



REQUEST FOR COMMISSION ACTION
CITY OF INDEPENDENCE
February 27, 2020

Department Finance

Director Approval Lacey Lies

AGENDA ITEM Consider approving the payment of a job creation incentive for Indy Brew Works.

SUMMARY RECOMMENDATION City Staff recommends approving the \$5,000 payment for a job creation incentive for Indy Brew Works based on recommendations from the Economic Development Advisory Board.

BACKGROUND A Brewery business was one that was identified by the City, Chamber, and Main Street as a target industry to recruit based on the Roger Brooks Downtown growth strategy. As a target industry, we recommend offering a \$1,000 incentive as jobs are created. Indy Brew Works plans to have five (5) FTE employees within the first year of opening. In the request letter from Indy Brew Works, this funding would help increase their capacity by allowing them to order additional supplies for distribution.

We are requesting that the City enter into a \$5,000 forgivable loan agreement with Indy Brew Works. Indy Brew Works will provide employment reports from the Kansas Department of Labor after the first anniversary date for meeting the first year's job creation commitment (March 31, 2021), and every anniversary thereafter for the remainder of the agreement.

BUDGET IMPACT \$5,000 paid out of the economic development fund.

SUGGESTED MOTION I move to approve a \$5,000 payment to Indy Brew Works for the job creation incentive.

SUPPORTING DOCUMENTS

1. Economic Development Advisory Board Memo
2. Indy Brew Works Request Letter
3. Forgivable Loan

To: City Commission
From: Economic Development Advisory Board
Subject: Indy Brew Works Incentive
Date: February 4, 2020
cc: na

The Economic Development Advisory Board (EDAB) has reviewed pertinent documents, past Commission discussions, and other information regarding the incentive previously offered by City staff to Indy Brew Works (IBW) in the amount of \$5,000.00. At the conclusion of that review, EDAB requested that Indy Brew Works submit a new incentive request for Commission review and consideration.

The EDAB is in receipt of said new incentive request and submits it to the Commission for consideration. The EDAB recommends approval of the request in the form of a \$5,000.00, five year forgivable loan for the following reasons:

1. The proceeds will be used for specific purposes outlined in the request.
2. The specified use will generate additional sales and liquor tax revenue for the City.
3. The projected total sales and liquor tax revenue for IBW represents a significant payback for the incentive investment.

Indy Brew Works	ANNUAL REVENUE	TOTAL TAX	CITY %	MONTHLY AVG	AVG CITY PORTION	BREAK EVEN SALES
		10%	7%			
PROJECTED YEAR 1	257,000	25,700	17,990	21,416.67	1,499.17	71,428.57
PROJECTED YEAR 2	281,000	28,100	19,670	23,416.67	1,639.17	
AVG MONTHS TO PAYBACK					3.34	

The EDAB is currently reviewing the proposed Business Incentive Program presented to the Commission several months ago. While we are several months away from completing our review and presenting a draft policy to the Commission for consideration, we feel the above request fits within the guidelines that policy will contain in its final form. Delaying a decision loses the potential for added sales and liquor tax revenue and adds additional stress to the new business, IBW.

Historically, incentives granted by the City of Independence have been done by resolution in the absence of a formal policy. The resolutions were adopted following an informed discussion of the facts and an acknowledgement that the incentive represented a sound economic investment for the City.

The EDAB recommends approval.

Attached: Indy Brew Works Incentive Request Letter

Indy Brew Works
223 West Main St.
Independence, Kansas
620-577-2162



To whom it may concern:

We are excited at the opportunity to receive the opportunity of a forgivable loan from the City of Independence. We have enjoyed being a part of the community and look forward to the progress that we can continue to make with the aid of this loan.

We intend to use this funding to both increase our brewing capacity, while maximizing the potential for return customers.

The first portion of the funding will be used for an additional order of kegs. This will be approximately \$2,500. With the addition of 10 bbls worth of kegs, 8 fifteen-gallon kegs and 24 eight gallon kegs, we will be able to adequately increase production and begin a consistent distribution network. We have already begun selling our product to 4 other establishments. These additional kegs will allow us to reach even more business, increasing our revenue between \$500-\$1000 a month.

The remaining funding will be placed towards ordering growlers, tap handles, and other marketing material. We have been using growlers for the past month and have seen sales dramatically increase since we introduce them. This funding will allow us to better keep up with demand. Our tap handles are required for us to sell our product adequately in other establishments. We also intend to purchase another order of T-shirts. These not only create a revenue stream into the brewery, but also act as another form of advertising while people wear them. We have already placed an order for these materials totaling approximately \$1000. Another order will be placed this month that should be approximately the same amount.

Thank you for the opportunity to receive this loan and for your continued support of Indy Brew Works.

Drink Beer Made Here,

Robert Box



RESOLUTION NO. 2020-_____

**A RESOLUTION AUTHORIZING THE CITY OF INDEPENDENCE,
KANSAS TO ENTER INTO A FORGIVABLE LOAN AGREEMENT AND
PROMISSORY NOTE WITH INDY BREW WORKS.**

BE IT RESOLVED by the Governing Body of the City of Independence,
Kansas:

This resolution is authorizing a forgivable loan and promissory note to Indy
Brew Works, as attached, for the City of Independence, Kansas.

*Adopted by the Governing Body of the City of Independence, Kansas, on the 27th day of
February, 2020.*

LEONHARD CAFLISCH, Mayor

ATTEST:

DAVID W. SCHWENKER, City Clerk



CITY OF INDEPENDENCE

This Loan Agreement and Promissory Note (the "Agreement"), effective this 27th day of February 2020, is entered into between the following parties:

Lender: City of Independence, Kansas ("Lender")
811 W Laurel St.
Independence, KS 67301
Contact Person/Title: Lacey Lies, Director of Finance
Phone: 620-332-2505, Email laceyli@independenceks.gov

Borrower: Indy Brew Works, Inc. ("Borrower")
110 Hilltop Drive
Coffeyville, KS 67337
Contact Person/Title: Jessica Box, CEO
Phone: 806-241-2130, Email Jessica.box66@gmail.com

WHEREAS, it has been determined by the Lender that a positive economic impact or unique opportunity exists which warrants funding to secure economic benefits; and

WHEREAS, the Borrower has specified that this funding will be used to start their operations in Independence Kansas, purchase new safety systems, machinery and equipment and/or provide employee training; and

WHEREAS, the Lender has authorized an expenditure of up to \$5,000 for the purpose of making a loan to the Borrower under such terms and conditions as may be prescribed by the Lender.

NOW THEREFORE, in consideration of the mutual promises, covenants and agreements, the parties agree as follows:

1) **Loan Amount and Terms**: Subject to the terms and conditions of the Agreement, the Lender hereby agrees to provide the Borrower with the principal sum of up to **\$5,000** for a sixty (60) month period. Interest will accrue from the date of disbursement at the rate of zero percent (0.0%) per annum on the unpaid balance. Should a default occur, repayment of all principal and interest will be made immediately in accordance with the provisions shown below. This loan is not transferable.

2) **Forgiveness of Debt**: The Borrower promises to create and maintain a minimum of five (5) employees at the Independence, Kansas facility, at the end of each of five (5) years. The Borrower intends to reach the five (5) employee minimum by the first anniversary date.

Job figures reflect full-time equivalent (FTE) positions only. One FTE is equal to 1,664 hours earned per year, including vacation.

The first anniversary date for meeting the first year's job creation commitment shall be **March 31, 2021**. On the first anniversary and at each scheduled anniversary date thereafter where the Borrower has achieved the required job commitment, an amount equal to \$200 per employee, plus any accrued interest, will be forgiven. If the employee lives within the City Limits of Independence, Kansas, the rate of forgiveness will increase 25% to \$250.00 per qualified employee.

However, in the event the Borrower ceases to operate as **Indy Brew Works** in Independence, Kansas during the term of this agreement, any principal and interest which has been forgiven will be repaid in accordance with paragraph (16) below.

In the event of a technical default under this section, the Borrower has the right of appeal to Lender, if compelling evidence can be presented demonstrating that the default is the result of dramatic, unforeseen changes in economic or market conditions. In the event of an appeal, the Lender will have the sole discretion to enforce the provisions as set forth in paragraph (16) below.

3) **Collateral**: None is required under this Agreement.

4) **Mortgage/Security Agreement**: Not applicable.

5) **Insurance**: The Borrower agrees to provide and maintain at its own expense casualty and hazard insurance covering loss by fire or wind with extended coverage insuring all of the real estate, buildings, fixtures and improvements and all business machinery, equipment, furnishings and furniture at its Independence, Kansas facility. Evidence of such coverage will be provided to the Lender upon request. The total amount of the insurance policy shall be sufficient to pay all indebtedness to lien holders and other parties with an interest in this property and pay the Lender the entire outstanding principal balance and accrued interest. In the event of such loss, the Borrower agrees to repay the Lender as detailed in section 16(A)(ii) below, subject to item (6).

6) **Force Majeure**: In the event that operations at the worksite are impaired or suspended due to uncontrollable forces of nature, the Borrower will be given a reasonable period of time, as determined in the sole discretion of the Lender, in which to reestablish any lost jobs. The term of this agreement will be extended by the length of this period, and no contractual penalty will be imposed on the company during this period.

7) **Release of Mortgage/Security Agreement**: Not applicable.

8) **Life Insurance**: Not applicable.

9) **Use of Funds**: The monies from this loan shall be used by the Borrower to pay for costs directly related to **Indy Brew Works** at the Borrower's worksite at 223 W Main, Independence, Kansas. Any machinery and equipment obtained using these loan funds will be promptly identified to the Lender, including narrative description and serial number, and will remain in the Independence, Kansas facility for the duration of this agreement. The Lender or its representative shall be afforded the right of inspection of such machinery and equipment throughout the term of this agreement.

10) **Services Provided to Borrower**: The Lender is not obligated to provide any services to the Borrower other than those specified in the Agreement.

11) **Related Contracts**: The Borrower shall provide, upon written request, copies of all contracts entered into by the Borrower for activities covered by the loan monies.

12) **Period of Performance**: The Borrower may be reimbursed with loan funds for expenses incurred prior to the date of this Agreement, if they were made in connection with activities defined in item (9) above.

Activities will terminate when all conditions of the Agreement have been met within all specified time frames, or by mutual consent of all parties to the Agreement, or when a default situation arises, unless the Lender chooses not to terminate the Agreement.

13) **Financial Management**: Borrower shall keep accounting records in conformance with generally accepted accounting principles, and make such records and all related reports, files, documents and other papers pertaining to the funds provided under this Agreement available for audits, examinations and monitoring if requested by Lender; such records will be retained for a period of three (3) years after termination of the loan period or repayment of the debt in full. The accounting system used by the Borrower shall clearly establish records of budgets and expenditures for the activities funded with the loan monies.

14) **Monitoring and Reporting**: A random audit, or audits, may be conducted by the Lender, or a designated representative of the Lender, to assure accountability of loan expenditures and examine the status of any machinery and equipment acquired with this loan funding.

The Borrower will provide to Lender, on an annual basis and for a period of five (5) years after completion of the term, a report for the Borrower's Independence, Kansas facility which lists the number of full-time equivalent employees, the total payroll as defined in item (2) of this Agreement, and a record of capital investment for the most recent report period and accumulated since the beginning of the report periods. Each report will be submitted within 60 days of the anniversary date of this Agreement.

15) **Waivers**: The Borrower hereby waives presentment, demand of payment, protest, and any and all other notices and demands whatsoever. No waiver of any payment or other right under this Agreement shall operate as a waiver of any other payment or right.

- 16) **Default:** This Agreement shall be considered in default:
- (A) Upon any default or failure to properly perform under any clause in this Agreement (or the provisions of any security agreement(s) or mortgage documents which secure this Agreement).
 - (i) If, on the scheduled anniversary, employment levels are below the minimums specified in item (2) of this Agreement, the following repayment is required within thirty (30) days:
 - a) the outstanding principal balance will be divided by the number of remaining anniversary dates, to produce the principal amount due, plus
 - b) interest accrued since the previously scheduled anniversary date.
 - (ii) If the Borrower ceases to operate in Independence, Kansas during the term of this Agreement, the following repayment is required:
 - a) the entire outstanding principal amount is immediately due and payable, plus
 - b) any principal and interest previously forgiven as specified in item (2) above, plus
 - c) liquidated damages in the form of additional interest calculated at a twelve percent (12%) compounded annual rate (or if lower, the maximum rate allowed by Kansas law) for a 5-year period against the highest outstanding principal amount over the term of the loan.
 - (iii) If upon audit, any loan funds are shown to have been used for other than the intended purposes, such funds shall be repaid with interest to Lender by Borrower. Such unintended purposes would include, but not be limited to, the acquisition of machinery and equipment which is not used at the Independence, Kansas facility throughout the term of this loan. The amount to be repaid shall be such principal plus twenty-five percent (25%) compounding interest (or if lower, the maximum rate allowed by Kansas law) accrued from the date of the initial draw-down against this loan.
 - (iv) If the Borrower otherwise defaults in any manner on the obligations set forth in this Agreement, which default continues for 15 days after written notice of such default from Lender to Borrower, the following repayment is required:
 - a) any principal balance outstanding on the loan is due and payable; and
 - b) liquidated damages in the form of additional interest calculated at a twelve percent (12%) compounded annual rate (or if lower, the maximum rate allowed by Kansas law) against the principal balance as of the date of default for the period during which it has been outstanding.
 - (B) Upon any occurrence under this Agreement or security agreements or mortgage documents by which this loan may or shall become due and payable.
 - (C) At any time that the Lender determines in good faith that the prospect of any payment required by this note is impaired.

In the event of continued default following a fifteen (15) day written notice of default, the Lender may, at its option, declare all unpaid indebtedness evidenced by this Agreement and any modifications thereof, immediately due and payable, without further notice, regardless of date of maturity. The Lender's failure to exercise this option when available at any point in time shall in no way invalidate its right to exercise the option in future default situations. Should it become necessary to collect the monetary obligations of this Agreement through an attorney, the Borrower agrees to pay all costs of collecting these monies, including reasonable attorneys' fees to the extent permitted by law, whether collected by suit, foreclosure, or otherwise.

17) **Indemnification**: The Borrower shall indemnify, defend, and hold harmless the Lender and its respective officers and employees from any liabilities, claims, suits, judgments, and damages arising as a result of the performance of the obligations under this Agreement by the Borrower or any party in a relationship with the Borrower which is a result of this Agreement. The liability of the Borrower under this Agreement shall continue after the termination of the Agreement with respect to any liabilities, claims, suits, judgments and damages resulting from acts occurring prior to the termination of this Agreement.

18) **Amendments**: Changes to this Agreement will not be effective or binding unless in writing and signed by both parties to the Agreement.

19) **Compliance with the Law**: The Borrower agrees to operate in Independence, Kansas in full compliance with applicable federal, state and local laws without limitation.

20) **Authorization to Contract**: Before or at the time of execution of the Agreement, the Borrower must be able to provide evidence that it is duly incorporated, in good standing in the state of its incorporation, authorized to do business in the State of Kansas, and authorized to borrow money; and evidence shall be provided that the person executing the Agreement and any supporting documents is authorized to act on behalf of the Borrower in such a transaction.

21) **Termination of Agreement**: Lender may terminate the loan, in whole or in part, if the Borrower has failed to comply with the conditions of the Agreement. The Borrower will receive written notice and the reasons for termination.

22) **Divisibility**: The invalidity of any one or more phrases, sentences, clauses, or sections contained in this Agreement shall not affect the remaining portions of this Agreement, or any part thereof. Further, various headings included in this Agreement exist purely as an aid to locate particular wording, and do not in and of themselves in any way affect the substance of this Agreement.

23) **Complete Document**: The parties agree this Agreement is a complete document in which all obligations have been reduced to writing, and there are no understandings, agreements, conventions or covenants not included herein.

24) **Assignment:** The parties further agree that this Agreement may not be assigned by the Borrower without prior written approval by the Lender.

25) **Binding Effect:** The provisions of this Agreement shall both bind and benefit the Borrower's successors, assigns, guarantors, endorsers, and any other person or entity now or hereafter liable hereon.

26) **Notices:** Notifications required pursuant to this contract shall be made in writing and mailed to the addresses shown below. Such notification shall be deemed complete upon mailing.

Lender: City of Independence, Kansas ("Lender")
811 W Laurel St.
Independence, KS 67301
Contact Person/Title: Lacey Lies, Director of Finance
Phone: 620-332-2505, Email laceyli@independenceks.gov

Borrower: Indy Brew Works, Inc. ("Borrower")
110 Hilltop Drive
Coffeyville, KS 67337
Contact Person/Title: Jessica Box, CEO
Phone: 806-241-2130, Email jbox25@gmail.com

27) **Cash Basis and Budget Laws.** The right of Lender to enter into this Agreement is subject to the provisions of the Cash Basis Law (K.S.A. 10-1112 and 10-1113), the Budget Law (K.S.A. 79-2935), and other laws of the State of Kansas. This Agreement shall be construed and interpreted so as to ensure that Lender shall at all times stay in conformity with such laws, and as a condition of this Agreement Lender reserves the right to unilaterally sever, modify, or terminate this Agreement at any time if, in the opinion of its legal counsel, the Agreement may be deemed to violate the terms of such laws.

28) **Equal Opportunity and Affirmative Action.**

In carrying out this contract, Borrower shall deny none of the benefits or services of the program to any eligible participant pursuant to K.S.A. 44-1001 et seq.

A. Borrower shall observe the provisions of the Kansas act against discrimination and shall not discriminate against any person in the performance of work under this contract because of race, religion, color, sex, disability, national origin, or ancestry.

B. In all solicitations or advertisements for employees, Borrower shall include the phrase "equal opportunity employer" or a similar phrase to be approved by the Kansas Human Rights Commission.

C. If Borrower fails to comply with the provisions of K.S.A. 44-1031, requiring reports to be submitted to the Kansas Human Rights Commission when requested by that Commission, Borrower shall be deemed to have breached this contract and it may be canceled, terminated or suspended, in whole or in part, by Lender.

D. If Borrower is found guilty of a violation of the Kansas act against discrimination under a decision or order of the Kansas Human Rights Commission which has become final, Borrower shall be deemed to have breached this contract and it may be canceled, terminated or suspended, in whole or in part by Lender.

E. Borrower shall include the provisions of paragraphs A through D inclusively of this section in every subcontract or purchase order so that such provisions will be binding upon such subcontractor or vendor.

29) **Kansas Law**. This agreement shall be construed in accordance with the laws of the State of Kansas. IN WITNESS WHEREOF, the parties have signed their names below.

LENDER: CITY OF INDEPENDENCE, KANSAS

LEONHARD CAFLISCH, Mayor

BORROWER: INDY BREW WORKS, INC.

JESSICA BOX, CEO

ATTEST:

DAVID W. SCHWENKER, City Clerk