

**City of Sedgwick  
City Council Meeting  
August 7, 2024**

**TO:** Mayor and City Council

**SUBJECT:** Economic Development Policy Update

**INITIATED BY:** Administration

**AGENDA:** New Business

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**Background:** The City of Sedgwick Economic Development Policy was adopted on July 15, 1991. Since the adoption, minimal updates have been made to the policy rendering it out of date with current practices. Updates to the policy have been made to better align the city with neighboring communities' policies.

**Analysis:** The 1991 policy laid the foundational framework for economic development within the city limits of Sedgwick; however, it utilized a comprehensive formula to calculate the percentage of property tax abatements that could be offered at the local level to prospective businesses. During research, it was identified that a simplified approach was being utilized universally and could be adjusted to meet the needs of our community. Furthermore, staff has identified future development areas within the community where such incentives can be offered to encourage infill and growth.

**Recommendations/Actions:** It is recommended that the city council approve the changes to the Economic Development Policy

**Attachment:** Economic Development Policy



City of Sedgwick

## Economic Development Policy

2024

### **Purpose And Overview**

The purpose of this policy is to establish criteria for granting economic development incentives to stimulate economic growth, attract investments, and foster job creation within the City of Sedgwick. The following guidelines are intended to provide a framework for consideration of incentives and may not be the only factors to consider.

Each request for incentives will be evaluated on an individual basis. The city may conduct legal and/or financial research regarding the applicant as part of eligibility determination. Exceptions to this policy may be granted at the discretion of the City Council.

### **Legal Authority**

In accordance with the provisions of Section 13 Article 11 of the Kansas Constitution, the governing bodies of Kansas cities and counties may exempt current property used for economic development purposes from taxes for a maximum of **10 years**, subject to such limitations or prohibitions as they may be enacted by the legislator that are uniformly applicable to all cities and counties.

This authority is discretionary with the city, as the city may provide the tax exemptions/incentives in an amount and for purposes more restrictive than that authorized by the constitution or any such legislation. Pursuant to its home rule powers, the city may (1) require the owners of any property for which an exemption is requested to provide information; (2) conditions the granting of an exemption to an agreement providing for the payment of in-lieu charges or taxes under the provisions of K.S.A. 12-147 and 12-148, and (3) require the payment of initial application and annual renewal fees reasonably necessary to cover the cost of administration.

The following basic procedure shall govern the issuance of tax exemptions/incentives within this City: (1) the applicant business shall apply for a tax exemption-incentives by filling out a written application. (2) The city shall then decide whether the request tax exemption-incentive may be lawfully granted, and should be granted, with the amount thereof later determined. (3) If it is determined that tax exemption-incentive should be granted, a 100% exemption of that property of the business legally eligible for exemption shall be provided, but subject to an agreement of the business to make an in-lieu tax payment as may be required by the city. (4) The amount of tax incentive, which will be an amount less than taxes otherwise payable if the property were not exempt, will then be decided in accordance with this statement. (5) Upon the failure of the business to fully and timely pay the in-lieu tax payments, as may be required as a condition of the granting of an exemption, or to provide reports or other information requested by the city and reasonably necessary for the implementation of this policy, the city may either deny, revoke, or not renew, the authorization of such an exemption. All requests for a tax exemption-incentive for economic development purposes shall be considered and acted upon per this statement.

### **“Tax Incentive” Defined**

The terms “tax incentive” or “tax exemption-incentive” shall mean the difference between the amount of ad valorem property taxes affected businesses would pay if there were no city-granted exemption and the amount required to be paid as in-lieu taxes or charges. For example, if the taxes needed with no exemption were \$5,000.00, and the in-lieu payments were \$3,000.00, the “tax incentive” would be \$2,000.00.

All tangible property of a business receiving a tax exemption-incentive under the statement shall be annually assessed by the Harvey County Appraiser in the same manner as if it were not exempt, but the amount thereof shall not be placed on the assessment rolls. The amount of the property taxes which would be payable shall also be decided annually by the county clerk and county treasurer, in the same manner as if the property were not exempt, but such amount shall not be placed on the tax rolls. Separate assessment and tax calculations shall be made for the land, or the exempt business. Tangible private property may be exempt when the governing body of the city makes a factual determination that such an exemption is needed to keep jobs. Tax exemptions granted under this policy will not apply to special assessments of the property.

### **Provisions**

Whenever practical, the city or council will include claw back provisions (relating to repayment or cessation of incentives) in all incentive agreements, and the city or council may exercise such provisions when the terms of the incentive agreements have not been met. Such claw back provisions will include payment-in-lieu-of-taxes equal the dollar value of the last 5 years of abated property taxes if a business moves operations to another city or county and ceases its operations in Sedgwick or Harvey County within 2 years of receiving such abatement. For each year the company stays in Sedgwick/Harvey County after the end of the tax abatement, the amount shall be reduced by 20%. It shall be the policy of the city to discourage applications for tax exemptions/incentives, or to grant such tax incentives, which deliberately encourage and cause the pirating of business from another Kansas community to this community, or from this community to another Kansas community. It is the intent of the city to avoid participation in “Bidding Wars” between cities and counties or areas competing for the location of new business or expansion of existing business, through attempts to offer the largest tax incentive or other public inducement, which is detrimental to the state’s economy and the public interest.

### **Standards of Determining Benefits**

The city will consider granting tax exemptions/incentives only upon an actual showing of economic benefit to the city such as new jobs created and new capital investments.

Money	Percent
\$1M – 5M	40%
\$5M – 10M	50%
>\$10M	60%

Wage and Salary criteria: Median household income in Harvey County is \$60,653. To qualify for tax incentives this needs to be greater than or equal to 120% (\$72,783.) This also includes healthcare benefits. If benefits are not available, the number needs to be greater than or equal to 150% (\$90,979.)

An Economic Development Impact Analysis of costs and benefits must show a positive overall economic gain to the city before a tax exemption-incentive is granted. Factors used in such analysis may include:

Percent	Number of FTE Jobs
30%	5–25
40%	26-50
50%	> 50

### **No exemptions**

No exemption shall be granted if the exemption would create, in the judgment of the governing body, an unfair advantage for one business over another competing business within the city. Furthermore, no exemption shall be granted to any business in the city, other than newly established business brought to the city.

### **Application Required**

The city will not consider the granting of any tax exemption-incentive unless the business sends a full and complete application, which provides such other information as may be requested by the city administrator. The city clerk is hereby authorized and empowered to prepare a standard application from which, upon completion, will provide the city administrator with adequate and sufficient information to decide whether a tax incentive should be granted and the amount thereof. The accuracy of the information provided in the application shall be verified by the applicant. Any misstatement of an error in fact may make the application invalid and may cause the repeal of any resolution adopted in reliance on said information.

Any business requesting a tax exemption following this statement shall pay to the city a non-refundable application fee of \$600.00, which shall be given at the same time as the application. In addition, any business which has been granted a tax exemption shall pay an annual renewal fee of \$200.00.

On receipt of the completed application form and needed fee, the city clerk shall decide whether the application is complete and sufficient for review, whether the applicant business is eligible for an exemption under the Kansas Constitution, this statement, and any other applicable laws. If the application is incomplete the city clerk shall notify the applicant, noting the need for such changes or additions as considered necessary. If questions arise as to whether the business is legally eligible for an exemption, the matter may be referred to the city's legal advisor, who shall consult with the applicant business. If the application is found complete and is for a purpose which is authorized by law, the governing body shall direct the city clerk to notify the city administrator.

### **City Administrator**

Tax exemption applications given under this procedure shall be subject to review and approval by the City of Sedgwick's City Administrator. The purpose of the city administrator shall be to review requests and applications for tax exemptions/incentives, to gather and review such additional information as may be deemed necessary, to conduct preliminary negotiations with the applicant business, and to make such recommendations as deemed available to the governing body. The city administrator will meet to consider the application for tax exemptions/incentives within ten days after the application is found complete by the city clerk. The recommendation of the city administrator will be considered at the next regular council meeting. City administrator records, including applications for tax exemptions, may be withheld from public disclosure under Kansas Open Records Function as provided for under subsection (20) and (31) and other subsections of K.S.A. Supp. 45-221, but shall be available for public inspection when otherwise required by law.

### **Governing Body Action**

Upon receiving the recommendations of the city administrator, the governing body shall first decide whether to reject the requested exemption or to further consider the request. Upon a favorable vote for further consideration, the governing body shall schedule a public hearing. Notice of the public hearing shall be published at least 7 days prior to the hearing in the official newspaper, giving the time and place. The hearing may be held at a regular or special meeting of the council. The city clerk shall thereupon notify in writing the governing body of any city and the unified school district, which derives or could derive property taxes from the affected business, informing them of the scheduled public hearing and inviting their review and comment. Upon request, the city clerk shall provide any such public agency with a copy of the application, the applicant business shall be invited, but not required, to attend the public hearing. If, after the completion of the public hearing, the governing body decides that a tax exemption/incentive should be granted to an applicant, a resolution of intent shall be adopted. The resolution may give general terms the plans and conditions for granting a tax exemption/incentive, such resolution shall be issued as an expression of good faith intent. A resolution of intent shall expire six months after issuance but may be renewed for \$200.00.

## **Procedure**

Following the location and construction of a new industry or expansion of an existing industry making the request for tax exemption, or in the event the applicant has at the time of the granting of the tax exemption acquired or constructed the property as to which tax exemption has been requested, the governing body shall adopt a resolution granting the tax exemption. The extent and term of any tax exemption-incentive granted shall be subject to annual review and determination by the city administrator to ensure that the ownership and use of the property and any other qualifying criteria of the business for the tax exemption incentive continue to exist. The review shall be completed by no later than February 1<sup>st</sup> of each year. No exemption or tax incentives granted by the city shall be transferred because of a change in the majority ownership of the business. Any new owner shall file a new application for a tax exemption-incentive. Further, the city shall be notified by the business of any new change in the use of tax-exempt property. The relocation of existing business or tenants will not be allowed unless the tenant will otherwise cease operations in the city or county. Projects will be evaluated to set up a reasonable distance radius around the development that restricts the relocation as well as a period for which the restrictions will exist.

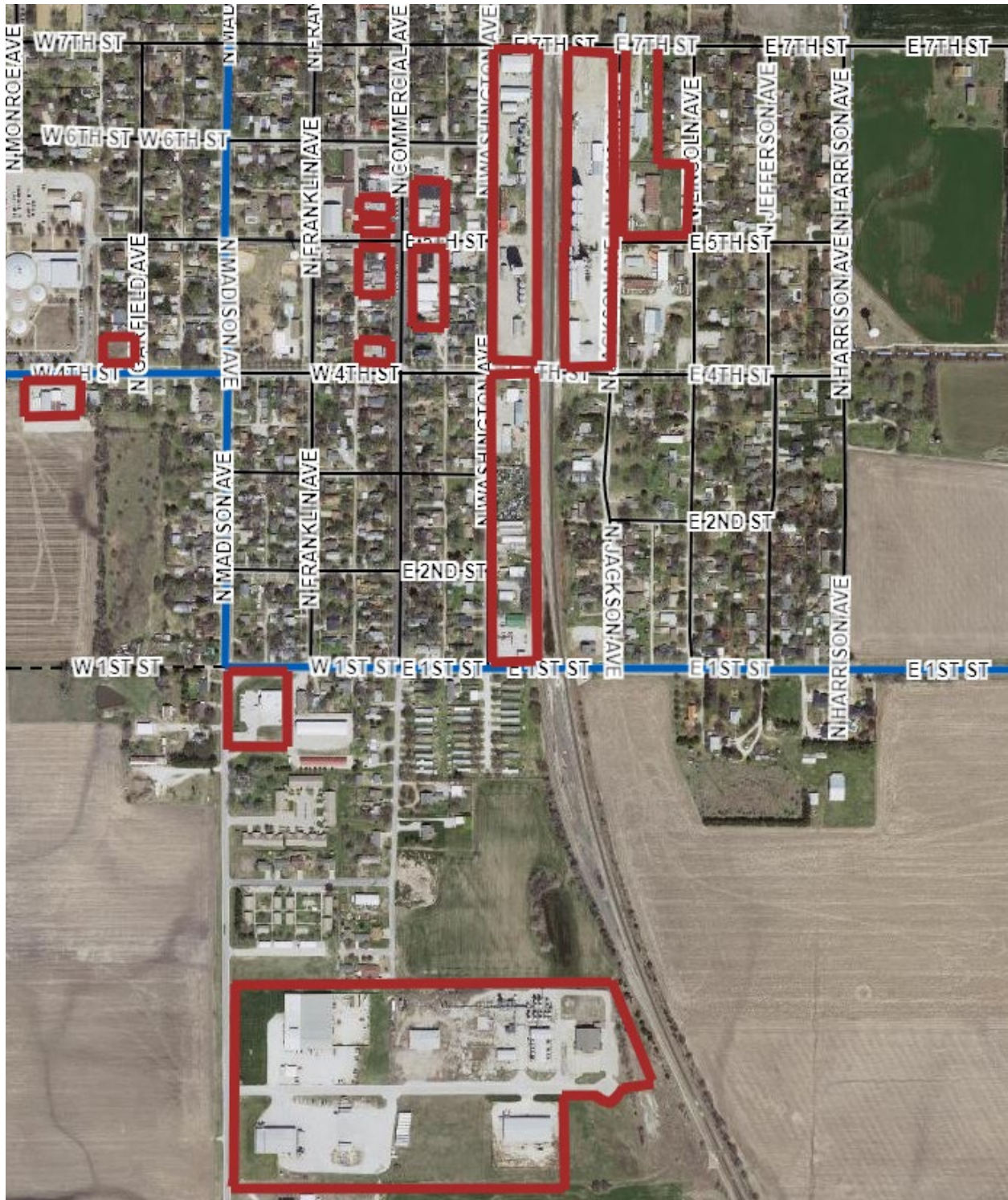
## **Distribution of Revenue**

The granting of a tax exemptions/incentives by the city is hereby declared to be a contract under provisions of K.S.A. 79-214. In-Lieu of taxes payment which may be required of a business granted a tax exemption under this statement shall be paid to the city clerk. The city clerk is directed to apportion the payment under the provisions of subsection (3) of K.S.A. 12-148, among the tangible property tax supported funds of the taxing subdivisions in the portion that the tax levy for each fund bears to the total of all tax levies made for all such funds. All taxing subdivisions, excluding the state, which levy taxes on the property where the business is situated shall receive a proportion of the in-lieu taxes payment. The apportionment shall be based on the relative amount of taxes levied, for all purposes, by each of the applicable taxing subdivisions. The city clerk shall provide a copy of the resolution, as published in the official newspaper, granting an exemption from taxation to the applicant for use in filling a first request for tax exemption as required by K.S.A. 79-213 and by K.S.A. 79-210 for later years.

## **Exemption Forms**

A copy of the exemption form applicants required by K.S.A. 79-213 and 79-210, and the statement required by K.S.A. 79-214 for the cessation of an exempt use of property, shall be filed with the county clerk by the property owner. The governing body and the Board of County Commissioners reserve the right to grant or not to grant a tax exemption-incentive under circumstances beyond the scope of this statement, or to waive any procedural requirement not legally required. However, no such action or waiver shall be taken or made except upon filing by the governing body or the Board of County Commissioners that have a compelling or imperative reason or emergency exists, and that such action or waiver is found and declared to be in the public interest. All proposals for tax abatements to business prior to the effective date of the policy will not be subject to the provisions of this policy, except as required by law.





The red outlined areas are the available places that qualify for tax abatement and incentives.



# BUSINESS INCENTIVE QUESTIONNAIRE

(CONFIDENTIAL)

The information contained in this questionnaire will be treated as confidential and used to figure out state incentive programs and will be relied upon by the State for the development of later incentive agreements. If your project evolves with added information, please contact us so we may develop a revised incentive offer.

The information for this Questionnaire and later proposal offer from our agency is needed before a company's commitment in any manner, including real estate, to a Kansas community.

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## COMPANY INFORMATION:

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Company Name: \_\_\_\_\_  
Contact Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_  
State: \_\_\_\_\_  
Zip Code: \_\_\_\_\_  
Country: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Email: \_\_\_\_\_

1. Please find if the company is structured as a: 1) C-Corporation, 2) Subchapters-S Corporation, 3) Limited Liability Corporation, 4) Partnership or 5) Sole Proprietorship 6) Not-for-profit

\_\_\_\_\_

2. Is your company owned by a foreign entity?

\_\_\_\_\_

3. Company's Federal Employment Identification Number (FEIN)

\_\_\_\_\_

4. Company's North American Industrial Classification Code (NAICS) that your Kansas facility will run under?

\_\_\_\_\_

5. Will your company have more than one legal entity at the Kansas worksite?

\_\_\_\_\_

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## GENERAL PROJECT INFORMATION:

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6. Please describe the company's operation at the new or existing Kansas worksite involved in this project, including the company's products or services provided.

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7. Has the company or owner ever run a business in Kansas? If yes, what company?

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8. Are you buying a business currently running in Kansas? If yes, what company?

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9. Is this project related to any recent or planned internal restructuring?

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10. If this project involves the relocation of an existing operation from out-of-state to Kansas, where is the facility being moved from?

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11. Will over 50% of the revenues generated by this worksite come from sales to out-of-state commercial or governmental customers?

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If so, what is the percentage?

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Please include a list of your major customers and the geographic markets served from this worksite.

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12. Please provide the real estate professional you are working with, including their company name.

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13. What is the estimated date for a decision on this project?

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14. What is the estimated date the new or expanded facility will begin operations?

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15. What properties in Kansas are in consideration for this project? (Please include address, if possible)

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16. What other locations (city and state) are being considered for this project?

\_\_\_\_\_

17. What are the top three factors important to your site location decision (workforce, real estate, tax climate, incentives, location to customers/suppliers, other)?

\_\_\_\_\_

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## KANSAS OPERATIONS: EXISTING JOBS

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Does your company have existing Kansas operations? If **YES** please continue, if **NO** please skip to question number 27, page 5.

\_\_\_\_\_

18. Where in Kansas does your company have current facilities?

\_\_\_\_\_

19. In the past 12 months has your company incurred layoffs or furloughs?

\_\_\_\_\_

20. Is your company currently receiving incentives from the state of Kansas?

\_\_\_\_\_

21. How many jobs are currently found in Kansas?

Existing Kansas Jobs	
Full Time	
Part Time*	
Seasonal	
Remote Workers (KS based) **	
Total Jobs	

\*Part-time  
time

employees need to work at least 20 hours per week, year-round to count as a part-time job.

\*\*Remote Worker – must be permanent FT or PT employee of the company living in Kansas and offered adequate health coverage. Remote workers that are temporary or seasonal should not be included in the information above. Remote workers can flex between the remote worksite and Kansas worksite location.

22. What are the wages of the existing Kansas jobs?

	Hourly	Annual
Median Wage*		
Average Wage		

\*Median Wage – means middle wage - an example would be the median wage at a 25-employee company is the 13<sup>th</sup> wage when all employees' wages are ranked from highest to lowest.

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## KANSAS OPERATIONS: POSSIBLE JOBS AFFECTED

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23. Does the company have any existing Kansas jobs that will be affected by this new location? If **YES**, please complete the next section. If **NO**, please skip to question 27, page 5.

\_\_\_\_\_  
Please provide the following information about the Kansas jobs that may be affected:

24. Where are the jobs found?

\_\_\_\_\_

25. How many jobs will be affected by this project, i.e., eliminated, relocated, etc.?

	Affected Kansas Jobs
Full Time	
Part Time	
Seasonal	
Remote Workers (KS based)	
Total Jobs	

26. What are the wages of the affected Kansas jobs?

	Hourly	Annual
Median Wage		
Average Wage		

NEW OR RELOCATED: PROJECT JOBS

27. Please show the projected number of nets and new jobs your firm will create over a five (5) year period at the relevant Kansas worksite for this project. Please include all employees, including management (full-time and part-time).
28. Will your project involve moving operations from Platte, Jackson, Clay, or Cass counties in Missouri to Wyandotte, Johnson, or Miami counties in Kansas?
- a. If **YES**, how many jobs will move to the new Kansas worksite?

	Full Time				Part Time	
	New Jobs	Relocated From Out of State*	Remote Worker (KS based) **	Total Cumulative	New Jobs	Hours worked per Week
YEAR 1						
YEAR 2						
YEAR 3						
YEAR 4						
YEAR 5						
Total						

\*Relocated jobs – Existing jobs that would relocate to Kansas from Platte, Jackson, Clay or Cass counties in Missouri should be excluded from Relocated Out-of-State job numbers if considering Wyandotte, Johnson or Miami counties in Kansas.

\*\*Remote Worker – must be permanent FT or PT employee of the company residing in Kansas and offered adequate health coverage. Remote workers that are temporary or seasonal should not be included in the information above. Remote workers can flex between the remote worksite and Kansas location.

\*\*\*Part-time employees need to work at least 20 hours per week, year-round to count as a part-time job.

WAGES FOR NEW OR RELOCATED JOBS:

29. Please show the average and median hourly wage, excluding benefits, for the net, new jobs over a five (5) year period in Kansas. Please include all employees and management, including all part-time employees who work at least 20 hours per week, year-round. Please let us know if the company’s work week for hourly employees is outside of the standard 40 hours.
- For employees receiving an annual salary, please convert wages to an hourly rate by dividing by 2080.
- If any of your employees or management report their wages on a K-1 or 1099 form, please let us know when filing this document.



	Base Average Hourly Wage <u>without</u> overtime or bonus (cumulative)	Annual Wage	Base Average Hourly Wage <u>with</u> overtime and bonus (cumulative)	*Median Hourly Wage of new jobs (cumulative)	Annual Wage
YEAR 1					
YEAR 2					
YEAR 3					
YEAR 4					
YEAR 5					

\*Median Wage – means middle wage - an example would be the median wage at a 25-employee company is the 13<sup>th</sup> wage when all employees' wages are ranked from highest to lowest. The median wage submitted may be with or without overtime and bonus, but please note the median wage submitted will be used to determine if a company qualifies for PEAK and used in subsequent agreements under the program.

\*\*Wages for jobs that would relocate to Kansas from Platte, Jackson, Clay or Cass counties in Missouri should be excluded if considering Wyandotte, Johnson or Miami counties in Kansas.

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## ADDITIONAL KEY PROJECT INFORMATION:

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**30.** Will your company be using a third-party employer?

*(Third-Party Employer: An entity which provides employees and performs services for a qualified company on a contractual basis (often referred to as a "Professional Employer Organization" or PEO).*

**31.** Will the company offer and pay at least 50% of the premium for adequate health insurance coverage within 180 days from the date of employment for full-time employees?

*(Minimum coverage will include hospital care, physician care, mental health care, substance abuse treatment, prenatal and postnatal care, and prescription drugs).*

**32.** Will your company require training for new or existing employees?

Please provide a description of the training that will be provided to the employees to aid in deciding the workforce training programs that may apply.

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**CAPITAL INVESTMENT / REAL ESTATE:**

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33. Please provide the following real estate information as it relates to your project.

	Minimum	Maximum
Size of building needed (square feet):		
Land acreage needed (acres):		

	Yes / No	Required / Preferred
Rail Need?		

34. What is the net, new capital investment of this project?

Net New Capital Investment: <i>(Please include all relevant items)</i>	Estimated Investment (\$)
<b>Real Estate</b>	
Construction Costs of New Facility	
Purchase Price of Land	
Purchase Price of Building	
Facility Lease <i>(include the first full year of lease payments)</i>	
Facility Lease Term	
Cost of build-out/remodel paid for directly by the company	
<b>Machinery and Equipment</b>	
Purchase price of equipment, machinery, fixtures, furniture, etc.	
Leased Equipment and Machinery <i>(include the first full year of lease payments)</i>	
Lease Term for Equipment and Machinery	
Relocated Machinery and Equipment <i>(If moving equipment from another state to Kansas, please include its original acquisition cost rather than depreciated cost)</i>	

35. Will the capital investment be made at the current Kansas facility or a new Kansas worksite?

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KANSAS DEPARTMENT OF COMMERCE BUSINESS INCENTIVE QUESTIONNAIRE:

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\_\_\_\_\_  
Name of person completing form (Print)

\_\_\_\_\_  
Signature of person completing form

\_\_\_\_\_  
Company

\_\_\_\_\_  
Date

*By your signature you are attesting to the accuracy of the information provided in the document understanding that the data provided will be used in the calculation. any or all incentives the company may be eligible to apply to receive and any changes or corrections made to the data at a future date may cause the amount of t. incentive offered to be changed.*