

CITY OF EDWARDSVILLE



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Dear Chairman Johnson and members of the House Taxation Committee:

Thank you for considering our testimony in regards to SB 146, specifically regarding the use of Industrial Revenue Bonds (IRBs) and Constitutional abatements for economic development purposes (EDX). As the Committee knows, the use of IRBs and EDXs have been very successful in growing the economy of Kansas and adding funding to all levels of government including the State through Payment in Lieu of Taxes. (PILOTs) attached with such abatements.

While it may appear that tax abatements lessen governmental income, the fact is it increases such revenues. Here is a real example from Edwardsville in Wyandotte County. In 2013 and prior, a 23 acre lot was being used for agricultural purposes, primarily growing corn or watermelons. The lot was appraised at \$5,390 and generated \$294.48 for all taxing units with the 20.00 mill state levy generating about \$32. After encouraging the development of a 369,000 square foot distribution center on the lot in 2014 through the issuance of IRBs, the property is now appraised at \$19,731,600. While it's technically exempt from property taxes, a PILOT was instituted for the 10 year abatement period. For 2017, the PILOT payment for all taxing units is \$238,248, or about \$26,000 for the State school levy. This PILOT increases by 1.5% each year.

In addition to the increase in property tax revenue, this 369,000 square foot facility with a single tenant is employing about 130 FTE's. The performance agreement attached with the IRB required a minimum of 75 FTEs. Using \$15 per hour, which is well below the average weekly wage for Kansas and Wyandotte County, this employer is generating more than \$4 million in annual wages. These wages generate additional income to the State through income and other employment taxes.

In closing, the elimination of the 20.00 mill state levy on IRBs or EDXs will make Kansas less competitive in growing its economy and will likely reduce funding schools through the State school levy. Therefore, we would oppose such a change to the statewide 20.00 mill school finance levy and would ask the Committee to remove this provision from SB 146.

On behalf of the Honorable John McTaggart, Mayor, and members of the Edwardsville, Kansas City Council.

Michael Webb
City Manager

xc: Edwardsville Governing Body