

FIRST PUBLISHED IN THE WICHITA EAGLE ON DECEMBER 20, 2013

ORDINANCE NO. 49-629

AN ORDINANCE EXEMPTING PROPERTY FROM AD VALOREM TAXATION FOR ECONOMIC DEVELOPMENT PURPOSES PURSUANT TO ARTICLE 11, SECTION 13, OF THE KANSAS CONSTITUTION; PROVIDING THE TERMS AND CONDITIONS FOR AD VALOREM TAX EXEMPTION; AND DESCRIBING THE PROPERTY OF JR CUSTOM METAL PRODUCTS, SO EXEMPTED.

WHEREAS, Article 11, Section 13, of the Kansas Constitution provides that the governing body of the City may, by Ordinance, exempt from all ad valorem taxation all or any portion of the appraised value of certain property meeting the requirements of the constitutional provision; and

WHEREAS, the City of Wichita has adopted an Economic Development Incentive Policy by which the City will consider granting tax exemptions upon a clear and factual showing of direct economic benefit including the creation of additional jobs or the upgrading of existing jobs and the stimulation of additional private investment; and

WHEREAS, Hijos, LLC/JR Custom Metal Products, Inc., requests an ad valorem tax exemption on a proposed expansion project of 46% for a five-plus-five year term on the acquisition of an existing building; and

WHEREAS, JR Custom Metal Products, has operated within the City for more than forty years as a fabricator of metal products; and

WHEREAS, Hijos, LLC/JR Custom Metal Products, Inc., proposes a \$709,500 expansion by the acquisition of an existing building expansion located at 2121 South Custer in southwest Wichita; and

WHEREAS, JR Custom Metal products, Inc. will have a lease with a real estate holding entity, Hijos, LLC, which is owned by the owner of JR Custom metal Products, Inc.; and

WHEREAS, Under state law, EDX exemptions are not allowed for leased property unless the company qualifying for EDX is related to the landlord by ownership; and

WHEREAS, An EDX exemption must also be granted on property owned by the qualifying company for the same term; and

WHEREAS, Hijos, LLC/JR Custom metal products, Inc., proposes \$69,043 in equipment to be exempted; and

WHEREAS, the City Council of the City of Wichita has reviewed the application and supporting documentation supplied by Hijos, LLC/JR Custom

Metal Products, Inc., has reviewed the impact statements provided by Staff, and the Cost-Benefit Analysis by the Wichita State University and has conducted a public hearing on such application on December 10, 2013; and

WHEREAS, the City Council of the City of Wichita has found and determined:

1. Hijos, LLC/JR Custom Metal Products, Inc., is an existing business located in Wichita, Kansas, and intends to expand its business by acquisition of an existing building.

2. The acquisition of the building for which exemption is given occurred after December 1, 2013. No exemption will be given for and costs which occurred before that date.

3. Such acquisition is to be used exclusively for manufacturing articles of commerce.

4. By such expansion, JR Custom Metal Products will create new employment for 15 employees within five years after the start of the project.

5. Tax exemption will be given only for the acquisition and renovation of a building and for equipment.

6. The property on which exemption is given will meet the requirements of the Kansas Constitution and the City of Wichita's Economic Development Incentive Policy.

7. Such ad valorem tax exemption is in the public interest providing for economic growth and benefit including the creation of jobs and stimulating additional private investment.

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF WICHITA, KANSAS,

1. The City Council of the City of Wichita, Kansas hereby makes a factual determination that an ad valorem tax exemption of the type requested by Hijos, LLC/JR Custom Metal Products, Inc. is required to retain jobs in the State of Kansas, and that the property to be exempted is to be used exclusively for manufacturing articles of commerce.

2. Hijos, LLC/JR Custom Metal Products, Inc. is hereby granted an ad valorem tax exemption of 46% for a five-year term on the acquisition and renovation of a building and 46% for a second five years, subject to the approval of the then current governing body, located within the Wichita City limits at 2121 South Custer in southwest Wichita, at an estimated cost of \$709,500. Such exemption is to begin in the calendar year after the calendar year in which the expansion is completed, and may be terminated early (and Hijos, LLC/JR Custom Metal Products, Inc. may be required to repay amounts previously abated), in the event of any failure by Hijos, LLC/JR Custom Metal Products, Inc. to perform its obligations under the Economic Development Incentive Agreement it has executed with the City.

3. The Economic Development Incentive Agreement between the City of Wichita and Hijos, LLC/JR Custom Metal Products, Inc. is hereby approved.

4. The Office of Urban Development shall be responsible for monitoring the performance of Hijos, LLC/JR Custom Metal Products, Inc. and shall provide annual reports on such performance.

5. Such exemption is subject to verification that the level of employment at the time of the completion of the project is at least equal to the level of employment as stated in Hijos, LLC/JR Custom Metal, Inc.'s written request for ad valorem tax exemptions as presented to the City Council and to administrative staff and dated November 15, 2013 and as stated in JR Custom Metal Products' annually approved EEO/AA Plan.

6. Such exemption may hereafter be withdrawn by the City Council upon a finding that Hijos, LLC/JR Custom Metal Product, Inc. no longer is entitled to such exemption in accordance with the Economic Development Incentive Agreement, which Hijos, LLC/JR Custom Metal Products, Inc. has executed with the City.

7. The City Council may, at its discretion, require Hijos, LLC/JR Custom Metal Products, Inc. to return all funds exempted if there is a failure to meet the terms and conditions of the Economic Development Incentive Agreement which Hijos, LLC/JR Custom Metal Products, Inc. has executed with the City.

8. Upon finding that Hijos, LLC/JR Custom Metal Products, Inc. has failed to meet its obligations under the Economic Development Incentive Agreement, the City Council shall require the repayment of all prior amounts of taxes that have been exempted and shall withhold any future exemption of taxes on Hijos, LLC/JR Custom Metal Products, Inc.'s expansion project. All repayments shall be redistributed to the local taxing authorities at the proper taxing rates.

9. This Ordinance shall be in full force and effect from and after its passage and publication in the official City paper.

Passed by the governing body of the City of Wichita, Kansas this 17th day of December, 2013.

Carl Brewer, Mayor

ATTEST:

Karen Sublett, City Clerk

Approved as to Form:

Gary E. Rebenstorf, City Attorney