

DRAFT Minutes

City of Lawrence Public Incentives Review Committee August 13, 2018 minutes

MEMBERS PRESENT: Aron Cromwell, Michelle Fales, Ken Easthouse; Bradley Burnside; Shannon Kimball; Erik Kirkendall; Rebekah Gaston

MEMBERS ABSENT: County Commissioner Mike Gaughan

STAFF PRESENT: Diane Stoddard, Britt Crum-Cano, Danielle Buschkoetter

PUBLIC PRESENT: Dan Dannenburg; Derek Dummermuth; Rob Mandel, Jeff Jewell

Easthouse called the meeting to order at approximately 2:00.

The minutes were reviewed. Cromwell made a motion to approve the minutes from the 4-23-2018 meeting; Burnside seconded the motion. The motion was unanimously approved.

Crum-Cano introduced Derek Dummermuth and Rob Mandel with Heritage Tractor. Dummermuth provided an overview of Heritage Tractor and an outline of the project. He noted their Lawrence facility burned down on May 5, 2018 and was a total loss. He added that the facility has been demolished but they would like to rebuild on their current site.

Dummermuth added they are wanting to also increase the size of the facility to add office space. Easthouse asked if they would be adding staff as well. Dummermuth noted they look to add 5-10 new office jobs at the new Lawrence facility, since they have outgrown their office space in Baldwin City.

Kirkendall noted their letter indicates insurance will not cover the entire loss of the building. Dummermuth said the facility was built in the 1960s and insurance will not be sufficient to cover the costs to rebuild.

Cromwell mentioned the request is for an Industrial Revenue Bond to obtain a sales tax exemption on construction materials, adding the State is the most impacted jurisdiction since they receive a majority of the sales tax collections. Stoddard added that staff recommends proceeding with the request.

Easthouse asked if the Company provides health insurance. Dummermuth stated they do provide health insurance to employees.

Kirkendall asked if they have competitors in the community and asked PIRC members if they felt the request provided an unfair advantage. Dummermuth noted that they have a competitor across the street but that much of their sales occur outside of Lawrence and Douglas County.

Kirkendall added there are some projects that have previously been approved that he believed may have provided some advantages to a new business over an existing business. He gave the example of a mixed-use brewery project in East Lawrence that received an incentive despite there being an existing brewery in operation.

Fales noted that Heritage Tractor is an existing business that is requesting to rebuild given their recent fire. Kirkendall responded that their ability to expand could be considered an advantage. He added that the request is not a large subsidy but this idea is something that he wanted the board to be cognizant of in the future.

Fales noted that each application is different and that she didn't believe the application before them was an apples-to-apples comparison to the brewery example. Cromwell added it is good to have discussion on if a request is providing an unfair advantage but given the request is for a sales tax exemption on construction materials and not a property tax abatement, he didn't believe it provided an unfair advantage. He also pointed out that property improvements would result in increasing property tax revenues from the Company. Stoddard mentioned the IRB would help retain an existing business and its jobs, allowing the company to become operational again in Lawrence.

Easthouse added that a large portion of sales come from outside of Lawrence and Douglas County. Easthouse asked for public comment on this item.

Dannenburg asked if the new 5 to 10 jobs would be new or if they would be staff from Baldwin City that are relocated to Lawrence. Dummermuth responded that they would be new employees.

A motion to recommend the Heritage Tractor request for an Industrial Revenue Bond was made by Burnside and seconded by Fales. The motion passed unanimously.

Easthouse asked for general public comment.

Dannenburg noted that Joint Economic Development Council (JEDC) no longer exists but asked PIRC if there was another board that focused on economic development activities. Burnside mentioned there is the Economic Development Corporation of Lawrence and Douglas County, which is an affiliate of the Lawrence Chamber of Commerce. Easthouse added that the JEDC was eliminated and its roles were absorbed into PIRC.

Kirkendall asked if the Board could have a general discussion about economic development tools. He asked specifically about the Cider Gallery project and their application, which referenced an estimated number of new jobs for the project. He asked if the Cider Gallery had an obligation to create the jobs outlined in the application. Crum-Cano noted the Cider Gallery project used a Neighborhood Revitalization Act (NRA) to make improvements to the building, which is a revitalization tool. Although some jobs may be created as a result

of an NRA project, this tool is not designed for job creation. An NRA project is held to the revitalization aspects of the project and the project must demonstrate that certain improvement obligations are met before the property tax rebate is authorized.

Cromwell added there is one application form used for all economic development requests, which is why there are questions referencing jobs and wages.

Motion was made to adjourn by Burnside and seconded by Cromwell. Meeting adjourned at 2:26 pm.