



## City of Leavenworth

### *Economic Development Incentive Policy*

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#### **Section 1: Industrial Revenue Bonds (IRB) and Economic Development Exemptions (EDX)**

**Purpose:** The purpose of this policy is to establish the official policy of the City of Leavenworth for the granting of economic development incentives, including uses in accordance with the provisions of Section 13 of Article 11 of the Constitution of the State of Kansas as required by K.S.A. 1990 Supp. 79-251. 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 Leavenworth, and promote the economic growth and welfare of the City of Leavenworth. Economic development incentives are necessary because of the inherent competition for new businesses and jobs. This policy is intended to complement other government incentive programs.

**Incentive Programs:** Economic development incentives available from the City Leavenworth may include (but are not limited to) industrial revenue bonds (IRBs), property tax abatements, sales tax exemptions, forgivable loans and infrastructure improvements.

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

- A. *Manufacturing:* Determined by appropriate NAICS (North American Industry Classification System) codes.
- B. *Service Sector:* Majority of revenues must be derived from transactions originating outside of the Kansas City Metropolitan Statistical Area (MSA).
- C. *Research and Development:* The conducting of research, development or testing for scientific, medical, food product or industrial purposes.
- D. *Warehousing and Distribution:* Majority of goods stored/shipped must be destined for end-users located outside of the Kansas City MSA.
- E. *Corporate Headquarters:* May include “back office” operations and customer service activities. Majority of revenues must be derived from transactions originating outside of the Kansas City MSA.
- F. *Transportation:* Freight or passenger transportation services. Majority of revenue must be derived from interstate commerce/travel.

- G. *Commercial Redevelopment*: Must address rejuvenation of official redevelopment areas, if such areas are designated by the governing body.
- H. *Tourism*: Attractions, facilities and events considered likely to attract at least 30% of attendees from outside of the Kansas City MSA.
- I. *Housing*: Housing developments for seniors and the disabled are of highest priority. It is the City's intention to encourage development of housing for residents of all ages, abilities and incomes.
- J. *Medical Services*: Regional medical centers, hospitals and specialized medical facilities considered likely to attract at least 30% of patients from outside of Leavenworth.

**Policy Considerations:** Additional considerations for determining the advisability of incentives are as follows:

- A. No incentive shall be granted if the incentive would create, in the judgment of the governing body, an unfair advantage for one business over another competing business within the City.
- B. Any incentive granted by the City shall be subject to the "but-for" principle, meaning that the incentive must make such a difference in determining the establishment or expansion of the business that the business would not otherwise be established or expanded in the City, if it were not for the availability of the incentive. It is the policy of the governing body that private business should not be subsidized with public funds, the indirect consequences of tax incentives, unless some public good results and the public subsidy can reasonably be expected to make a significant difference in achieving economic growth and the creation of new jobs within the City.
- C. A business must be current in its payment of ad valorem property taxes to be considered for any public incentive.
- D. In addition to the above criteria, in making a decision to approve or disapprove an incentive, the City Commission will consider the following information:
  - 1. How well the new jobs match skills available in the local labor market;
  - 2. The utilization of labor skills of unemployed persons in the community;
  - 3. The degree to which the business improves the diversification of the economy of the City;
  - 4. The potential for future expansion and additional job creation;

5. The impact of creating other new jobs and businesses, including the utilization of local products or other materials in manufacturing;
6. The beneficial impact on a particular area of the City, including designated enterprise zones and areas in need of revitalization or redevelopment;
7. The compatibility of business location with land use and development plans, and the availability of existing infrastructure and essential public services, and the extent to which additional direct or indirect public costs to the City and to other local units of government would be necessary, such as the cost of extension of public services;
8. The extent to which the economic and employment benefits of the incentive accrues to the residents and taxpayers who indirectly “subsidize” the business as a result of the foregone tax revenue.

**Compliance:** All Economic Development Incentives will be formalized in a written agreement between the City of Leavenworth and the recipient company. The recipient company will be required to meet the following performance criteria:

1. Jobs created as agreed upon
2. Capital investment in real property as agreed upon
3. Compliance with all applicable governmental laws, rules and regulations
4. Compliance with other conditions imposed by the Economic Development Incentive Agreement

The City of Leavenworth reserves the right to audit a company to assure compliance with the Economic Development Incentive Agreement. The City Commission 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 performance criteria are not met.

**Application Process:** Applying for incentives is a multi-step process. Approximately 60-90 days are needed to complete most projects. This time frame begins the day an application is submitted and allows time for staff review, public hearing or other actions, City Commission consideration and approval. Refer to the Incentives Application Packet for additional information.

**Project Evaluation:** Each project will be evaluated on an individual basis. Changing economic conditions and availability of funds may cause the City of Leavenworth to modify, amend or discontinue any economic development incentive program. Should an incentive program be discontinued, the City Commission 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 approved by the City Commission.

***Step 1: Cost Benefit Analysis***

All requests for local incentives will require a Cost Benefit Analysis (CBA) to be completed prior to consideration. This analysis captures the impact of capital investments, construction costs, salaries, visitor traffic and other benefits. An agent designated by the City will conduct the Cost Benefit Analysis and any fees associated with this application will be the responsibility of the applicant. The CBA will be used initially to determine the viability of the proposed project and must show a positive economic impact upon the City. The ratio of public benefits to public costs must be not less than 1.3 to one.

***Step 2: Incentive Matrix***

The City Commission will determine the amount, terms and conditions of property tax abatements and forgivable loans based on a matrix that equates incentive levels with job creation and capital investment. Refer to the Incentives Application for more information.

The City of Leavenworth is 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 businesses included in the list of eligible businesses, EDX abatements are limited by state law to expanding manufacturing, research and development, and warehousing and distribution businesses that create or retain jobs.

The maximum term of tax abatement on real property improvements under this Policy shall be ten years. The initial term shall be five years, plus a possible additional five years subject to review and approval of the City Commission at the end of the initial term. 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 used to determine the recommended abatement. 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. It is the City's preference that new jobs be full-time positions with competitive benefits.

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% (up to 9%); between \$500,000 and \$1 million – 0.75% (up to 7.5%); between \$1 million and \$2 million – 0.5%; (up to 10%) between \$2 million and \$5 million – 0.25% (up to 15%); above \$5 million – 0.10%. The maximum recommended tax abatement for capital investment is 100%.

**Location Premium:** Businesses in the City of Leavenworth shall be encouraged to locate and/or expand within special redevelopment areas of the City if any such areas are determined by the City Commission. To foster such action, businesses may be recommended for additional tax abatement for locating into special redevelopment areas, as may be determined from time-to-time by separate action of the City Commission. See the City's Special Development District options for more information.

***Step 3: Policy Considerations***

The policy considerations found in this section will be applied to the project to determine the degree to which the project meets the purpose of economic development incentives as set forth in this policy as well as other considerations unique to the specific project.

***Payments-In-Lieu-of-Taxes (PILOTs):*** Any business receiving tax abatements 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 Leavenworth County Treasurer for 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.

***Exceptions:*** Exceptions to the conditions set forth in this policy may be made by the Leavenworth City Commission.

## **Section 2: Special Development Districts**

- I. **Transportation Development District Financing (TDD)** – Transportation Development Districts may be created for the purpose of financing certain projects, including bridges, streets, interchanges, intersections, signage, signalization, parking lots, parking garages, bus stops and stations, airports, docks, lake or river ports, railroad, light rail, mass transit facilities and any other transportation related project or infrastructure.
- II. **Community Improvement District (CID)** – The district charges additional sales tax or assesses a special property tax, with proceeds going to pay for capital improvements, infrastructure and certain operational costs. Fifty-five percent of property owners within the proposed district must approve the district. If a special assessment is used, 100% of the property owners must give approval.
- III. **Tax Increment Financing (TIF)** – TIF is a real estate redevelopment technique applicable to industrial, commercial, and residential projects. TIF uses the anticipated increase in sales and/or property tax revenues to retire the bonds sold to finance qualifying redevelopment costs. Qualifying costs can include public improvements (streets, sanitary sewers, storm sewers, drainage improvements, underground water, gas, electrical services in public right of way); site preparation; parking facilities; landscaping and decorative amenities, and land acquisition costs. It cannot be used for the construction of buildings or other structures to be owned or leased by a developer.
- IV. **STAR (Sales Tax) Bonds** – Sales Tax Revenue (STAR) Bonds are special bond projects for major commercial or tourist areas. The threshold is usually \$50 million in capital investment and \$50 million in gross annual sales. Both an incremental state and local sales tax can be used to fund the project.
- V. **Neighborhood Revitalization Property Tax Rebate Plan** – Certain areas of the City have been designated for property tax rebates for improvements to existing property or new development of residential, multi-family, commercial, industrial, and historical properties. The Plan provides a 95% property tax rebate for a period up to 10 years, depending upon the value of the improvements. See the NRA application for map of eligibility and more information.

Eligibility for any special development districts must meet the following criteria:

- *Generate development that will enhance the city's economic conditions;*
- *Result in significant property improvements that otherwise would not be economically feasible;*
- *Promote the redevelopment of property that would otherwise remain unimproved;*

- *Apply to commercial, industrial or mixed-use properties.*
- *Exceptions may be granted on a case-by-case basis by the Leavenworth City Commission.*

Eligibility for special development district incentives will be based on job creation and capital investment. A preliminary application shall be submitted to the Assistant City Manager’s office. The purpose of the preliminary application process is to determine the extent to which the applicant meets the eligibility criteria as described in this policy. Applicants that are determined to meet the City’s criteria shall be invited to submit a formal application. The City Commission may make exceptions to applicant criteria.

**Section 3: Grants, Loans, State Programs**

- **City Small Business Grant Program**
  - *Matching grant for non-maintenance improvements to business property. \$5,000 available per business, or \$15,000 for a multi-tenant building. Eligibility includes one grant per business entity every 24 month period. See grant application for more information.*
- **NetWork KS E-Community Loans**
  - *Grow Leavenworth County Development Corporation offers no-interest loans to businesses for start-up or expansion efforts up to \$45,000 for up to 8 years. Eligibility includes a 40% match via bank loan or cash reserves. Approval is also based on job creation and capital investment. See loan application for more information.*
- **Waiver of City Permits/Fees**
  - *City permit, inspection, and/or utility connection fees may be waived in part or whole on a case-by-case basis.*
- **Reduced sale price on City-owned property**
  - *A discounted sale price on City land may be granted upon approval by the City Commission in lieu of or in addition to incentives.*
- **LCDC Micro-loans**
  - *A minimum of \$250 to maximum of \$1,500 is available to applicants with less than 15 employees and less than \$500,000 in revenue located in Leavenworth County. Contact Leavenworth County Development Corporation for more information.*
- **State incentives such as KIT (Kansas Industrial Training), KIR (Kansas Industrial Retraining), HPIP (High Performance Incentive Program), PEAK (Promoting Employment Across Kansas Program), and more.**
  - *Contact Leavenworth County Development Corporation or the Kansas Department of Commerce for more information.*