

## Economic Development Tools:

# Industrial Revenue Bonds (for use in conjunction with a Tax Abatement or as conduit financing mechanism)

**Purpose:** May be used to obtain favorable rate financing to construct or purchase a facility and/or equipment. (e.g. Bondholders are willing to accept lower interest rates due to the financial benefit of tax exempt interest to the bondholder).

May be used to obtain a sales tax exemption on construction materials (and labor for remodeling projects)

May be used to obtain a property tax exemption for certain types of eligible businesses<sup>7</sup> to enhance economic development and improve the quality of life.

<b>IRB Tax Abatement or Stand-Alone IRB</b>	Same as Constitutional Tax Abatement, but can be used for a wider range of business types that wouldn't qualify under a constitutional tax abatement. Restrictions apply to some retail uses: Can't be used for Retail (NAICS sectors 44 or 45), except headquarters or back office operations.
	Can be used as stand-alone IRB (to just get a sales tax exemption on construction materials) or as IRB tax abatement (to get both a tax abatement as well as sales tax exemption on construction materials)
	No City liability for bonds
	Requires coordination with bond-counsel. Applicant needs to weigh legal costs vs. savings realized
	Bonds may have some State and Federal income taxation exemption benefits--consult advice from legal and accounting professionals.
	IRB Tax Abatement requires cost-benefit analysis. Cost-benefit analysis not require for stand-alone IRB.

**What it is:** Can be used alone or in conjunction with a tax abatement for eligible companies.

Conduit financing mechanism in which bonds are issued by the City and purchased by investors (e.g. banks, private investors, or the company)

**What it is not:** A liability on the part of the City to purchase or pay back the bonds

An obligation on the part of the city to finance the project

<sup>7</sup> K.S.A. 12-1740 permits cities and counties to issue revenue bonds for the purpose of paying the costs of purchasing, acquiring, constructing or equipping facilities for the following business categories: Agriculture, Commercial, Hospital, Industrial, Natural Resources, Recreational Development, Manufacturing

**How it works:**

City acts as a passive conduit whose role is to lend its status as a municipal corporation to the transaction. There is no obligation for the city to pay bondholders.

City authorizes a Resolution of Intent (a commitment to issue the IRBs subject to negotiated conditions)

Applicant arranges for financing and marketing of bonds

When project costs are known, placement of bonds arranged, and Trustee Bank selected, bond counsel prepares legal documents for approval by the city (Lease, Trust Indenture, Guaranty Agreement, Bond Purchase Agreement, etc.)

City Commission authorizes the issuance of bonds (via adoption of an ordinance that essentially approves the bond documents)

Trustee bank issues proceeds to pay for cost of bond issuance and project costs

**Current Policy:**

City of Lawrence Economic Development Goals, Process and Procedures (City Code Chapter 1, Article 21)

*May 18, 2010*

**Current IRBs:**

2015 Outstanding IRBs					
Company	Date of Issue	Issuing Ord. #	Year Matures	Amount Authorized	Project
Bowersock: Series 2011B & 2011C	2010/2011	8607 & 8620	2037	\$27,000,000	Hydro-Electric Facility
PROSOCO, Inc: Series 1998A (\$5,800,000) & Series 1998B (\$2,240,000)	1999	7060	2019	\$8,040,000	Manufacturing Facility
9th & New Hampshire LLC: Series 2012 (South Project)*	2012	8804	2015	\$17,250,000	Mixed Use Hotel (900 New Hampshire Street: South Project)
Rock Chalk Park	Oct. 2013	8862	2023	\$40,000,000	Commercial Recreational Facility
1101/1115 Indiana Street*	Nov. 2014	9053	2017	\$76,000,000	Mixed-Use, Retail and Student Housing
Dwayne Peaslee Technical Training Center, Inc.: Series 2015*	May. 2015	9111	2015	\$1,600,000	Technical Training Center
100 East 9th Street LLC (9th & New Hampshire North Project): Series 2015*	Mar. 2015	9093	2015	\$23,000,000	Mixed-Use Commercial/Residential
Resolution of Intent Authorized in 2015					
Company	Resolution Date	Res. #	Year Matures	Amount Authorized	Project
Pioneer Ridge*	Feb. 2015	7103	n/a	\$14,500,000	Commercial, Independent Living Facility
Eldridge Expansion (705 Massachusetts Street)*	Feb. 2015	7104	n/a	\$12,500,000	Hotel Expansion
Matured IRBs (no longer outstanding)					
Company	Date of Issue	Issuing Ord #	Terminated	Amount Authorized	Project
DST Systems, Inc: Series 2001	2001	7331	2012	\$9,000, 000	Acquisition & Renovation of Existing Office Building
Neuvant House II*	2013	8901	2014	\$2,500,000	Specialty Healthcare Facility

\* Stand-Alone IRB used for a Sales Tax Exemption on Construction Materials

## IRB: City Policy Criteria

Item #	Policy Requirement
1	Only those projects which qualify under Kansas Law will be eligible for IRB financing.
<b>Proposed Project shall achieve one or more of the following public benefits:</b>	
2	<b>2a: Meets economic goals of the City as set forth in policy and the Comprehensive Plan of Lawrence and Douglas County:</b>
	Place high priority on retention and expansion of existing businesses.
	Encourage existing industry to expand.
	Assist new business start-ups
	Recruit new companies from out-of-state and internationally
	Encourage high technology and research based businesses.
	Encourage training and development of Lawrence area employees
	Encourage location and retention of businesses which are good "corporate citizens" that will add to the quality of life in Lawrence through their leadership and support of local civic and philanthropic organizations.
	<b>2b:</b> Promotes infill through the development of vacant lots, the rehabilitation of deteriorated properties or the adaptive reuse of historic properties.
	<b>2c:</b> Enhance Downtown
<b>2d:</b> Incorporate environmentally sustainable elements into the design and operation of the facility	
<b>2e:</b> Provide other public benefits to the community, particularly as set forth in the Comprehensive Plan of Lawrence and Douglas County.	
3	Prospective tenant shall show the financial capacity to complete the proposed project and successfully market the bonds.

## IRB: Other Considerations (Preferred)

Item #	Policy Requirement
1	<i>City looks more favorably upon projects that support the below targeted industries:</i>
	Life Sciences/Research
	Information Technology
	Aviation and Aerospace
	Value-Added Agriculture
	Light Manufacturing and Distribution
2	<i>The City favors issuing Industrial Revenue Bonds to projects that bring in new revenues from outside the community or enhance the local quality of life over projects that will primarily compete against other local firms.</i>
	Project anticipated to bring in new revenues from outside community:
	Project enhances local quality of life:

**IRB: Special Consideration for Retail Projects**

Item #	Policy Requirement
1	Applicant demonstrates that the project is exceptional and unique
2	Project is likely to add to the retail base by attracting new retail sales or capturing sales that are leaking to other markets.

**IRB: Special Consideration for Residential Projects**

Item #	Policy Requirement
1	Project is multi-family or senior living project
2	Projects that contain no non-residential uses and are requesting IRBS must have at least 30% of all housing units set aside for households making 80% of the Area Median Income or less.
<b><i>Preferred Qualities for Residential Projects:</i></b>	
	Infill or redevelopment:
	Mixed -Use
	Downtown Location