

# Rural Grocery Succession Planning



## GROCERY-MUNICIPAL PARTNERSHIPS

*Thursday, October 20, 2022*

**Featuring:**

**Sarah Steele, J.D.**, Gilmore & Bell, P.C.

**Cole Herder**, City Administrator, Humboldt, Kansas

# About this series

- Monthly webinars hosted throughout 2022
- Continuation of business transition work & *Keeping Groceries Alive*
- Goals
  - Highlight resource providers
  - Identify key succession planning considerations
  - Present options
  - Share examples of grocery ownership transitions
- Additional resources available at [www.ruralgrocery.org](http://www.ruralgrocery.org).

# Our Sponsor

*Ewing Marion Kauffman  
Foundation*



# Housekeeping

- This session is being recorded.
- A recording of today's webinar will be available at [www.ruralgrocery.org](http://www.ruralgrocery.org).
- We will leave time at the end of the webinar for Q&A.
- Please use the Q&A feature to post your questions to our presenters.

**K-STATE**  
Research and Extension

Rural Grocery  
Initiative

# Rural Grocery Succession Planning



## GROCERY-MUNICIPAL PARTNERSHIPS

*Thursday, October 20, 2022 at 1:30 PM*



**Sarah Steele, J.D.**  
Gilmore & Bell, P.C.



**Cole Herder**  
City Administrator  
Humboldt, Kansas

# Economic Development Incentive Tools

*Sarah Steele, J.D., Gilmore & Bell*



# Industrial Revenue Bonds

**Overview.** The City uses proceeds of its industrial revenue bonds (“IRBs”) to acquire an interest in a project, which is then eligible for a sales tax exemption on construction materials and personal property installed in the project. IRBs are not financing from the city and are often purchased by the tenant company. The tenant company is required to finance the project with other funds or find a purchaser of the IRBs.

## ***Project Eligibility:***

- Facilities for agricultural, commercial, hospital, industrial, natural resources, recreational development and manufacturing purposes.
- Retail property is *not eligible* for property tax abatement; but can still obtain a sales tax exemption for construction materials through an IRB issuance.

## ***Eligible Expenses:***

- Purchasing
- Acquiring
- Constructing or reconstructing
- Improving
- Equipping
- Furnishing
- Repairing
- Enlarging
- Remodeling

# Industrial Revenue Bonds

**Overview.** The City uses proceeds of its industrial revenue bonds (“IRBs”) to acquire an interest in a project, which is then eligible for a sales tax exemption on construction materials and personal property installed in the project. IRBs are not financing from the city and are often purchased by the tenant company. The tenant company is required to finance the project with other funds or find a purchaser of the IRBs.

## ***Other Considerations:***

- In a typical IRB transaction, the company keeps title to the property, leases to the City, and the City will lease it back to the company.
- IRBs are generally issued after a project is complete, and the IRBs need to remain outstanding for only a short period for a retail project.
- A public hearing and cost benefit analysis are not required for IRB issuances for a sales tax exemption.



# Community Improvement Districts (K.S.A. 12-6a26 et seq.)

**Overview.** Community improvement district (“CID”) revenues are generated by: (a) special assessments levied on property within the CID, or (b) a special sales tax on the sale of tangible personal property at retail or the rendering or furnishing services within the CID. CID revenues can be used to reimburse eligible expenses paid by the City or a developer on a pay-as-you-go basis, or to pay debt service on special obligation bonds or full faith and credit bonds issued by the City to pay eligible expenses.

## ***Project Eligibility.***

- Sufficient petition must be filed by property owners within a proposed CID.

## ***Eligible Expenses.***

- Costs to acquire, improve, construct, demolish, remove, renovate, reconstruct, rehabilitate, maintain, restore, replace, renew, repair, install, relocate, furnish, equip or extend
- Public or private buildings, structures, transportation improvements, streetscapes, infrastructure, parks, parking garages, transit facilities, lakes and dams
- Various service functions such as security, maintenance, advertising, marketing and training

# Community Improvement Districts (K.S.A. 12-6a26 et seq.)

**Overview.** Community improvement district (“CID”) revenues are generated by: (a) special assessments levied on property within the CID, or (b) a special sales tax on the sale of tangible personal property at retail or the rendering or furnishing services within the CID. CID revenues can be used to reimburse eligible expenses paid by the City or a developer on a pay-as-you-go basis, or to pay debt service on special obligation bonds or full faith and credit bonds issued by the City to pay eligible expenses.

## ***Other Considerations:***

- Notice and hearing is required for CID creation if (i) less than 100% of the owners sign the petition, (ii) a CID sales tax will be imposed, or (iii) full faith and credit CID bonds will be issued.
- A 60-day protest period follows the public hearing if full faith and credit bonds will be issued.
- CID Sales taxes may be implemented in 0.10% or 0.25% increments up to 2.0% for a maximum period of 22 years.
- A CID sales tax may only commence on January 1, April 1, July 1 or October 1, and 90 days’ notice must be given to the Department of Revenue before a CID sales tax may commence.
- The State may retain 2% of the CID sales tax as an administrative fee.
- The amount of full faith and credit CID bonds issued and outstanding that exceeds three percent (3%) of the assessed valuation of the municipality counts against the bonded debt limit of the City.

## Home Rule General Obligation Bonds; Grant and Rebate Agreements (City Home Rule Power)

**Overview:** The City may use its home rule powers to issue general obligation bonds or utilize its general fund in order to make an economic development grant or loan to a private entity. The City may enter into a development agreement imposing obligations on the developer and may tie the amount of the grant to increased property, sales, or transient guest taxes generated by the project.

**Project Eligibility:** Determined by the City.

**Eligible Expenses:** Determined by the City.

**Other Considerations:**

- The City will be obligated to pay the debt service on any bonds regardless of the developer's performance under any development agreement.
- A development agreement will typically detail the conditions to the grant or loan, such as minimum investment or minimum number of jobs to be created, and any remedies available to the City for non-performance.
- The City will need to evaluate whether the agreed upon remedies will be actionable.

# Tax Increment Financing (K.S.A. 12-1770 et seq.)

**Overview:** Tax increment financing (“TIF”) permits the City or a developer to use a portion of the new taxes that are generated on a completed redevelopment project to repay all or a portion of eligible redevelopment project costs. Tax increment can be diverted for up to 20 years. TIF can be used to reimburse eligible expenses paid by a developer on a pay-as-you-go basis, or to pay debt service on special obligation bonds or full faith and credit bonds issued by the City to pay eligible expenses.

## ***Project Eligibility.***

- A blighted area (including environmentally contaminated areas and 100-year floodplains)
- Conservation area
- Enterprise zone
- Intermodal transportation area
- Major tourism area or a major commercial entertainment and tourism area
- Bioscience development area
- A building or buildings which are 65 years of age or older and any contiguous vacant or condemned lots

# Tax Increment Financing (K.S.A. 12-1770 et seq.)

**Overview:** Tax increment financing (“TIF”) permits the City or a developer to use a portion of the new taxes that are generated on a completed redevelopment project to repay all or a portion of eligible redevelopment project costs. Tax increment can be diverted for up to 20 years. TIF can be used to reimburse eligible expenses paid by a developer on a pay-as-you-go basis, or to pay debt service on special obligation bonds or full faith and credit bonds issued by the City to pay eligible expenses.

## **Eligible Expenses:**

- Property acquisition, site preparation, public infrastructure, multi-sport athletic complex and museum facilities, streets, landscaping, parking, and expenses related to the redevelopment and financing of the project.
- Tax increment proceeds cannot be spent on any costs incurred in connection with construction of buildings or other structures to be owned by or leased to a developer.
- If tax increment special obligation bonds are issued, additional expenses are not eligible to be paid from tax increment proceeds.

# Tax Increment Financing (K.S.A. 12-1770 et seq.)

**Overview:** Tax increment financing (“TIF”) permits the City or a developer to use a portion of the new taxes that are generated on a completed redevelopment project to repay all or a portion of eligible redevelopment project costs. Tax increment can be diverted for up to 20 years. TIF can be used to reimburse eligible expenses paid by a developer on a pay-as-you-go basis, or to pay debt service on special obligation bonds or full faith and credit bonds issued by the City to pay eligible expenses.

## **Other Considerations:**

- The TIF Act is procedurally intensive and requires multiple notices, hearings and actions of the governing body before tax increment may be captured and eligible redevelopment project costs paid from tax increment or the proceeds of tax increment bonds.
- The board of county commissioners and the board of education levying taxes on property in a proposed TIF district have the right to veto the creation of the TIF district.
- If a project plan includes an intent to issue full faith and credit bonds, a 60-day protest period follows the public hearing before the bonds can be issued.
- The amount of full faith and credit TIF bonds issued and outstanding that exceeds three percent (3%) of the assessed valuation of the municipality counts against the bonded debt limit of the City.

# Our Market

*Cole Herder, City Administrator, Humboldt, Kansas*



# Financial Support

## **City of Humboldt**

- \$20,000 for Point of Sale (POS) system
- Utility upgrade
- Neighborhood Revitalization - Property tax rebate

## **Allen County**

- \$80,000 for Refrigeration Upgrades



# Business Support – Serving as a Connector

## **Economic Development Connector**

- USDA-REAP (Rural Energy Assistance Program)
- Rural Grocery Initiative (RGI)
- Kansas Healthy Food Initiative (KHFI)
- Kansas Department of Agriculture
- Associated Wholesale Grocers (AWG)

## **Allen County E-Community (Network Kansas)**

- \$45,000 Loan @ 2% for 60 months

## MATCHING LOAN PROGRAMS TO CONSIDER

### STARTUP KANSAS LOAN



StartUp Kansas provides gap financing to help entrepreneurs start or grow a business in Kansas. The loan program matches up to 150% of other public sources of capital and/or funds from a financial institution such as a bank. Up to \$45,000 can be provided per project. Funds are flexible and can be used for a variety of business purposes, including equipment, inventory, and working capital. Entrepreneurs work with a NetWork Kansas resource partner to apply for funds. Funding rounds occur monthly.

### E-COMMUNITY PARTNERSHIP



NetWork Kansas Entrepreneurship (E-) Communities create a revolving loan fund that is reviewed at the local level. The loans are intended as gap financing to help entrepreneurs start or grow a business in a specific community. The loan program matches public sources of capital and bank loans, and can provide up to \$45,000 per project. Funds are flexible and can be used for a variety of business purposes, including startup costs, purchasing an existing business, business expansion, working capital, inventory, and more.

### MINORITY & WOMEN BUSINESS MULTIPLIER LOAN



The Minority and Women Business Multiplier Loan Fund

### KANSAS CAPITAL MULTIPLIER LOAN



Qualifying businesses are eligible to apply for up to 10% of

# Transformation through Food Desert and Back

- Worked to save existing grocery store that closed in January 2019
- Coordinated Property Ownership in Fall of 2018
- Shift from saving a store to starting a new one in 2019
- Researched “Everything Grocery”
- Considered many models
- Opening a grocery store takes a long time! (Especially during COVID.)
- Butcher shop opened on limited basis Fall of 2020
- Store opened on July 8, 2021

Our Market opened July 8, 2021

# The Humboldt Union

Mike Rickner  
Memorial  
Fireworks  
& Activities!

Page 5.

75¢ (Tax Included)

Thursday, July 1, 2021, Volume 150, Issue 14

America's Hometown Newspaper

## *Our Market Butcher & Grocery opens Thursday*

*By Nick Reynolds*

After two long years of wait-

doors and announced their inten-  
tion to open a new grocery store,

some action earlier in the year, as  
hunters across the state were

using older, much less efficient  
coolers and refrigeration.

county and city level.

Our Market is the product of

to us, it belongs to the communi-  
ty. They wanted it, and worked



# Our Market



















# Our Market



# Questions

# **Survey**

*Please share your  
feedback to help us improve  
future webinars*



# Rural Grocery Succession Planning



**OTHER COMMUNITY-SUPPORTED  
GROCERY MODELS**

*Thursday, November 17, 2022*