

Economic Development Guidelines



October 6, 2020



Activity Descriptions



Business Attraction:

An essential element of business attraction is creating the environment necessary to generate leads and attract businesses. Whether the issue is workforce development, infrastructure, utilities, real estate, or other issues such as exporting or talent recruitment, an interconnected network is invaluable.

Business Retention:

It is just as essential to retain the companies that currently exist within a City. These firms face market challenges to remain competitive and at the same time are being recruited to relocate out of the City. They have very similar needs to businesses being recruited to the City and can benefit from similar efforts.

Development Assistance:

Many companies have time sensitive projects and need issues resolved, or permits and plans reviewed and approved quickly in order to bring a company's goods and services to markets as soon as possible.



Recent Projects/Successes

	2019	2018	2017
Jobs Announced	930	2,731	2,279
-Utilizing City programs	530	1,331	
Capital Investment	\$218,295,000	\$308,436,800	\$778,570,000
Average Salary	\$48,636	\$45,685	\$44,000
Business Retention & Expansion Visits	122	64	53
Project Management Efforts	12	20	8



Economic Incentive Guidelines



- Last updated in 2012
- Presented Economic Development Updates and proposed guidelines in 2018 at two separate meetings and more recently in Spring and Fall of 2020
- Included discussions regarding direction and use of redevelopment tools
- Staff drafted guidelines based on feedback from Council, Greater Wichita Partnership, businesses, developers as well as Land Bank and Incentives sub committees of the Places for People Plan



#1: IRB/EDX-Updated Tax Abatement Matrix



- Old Matrix was weighted heavily toward three factors, jobs, capital investment and average wage, new matrix introduces additional

considerations

New Jobs (wage qualifying)	5-25	26-50	>50
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•abatement value	30%	40%	50%
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New Capital Investment	\$1M-<\$5M	\$5M-10M	>\$10M
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•abatement value	40%	50%	60%
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#1: Tax Abatement Projects Matrix- Continued



Additional Project Considerations Factors (abatement values)

- Regional Growth Plan sector 10%
- Utilizing state, federal or utility incentives 10%
- Sustainable development/alternative energy use 15%
- Investing in, or funding, entrepreneurship 25%
- Talent attraction plan (must be documented) 25%
- Locating in Redevelopment Area 25%
- Community and workforce development benefits 25%



#1A: Locating In A Redevelopment Area- Where is that?



- Redevelopment Area is defined as a location where one of the following elements exist:
- More than 30% of the population lives at or below the federal poverty line (\$26,200 for a family of four, as of March 1, 2020 according to HHS Guidelines).
- More than 30% of the population is unemployed.
- More than 30% of the structures are vacant or uninhabitable.
- Located within an Urban Renewal or Opportunity Zone Area
- Other factors or special areas as defined by the City Council.



#1B: Community and Workforce Development



Qualifying for Community and Workforce Development Benefit-job training & some form of education

Job training and certification must be:

- Defined in the application to the City or County
- Demonstratable/documentable (i.e. contracts with the State of Kansas, on-the-job training manuals, etc.)
- Identified in the application to the City must be documented at the five-year compliance review



#1B: Community and Workforce Development



Education: Provide tuition reimbursement or other form of continued education.

- Must be:
 - Defined in the application
 - Demonstratable/documentable (employment contract, HR forms, etc.)
 - Documented at the five-year review
- Other methods of demonstrating/documenting tuition reimbursement, or other forms of continuing education could include any affiliations with programs offered through organizations such as WSU Tech, Butler County College, National Center for Aviation Training, receiving funds from the State from the Kansas Industrial Training program, or Kansas Industrial Retraining program (or other programs as may developed over time). This list is not exhaustive. Other programs will be considered as well.



Calculating An IRB/ECX Abatement: Example



Company A is projecting it would create 10 new wage qualifying jobs, it would qualify for a 30% abatement. If it is also investing \$4M in facilities and/or machinery and equipment, it would qualify for an additional 40%, now totaling 70% in abatement. If the company is in a Regional Growth Plan sector like aerospace, they would qualify for another 10% (now 80% total). If the company is also utilizing State of Kansas incentives, add another 10% for a total of a 90% abatement



#1C: Tax Abatement (IRB and EDX)



- Any company committing to a five-year capital investment of at least \$25,000,000, with annual bonds issues, where the nature of the investment is general improvements to facilities located on a business campus, shall be granted a 10-year tax abatement for those improvements (Previously \$50M commitment required)
- Recognizes long term capital commitments and multi-building/multi-phase projects



#2: Speculative Development-Industrial



- City Council approved Speculative Industrial/Flex Building program December 2017
 - Minimum 100,000 square foot building
 - Minimum lease must be for 25,000 square feet
 - Property tax abatement is 95% for 1st five years and 50% for 2nd five years if 50%, or more, is leased at five year mark
- Three projects completed- Approximately 350,000 sf



#2 Speculative Development- Class A Office

City and its partners continue to hear from national brokerage houses, site selector companies and local development community about the lack of modern, larger speculative Class A Office space

- Proposed Speculative Office Program
- Minimum 60,000 square foot building (office space).
- Minimum lease must be for 7,500 square feet
- Special/bonuses could be included for downtown, distressed or key employment corridors



#3: Tax Abatements-Clawbacks



- Clawbacks exercised on a proportional basis

Example: Company is 10% short of job creation, company must repay 10% of abated tax and have percentage abatement reduced by 10% for second five years



#4: Community Improvement Districts (CID)-Origination Fee



- 2018/20 Council retreats discussed stratification of CID benefits
 - Concern with spread/overuse of CID sales tax
 - Treatment of greenfield vs. brownfield development
- Council discussed the creation of an Origination Fee to enable the City to use funds generated by the approval of a CID to be used outside of a CID boundary.
- Staff directed to research the ability to do so and then should funds generated to be used.



#4 Community Improvement Districts (CID)- Origination Fee



- Legal did determine we can establish fee but that it can't be tied to actual CID generation, such as a percentage of CID.
- The City and Developer will negotiate an Origination Fee that will be collected in one of the two ways listed below or a combination of the two, at the City's discretion:
 - District Improvements/maintenance: The City will retain on an annual basis an amount equal to no less than 10% and no more than 25% of the CID revenue collected. Funds will be used for improvements and/or maintenance to public assets within the District.
 - At Large: The fee will be deposited in a dedicated fund within the City and utilized to support the Land Bank in securing and maintaining additional Land Bank properties. The Developer will have the option to make payment upon approval of the CID or in equal annual payments for the term of the CID.



#4 Community Improvement Districts (CID)- Origination Fee



Example:

- Project X's CID request is projected to generate \$2M over 20 years
- City would have the option to either retain its standard 10% amount (\$200K over 20 years). Those funds have to be used within District.
- Or, City could also determine the value of approving the CID is \$100K. The applicant could choose to pay that at the start of the CID term, or could choose to spread that over the 20 years, i.e., \$5K per year.
- City could also choose to blend both options (i.e., 5% retention and \$5K per year).



#4A: CID Relocation Limitations



- Relocation of existing retail will be restricted within developments having a retail component
- Distance and term of restriction will be negotiated per project.
 - Spaghetti Works & Douglas and Emporia: Three years, approximately ½ mile radius (Downtown)
 - Chicken N' Pickle(outparcel): three years, approximately two miles
 - Kellogg and West: three years, three miles



#5: Tax Increment Financing (TIF)



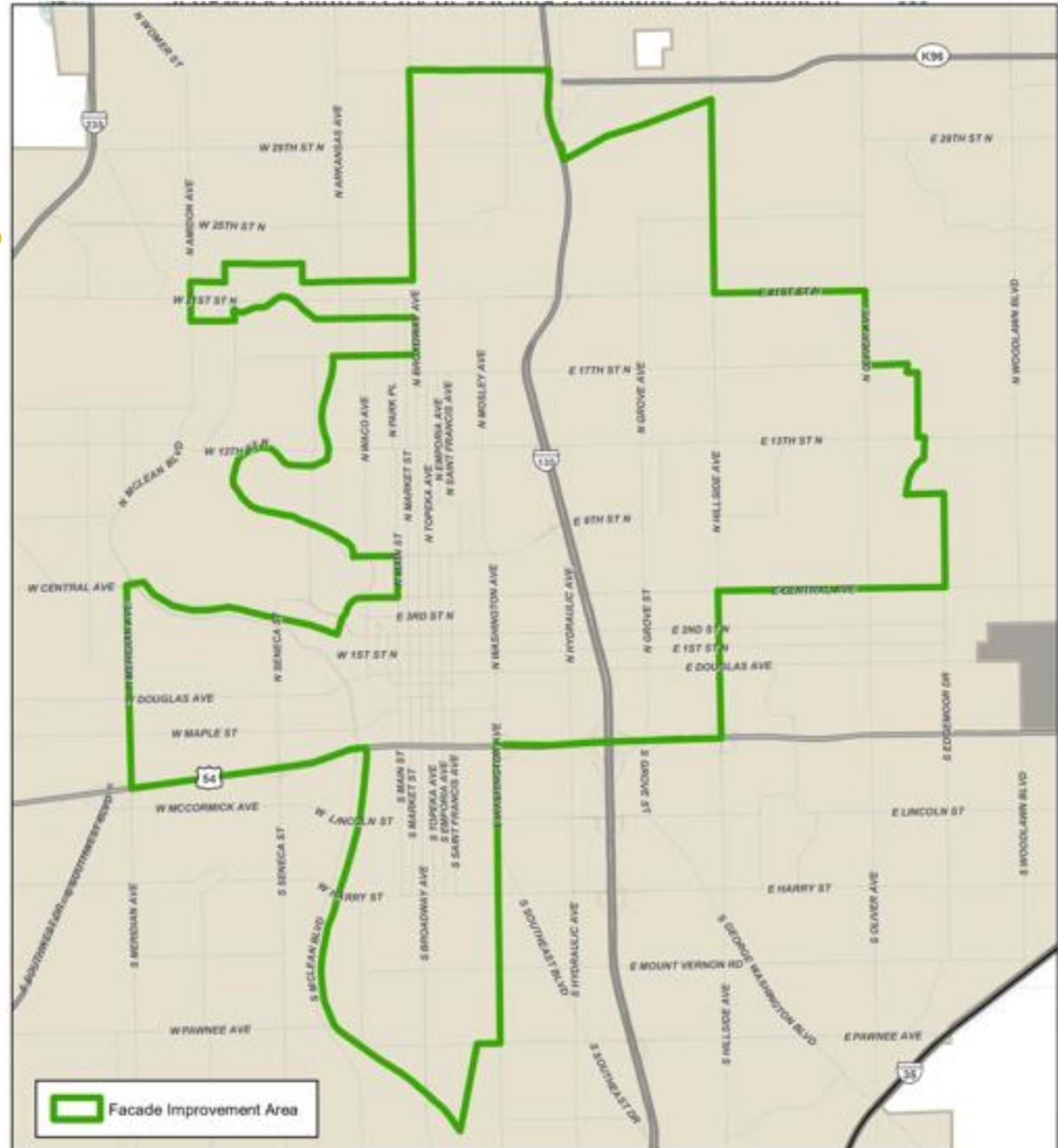
- Preferred use of funds
 - Pay-as-you-go
 - Infrastructure and public improvements/assets
- TIF funds not counted as developer equity
 - Developer to guarantee 100% of TIF shortfall (LOC, bond insurance, etc.)
- Land acquisition is an eligible expense



#6: Expand the Façade Eligible Area



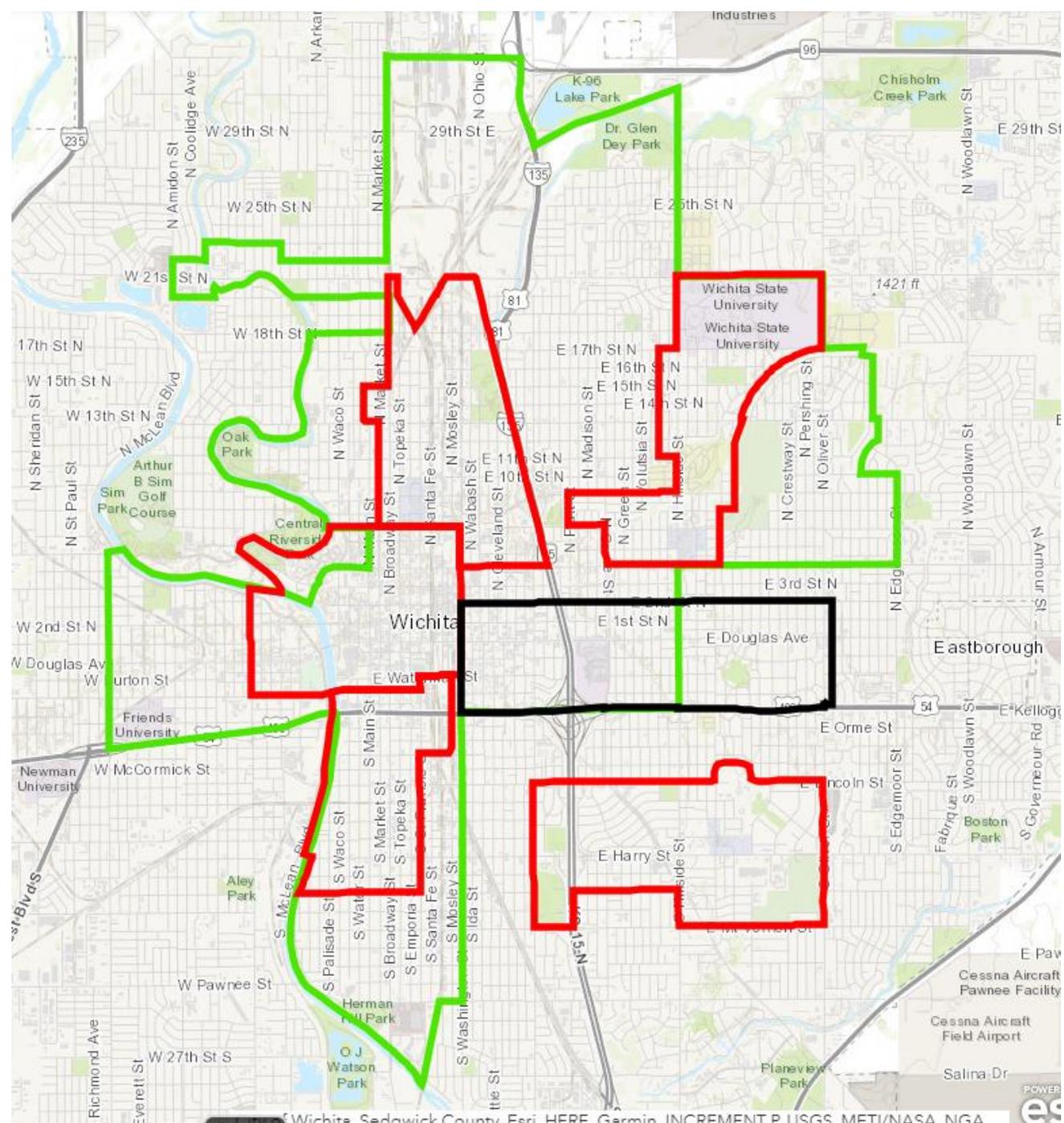
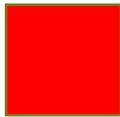
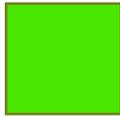
- Staff is recommending extending the eligible area to include Opportunity Zones, Douglas Design District and Places for People Nodes



#6: Expand Façade Eligible Area



- Façade Improvement Program Boundaries
- Opportunity Zones
- Douglas Design District



Recommended Action



- It is recommended that the Council approve the Economic Development Guidelines

- Questions?

