



Sedgwick County/City of Wichita Economic Development Guidelines



PROPERTY TAX ABATEMENT

ECONOMIC DEVELOPMENT EXEMPTION (EDXs)

A mechanism by which expanding, or relocating, companies may achieve a property tax abatement if the company is in a qualified industry as defined below. For consideration, a project must qualify under the guidelines listed below.

APPLICATION FEE

\$2,500 – Economic Development Exemption

ADMINISTRATIVE SERVICE FEE

\$2,500 annual fee for maintenance of EDX 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. Manufacturing. Determined by appropriate NAICS codes
 2. Research and Development. The conducting of research, development or testing for aviation, scientific, medical, food product or industrial purposes.
 3. Warehousing and Distribution. Majority of goods stored/shipped must be destined for end-users located outside the Wichita MSA.

- B. Value Added Job: A value added job produces goods and/or services that are sold predominately outside of the MSA. 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. If a company is creating 15 jobs, but only 7 of the net new jobs meet the wage threshold, then only seven jobs will be included in the cost benefit analysis.

- D. Return on Public Investment (ROI): All requests by businesses for local incentives will have a cost/benefit analysis completed prior to consideration by the appropriate governing body. 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 not be less than 1.0 overall.



Sedgwick County/City of Wichita Economic Development 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).*
 - (2) *More than 30% of the population is unemployed.*
 - (3) *More than 30% of the structures are vacant or uninhabitable.*
 - (4) *Located within an Urban Renewal or Opportunity Zone Area*
 - (5) *Other factors or special areas as defined by the City Council.*
 - b. *Population: Providing employment to a targeted population. A targeted population is defined by one of the following factors.*
 - (1) *Difficult to employ populations, including individuals with a criminal record.*
 - (2) *Living below 125% of the federal poverty line (\$32,750 for a family of four, as of March 1, 2020 according to HHS Guidelines).*
 - (3) *Chronic unemployment*
 - (4) *Low skill/under employed workers.*
 - c. *Wages must be at, or above, 100% of the median wage within Sedgwick County as determined by the Kansas Department of Labor Wage Survey.*
 2. Any project must provide at least one of the additional benefits or training to employees in order to be considered for the Community and Workforce Development exemption.
 - a. *Health care benefits (50%)*
 - b. *Job training and certification*
 - (1) *Any job training, or certification programs, must be defined in the application to the City or County*
 - (2) *Any job training, or certification programs, must be demonstratable/documentable (i.e. contracts with the State of Kansas, on-the-job training manuals, etc.)*
 - (3) *Any job training, or certification programs, identified in the application to the City must be documented at the five-year compliance review*



Sedgwick County/City of Wichita Economic Development Guidelines



-
- c. Education: Provide tuition reimbursement or other form of continued education.
 - (1) *Any tuition reimbursement, or other form of continued education, must be defined in the application*
 - (2) *Any tuition reimbursement, or other form on continued education, must be demonstratable/documentable (employment contract, HR forms, etc.)*
 - (3) *Any tuition reimbursement, or other continued education defined in the application must be documented at the five-year review*
 - (4) *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.*

 - 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.



Sedgwick County/City of Wichita Economic Development Guidelines



- 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
- C. Compliance with wage requirements
- D. Compliance with all applicable governmental laws, rules and regulations
- E. 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 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.
2. 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.



Sedgwick County/City of Wichita Economic Development Guidelines



3. The term of tax abatement on real taxable property improvements under these guidelines shall be an initial term of five years, 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.
4. 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%
-----	-----	-----
 - 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.
5. 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.
6. 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.



Sedgwick County/City of Wichita Economic Development Guidelines



B. Sales Tax Exemptions

There are no sales tax exemptions available under the EDX program.

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 EDX

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.
- 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.

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