and time off.

*# Jobs at End of Incentives Period:* Enter total number of full-time employees (existing & new) anticipated to be employed at the new facility over the term of incentives (e.g. If applying for a 10-year tax abatement, this would be the total number of local Existing (if expanding) + Net New full-time jobs anticipated at the end of that 10-year period.)

Employee Benefits	
Description	After Expansion or Relocation
% of Employees with Company Provided Health Care Insurance	80%
% of Health Care Premium Covered by Company	85%
% of Employees with Company Provided Retirement Program	90%
Will You Provide Job Training for Employees? (Y/N)	Yes
<i>If Yes, Please Describe: We provide John Deere provided training for each new employee.</i>	
What is the Lowest Hourly Wage Offered to New Employees?	15,00/hr
What Percentage of Your New Employees Will Receive this Wage?	20%
Will You Provide Additional Benefits to Employees? (Y/N)	Y

*If Yes, Please Describe: We provide all employees with employer paid life insurance and long-term disability as well as 401k matching, paid time off and access to vision, dental and short-term disability insurance.*

**NRA Eligibility Statement**

***If applying for an NRA, please describe how your project meets one of the following state statute requirements for eligibility:***

(1) Project is in an area in which there is a predominance of buildings or improvements which by reason of dilapidation, deterioration, obsolescence, inadequate provision for ventilation, light, air, sanitation, or open spaces, high density of population and overcrowding, the existence of conditions which endanger life or property by fire and other causes or a combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime and which is detrimental to the public health, safety or welfare:

NA

(2) Project is in an area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, defective or inadequate streets, incompatible land use relationships, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the actual value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or a combination of such factors, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is detrimental to the public health, safety or welfare in its present condition and use:

NA

(3) Project is in an area in which there is a predominance of buildings or improvements which by reason of age, history, architecture or significance should be preserved or restored to productive use:

NA

### Disclosures

**Company Form of Organization:**

It is the policy of the City that no economic development incentive will be granted to any applicant or petitioner who owns any financial interest in any real property, anywhere within the state of Kansas, with delinquent special assessments, delinquent ad valorem taxes, or federal or state tax liens, or who is currently delinquent or in default on any debts, responsibilities, or other obligations owed to the City.

List the full name(s) of each principal (partner or member) who owns (or will own) 5% or more capital of the company. In the case of businesses owning another business (such as an umbrella LLC that is the owner of several other LLC's), the actual partners' names need to be listed, not just the registrant's name with the Secretary of State.

Harry Wagner  
 Derek Dummermuth  
 Richard Dummermuth  
 Karen Dummermuth  
 David Dummermuth  
 Anthony Dummermuth

Are all above listed principals currently delinquent or in default on any debts, responsibilities, or other obligations owed to the City? If delinquent or in default, provide details on property owner name, property address, current property tax status, special assessment status, and outstanding obligations owed to the City, and why delinquent or in default.

No one has any outstanding obligations to the City.

**List all subsidiaries or affiliates and details of ownership:**

Subsidiary : N/A

Principals:

Has Company or any of its Directors/Officers been involved in or is the Company presently involved in any type of litigation?	NO
Has the Company, developer or any affiliated party declared bankruptcy?	NO
Has the Company, developer or any affiliated party defaulted on a real estate obligation?	NO
Has the Company, developer or any affiliated party been the defendant in any legal suit or action?	NO
Has the Company, developer or any affiliated party had judgments recorded against them?	NO

*If the answer to any of the above question is yes, please explain:*

*Note: Applicant may be required to provide additional financial information for the project and company.*

## Economic Development Fees

**Application & Administrative Fees:** The City charges the below application and administrative fees.

Application Fees		Administrative Services Fees
Tax Abatement	\$500	\$200/year
Industrial Revenue Bonds (IRB)	\$1,000	Origination Fee for sales tax only IRBs
Community Improvement District (CID)	\$2,500	For all projects involving "pay-as-you-go" financing and reimbursement through the assessment of CID sales tax collected with the CID sales tax district, it is the policy of the City to negotiate any annual administrative fee between the City and the petitioner to cover the City's administrative costs.
		For all other projects, the petitioner shall pay 0.5% of the funds reimbursed to the petitioner, or any successor in interest, each year for the life of the CID to cover the City's administrative costs.
Transportation Development District (TDD)	\$2,500	0.5% of the annual TDD revenues generated
Tax Increment Financing (TIF)	\$1,000	Where the applicant only seeks reimbursement of the property tax increment, the administrative service fee shall be 0.5% of the annual increment;
		In all other cases, the administrative service fee shall be 2.5% of the annual increment.
Neighborhood Revitalization Area (NRA)	\$500	None

If the request is not considered, half (1/2) of the application fee will be returned to the Applicant. If the request is considered, application fees are not refunded, regardless of if the project is approved.

### Industrial Revenue Bond (IRB) Origination Fee:

For IRBs issued just to obtain a sales tax exemption (not a property tax abatement), Applicant, at the time of bond closing, shall pay the City an IRB origination fee of the par amount of bonds being issued on behalf of a for-profit company, unless the project will create primary jobs or add affordable housing to the community.

IRB Origination Fee	
Rate	Amounts*
0.004	First \$10M or up to \$10M
\$40,000 + 0.002	2nd \$10M
\$60,000 + 0.001	Over \$20M

\*Maximum fee is \$100,000

For IRBs issued on behalf of not-for-profit organizations, the City will not charge an origination fee.

### Other Fees:

Applicant is responsible for paying all expenses incurred by the City for professional services pertaining to the project, regardless of if the project is approved. This may include costs associated with research and analytical services, legal publication notices, application fees to the state Board of Tax Appeals, bond counsel and other miscellaneous costs, including but not limited to, the City reasonable costs to process any modifications. If the request proceeds the Applicant may be asked to enter into a funding agreement to cover all costs associated with processing approval for the requested assistance.

**Application Submission:**

When you have completed this form to your satisfaction, please sign and send, along with applicable application fee(s) to:

**City of Lawrence**  
**Attn: Economic Development Coordinator**  
**6 East 6th Street**  
**Lawrence, KS 66044**  
**Fax: 785-832-3405**  
**Email: [bcano@lawrenceks.org](mailto:bcano@lawrenceks.org)**

***Note: All economic development incentive fees are due when the application for economic development support is filed with the City. No application will be accepted until fees have been paid.***

I hereby certify that the foregoing and attached information contained is true and correct, to the best of my knowledge:

Applicant/Representative: ~~Rob Mandel~~ Derek Dymmermuth  
(Please Print)

Signature:  Date: July 3, 2018

**AFFIDAVIT**

THE STATE OF Missouri )  
THE COUNTY OF Jackson ) SS:

I, Rob Mandel, being of lawful age, and having been first duly sworn upon my oath, do hereby state:

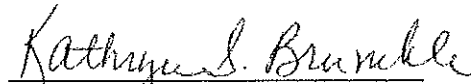
1. I am a resident of Jackson County Kansas.

2. As of the date set forth below, I have no financial interest and no entity in which I have any interest has any financial interest in any real property, located anywhere in the state of Kansas, that is delinquent on any special assessments, delinquent on any *ad valorem* taxes, or the subject of any federal, state, or local tax lien.

3. As of the date set forth below, I am not currently delinquent or in default and no entity in which I have any interest is currently delinquent or in default on any debts, responsibilities, or other obligations owed to the City of Lawrence, Kansas.

  
\_\_\_\_\_

**SUBSCRIBED AND SWORN** before the undersigned on this 3rd day of July, 2018.

  
\_\_\_\_\_  
Notary Public

My Appointment Expires:

**KATHRYN S. BRUMBLE**  
Notary Public-Notary Seal  
STATE OF MISSOURI  
Jackson County  
My Commission Expires: May 19, 2019  
Commission # 16042420