

2016 Annual Report

Economic Development Support & Compliance

City of Lawrence, Kansas

2016



City of Lawrence, Kansas

Annual Report: Economic Development Support & Compliance
Britt Crum-Cano, Economic Development Coordinator



Overview

- Annual, Comprehensive Review of Participating Economic Development Projects:
 - Pay-As-You-Go (PAYGO)
 - Direct Support
- Key Information:
 - Project
 - Type of ED Support Received
 - Applicable Compliance Performance Measures
 - Annual Assistance Amounts
- Continually evolving:
 - New for 2017: Economic Snapshot



Community Support

➤ PAYGO Programs:

- Property Tax Abatements
- Industrial Revenue Bonds (IRB)
- Neighborhood Revitalization Area (NRA)
- Tax Increment Financing (TIF)
- Transportation Development District (TDD)

➤ Direct Support:

- ED Services
- Relocation Assistance
- Infrastructure
- Historic Rehab
- Workforce Development
- Small Business Assistance
- Affordable Housing



Property Tax Abatements

2016 Tax Abatements: Active

Company	Start	Expires	Abatement %	Ord/Res
Amarr Garage Doors, Inc.	2010	2019	55% personal property	O-8497
Screen-It Graphics (Grandstand)	2012	2021	65% on real property	R-6948
Sunlite Science & Technology, Inc.	2014	2023	50% on real property	R-7042
Rock Chalk Park	2014	2023	100% on real property	R-7014



Property Tax Abatements

- All companies with active tax abatements met substantial compliance measures for 2016.
- Tax abatement companies substantially outperformed projections for the year.

Real Property Investment: ↑ 72% (\$6M projected, \$10.3M delivered)

Personal Property Investment: ↑ 3% (\$9.4M projected, \$9.7M delivered)

Full-Time Employment: ↑ 162% (142 projected, 372 created)

Company Wages: ↑ 24% (\$32,094 projected, \$39,802 delivered)

Co. Wages vs. Average Private-Sector Wage: ↑ \$8,480 (\$39,802 vs. \$31,322 average private community wage)

Co. Wages vs. 2016 Wage Floor: ↑ \$13,594 (\$39,802 vs. \$26,208 Wage Floor 2016 Rate)

Property Tax Abatements

2016 Tax Generation (on portion of property receiving an abatement)				
Company & Abatement %	Total Tax Potential	Abated Tax Amount	State Exemption (1)	Taxes Paid (or to be paid) by Property Owner
Amarr Garage Doors, Inc.				
Personal (55%) (2)	\$146,666	\$26,450	\$83	\$120,134
Grandstand/Screen-It Graphics				
Real (65%)	\$152,933	\$99,407	n/a	\$53,526
Sunlite Science & Technology				
Real (50%)	\$42,356	\$21,178	n/a	\$21,178
Total	\$341,955	\$147,035	\$83	\$194,837

Source: Douglas County



Property Tax Abatements

2016 Local Expenditures & Outside Sales

Company	Expenditures Spent Within Lawrence	Sales Generated Outside Lawrence
Amarr Garage Doors Inc.	5%	99%
Grandstand/Screen-It Graphics	3%	99%
Sunlite Science & Technology	14%	92%



Industrial Revenue Bonds (IRB)

Conduit financing mechanism used in association with a property tax abatement or to obtain a sales tax exemption on project construction materials (aka stand-alone IRB)

- No liability on part of City to purchase or pay back bonds
- No obligation on the part of the city to finance the project.

Industrial Revenue Bond (IRB)

- IRBs authorized: 9
- Stand-Alone IRBs (no tax abatement): 7

2016 IRBs: Outstanding					
Company	Date of Issue	Issuing Ord. #	Year Matures	Amount Authorized	Project
Bowersock: Series 2011B & 2011C	2010/2011	8607 & 8620	2037	\$27,000,000	Hydro-Electric Facility
Rock Chalk Park	Oct. 2013	8862	2023	\$40,000,000	Commercial Recreational Facility
1101 Indiana Street (HERE KS)*	Nov. 2014	9053	2017	\$76,000,000	Mixed-Use, Retail and Student Housing
100 East 9th Street LLC (888 New Hampshire, North Project): Series 2015*	Mar. 2015	9093	2017	\$23,000,000	Mixed-Use Commercial/Residential
Dwayne Peaslee Technical Training Center, Inc.: Series 2015*	May 2015	9111	2017	\$1,600,000	Technical Training Center
800 New Hampshire: Series 2016*	April 2016	9210	2018	\$7,800,00	Mixed-Use Commercial/Multi-Family Residential
Pioneer Ridge*	Feb. 2016	9184	2018	\$14,500,000	Commercial, Independent Living Facility
826 Pennsylvania Street*	Dec. 2016	9316	2018	\$3,200,000	Mixed-Use Commercial/Multi-Family Residential
Dwayne Peaslee Technical Training Center, Inc.: Series 2016*	Dec. 2016	9321	2019	\$2,000,000	Technical Training Center

* Stand-Alone IRB used for a Sales Tax Exemption on Construction Materials

Industrial Revenue Bond (IRB)

Stand-Alone IRB: Sales Tax Exemption Values (est.)

Project	Estimated Completion	Materials Expense (1)	1.55% City	Countywide 1% (July 2016 Rates)		6.5% State	Total Est Amount
				0.00572895	0.00361		
				City Portion	County Portion		
1101/1115 Indiana Street	2017	\$27,616,342	\$428,053	\$158,213	\$99,695	\$1,795,062	\$2,481,023
900 New Hampshire (South Project)	2015	\$6,755,030	\$104,703	\$38,699	\$24,386	\$439,077	\$606,865
888 New Hampshire (North Project)	2016	\$12,958,077	\$200,850	\$74,236	\$46,779	\$842,275	\$1,164,140
Peaslee Tech-2015	2015	\$3,200,000	\$49,600	\$18,333	\$11,552	\$208,000	\$287,485
Peaslee Tech-2016	2017	\$1,000,000	\$15,500	\$5,729	\$3,610	\$65,000	\$89,839
800 New Hampshire	2017	\$3,498,982	\$54,234	\$20,045	\$12,631	\$227,434	\$314,345
Pioneer Ridge	2017	\$5,416,977	\$83,963	\$31,034	\$19,555	\$352,104	\$486,656
826 Pennsylvania Street	2018	\$2,053,090	\$31,823	\$11,762	\$7,412	\$133,451	\$184,447

City Total 2016

\$275,086

County Total 2016

\$46,779

State Total 2016

\$842,275

Total Est. Sales Tax Savings 2016

\$1,164,140



Neighborhood Revitalization Area (NRA)

Property tax rebate given as a percentage of the incremental increase in property value, resulting from improvements

- Incremental Increase in property value is subject to NRA
- Base property value is shielded from NRA rebate
- City, County, and USD each decide their participation

Neighborhood Revitalization Area (NRA)

- Active NRAs: 7
- # NRA rebates provided: 5
- NRA rebate total: \$110,300

2016 NRAs: Active				
NRA	Project	% Rebate	Duration	First NRA Tax Year
8th and Pennsylvania District*	720 E 9th Street	95%	Based on amount rebated	2011
1040 Vermont*	Treanor Architect's Headquarters	Declining	10 years	2013
810/812 Pennsylvania*	Cider Building Art Gallery	95%	10 years	2014
1106 Rhode Island*	Hernly Architect's Office	85%	10 years	2016
1101 Indiana	Mixed-Use, Student Housing	85%	10 years	2017
900 Delaware*	9 Del Lofts	95%	15 years	2016
826 Pennsylvania Street	826 Pennsylvania Street	85% County, 50% City and USD	10 years	1st Tax Year after Completion

* Rebate received in 2016.



Neighborhood Revitalization Area (NRA)

Real Property Tax Revenues Realized:

- NRA property taxes up 18.6% in 2016
- NRA property taxes up 12.8% for all rebated years

Tax Revenue Comparison: All NRAs			
	Base	Retained	% Gain (Loss)
2016	\$46,664	\$55,321	18.6%
To Date	\$198,718	\$224,110	12.8%
	<i>Unimproved Property</i>	<i>Improved Property</i>	<i>Return</i>



Tax Increment Financing (TIF)

Pledges future gains in sales and/or property taxes generated within the district, to finance improvements which will result in tax gains.

- Incremental Increase in property value subject to TIF
- Base property value shielded from TIF reimbursement
- Used to reduce higher costs associated with redevelopment in blighted or challenging development areas



Tax Increment Financing (TIF)

- Active TIF districts: 3
- TIF distribution total: \$778,600

2016 TIF: Active

TIF	Established	Expires	Eligible Expenses
Downtown 2000 Redevelopment (<i>Original 9th and New Hampshire</i>)	Aug. 1999	April 2020	\$8,645,000
The Oread	Feb. 2008	April 2028	\$11,000,000
9th & New Hampshire: South Project	Aug. 2012	May 2032	\$4,000,000
9th & New Hampshire: North Project		April 2034	\$4,750,000



Transportation Development District (TDD)

- A special taxing district in which a transportation sales tax or special property assessment tax is charged
 - Additional 1% sales tax applicable in all local TDDs
- Promotes economic development by encouraging quality, transportation-related infrastructure that benefits a development and the public



Transportation Development District (TDD)

- Active TDD districts: 3
- TDD distribution total: \$278,700

2016 TDDs: Active				
TDD	TDD Sales Tax	Starts	Expires	Eligible Expenses
The Oread	1%	Oct. 2009	Oct. 2031	\$11,000,000
Free-State (Bauer Farms)	1%	April 2009	April 2031	\$5,000,000
9th & New Hampshire	1%	Jan. 2015	Jan. 2037	\$3,000,000



Direct Support Programs

2016 Direct Support Programs

Support Program	Description	Type of Assistance
Economic Development Services	BTBC	Capital Investment & Operations
Economic Development Services	EDC/Chamber and KU-SBDC	Operations
Development Grant	1106 Rhode Island Street Improvements	Grant
Relocation Assistance	Integrated Animal Health	Rent Subsidy
Workforce Training	Peaslee Technical Training Center	Operations
Affordable Housing	Cedarwood Sr. Cottages	Grant



Other Information

- Appendix A: Regulating Documents
- Appendix B: Historical Assistance & Investment Data
 - In 2016, for every \$1 in public sector assistance given to PAYGO projects, \$4.69 in private sector capital investment was realized.

2016 Public Return on Private Capital Investment (by Year)

Public Assistance:	\$1,324,596
Private Investment:	\$6,217,755
Private Investment for each Dollar of Public Assistance:	\$4.69



Other Information

- Appendix C: Matured, Non-Initiated, or Expired Programs
- Appendix D: County-Specific Programs
- Appendix E: Supplemental Information
- Appendix F: Economic Snapshot



Economic Snapshot

- Employment Growth
- Income Growth
- Tax Base
- Economic Indicators

Economic Snapshot

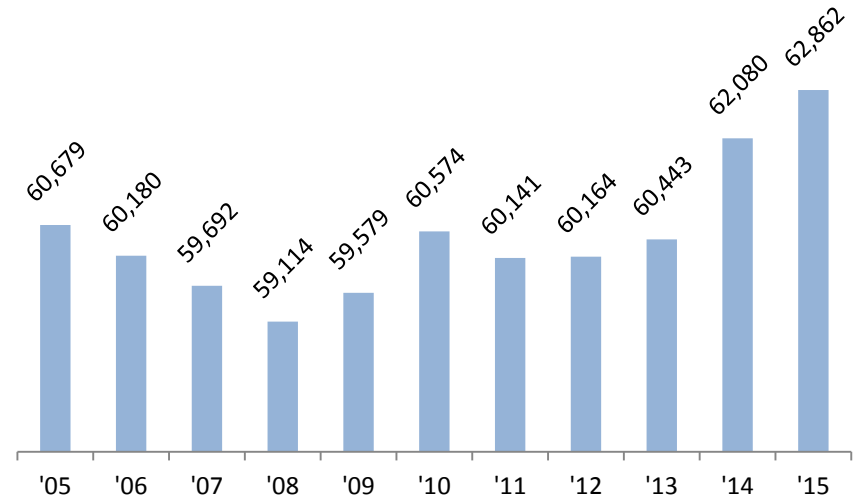
➤ Employment Growth: Lawrence MSA

- 2015 job growth was up 1.3% compared to the previous year, and up 4.5% compared to five and 10 years ago (2011).

Employment Growth (Lawrence MSA)		
Period	Change	% Change
1Y (2014-2015)	782	1.3%
5Y (2011-2015)	2,721	4.5%
10Y (2006-2015)	2,682	4.5%

*Labor Market Information Services, Kansas Dept. of Labor in cooperation with BLS, U.S. Dept. of Labor.
Annual, not seasonally adjusted Labor Force.*

Annual Employment Growth
(Lawrence MSA)



Economic Snapshot

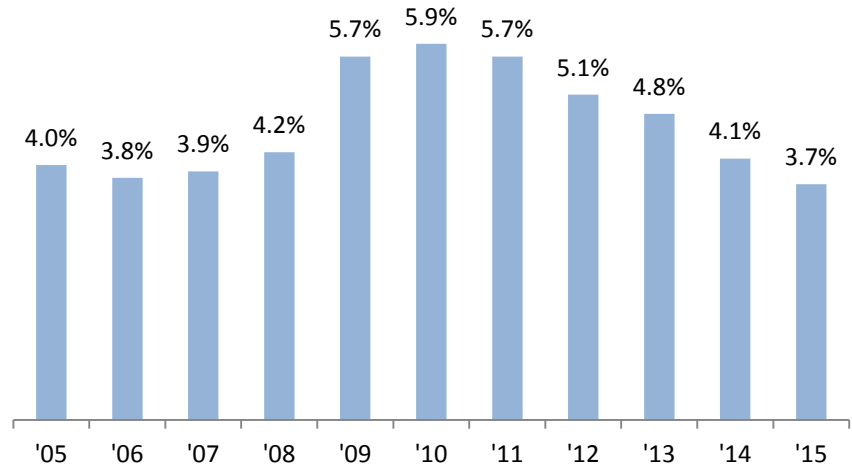
➤ Employment Growth: Lawrence MSA

- Unemployment has been on a downward trend, steadily declining since 2010. Unemployment dropped 0.40% in 2015 from the previous year, 2% over the past 5 years (since 2011), and minimally over the past 10 years (since 2006).

Unemployment Rate (Lawrence MSA)	
Period	Absolute Change
1Y (2014-2015)	-0.40%
5Y (2011-2015)	-2.00%
10Y (2006-2015)	-0.10%

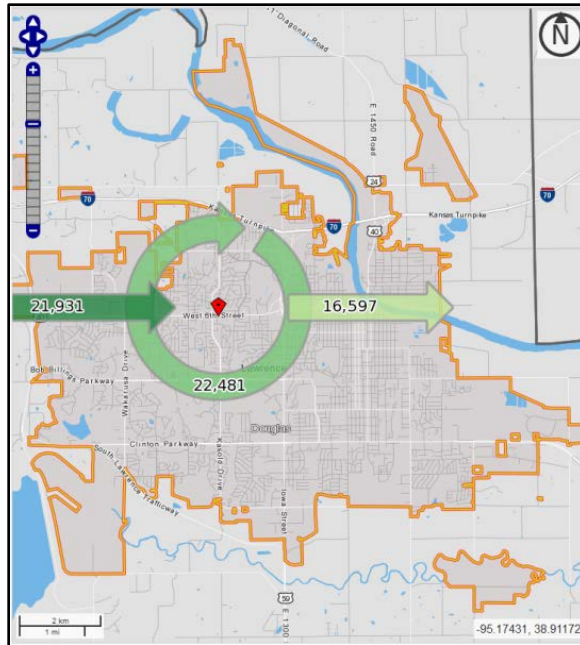
*Labor Market Information Services, Kansas Dept. of Labor in cooperation with BLS, U.S. Dept. of Labor.
Annual, not seasonally adjusted Labor Force.*

Annual Unemployment Rate
(Lawrence MSA)

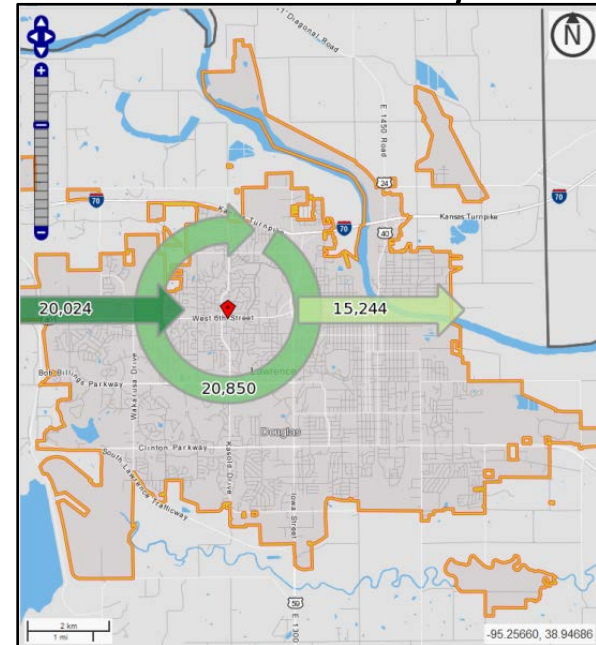


Economic Snapshot

Lawrence: All Jobs



Lawrence: Primary Jobs



Commuting In
Commuting Out
Total Commuting Workforce

Commuting Workforce							
Lawrence, City				Douglas County, KS			
All Jobs		Primary Jobs		All Jobs		Primary Jobs	
Count	%	Count	%	Count	%	Count	%
21,931	57%	20,024	57%	20,162	48%	18,255	47%
16,597	43%	15,244	43%	21,926	52%	20,216	53%
38,528	100%	35,268	100%	42,088	100%	38,471	100%

U.S. Census Bureau, Longitudinal Employer-Household
Dynamics: Inflow/Outflow Analysis.

Economic Snapshot

➤ Income Growth: Lawrence MSA

Personal Income & Population Change			
Description	1Y ('14-'15)	5Y ('11-'15)	10Y ('06-'15)
Population	1.4%	5.0%	10.1%
Personal income (\$1000s)	6.2%	11.6%	17.1%
Per capita personal income	4.7%	6.3%	6.3%

Personal Income & Population Change
(Lawrence MSA, Inflation Adjusted 2015 Dollars, US CPI)



Population = Census Bureau midyear population estimates.

Personal Income = Income received by persons residing in that area (wages + salaries + other income – gov social insurance + adjustment for residence)

Per Capita Personal Income = Personal income divided by population.

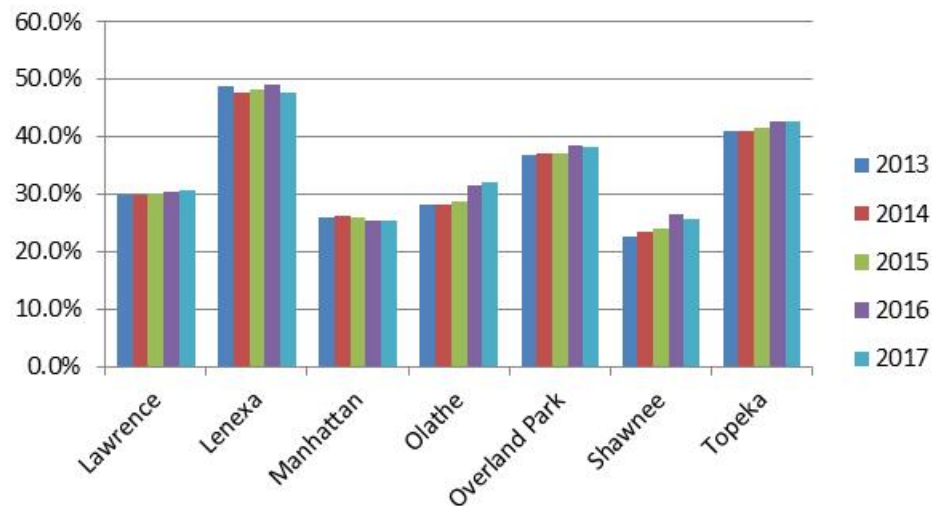
Economic Snapshot

➤ Tax Base

- Commercial Property: 25% assessment rate
- Residential Property: 11.5% assessment rate

Commercial Real Estate Assessed Valuation (shown as percent of total)					
	2013	2014	2015	2016	2017
Lawrence	29.8%	29.8%	30.0%	30.3%	30.6%
Lenexa	48.8%	47.7%	48.1%	49.0%	47.7%
Manhattan	25.9%	26.1%	26.0%	25.4%	25.5%
Olathe	28.1%	28.3%	28.6%	31.5%	32.0%
Overland Park	36.9%	37.1%	37.2%	38.5%	38.1%
Shawnee	22.7%	23.5%	24.1%	26.4%	25.7%
Topeka	41.0%	41.0%	41.7%	42.6%	42.8%

Commercial Real Estate Assessed Valuation (% of Total)



County Appraisers

Economic Snapshot

- Economic Indicators: U.S. Inflation & Lawrence MSA Median Income

Annual Inflation

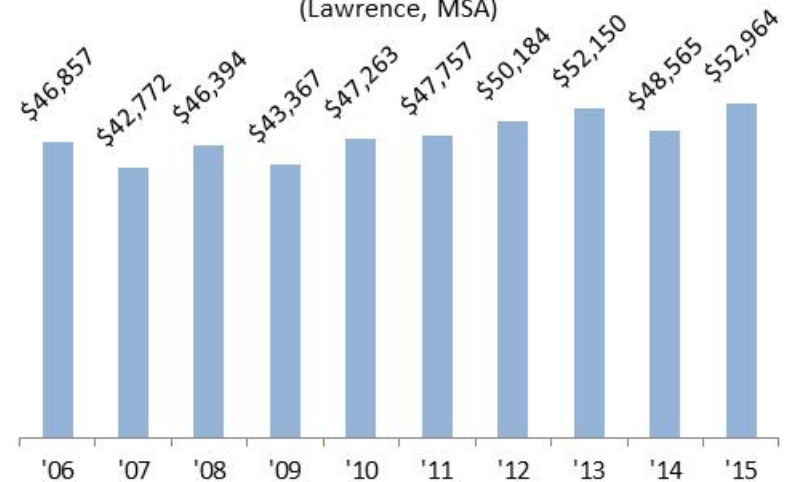
(U.S. City Average, All Urban Consumers)



U.S. Bureau of Labor Statistics. Consumer Price Index - All Urban Consumers, U.S. City Average, Not Seasonally Adjusted.

Median Household Income

(Lawrence, MSA)



U.S. Census Bureau, American Community Survey 1-Year Estimates, Table B19013: Median Household Income in the Past 12 Months (in Inflation-Adjusted Dollars).

Economic Snapshot

➤ Economic Indicators: Lawrence MSA

Real GDP: All Industries

(Lawrence MSA, Millions of chained (2009) Dollars)

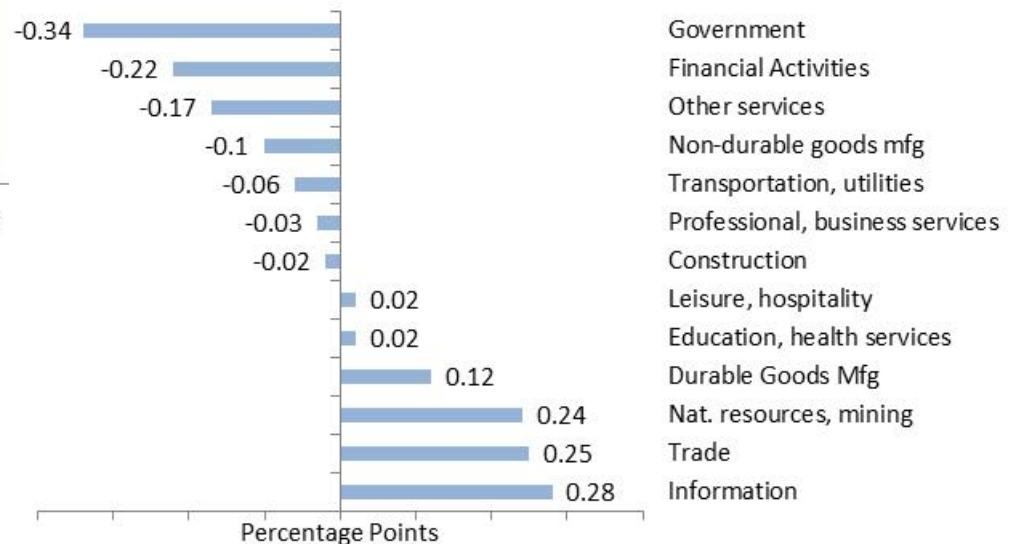


U.S. Department of Commerce, Bureau of Economic Analysis.

Real GDP by metropolitan area is an inflation-adjusted measure of each area's gross product that is based on national prices for the goods and services produced within the metropolitan area.

2015 Contributors to Real GDP Change

(Lawrence MSA)

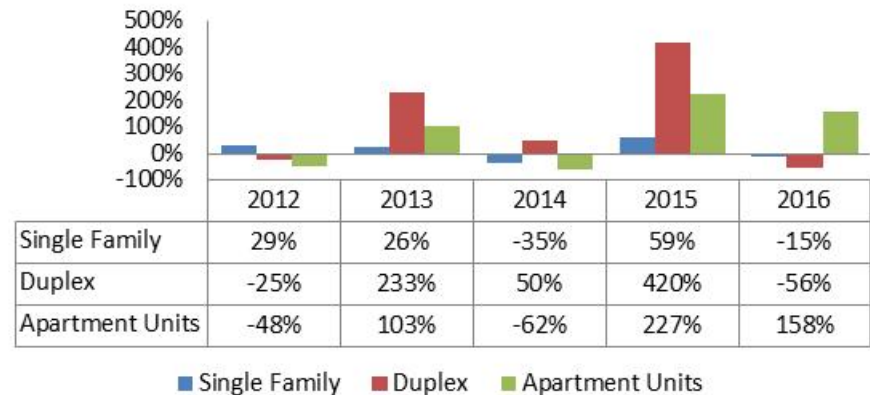


Economic Snapshot

➤ Economic Indicators: Lawrence MSA

New Construction			
Building Permits			
Period	Single Family	Duplex	Multi-Family (apartment units)
2016	137	34	1,205
2015	161	78	467
2014	101	15	143
2013	155	10	374
2012	123	3	184

Annual Change in New Construction Building Permits



City of Lawrence, Kansas. Neighborhood Resources Department,
Valuation of Building Permits.

Economic Snapshot

➤ Economic Indicators: Lawrence MSA

City Sales Tax Revenues (millions \$)



City of Lawrence, Kansas, Finance Department.



Requested Actions

- PIRC 4-17-17:
 - Reviewed report and recommended City and County Commissions accept report

- City (5-2-17) & County Commissions (4-26-17):
 - Receive PIRC Recommendations
 - Vote to accept the Report, if appropriate



Thank you!