

City of Lawrence
Public Incentives Review Committee
April 23, 2018 minutes

MEMBERS PRESENT: Bradley Burnside, Aron Cromwell, Eric Kirkendall, Ken Easthouse, Jill Fincher, County Commissioner Mike Gaughan, Rebekah Gaston

MEMBERS ABSENT: Michelle Fales

STAFF PRESENT: Diane Stoddard, Britt Crum-Cano, Danielle Buschkoetter, Sarah Plinsky

PUBLIC PRESENT: Dan Dannenburg, Melinda Henderson, Kate Meghji, Adam Courtney, GR Underwood, Bonnie Lowe, Steve Kelly, Adam Handshy, Larry McElwain, Kevin Kelly

Easthouse called the meeting to order at approximately 10:02.

The minutes were reviewed. Fincher made a motion to approve the minutes from the 2-13-2018 meeting; Gaston seconded the motion. The motion was unanimously approved.

Stoddard provided a brief history on proposed funding requests. She noted this is the first time the Board has reviewed these requests, adding that previously the Joint Economic Development Council (JEDC) reviewed the Chamber request. Now that the responsibilities of JEDC have been added to the Public Incentives Review Committee (PIRC), the Board is being asked to review economic development funding requests.

Stoddard outlined the ordinance and highlighted that the Board is responsible for reviewing the requests and forwarding recommendations for funding to both the City Commission and County Commission.

Staff provided a history of funding from the City and County for each agency requesting funds.

Easthouse asked the representatives from BTBC to begin their presentation. Burnside recused himself from the discussion of BTBC. GR Underwood presented the BTBC request for funding.

Adam Courtney outlined the incentive fund request. He noted that those funds are used for rent subsidies, workforce development grants, equipment and furnishings, operations, and to leverage other dollars. Those dollars must be approved by the BTBC board which has City and County representation.

Easthouse asked if there was a contractual agreement between BTBC and the companies housed within BTBC to keep them in Lawrence long-term. Underwood noted that when subsidies are given for rent they are asked to sign a three-year lease and during that time BTBC tries to get them in contact with local agencies and build relationships locally.

Kirkendall asked about what lessons were learned with Integrated Animal Health (IAH) and the forgivable loan they received. Underwood noted that there is always risk and a number of variables that ultimately determine long-term business success. He added they try to keep open communication with companies and align them with resources that may be needed. However, in the case of IAH, conflicts between leadership closed the company.

Kirkendall asked what the combined loss was on the IAH loan. Stoddard indicated that the City and County provided a total of \$100,000 in addition to rent subsidies. She noted that risk is involved and noted that the agreements are important. She added that there are claw backs in the agreement and that the City structures the payments to help minimize risk, but it does not protect against every scenario. Crum-Cano added the company did meet compliance for two out of the three years of the incentive agreement, so the entire \$100,000 was not lost.

Gaston asked about the number of women owned and minority owned business at BTBC. Underwood noted that they have that data but did not have it on-hand.

Easthouse asked representatives from Peaslee to begin their presentation. Kevin Kelly presented Peaslee's request for funding. He highlighted the number of new programs in 2017 and those proposed for 2018, depending on funding levels and available grants.

Easthouse asked if they had ever had a financial audit completed. Kelly indicated they have not had a financial audit completed but are anticipating having one completed this year.

Easthouse asked why private industry contributions have declined. Kelly noted that many of those donations were for the initial startup. He added they are currently working on developing a fundraising strategy to help increase donations.

Kirkendall asked if Peaslee was trying to gradually reduce the amount of financial support from the City and County. Kelly noted that the funding level will probably need to continue for the foreseeable future although they will continue to look at other revenue generating options. He added they often serve people who are unable to pay.

Gaughan added that Peaslee is public education and that local government needs to stay involved in this initiative. Kelly added that the partnership can change and adapt overtime.

Easthouse asked the representatives from the Chamber to begin their presentation. Burnside recused himself from the discussion of the Chamber. Steve Kelly presented the Chamber's request for funding. Kelly outlined the strategic plan for the Chamber and

Economic Development Council (EDC) and progress that has been made in key areas of the strategic plan.

Easthouse asked if it is difficult to recruit companies when the City's unemployment rate is so low. Kelly noted that from a labor standpoint, many companies look at the region and not just Lawrence. He added that while unemployment is low it does not capture those that are underemployed.

Gaughan asked if the Chamber has a good relationship with regional partners. Kelly noted the advocacy efforts have helped build those relationships and they are starting to work more closely with regional partners.

Easthouse asked about the 2018 fund balance. Lowe noted the Chamber had some savings in previous years and used those savings for one-time expenditures, which impacted the fund balance.

Easthouse asked for public comment on the Economic Development funding requests. Dannenburg commented on workplace discipline and asked if the school district provided funding for Peaslee.

Easthouse asked Kevin Kelly to address Mr. Dannenburg's question. Kelly noted Peaslee and the school district have had preliminary discussions about funding. Kelly also noted Peaslee includes soft skills training in every course.

Stoddard stated the Board should review the budget requests and if appropriate provide a recommendation for funding to the City Commission and County Commission.

Kirkendall asked if the City, at this point, has a recommendation for funding. Stoddard noted at this point there is no staff recommendation. However, a funding level will be included in the City Manager's Recommended budget.

Cromwell moved to recommend funding BTBC's budget request to the City Commission and County Commission, seconded by Fincher. The motion passed unanimously with Burnside abstaining.

Fincher moved to recommend funding Peaslee's budget request to the City Commission and County Commission, seconded by Cromwell. The motion passed unanimously.

Cromwell moved to recommend funding the Chamber's budget request to the City Commission and County Commission, seconded by Gaughan. The motion passed unanimously with Burnside abstaining.

Crum-Cano introduced the Humane Society's Industrial Revenue Bond request. Meghji provided an overview of the new facility project and gave a brief history of the current facility.

Meghji added that the Industrial Revenue Bond request was for a sales tax exemption on construction materials. She added that they are planning on breaking ground this summer.

Easthouse asked what the plans were for the old facility once the new facility is in use. Meghji noted the old facility will be torn down.

Kirkendall asked about containing contagious diseases in the shelter. Meghji noted currently those animals have to be placed in a foster home, so the diseases are not able to spread. She added the new facility will be built with facilities to house those animals on-site and will help minimize the potential for an outbreak.

Easthouse asked for public comment. Henderson asked about the sales tax and if it only provides an exemption on goods purchased in Lawrence. Stoddard indicated that Industrial Revenue Bonds provide a sales tax exemption for state and local sales tax on construction materials.

A motion to approve the Humane Society's request and forward the Board's recommendation on to the City Commission was made by Gaughan, seconded by Cromwell. The motion passed unanimously with Burnside abstaining.

Crum-Cano briefly outlined the 2017 ED annual report, summarized each program, and noted where additional information can be found within the report.

Easthouse noted that some of the employment numbers are incredibly high and asked if the City knew where those employees were residing. Crum-Cano indicated that some companies voluntarily provide zip-code data for their employees. She added that it is highly likely that some employees are residing within the region and not just Lawrence.

Easthouse asked for public comment. Henderson asked if the public could have access to residential zip-code data for employees that work for companies receiving property tax abatements. Crum-Cano indicated that tax abatement companies can volunteer that data on their annual questionnaire.

Crum-Cano also mentioned the importance of focusing on the commercial tax base rather than the residential tax base as property taxes are assessed at 25% for commercial and only 11.5% for residential property. In addition, it is important to realize that unless employee wages are exceptionally high, it typically costs the city more to provide services for residential properties than what is received in taxing revenues from those same properties.

Gaston moved to approve the 2017 Economic Development Report and forward it on to the City Commission, seconded by Cromwell. The motion passed unanimously.

Easthouse asked for general public comment. No general public comment was given.

A motion was made to adjourn by Gaughan, seconded by Cromwell. Motion passed unanimously. Meeting adjourned at 11:53 am.