CITY OF COFFEYVILLE
BOARD OF COMMISSIONERS AGENDA ITEM

MEETING DATE	12/08/2015	
RESOLUTION OR ORDINANCE NUMBER	R-15-161	
AGENDA TITLE	Economic Development Incentives for Project Bike	
REQUESTING DEPARTMENT	Economic Development/Administration	
PRESENTER	Trisha Purdon, Assistant to the City Manager	
FISCAL INFORMATION	Cost as recommended:	$33,750 (annexed) $22,500 (non-annexed)
	Budget Line Item:	180-5-215-424
	Balance Available	$2,387,184.92
	New Appropriation Required:	[X] Yes [ ] No
PURPOSE	This incentive is part of a package to assist a new business in their relocation to Coffeyville, which will create at least 30 new jobs in our community.	

BACKGROUND	A business approached the City of Coffeyville to inquire about the former RSI Building (also known as the Dixon Building) in the Coffeyville Industrial Park at the end of September, 2015. The company is at capacity in their current facility, and although they have worked with their local community economic development team, they were unable to find a building that would meet their space and growth needs. The RSI building would have the space and amenities that match exactly what the company would need with this expansion. Currently, the company cannot keep up with the demand on their business from customers, and are turning away projects. With this relocation, they can purchase the needed equipment and hire employees to meet this demand. The company plans to hire 30 employees in the first year, but to be conservative, have not extended this employee count past this number for the first five years, in order to be certain that the demand of their customers meets the expanded workforce and supply. Since meeting with the business in October, the City, County, MCAC, CCC, and the Chamber have been working together to create an incentive package that would assist this business in relocating to our community. The main concern from this business was the need to cover the costs of moving their equipment from their current community to Coffeyville, and training availability for the new employees they will hire for this expansion/relocation. In February 2015, the City Commission passed the Economic Development guidelines that included a forgivable loan incentive that would assist businesses in job creation, operating expenses, infrastructure or building improvements, equipment or fixtures purchases, building or land acquisition, and relocation costs. This incentive is based on job creation, and is structured so that the loan is forgiven easier if the company has local employees that live in the USD #445 school district boundaries. These incentives are increased if the company is willing to have the building annexed into the city limits. The City will hold a second position on the mortgage of the building until the loan is forgiven based on the number of jobs created in the 5 year time frame. Once the loan has been forgiven, the lien will be released. The County has also offered similar incentives to the business, but payable as annual payments in a grant form rather than a loan. These incentives will be reviewed by the County Commission on November 30, 2015.
SPECIAL NOTES	

ANALYSIS	City staff assembled a package that included a $22,500 forgivable loan, (which could go up to $33,750 if all new employees are local residents), an economic development electrical rate structure, and a fee waiver for building permit costs or any tap fees associated with the relocation. The Forgivable Loan incentive is structured so that if the company is annexed into the city limits, the rate increases from $500 to $750 per employee. The company is evaluating annexing into the city limits, but has not made a final decision. If they do not annex into the city, their incentive will be capped at $22,500 (assuming 100% local residency for employees) with the minimum being $15,000 if employees are not local. Based on the average salary of these jobs and residency of these new employees, city staff has determined that the City will recoup this incentive in sales tax revenues alone within the 10 year period that is outlined in the incentive guidelines. (See Return on Investment Report) The next step in this process will to have the company complete the application for incentives, review the application and the company financial statements, perform a credit check on the company and CEO, and complete the mortgage, promissory notes, and personal guarantee documents. The city will hold a second mortgage on the building until the loan is forgiven, meaning the company has hired their goal of 30 employees. The report on the business application and other company documents will then be brought back to the Commission for final authorization before these incentives will be issued.
PUBLIC INFORMATION PROCESS	
BOARD OR COMMISSION RECOMMENDATION	
STAFF RECOMMENDATION	Based on the number of jobs, salary of these jobs, and the additional sales taxes that would be generated from the new employees that will be hired, it is staff's recommendation that this incentive proposal from the City of Coffeyville be approved by the City Commission. Staff then can proceed with due diligence for the application and financial review stage of the incentive package, which will be brought to the commission at the final meeting in December for final review before incentives are issued.

REFERENCE DOCUMENTS ATTACHED	Project Bike Incentive Proposal Return on Investment Report

RESOLUTION NO. R-15-161

A RESOLUTION TO APPROVE AN ECONOMIC DEVELOPMENT INCENTIVE PACKAGE FOR PROJECT BIKE.

BE IT RESOLVED by the Board of Commissioners of the City of Coffeyville, Kansas that an economic development incentive package be approved for Project Bike to assist a business in relocating their company to the Coffeyville Industrial Park.

ADOPTED THIS 8TH DAY OF DECEMBER 2015.

_____
Christopher V. Williams, Mayor

ATTEST:

_____
Cindy Price, City Clerk

APPROVED AS TO FORM AND LEGALITY:

_____
Paul Kritz, City Attorney

Coffeyville KANSAS

PROJECT BIKE

Project Proposal

Prepared for: [redacted]

Prepared by:

Trisha Purdon, City of Coffeyville

Phone: (620) 252-6171 or TPurdon@Coffeyville.com

Aaron Heckman, Montgomery County Action Council

Phone: (620) 331-3830 or AHeckman@Actioncouncil.com

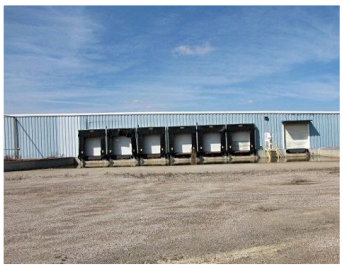
Craig VanWey, Kansas Department of Commerce

Phone: (785) 633-8407 or CVanwey@kansascommerce.com

Facility: Former RSI Building - City of Coffeyville, KS

Address: 5184 E. Industrial St., Coffeyville, KS 67337

Website: http://tinyurl.com/DixonCoffeyville



Dear Mr. [redacted]

We are pleased to offer information regarding the former RSI building, and how you might relocate your business from [redacted] to Coffeyville. From what you have said, it seems as though your business is ready to take the next step and expand to meet your customer demands. We look forward to working with you to help you achieve this goal, and will strive to support you through this process.

You will find that our community has support from the State, County, Schools, College, City, Chamber, and other local organizations that is unmatched in many other communities. We believe that businesses can grow, and grow quickly in our community with the teamwork and support of our economic development team and your executive team working together in unison. We know that relocating a business to another community can be challenging, and we want to assure you that we will make it our mission to provide you with the best possible service, expertise, and support possible. Below, we have outlined several key incentives, programs, infrastructure, site, and building information for your consideration. We hope that we have provided everything in a clear concise way so that your business can make an informed decision.

We have put together what we feel is a strong incentive package that addresses the needs you described at our meeting on October 15th. This package offers incentivized utility rates, job creation grants, relocation grants, state tax abatements, training grants, workforce support programs, and fee waivers to help your business get up and running quickly and profitably. Please do not hesitate to contact us if there seems to be a missing piece that you feel will help you resolve an issue with your relocation/acquisition. We have worked diligently to think of every aspect that might help your business, but no one knows your company and your needs better than you. We look forward to speaking with you more about these programs and incentives.

Sincerely,

Kendal Francis	Aaron Heckman
City Manager	Executive Director
City of Coffeyville	Montgomery County Action Council

BUILDING & INFRASTRUCTURE SUMMARY

BUILDING FEATURES	
Total Building Area	**158,400 SF** • Warehouse/Production: 145,900 SF • Office: 12,500 SF
Acreage:	27.36 Acres surrounding building
Year Built	1995
Current Zoning	Industrial
Ceiling Height	Production/Warehouse: 13' under structural eave on east side of building 18' under structural at the eave on the west side of building 22' clear height under structural at the peak
Floor Thickness	Production: 5" P.T. Slab Warehouse: 9" P.T. Slab
Column Spacing	48' x 24'
Paint Facilities	Powder coat paint system with 5-stage washer, continuous loop with a 3' x 4' opening (excluded from asking price)
Roof	Pre-Engineered metal with vinyl backed insulation
Heat/Air Conditioning	Gas Fired heating units, 100% via water chilled units, 2 25-ton York Chillers
Ventilation	4'x4' power wall units
Lighting	T-5 installed throughout the warehouse in 2008
Fire Suppression	Wet Sprinkler system, existing fire main,
Fencing/Security	KTECH for fire and burglar protection, facility has security fencing in place
Loading	**Loading:** 1 dock high doors with levelers (8' x 10') 2 drive-in doors (12' x 14') 1 grade level oversize door (16' x 16')
Rail Served	South Kansas & Oklahoma Railroad/Watco
Water/Rail/Air Transportation	Tulsa International Airport - 71 Miles Direct Rail access to Port of Catoosa - 72 Miles
Electrical	Coffeyville Municipal Light & Power - 277/480 Volt, 2000 Amps with an additional 1200/600 Amp Service, 3-Phase underground and Overhead on site New Electric Generation Plant under construction next door
Water	City of Coffeyville - 12" water main with 2" and 1" service line, plus 2" irrigation line, at 69 psi to the building
Gas	ATMOS - 2" Main at 29 psi
Sewer	City of Coffeyville - 8" sewer main
Data/Voice/Fiber	T3; Fiber is available up to16Gbps

BUILDING & INFRASTRUCTURE

Located in the Coffeyville Industrial Park, the 158,400 SF, RSI building is available at the asking price of $850,000, however, the City is currently in discussion with RSI to determine if the company is willing to donate this facility to the City at a reduced rate, which we can then pass on to you as the future occupant. The facility was originally constructed in 1975, but in 1995 the building was expanded to serve Dixon, a lawn mower manufacturer. The building is in good condition, and has over 25 acres surrounding the property that can be used for future expansion needs. The building is broken into two spaces; production space of 145,900 SF and an office space with 12,500 SF. Ceiling heights start at 13' at the eave on the east side, 18' on the west side eave and rise to 22' at the center of the facility. Understanding [redacted] potential for future expansion, this facility has the space to accommodate the machinery that will help you achieve this rapid business growth.

This proposal includes details on water, wastewater, stormwater, fire protection, and transportation infrastructure currently in place at the RSI building. To help you in analyzing the rate structure of City of Coffeyville utilities, we can construct a calculator that will show your likely bill, if you can provide us with a current electric bill, and your estimated use and demand once you expand into this facility.

The City of Coffeyville has anticipated utility needs in the future for this area, and constructed one 8" and one 12" water main to the industrial park. The building is served by a 12" main with a 2" service line into the building. The building is currently served with 8" and 12'" gravity sanitary sewer mains. Fire protection, although not active, is in place with a wet sprinkler system, an existing 6" and two 4" fire mains with fire hydrants at the building's north and west sides.

Most importantly, this building is served electricity by Coffeyville Municipal Light and Power (CMLP) and the Grand River Dam Authority (GRDA). CMLP and GRDA are a reliable, cost effective energy supplier for any business, but especially for the RSI building. In fact, CMLP has won the annual Municipal Electric Systems of Oklahoma (MESO) reliability award for having the most reliable system for the last 3 years. To ensure that the electric supply system remains reliable for your business as you grow, the City has installed backup systems, such as redundant 69 kV supply lines, which provide the dependability that a heavy energy user in Coffeyville needs. The building will be next door to a new state of the art electric generation facility, which will have the capacity and reliability your business will ever require.

INCENTIVE OPTIONS - UTILITY INCENTIVES

ELECTRIC RATE INCENTIVES

Based on the data you provided on the power needs of your company, CMLP was able to work with our rate structure consulting firm to evaluate where the company would fall into our current rate structure. As requested, the City has put together a structure that demonstrates an incentive period as well as the ending rate structure to which the business would gradually be adjusted.

FOR NEW CUSTOMER DEMAND LOADS OF 1,000 KW OR GREATER:

RATE SCHEDULE Large Power (LP-15) **excludes PCA	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Economic Development Rate Discount	**20.6%**	**16.4%**	**12.2%**	**8%**	**3.8%**
Monthly Customer Charge	$ 500.00	$ 500.00	$ 500.00	$ 500.00	$500.00
Energy Charge					
First 2000,000 kWh, Per kWh	$ 0.0800	$ 0.0731	$ 0.0650	TBD	TBD
Balance, Per kWh	$0.07500	$ 0.07000	$0.06500	TBD	TBD
Demand Charge					
First 10kW, Per kW	$5.26	$8.00	$10.88	TBD	TBD
Above 10kW, Per kW	$5.26	$8.00	$10.88	TBD	TBD
Reactive Power Adjustment	$0.01000	$0.01085	$0.01200	TBD	TBD

As you can see, the City will be providing electrical service for your business at a significantly reduced cost for the first 3 years of service. After this point, we will gradually increase the rate so that you end up on the rate schedule that meets your demand and use.

Another factor that makes this inducement more competitive, is the historical lack of rate increases in the past 12 years from GRDA and the City of Coffeyville. The City of Coffeyville has entered into a Power Purchase Agreement with GRDA for wholesale energy that runs through 2042, securing low cost energy for the future. GRDA is a public power utility, under the umbrella of the State of Oklahoma. CMLP and GRDA are able to maintain the same rate structure and dependability that our customers can rely on year after year. This year, the City of Coffeyville has undergone a full rate structure analysis to ensure that the City is charging the correct rate that both covers cost of service, and ensures that the electrical system can meet future demand as needs change in the community. The residential and commercial rate structure for the next 3 years was recently approved by the City Commission, and the City is preparing for another cost of service study to be complete in 2 years.

In order to justify providing electrical service at this rate, the City is requesting that the business consider annexation into the Coffeyville city limits. This will ensure that any future investments in the company provide and economic benefit to the City, thus helping to offset the loss of revenue resulting from offering such a competitive rate. Currently the property is appraised at $1,259,590, which generates ad valorem taxes of $45,510, per year. If the City were to annex the property, the tax bill would be $54,708. However, if the building is purchased for a rate such as $400,000 the annexed ad valorem tax would only be $17,373 or $13,182 if not annexed. The additional expense covers the cost of important city services, such as fire and police protection, winter snow plowing, street maintenance, and services that support your employees such as the educational system and parks and recreation facilities.

WATER/WASTEWATER INCENTIVES

Annexation will also reduce the water rates that the facility currently is charged, as the City charges an out of City limits rate for non-annexed properties. In order to provide you with an example of what your water rates could be, the City identified a similar sized business (30 employees, doing sheet metal fabrication and welding) and compared their water, stormwater, and wastewater utilities to what you might expect in the RSI building in the Industrial Park. Currently this business uses 4,000 to 5,000 per month, which would have a rate of $6.59 per 1000 gallons if the building were to remain outside of the city limits. If annexed, however, those rates are decreased. For 5,000 g/m, the rate would be $5.93 per 1000 gallons used. Sewer rates would be $17.75 for the first 2000 gallons, and $4.19 per 1000 g/m. Stormwater is $15.00 per month. The table below includes your costs for City water, stormwater, meters, and wastewater.

Gallons Used Per Month + Meter Charge	First 2000 g/m	Next 8000 g/m	Using 5,000 g/m + Meter charge, Stormwater, & Wastewater
Inside City Water, Stormwater, Wastewater	$6.85	$5.93	$179.50
Outside City Water, Stormwater, Wastewater	$10.09	$6.59	$227.63
Difference per month	**$3.24**	**$0.66**	**$48.13**

NATURAL GAS INCENTIVES

Atmos Energy is the provider of natural gas to the RSI Facility. They have provided their energy rate structure (Attachment C) for your review. Once you have an idea of how much natural gas you expect to use, Atmos can provide you with a detailed gas structure and incentive to meet your needs.

INCENTIVE OPTIONS - CITY OF COFFEYVILLE

RELOCATION INCENTIVES

The City of Coffeyville is also willing to offer cash incentives to be paid in upfront relocation costs. Based on the Industrial Business Incentive Program passed by the Commission in 2014, we are able to offer a higher rate for annexed properties. Thus, if [redacted] to annex the RSI building, the City could offer $750 per full time equivalent (FTE) employee expected to be created by this relocation. This will provide [redacted] with a an upfront relocation incentive of $22,500 (this amount will go up to $33,750 if all employees live in USD #445 boundaries). If the building is not annexed, the City will offer $500/FTE for a total of $15,000 (this amount can go up to $22,500 if all employees are local). This money can be used for any relocation costs, infrastructure, building improvements, operating expenses, or any other costs associated with the relocation process and startup of the new facility.

This incentive is a 2% interest Forgivable loan, which only has to be repaid if FTE positions are not created as expected, or the full 30 positions are not created within five years of the start of operations of the facility. Yearly principle forgiveness will be $750 per FTE employee ($500 if non-annexed). This forgiveness is accelerated if an employee resides in the Coffeyville School

District boundaries. Each local employee will count as 1.5 FTE toward the employment numbers for forgiveness purposes. If any principle remains at the end of the five year term, the business and the City Commission can evaluate and determine a final payment and payment structure if needed.

INCENTIVE OPTIONS - MONTGOMERY COUNTY

JOB CREATION INCENTIVES

Montgomery County is also willing to offer cash incentives for new job creation. Based on Company job creation projections growing to 30 by 2017 with average base hourly payroll of no less than $15.00 hourly, we are able to offer $1,000 per FTE. This will provide [redacted] with yearly cash incentives of $6,000 per year totaling $30,000 over the five year job projection period. Additionally, if the company has failed to recoup the maximum incentive available in any of the initial five years, the company may in an additional sixth year, earn up to the same benefit as available in year five, to receive the total maximum lifetime benefit of $30,000. Please see the example below for the proposed incentive structure.

YEAR	2016	2017	2018	2019	2020	TOTAL
MAXIMUM EMPLOYEES	10	15	20	25	30	**30**
EXISTING EMPLOYEES	0	10	15	20	25	**30**
NET NEW EMPLOYEES	10	5	5	5	5	**30**
INCENTIVE EARNED BY COMPANY	**$6,000**	**$6,000**	**$6,000**	**$6,000**	**$6,000**	**$30,000**

INCENTIVE OPTIONS - STATE OF KANSAS

The Kansas Department of Commerce will assist you in applying for State incentives. The first step necessary to apply for these incentives is to submit a letter from the [redacted] or their Economic Development group stating that they assisted you in a search for a facility, but none were available in their community that would meet your needs. The City of Coffeyville and/or Montgomery County Action Council will then write a letter stating they did not actively recruit you to Coffeyville, but that you approached the community regarding their available buildings. This process will make you eligible for State Incentives, including Machinery & Equipment deductions, Sales tax exemptions, training grants, and several other programs which will help your business grow and profit in the coming years in Coffeyville. The City of Coffeyville has provided a letter (Attachment B) stating that we did not recruit you to come to our community, and that you approached us initially regarding the former RSI building.

WORKFORCE AND COMMUNITY SUPPORT BENEFITS

COFFEYVILLE COMMUNITY COLLEGE

Coffeyville values both business and their employees. Since 1923, Coffeyville Community College (CCC) has been dedicated to identifying and addressing community and area needs, providing accessible, affordable quality education and training, and promoting opportunities for

lifelong learning. CCC can offer customized training opportunities for your business, or your employee to improve their on the job skills.

This program has continually grown, and today, CCC serves Southeast Kansas with three locations in Coffeyville and Columbus. CCC offers 15 Career and Technical Education Programs, with 8 of these listed on the Kansas High Demand Occupations list. Innovation and collaboration are key to the success of the college, as well as your business. Programs are offered in both classroom and lab settings with hands-on applications. Local advisory boards are utilized to ensure that students are getting the training they need to be successful, or receive the certifications they need for the job. Previously, Southwire collaborated with CCC to train new and current employees on electrical motor controls and programmable logic controllers. These were skills that they realized were needed with the addition of new technology in their manufacturing facility.

Focusing specifically on the primary skill sets for your operations, CCC's welding and machining programs are recognized by regional employers as the best in the area. Employers come from a 200 mile radius to recruit CCC students. Our nine month welding program provides AWS certification in Shielded Metal Arc, Gas Metal Arc, Fluxed Cored Arc, and Gas Tungsten Arc for those who complete the program. Those who complete the nine month machining program walk away with NIMS Level I and II certifications. Coffeyville Community College has successfully partnered with Kansas Department of Commerce to complete short-term training projects designed to meet specific training needs of area employers in both the welding and machining programs.

Having such a successful technical program also provides our local businesses with a steady stream of trained employees with industry-recognized certifications. In fact, many CCC graduates start while in high school and are ready to enter the workforce by the time they graduate. The College is ready to work with your business to help you develop and prepare your customized workforce training.

AREA WORKFORCE STATISTICS

While our community occasionally has general job fairs for the public, prior companies relocating to Coffeyville have had success hosting individualized job fairs. This allows for the community to become familiar with the new company, and provides some positive publicity. Arrangements can be made for [redacted] to host a similar event either at the company's facility, or at a centrally located site. This type of job fair can potentially lead to a large pool of candidate for your company to choose from upon opening the Coffeyville facility and allows managers to hire the best of the best from available workers.

Part of the benefit to locating in Coffeyville is the skilled available workforce. As you can see in the table below, Coffeyville has over 1423 in Montgomery County's available workforce pool, especially with the closure of the Southwire facility and Amazon.com distribution center. We are confident you will be able to find the workforce you need to grow and develop your business.

COUNTY	POPULATION	WORKFORCE	UNEMPLOYMENT RATE	AVAILABLE WORKFORCE	AVERAGE WEEKLY WAGE
CHAUTAUQUA, KS	3,669	1,558	6.9%	108	$ 521
ELK, KS	2,882	1,158	7.3%	84	$ 448
LABETTE, KS	21,607	10,871	6.9%	745	$ 633
MONTGOMERY, KS	35,471	17,217	8.3%	1423	$ 666
NEOSHO, KS	16,512	6,356	8.9%	565	$ 645
WILSON, KS	9,409	4,121	7.7%	318	$ 659
NOWATA, OK	10,536	4,675	6.2%	288	$ 559
WASHINGTON, OK	50,976	25,228	4.3%	1080	$ 972
TOTAL	151,062	71,184	6.5%	4611	$ 753

INCENTIVE SUMMARY

Description	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Relocation Incentive	$ 33,750					$ 33,750
Job Creation Grant	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 30,000
City Fee Waivers - if annexed	$ 350	$ 350	$ 350	$ 350	$ 350	$ 1,750
Energy Discount	20.6%	16.4%	12.2%	8%	3.8%	
Inside City Limits Water Rate Net benefit Inside limits vs. outside	$ 48.13	$ 48.13	$ 48.13	$ 48.13	$ 48.13	$ 241
State - HPIP - unknown						$ 0
State - PEAK - unknown						$ 0
STATE - KIR - unknown						$ 0
TOTAL	$ 40,148	$ 6,398	$ 6,398	$ 6,398	$ 6,398	$ 65,741

Coffeyville KANSAS

Return on Investment Report
Project Bike

Annual Expenses per job	National Average	Percentage*	Salary and expenses of new jobs	Sales Tax Eligible purchases	10 Year Return /job
Annual Income before Taxes	$ 63,784	100%	$ 31,667		$ -
Transportation	$ 9,004	14%	$ 4,470	$ 134	$ 1,341.07
Food	$ 6,602	10%	$ 3,278	$ 98	$ 983.31
Insurance and Retirement	$ 5,528	9%	$ 2,744		$ -
Apparel and services	$ 1,604	3%	$ 796	$ 24	$ 238.90
Entertainment	$ 2,482	4%	$ 1,232	$ 37	$ 369.67
Housing	$ 17,148	27%	$ 8,514		$ -
Charity/Contributions	$ 1,834	3%	$ 911		$ -
Healthcare	$ 3,631	6%	$ 1,803		$ -
Other	$ 3,267	5%	$ 1,622	$ 49	$ 486.59
Taxes	$ 12,684	20%	$ 6,297		$ -
Total			**$ 15.22**	**$ 342**	**$ 3,419.55**

Incentive Evaluation	Incentive difference $750/employee	Incentive Difference $500/Employee
Number of Jobs Created	30	30
Incentive per job	$750	$500
Total Incentive	$ 33,750.00	$22,500.00
ROI Per Job	$ 34,195.53	$34,195.53
Difference:	$ 445.53	$11,695