



Sedgwick County/City of Wichita Economic Development Guidelines



PROPERTY TAX ABATEMENT / SALES TAX EXEMPTION

INDUSTRIAL REVENUE BONDS (IRBs)

A mechanism by which companies and developers may achieve either a property tax abatement, a sales tax exemption, or both. For consideration, a project must qualify under the guidelines listed below.

APPLICATION FEE

\$2,500 - Industrial Revenue Bonds (sales tax exemption & property tax abatement)

\$1,000 - (Sales tax exemption only)

ADMINISTRATIVE SERVICE FEE

\$2,500 annual fee for maintenance of IRB accounts

BACKGROUND AND PURPOSE

- A. Business Activity: To be eligible for any public incentives, a business must be engaged in one or more of the following activities:
1. *Advanced Manufacturing & Materials.* Determined by appropriate NAICS codes.
 2. *Professional Services.* 30% or more of revenues must be derived from transactions originating outside Sedgwick County.
 3. *Research and Development.* The conducting of research, development or testing for aviation, scientific, medical, food product or industrial purposes.
 4. *Warehousing and Distribution.* Majority of goods stored/shipped must be destined for end-users located outside Sedgwick County.
 5. *Corporate Headquarters.* May include “back office” operations and customer service activities, but shall not include out-bound call centers. Majority of revenues must be derived from transactions originating outside the Sedgwick County.
 6. *Transportation & Logistics.* Freight or passenger transportation services. Majority of revenue must be derived from interstate commerce/travel.
 7. *Tourism.* Attractions considered likely to attract at least 30% of attendees from outside the Sedgwick County.
 8. *Healthcare.* Regional medical centers and specialty hospitals considered likely to attract at least 30% of patients from outside the Sedgwick County.
 9. *Speculative Industrial, Flex, Office & Airfield Hangar Buildings.* As defined in Section 9 of the Incentives section below.
 10. *501(c) (3) Organizations.* Projects that are consistent with the organization’s charitable purpose.



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11. Businesses that have a principal business activity, product or service identified by the [Regional Growth Plan](#).
- a. *Advanced Manufacturing & Materials*
 - b. *Aerospace*
 - c. *Agriculture*
 - d. *IT Systems & Support*
 - e. *Health Care*
 - f. *Energy*
 - g. *Transportation and Logistics*
- B. Value Added Job: A value added job produces goods and/or services that are sold predominately outside of the Sedgwick County. Importing wealth into the community through value added jobs grows the local economy. Whereas non-value-added jobs typically re-circulate wealth within the community.
- C. Wage and Salary Criteria: A business may be considered for public incentives only if the wages paid to its net new employees are equal to or greater than 120% of the median wages within Sedgwick County as determined by the Kansas Department of Labor Wage Survey. According to the 2019 edition of the Kansas Wage Survey, the median income of all occupations in Sedgwick County was \$35,768. Therefore, 120% of the median income would be \$42,921. In addition to meeting wage requirements, jobs created must include health care benefits. If health care benefits are not offered, wages must be 150% of the average wage as stated above.
- D. Return on Public Investment (ROI): Requests for local incentives may require a cost/benefit analysis completed prior to consideration by the appropriate governing body as stated by State statute or local policy. A designated agent on behalf of the City and County will conduct the cost/benefit analyses and any fees associated with this application are the responsibility of the applicant. The ratio of public benefits to public costs, each on a present value basis, should be 1.0 to 1.0 for both the general and debt service funds for the City of Wichita; for Sedgwick County should be 1.0 overall. No cost/benefit analysis shall be required for projects seeking a sales tax exemption only, or for 501(C)(3) organizations, unless required in other sections of these guidelines.
- E. Community and Workforce Development Benefits: Projects that provide additional community benefits may be considered for additional incentives or a reduced threshold to qualify for incentives based on the following criteria (must be defined in the application to the City or County):
- 1. *Community benefits (must meet one of the following):*
 - a. *Location: Locating within a redevelopment area of the City, as defined by the City Council or providing employment to targeted populations.*

Redevelopment Area is defined as a location where one of the following elements exist:

 - (1) *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).*



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- F. In addition to the above provisions, the City Council or County Commission may consider the following information when deciding whether to approve an incentive.
- 1) The project is for a target industry as determined by the most recent strategic/cluster analysis for Economic Development for Sedgwick County/City of Wichita;
 - 2) The size of the project based upon private investment in the site development, plant facilities and infrastructure;
 - 3) The total number of net new jobs, wages, benefits and types of jobs created;
 - 4) The relationship between job creation and total investment;
 - 5) Potential for future expansion and increased employment;
 - 6) Potential for retention of existing employment where it can be demonstrated that without incentives the jobs may be moved away from the area or eliminated, as evidenced by a written statement from the company.
 - 7) Potential for diversification of the regional economy;
 - 8) Potential for inclusion of disadvantaged minority or women-owned businesses as contractors, suppliers, etc.
 - 9) Project specific issues that impact upon local infrastructure responsibilities of the City or County;
 - 10) Project specific incentives that may be pursued to stimulate other development areas that the City or County may deem of significant benefit to the community;
 - 11) Economic development incentives from other local governments and/or the State;
 - 12) Financial impact and budget ramifications.
 - 13) Community and Workforce Development Benefits.
 - 14) Sustainable Development/Use of alternative energy.
- G. The City or County may conduct legal and/or financial research regarding the company as part of eligibility determination.
- H. Economic development incentives may not be transferred or otherwise conveyed to another party without approval of the City Council or Board of County Commissioners.
- I. The governing body of either of the Issuers reserves the right to waive any or all of the foregoing requirements or exempt any Project therefrom in the event circumstances exist to warrant such waiver or exemption.

Implementation

All Economic Development Incentives will be formalized in a written agreement by the City of Wichita or Sedgwick County and the recipient company. The recipient company will be required to meet the following performance criteria:

- A. Jobs created and payroll commitments
- B. Capital investment in real property



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C. Compliance with wage requirements

D. Compliance with all applicable governmental laws, rules and regulations

Compliance with any conditions imposed by the Economic Development Incentive Agreement.

Incentives

The City or County will only consider giving incentives to companies relocating from neighboring communities when existing local conditions preclude continued operations in that community.

When a project includes tax abatements/exemptions or infrastructure improvements, the private/public funding ratio of overall project costs must be 2 to 1. The present value of property and sales tax exemptions will be considered public funding.

A. Property Tax Abatement

1. The City of Wichita and Sedgwick County are authorized under state law to grant tax abatements on private business property either in connection with the issuance of Industrial Revenue Bonds (IRBs) or under Article 11 of the state constitution that enables Economic Development Exemptions (EDX) for certain types of businesses. While IRB abatements may be granted for all types of business included in the list of eligible businesses, EDX abatements are limited to expanding manufacturing, research and development and warehouse and distribution businesses that create or retain jobs. The City or County, as Issuer, will not issue Bonds for projects located outside of its organizational boundaries unless the Project is located in an industrial district or the requesting entity has its primary headquarters are located within such Issuer's organizational boundaries.
2. Property tax abatements require a public hearing prior to approval by the governing body. One public hearing will be held prior to the issuance of bonds. No additional public hearing will be required.
3. Property taxes may be abated for new improvements to real property and for newly acquired items of personal property not otherwise exempt under Kansas law, used by an eligible business in connection with an expansion or relocation of the business' operations in Wichita or Sedgwick County. Land and existing buildings are not generally eligible for property tax abatement. Existing buildings may only be considered for tax abatement if the building has been vacant for at least two years and is acquired by a party not related to the previous owner. Exceptions may be made for buildings used by target industries as determined by the most recent economic development strategic/cluster analysis for Sedgwick County/Wichita and in cases where reuse of the building within two years is deemed unlikely. Otherwise, no existing property will be removed from the tax rolls. Land will not be considered for tax abatements.
4. The term of tax abatement on real taxable property improvements under these guidelines shall be an initial term of five years, subject to the following clause, plus an additional five years subject to review and approval of the originating body at the end of the initial term. Tax abatement on eligible items of personal property shall be limited to a term of five years.



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5. 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.
6. The recommended percentage of property taxes to be abated shall be cumulative, based on new job creation, capital investment by the eligible business, and additional considerations as follows (cumulative):
 - New Jobs

5-25	26-50	>50
30%	40%	50%
 - New Capital Investment \$1M-<\$5M \$5M-10M >\$10M

40%	50%	60%
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 - Additional Considerations
 - 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%
 - Example: If a company is projecting it would create 10 new jobs, it would qualify for a 30% abatement. If it is also investing \$4,000,000 in facilities and/or machinery and equipment, it would qualify for an additional 40%, totaling 70%. If the company is in a Regional Growth Plan sector, add 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.
7. Payments-In-Lieu-of-Taxes (PILOTs): Any business receiving a tax abatement may be required to make payments in lieu of taxes equal to the amount of property tax abated. Said PILOT payments shall be payable to the Sedgwick County Treasurer for proportional distribution to all local taxing jurisdictions which levy taxes on the abated property. A business may also be required to make PILOT payments at any time in the event of non-compliance with the conditions imposed by the economic development incentive agreement, as an alternative to complete cancellation of the tax abatement.
8. Service Fee Payments: The City of Wichita and Sedgwick County reserve the right to impose on any business receiving tax abatements the payment of service fees through the provisions of the economic development incentive agreements for services provided by the applicable Unified School District and the Sedgwick County Fire District. The amount of the service fee shall be based on the tax rate of the applicable Unified School District and/or the Sedgwick County Fire District, and any service fees thus paid shall be remitted to such School and/or Fire District.



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9. Speculative Industrial, Flex, Office & Airfield Hangar Buildings:

Applicable fees are the same as IRBs, as this incentive requires the issuance of IRBs.

• **Definitions:**

a. Speculative Building:

A building developed and constructed without any preleasing in place. Construction commences without a prelease when the developer believes there is so much demand for that type of building in that market or submarket that a lease commitment is bound to come through.

b. Industrial Building:

A structure used primarily for manufacturing, research and development, production, maintenance, and storage or distribution of goods or both. It can include some office space. Industrial buildings are divided into three primary classifications: manufacturing, warehouse or distribution, and flex. (The typical characteristics of the most common types of industrial buildings are shown in the Industrial Building Types Matrix. below).

- Minimum 100,000 square foot building
- Minimum clear height of 28'
- Concrete tilt up preferred
- Must have architectural façade on public street facing sides

(1) *Minimum lease must be for 25,000 square feet*

(2) Property tax abatement is 95% for first five years and 50% for second five years if 50% or more is *leased* at five-year mark

c. Flex Facility:

As its name suggests, an industrial building designed to be used in a variety of ways. It is usually located in an industrial park setting. Specialized flex buildings can include service centers, showrooms, offices, warehouses and more. (Typical characteristics are shown in the Industrial Building Types Matrix below)

- Minimum 75,000 square foot building
- Minimum of 30% of the space is office
- Must have architectural façade on public street facing sides

(1) *Minimum lease must be for 10,000 square feet*

(2) *Property tax abatement is 95% for first five years and 50% for second five years if 50% or more is leased at five-year mark*

d. Office Building:

A Class A building structure providing environments that are conducive to the performance of management and administrative activities, accounting, marketing, information processing, consulting, human resources management, financial and



insurance services, educational and medical services, and other professional services.

- Minimum 60,000 square foot building (office space). Building may be mixed, use but minimum square footage applies only to office space.
 - Must have architectural façade on public street facing sides
- (1) *Minimum lease must be for 7,500 square feet (once the facility is 50% leased, the minimum shall be 3,000 square feet)*
- (2) *Property tax abatement is 95% for first five years and 50% for second five years if 50% or more is leased at five-year mark*

(Source: NAIOP-Commercial Real Estate Terms and Definitions)

e. Airfield Hangar

A large structure primarily used for maintenance, repair and overhaul (MRO) including storage, painting, service, retrofitting, rebuilding, research or inspection of aircraft or aircraft components.

- Minimum 50,000 square foot building (75,000 square foot preferred) with a minimum clear height of 45 feet (65,000-70,000 feet preferred to accommodate wide body programs). Requests for smaller hangars at Colonel James Jabara Airport will be considered.
- May not be developed for personal use.
- May be developed on a private runway, military runway or public runway.
- Property tax abatement is 95% for first five years and 50% for second five years if 50% or more is leased at the five-year mark.
- If on a publicly owned runway at Wichita Dwight D. Eisenhower National Airport or Colonel James Jabara Airport, the project would be eligible for certain incentives determined by the Wichita Airport Authority that would adhere to relevant Federal Aviation Administration (FAA) standards.

f. Time frame

Building must start construction within 120 days of approval of a Letter of Intent by the governing body and must complete construction within 15 months from approval of a Letter of Intent to receive the full benefits of the program. Exceptions may be made to the requirement of the completion date if multiple buildings are projected or if supply chains or regulatory requirements (e.g., FAA) dictate otherwise. Such completion date will be defined in the Letter of Intent.

g. Industrial Revenue Bonds (IRBs) - Projects must use IRBs to qualify for:

- (1) *Sales tax exemption on materials.*
- (2) *95% Abatement of the increased Real Estate Tax for the initial 5-year period once the Certificate of Occupancy is issued. Abatement of the increased Real Estate Tax for the second 5-year period will be 50%.*



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- h. Annual Reporting** - Developers shall provide an accounting to the City no later than 30 days following the end of the calendar year. The annual report shall provide an account of all lease activity within the spec project including the names of all companies, square footage occupied and prior location of company.

Industrial Building Types Matrix

Manufacturing		Warehouse				Flex	
Primary Type	General Purpose	General Purpose Warehouse	General Purpose Distribution	Truck Terminal	Fulfillment Center	General Purpose Flex	Service Center or Showroom
Primary Use	Manufacturing	Storage	Distribution	Truck Trans-shipment	Distribution	Research and Development, Cold Storage, Office, Lab, Light Manufacturing, High-tech, Data or Call Center	Retail Showroom
Subsets	Heavy, Light Manufacturing	Bulk Warehouse, Cold or Refrigerator Storage, Freezer Storage, High-Cube	Overnight Delivery Services, Air Cargo	Heavy, Light Manufacturing	Delivery directly to consumer		
Size (sf)	Any	Any	Any	Any	100,000 – 1,000,000 +	Any	Any
Clear Height (ft)	10+	16+	16+	12–16	32+	10–24	Any
Loading Docks or Doors	Yes	Yes	Yes	Cross-dock	Yes	Yes	Yes
Door-to-square-foot Ratio	Varies	1:5K–15K	1:3K–1K	1:50K–5K	Varies	1:15K+	1:10K
Office Percentage	< 20%	< 15%	< 20%	< 10%	< 20%	30–100%	30+%
Vehicle Parking Ratio	Varies	Low	Low	Varies	Very High	High	High
Truck-turning Radius (ft)	130	130	120–130	130	130	110	110

Note: This matrix is intended to be an aid in classifying the principal industrial building types. It is subject to the following considerations:

- These are intended to be typical characteristics of different properties, but actual characteristics may vary.
- In classifying properties, the owner should select the classification that most closely fits the design and use of the property.
- The most important characteristics of each type are highlighted. Although the characteristics are not "acid tests," they should guide the user in most instances.
- The truck-turning radius is an important consideration and varies by building size. Large, pure distribution facilities need a turning radius of at least 130 feet, medium to large facilities need 120 feet and smaller facilities typically need 110 feet.



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B. Sales Tax Exemptions

Sales tax exemptions may be provided for purchases financed by Industrial Revenue Bonds (IRBs) and are subject to approval by the City Council or the Board of County Commissioners.

1. Requirements for Submitting a Proposal

Proposals shall be submitted to the Office of Economic Development for either governing body and shall contain the following:

- a. Completed Economic Development Application; and
- b. Application Fee: \$2,500 for IRB / \$1,000 for sales tax exemption only projects
- c. Cost/Benefit Analysis from Center for Economic Development and Business Research at Wichita State University (for tax abatement requests only)

2. Compliance

- a. Annual on-site reviews may be conducted by City or County staff to establish compliance with the written agreement between the City of Wichita and/or Sedgwick County and the recipient company.
- b. Tax abatements on real property will be reviewed after an initial term of five years; continued abatement is subject to review and approval by the City Council or Board of County Commissioners at the end of the initial term. The review will be based on the company's performance in meeting the terms and conditions in the written agreement and will include any statements provided in the initial application.
- c. The City of Wichita or Sedgwick County may amend an incentive agreement to reduce the recipient's obligations regarding employment levels, wage requirements, or noncompliance penalties in the event of a federally-declared disaster or economic downturn.

An economic downturn is evidenced by a significant decline (at least a 5-point decline) in the WSU Current Economic Conditions Index from the point at which the incentive agreement was signed.

In such event, the economic development incentives may be continued if a majority of compliance criteria are met, including capital investments, actual ROI, and temporarily achieving job creation commitments.

- d. Whenever practicable, the City or County will include "clawback" provisions (relating to repayment or cessation of incentives) in all incentive agreements, and the City or County may exercise such provisions when the terms of the incentive agreements have not been met. Such clawback provisions will include payment-in-lieu-of-taxes equal to the dollar value of the last ten years of abated property taxes if a business moves its operations to another city or county and ceases its operations in Wichita or Sedgwick County within five years of receiving such abatements. For each year the company stays in Wichita/Sedgwick County after the expiration of the tax abatement, the amount of repayment shall be reduced by 20%. For example, if a company leaves Wichita/Sedgwick County in the first year after the expiration of the tax abatement, it shall repay 100% of the last ten years of property taxes abated. If the company leaves in year two, it shall repay 80%, etc.



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- e. In the event a company is determined to be in default, but remains in business in Wichita/Sedgwick County, the clawback would be a proportionate amount of the taxes abated. For example, if a company is 10% short of the projected job creation, the clawback would be 10% of the value of the abated taxes.