

BOARD OF COUNTY COMMISSIONERS OF DOUGLAS COUNTY, KANSAS

Amended Agenda

WEDNESDAY, FEBRUARY 25, 2009

6:35 p.m. (Commission Chamber)

-Convene

CONSENT AGENDA

- (1)(a) Consider approval of Commission Orders; and
- (b) Consider approval of resolutions for the cereal malt beverage licenses for Clinton Marina and Clinton Marina Grill located at 1329 E 800 Road. (Clerk's office)

REGULAR AGENDA

- (2) Discuss Lawrence Freenet Rural Broadband initiative (Josh Montgomery)-*Backup provided at meeting*
- (3) Discussion of Economic Development policies and proposed cost benefit model (Roger Zalneraitis)
- (4) Discussion of County Counselor alternatives (Pam Madl)- *Backup provided at meeting*
- (5) Presentation on the impact of the Governor's budget on County financing (Craig Weinaug)- *no backup*
- (6) Other Business
 - (a) Consider approval of Accounts Payable (if necessary)
 - (b) Appointments
 - (c) Miscellaneous
 - (d) Public Comment
- (7) Adjourn

MONDAY, MARCH 2, 2009

-No Commission Meeting

-Breakfast Meeting on Local Food Systems (Time/Location TBA)

-12:00 p.m. Commissioners/Judges meeting annual meeting in the Citizen Review Board conference room, in the southeast corner on the main floor of JLE.

WEDNESDAY, MARCH 4, 2009

- Consider approving CPA-2004-02, a Comprehensive Plan Amendment to *Horizon 2020*, Chapter 7: Industrial and Employment Related Land Use and consider adopting on first reading, Joint City Ordinance No. 8283/County Resolution for Comprehensive Plan Amendment (CPA-2004-02) to *Horizon 2020*, Chapter 7. (PC Item 11; approved 7-2 on 5/21/08) (Amy Brown is the Planner)

MONDAY, MARCH 9, 2009

WEDNESDAY, MARCH 11, 2009

MONDAY, MARCH 16, 2009

-No Commission Meeting due to Spring Break

WEDNESDAY, MARCH 18, 2009

-No Commission Meeting due to Spring Break

MONDAY, MARCH 23, 2009

WEDNESDAY, MARCH 25, 2009

MONDAY, MARCH 30, 2009

WEDNESDAY, APRIL 1, 2009

MONDAY APRIL 6, 2009

WEDNESDAY, APRIL 8, 2009

-No Commission Meeting

MONDAY, APRIL 13, 2009

WEDNESDAY, APRIL 15, 2009

MONDAY, APRIL 20, 2009

WEDNESDAY, APRIL 22, 2009

MONDAY, APRIL 27, 2009

-No Commission Meeting

WEDNESDAY, APRIL 29, 2009

-No Commission Meeting

Note: The Douglas County Commission meets regularly on Mondays at 8:30 A.M. and Wednesdays at 6:35 P.M. at the Douglas County Courthouse. Specific regular meeting dates that are not listed above have not been cancelled unless specifically noted on this schedule.

RESOLUTION _____

WHEREAS, on the **25th February, 2009**, the same being a regular session of the Board of County Commissioners of the County of Douglas, the application of **Clinton Marina** for a cereal malt beverage license came up for considerations by the above board and

WHEREAS, the Board does find that said **Clinton Marina** is qualified under the law to sell cereal malt beverages not for consumption on the premises located **1329 E 800 Rd, Lawrence, Kansas**

WHEREAS, the Board further finds that due and legal notice has been given the Clinton Township Board and that ten days has expired from the giving of said notice and that no written objection has been filed by the Clinton Township Board protesting the granting of a cereal malt beverage license.

NOW THEREFORE, BE IT RESOLVED that the applicant, **Clinton Marina** granted a license to sell cereal malt beverage not for consumption on the premises located at **1329 E 800 Rd, Lawrence, Kansas**

BE IT FURTHER RESOLVED, that Jameson Shew, County Clerk of Douglas County, Kansas be directed to issue said license.

Chairman

Member

Member

ATTEST:

Jameson Shew, Douglas County Clerk

KEEP THIS LICENSE POSTED CONSPICUOUSLY AT ALL TIME

RETAIL

Fee \$75.00

NO.

DEALER'S 2009 LICENSE

TO ALL WHOM IT MAY CONCERN:

License is hereby granted to: **CLINTON MARINA**

**TO SELL CEREAL MALT BEVERAGES AT RETAIL IN ORIGINAL AND UNOPENED
CONTAINERS AND NOT FOR CONSUMPTION ON PREMISES**

(State if for consumption on the premises or for sale in original and unopened containers and not for consumption on premises)
1329 E 800 Road, LAWRENCE, KS. Application therefore on file in the office of the County Clerk of Douglas County,
having been approved by the governing body of said County, as provided by Laws of Kansas and the regulations of the
board of County Commissioners.

This License will expire 12:00 midnight December 31, 2009 unless sooner revoked, is not transferable, nor will any
refund be allowed thereon.

Done by the Board of County Commissioners of Douglas County, Kansas

This 25th Day of February 2009

(Seal)

Attest:

County Clerk

Chairman

RESOLUTION _____

WHEREAS, on the **25th February, 2009**, the same being a regular session of the Board of County Commissioners of the County of Douglas, the application of **Clinton Marina Grille** for a cereal malt beverage license came up for considerations by the above board and

WHEREAS, the Board does find that said **Clinton Marina Grille** is qualified under the law to sell cereal malt beverages not for consumption on the premises located **1329 E 800 Rd, Lawrence, Kansas**

WHEREAS, the Board further finds that due and legal notice has been given the Clinton Township Board and that ten days has expired from the giving of said notice and that no written objection has been filed by the Clinton Township Board protesting the granting of a cereal malt beverage license.

NOW THEREFORE, BE IT RESOLVED that the applicant, **Clinton Marina Grille** granted a license to sell cereal malt beverage for consumption on the premises located at **1329 E 800 Rd, Lawrence, Kansas**

BE IT FURTHER RESOLVED, that Jameson Shew, County Clerk of Douglas County, Kansas be directed to issue said license.

Chairman

Member

Member

ATTEST:

Jameson Shew, Douglas County Clerk

KEEP THIS LICENSE POSTED CONSPICUOUSLY AT ALL TIME

RETAIL

Fee \$125.00

NO.

DEALER'S 2009 LICENSE

TO ALL WHOM IT MAY CONCERN:

License is hereby granted to: **CLINTON MARINA GRILLE**

**TO SELL CEREAL MALT BEVERAGES AT RETAIL IN ORIGINAL AND UNOPENED
CONTAINERS AND FOR CONSUMPTION ON PREMISES**

(State if for consumption on the premises, or for sale in original and unopened containers and not for consumption on premises)
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This 25th Day of February 2009

(Seal)

Attest:

County Clerk

Chairman

City of Lawrence City Manager's Office

TO: Board of County Commissioners
CC: City Commission
Craig Weinaug, County Administrator
David L. Corliss, City Manager
Cynthia Boecker, Assistant City Manager
Diane Stoddard, Assistant City Manager
FROM: Roger Zalneraitis, Economic Development Coordinator/Planner
DATE: February 6, 2009
RE: Economic Development Policies for Board of County Commisisoners'
Review

In the January 27th study session on economic development, the County Commissioners requested the following material for their review and study:

- City of Lawrence Economic Goals, Processes, and Procedures (the "Overarching Policy");
- Property Tax Abatements: Considerations of Changes to Current Policy;
- Memo on the Benefit-Cost Model;
- Sample Output from the Benefit-Cost Model; and
- A letter from the Sustainability Advisory Board containing additional suggestions for encouraging environmentally-sensitive development

In response, attach please find these items as requested. We would like to reiterate that the County will be notified and asked for comment on any tax abatement sought by a firm. In addition, please note that the benefit-cost model has been revised since first presented last summer. Staff would like to call attention to these changes, found on page 3 of the Benefit-Cost Memo, and solicit feedback from the County in particular on population-driven budget items in the County budget.

The City Commission plans to have these policies on its March 24th City Commission meeting. We welcome feedback from the County Commission prior to this date for consideration in finalizing the policies. City staff can assist with any questions or additional information the County Commission requests.



City of Lawrence

DRAFT- 10/31/08

**City of Lawrence
Economic Development
Goals, Process and
Procedures**

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INTRODUCTION

The purpose of this document is to establish the official policy and procedures of the City for the granting of economic development incentives, including cash incentives and exclusive infrastructure assistance associated with projects within the City of Lawrence.

GENERAL OBJECTIVE.

In Horizons 2020, the City identifies three goals for economic development: job growth in excess of population growth; increasing the share of the tax base coming from non-residential growth; and increasing career opportunities by attracting high-skilled jobs in expanding industries.

Various economic incentives are available under Kansas law to help municipalities achieve their public objectives. This ordinance establishes the policy, procedures and requirements to govern the fair, effective and judicious use of these incentives by the City in order to help meet its economic development goals.

Because of Lawrence's assets and the desire of area residents to plan for the future and retain a community that is different from other growing suburban areas, economic incentives may not be offered to every firm that is eligible under state statutes. Instead, incentives will be targeted toward businesses meeting the objectives defined below. (Ord. 7706)

ECONOMIC DEVELOPMENT OBJECTIVES.

The City works in cooperation with Douglas County and the Lawrence Chamber of Commerce to achieve the general objectives outlined in the section above. This partnership enables the community to maximize its resources and to develop a consensus regarding the kind of economic development that best advances the interests of the entire community. (Ord. 7706)

All of the partners in this effort share a commitment to:

- encourage existing industry to expand
- assist new business start-ups
- recruit new companies from out-of-state and internationally
- encourage high technology and research based-businesses
- encourage training and development of Lawrence area employees
- encourage the location and retention of businesses which are good "corporate citizens" that will add to the quality of life in Lawrence through their leadership and support of local civic and philanthropic organizations.

While it is the new companies from out-of-state that typically generate the most publicity, it is the policy of the City, County, and the Chamber to place a high priority on the retention and expansion of existing businesses.

The City's role in this economic development partnership involves:

- providing the land, zoning and infrastructure that are required to create new jobs and new investment;
- providing policies, processes and procedures for clear standards and timely reviews of applications; and
- providing the personal assistance and in some cases the incentives necessary to achieve the objectives set forth in this document.

All partners believe that Lawrence and Douglas County should be selective as to the kinds of businesses that are recruited and assisted. Horizons 2020 specifies that businesses within the following industries should particularly be a focus of economic development efforts:

- Life Sciences/Research;
- Information Technology;
- Aviation and Aerospace;
- Value-added Agriculture; and
- Light Manufacturing and Distribution.

ECONOMIC DEVELOPMENT INCENTIVES:

When appropriate, the City may utilize incentives in order to achieve its economic development goals. One or more incentives may be utilized, depending on the application. These include, but are not necessarily limited to, the following:

- **Loans/Grants:** Provide capital to existing and new businesses for projects related to new growth and expansion, providing job training, assisting with business relocation expenses, and other types of assistance which further the community's economic development goals.
- **Infrastructure:** Provide infrastructure improvements related to needs of businesses or to assist in making property useable and available for businesses or other designated economic development activities (i.e. infrastructure for industrial property, etc.)
- **Property Tax Abatement:** The City may utilize property tax abatements to spur investments. The City has a separate policy regarding providing tax abatements.
- **Tax Increment Financing:** The City may judiciously utilize Tax Increment Financing (TIF) for the purpose of encouraging projects with an emphasis on redevelopment activities. The City has a separate policy regarding tax increment financing.
- **Transportation Development Districts:** The City may utilize transportation development districts to encourage quality transportation-related infrastructure. The City has a separate policy regarding transportation development districts.

APPLICATION PROCEDURES:

1. Applicant picks up a blank Application form at City Hall (City Manager's Office) or the Application is downloaded from the Internet. Applicant's business/project must be located in the City of Lawrence or near the City of Lawrence such that there will be direct economic benefit to the City.
2. An Application must include a project plan that:
 - summarizes the project;
 - demonstrates the financial and professional capability to complete the project;
 - proposes a timeline for project completion;
 - provides a proforma financial statement showing costs and revenues associated with the project, as well as equity, debt, and public financing of the project; and
 - provides a summary of project benefits to and assistance requested from the City.
4. When the Application (with an attached Project Plan) is completed, it will be submitted to City Hall (City Manager's Office).
5. City Staff will facilitate the review of all applications before they are considered by the City Commission. In preparing such review, City Staff will utilize the City's resources or other professional assistance as deemed appropriate by the City Manager.

In most cases in which sensitive financial information needs to be shared to evaluate an application, the City will utilize a third party to review such information and write a report that summarizes any major concerns with the ability of the applicant to complete the project. The third party will also make recommendations regarding appropriate provisions the City may consider to secure its investment.

The application review will be summarized in writing and presented no later than the time the application is presented to the City Commission. This review will include but not be limited to:

- A. Phone calls to listed references for banking, other financing, major suppliers, and major customers
- B. Oral verification of major indebtedness with lender/mortgage holders
- C. Review of financial documents for reasonableness
- D. cursory reconciliation of future year cash flow projections with current cash status, requested monies, etc.
- E. Correlation with other requests from the City (subsidized land costs, property tax abatements, City industrial revenue bonds, utility improvements)
- F. Adequacy of performance provisions
- G. Any significant positive or negative aspects of the application
- H. Benefit/cost analysis (as prepared by City staff)

Results of this review will be shared with the applicant as soon as possible to ensure accuracy of the application before its official presentation to the City Commission. This review will not be construed as a "screening" procedure. Each applicant has the privilege to present its application intact and unchanged to the City Commission.

6. The City Manager will provide the information concerning the Application to the members of the City Commission for study. Copies will also be provided to professional staff.

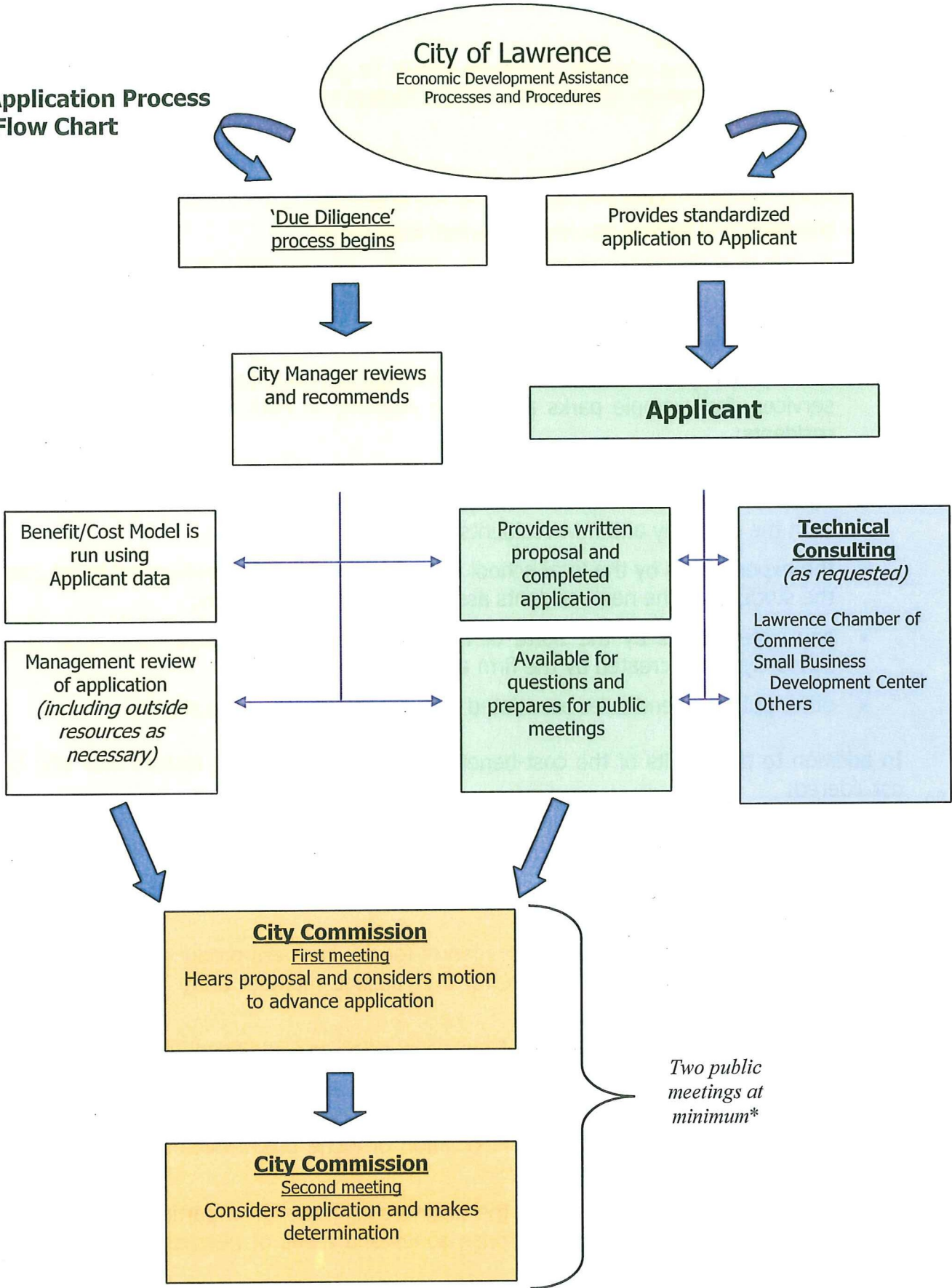
7. The City Manager will determine when the Application will be considered at a City Commission Meeting.

8. Upon review by City Staff and the City Manager, and with the consent of the Applicant, a review committee (City Manager or his/her designee, Economic Development staff of the Lawrence Chamber of Commerce and/or the Lawrence-Douglas County Bioscience Authority) will analyze the proposal and have an opportunity to recommend support if it so desires. If appropriate, a meeting may be held with the applicant to seek additional information or clarification concerning the Application.

9. The City Commission will consider the application during a minimum of two public meetings. At the first City Commission meeting, the Commission will hear the proposal and will consider a motion to determine whether or not to advance the application for formal consideration at a second City Commission Meeting. At the second City Commission meeting, the Commission may consider the application and make a determination. Additional City Commission meetings may be necessary. The City Commission retains the prerogative of rejecting any Application.

10. If the City Commission has approved an Application, it is then turned over to the City Manager for implementation and administration.

Application Process Flow Chart



* Additional City Commission meetings may be necessary

BENEFIT/COST MODEL:

The City, in determining whether incentives should be granted; shall conduct a benefit/cost analysis which will consider various factors including, but not limited to, the following: (Ord. 7706)

- the increase in appraised valuation of the property;
- the sales and income tax revenue which may result;
- the number of new jobs, the earnings and the benefits that will be provided;
- additional jobs created through secondary or "multiplier" effects, as well as the associated tax revenues from these jobs and residents;
- the capital expenditures that local government will need to make to expand public services, for example parks and police stations, to both the company and new residents;
- the operating expenditures that local government will need to make on a regular basis for public services, for example fire protection and street maintenance, to both the company and new residents;
- the expenditures by the local school district to provide the facilities and to educate the students of the new residents associated with the company;
- any expenditures by the State of Kansas, such as per-student funding in local school systems, created by the firm and new residents;
- other public expenditures associated with attracting the new company.

In addition to the results of the cost-benefit analysis, the following factors may also be considered:

- the degree to which the business improves the diversification of the economy;
- the kinds of jobs created in relation to the types of skills available from the local labor market;
- the degree to which the ultimate market for the business products and services is outside the community, recognizing that outside markets bring "new money" to the local economy;
- the potential of the business for future expansion and additional job creation;
- the beneficial impacts the business may have by creating other new jobs and businesses, including the utilization of local products or other materials and substances in manufacturing and creation of niche businesses, such as those in the bioscience area;
- the beneficial economic impact the business will have on a particular area of the City, including designated enterprise zones and areas of needed revitalization or redevelopment; and
- the compatibility of the location of the business with land use and development plans of the City and the availability of existing infrastructure facilities and essential public services.

PERFORMANCE PROVISIONS:

Each company funded through the City will be held accountable to certain performance provisions, based upon substantial compliance with anticipated capital investment, job creation and wage structure. These provisions will be included in agreements between the company and the City. Annual targets for capital investment, job creation and wage structure will be developed, utilizing information from the company's funding application, which will, when averaged together, create an overall annual percentage of compliance for that year. These annual targets will then determine the amount of annual incentives that the company will receive for that year. Substantial compliance and incentives received will be determined by the following chart:

% compliance with annual target	Amount of incentive to be received
90-100%	100%
80-89%	85%
70-79%	75%
Below 70%	No incentive

Depending upon the funding mechanism utilized and the application, additional performance criteria may be utilized.

Regardless of the funding mechanism used, the City should be mindful to secure its assets and ensure satisfactory performance by the Applicant. A number of tools can be utilized by the City, and be included in the performance agreement, in order to accomplish this.

ACCOUNTABILITY:

Annually, City Staff will be responsible to review the performance of each recipient of funds. The purpose of such review is to check for compliance with the performance agreement and to gather information regarding cumulative job creation, wage structure, and other such information necessary to gauge the performance of the company. The accountability review may include a site visit.

The fund recipient will be required to certify, to the City, compliance with the performance agreement. Such certification will be signed and returned to the City. The accountability period will last only as long as required to meet the performance obligations outlined in the performance agreement.

Utilizing the information gathered from the accountability reviews, City Administration will compile an annual report, showing statistics and other information relative to each recipient of funds, as well as the overall performance of the fund. The report will be provided to the Public Incentive Review Committee and the City Commission.

Property tax abatements: considerations of changes to current policy

Comment [CoL1]: Should this section cover IRBs as well?

Note: removed cost-benefit section, which will be included in the overarching policy.

REQUIREMENTS FOR CONSIDERATION OF A TAX ABATEMENT.

The City shall only grant a tax abatement to a business which meets the legal requirements for a tax abatement and which indicates in their application that they will fully comply with the following qualifying requirements: (Ord. 7706)

- (A) The business is environmentally sound.
- (B) The business is small and medium size...to avoid a situation where the City becomes dependent on one industry, and to maintain the character of the community.
- (C) The business pays all employees in the abated project an average wage per employment category that meets or exceeds the average in the community as determined annually by the Kansas Department of Human Resources Wage Survey.
- (D) The business pays all covered employees a wage, at or above, an amount which is equal to one hundred thirty percent (130%) of the federal poverty threshold for a family of three (3), as established by the United States Department of Health and Human Services, as further set forth in Section 1-2105 of this ordinance.
- (E) The business provides one of the following:
 - (1) the availability of covered employees to obtain an employer-sponsored health insurance policy, pursuant to employer guidelines, in which case the employer provides a minimum of seventy percent (70%) of the cost of such policy; or
 - (2) as an alternative to offering an employer-sponsored health insurance policy, the employer shall pay the covered employee a wage which is at least \$1.50 per hour above the amount required in Section

Comment [CoL2]: May wish to consider having a general "base" abatement and then offer additional incentive for LEED certified projects or other projects which demonstrate sound environmental practices.

Comment [CoL3]: Does the City wish to limit large prospects? May wish to discuss this.

Comment [CoL4]: We may want to think about combining C) and (D). I think the breakout of wages by category is intrusive. (roger)

Comment [CoL5]: Need to discuss impact of changes of Wage Survey on this section, if any.

Comment [CoL6]: This would be \$10.99 for 2008.

Comment [CoL7]: Perhaps discuss 70% amount; perhaps discuss requiring health insurance contribution for all companies, thus eliminating E2.

1-2104 (D) above, as further set forth in Section 1-2105 of this ordinance.

- (F) The proposed project and tax abatement results in a combined positive cost:benefit ratio of 1:1.25 or greater over a 15 year period as determined by the City adopted econometric model to keep the overall property tax rate as low as possible.

1-2105 WAGE FLOOR AND HEALTH INSURANCE REQUIREMENTS.

The requirements of Section 1-2104, subsections d and e, may be referred to as the wage floor and health insurance requirements of this Ordinance. The wage floor requirements shall be annually adjusted pursuant to the release of statistical information from the federal government, and the City shall notify in writing the businesses receiving a tax abatement, which are affected by the wage floor requirements. For 2003, the wage floor shall be \$9.53 per hour. These requirements shall apply to all employees of a business receiving a tax abatement at the specific real estate receiving the tax abatement, with the exception of a business that has Lawrence operations prior to the granting of a tax abatement in which case the wage floor and health insurance requirements shall apply to all employees in the abated project. (Ord. 7706)

The wage floor and health insurance requirements of this Ordinance shall not apply to the following employees:

- (A) employees employed in a bona fide or certified job training program for no more than 60 calendar days (once per employee);
- (B) temporary employees working fewer than 100 hours per calendar year;
- (C) employees with the status of student seasonal workers hired for not to exceed ninety calendar days.
- (D) employees of not-for-profit organizations.

Covered employees would not include subcontractors whose work is only incidental to plant operations. Suppliers, raw goods/material

suppliers, landscape companies, construction contractors, delivery employees shall not be covered employees.

The wage floor and health insurance requirements shall not apply to employees covered by a collective bargaining agreement that provides a wage higher than the requirements of this ordinance.

1-2106

LEGAL AUTHORITY.

The governing bodies of Kansas counties and cities may exempt certain property used by Kansas basic industry for economic development purposes from taxes for a maximum of ten (10) years, in accordance with the provisions of Section 13 of Article 11 of the Kansas Constitution and the provisions of K.S.A 12-1740 et seq. and K.S.A 79-201a, subject to such limitations or prohibitions as may be enacted by the legislature. This authority is discretionary with the City, and the City may provide for tax abatements in an amount and for purposes more restrictive than that authorized by the Constitution or any such legislation. Pursuant to its home rule and statutory powers, the City may: (Ord.7706)

- (A) require the owners of any property for which an abatement is requested to provide certain information;
- (B) condition the granting of an abatement to an agreement providing for the payment of in lieu charges or taxes; and
- (C) require the payment of initial application and annual renewal fees reasonably necessary to cover the costs of administration.

1-2107

GENERAL PROCEDURE.

The following basic procedure shall govern the issuance of tax abatements within this City: (Ord. 7706)

- (A) The applicant business shall apply for a tax exemption by filing a written application as provided in Section 1-2117. Only new real and property that is not already on the Douglas County tax rolls shall be eligible;
- (B) The City Commission shall then determine whether the requested tax abatement

Comment [Co18]: Will we need only parts of this, or perhaps none of this, once the overarching policy is in place?

(1) may be lawfully granted, and
(2) should be granted, with the amount thereof to be determined later.

(C) The amount of the tax abatement will be determined in accordance with Section 1-2116 of this chapter.

(D) Notice of the City's intent to issue a tax abatement will be submitted to the State Board of Tax Appeals for final approval. If such approval is denied the abatement cannot legally be awarded.

(E) If the business fails to pay the in lieu tax payments, as may be required as a condition of the granting of an abatement, or fails to provide the reports or other information requested by the City, the City may revoke, or modify the abatement.

1-2108 JURISDICTION.

The City shall grant tax abatements only as to property located within the City. The City will advise Douglas County and appropriate school districts on all applications. The City encourages the Board of County Commissioners to advise the City as to applications outside the City and within the three-mile area. (Ord. 7706)

1-2109 NOMINAL TAX DETERMINATION.

All tangible property of a business receiving a tax abatement under this ordinance shall be annually assessed by the County Appraiser in the same manner as if it were not exempt, but the amount exempted shall not be placed on the assessment rolls. The amount of the property taxes which would be payable shall also be determined annually by the County Clerk and Treasurer, in the same manner as if the property were not exempt. Separate assessment and tax calculations shall be made for the land and the improvements thereon.

The County Clerk and Treasurer are requested to provide the City with this information as early as possible, but not later than November 15 of each year. (Ord. 7706)

1-2110 MINIMUM PAYMENT IN LIEU OF TAXES.

Any applicant receiving a tax abatement pursuant to this ordinance shall be required to make a minimum payment in lieu of taxes. The minimum payment shall equal the amount of property tax paid or was payable for the most recent year prior to the acquisition of the property by the new business or the construction of new buildings or added improvements to buildings. The purpose of requiring a minimum payment in lieu of taxes is to provide the City, the County, the School District and any other taxing jurisdictions affected by the abatement with as much tax revenue from the exempted property as was received prior to the abatement. (Ord. 7706)

Comment [CoL9]: This section appears to conflict with earlier statement that only new property is eligible for tax abatement. This section might make sense if property already on the tax rolls were eligible for exemption consideration.

1-2111 **SPECIAL ASSESSMENTS.**

Any tax abatement granted for real property under this ordinance shall not affect the liability of such property for any special assessments levied or to be levied against such property. (Ord. 7706)

1-2112 **PIRATING.**

It is the intent of the City, the County and the Chamber to avoid participation in "bidding wars" between Kansas cities or areas competing for the relocation of an existing Kansas business through attempts to offer the largest tax incentive or other public inducement, which is detrimental to the state's economy and the public interest. It is the policy of the City to discourage applications for tax abatements, or to grant tax abatements which deliberately encourage and cause the pirating of business from another Kansas community to this community. This policy does not preclude the providing of information to companies that inquire about Lawrence or are seeking an expansion rather than a relocation. It also does not preclude the granting of a tax abatement in those situations- where: (Ord. 7706)

- (A) The company has already made a decision to relocate or expand; or
- (B) The company is seriously considering moving out of state.

1-2113 **PUBLIC GOOD REQUIREMENT.**

The basic principle from which the City operates is that private business should not be subsidized with public funds, the indirect consequences of tax abatements, unless the public good expressed in Section 1-2102 of this ordinance is served. (Ord. 7706)

1-2115

NO UNFAIR ADVANTAGE.

A tax abatement will not be granted if the abatement would create, in the judgment of the City Commission, an unfair advantage for one business over another Lawrence business that competes for the same consumer market within the city. (Ord. 7706)

1-2116

AMOUNT OF TAX EXEMPTION.

In determining the actual amount of tax abatement to be granted to Kansas basic industries that meet the Economic Development Objectives of Section 1-2103 of this ordinance and the other requirements of this ordinance, the City shall use as a guideline the following basic schedule: (Ord. 7706)

- (A) fifty percent (50%) property tax abatement for ten years on investments less than \$20 million in adjusted 2001 dollars;
- (B) when the investment under consideration meets one of the following criteria, the City Commission may consider a property tax abatement that exceeds fifty percent (50%);
 - The investment exceeds \$20 million dollars in adjusted 2008 dollars
 - The project is constructed in compliance with Leadership in Energy and Environmental Design (LEED) criteria.
 - (a company that has been on the Douglas County property tax rolls for at least three (3) years shall be eligible for an additional five percent (5%) tax abatement for a new project; and
 - Unique site constraints or construction requirements that make development more difficult and costly
 - A project that is seen as a catalyst for future projects in an area of focus for the community, such as the biosciences.
- (C) the governing body may vary the amount and duration of the abatement provided the net abatement to a business shall not reduce the net tax revenues as would be received pursuant to the above schedules to the local taxing units over ten (10) years. It shall be the policy of the City to approve a tax abatement for the real property portion of a

project if the project meets the requirements of this ordinance.

The abatement term for projects considered under authority of Section 13 of Article 11 of the Kansas Constitution shall begin in the calendar year after the calendar year in which the business commences its operations. The abatement term for projects considered under authority of K.S.A. 12-1740 et seq. and K.S.A. 79-201a shall begin in the calendar year after the calendar year in which the bonds are issued.

1-2117

APPLICATION PROCEDURES.

Comment [CoL10]: Might we also remove this section once the overarching policy is in place?

All parties interested in obtaining a tax abatement shall be governed by the applications and procedures as found in the "City of Lawrence Economic Development Goals, Processes and Procedures." In addition to these procedures, the following steps shall apply for tax abatements and must be completed prior to City Commission hearings on the application:

1) Upon receipt of the completed application form and the required fee, the City Manager shall determine: (Ord. 7706)

(A) whether the application is complete and sufficient for review; and

(B) whether the applicant's business is eligible for an abatement under the Kansas Constitution, this ordinance or any other applicable laws. If the application is incomplete, the City Manager shall immediately notify the applicant, noting the need for such changes or additions as are necessary. If questions arise as to whether the business is legally eligible for an abatement, the matter shall be referred to the City Attorney, who shall consult with the applicant business. If the application is found complete and is for a purpose which appears to be authorized by law, the City Manager shall so notify the Public Incentives Review Committee.

1-2120

PUBLIC INCENTIVES REVIEW COMMITTEE.

Comment [CoL11]: Will PIRC be responsible for reviewing any other incentives? If so, should this be moved to another document?

There is hereby created a Public Incentives Review Committee, which shall be composed of: (Ord. 7706)

- (A) the Mayor, or the Mayor's designee who shall serve as chair,
- (B) another member of the City Commission appointed by the Mayor with the consent of the City Commission,
- (C) a member of the Douglas County Commission appointed by the County Commission,
- (D) a member of the Lawrence Public Schools U.S.D. 497 School Board or a School Board representative appointed by the School Board,
- (E) a professional financial analyst appointed by the Mayor and City Commission for a three year term;
- (F) the Chair of the Lawrence/Douglas County Economic Development Board, and
- (G) a resident of Lawrence appointed for a three year term by the Mayor and the City Commission. City, County, and School District staff shall provide technical and policy advice to the Committee. The Committee shall meet on call of the Mayor.

The purpose of the Public Incentives Review Committee shall be to:

- (1) receive and review requests and applications for tax exemptions,
- (2) to gather and review such additional information as may be deemed necessary to determine if the company meets the target objectives of Section 1-2103,
- (3) to conduct preliminary negotiations with the applicant business, as appropriate,
- (4) to review the City's yearly tax abatement report and compliance with performance agreements, and
- (5) to make such recommendations to the City Commission.

Public Incentives Review Committee records, including applications for tax exemptions, may be withheld from public disclosure under the Kansas Open Records Act as provided for under subsections (20) and (31) and other subsections of K.S.A. 45-221, but shall be available for public inspection when otherwise required by law. The Committee is authorized to issue administrative letters of finding which shall not be binding on the City Commission, and may be superseded by any action by the City Commission.

1-2122

LETTERS OF INTENT.

Upon receiving the recommendations of the Public Incentives Review Committee, the City Commission may issue a letter of intent, setting forth in general terms its proposed plans for granting a tax abatement and any conditions thereto. Such letters of intent shall be issued only as an expression of good faith intent and shall not in any way bind the City Commission to the granting of an abatement. Such letters of intent shall expire six months after issuance, but may be renewed. A public hearing shall not be required prior to the issuance of letters of intent. No elected or appointed officer, employee or committee of the City, Chamber employee, or other public or private body or individual, shall be authorized to speak for and commit the City Commission to the granting of a tax abatement. Letters of intent issued by the City Commission shall supersede any letters issued by the Public Incentives Review Committee. (Ord. 7706)

1-2124

PERFORMANCE AGREEMENT AND ENFORCEMENT.

- (A) Any tax abatement granted pursuant to this ordinance shall be accompanied by a Performance Agreement between the applicant and the City. The Performance Agreement shall include provisions to ensure compliance with the requirements of this ordinance, and appropriate consequences in the event of non-compliance. (Ord. 7706)

- (B) The Performance Agreement shall indicate that if the business receiving tax abatement does not comply with the wage floor and health insurance requirements of this Ordinance, then the business shall be required to pay, on an annual basis, to the City a certain amount as established below:

The business shall pay to the City, by May 20, an amount of money equal to two hundred percent (200%) of the difference between the actual wages paid to employees covered by the wage floor and health insurance requirements and the amount of wages that should have been paid to the same employees to comply with the wage floor and health insurance requirements of this ordinance. This payment to the City may not exceed the annual value of the abated property taxes to the business. Upon City receipt of the payment from the business, the payment shall be disbursed as follows: half of the payment amount shall be sent to eligible employees or former employees of the business in amounts equal to the difference between their actual wages/health insurance benefits and the wages/health insurance benefits required by this ordinance; the other half of the payment shall be retained by the City and used, pursuant to City Commission direction, for economic development purposes, including employee training programs. (Ord. 7706)

Comment [CoL12]: Comment: based upon review of other policies, this seems very onerous. Most communities would adjust or eliminate the abatement at this point, but not further penalize the business.

(C) The Performance Agreement shall also require the monitoring of the average wage criteria of the Kansas Department of Human Resources, the number of jobs provided by the employer, and the capital investment projections set forth in the original application. The provisions concerning the consequences for non-compliance with the wage floor and health insurance requirements shall not apply to other areas of non-compliance of a tax abated business, rather any non-compliance shall be reviewed by the Public Incentive Review Committee, and as appropriate, the City Commission. Each tax abatement shall be annually reviewed by the Public Incentives Review Committee, as set forth in Section 1-2125, which shall forward a copy of the annual review and appropriate recommendations to the City Commission. The City Commission shall receive the annual review report, and if the City Commission determines that a business or project is not in compliance with the provisions of the Performance Agreement, then the tax abatement may be modified pursuant to the Performance Agreement as the City Commission deems appropriate. The County Appraiser and the State Board of Tax Appeals shall be notified of appropriate actions. (Ord. 7706)

Comment [CoL13]: Again, this wage information needs to be discussed as it is possibly changing

1-2125

ANNUAL REVIEW FOR COMPLIANCE.

Comment [CoL14]: Should we have annual review here, or in overarching policy?

All tax abatements granted shall be subject to an annual review by the Public Incentives Review Committee to ensure that the ownership, use of property, and the economic performance of the business, including the capital investment, employment, and wages, are pursuant to requirements and criteria of this ordinance, the application for tax abatement, and the conditions of the granting of the tax abatement. The review shall also include a comprehensive review of the entire abatement period for the business, including milestones and project phases for the business. The annual review shall provide an opportunity for the company receiving the abatement to describe their achievements, especially in the areas of environmentally sound practice, community engagement and services, and job training. If the business: (Ord. 7706)

- (A) no longer qualifies for a tax abatement pursuant to law or this policy;
- (B) substantially fails to meet the expectations set forth in the application for a tax abatement, including failure to meet employment, wage, or capital investment plans in the application; or
- (C) substantially fails to meet the criteria or objectives of this ordinance;

the City Commission, after notice and a public hearing may modify the exemption by ordinance.

Each business receiving a tax exemption shall be required to complete an annual report by March 1. The information in the report will cover the time period of January 1 through December 31 of the previous year. The annual report will be reviewed by the Public Incentives Review Committee and presented to the City Commission by May 1.

Comment [Col15]: Due to the changes in the annual report lately, we may want to specify which annual report- the one when their abatement went into effect or whichever report is the most current one.

By May 1 of each year, the Public Incentives Review Committee shall also present an annual report to the City Commission that lists all of the property tax exemptions that remain in effect at that time. The annual report shall include information regarding when the exemption was granted, when the exemption expires, current property taxes paid for the property, in lieu of tax payments, amount of any industrial revenue bonds issued, the assessed value of the property, number of employees, salary and payroll of

employees, and any additional information concerning the operation of the business receiving the exemption, and other information as requested by the City Commission.

The Public Incentives Review Committee shall monitor compliance for the wage floor and health insurance requirements. If a business fails to comply with the wage floor and/or health insurance requirements, the business shall provide a written explanation and a plan for correcting the non-compliance. This information shall be contained in the report submitted by the Public Incentives Review Committee to the City Commission. If the business is in non-compliance with the wage floor and/or health insurance requirements for two (2) consecutive years, the City Commission shall take appropriate actions to completely remove the tax abatement for the business, unless the City Commission, by a super-majority vote (currently four (4) votes), determines that extraordinary circumstances exist and the tax abatement should be allowed to continue.

The failure of a business to provide accurate and timely information to the City in the preparation of the annual report shall be grounds for the modification or repeal of the tax abatement. The City shall retain a qualified third party consultant to assist the preparation of any report and to maintain the confidentiality of the personnel and wage records of a business.

A business that is required to comply with the wage floor and health insurance requirements of this ordinance shall maintain payroll records for covered employees and shall preserve them for a period of two (2) years. The records shall contain:

- (1) the name and address of each covered employee;
- (2) the job title and classification;
- (3) the number of hours worked each day;
- (4) the gross wages earned and deductions made;
- (5) a record of health insurance payments made by the employee and the employer; and

- (6) additional information necessary to establish that an employee is exempt from the wage floor and health insurance requirements established in Section 1-2105.

A copy of these records shall be provided to the third-party auditor to review and determine compliance with the requirements of this ordinance. Members of the Public Incentive Review Committee, City staff selected by the City Manager, or the City Commission may review these records in the custody of the third-party auditor but may not do anything to remove or destroy their confidential nature.

1-2126 TRANSFER OF OWNERSHIP OR USE.

No abatement or tax incentive granted by the City shall be transferred as a result of a change in the majority ownership of the business. Any new majority owner shall file a new application for a tax abatement. Further, the City shall be notified by the business of any substantive change in the use of a tax exempt property. (Ord. 7706)

1-2127 DISTRIBUTION OF REVENUE.

The granting of tax abatement by the City Commission is hereby declared to be a contract under the provisions of K.S.A. 12-147. The in lieu of taxes payment which may be required of a business granted a tax abatement under this ordinance shall be paid to the County Treasurer, with notice of the amount and date paid provided to the City. The County Treasurer is directed to apportion the payment to the general fund of all taxing subdivisions, excluding the state, which levies taxes on property where the business is situated. The apportionment shall be based on the relative amount of taxes levied, for any and all purposes, by each of the applicable taxing subdivisions. (Ord. 7706)

1-2128 EXEMPTION ORDINANCE.

The City Clerk shall provide a copy of the ordinance, as published in the official city newspaper, granting an abatement from taxation to the applicant for use in filing an initial request for tax exemption as required by K.S.A. 79-213, and by K.S.A. 79-210 for subsequent years. (Ord. 7706)

1-2129 EXEMPTION FORMS.

A copy of the exemption application required by K.S.A. 79-213 and 79-210, and the statement required by K.S.A. 79-214 for the cessation of an exempt

use of property, shall be filed with the City Clerk by the property owner. (Ord. 7706)

1-2131 **NO RETROACTIVE APPLICATION.**

This ordinance shall only apply to tax abatements approved after the adoption of the ordinance, and shall not apply retroactively to previously approved abatements and projects. Tax abatements granted pursuant to earlier City policies and procedures shall be governed by the City policy and procedures in effect upon the initial granting of the abatement. (Ord. 7706)

1-2132 **DEFINITIONS.**

For the purpose of this Ordinance, in application to the City of Lawrence, the words or phrases as used in this Ordinance shall have the following meaning: (Ord. 7706)

(A) "Applicant" shall mean and include the business, property owner or owners, and their officers, employees and agents.

(B) "Associated therewith" as used with respect to tangible personal property shall mean being located within, upon, or adjacent to buildings or added improvements to buildings.

(C) "Commenced operations" shall mean the start of the business activity housed in the building for which a tax exemption is requested.

(D) "Economic development purposes" shall mean the expansion or the establishment of a new business enterprise which:

(1) is or proposes to be located or principally based in Kansas; and

(2) can provide demonstrable evidence that:

i) it is or will be primarily engaged in any one or more of the Kansas basic industries: or

ii) it is or will be primarily engaged in the development or production of goods or the provision of services for out-of-state sale; or

iii) it is or will be primarily engaged in the production of raw materials, ingredients or components for other enterprises which export the majority of their products; or

iv) it is a national or regional enterprise which is primarily engaged in interstate commerce; or

v) it is or will be primarily engaged in the production of goods or the provision of services which will supplant goods or services which would be imported into the city; or

vi) it is the corporate or regional headquarters of a multistate enterprise which is primarily engaged in out-of-state industrial activities that take place outside of Lawrence.

(E) "Kansas basic industry" shall mean:

- (1) Agriculture;
- (2) mining;
- (3) manufacturing;
- (4) interstate transportation;
- (5) wholesale trade which is primarily engaged in multistate activity or which has a major import supplanting effect within the state;
- (6) financial services which are primarily engaged in providing such services for interstate or international transactions;
- (7) business services which are primarily engaged in providing such services to out-of-town markets;
- (8) research and development of new products, processes or technologies; or

- (9) tourism activities which are primarily engaged in for the purpose of attracting out-of-state tourists.

As used in these subsections, "primarily engaged" means engagement in an activity by an enterprise to the extent that not less than fifty-one percent (51%) of the gross income of the enterprise is derived from such engagement.

- (F) "Expansion" shall mean the enlargement of a building or buildings, construction of a new building, the addition of tangible personal property, or any combination thereof, which is new to the tax rolls and increases the employment capacity of a business eligible for a tax exemption.
- (G) "Tangible personal property" shall mean machinery and equipment which is new to the tax rolls and used during the term of the tax exemption which may be granted.

Property being added to the tax rolls by "Kansas basic industry" in accordance with the provisions of Section 13 of Article 11 of the Constitution of the State of Kansas and the provisions of K.S.A 12-1740 et seq. and K.S.A 79-201a. In addition, certain requirements of this ordinance shall apply to the granting of certain public subsidies by the City as further set forth in Section 1-2130. (Ord. 7706)

Memorandum

City of Lawrence

City Manager's Office

TO: David L. Corliss, City Manager
CC: Cynthia Boecker, Assistant City Manager
Diane Stoddard, Assistant City Manager
FROM: Roger Zalneraitis, Economic Development Coordinator/Planner
DATE: January 29, 2008
RE: Benefit Cost Model Background

The following memo provides an overview of the benefit-cost model that has been developed internally for the City.

Background

The state of Kansas requires that a benefit-cost analysis be conducted for any property tax exemption offered by a local government (KS 79-251(a)(1)). To fulfill this requirement, the City of Lawrence contracted with the Institute for Policy and Social Research at the University of Kansas. The Institute developed a model and provided analysis for all tax abatement applicants.

Earlier this year, KU notified Lawrence that the model needed to be updated. At the same time, there was a desire on the part of the City to have an in-house model in order to be able to simplify the analytical process, both in terms of the number of variables used and in terms of the ability to run multiple analyses on an application. For these reasons, the City chose to develop its own model.

Research

Staff conducted extensive research in developing the benefit-cost model. In order to create the model, staff did the following:

- Reviewed best practices as noted by existing literature;
- Met with KU staff and reviewed the KU benefit-cost model to understand how the analysis has been conducted to-date;
- Reviewed the State model that is available for municipalities as well as the questionnaire they recommend for applicants for tax abatements;
- Identified key issues and conducted several internal meetings to develop preliminary approaches to modeling these issues;
- Visited Lee's Summit, MO; Kansas City, MO; Lenexa, KS and Manhattan, KS to review their models and how they handled some of the more difficult

issues in modeling (these issues included multipliers, discount rates and costing infrastructure);

- Spoke with consultants to discuss where to obtain certain variables such as multipliers; and
- Met with City, County, and USD 497 officials to apprise them of progress and better understand their budgets and costs.

Output- First Draft

A first draft of the model was ready by the end of August. The draft version of the model measures costs and revenues for the City, Douglas County, USD 497, and the State. Revenues and costs are measured both for the firm as well as new residents that move to the community. Revenues include sales tax, property tax, any sale or lease of property owned by the City or County, franchise fees, state transfers to the school district, and income and corporate income taxes for the State. Costs include any new infrastructure built for the project, ongoing operating costs for the taxing jurisdictions, interest paid by taxing jurisdictions for bonds issued, and for the State any new transfers to the School District.

All data is derived either from the applicant's questionnaire or from easily obtainable public sources. Much of the data is entered on a single page and the source of the data is clearly identified for users of the model. Some data- such as Census information and City and County budgets- is included as additional worksheets.

Some key features of the model are more abstract. In particular, this includes the multiplier, the number of new residents, and the discount rate. The multiplier is taken from the Bureau of Economic Analysis (BEA) RIMS II database. The multiplier measures the relationship of industries to one another in a local economy, and thus helps estimate the number of additional jobs and the salaries of those jobs when a firm relocates, expands or contracts in a local economy. These additional jobs are known as indirect jobs. The multiplier will need to be updated every few years.

The number of new residents uses a procedure that derives its estimates from the U.S. Census' Local Employment Dynamics (LED) database. The LED database measures job location and commuting patterns of every employee covered under unemployment insurance (it thus excludes federal employees as well as the self-employed and individual contractors). The model uses the data from LED to estimate where new firm employees will live, as well as where new indirect jobholders will live as well.

Finally, the discount rate attempts to value the stream of future revenues and costs in today's dollars, under the key assumption that a dollar tomorrow is not worth as much as a dollar today. The discount rate in the model values "tomorrow's" dollar at a rate equal to a risk-free rate of return plus a risk-adjustment for the likelihood that the total projected return will not be made.

Presentation

Upon completion of the first draft of the benefit-cost model, staff held a series of meetings to introduce the model, explain it, and receive feedback. A series of meetings was conducted with City, County, Chamber, and community representatives. These meetings helped identify several issues that needed further research and resolution. Several items were brought up that required further review. A memo was prepared with recommendations as to whether these items should be incorporated into the model. After feedback was received on the memo, an updated version of the model was prepared. The updated model incorporates the following changes:

- 1) Two errors were found in the original model and corrected. One was an overcalculation of sales taxes in the first year, the second was an undercalculation of property taxes for new residents who have indirect jobs;
- 2) All census and community information was updated, as needs to be done on an annual basis;
- 3) The calculation of the benefit-cost ratio was changed. The ratio had been calculated as if the firm did not need the incentive. It is now calculated as if the firm does need the incentive (further discussion on this issue can be found in the follow-up memo, along with Vice-Mayor Chestnut's response);
- 4) In November, Lawrence residents approved three new sales taxes for the next ten years that will add .55% to the local tax rate. These new sales taxes were added as "sunset" taxes- that is, they expire after several years (in the 87 acre test case, we assume the firm will not be operational until 2010, so we only count these sales taxes for 8 total years);
- 5) Interest rates were updated due to large changes. This resulted in lower mortgage rates for home purchases and a lower discount rate for future revenue and cost streams;
- 6) Sales tax revenues generated from construction of the facility was added to the model;
- 7) Population numbers were adjusted. There was a double-count in the way that new "persons" in the community were accounted for in the first version of the model. Specifically, a person who both lived in Lawrence and worked in Lawrence would count as two "people." This meant that the person would generate twice as much revenue and cost as someone who, for example, lived here but did not have a job. Two alternative population counts were developed and tested;
- 8) Revenues and expenses in the General Fund budget that are not related to population growth were removed;

- 9) Additional Funds that are related to population growth were incorporated into the revenues and expenses; and finally
- 10) A slight adjustment was made to income calculations to match supplemental income (for example, earnings from dividends and interest, self-employment) more closely to wages from primary jobs.

Results and Additional Items for Discussion

Of these ten changes, two of them (items 2 and 10) had minimal impact on the results. The adjustment to the benefit-cost calculation (item 3) had no effect on the revenues and costs. The change in interest rates (item 5) resulted in a greater increase in revenues than costs. Part of the reason for this has to do with the specific example tested, and might vary under other scenarios. The addition of city and county revenues and expenses outside the General Fund (item 9) raised costs more than revenues. Three of the remaining five items (items 1, 4, and 6) resulted in more revenues than costs, although the overall impact of each on the benefit-cost ratio was modest.

The population calculation (item 7) determines the number of unique jobs and residents, and thus how much additional costs and revenues will be generated by these people. As mentioned, there was a double-count in the original model. Removing the double-count reduces the number of new "persons" in the community substantially. When combined with the elimination of non-population sensitive items in the budget (Item 8), this results in a significant impact on the model.

Staff recommends further discussion on items related to population estimates, in order to ensure the model accurately portrays commissioners' opinion on how employees and residents impact their budget. Similarly, additional discussions should take place on whether other budget funds besides the General Fund should be included in the model. Finally, staff would like further discussion on the inclusion of the construction revenues in the model to make sure that commissioners understand how this affects the results.

Model: Middle Value Firm**Assumptions for All Models:**

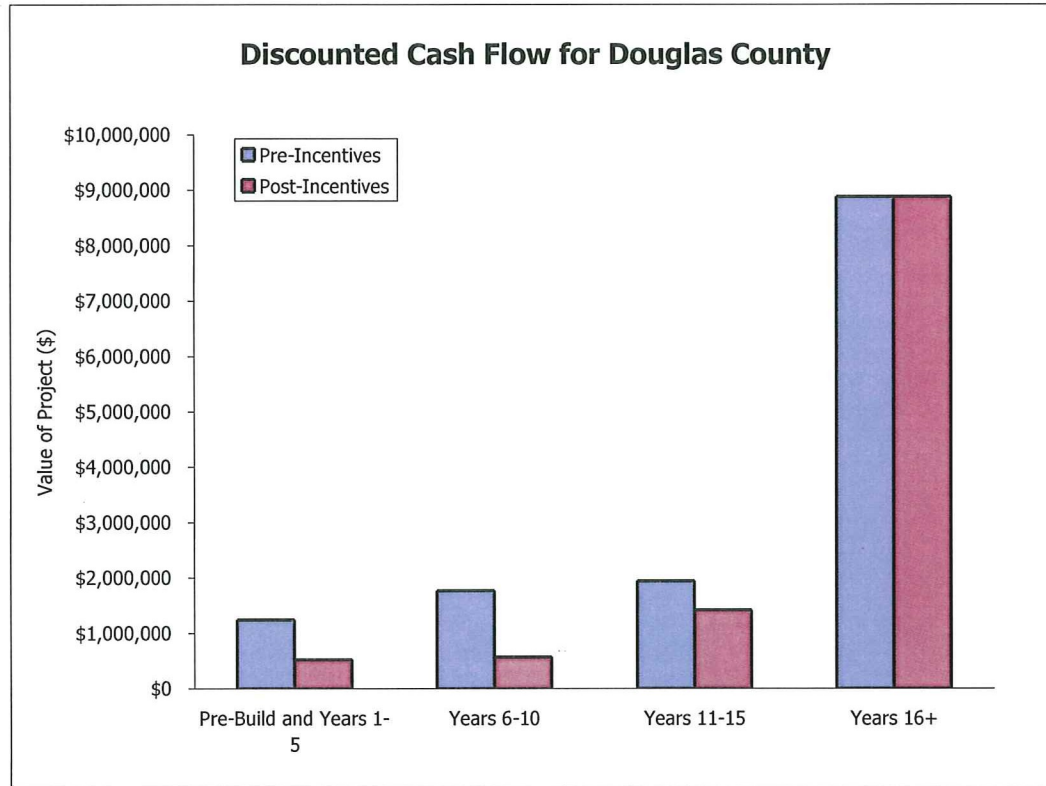
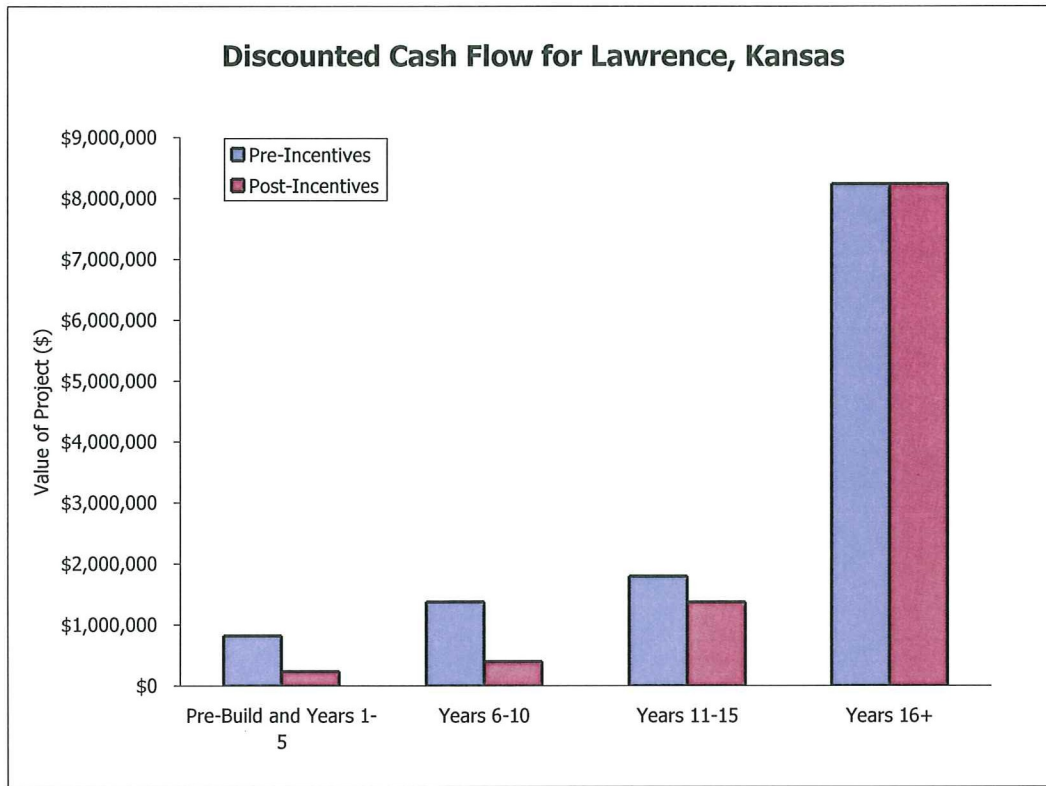
Projects are a 2 phase investment
 The first phase begins operation in January 2010, and is completed in 2011.
 The second phase begins in January 2015 and is completed in 2016.
 The same tax abatement is offered for both phases.
 Land is sold, not donated, to investing firm. Proceeds go to City.

Project Summary:

Capital Investment in Plant:	\$50,000,000
Annual Local Expenditures by Firm:	\$3,000,000
New Jobs:	500
Average Wage per Job:	\$44,000
Average Value of Home Purchased:	\$251,433
Total New Households in City and County:	437
City Revenue per Firm Employee Household:	\$0
Additional Jobs in City and County:	422
Tax Abatement/s Offered:	80%
Length of Tax Abatement/s:	10 Years
Number of Abatements:	2
Value of Tax Abatements, Total:	\$12,926,497
Value of All Incentives Offered:	\$12,926,497
Value of All Incentives per Job:	\$25,853
Value of Incentives in Hourly Pay:	\$0.83

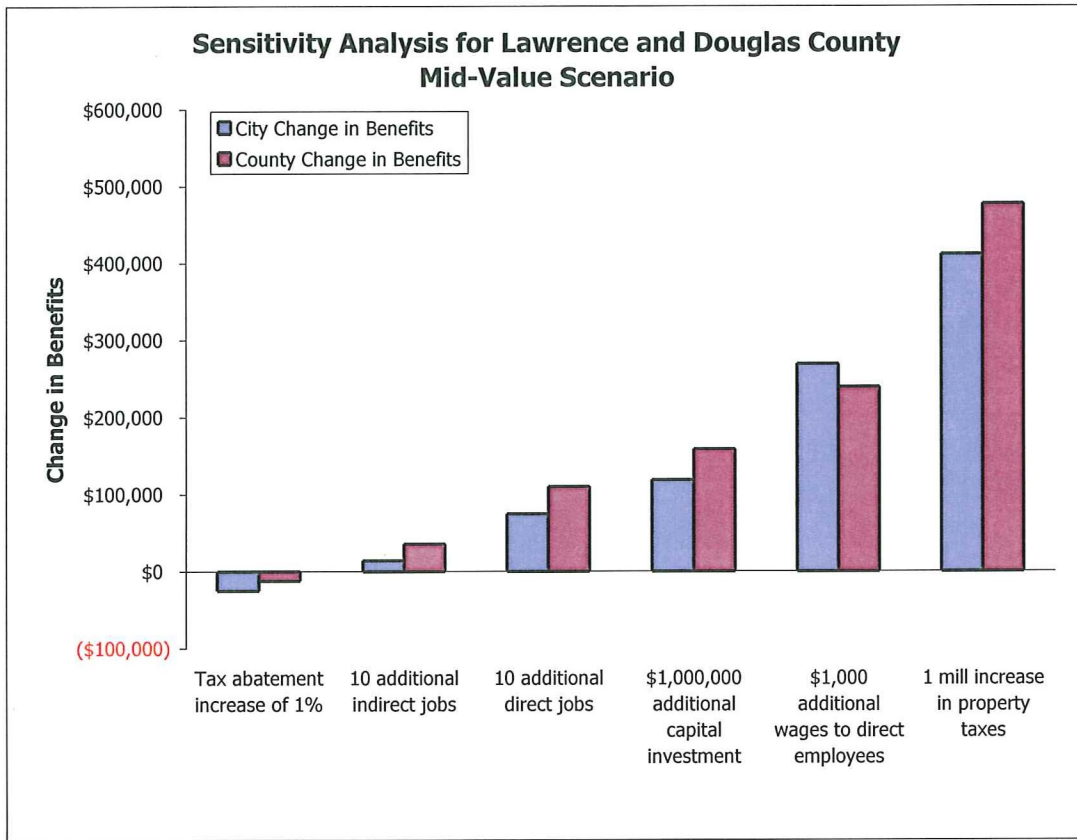
Returns for Jurisdictions:	City	County	School	Total, Local Jurisdictions
Revenues	\$53,464,659	\$45,010,204	\$56,273,313	\$154,748,176
Costs	\$29,554,855	\$18,407,178	\$6,854,975	\$54,817,008
<i>Revenue Stream, Pre-Incentives</i>	<i>\$23,909,804</i>	<i>\$26,603,026</i>	<i>\$49,418,338</i>	<i>\$99,931,167</i>
Value of Incentives Offered	\$2,919,906	\$3,581,599	\$4,081,656	\$10,583,161
Revenue Stream with Incentives	\$20,989,898	\$23,021,427	\$45,336,682	\$89,348,006

Returns for Jurisdictions, Discounted:	City	County	School	Total, Local Jurisdictions
Discount Rate	4.89%			
Discounted Cash Flow, Without Incentives	\$12,233,690	\$13,841,980	\$25,739,685	\$51,815,355
<i>Benefit/Cost Ratio, Without Incentives</i>	<i>1.74</i>	<i>2.34</i>	<i>8.08</i>	<i>2.70</i>
Discounted Cash Flow, With Incentives	\$10,238,295	\$11,394,401	\$22,950,378	\$44,583,073
Benefit/Cost Ratio, With Incentives	1.62	2.10	7.31	2.46



Appendix 1: Sources of Revenue and Costs as a Share of Revenue

Revenue Source	City	County
Property tax from Households	18.3%	33.1%
Property tax from Firm	28.3%	41.3%
Sales Taxes from Residents and Employees	22.4%	8.1%
Sales Taxes from Firm	3.8%	1.2%
Franchise Fees, Households	4.9%	
Franchise Fees, Firm	2.6%	
Other	19.6%	16.3%
<i>Total, Revenues</i>	<i>100.0%</i>	<i>100.0%</i>
<i>Costs as Share of Revenue</i>		
Capital Costs, Households	2.0%	0.4%
Capital Costs, Firm	5.5%	4.7%
Operating Costs, Residents	38.5%	30.1%
Operating Costs, Indirect Employment	18.4%	12.0%
Operating Costs, Firm	23.4%	14.2%
Infrastructure on the Firm's Property	0.0%	0.0%
<i>sub-total, costs</i>	<i>87.9%</i>	<i>61.4%</i>
Abatements	5.5%	8.0%
Other Incentives	0.0%	0.0%
Total, Costs as Share of Revenue	93.4%	69.3%



Date: February 12, 2009

To: **Lawrence City Commissioners**

From: Daniel Poull, Chair, Sustainability Advisory Board

CC: Roger Zalneraitis, City of Lawrence Economic Development Coordinator

RE: **Proposed Tax Abatement and Public Incentives Policy**

The Sustainability Advisory Board wishes to comment on the City's pending tax abatement and public incentive policy. As the SAB expressed¹ earlier in regard to the City's tax increment financing (TIF) and transportation development district (TDD) policies², again, we believe that the City's proposed tax abatement and public incentive policies warrant stronger language regarding sustainability. To that end, we offer the following comments:

The Application Process

Currently, the City's abatement/incentive application lacks opportunities for businesses to highlight their environmental performance or disclose the infrastructure impacts of a given proposed project. The language currently included in the policy--that a business should be "environmentally sound"--does not provide definable benchmarks which can be used to fairly and objectively evaluate applicants. Rather, we recommend that the City request the following specific environmental and infrastructure information on abatement applications: estimated water and energy usage; wastewater and solid waste generation; hazardous waste generator status and EPA ID#, if applicable; air, pre-treatment/discharge or NPDES permit #, if applicable, and any pollution prevention or energy conservation measures to be included in proposed project.

Overview of Applications

We support overview of abatement applications by a subordinate body (i.e. the PIRC or ED Board) and respectfully request that a member of SAB be allowed to participate as a voting, ad-hoc member of such a body.

Reward Clause for LEED certification, etc.

While we certainly support LEED certification as a possible facet of abatement or incentive assessment, we believe that there are also many other important (and perhaps less costly) ways that a company can demonstrate their commitment to sustainability. Many communities have begun to implement abatement policies which reward sustainability and encourage the development of "green collar"³ jobs. We fully support this idea and believe it merits the Commission's consideration. However, we do not believe that it should be implemented at the exclusion of the information included in item 1, above.

Cost Benefit

Whichever benefit cost or project evaluation model is implemented, we recommend that it include and be structured to consider the environmental and infrastructure impacts of a given abatement application.

¹ see December 2008 CC meeting minutes, and SAB TIF/TDD memo submitted to Diane Stoddard May 7, 2008.

² http://www.ci.lawrence.ks.us/web_based_agendas/2008/12-16-08/12-16-08h/ecodevo_tif_tdd_ltr_frm_sab.pdf

³ <http://www.gpace.org/?tag=kansas-blue-green-alliance>