



REQUEST FOR COMMISSION ACTION
CITY OF INDEPENDENCE
August 22, 2019

Department Administration

Director Approval Kelly Passauer

AGENDA ITEM Consider adopting a resolution establishing a Business Incentive Program.

SUMMARY RECOMMENDATION City staff recommends approval.

BACKGROUND At your August 8, 2019 City Commission meeting an item was on the agenda to consider approving the \$5,000 payment for a job creation incentive offered to Indy Brew Works in the Fall of 2018. The Commission did not take action on this item since there was not a formal written policy regarding this incentive. Staff indicated that they would work with MCAC to put together a policy for your consideration, which is attached. The City Attorney has also reviewed the policy and prepared the attached resolution for adoption of a Business Incentive Program.

BUDGET IMPACT Economic Development Incentives are funded out of the Economic Development and Transportation Fund, via franchise tax fees.

SUGGESTED MOTION I move to adopt a resolution establishing a Business Incentive Program.

SUPPORTING DOCUMENTS Resolution and Policy

RESOLUTION NO. 2019-033

**A Resolution Establishing a Business Incentive
Program for the City of Independence, Kansas**

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

The terms and conditions of the Resolution are attached hereto and incorporated herein by reference titled: “Business Incentive Program.”

*Adopted by the Governing Body of the City of Independence, Kansas, on the _____ day
of August, 2019.*

LOUIS YSUSI, Mayor

ATTEST:

DAVID W. SCHWENKER, City Clerk

BUSINESS INCENTIVE PROGRAM FOR THE CITY OF INDEPENDENCE, KANSAS

Section 1. Purpose.

1.1. Growth. The City of Independence recognizes that the growth and development of new businesses is essential to Independence's economic and social well-being. The City is committed to expanding Independence's economic base through incentive programs and development through the recruitment and retention of a diverse mix of businesses in the local economy.

1.2. Overview. To achieve business growth, the City adopts the Business Incentive Program as a means to supplement with the following assistance provided by the City:

- a. Offer an employee-based incentive program to new and expanding businesses;
- b. Help businesses find available buildings, sites and lease space in partnership with MCAC, the Independence Chamber of Commerce, and Independence Main Street;
- c. Establish relationships with national and local manufacturers, brokers and developers, market analytics, and provide data and resources as needed;
- d. Recruit targeted industries; and
- e. Recruit new retail opportunities.

1.3. Program Benefits/Eligible Uses. This program is established to aid new and existing businesses in setting up or expanding their company in Independence. The utilization of the incentive funding provided can be used for a variety of purposes including moving expenses, property acquisition, capital expenditures, personnel expansion, or materials and supplies.

1.4. Authorization. The Business Incentive Program will be funded by the already existing "Economic Development/ Transportation Fund." Authorization for disbursement of incentives from this fund for the purposes of the Business Incentive Program must be approved by the City Manager.

Section 2. Eligibility.

2.1. Eligible Areas. Businesses located, or which will be located, within the city limits of the City of Independence are eligible. If a business locates outside the city limits, the property must be annexed by the City, or sign a pre-annexation agreement if the property is not currently eligible for annexation.

2.2. Eligible Applicants. Applicants must meet the following criteria:

- a. Must hire five (5) or more full-time equivalent (FTE) employees, as defined by the Kansas Department of Labor, for a minimum of a five (5) year period; and
- b. Must pay a median wage in an amount equal to at least 100% of the county median wage or industry NAICS as published by the Kansas Department of Labor for the Southeast Kansas region at time of application. (*Note: If the median wage does not qualify for the incentive, then the annual average wage for the newly created jobs can be used.*)

Note: The NAICS Code lookup for median wages in Southeast Kansas is: <https://public.tableau.com/profile/kdol#!/vizhome/shared/HY6CPS9RZ>

Section 3. Programs.

3.1. In General. The Business Incentive Program shall include four (4) categories of businesses to which incentives may be given depending on creditworthiness, job impact and immediate need.

3.2. Large Industrial – Up to \$1,500 per job. A large industrial business is a business that employs over 100 FTE employees and has pay rates that exceed the median wage for their industry NAICS code. This business is eligible for a cash incentive that is provided up-front and can be used toward any expense related to opening the location in Independence. The incentive rate would be offered at a rate of up to \$1,000 per job created with an additional bonus of up to \$500 for each such employee who resides within the city of Independence or \$250 if the employee lives outside the City limits, but in USD #446.

3.3. Small Industrial UP to \$1,000 per job – forgivable loan. A small industry prospect would create at least five (5) or more jobs that exceed the county median wage standards or average NAICS code wage standards. This business would be eligible for a Forgivable Loan Program that is based on new hires (with higher rates of forgiveness when hired employees reside in the city limits of Independence) for the forgiveness/ repayment. The loan funding will be provided either up-front and would be forgiven as jobs are created at a rate of \$100 per job retained over a period of 10 years.

(Example \$50,000 forgivable loan for 50 new jobs would be forgiven at \$100/year = 10 years in operation with 50 employees for full loan forgiveness. If 25 of the 50 jobs lived in Independence this would accelerate the forgiveness rate by 25%).

3.4. Large Retail – Up to \$1,500 per job. Includes businesses that have been specifically identified as priorities through market research such as a retail gap study, etc. Examples of such businesses would be large Shopping facilities – like TJ Maxx, Petco, etc., targeted restaurants or venues (meaning no other type of restaurant/venue like it in the community) restaurants, and chain clothing stores. Annual Sales are typically larger

than \$1 Million. Would be eligible for up to \$1,000 per job created with a bonus of \$500 per local resident living in Independence or \$250 if the employee lives outside the City limits, but in USD #446.

Funds are encouraged to be used for facility or infrastructure improvements but may be used for capital, personnel, safety, or any other use that the company outlines in their project.

3.5. Small Retail - \$1,000 per job. A small retail business is a business specifically targeted due to priorities set by retail gap analysis, economic development plans, or a community retail gap survey. Annual sales are typically less than \$1 million. Businesses in this category would qualify for up to \$1,000 per job created for the project over a period of five (5) years; meaning if five (5) jobs are created in year one (1) and two (2), additional jobs are added in year three (3), the company would be eligible for up to \$7,000 in year three (3). Funds are encouraged to be used for facility or infrastructure improvements but may be used for capital, personnel, safety, or any other use that the company outlines in their project.

Section 4. Application and Approval Process.

4.1. Application. To be eligible for this incentive offer, a business must fill out Form A - Application for Loan/Incentive Form, found in the Appendix of this document or on the MCAC website at: <https://www.actioncouncil.com/business/entrepreneurs-&-small-businesses/?cat=Small+Business+Loans>.

To speed up the process of the incentive package, an applicant may complete the first page of the application and send it to the contact listed below. If state incentives are sought, it is recommended to contact the Montgomery County Action Council to assist in form completion. This form should be completed and submitted at the same time as the local incentive/loan forms.

4.2. Review. Upon receipt of the application, staff will review the application and meet with the applicant to discuss any other incentives for which the applicant may be eligible as well as recommend any facilities that might help the business. Depending on credit-worthiness and sales tax revenue history, the incentive could be structured as an up-front cash payment, an annual disbursement based on sales tax revenues for that year, or a forgivable loan based on new jobs created.

4.3. Governing Body Approval. This policy allows City Staff to offer this baseline level of incentives during the rapid recruitment process. The funds are available on a first-come first-served bases, up to the amount budgeted per fiscal year. Any incentive above the policy outlined above would be required to be brought before the Governing Body for approval, with the recommendation of the Economic Development Advisory Board. If the funding source for these incentives is depleted, City Staff would bring the project to the City Commission for consideration for approval from alternate funding sources.

4.4. Follow-up. If a Business Incentive is approved to an applicant, the recipient shall provide the City annual sales or employee reports in order to determine the amount of the annual incentive payment. If a forgivable loan is chosen as the incentive program best suited for the project, annual job reports and employee residency reports will be required to forgive any payments. These reports are due by March 1 of each year to the Finance Director and the City Manager.

At the end of the 5 (five) year incentive term, the employer must submit their Kansas Labor and Wage Report showing an average of at least 5 (five) full-time equivalent employees. If needed, the employer may be granted 1 (one) additional year to meet this requirement.

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