



REQUEST FOR COMMISSION ACTION
CITY OF INDEPENDENCE
March 25, 2021

Department Finance

Director Approval Lacey Lies

AGENDA ITEM Consider approving an Incentive Agreement between Labette County Medical Center d/b/a Labette Health and the City of Independence for expansion of the Independence Healthcare Center.

SUMMARY RECOMMENDATION The City Staff recommends approval.

BACKGROUND On November 19, 2020, the Commission directed City Staff to draft an incentive agreement with Labette Health for the expansion of the Independence Healthcare Center for \$100,000 a year over the next 10 years. The proposed incentive agreement was drafted in accordance with the EDAB's recommended parameters at a rate of \$100,000 per year, totaling a \$1,000,000 incentive.

BUDGET IMPACT \$100,000 per year beginning in March 2023 and concluding in March 2032; paid from the City's Economic Development Fund.

SUGGESTED MOTION I move to authorize the Mayor to sign the attached incentive agreement.

SUPPORTING DOCUMENTS

1. Incentive Agreement
2. EDAB Recommendation

**INCENTIVE GRANT AGREEMENT FOR
LABETTE HEALTH INDEPENDENCE HEALTHCARE CENTER**

This Incentive Grant Agreement for Independence Healthcare Center (“Agreement”) is entered into by and between the City of Independence, Kansas, a municipal corporation (“CITY”), and Labette County Medical Center d/b/a Labette Health (“LABETTE HEALTH”), on this ____ day of _____, 2021 (“Effective Date”).

Whereas, LABETTE HEALTH operates the newly constructed Independence Healthcare Center at 510 North Peter Pan Road, Independence, Kansas;

Whereas, the Independence Healthcare Center is essential to the health and welfare to the citizens of the CITY;

Whereas, LABETTE HEALTH intends to expand the Independence Healthcare Center due to increased need for healthcare services; and

Whereas, the CITY desires to provide a significant financial contribution to support the expansion of the Independence Healthcare Center to meet the critical healthcare needs of, and to increase employment and economic opportunity for the citizens of the CITY.

Now Therefore, in consideration of the mutual covenants and agreements hereinafter contained, the parties agree to the following:

1. **Incentive Grant.** Subject to meeting the requirements in this Agreement, CITY shall pay LABETTE HEALTH an incentive grant totaling \$1 million payable in ten (10) equal installments of \$100,000 over a ten (10) year period beginning March 1, 2023, and thereafter on the 1st day of March in subsequent years, ending March 1, 2032. The incentive grant shall be paid out of CITY’s economic development fund.

2. **Employment Requirements.** LABETTE HEALTH will provide documentation to the CITY of its hiring and maintaining the number of new full time equivalent (FTE)

employees who are residents of the CITY working at the Independence Healthcare Center over the base employment established on December 31, 2021, during each subsequent year as set forth in the schedule below. Two (2) of the new employees hired by LABETTE HEALTH at any time after the Effective Date and before September 30, 2024, shall be family practice physicians.

Year	New Hires During the Year	New Hires During the Year Who Reside Within City Limits	Cumulative New Employees Above Base Employment on 12/31/2021
2022	4	4	4
2023	4	4	8
2024	3	3	11
2025	1	1	12
2026	1	1	13
Total	13	13	

For purposes of this agreement, employees who reside in an area served by the CITY’s public utilities shall be considered residents of the CITY. Should less than the stated number of new employees be hired and maintained during the applicable year, the annual incentive grant payment for that period will be discounted on a pro rata basis. Notwithstanding the foregoing, LABETTE HEALTH must hire on or before September 30, 2024 and maintain the employment of two (2) family practice physicians that reside within the areas served by the CITY’s public utility to receive any portion of the subsequent payments. The parties realize and acknowledge that LABETTE HEALTH may experience employment turnover for reasons unrelated to this agreement, and that a reasonable period of time shall be granted to LABETTE HEALTH to hire replacement employees in order to maintain employment levels as set forth in this agreement.

3. **Reporting Requirements.** LABETTE HEALTH must submit employment records to the CITY by February 1, 2023, and thereafter by the 1st day of February in subsequent years.

4. **Cash Basis Law.** The parties acknowledge that the CITY is bound by the statutory provisions of the Cash Basis Law found at KSA 10-1101, et seq., which require that the future annual payments to be made by the CITY to LABETTE HEALTH be approved by future CITY commissions annually as part of the budgetary process.

CITY OF INDEPENDENCE, KANSAS

By: _____
Louis Ysusi, Mayor

ATTEST:

David W. Schwenker, City Clerk

**LABETTE COUNTY MEDICAL CENTER
d/b/a LABETTE HEALTH**

By: _____
Brian Williams, President & CEO

To: City Commission
 From: Economic Development Advisory Board
 Subject: Labette Health Care Center Incentive_Amended
 Date: November 16, 2020

The Economic Development Advisory Board (EDAB) has reviewed pertinent documents, past Commission discussions, and other information regarding previous incentives offered to Labette Health by the City of Independence. As a part of that review, the EDAB has utilized a cost-benefit analysis to determine the appropriate investment in the proposed project, as it relates to the City of Independence.

After said review of the relevant information provided, the EDAB recommends approval of the incentive request in the form of a \$600,000 grant to be disbursed over a ten-year period as follows:

1. Labette Health Independence Healthcare Center will show proof new full time equivalent (FTE) employees in Independence during 2022 and the subsequent 4 years, over a base employment established at the end of 2021 and each subsequent year. These employment terms are based on the original expansion documents submitted by Labette Health used for the cost-benefit-analysis. Two of these employees will be documented as family practice physicians by 2024.

YEAR	New Hires During the Year	No. of Employees that live within City Limits
2022	5	4
2023	5	4
2024	4	3
2025	1	1
2026	1	1

2. Labette Health Independence Healthcare Center must maintain these new employees to receive a maximum of \$60,000 per year. Should less than the stated new hires be maintained during a reporting period, the annual incentive payment for that period will be discounted on a pro-rata basis.
3. The first payment will be made on March 1, 2023, and each March 1 of the nine subsequent years (2024-2032).
4. This incentive will be paid out of the Economic Development Fund.

The EDAB recommends the City Attorney draft an agreement and that the City Commission approves this proposed grant incentive to Labette Health for the expansion of the Labette Health Independence Healthcare Center on Peter Pan Road.

Attached: Summary Cost Benefit Analysis; Not-For-Profit Firm Worksheet

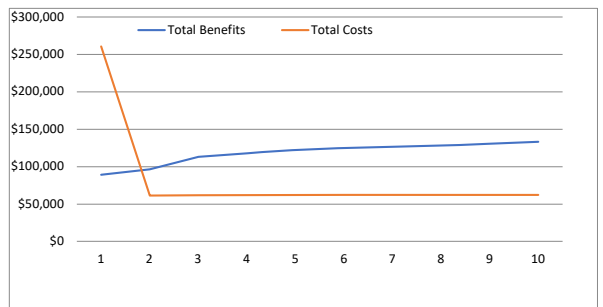
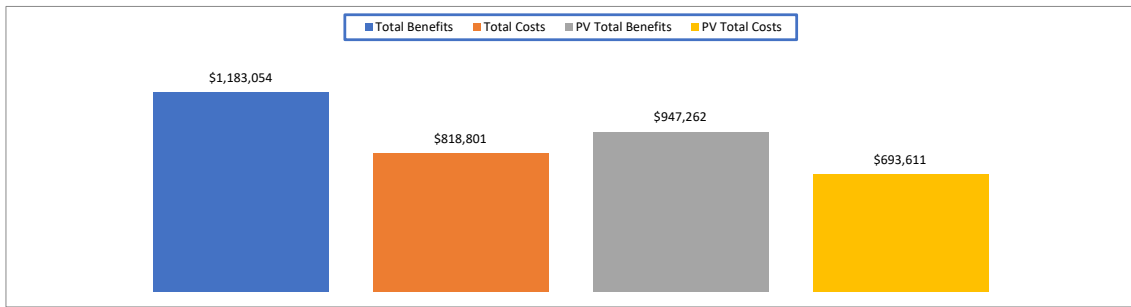
SUMMARY OF COSTS AND BENEFITS FOR THE CITY OF INDEPENDENCE

PROJECT: **Labette County Medical Center d/b/a Labette Health**
 DATE: 11/12/2020

Ratio of Actual Benefits to Actual Costs Over the 10-Year Period: **1.44**
 Ratio of Present Value of Total Benefits to Present Value of Total Costs: **1.37**
 DISCOUNT RATE: 4.01% (Typical desired ratio would be 1.3 to 1) Average ROI: **4.45%**

[Back to Start](#) [NFP Data Entry](#)
[General Data Entry](#)

Year	Sales Taxes from Construction (Detail Below)	Sales Taxes from Organization Operations (Detail Below)	Sales Taxes From Existing Employee Spending	Sales Taxes From New Employee Spending	Sales Tax from Visitor	All New Property Taxes (Detail Below)	New City Utility Profits (Detail Below)	New Franchise Taxes (Detail Below)	RLF Loan Payment	PILOT Payment	Other City Revenues from New Families	Total Benefits	Net Present Value of Total Benefits	Marginal Cost of Various City Services	City Infrastructure and/or Loan	Property Taxes Abated	Total Costs	Net Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Net Present Value of Net Benefits
1	\$12,329	\$8,157	\$39,691	\$4,409	\$0	\$1,292	\$10,443	\$10,407	\$0	\$0	\$2,376	\$89,104	\$85,671	\$617	\$260,000	\$0	\$260,617	\$250,576	-\$171,513	-\$171,513	-\$164,905
2	\$0	\$8,279	\$40,347	\$17,721	\$0	\$2,627	\$11,704	\$11,120	\$0	\$0	\$4,823	\$96,622	\$89,321	\$1,252	\$60,000	\$0	\$61,252	\$56,623	\$35,370	-\$136,143	\$32,697
3	\$0	\$8,404	\$41,014	\$28,921	\$0	\$3,672	\$12,728	\$11,714	\$0	\$0	\$6,730	\$113,183	\$100,599	\$1,747	\$60,000	\$0	\$61,747	\$54,882	\$51,436	-\$84,707	\$45,717
4	\$0	\$8,530	\$41,691	\$30,869	\$0	\$4,072	\$13,219	\$12,042	\$0	\$0	\$7,452	\$117,875	\$100,733	\$1,934	\$60,000	\$0	\$61,934	\$52,928	\$55,941	-\$28,766	\$47,806
5	\$0	\$8,658	\$42,380	\$32,804	\$0	\$4,485	\$13,724	\$12,377	\$0	\$0	\$8,195	\$122,622	\$100,752	\$2,127	\$60,000	\$0	\$62,127	\$51,047	\$60,495	\$31,729	\$49,705
6	\$0	\$8,787	\$43,081	\$33,347	\$0	\$4,559	\$13,950	\$12,573	\$0	\$0	\$8,318	\$124,614	\$98,445	\$2,159	\$60,000	\$0	\$62,159	\$49,105	\$62,455	\$94,183	\$49,339
7	\$0	\$8,919	\$43,792	\$33,898	\$0	\$4,634	\$14,181	\$12,772	\$0	\$0	\$8,442	\$126,639	\$96,190	\$2,191	\$60,000	\$0	\$62,191	\$47,238	\$64,447	\$158,631	\$48,952
8	\$0	\$9,053	\$44,516	\$34,458	\$0	\$4,711	\$14,415	\$12,974	\$0	\$0	\$8,569	\$128,696	\$93,987	\$2,224	\$60,000	\$0	\$62,224	\$45,442	\$66,472	\$225,103	\$48,544
9	\$0	\$9,189	\$45,252	\$35,027	\$0	\$4,789	\$14,654	\$13,180	\$0	\$0	\$8,697	\$130,787	\$91,834	\$2,258	\$60,000	\$0	\$62,258	\$43,715	\$68,530	\$293,632	\$48,119
10	\$0	\$9,327	\$45,999	\$35,606	\$0	\$4,868	\$14,896	\$13,389	\$0	\$0	\$8,828	\$132,912	\$89,731	\$2,292	\$60,000	\$0	\$62,292	\$42,054	\$70,621	\$364,253	\$47,677
Total	\$12,329	\$87,302	\$427,763	\$287,859	\$0	\$39,709	\$133,914	\$122,549	\$0	\$0	\$72,430	\$1,183,054	\$947,262	\$18,801	\$800,000	\$0	\$818,801	\$693,611	\$364,253	\$364,253	\$253,652



Year	Sales Taxes From Construction Worker Spending	Sales Taxes From Construction Worker Hotels	Sales Taxes From Company Sales	Sales Taxes From Company Purchases	Company New Property Taxes	New Family Property Taxes	Company Utility Profits	Utility Profits From Existing Families	Utility Profits From New Families	Company Franchise Taxes	Franchise Taxes From Existing Families	Franchise Taxes From New Families
1	\$12,191	\$137	\$0	\$8,157	\$0	\$1,292	\$9,372	\$1,071	\$5,144	\$4,723	\$540	
2	\$0	\$0	\$0	\$8,279	\$0	\$2,627	\$9,527	\$2,178	\$5,221	\$4,801	\$1,097	
3	\$0	\$0	\$0	\$8,404	\$0	\$3,672	\$9,684	\$3,044	\$5,300	\$4,881	\$1,534	
4	\$0	\$0	\$0	\$8,530	\$0	\$4,072	\$9,844	\$3,375	\$5,379	\$4,961	\$1,701	
5	\$0	\$0	\$0	\$8,658	\$0	\$4,485	\$10,007	\$3,717	\$5,460	\$5,043	\$1,873	
6	\$0	\$0	\$0	\$8,787	\$0	\$4,559	\$10,172	\$3,778	\$5,542	\$5,127	\$1,904	
7	\$0	\$0	\$0	\$8,919	\$0	\$4,634	\$10,340	\$3,841	\$5,625	\$5,211	\$1,936	
8	\$0	\$0	\$0	\$9,053	\$0	\$4,711	\$10,511	\$3,904	\$5,709	\$5,297	\$1,968	
9	\$0	\$0	\$0	\$9,189	\$0	\$4,789	\$10,685	\$3,969	\$5,795	\$5,385	\$2,000	
10	\$0	\$0	\$0	\$9,327	\$0	\$4,868	\$10,861	\$4,034	\$5,882	\$5,474	\$2,033	
Total	\$12,191	\$137	\$0	\$87,302	\$0	\$39,709	\$101,004	\$32,910	\$55,058	\$50,904	\$16,586	

1. Organization Name: Labette County Medical Center d/b/a/ Labette Health

2. Organization type: 501(c)(3) 501(c)(4) Other

3. Description of the project:

An 11,280 SF expansion of Independence Healthcare Center expanding outpatient hospital services offered such as Lab and Ultrasound. Expansion of the Rural Health Clinic to allow for the addition of two new physicians.

Capital Investment – Sources and Uses of Funds

Uses of Funds	First Expansion	Second	Third	Fourth
4. Land				
5. Building & Improvements	\$3,748,394			
6. Furniture, Fixtures, Equipment	\$492,681			
7. Soft costs (legal, design, etc.)	\$566,542			
8. Public infrastructure				
9. Total Uses of Funds	\$4,807,617			
Sources of Funds				
10. Cash	\$2,807,617			
11. Bank loan				
12. Other Not-for-Profit Loan				
13. RLF Loan				
14. Infrastructure grant				
15. Other: _____	\$2,000,000			
16. Total Sources of Funds.	\$4,807,617			

New Construction

	Initial Construction or Expansion	2 nd Expansion	3 rd Expansion	4 th Expansion
17. Total Construction Cost	\$4,063,773			
18. Construction Profit Percentage	10%	10 %	10 %	10%

Construction Materials Purchased

Building materials purchased	Initial Construction or Expansion	2 nd Expansion	3 rd Expansion	4 th Expansion
19. In the city	\$ 570,339			

Furniture, Fixtures and Equipment Purchased

	Initial Construction or Expansion	2 nd Expansion	3 rd Expansion	4 th Expansion
FFE purchased				
20. In the city	\$85,000			

Construction Workers Staying in City Hotels

	Initial Construction or Expansion	2 nd Expansion	3 rd Expansion	4 th Expansion
21. Estimated hotel room nights per week	1			
22. Length of construction period (wks.)	52			

Existing Local Expenditures

Enter the amount of annual expenditures other than salaries and utilities:

	Expenditures
23. Year 1	\$271,899
24. Year 2	\$280,000
25. Year 3	\$288,000
26. Year 4	\$297,000
27. Year 5	\$309,000
28. Year 6	
29. Year 7	
30. Year 8	
31. Year 9	
32. Year 10	

Estimate what percentage of expenditures are subject to sales tax in the city:

	Expenditures
33. City	100%

Annual Utility Expenditures in the City

Firm's estimated utility expenses	Year 1	Year 2	Year 3
34. Telephone	\$13,047	\$13,200	\$13,400
35. Electricity	\$73,317	\$76,000	\$78,000
36. Gas	\$7,041	\$7,200	\$7,400
37. Water	\$2,637	\$2,800	\$3,000
38. Wastewater	\$1,978	\$2,200	\$2,400
39. Garbage	\$8,395	\$8,700	\$8,900
40. Cable	\$14,700	\$15,000	\$15,200
41. Other	\$5,051	\$5,200	\$5,400

New and Existing Employees

	New Hires during the year	Average Annual Salaries	No. Expected to Live in the City	Existing Employees That Live in the City	Average Annual Salaries
42. Year 1	5.25	\$173,212	4	58	\$1,968,730
43. Year 2	5	\$678,610	4		
44. Year 3	4	\$1,118,069	3		
45. Year 4	1	\$1,168,938	1		
46. Year 5	1	\$1,220,042	1		
47. Year 6.					
48. Year 7					
49. Year 8					
50. Year 9					
51. Year 10					
Total New Jobs					

Overnight Visitors to the Organization

	Out-of-town visitors expected
52. Year 1	N/A
53. Year 2	
54. Year 3	
55. Year 4	
56. Year 5	
57. Year 6	
58. Year 7	
59. Year 8	
60. Year 9	
61. Year 10	

62. How many days will the typical visitor spend in the community? 0__

63. How many nights will the typical visitor stay in a city hotel? 0__

64. If the firm is being required to make payments in lieu of taxes, please list the amounts below:

Year 1		Year 6	
Year 2		Year 7	
Year 3		Year 8	
Year 4		Year 9	
Year 5		Year 10	

65. Will the city make infrastructure improvements or provide other incentives for the project?

Infrastructure: \$ _____ RLF Loan \$ _____ Other: \$ _____