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Ordinance 20 - 13

AN ORDINANCE ENACTING ECONOMIC INCENTIVES TO PREVENT POPULATION DECLINE AND EXPANDING THE TAX BASE IN ORDER FOR GALENA TO CONTINUE TO PROVIDE FULL SERVICES TO ITS CITIZENS AND TO PROVIDE MORE HOUSING IN GALENA AND TO LESSEN THE PROPERTY TAX BURDEN ON EXISTING CITIZENS.

Findings: The population of Galena has declined from approximately 3300 citizens in 1992 to 2,888 citizens presently. Kenny Shepard has built the only substantial subdivision, King's Addition, in Galena in the last 50 years. Without such addition it is fair to assume 80% of the residents therein would not reside in Galena because they could not find comparable housing. Galena extended about \$10,000.00 and Cherokee County through paying about \$50,000.00 in the value of materials and labor as financial assistance to Mr. Shepard to aid in making his endeavor a success. Galena and Cherokee County have derived many times that investment from just one of the homes Kenny Shepard built in the King's Addition. Kenny Shepard risked a lot to build in Galena, including homes that did not sell for 3 or more years due to the economic climate at the time, and the return on investment to Galena and Cherokee County has been vast and will continue to benefit these governments, as well Galena USD #499, for many years into the future.

There is a shortage of housing available in Galena as realtors, housing-seekers, local governmental officials and employers have recently confirmed as such. While property tax rates are more in Galena than in Joplin, the combined savings of the rates of water, sewer and garbage disposal, as compared to Joplin's rates for these services, provides a great offset to the tax disparity, nearly making the combined property tax, water, service and garbage disposal rates being equal in many cases to those of Joplin, particularly for homes of 2000 square feet, or less. Galena residents average a combined water, sewer and garbage disposal rate that is approximately \$75.00. In Joplin sewer and garbage disposal are billed by the city at \$65.00 per month, which does not include water which averages, conservatively, at least \$70.00 per month and is billed by a private company. Joplin's combined

water, sewer and trash averages, conservatively, \$135.00 per month (\$65.00 for water and sewer as the fixed charged, plus a very conservative \$70.00 per month for water) compared to the \$75.00 rate in Galena for these combined services resulting in Galena being less expensive by \$60.00 per month for these services. \$60.00 per month multiplied by 12 months is \$720.00 in savings for these services for Galena residents compared to Joplin residents which provides a great offset to Galena's higher property taxes, nearly equaling, or exceeding the combined rates in Joplin. The promotion of Galena needs to emphasize comparisons shouldn't be based merely upon property taxes, but instead be about the combined property taxes as well as the water, sewer and trash fees each resident pays annually in making favorable comparisons.

More incentives are needed to grow the population of Galena and expand its tax base to continue to provide essential services.

For each structure that is built the city of Galena receives the following potential benefits:

1. The Galena school district is currently paid a weighted average per pupil of approximately \$7500.00 per pupil from the state of Kansas per enrolled student according to a local school official. It may be possible this amount is \$1000.00 per pupil greater, but it is intended this study be conservatively estimated, to not overstate the return on investment per dollar injected by the county and city. Property taxes constitute only about 25% of the total school budget. The school district's finances would be benefitted by increasing students, given a fixed infrastructure and payments per pupil, lessening the need for additional property taxation, and perhaps lessening it. The property taxation rate of the school district has kept low through extensive efforts throughout the years. These enactments would greatly increase the likelihood the property tax enacted by the USD #499 could be lower if only more students have a residence in Galena. A local school superintendent stated he reviewed a study that for every three-bedroom residence constructed in our area there is an average of 1.5 students residing therein. Kenny Shepard, the original developer of King's Addition, confirmed every home built in the King's Addition contains at least three bedrooms.

2. Galena receives 5% in franchise fees from all utilities supplied residences and a population increase within the city would provide more revenue from these fees. Galena's fixed costs with its water and sewer system would remain the same with an increase in population with only slight

variable cost increases and would result in a gain in revenues available to Galena easing the need to assess property taxes at current rates. This study does not include at least \$50.00 per month received per residence through monthly water and sewer fees to support that the return on investment from the assistance extended in constructing the addition for homes in the King's Addition is conservatively estimated.

3. Once some of the incentives offered in this Ordinance expire, then Galena would receive additional tax base for each residence, and, more importantly, grow the city's population. Nearly 10 years ago, Galena issued a 10 year exemption to the entity that sold to Mercy which is now renting a \$5,000,000.00 structure to Tamko, and other for-profit enterprises. Since Tamko is a for-profit enterprise the building will be fully taxable in two years though owned by a non-profit entity, Mercy, because it will be operated as a non-exempt use by for-profit companies. Galena's tax rate on commercial property is about 4% of appraised value. It is to be expected by creating such incentives nearly 10 years ago to forego taxes for 10 years, upon a building that otherwise would not likely have been built that in only two years an additional \$200,000.00 in property taxes will soon be annually paid to the combined governments of the city, county and school district. Tamko, and the other occupants of the building, provide new businesses in our community that advance both the interests of these private businesses and the local taxing governmental entities, lowering the taxes for the citizens within these governmental entities' taxing districts. Patience about not requiring immediate taxation in granting the exemption will soon be rewarded. Once more, the structure may not have been built without the incentives. Additionally, franchise fees for utilities supplied to this exempt structure were paid to Galena during the full 10 years.

4. Additional citizens would buy products and services in Galena resulting in sales tax from products payable to Galena and such purchasing sustains local businesses and promote Galena's growth. By sustaining local businesses, these businesses have more resources to maintain their structures, pay property taxes and employ local citizens. More residents means more sales taxes which could potentially allow for property tax reduction. Joplin's property taxes are lower because of the vast difference in the amount of sales tax it receives.

5. Galena along with Pat Collins, while he was acting as county commissioner, paved nearly all our streets. Since Galena's citizens pay taxes

to Cherokee County to its general fund, Commissioner Collins assured Galena received a fair and proportional share of road funds for non-arterial county roads from the county general fund in order to pave our roads easing the burden for Galena to tax its citizens for the roads as much as it would have otherwise been required to do. These roads have enhanced the appearance of the city and make it more appealing to potential new residents. New residences being constructed also provides more tax base and tax revenues for Cherokee County as well Galena USD #499.

6. Through the downtown streetscaping, roads being paved, the enormous growth in valuation of the city and jobs opportunities, economic incentives should be enacted to continue to promote growth, to reduce risks to builders and purchasers of new residences, and to induce them to build and occupy new residential structures.

7. More residents in Galena means more potential employees for our companies. Celltron, for instance, must aggressively compete for employees to work for the company. It is not about the desirability of working as the company pays a good wage. It is more about the availability of any housing, let alone affordable and comfortable housing for its hard-working employees that is a detriment to attracting employees. Some potential employees do not wish to travel distances from as short as from Maiden Lane in Joplin to work at Celltron, according to a company management representative. If more desirable residential housing was available in Galena, then more potential suitable employees for Celltron and other companies within our city would be available. Since 2015, Cellton has increased from approximately 250 to 350 employees, according to management, and optimistically expects to add 50 more employees in the near future. Galena has not possessed the housing to accommodate this increase. Similarly, such housing has not been built that could attract new school, hospital complex and Owens-Corning (though in Missouri but still adjoining Galena, at approximately 200 employees), and expanding industrial park businesses employees to reside in Galena. These additional employees that could have been attracted to Galena are 400 plus, but, according to a city official, only 20 or less residential structures have been built during the same 5-year period since 2015. Since many people like to live near their jobs to reduce travel time, and increase family time, Galena should provide many more housing opportunities for these additional employees.

8. USD #499 offers outstanding schools with incredible facilities that will also assist in persuading citizens to relocate to Galena. Prospective

parents and students need only tour these facilities for growth and education to decide to reside in Galena's school district. "Superb" is the best word, perhaps, to describe the school district. There might be words that better describe it!

9. Galena possesses a thriving industrial park, medical complex and revitalized downtown area that should be attractive to persons willing to relocate to Galena.

10. Galena and Cherokee County have enacted incentives that provide for a 95% rebate on new construction or expansion of property taxes for 5 years after the construction occurs.

11. Galena has enacted incentives that would permit out-of-state residents to locate to Galena without Kansas state income tax for the first 5 years after moving to Galena, provided the employee has not made more than \$10,000 in any of the previous 5 years from Kansas employment, nor been a resident in the state during that period.

12. The Board of County Commissioners of Cherokee County, Kansas, has aggressively enacted economic incentives and hired an Economic Development Director enhancing the opportunities for economic growth throughout the county.

13. The County has enacted with the state of Kansas an incentive for up to \$3000.00 in annual outstanding student loan forgiveness or reimbursement for former students with school loans who locate and build or buy a new structure within Galena. These students must have obtained a degree. There is a waiting list due to the existing funds that are already committed to this program and the number of applicants, but if the student's loans still exist in 2-5 years, as a reasonable estimate of the timeline for the waiting list, these may very well be reimbursed, provided a student is willing to be placed on a waiting list. The timeline depends upon funds availability and the number of applicants, so it is no easily predictable.

13. More incentives are needed to promote population growth and lessen the risks and financial burdens to buyers and builders willing to buy and construct residences in Galena and to attract them to our city.

BE IT ORDAINED by the Governing Body of the Galena, Kansas:

Section 1. The Code of the City of Galena, Kansas, is hereby amended to add the following section:

5-901 RESIDENTIAL ECONOMIC INCENTIVES. The following economic incentives are hereby offered for newly constructed residential structures (hereinafter designated NCRS).

1. NCRS is defined as follows: single-family, duplexes and multi-family structures that are constructed on-site in Galena, Kansas. Land value shall be added to the value of any NCRS calculation for purposes of this ordinance. The county appraiser's appraised valuation shall be used for purposes of determining valuation for purposes of determining incentives under this ordinance.

2. There will be no charge for water and sewer supplied by Galena for two years from the first month of occupation in a NCRS, or \$1200.00 in total water and sewer benefits are supplied, whichever occurs first. A deposit will still be required for such utility services at the time of establishment.

3. Building permit fees will be waived for any NCRS of a value of \$100,000.00, or greater, and be reduced to one-half of the usual fee for any NCRS of a value of \$50,000.00 to \$100,000.00.

4. Sewer and water tap fees will be waived for any NCRS on a residential structure of a value of \$100,000.00, or greater, and be reduced to one-half of the usual fee for any NCRS of a value of \$50,000.00 to \$100,000.00.

5. The city will pay \$1000.00 to each of the builder of an on-site NCRS and purchaser of any NCRS, of a value of \$100,000.00, or greater, and pay \$500.00 to each of the builder of an on-site NCRS and purchaser of any NCRS, of a value of \$50,000.00 to \$100,000.00, payable within 30 days after the sale of the NCRS upon proper proof thereof. (Similar to how vehicle dealerships offer cashback incentives to attract customers, instead Galena is doing it to attract new residents and lessen the risks of buyers and builders, and allow the buyers' transitions into their new homes to be more easily made. This small investment will be returned many times over to Galena, Cherokee County, and USD #499. The materials in parenthesis shall be not be placed in the codebook, and are offered only for explanation of the offered incentive.)

6. Whenever the city conveys city-owned property for construction of a NCRS of a value of \$50,000.00, or greater, the city shall waive upon completion of construction of the NCRS any assessed mowing fees and tree-trimming fees incurred by the city with regard to the premises of the NCRS. The city shall also waive such fees upon completion of construction of a NCRS of a value of \$50,000.00, or greater, that is constructed on privately-owned property that was purchased, for construction of a NCRS of a value of \$50,000.00, or greater, provided, the owner did not incur any of such fees while the property was under such owner's ownership. If such owner owned such property while such mowing fees and tree-trimming fees accumulated, whether under such the ownership of such entity or person, or some prior entity or person, under such owner's control, then such person or entity shall not be eligible for waiver of such fees. Nothing in this paragraph shall be construed to prohibit a person or entity in seeking the construction of a NCRS of a value of \$50,000.00, or greater, to request the city council to by unanimous vote as required under Code Section 1-113 to seek a waiver of assessed demolition fees, but such is not an assured incentive herein.

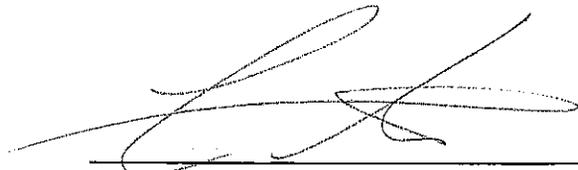
Section 2. Any provisions of Code Section 1-113 that are inconsistent herewith are repealed.

Section 3. A new article 9 in Chapter 5 of the Code of Galena is hereby created and entitled "Economic Incentives". This enactment provides for its first section being 5-901.

Section 4. This Ordinance shall take effect and be in full force upon its publication once in the official city newspaper.

Passed and approved by the Governing Body of the City of Galena, Kansas, this 5th day of October, 2020.

Approved and executed by the Mayor of the City of Galena, Kansas, this _____ day of October, 2020.



Lance Nichols, Mayor of the City
Galena, Kansas

ATTEST:

A handwritten signature in cursive script, reading "Flora Charles", written over a horizontal line.

Flora Charles, City Clerk

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