ECONOMIC DEVELOPMENT AND FINANCE

STANDING COMMITTEE MINUTES

Monday, December 12, 2016

The meeting of the Economic Development and Finance Standing Committee was held on Monday, December 12, 2016, at 5:15 p.m., in the 5th Floor Conference Room of the Municipal Office Building. The following members were present: Commissioner McKiernan, Chairman; Commissioners Townsend, Murguia, and Walters. Commissioner Walker and BPU Board Member Alvey, were absent. The following officials were also in attendance: Melissa Mundt, Joe Connor and Gordon Criswell, Assistant County Administrators; Ken Moore, Chief Legal Counsel; Misty Brown; Deputy Chief Counsel; Kathleen VonAchen, Chief Financial Officer; Charles Brockman, Management Analyst, Economic Development; George Brajkovic, Economic Development Director; and Doug Bailey, Sergeant-at-Arm.

Chairman McKiernan called the meeting to order.

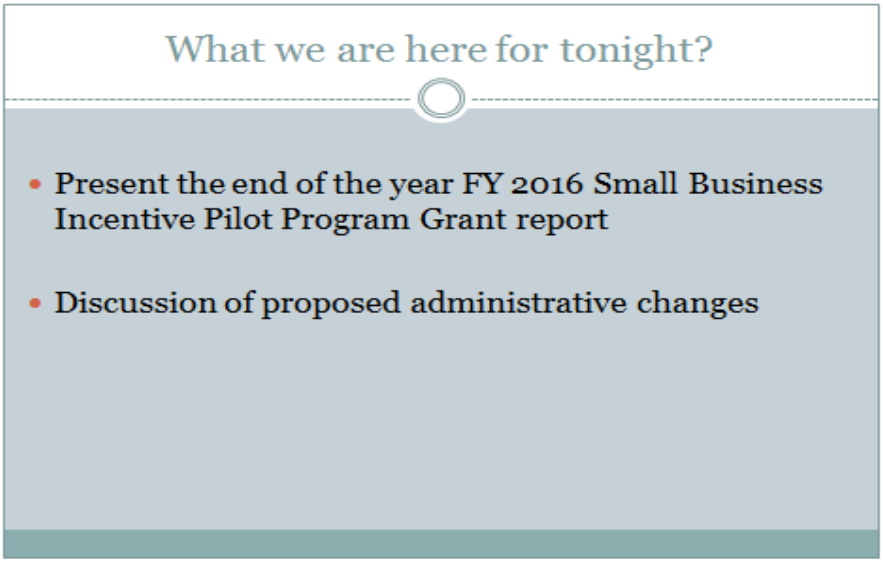
Roll call was taken and members were present as shown above.

Approval of standing committee minutes from October 10, 2016. **On motion of Commissioner Murguia, seconded by Commissioner Townsend, the minutes were approved.** Motion carried unanimously.

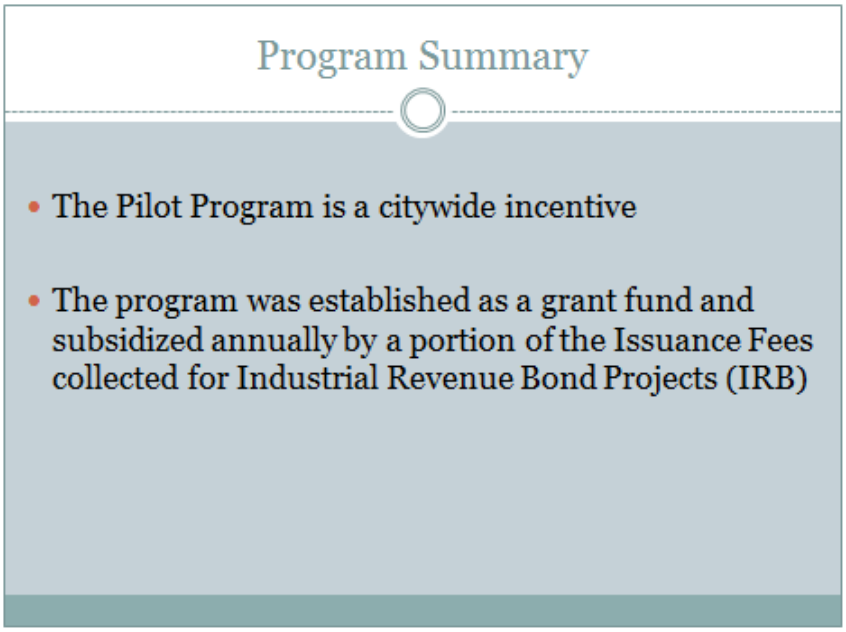
Committee Agenda

Item No. 1 – 16916… COMMUNICATION: UG SMALL BUSINESS INCENTIVE PILOT PROGRAM PLAN & END OF YEAR REPORT

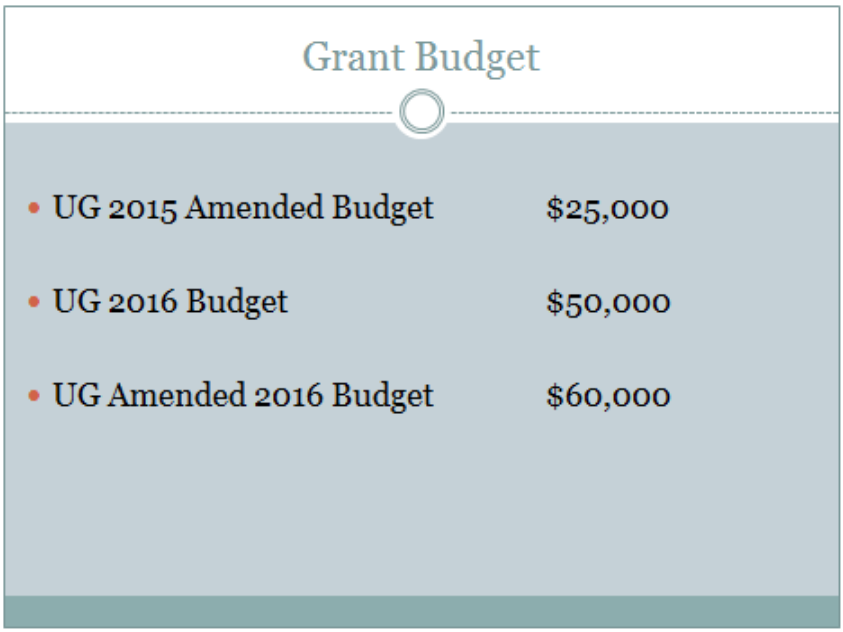
Synopsis: Staff is presenting the end of fiscal year 2016 UG Small Business Incentive Pilot Program Grant report and requesting recommended changes to the plan, submitted by Charles Brockman, Management Analyst, Economic Development.



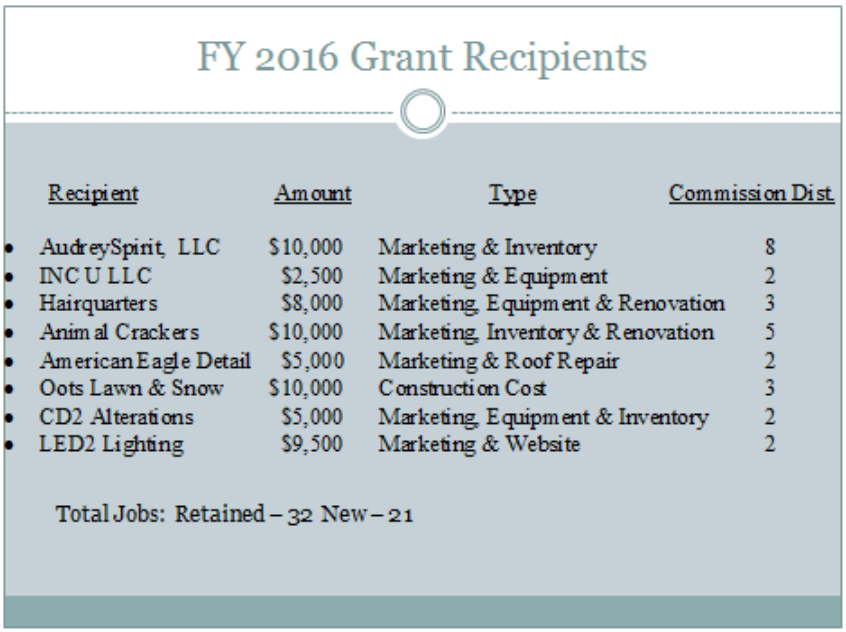
Charles Brockman, Management Analyst, Economic Development, said like Commissioner McKiernan said, we wanted to bring forth the end of the year report on all of the grants that we gave out in 2016. We want to present that and then discuss a little bit of the proposed administrative changes.



Just a summary, the pilot program is a citywide incentive. It was established from a pro rata share of IRB issuance fees.



In 2015 we were budgeted $25,000. In 2016 we were budgeted $50,000. It was amended in 2016 because one of the 2015 applicants rescinded their application so they rolled it over. We had $60,000 to work with this year.



These are the recipients of the grant this year. There were eight of them. Through those grants, 32 jobs were retained and there were 21 new jobs.

In our efforts this year to market and going forward, we reached out to past RLF board members, I did. We used to have Revolving Loan Funds. Those board members, most of them, are either small business or work at a bank. They can get the word out as well mainly on our UG web page. If somebody comes into the city looking for incentives, they'll go to our web page and we have the small business grant web page there where they can go through and look at the applications and such. KCK Chamber and WYEDC advertises it for us. This year we're going to budget for brochures. We'll give those to the banks. We'll have them in the office. We'll put them out at NRC, things like that, to get the word out.

I want to recognize Chuck Schlittler from the Downtown Shareholders. He worked with us on two projects, LED2 Lighting and CD2 Alterations. They worked in-kind grants. We gave grants out and Downtown Shareholders also gave a grant out. LED2 was $2,400 and CD2 Alterations was $1,000.

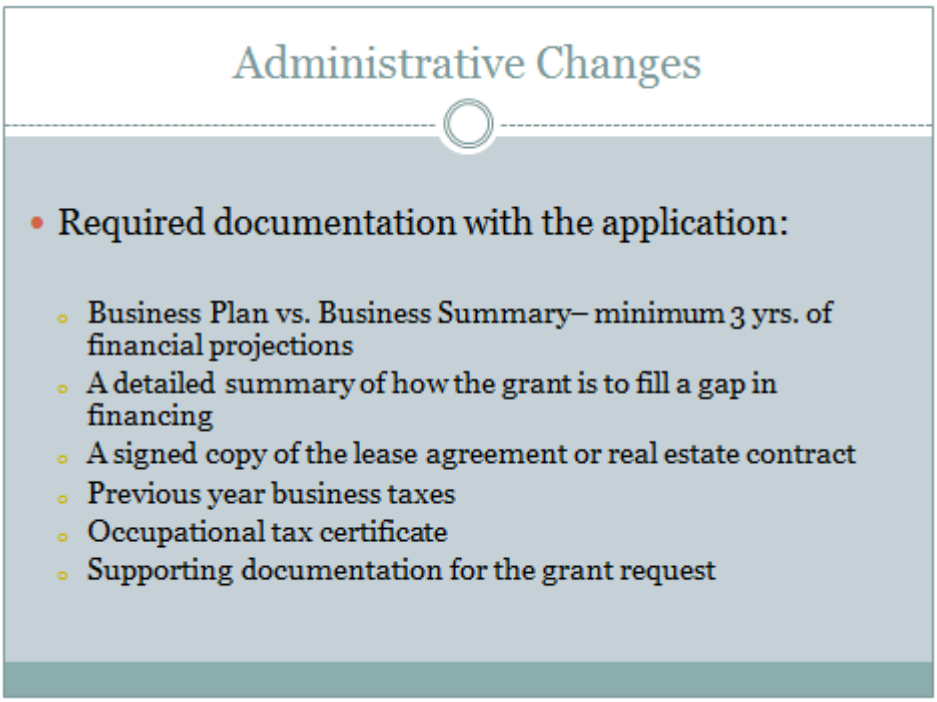
Chairman McKiernan said so this was money that was above and beyond anything that came from the Small Business Pilot Program. **Mr. Brockman** said yes, sir. This comes out of a grant.

Chuck Schlittler, Downtown Shareholders, said we had $10,000 in our own small business program and we've given out just about $6,000 of that over this year. We're awaiting

documentation through four other businesses that would include at least assemblance of a business plan and some items such as that.

We really want to commend the UG for putting the Small Business Grant Program together. We've found it very helpful for the businesses we've shared with. We would simply encourage you to increase that amount. I know, but we really would. We find that it doesn't have to be a whole lot to help a business take that extra step to retain employees or to hire additional employees.

Mr. Brockman said those are our marketing efforts. They are to change or to add throughout the year.



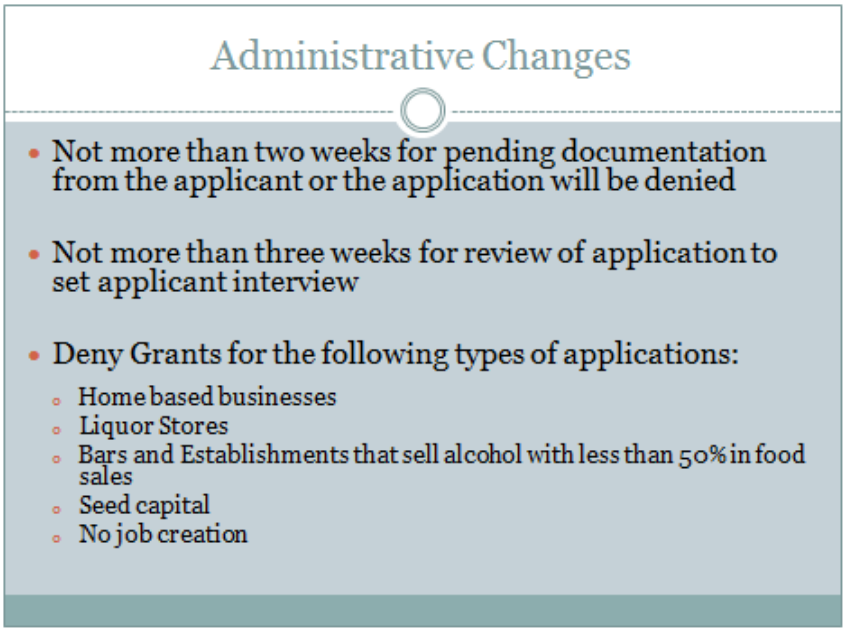
Speaking of administrative changes, working the program now for about 14 months, we looked at the plan versus a business summary and we want a business plan. Most of the summaries that I get are pretty vague. I have to do a lot of due diligence and have them turn in documentation. If they did have a plan with three-year projections on it, financial projections, when you have this grant, you should be able to see because you have new employees or you're creating more widgets or whatever. You're better to have a plan than a summary.

I do want a detailed summary on how the grant would fill a gap in the financing. This is why the program was there to begin with was to fill that gap. If they are doing a lease up, a

commercial lease up, or if they are buying property, I want to see a copy of the lease agreement or the sales contract, previous year business taxes, occupational tax certificate and supporting documentation for the grant. Basically, if they are buying a piece of equipment, we want to see something from a web page or where you're buying it from, the cost and what it looks like. **Commissioner Walters** asked are these all changes.

Mr. Brockman said a lot of these are. For instance, occupational tax, that's a due diligence that I do. I have them come in. I meet with them. I go through and interview. I ask them do you have an occupational tax to do business in Wyandotte County. Some of them say yes and some of them say no. Instead of just submitting a paragraph of business summary, you can submit a business plan and this documentation upfront. It will save time.

Chairman McKiernan said I guess to piggyback off of his, are these changes that were implemented this year; not ones you're proposing. **Mr. Brockman** said these are proposed. **Chairman McKiernan** said okay. **Mr. Brockman** said I asked for most of that this year. It was not in the plan. **Chairman McKiernan** asked you are proposing to formalize this documentation or these administrative changes in the coming year. **Mr. Brockman** said yes.



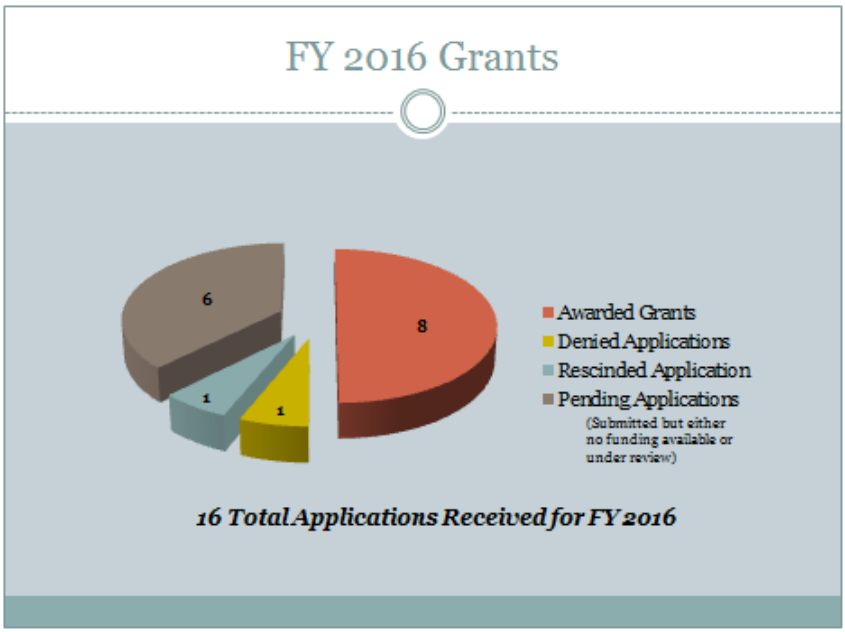
Mr. Brockman said when they submit documentation or not submit documentation, I should say—and I request the occupational tax or stuff, I would like to put a cap on it like two weeks

out. I'm going to call you and if you're not going to follow through, then we're going to set the grant aside. There are some that are still pending documentation and it's been like a month. I think that needs to stop. Not more than three weeks review of the application before an interview. We really would like to put this in writing for grants that we would not approve automatically upfront. One is the home-based businesses. Home-based businesses are okay if you're moving to the next level. If it was strictly going to stay in the home, it wouldn't be approved.

Liquor stores, bars or establishments that sell alcohol with less than 50% food sales, seed capital. The businesses are supposed to already be existing. Even though it's called startup, it's not a startup fund. It's not an idea. It's a business already so we wouldn't do seed capital if there is no job creation, no grant money.

Commissioner Walters asked would these new qualifications have limited some of our previous grants. **Mr. Brockman** said there were a couple of bars in there that we denied because that's our working policy in the department. We want to make it an official readout on paper that this is what we would deny.

Chairman McKiernan asked would it have denied a grant to someone who did get it. If these were in place, would anyone who received a grant not have received it? **Mr. Brockman** said no.



Mr. Brockman said with all the calls, shifting through a lot of applications, we approved 16 applications for 2016. Eight of them were awarded which took the whole $60,000. Six of them are pending because we're out of funds or I'm waiting for documentation. One rescinded and one was not a business yet. That's 16 of them which is pretty good because last year, 5 were approved and 1 rescinded.

Commissioner Murguia asked how many applied. **Mr. Brockman** said 16 total applications. The first year, Commissioner, or the first three or four months in 2015, we had all kinds of applications and calls. People are seeing now that no, I'm a home-based business; I'm not even going to call. We had some that weren't even in Wyandotte County. I think a lot of that got shifted out. If we had more money, we would do more applications. Of those 6, I can say that funding in 2017, $20,000 easy is going to go right out the door because I am going to recommend those grants be approved then it goes up.

For 2017, we're already budgeted for $50,000. I can name off a couple of IRBs that are going to be there: Dairy Farmers of America in 2017, that's $46M; Boyer Medical Office is $11M. Together that's about $150K in issuance fees so we can take $50,000 out, that's just two. That will give us an opportunity because we discussed that $20,000 will probably be coming right off the top. In reality, we only have $30,000 for 2017 because these grants are first come first serve. In March, April, it gives us an opportunity to go before Budget and request the additional $25,000 or something.

Commissioner Townsend said this is a good program but the devil is in the details. As we go through these things, one of the applicants made me aware of something. I know I've heard all of these presentations before concerning this problem, but I was not appreciating that this is really a reimbursement program upfront. When I think grant, and I know a lot of the people that were coming to me about this and I was marketing this as grant, grant, these are people who are in need of money now. They don't have a line of credit so they're expecting, and I was expecting also, that the money would be given to them upfront for whatever their documented needs are. That puts a hardship on people who could otherwise benefit from this program. What I would like to see added is some type of provision, that in certain circumstances, would allow these business people to receive some or a portion of what they're asking for so they can continue, is a going concern.

The other thing I had a question about, there were several, the no job creation criteria. What are we talking about there, again? **Mr. Brockman** said there's a job expectation when you get the grant. We just wanted to make sure that if you're going to get this grant, you're going to show us that you are going to hire people. Right now it's just a working policy. We believe in the department that if you get a grant, you should have a job expectation. Now we're putting it on paper stating you will have to show job expectation, job growth. If they're applying for $10,000 for marketing or some other grant, I think if you're getting $10,000, you should be at least able to hire a part-timer or somebody to help you because you are going to the next step in your business growth.

Commissioner Townsend said I guess the hesitation I have about that is, I guess you can have growth that doesn't immediately or necessarily lead to job creation. The converse of that is, maybe you've got somebody—I don't want to say this. You don't want to see the company's doors closed either. If we're putting the onus on them to show additional jobs as opposed to just growth, I'm not necessarily comfortable with that particular criterion here.

The other thing that I'd like to see is that we've shown how much has been awarded. I would like to see how much the actual grant applications, the requests were. I know at least on one of these, they were given some funds but it wasn't what they asked in total for. I'd like to see that added.

Mr. Brockman said a lot of times the request will come in at $10,000, but through the point matrix, the matrix only shows that they're awarded $5,000. **Commissioner Townsend** said right and I'd like to see that information added and to make sure if people are not getting the amount of points on this matrix, that they get a good explanation of why they are not getting it. Why they didn't get what they asked for.

With respect to getting the business plan, do we have any resources that we can refer people to if they need help with getting a business plan done? **Mr. Brockman** said yes, there are resources out there. We can direct them to WYEDC or Chuck's place to help.

Commissioner Townsend said those were the main considerations that I had. I think it's important we have some mechanism in this as we go forward that will enable people under certain circumstances to get the money upfront. Those are the people we're really trying to help.

Everybody is not going to have a line of credit and can't afford to wait to be reimbursed, but it's a good program.

Kathleen VonAchen, Chief Financial Officer, said I wanted to mention that the issuance cost that we charge through IRBs issued, there's still UG staff time that's involved in monitoring and being part of that issuance process as well as prior to the issuance or the closing. There is very marginal, small amount of time that's spent in the administration of IRBs, but that's very small. What I'm saying is, certainly it's wonderful to have a program where this funding source can assist with the grants, but there's also—we're recovering staff time with some of those fees as well.

Chairman McKiernan said so we are actually—this doesn't represent the entirety of those fees and we are able to recover staff time? **Ms. VonAchen** said I'm not real certain about that. It's hard to predict how much we're going to get because we don't really necessarily know what issuances are going to happen during the budget process. The estimate is just an estimate. Sometimes we collect quite a bit more than what we expected.

Commissioner Townsend said with regard to those applicants who are told they need additional information and you have to wait and wait, is it three weeks you're saying if you don't get if from the time you request. **Mr. Brockman** said two weeks. **Commissioner Townsend** said so those applications are just being set aside, they're not actively being worked. **Mr. Brockman** said I'll work as much as I can up to the point where I need this documentation. At the same time, if an application that comes in and it's 100% complete, it's going forward for funding.

Commissioner Townsend said that's reasonable but my question really goes to what is the status of those that are set aside after the two weeks. If they come in week four with the information, then the processing will continue? **Mr. Brockman** said in week two, I'd give them a call. I wouldn't just throw a letter out there. I'd definitely give them a chance, give them a call, what's going on, do you need any help.

We want to stay within two weeks but if it's an issue, if I can help them out, if I can direct them to somebody I would. You can just tell people when they turn in their application, you go through the interview, after the interview, they don't really want to send you anything it seems like sometimes. **Commissioner Townsend** said but for those who do, maybe it's going to take

them two more weeks or four more weeks we're just setting that aside, we're not denying them. **Mr. Brockman** said correct, not denying them. **Commissioner Townsend** asked once you get what you need, the processing will go forward. **Mr. Brockman** said right. **Commissioner Townsend** said that's all I wanted to clarify.

Chairman McKiernan said one of the things we've discussed before is just to make sure that we are publicizing this as broadly as possible across the entirety of the community. You have listed several ways that you have either started or continue or might increase your marketing of this program. One thing that I don't see on there is our MBRs through Livable Neighborhoods because certainly they have some connections with local businesses. I would hope that they would also be a point of contact here that could then take the information and disperse it much more broadly than we could. I would just ask that.

One of the questions I have is, this is a reimbursement-based system where somebody proposes to spend some money. We approve that spending of money and when they can demonstrate they've spent it for that purpose, we reimburse them? **Mr. Brockman** said yes. **Chairman McKiernan** said at that point we can say well, they said what they were going to do. Do we ever circle back and actually look for any outcomes on this.

That money was all to be spent for a purpose: to grow the business, increase revenue, create a job, whatever it might be. Is there any way that we could actually find out if the outcome was actually achieved? Not just the process, yes, they spent that money and we paid them back, but then whatever they wanted to spend it on. **Mr. Brockman** said I did do that with Cupcake Factory. They met their goals: the outcomes of hiring additional folks and getting the business up and running. **Chairman McKiernan** said so that is something then that we do circle back and determine. **Mr. Brockman** said correct.

In 2016, all of those applicants that are approved, probably in August or so, I'll call them up. How are you doing? Can I come by your business? I go by the business like you and I had the grand opening on South 10th Street. **Chairman McKiernan** said right. **Mr. Brockman** said I'll go by there. I went by there when I was looking at some Land Bank properties, I think, a couple of weeks ago. **Chairman McKiernan** said certainly there is a couple around. **Mr. Brockman** said I looked in and saw that they have their sign up now. I kind of go around and look. Officially, I'll probably do it sometime in August.

Chairman McKiernan said I'm curious about the restriction on home-based businesses because I've had a conversation with a gentleman who applied and who has what is currently a home-based business that he dreams of growing into something bigger than that. He said that I had sales within my business. I have a business license within my business. I qualify as a business. I just happen not to have a physical location where I go to do my business. Talk to me a little bit more about the rationale for restricting home-based businesses. **Mr. Brockman** said we want to see them grow and expand to bricks and sticks, get into a building. That's one thing. **Chairman McKiernan** said so if someone who has a home-based business says that with the benefit of this grant, I could then move out of my home, we would consider it even though it's currently home-based. **Mr. Brockman** said right, and we have done that with some applications already.

Commissioner Murguia said I kind of paused at that, also. I'm more on your side in that we shouldn't be giving money to home-based businesses because typically, homes are located in residential neighborhoods. Other residents don't necessarily like all the time home-based businesses that increase traffic in their residential neighborhoods. I think we're creating conflict for ourselves. I can see a home-based business that's moving to, Charles, just what you said. That's just my long version of I agree with your assessment because we definitely don't want people calling us up. I happen to know. I've had this experience.

We have a startup village in my district where they have a number of very small startup businesses that are locating in residential homes and hanging their shingle out front. That caused great angst and some controversy between the startup villagers and the residents. It's better now and they've all worked it out, but it was a tricky deal. I do think we're best to support businesses in business districts. **Chairman McKiernan** said agreed.

Chairman McKiernan said from my perspective, we had eight awards this year. The entirety of the money in looking at the districts in which the businesses were located that got those awards, it looks like it's fairly, broadly spread across the county. I think we're getting toward where we wanted to be with a broad disbursement of this money.

Chairman McKiernan asked is there anything else that you need from us in terms of direction or approval at this point going forward. **Mr. Brockman** said we just wanted to make sure that

the Commission was aware of the changes that we're going to do to the applications. Also, with this, it's going to change the web page as well, the documents that are out there. There's no approval; it's just for communication. **Commissioner Murguia** asked so you do need action. **Mr. Brockman** said no, just communication telling you— **Commissioner Murguia** said oh, just feedback saying we're okay with what you brought. **Mr. Brockman** said what we're going to be doing.

Commissioner Murguia said so I don't make your job any harder than it needs to be, and maybe this doesn't fit, but if you could just think about this. This is really just for you to think about something. There are some older retail areas in different areas of our city, in particular, east of 635. For example, there's Quindaro in the northeast, there's Strong Avenue in Argentine, there's Central Avenue which tends to do fairly well in repurposing its old buildings. I wonder if this could be set up so that there was a greater amount of a grant issued for those that chose to grow and relocate their businesses in those areas that have been declining for a long time.

I'll just use mine because I'm most familiar with that. Strong Avenue has a lot of empty storefronts on Strong Avenue. If there was a business, a destination business, because I recognize that old main streets are going by the wayside—if there was a destination business that was willing to locate there and repurpose an older building that was there—do you see what I was saying? Revitalize that area. That might be worth a greater amount of grant money than just locating anywhere.

Mr. Brockman said I do know on older corridors, we have a commercial lease up subsidy. It gives up to six months of lease. They also get a NRA for remodeling. **Commissioner Murguia** said wait. I don't know that program. **Mr. Brockman** asked the NRA. **Commissioner Murguia** said no, I know NRA. I'm talking about it gives up to six months. **Mr. Brockman** said this is part of the Small Business Grant; its commercial lease up subsidy. If somebody is going to go lease a building in the downtown corridor, let's just say, or Strong Avenue, we would give up to six months' worth of lease to the owner of the building. **Commissioner Murguia** said you'd pay their lease for six months. **Mr. Brockman** said correct, not more than over $10,000. That's part of this program.

Commissioner Murguia said in addition to that, you would also give this grant money in addition to the lease up program. **Mr. Brockman** said no. **Commissioner Murguia** said or

you're saying this $10,000 could be used for the six-month lease up. **Mr. Brockman** said correct and then we would see if they are eligible for the NRA as well. That gives them a good incentive to fix the building.

Commissioner Murguia said I would just say that you may want to market it that way. You may want to market it in a way that people understand that if they have a small, in-home business and they want to locate somewhere to get the maximum amount of grant dollars, they may want to look in those corridors in older, urban neighborhoods. That'll maximize their potential to get the largest amount of grant money. **Mr. Brockman** said okay. I think you know with just looking at it with $50,000 budgeting, to go over $10,000 will drastically cut the amount of applications that would be getting approved.

Commissioner Murguia said no, I'm just saying, for example, I look at some of these businesses and I think to myself the LED 2 Lighting. They could really go anywhere so why would they not opt to take a storefront on Strong Avenue? They can go to CD2 Alterations. It's what I would call a destination retail. You're not going to drive by and say I've got to drop off some alterations. That's not typically how I do it when I do alterations. I might drive by a fast food place and say I'm going to go there because it's right here and it's convenient. Some of these are, like I said, what I call destination.

Not sure what American Eagle detail is. Is that a car place? **Mr. Brockman** said pretty soon. **Commissioner Murguia** said sounds like you have your hands around it. I just want to say if there's some way to spark that, those thoroughfares, that'd be great.

Commissioner Townsend said Commissioner Murguia brings up a good point. When this project was brought up, the very thing that she's talking about was taken into consideration. At that time, particularly east of 635 and some of the other economically challenged areas, I would not be in favor of giving someone more than what they asked for.

I guess the issue is, why, in some cases, are people not getting what they asked for? Making sure that's clear. It goes to my earlier point that we are trying to spark job growth or continued growth. In these particular areas, east of 635, I think it is so important that we have added to, if necessary, a provision that will allow people to get money upfront. These are the people who need it most. Not that I am advocating more than what they asked for, but a provision needs to be inherent so that people who are trying to improve their current state of

affairs with the business can get that money upfront and not have to resort to a line of credit they may not have. That's the whole problem or one problem for businesses in this area.

George Brajkovic, Economic Development Director, said mainly I just wanted to commend Charles on the job he's done with this because we kind of threw this out there as an idea. If you remember, I guess he said 14 months ago, the concept was we got all these large projects that primarily kind of occur out in the western edge or in a predominantly industrial area. How do we leverage some of those big projects to help small businesses? We kind of hastily threw out this pilot program because we had everybody kind of nod, hey we can do this. Lets' go use these issuance fees, sorry Kathleen. Lets' see what happens with it.

What's happened through the course of this year? This is really the first 12-month period we've had to work this. I think Charles really kind of underplayed what role he's playing for these people as they come in. Even though there are 16 applications, there are numerous conversations of what is this program, here's my idea and how do I get there. Even if they don't go through the grant program, they're getting some free business advice. So what I encouraged or asked Charles to do was to come up with a list of administrative changes that would kind of help speed up the process.

Typically, folks, and I think you touched on this Commissioner Townsend, they're coming in at a very critical point. They are leveraging other funding or other financing and they need to know, in a relatively short order, are they going to be able to count on this program for whatever x amount of dollars they're asking for or what they qualify for. What's happening is we're doing this first come, first serve. When you are waiting on additional information, you kind of still put them in the queue. I think it's only fair to let those folks know the timeframe for you to come to final decision on this is two weeks or three weeks. Whatever the timeframe may be because we need to move to the next application in the queue. We can't do that, I believe in a fair manor, until we have allowed that two-week time period to expire with the person we placed slightly ahead of the next request in the queue. Unless we make these changes and let people know that upfront, it makes for an interesting year in balancing and juggling who's where and what's ready to go.

Quite frankly, I don't want to misstep or misstate what we might have seen this year. The last thing we wanted to do is let a project that was viable, ready to go and wait, but we

couldn't award them money because we were still on a two-month holding process waiting for somebody else that was ahead of them to submit. We're just trying to tidy up with administrative changes that will help keep this program really turning. Mainly I just wanted to commend Charles for doing a good job coming back with, hey here are some changes that we think will make this program even better.

We've certainly heard the concerns tonight. I think a lot of our grant programs are reimbursed. It's just hard if you loan $10,000 for a piece of equipment and then it's never purchased. How do we go back and get that $10,000 considering that it's one-fifth of the total funding for the program? We just haven't thought that through to say well, it's something other than a reimbursement program. We will certainly take a look at that and see if there are some sort of conditions we can put on that money and how that might work.

Chairman McKiernan said certainly eight businesses here have expanded and hired folks. That's a very good thing for the community.

Action: For information only.

Item No. 2 – 16917…RESOLUTION & ORDINANCE: US SOCCER NATIONAL TRAINING CENTER PROJECT

Synopsis: A resolution and an ordinance authorizing issuance of $90M in IRBs for the U.S. Soccer National Training Center Project. The Board of Commissioners adopted R-26-15 on April 9, 2015, approving the First Amendment to the Multi-Sport Stadium Specific Venture Agreement and also the US Soccer National Training Center Development Agreement.

Chairman McKiernan said this item has three actions that are requested: to conduct a public hearing regarding a tax abatement/PILOT, to adopt a resolution of intent for IRBs, and to pass an ordinance authorizing the issuance of IRBs, all connected with U.S. Soccer.

Commissioner Murguia said we've heard this probably three times. It's very interesting. I would like to move for approval. I don't think it's a requirement that we have to have a presentation.

George Brajkovic, Economic Development Director, said there is a slight twist to this because we had some options in the development agreement. The request is really to fast track this item from tonight to a public hearing on Thursday night, this Thursday the 15th. If you're comfortable waiting until that point that's fine. I just wanted to make sure we're on record saying that it is a fast tracked item.

Commissioner Murguia said the Commission is going to want to hear this anyway so there's no reason. We've talked about this before.

Action: Commissioner Murguia made a motion, seconded by Commissioner Townsend, to approve.

Chairman McKiernan said the motion is to bring all three of these items forward to full Commission on the 15th for presentation, public hearing and vote. Is that correct? **Mr. Brajkovic** said yes.

Roll call was taken and there were four "Ayes," Walters, Murguia, Townsend, McKiernan.

Adjourn

Chairman McKiernan adjourned the meeting at 5:55 p.m.

mbb