

# Memorandum

## City of Lawrence

### City Manager's Office

TO: Diane Stoddard, Interim City Manager  
CC: Casey Toomay, Assistant City Manager  
FROM: Britt Crum-Cano, Economic Development Coordinator  
DATE: December 8, 2016  
RE: Public Incentives Review Committee (PIRC): Menard, Inc.'s Request for Public Assistance

#### **Overview**

Menards, a nationally known home-improvement retailer, is proposing a manufacturing campus with multiple production facilities on a little over 90 acres at Lawrence VenturePark. Operations at the site will supply products to several retail stores throughout Kansas and neighboring states.

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To assist in establishing the manufacturing operations at the site, the company is requesting a 10-year, 50% tax abatement, City and County assistance with defraying partial special assessment expenses, and the former Farmland Industries bulk warehouse building located on the parcel site.

Menards is proposing a cash transaction to purchase the land at market value and pay the total of 10 years of special assessments at the time of purchase. Anticipated capital investment for real property improvements is over \$15 million (includes land and building), supporting an estimated 100 new, full-time, permanent positions with starting wages averaging \$14.61/hour and annual average wages of \$17.30/hour.

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#### **Company Background**

Menards is one of the largest home improvement chains in the U.S., employing over 45,000 in approximately 285 stores within a 14 state region, including Ohio, Michigan, Indiana, Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, South Dakota, North Dakota, Wyoming, and Kentucky.

The company is headquartered in Eau Claire, Wisconsin and has remained a family-owned and operated business since its establishment in 1958. Menards sells lumber and home improvement products such as floor coverings, hardware, millwork, paint, tools, stock appliances, pet products, lawn and garden supplies, and groceries. All company stores have full-service lumberyards.

To supply products to its retail stores, Menards has manufacturing facilities located in Eau Claire, Wisconsin; Rochester, Minnesota; Holiday City, Ohio; Plano, Illinois; Shelby, Iowa; Shell Rock, Iowa; Valley, Nebraska; Terre Haute, Indiana; Iron Ridge, Wisconsin; Saginaw, Michigan; and Rapid City, South Dakota. These plants manufacture steel siding and roofing, interior and exterior doors, state of the art composite decking, environmentally friendly treated lumber, fasteners, stone and block, engineered roof & floor trusses, and countertops.

**Project Description**

Menards is proposing the construction of a manufacturing campus/production facilities at Lawrence VenturePark to produce and supply products for its home improvement stores in Kansas, Colorado, Missouri, and Oklahoma. Production facilities would comprise approximately 184,000 square feet and be located on a little over 90 acres at the Park, primarily on Block C, Lot 1 (Lot C1). The project would be the first at the redeveloped brownfield site of the former Farmland fertilizer plant, providing a large, nationally known anchor tenant for Lawrence VenturePark.

The property is currently vacant with infrastructure in place and has been the subject of past environmental remediation efforts by the City. The company plans to purchase the land at market (appraised) value and make an estimated additional \$14.5 million in real property improvements to the site over the next 10 years. The production facilities are anticipated to support 100 full-time, permanent new jobs with starting wages averaging \$14.61/hour and annual average wages of \$17.30/hour.

**Assistance Request**

On November 17, 2015, Menard, Inc. submitted a [request and Application for Economic Development Support/Incentives](#) to the City of Lawrence. To help establish their facility and manufacturing operations within Lawrence, Menards is asking for a 50%, 10-year tax abatement on a little over 90 acres of property located in Lawrence VenturePark, City and County assistance with defraying partial special assessment expenses, and the bulk warehouse building (formerly owned by Farmland Industries) located on Lot C1 at the park.

<b>Public Assistance Request</b>	
<b>Description</b>	<b>Value</b>
50% Tax Abatement, 10 Years	\$1,256,270
City Grant (10 year, SA)	\$549,350
County Grant (10 year, SA)	\$200,000
City Bulk Warehouse	\$285,963
<b>Total package value:</b>	<b>\$2,291,583</b>

**Eligibility Overview**

The use of tax abatements is guided by the [City of Lawrence Economic Development Goals, Process, and Procedures](#) (approved March 24, 2009 and updated May 18, 2010) which outlines the guidelines for consideration of tax abatements and eligibility amounts. Given the policy guidelines, the proposed project and requested public assistance package appears to meet all policy criteria thresholds. The applicant’s request for a 50% tax abatement falls within the abatement percentage allowed under City policy.

**Analysis Overview**

Based on information received through the incentives application, staff conducted analysis of the costs and benefits associated with the project utilizing the City’s economic development cost-benefit model. The model outputs a ratio reflecting the comparison of estimated costs to estimated benefits returned to the jurisdictions as a result of the project.

Cost-Benefit Ratios					
Description	City	County	USD 497	State	Total Package Value
50% Tax abatement, City provided bulk warehouse (~\$286,000 value), City (\$549,350 total value) and County (\$200,000 total value) grants: total grant amounts to be divided by 10 and payable in equal, annual installments over 10-year abatement period.	1.28	1.26	4.82	N/A	\$2,291,583

*Assumes Menards purchases land at market (appraised) value and pays SA*

With the requested public assistance, the cost-benefit ratio for all taxing jurisdictions meets the preferred 1.25 ratio. For additional detail, please refer to the [Technical Report](#).

**Staff Recommendation**

If assistance is authorized, staff recommends the City, County and Applicant enter into a development agreement where annual abatements and grant payments are tied to performance requirements for job growth, wages, health insurance benefits and capital investment to help minimize risk on the part of taxing jurisdictions.

**Actions to Date**

The City Commission received the request on December 1, 2015 and referred it staff for analysis and PIRC for recommendation.

**Future Actions**

County Commission to receive PIRC recommendation(s) on December 9, 2015 and if appropriate, authorize a County grant of \$200,000 to be paid annually in equal payments over the 10-year tax abatement period.

City Commission to receive PIRC recommendation(s) on January 5, 2015 and if appropriate, authorize a City grant of \$549,350 to be paid annually in equal payments over the 10-year tax abatement period; authorize ownership transfer of the bulk warehouse, located on Lot C1, to company at no cost; hold a public hearing to consider a tax abatement request, and if appropriate, vote to adopt a resolution approving a 50%, 10 year tax abatement on the requested property at Lawrence VenturePark, Lawrence, Kansas.

**PIRC Requested Action**

Public Incentives Review Committee (PIRC) to review request and provide recommendation to the City and County Commissions on public assistance for the project, including:

- A 50%, 10-year tax abatement on the property requested in Lawrence VenturePark.
- The City providing the bulk warehouse, located on Lot C1 in the park, at no cost to the company.
- The City providing a grant of \$549,350 to be paid annually in equal payments over the 10 year property tax abatement period, to assist with defraying part of the costs of special assessments on the property.
- The County providing a grant of \$200,000 to be paid annually in equal payments over the 10 year

property tax abatement period, to assist with defraying part of the costs of special assessments on the property.