



MEMO TO CITY COUNCIL

Request to Include Topic on the City Council Agenda

From: Victoria Cleary, Community Development **Meeting Date:** October 5, 2021
Presenter: Victoria Cleary **Estimated Time:** 5 minutes
Topic: Community Match Agreement between the City of Meridian and JST Manufacturing, Inc. Supporting the Idaho Tax Reimbursement Incentive Act and Providing for the Reimbursement of \$27,000 for Completed Public Infrastructure Improvements

Recommended Council Action

Approve Community Match Agreement (“Agreement”) between the City of Meridian and JST Manufacturing, Inc.

Background

JST Manufacturing, Inc. (“JST”), is a 40-year old, Treasure Valley manufacturer of custom, specialty machinery serving global clients in the semiconductor, optoelectronics, biomedical, food processing, and other clean industries.

City staff met with JST representatives in fall 2019 to discuss the consolidation of its three locations and expansion of its operations in Meridian, and review available sites. JST later identified the site at 4040 E. Lanark as a viable location to expand its operations.

With few economic development tools available to directly assist companies seeking to locate and expand operations in local communities, staff involved the Idaho Department of Commerce, and JST was able to take advantage of the State’s Tax Reimbursement Incentive (“TRI”) program.

The TRI program is a competitive program that can provide performance-based tax credits for new State revenues generated by companies seeking to expand or locate in Idaho. Companies expanding or locating in communities of more than 25,000 must commit to make a significant capital investment and add a minimum of 50 full-time jobs at or above the county average wage.

Idaho Commerce evaluates the anticipated new jobs and the company’s impact on the industry sector as well the local and State economy to determine the percentage credit available—up to 30 percent—on income, payroll, and sales taxes paid for a specified period of time, up to 15 years. The Governors’ Economic Advisory Council reviews applications and proposed awards and, upon approval, a formal agreement with annual performance criteria is established.

The TRI program requires a “meaningful community match” illustrating local support for a business’ location or expansion. State statute allows for communities to provide monetary contributions, fee waivers, in-kind-services, and infrastructure improvements.

While the City values the creation of new family-wage jobs, it is only able to provide a community match with a direct nexus to “public purpose” (see subsequent *Meaningful Community Match* section) and, as such, staff recommends approval of this Agreement that provides for a \$27,000 “Community Match” in the form of reimbursement of verified public infrastructure “contributed capital” improvements installed. These improvements, required as a condition of development and beyond those necessary to serve JST’s facility, will serve community development.

JST Community Impacts

JST (www.jstmfg.com) as a multi-national client base serving several industries. JST operations align with one of the City’s four target industry sectors, Advanced Manufacturing. In addition to 50 jobs, at an average wage at or above the County average wage at the time of TRI approval (\$50,464), JST’s capital investment will result in direct, new City revenue.

Development of the site at 4040 E. Lanark resulted in more than a five-fold increase in assessed real property value for the 5.18-acre site. JST occupies 80 percent of the 75,000-square-foot building. In addition to the \$13.2 million real property valuation, JST’s 2021 personal property tax assessment totaled \$2.7 million.

Estimated City <u>Annual</u> Real Property Tax Increase (@ 0.002928713 levy x 80%)	\$25,500
One-Time Building Permit Fees Paid (excludes fees paid to City third party contractors) (includes Police Impact Fee of \$9,000 and Fire Impact Fee of \$26,250)	\$126,000

Idaho Commerce Economic Benefit Summary

New Jobs: 50	New Total State Revenue: \$3.4 million
Average Wage: \$58,138	New Direct State Revenue: \$1.8 Million
Capital Investment: \$4.7 million	TRI Term: 8 years
Total Project Wages: \$19.1 million	TRI Percentage: 16%

Community Match Reimbursement Specifics

Construction of public utility improvements, consisting of extension of a water main and installation of a fire hydrant, was a requirement of development documented by a Warranty Surety Agreement and surety deposit. The Public Works Department accepted the improvements which were logged by the Finance Department as “contributed capital” City infrastructure assets to be maintained by the City.

Staff is recommending the \$27,000 Community Match be disbursed in two equal installments following verification of compliance with annual performance criteria by Idaho Commerce.

Alignment with Economic Development Action Plan and Citywide Strategic Plan

The location of JST to Meridian aligns with three Economic Development Action Plan items:

- Support the retention, success and expansion of existing businesses
- Target the expansion and attraction of compatible industrial businesses
- Target attraction efforts to recruit companies creating family wage jobs and new City revenue

This Community Match Agreement also meets the following goals and strategies identified in the Citywide Strategic Plan.

Focus Area: Business and Economic Vitality

Goal	Strategy
Recruit and retain businesses in the professional service, technology, light manufacturing and health care industries to provide a balanced economic base.	Deploy economic development resources and tools to targeted industries seeking to locate or expand in Meridian.
	Identify existing business in desire trade and local sectors to be used in location conversations.
Support business development that increases the number of family wage jobs to allow employees to live and work in Meridian.	Support property owners in securing tenants that create family wage jobs.
	Assist new and existing business seeking to bring or expand family wage jobs.

Meaningful Community Match, Economic Development Incentive Policy

Community Development staff worked closely with the City Attorney's Office to prepare the JST Agreement and ensure it provides a defensible community match. While JST received preliminary approval as a TRI participant in November and held its grand opening in May, staff was awaiting completion of the final agreement with Idaho Commerce before bringing the Community Match Agreement forward.

Pursuant to Idaho State Constitution Article XII, Section 4, and further clarified by case law and an Idaho Office of the Attorney General opinion, contribution of city funds must meet the "public purpose" doctrine. Job creation and capital investment alone are not sufficient "public purpose" to justify an expenditure of public funds.

Further, the Office of the Attorney General analysis states difficulty in defending a contribution of funds or fee waivers in meeting the public purpose test, versus "improved or upgraded infrastructure , which would benefit the people within the local government."

This Agreement is performance-based, with the match tied to contributions benefitting the community as well as annual performance compliance.

Staff will work with the Finance Department and City Attorney's Office to revise the City's current Economic Development Incentive Policy to ensure it provides clear direction and that all future Community Match Agreements, and any Participation or Assistance Agreements between the City and a private entity meets public purpose doctrine.

Budget

There are sufficient funds in Community Development Department budget, Economic Development Fund 1930, Meridian Development Account 69700, to implement this Agreement.