



Subject: **Tax Abatement Policy**

A. BACKGROUND AND PURPOSE

The purpose of this policy is to establish the official position and procedures of the City of Manhattan, Kansas, for considering applications for property tax abatement for real and personal property used for economic development purposes in accordance with the provisions of Section 13, Article 11 of the Kansas Constitution, or when associated with the issuance of Industrial Revenue Bonds (IRBs) pursuant to State law.

B. DEFINITIONS

ABATEMENT: Annual amount of ad valorem property taxes waived.

APPLICANT: Includes the business, property owner or owners, their officers, employees, and agents requesting an abatement.

ECONOMIC DEVELOPMENT PURPOSES: For purposes of an abatement pursuant to the Kansas Constitution, this item shall mean the establishment of a new business or the expansion of an existing business, engaged in manufacturing articles of commerce, conducting research and development or storing goods or commodities which are sold or traded in interstate commerce, which results in additional employment. For purposes of an abatement associated with IRBs, this term shall also include service industry business or any other business which provides substantial unique opportunities or significant community benefits.

PAYMENT IN LIEU OF TAX: An annual payment by the applicant to the taxing jurisdictions which is paid in the place of property tax.

MANAGEMENT COMMITTEE: A review committee comprised of the Assistant City Manager, the Director of Finance, and the City Clerk or their designees.

C. POLICY

1. **Eligibility:** Only those firms which qualify under Kansas law will be eligible for an abatement. Abatements for businesses that would compete directly with existing businesses will not be encouraged unless the competing businesses have received or been offered similar incentives or unless there is an overriding benefit to the City as a whole.
2. **Criteria For Granting Tax Abatements:** The following criteria and factors shall be used in evaluating applications for tax abatements.
 - a. Net benefit to the City, County and School District as shown in the Cost-Benefit Analysis
 - b. Quality job creation
 - c. Capital investment
 - d. Diversification of the local economy
 - e. The extent to which the project would meet an identified need in the community
3. **Transfers:** No abatement granted by the City shall be transferred as a result of a change in ownership of the exempted property. Any new owner shall file a new application for an abatement. Further, the City shall be notified by the business of any substantive change in the use of the tax exempt property.
4. **Special Assessments:** Special Assessments are not eligible for exemption under this policy.

D. PROCEDURES

1. **Formal Application.** An applicant shall complete a formal application and file it with the City Manager. A fee of \$1,000 is due upon filing in order to help defray the City's cost in processing the application.
2. **Preliminary Review.** The Management Committee will provide an initial review of the application to ensure that it meets with City policy.
3. **Cost-Benefit Analysis (Community Return on Investment Model):** The Management Committee will complete a cost-benefit analysis utilizing the Community Return on Investment Model. This model estimates the economic impact upon the City, County and School District taking into account the public costs (tax abatement and other) and the public benefits (property tax base, sales tax base and other spin-off benefits). Generally, such cost-benefit analysis will examine a ten-year timeframe, however such timeframe may be shorter or longer depending upon the term requested and the term of any other economic incentives contemplated for the applicant.

4. **Notice to Taxing Jurisdictions/Public Hearing:** Prior to the granting of any tax abatement, the City Commission shall hold a public hearing. Notice of the public hearing shall be published in the official city newspaper at least once seven days prior to the hearing and shall indicate the purpose, time and place of the public hearing. In addition to the public hearing notice, the City Clerk shall notify in writing the Board of County Commissioners and the School Board about the public hearing and the proposed abatement at least seven days prior to the public hearing but as early as possible, and provide the two taxing jurisdictions with a copy of the cost-benefit analysis and background materials.

The Board of County Commissioners and the School Board will be encouraged to provide input to the City regarding the impact of the proposed abatement on the property tax base as well as other issues.

5. **Ordinance and Performance Provisions:** After the public hearing, the City Commission may adopt an ordinance specifying the annual abatement and the length of the abatement. The ordinance will require two readings.

The ordinance shall outline annual job creation targets which the applicant must meet in order for all or a portion of the abatement to continue. The ordinance shall also outline the method for decreasing the abatement if the annual job creation targets are not met.

The ordinance may also specify any payment-in-lieu of tax which will be paid by the applicant to the City.

6. **Submission of Application to the Kansas Board of Tax Appeals:** After the applicant has completed and submitted all necessary documentation to the City Clerk, the City Clerk will forward all necessary documentation to the County Assessors' Office, which will then be filed with the Kansas Board of Tax Appeals. The City Commission's decision to grant an abatement is subject to the final determination of the Kansas Board of Tax Appeals.

7. **Annual Certification:** After the first year of the abatement and by February 1 each year thereafter, the Management Committee will review the abatement to certify that use of the property is still in accordance with Kansas law and that all other provisions of the abatement are being met. The applicant will be required to complete and submit all necessary documentation to the City Clerk for annual submission to the County Appraiser's Office and the Kansas Board of Tax Appeals. It is the applicant's obligation to see that the appropriate annual information is filed for the abatement to continue.

8. **Annual Report to the City Commission:** Prior to December 31 of each calendar year, the Management Committee shall prepare an annual report for the City Commission to review. Such report will include the status of all outstanding tax abatements and achievement of job creation targets.

9. **Documents:** All documents related to tax abatements, including the annual certifications, will be kept on file with the City Clerk.

E. WAIVER OF POLICY OR PROCEDURES

Any portion of this policy or the procedures outlined herein may be waived by the City Commission if it is in the best interest of the City and in accordance with State law.

NOW THEREFORE, BE IT RESOLVED that the foregoing is adopted as the official policy of the City of Manhattan with respect to the subject matter thereof this 1st day of July, 2003.

(SEAL)

ATTEST

GARY S. FEES, CITY CLERK

MARK TAUSSIG, MAYOR