

City of Wichita/Sedgwick County Economic Development Incentive Policy

Purpose

The appropriate purpose and use of incentives is to broaden and diversify the tax base, create new job opportunities for the citizens of the City of Wichita and Sedgwick County, and promote the economic growth and welfare of the City of Wichita and Sedgwick County. Economic development incentives are necessary because of the inherent competition between localities for new businesses and jobs. The governing bodies of both the City and County have adopted this policy with the recognition that certain provisions are applicable to only one and not both jurisdictions. The intent of these guidelines is to complement any incentive program that may be adopted by other municipalities within Sedgwick County or by the State of Kansas.

All requests by businesses for local incentives will have an Economic Impact Analysis (EIA) and a Return on Investment (ROI) calculation completed prior to consideration by the appropriate governing body. A designated agent on behalf of the City and County will conduct the EIA and ROI analyses and any fees associated with this application are the responsibility of the applicant. The EIA will be used initially to determine the viability of the proposed project and must show a positive economic impact upon the City/County. The ratio of public benefits to public costs should not be less than 1.3 to one.

Eligibility

To be eligible for any public incentives of any kind, a business must be engaged in one or more of the following activities:

- *Manufacturing.* Determined by appropriate NAICS codes
- *Service Sector.* Majority of revenues must be derived from transactions originating outside the State of Kansas.
- *Research and Development.* The conducting of research, development or testing for scientific, medical, food product or industrial purposes.
- *Warehousing and Distribution.* Majority of goods stored/shipped must be destined for end-users located outside the Wichita MSA.
- *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 Wichita MSA.
- *Transportation.* Freight or passenger transportation services. Majority of revenue must be derived from interstate commerce/travel.
- *Commercial Redevelopment.* Must address rejuvenation of officially designated urban redevelopment areas.
- *Tourism.* Attractions and events considered likely to attract at least 30% of attendees from outside the Wichita MSA.
- *Affordable Housing.* Incentives may include tax-exempt IRBs and sales tax exemption, but shall not include property tax abatement.
- *Medical Services.* Regional medical centers and specialty hospitals considered likely to attract at least 30% of patients from outside the Wichita MSA.

A business shall be considered for public incentives only if the average wages paid to its employees are equal to or greater than the average wages for that type of business as determined by 3-digit NAICS codes within the Wichita MSA or greater than the average wage for all jobs in the Wichita MSA when wages are calculated excluding the wages for the transportation equipment manufacturing sector (NAICS sector 336). A business must also be current in its payments of *ad valorem* property taxes to be considered for any public incentives.

In addition to the above criteria, in making a decision to approve or disapprove an incentive, the City Council and/or County Commission will consider the following information:

- The size of the project based upon private investment in the site development, plant facilities and infrastructure;
- The total number of jobs, wages, benefits and types of jobs created;
- The relationship between jobs development and total investment;
- Potential for future expansion and increased employment;
- Potential for retention of existing employment;
- Potential for diversification of the regional economy;
- Potential for inclusion of disadvantaged minority or women-owned businesses as contractors, suppliers, etc.
- Project specific issues that impact upon local infrastructure responsibilities of the City and/or County;
- Project specific incentives that may be pursued to stimulate other development areas that the City and County may deem of significant benefit to the community;
- Economic development incentives from other local governments and/or the State;
- Financial impact and budget ramifications.

Compliance

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

- Jobs created as announced
- Capital investment in real property as announced
- Compliance with wage requirements
- Compliance with all applicable governmental laws, rules and regulations
- Compliance with any conditions imposed by the Economic Development Incentive Agreement.

The City of Wichita and Sedgwick County reserve the right to audit a company to assure compliance with the Economic Development Incentive Agreement. The City Council and/or Board of County Commissioners may discontinue any ongoing incentives and require the incentives already received to be repaid in full or in part, as set forth in the Economic Development Incentive Agreement, if the performance criteria are not met.

Project Evaluation

Each project will be evaluated on an individual basis. Changing economic conditions and availability of funds may cause the City of Wichita and Sedgwick County to modify, amend, or

discontinue any economic development incentive program. Should an incentive program be discontinued, the City Council and Board of County Commissioners will honor any incentive committed to before the discontinuance of the program. Economic development incentives may not be transferred or otherwise conveyed to another party, unless agreed to by the City of Council and Board of County Commissioners.

Incentive Level Matrices

Economic development incentives available from the City of Wichita and Sedgwick County include (but are not limited to) industrial revenue bonds (IRBs), property tax abatements, sales tax exemptions, forgivable loans and infrastructure improvements. The City Council and/or Board of County Commissioners will determine the amount, terms and conditions of property tax abatements and forgivable loans based on matrices that equate recommended incentive levels with job creation, wage levels and capital investments.

Property Tax Abatement Matrix

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 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.

Property taxes may be abated for new improvements to real property and for newly acquired items of personal property used by an eligible business in connection with an expansion or relocation of the business' operations in Wichita and/or Sedgwick County. Land and existing buildings are not generally eligible for property tax abatement. Existing buildings within the City of Wichita will only be considered for tax abatement if the building has been vacant for at least three years and is acquired by a party not related to the previous owner. Motor vehicles are not eligible for property tax abatement under this Policy.

The term of tax abatement on real property improvements under this Policy shall be an initial term of five years, plus an additional five years subject to review and approval of the City Council and/or Board of County Commissioners at the end of the initial term. Tax abatement on eligible items of personal property shall be limited to a term of five years. The recommended percentage of property taxes to be abated shall be based on new job creation and capital investment by the eligible business, as follows:

Job Creation: For the purpose of determining the recommended percentage of tax abatement, the number of new full-time equivalent (FTE) jobs created by the project will be adjusted by a factor based on the relationship between the wages to be paid for the new jobs and the average wage for all jobs in the Wichita MSA. For example, if the area average wage is \$40,000 and the average wage for the created jobs is \$50,000, the factor for adjusting the number of created FTE jobs would be 125%. If the actual number of FTE jobs created is 60, the adjusted number of new FTE jobs used to determine the recommended abatement would be 75.

For the purpose of this Policy, FTE jobs are defined as full-time employees who are paid to work at least 2,080 hours per year, or part-time or temporary employees consolidated to obtain the full-time equivalent of 2,080 hours per year.

The amount of recommended tax abatement based solely on FTE job creation is based on a sliding scale that allows smaller projects to benefit. A property tax abatement may be recommended for each new FTE job as follows: 3% for the first five new FTE jobs, 2% for six to 10 new FTE jobs, 1.5% for 11 to 20 new FTE jobs, 1% for 21 to 50 new FTE jobs and 0.6% for each new FTE job in excess of 50, up to a maximum tax abatement for job creation of 100%.

Capital Investment: A property tax abatement may be recommended for each \$50,000 of private investment in plant and equipment as follows: Between \$50,000 and \$500,000 – 1.0%; between \$500,000 and \$1 million – 0.75%; between \$1 million and \$2 million – 0.5%; between \$2 million and \$5 million – 0.25%; above \$5 million – 0.10%. The maximum recommended tax abatement for capital investment is 100%.

Location Premium: Businesses in the City of Wichita shall be encouraged to locate and/or expand within special redevelopment areas of the City. To foster such action, businesses may receive an additional recommended tax abatement equal to 20% for locating into special redevelopment areas, as may be determined from time-to-time by separate action of the City Council.

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.

Service Fee Payments: The City of Wichita and Sedgwick County reserve the right to impose on any business receiving a tax abatement 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.

Appendices

- EDX Application Process
- IRB Application Process
- Forgivable Loan Agreement Form and Procedures
- Infrastructure Improvements for Economic Development
- Standard Economic Development Incentive Agreement
- Tax Abatement Calculation Tables
- BOTA Application Form and Procedures
- Definitions