CITY OF COFFEYVILLE
BOARD OF COMMISSIONERS AGENDA ITEM

MEETING DATE	03/08/2016	
RESOLUTION OR ORDINANCE NUMBER	R-16-51	
AGENDA TITLE	Inside Out Fitness Retail/General Services Grant Application	
REQUESTING DEPARTMENT	City Manager's Office - Economic Development	
PRESENTER	Trisha Purdon – Assistant to the City Manager	
FISCAL INFORMATION	Cost as recommended:	$2,944
	Budget Line Item:	180-5-215-424
	Balance Available	$2,139,863
	New Appropriation Required:	[X] Yes [ ] No

PURPOSE	The City of Coffeyville recognizes that retail growth is essential to Coffeyville's economic and social well-being. The City is committed to expanding Coffeyville's underserved retail sector through incentive programs and a streamlined process to fast-track potential retail development. In February, 2015 the City Commission passed the updated Economic Development Incentive Guidelines which includes a section for Retail and Commercial Incentives. Inside Out Fitness is a gym located in Wichita, KS and has recently purchased the former Palm Beach Fitness in Downtown Coffeyville. They would like to make significant improvements to the building as well as expand their operations from what was previously offered at Palm Beach Fitness. Under the clause in the ED Incentive Guidelines, Inside Out Fitness would qualify for the General Services Grant Program, as they would generate a significant amount of sales tax revenue for the City. The General Merchandise & Services category are new or expanding stores, services, or restaurants with annual sales of less than $3 Million. Incentives in this category will be discounted by 80% for substitution of sales captured from existing retailers. Incentive amounts are only estimates and are at the discretion of the Coffeyville City Commission.

BACKGROUND	Lindsay Downing of Inside Out Fitness approached the City of Coffeyville to apply for a Small Business Loan in February. Due to critical timing and closing concerns we were unable to meet their timeline for loan approval due to the dates of commission meetings and the time it would take for a full application review. Since this time, staff has completed a full review of the application. Although they are not currently interested in the small business loan program, they are still eligible for the retail/commercial incentive program as they would be a new or expanding business in Coffeyville that would generate sales taxes for the City. Staff has evaluated their annual sales data, as well as their business plan and financials, and has determined that they meet all of the requirements for the program. We have run the general services formula for the grant program, and they would qualify for a grant incentive of $2,944 that could be used for building improvements that would improve the look, appearance, value, or use of the building and services. In addition, this program would cover the costs associated with building permit fees, which would come out of the economic development incentive fund as well. These typically are in the range of $300-$600, depending on the cost of improvements being made to the building.
SPECIAL NOTES	
ANALYSIS	This is a value added project that would revive an old building in our downtown, as well as improve the current service offered as a fitness center. We believe that the services offered by this business are unique and competitive to others in the area, and would also support other businesses in the downtown with their expected increased foot traffic this updated service would create.
PUBLIC INFORMATION PROCESS	
BOARD OR COMMISSION RECOMMENDATION	

STAFF RECOMMENDATION	Staff has reviewed the full application, financials, and business history. It is our recommendation that the grant and incentive application be approved for funding. This is the exact type of general service business that this program was designed for, and as an additional bonus, improves the physical condition and use of a downtown building.
REFERENCE DOCUMENTS ATTACHED	Inside Out Fitness Small Business Loan Application - Redacted

RESOLUTION NO. R-16-51

A RESOLUTION TO APPROVE A RETAIL/COMMERCIAL BUSINESS INCENTIVE AGREEMENT FOR INSIDE OUT FITNESS.

Whereas, on August 19, 2014 the City of Coffeyville adopted the Coffeyville Economic Development Incentive Guidelines as the clearly defined guidelines for the use of incentives ensuring the good stewardship of public funds; and

Whereas, small business growth is critical to the long term stability of the economy and job security of Coffeyville; and

Whereas, the Coffeyville Retail/Commercial Business Incentive Program was established as part of these guidelines to support the growth and development of new retail/commercial businesses in Coffeyville; and

Whereas, Inside Out Fitness has submitted an application to receive funding through the Coffeyville Retail/Commercial Business Incentive Program;

NOW THEREFORE, BE IT RESOLVED by the Board of Commissioners of the City of Coffeyville, Kansas, that the Mayor and City Clerk be authorized to execute a Retail/Commercial Business Incentive agreement in the amount of $2,944 as well as a building permit fee incentive for Inside Out Fitness.

Adopted this 8th day of March, 2016.

_____
Craig C. Powell, Mayor

ATTEST:

_____
Cindy Price, City Clerk

Approved as to Form:

_____
Paul Kritz, City Attorney

City of Coffeyville
Business Loan/Incentive Application

New Loan/Incentive Application

Date:

COMPANY INFORMATION			
Legal Name of Business:	Inside Out Fitness, L	Type of Business	Gym
Project Site Address:	110 W. 9th Street		
City, State, Zip:	Coffeyville, KS 67337		
Primary Contact Person:	Lindsay Downing		
Business Phone:	316-655-1752	Fax:	
Mobile Phone:	316-207-5782	Home Phone:	
Email:	downing_lindsay@yahoo.com		
Website:	www.insideoutfitnesswichita.com		
Date business started:	September 2012	Number of owners:	2
Federal Tax ID Number:		State Tax ID:	

Check One:		Sole Proprietorship		General Partnership		C Corporation
		S Corporation	✔	LLC – Limited Liability Company		Other

NAICS Code (if applicable):		
Type of Project:		New Construction for a startup business
		New Construction for an existing business
		Relocation of new business – existing building
		On-site expansion – existing business
	✔	Equipment purchase
	✔	Other: On-site purchase for 2nd location

Number of New Jobs Created:	Year 1:		Year 2:		Year 3:		Year 4:		Year 5:	

Pay range of Jobs:			
Amount Requested from City of Coffeyville:	$2,944 plus building permit fees	Total Project Costs:	65,000
Project Timeline:	3-6 months		

INFORMATION NEEDED FOR LOAN/INCENTIVE TO BE FINALIZED:		
☐	Detailed Company Information Form	Page 1
☐	Written Business Plan	Description of Business Ownership Management Date Established Products/Services Future Plans
☐	Project Description:	Page 3
☐	Building/Land Description:	Page 4
☐	Financing	Page 5-7
☐	Job Creation Projections	Page 8
☐	Detailed Contact Information	Page 9
☐	Credit Check	Page 10
☐	Personal Financial Statement for all Key personnel – Fill out for each Owner/Major Stockholder	Page 11-12
☐	Tax records for past 2 years	
☐	Certificate of Good Standing – Kansas	https://www.kssos.org/other/certificate_good_standing.html
☐	Obtain county and city business licenses.	
☐	Purchase Life Insurance plan in the amount of the loan with an assignment to the City of Coffeyville:	[Insurance agency contact info]

PROJECT DESCRIPTION	
Please give a brief summary of your business and its products or service:	At Inside Out Fitness, LLC we believe wellness starts on the inside and finds its way out. Our goal is educate, instill self-confidence, motivate, and inspire all of our clients to achieve THEIR perfect lifestyle. We will provide a full service gym to the city of Coffeyville and surrounding areas. We will offer key card memberships, personal training, group training, kettle bell and barre classes.
Please give a brief summary of the project: (Describe how you will use the funding)	The funding will be used to purchase the current 24 hour gym, Palm Beach Fitness, the building and repairs to the roof.
Why open your business in Coffeyville?	The city of Coffeyville is starved in the market of fitness. There are a couple of facilities throughout the city but nothing that markets itself much more than a "do it yourself" walk in gym. Different classes throughout the week will give people multiple outlets to increase their physical/mental fitness.
How do you see this project affecting your company or your personal/business goals?	N/A
Do you have suppliers or customers you would benefit from also being in Coffeyville?	N/A

BUILDING INFORMATION

Location of Proposed Facility:	110 W. 9th Street Coffeyville, KS 67337
Describe current operation size and location:	The building is 7500 square feet on the bottom and roughly 2000 square feet on the second level. The gym currently has around 350 members.
Who will hold or is currently holding the First Mortgage on the property (Contact Information)?	
Will you expect the need for an expansion or addition to the building under consideration? Will renovations be necessary for operations? Please describe.	We eventually would be interested in purchasing an additional building downtown to grow the facility.
What percentage of the facility will be occupied by applicant?	90%
Is the prospective location properly zoned?	Yes
If unusual demands for gas, water, electric or sewer services or police or fire protection will be made, specify the demands:	We are not aware of any.
Will the loan proceeds be used to expand, renovate, or replace an existing building? Please describe.	Purchase the building and roof repairs
What type and size of building will be constructed (if any)? Name & Address of Contractor or Architect	N/A
What type of machinery or equipment will be financed (if any)?	N/A
Total investment in new machinery or equipment due to this relocation/expansion?	N/A

FINANCING

PROJECT COSTS:

Building Acquisition:	50,000
Land Acquisition:	0
Site Improvements:	0
Equipment/Machinery/Fixtures (Attach list and estimated costs)	0
Remodeling:	15,000
Industrial Inventory/Working Capital:	0
Other (attach description):	
Comments:	

PROPOSED SOURCES OF FINANCING

SOURCE	NAME	TERMS	AMOUNT
Bank Loan			
Bank Loan			
City of Coffeyville	Small Business Retail Grant Program	80% discount on annual sales- grant	
City of Coffeyville	Small Business Loan	2nd Mortgage, 3% Interest, 10 year term, $75,000 limit	
Montgomery County	Job Creation Grant	$1,000 per new job	
State of Kansas	HPIP		
State of Kansas	PEAK		
Other Private Funds			
Applicant Contribution			
Other			
Fed Grant/Loan			
Micro-Loans:			
Tax Increment Financing			
Tax Abatement:			

RETAIL/COMMERCIAL BUSINESS INCENTIVE PROGRAM

PURPOSE

The City of Coffeyville recognizes that retail growth is essential to Coffeyville's economic and social well-being. The City is committed to expanding Coffeyville's underserved retail sector through incentive programs and a streamlined process to fast-track potential retail development.

To achieve retail growth, the City of Coffeyville is:

- Offering a sales tax based incentive program to new and expanding retailers.
- Helping retailers find available buildings, sites and lease space.
- Establishing relationships with national and local retailers, brokers and developers, and providing data and resources as needed.
- Recruiting targeted retailers to Coffeyville.

AUTHORIZATION

On October 28, 2014, the City Commission approved ordinance R-14-82 that created an Economic Development Incentive Fund of 2.3 Million from one time funds held from the Coffeyville Resources Nitrogen Fertilizer Settlement of $2.3 Million. These funds cannot be disbursed without a majority vote by the City Commission, and may only be used for economic development purposes.

ELIGIBLE AREAS

Businesses in the retail or commercial industry that are located or will be located within the city limits of Coffeyville are eligible for this program. If a business would be located outside the city limits, they must be willing to have the property where the business will be located annexed by the City in order to be eligible for this incentive program.

ELIGIBLE APPLICANTS

Under the guidelines of the retail incentive program, a retailer is defined as a purveyor of consumer goods or services subject to sales tax. This would include businesses such as clothing stores, restaurants, hotels or hardware stores.

This program is divided into two categories for retail: Targeted Retail and General Merchandise and Services. Targeted Retail includes businesses that have been specifically identified as priorities through market research such as a retail gap study, etc. Targeted brand incentives will be discounted by 10% for substitution of sales captured from existing retailers. Examples of such businesses would be movie theaters, chain restaurants, and chain clothing stores. Incentive amounts are only estimates and are at the discretion of the Coffeyville City Commission.

The General Merchandise & Services category are new or expanding stores or restaurants with annual sales of less than $3 Million. Incentives in this category will be discounted by 80% for substitution of sales captured from existing retailers. Incentive amounts are only estimates and are at the discretion of the Coffeyville City Commission.

ELIGIBILITY CRITERIA

Targeted Brands:

- Annual Sales of more than $3 Million
- Businesses that Market Studies have shown is a high demand company or product.
- Must be located in the city limits of Coffeyville, or be willing to be annexed by the City.

General Merchandise & Services:

- Annual sales less than $3 Million
- Must be located in the city limits of Coffeyville, or be willing to be annexed by the City.

PROGRAM BENEFITS/ELIGIBLE USES

Targeted Brands:

- Funds are encouraged to be used for facility or infrastructure improvements but may be used for capital, personnel, or any other use that the company outlines in their proposal.

General Merchandise or Services:

- Incentive funds are to be utilized as listed below, unless special accommodations are approved by the City Commission or there are funds remaining after the three stipulations listed below are met:
  - The "first draw" from the incentive will be applied to fees normally levied by the City of Coffeyville. These fees include but are not limited to water and sewer taps, building permits, etc. These fees will be waived by the City with no reimbursement.
  - The "Second Draw" against the incentive will be applied to required public infrastructure improvements that lie within the public right-of-way including but not limited to sidewalks, sanitary sewer or water line extensions, storm drainage improvements, etc. Out of pocket costs for these improvements will be funded through the economic development sales tax with technical assistance and some labor where appropriate and available, to be provided by the City with no reimbursement.
  - The "Third Draw" against the incentive will be provided as an incentive to stimulate additional property investments that exceed the minimum building and site development requirements to improve the aesthetic quality of commercial properties. This includes façade and aesthetic enhancements that will result in significant aesthetic or visual improvements to the exterior appearance of the building, for both new and existing buildings and sites, as seen from the street.

FUNDING CALCULATOR

Targeted Retail Formula:

Targeted Retail incentives will be discounted by 10% for substitution of sales captured from existing retailers. Incentive amounts are only estimates and are at the discretion of the Coffeyville City Commission. These incentives will be paid out in a lump sum payment based on provided sales tax history of the business and their sales in a similar market. For example, if a big box store like Target would have a store in a city of 30,000 or less in a relatively rural area, we would base the annual sales tax for the incentive on this location.

Annual Sales Revenue – 10% = Net New Sales
Net New Sales x 3% Sales Tax = Annual Tax Revenue
Annual Tax Revenue x 10 years = 10 yr Tax Revenue
10 yr Tax Revenues - 50% Cap = Maximum Incentive

Example:

Annual Sales Revenue:	$5,000,000
Discount for Sub:	10%
Net New Sales:	$4,500,000
Sales Tax Rate:	x 3%
Annual Sales Tax Revenue:	$135,000
10 Year Tax Revenue:	$1,350,000
Incentive Cap:	- 50%
Max Incentive:	$675,000.00

General Merchandise or Services Formula:

General Merchandise or Service incentives will be discounted by 80% for substitution of sales captured from existing retailers. Incentive amounts are only estimates and are at the discretion of the Coffeyville City Commission. Payments for these businesses are made on an annual basis, and are based on their ACTUAL sales tax revenues.

Annual Sales Revenue – 80% = Net New Sales
Net New Sales x 3% Sales Tax = Annual Tax Revenue
Annual Tax Revenue x 10 years = Total Tax Revenue
Total Tax Revenue - 50% Cap = Maximum Incentive

Example:

Annual Sales Revenue:	$2,000,000
Discount for Sub:	-80%
Net New Sales:	$400,000
Sales Tax Rate:	x 3%
Annual Sales Tax Revenue:	$12,000
10 Year Tax Revenue:	$120,000
Incentive Cap:	- 50%
Max Incentive:	$60,000

APPLICATION/APPROVAL PROCEDURE

To be eligible for this incentive offer, companies must fill out Form A - Application for City of Coffeyville Loan/Incentive Form, found in the Appendix of this document or on the City website at www.coffeyville.com/index.aspx?nid=296

To speed up the process of the incentive package, you can complete the first page of the application and send it to the contact information listed below. If you are seeking state incentives, it is also recommended that you fill out form B – Kansas Incentive Request Form as well.

Staff will review the application and meet with you to discuss any other incentives you may be eligible for, as well as show you any facilities that might help your business. Depending on credit-worthiness and sales tax revenue history, the incentive could be structured as an upfront cash payment, an annual disbursement based on sales tax revenues for that year, or a forgivable loan based on new jobs created. Once the application is approved, the process can move very quickly to ensure that your project does not wait on the City to proceed.

REPORTING REQUIREMENTS

For General Merchandise and Service businesses, annual sales reports are required to determine the annual incentive payment. These reports must be submitted by March 1, of each year to the Economic Development Staff member or City Manager.

SPECIAL PROGRAM REQUIREMENTS

As with any incentive or program through the City of Coffeyville, all final funding decisions must be approved by the City Commission.

CONTACT

City of Coffeyville
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