

**CITY OF SOUTH HUTCHINSON, KANSAS  
AD VALOREM TAX ABATEMENT POLICY  
RESOLUTION NUMBER 11-483**

**SECTION 1. PURPOSE**

The purpose of this policy is to establish the intent and procedures of the City of South Hutchinson for granting property tax incentives and exemptions for real property used exclusively for economic development purposes, in accordance with the provisions of Section 13 of the Constitution of the State of Kansas; and further, those purposes may include creation of new employment and additional capital investment within the City of South Hutchinson.

**SECTION 2. LEGAL AUTHORITY, JURISDICTION**

The authority to grant tax exemptions within the incorporated limits of the City of South Hutchinson is solely vested in the City Council, which reserves the right to exempt any project from the criteria established herein. The city shall notify all affected taxing units within the city if an application for tax exemption relates to a business located or to be located within their taxing jurisdiction.

**SECTION 3. ELIGIBLE APPLICANTS**

In accordance with Article 11 of the Kansas Constitution, said exemptions shall be considered only for businesses which:

- A. Manufacture articles of commerce
- B. Conduct research and development relative to the manufacture of products
- C. Store goods traded in interstate commerce

**SECTION 4. IMPROVEMENTS ELIGIBLE FOR EXEMPTION**

The City Council may at its discretion exempt from taxation all or part of the appraised valuation of:

- A. All newly-constructed buildings and/or additions and other real improvements.
- B. The land upon which said improvements are located.

Said exemption(s) shall only apply to improvements performed or acquired after January 1, 1988, as set forth in Section 7 herein, and may take into consideration creation of new employment and capital investment.

**SECTION 5. PRESERVATION OF TAX BASE**

Any applicant receiving a tax exemption under the provisions of this policy shall be required to make a minimum payment in lieu of taxes equal to the amount of property tax that was paid or payable for the most recent year on the appraised value of the real estate, prior to the addition of new improvements. It is intended that there be no reduction in taxes originally generated by this tract and its improvements, prior to new improvements. The purpose of requiring this payment is to provide the city, county, school district and other taxing entities an amount of tax revenue not less than the amount generated by the exempted property prior to the exemption.

## **SECTION 6. SPECIAL ASSESSMENTS**

This policy shall not affect the liability of property for any special assessments levied or to be levied against such property.

## **SECTION 7. TERMS AND AMOUNT OF EXEMPTION**

The City Council may grant a tax exemption only upon showing of economic benefit to the city, which may include the creation of additional new employment and the investment of capital in taxable improvements. Upon this finding, the City Council may grant the following:

- A. Base Exemption. A base exemption may be granted for up to twenty-five (25) percent of the affected property taxes with the expenditure of at least \$100,000 of new capital investment and the creation of at least three (3) new jobs of full-time equivalency.
- B. Incentive Exemption. The city may consider increasing the amount of tax exemption up to one hundred (100) percent by giving special consideration to the amount of capital investment and the number of new employees, based upon the following:
  1. An additional tax exemption of up to five (5) percent may be given for each additional new full-time job above the minimum.
  2. An additional tax exemption of up to one and one half (1.5) percent may be given for each additional \$15,000 of investment in taxable property above the minimum.

## **SECTION 8. TERMS OF EXEMPTION**

The maximum term of exemption shall be ten (10) years. Any applicant receiving said exemption shall be required to make payments in lieu of taxes as provided in Section 5. The tax exemption may be up to one hundred (100) percent of the eligible calculated amount, as outlined in Section 7 above.

## **SECTION 9. ADMINISTRATION**

Applications for tax exemption pursuant to this policy shall be available at and submitted to the office of the City Clerk. No exemption shall be considered by the city unless and until such application is complete and accepted by the city. The City Clerk shall send a notice of the filing to the applicant and to the City Council.

## **SECTION 10. COST/BENEFIT ANALYSIS**

The city shall prepare a cost/benefit analysis comparing the estimated loss of future property tax revenue to the benefits to be realized by the city by the proposed development for which the abatement is requested. The analysis shall state the estimated amounts and effects of the proposed abatement on revenues of the state, county, city and other taxing entities.

## **SECTION 11. CONSIDERATION PROCEDURES**

The City Council shall determine the eligibility of the applicant for tax abatement, and establish the amount of the tax exemption for which the subject property is eligible, within 30 days of acceptance by the city of the application. The City Council shall schedule a public hearing and publish notice thereof in the official city newspaper, not less than seven (7) or more than fifteen (15) days prior to the hearing. Each affected taxing entity shall also be individually notified by certified mail of the hearing in a like manner. Official action on the application by the City Council shall occur upon conclusion of the public

hearing at a public meeting, and shall be approved in the form of a city ordinance and the exemption statement required by KSA 79-214, shall be filed at the of office of the City Clerk within 21 days.

#### **SECTION 12. ANNUAL REVIEW**

The extent and term of any tax exemption shall be subject to annual review and determination that the qualifying criteria for exemption continue to exist. An application containing all necessary information regarding employment and investment commitments shall be submitted to the office of the City Clerk no later than January 1 of each year. The City Council shall conduct one (1) annual public hearing for all review applications, in a manner set forth in Section 10. The review shall be completed by no later than February 1 of each year.

#### **SECTION 13. SALE OR TRANSFER**

Any tax exemptions granted pursuant to this policy shall automatically and immediately expire and terminate upon the sale or transfer of controlling interest in the qualifying business to which the tax exemption was granted.

#### **SECTION 14. CONFIDENTIALITY**

All applications and records pertaining to a requested tax exemption shall be available for public inspection, as provided by the Kansas Open Records Act.

#### **SECTION 15. REVOCATION**

The City Council reserves the right to revoke a granted exemption due to submittal of a fraudulent application or failure to submit the annual review application. Failure to meet the state economic benefits for employment or capital investment shall result in reduction or loss of tax exemption.

#### **SECTION 16. EFFECTIVE DATE**

This policy shall apply to all applications for tax exemption submitted or pending after the date of adoption.

**Adopted by the City Council of the City of South Hutchinson, Kansas this 1<sup>st</sup> day of August, 2011.**

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Weldon Cook, Mayor

ATTEST:

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Denise McCue, City Clerk