

**Topeka Mayor
Bill Buntten's**

**"Business Friendly"
Committee**

Final Report

August 19, 2005

LETTER FROM THE COMMITTEE CHAIRMAN

August 16, 2005

Mayor Bill Bunten
City of Topeka
215 SE 7th
Topeka, KS 66603

Dear Mr. Mayor:

This is the final report of the "Business Friendly" Committee. Of the thirteen committee members, twelve contributed to this effort to some degree and five wrote parts of the report. You asked me to appoint a diverse committee, and it is. And, I purposely appointed people who would not hesitate to speak up, and they did.

This report is not meant to be a "puff" piece for Topeka, nor is it meant to be an attack piece. The Business Friendly Committee has worked to identify strengths and weaknesses in keeping and attracting business in Topeka, and report on them accurately.

The committee collected information from numerous sources, and we conducted a public "town meeting". Where the information is legitimate, pertinent, and potentially useful, it has been included. Where the committee heavily favored a recommendation or conclusion, that item is in italics. Where the committee and/or interviewees had differing viewpoints, comments from both sides are included. Where the committee has identified a problem, we have tried to suggest solutions.

For the items in italics, it should not be assumed that the committee was unanimous on each, or that every member was there for every discussion. Again, those items were supported by a large majority of the committee, but not necessarily all.

The committee urges readers to go over the information in the appendices, especially the comments in Appendix A. Those comments were either submitted in writing to the committee or were approved by the interviewee if the committee member wrote them.

Sincerely yours,

Kenneth Daniel, Chairman
Business Friendly Committee

Members of the "Business Friendly" Committee:

Dave Allison, CPA, Director of CBIZ Accounting
Christy Caldwell, Vice-President, Greater Topeka Chamber of Commerce
Mel Chapman, Engineer, Cook Flatt & Strobel Engineers
Kenny Clark, Teamster Local #696
Ken Daniel (chair), CEO, Midway Wholesale
Matt Flerlage, Business Representative, Carpenter's District Council #1445
Pete Goering, Executive Editor, Topeka Capital-Journal
Kevin Kelley, President, Kelley Construction
Jim Showalter, CPA, CFO of PTMW, Inc.
Brian Turner, DBE Programs and Incubator, Go Topeka
Joan Wagnon, Secretary, Kansas Department of Revenue, Former Mayor
Jerry Wittman, President and CEO, Topeka Home Builders Association

INQUIRIES

Questions about this report may be directed to the committee members or to Kenneth Daniel of Midway Wholesale, 785-232-4590 x205.

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EXECUTIVE SUMMARY

"The Business Friendly Committee should find out what we are doing right and what we are doing wrong to encourage businesses to move here or start here, and to help the ones that are already here to thrive and grow." -- Topeka Mayor Bill Bunten, May 2005

The Topeka area is a wonderful place to live. And, Topeka is a good place for business, but there are many improvements that can be made.

Topeka and Shawnee County are highly co-dependent. Whatever benefits Topeka benefits Shawnee County and vice-versa. Whatever harms Topeka harms Shawnee County and vice-versa. However it happens, government officials in Topeka and Shawnee County must cooperate fully if we are to grow and prosper.

Investment of private money is the absolute most important factor for growth and development. Private money investments drive both the growth of private wealth and tax revenues. When someone in Shawnee County wants to invest private money, we must make sure that there are minimal barriers and that the investors know how much we value and appreciate them.

When planning, we should not rely on growth to make the projects feasible. Good planning requires scenarios for negative growth, no growth, and positive growth. The track record in Topeka requires that we plan for all possibilities.

The Business Friendly Committee encourages city leaders to be cheerleaders for the city. Creating the image that we all desire starts with leaders who believe Topeka is a great city and are willing to proclaim that fact at every opportunity.

GOVERNMENT

The new city manager form of government must be given a genuine chance. It must not be watered down to preserve the very problems that plagued city government in the past. Once most routine items reach the city council, they should be rubber-stamped.

Recommendation: Require a supermajority of council members to overturn the city manager on issues that should be routinely handled by staff. City employees and administrators should be allowed to do their jobs without being micro-managed by elected officials.

SMALL BUSINESS

Conclusion: The BF committee feels that Topeka is providing excellent training and support to small businesses. However, efforts to communicate and promote the availability of those resources for small businesses in the Topeka area should be improved.

Conclusion: Topeka is very business friendly to small businesses' working capital needs, provided their business plan is sound. Topeka is blessed with a number of local banks that cater to small businesses. Where government programs are needed, GO Topeka does an excellent job of connecting a small business person with local, state and federal programs.

Conclusion: The BF committee does not recommend any new economic development incentives needed for small business other than those that are already available. The state business and machinery income tax credit and the Neighborhood Revitalization Act incentives are important and should be preserved.

Conclusion: The best economic development strategy for small businesses is to hold small business taxes down, limit red tape, and leave them alone. Virtually all small business risk capital comes from personal savings and retained profits.

Conclusion: Topeka has an advantage in the areas of health insurance costs, health care costs, availability of health care, and number of uninsured. It would be helpful if some entity in Topeka could help us get ahead in this area by implementing a private-sector health insurance solution targeted directly at businesses with fewer than 20 employees.

Recommendation: Work to get the State of Kansas to change its definition of "small business enterprise" so that larger Kansas businesses can compete in other states on an equal footing with small businesses from other states.

BIG BUSINESS

Recommendation: Undertake a program with major business CEO's to solidify their ties to the community. We should make sure we are doing everything we can to be "business friendly" and "community friendly" for key leaders of each of our major employers.

Recommendation: Be very aggressive about finding out about and courting any new executives who might be moving here. A special work group or committee should be formed to roll out the red carpet for these families long before they move here.

Recommendation: Consider creating a Mayor's Business Roundtable, to meet monthly with the Mayor/City Manager to discuss business issues as they arise – not limited to development, but all sorts of issues.

Recommendation: Promote the excellence and cost-effectiveness of Topeka's medical community to our existing businesses and prospective businesses.

ALL BUSINESSES

Conclusions: The committee is concerned about the high level of business taxes and fees in Topeka, especially the tax rates but also the number of types of taxes.

Conclusion: The Topeka Chamber and GO Topeka are extremely valuable assets to the business community and the community as a whole. The large number of members and the broad membership base are unusual for a city our size. We must not take these for granted.

Recommendation: The committee challenges our local officials to do everything in their power to utilize businesses in Topeka/Shawnee County. The committee also challenges the business community to support other private local businesses wherever possible. Topeka should absolutely not adopt any formal preference policies, but when a choice between a local or out-of-town entity exists, we should

put a high priority on giving the business to the local party. And, private businesses should be the first choice to perform government work that can be done properly by private firms.

DEVELOPMENT AND PLANNING

Recommendation: It is important that the city recognize differences in the community and encourage development in distressed areas by allowing flexibility in some development requirements. Instead of forcing idealistically high requirements on projects in distressed areas, the city should allow variances that will encourage projects to be built thereby increasing the neighborhood's appeal and value.

Recommendation: Reestablish the Joint City-County Planning Department with a business-friendly, flexible approach and a pro-development focus.

Recommendation: Allow the city manager full authority to manage the planning process. Eliminate interference with city staff personnel from elected officials and require their inquiries to go through the city manager. Allow far more flexibility in approval of projects.

Recommendation: Consider reversing most or all of the down-zoning of commercial properties.

Recommendation: Reduce development fees significantly to be competitive with other cities.

Recommendation for contractor licensing insurance requirements: Remove the "independent contractor's coverage" wording from the ordinance entirely. Leave in the \$300,000 general liability requirement and the workers' compensation requirements.

Recommendation: Reduce contractor licensing fees, which are the very highest in the state and out of line with other cities.

WORKFORCE

Recommendation: Businesses and business advocacy groups need to work with the Kaw Area Technical School to enhance the image of technical training for students coming out of high school, as an acceptable alternative to college preparation.

CHAPTER 1: OBSERVATIONS

The Topeka area is a wonderful place to live. And, Topeka is a good place for business, but there are many improvements that can be made.

Topeka and Shawnee County are highly co-dependent. Whatever benefits Topeka benefits Shawnee County and vice versa. Whatever harms Topeka harms Shawnee County and vice versa.

Every new fence, every new residence, every new anything that is built in Shawnee County helps all of us. Those things that are built with private dollars are the most important of all, because they stimulate the economy the most and provide the most tax revenues.

Every private project within this county improves the tax base for both the city and county. Every private project helps the county's property tax base, while projects in Topeka help the city's tax base. Every project helps both the city and county sales tax bases. Without residents who live outside the city limits buying in Topeka, city sales tax collections would plummet. Every time a construction project in Shawnee County is abandoned without a very good reason, it has a negative effect on both the city and the county revenues, often for many years.

Anytime anyone wants to add value to property through construction or re-construction in our community, especially with private money, we should be thankful and supportive, because they are the key to our growth. Conflicts between various entities in Shawnee County and the failure to work together cooperatively may be the single greatest reason for our lack of growth. The objective should be to make working together the single greatest reason for our future growth.

STRENGTHS

Topeka is attractive for businesses:

- Low cost of living to attract and keep employees.
- Excellent highway/street system around and throughout the city.
- Honest and ethical residents.
- School districts producing quality entry-level employees.
- Local and area colleges and universities producing high-level graduates.
- Affordable land available for development within the city boundaries.
- Workforce has good work ethic, is well trained and available.
- Very strong Chamber of Commerce with a broad base of members.
- A model Small Business Development Center program.
- A powerful economic development program with strong funding.

Topeka is an attractive place for people to live:

- Low cost of living.
- Low costs of quality housing.
- Attractive housing developments in all price ranges.
- Wide variety of local and national retailers and restaurants.
- Excellent medical and health infrastructure.
- Quality parks and recreation areas throughout the city and county.
- Excellent arts and cultural offerings.

WEAKNESSES

- Of Kansas cities, Topeka is one of the highest in taxes on business.
- Kansas taxes on business are higher than surrounding states.
- Slow development in downtown Topeka.
- Lack of development along older business corridors, such as 6th Street.
- City planning decisions are hindering development.
- Not enough promotion of the community's image of a positive future.
- Commercial real estate values and development held down by slow population growth.
- High city debt will be a long-term drag on the local economy.
- Real estate development held down by high development fees and costs and high contractor license fees compared to other Kansas cities.
- Economic burdens caused by unnecessary rivalries between city and county.
- Damage to city's image by hateful picketers.

The point of going to the city manager form of government was to get the day-to-day administrative issues into the hands of professionals and out of politics. Yet the most ministerial of functions like approval of permits, zoning, etc., are still on the city council's agenda and under their total control. The committee has heard repeatedly that these types of issues should be rubber stamped by the council "99% of the time". Instead, Topekans who have gone through all the steps and done everything right are still in peril when they go before the council for final approval.

Recommendation: Require a supermajority of council members to overturn the city manager on issues that should be routinely handled by staff.

BLOOM WHERE YOU ARE PLANTED

When planning, we should not rely on growth to make the projects feasible. Good planning requires scenarios for negative growth, no growth, and positive growth. The track record in Topeka requires that we look at all possibilities.

Neither Topeka nor Shawnee County has experienced the growth that similar communities have enjoyed in the past 30 years. From 1970 to 2000, the U.S. population grew 39.8%, Kansas grew 19.7%, Shawnee County grew 9.4%, and Topeka shrank by 2.0%. Kansas grew at half the rate of the country, Shawnee County at half the rate of Kansas, and Topeka didn't grow at all¹.

Census estimates since 2000 have not been very encouraging, either. From 2000 to 2004, the U.S. grew 3.38%, Kansas grew 1.75%, Shawnee County grew 1.09%, and Topeka shrank .30%².

Is it better to continue to fund new public projects under the assumption "if you build it, they will come", or to concentrate on replacing and improving existing assets under the assumption that growth may not occur? Should new investments occur after the growth actually occurs?

¹ U.S. Census Bureau website, www.census.gov.

² Ibid.

One way to grow is to encourage more of the people who work in Topeka to live here. In 2003, 17,723 people commuted to Shawnee County each day from other counties, while only 5,614 commuted out³. In other words, 20% of our work force commutes in but only 6% commutes out.

The committee acknowledges that there are many wonderful assets in our community and many positive reasons for business to grow and locate in Topeka. However, there are challenges that face business that should be addressed to make Topeka a more "business-friendly" community. The key is to make changes that will positively impact Topeka. It is incumbent on the entire community to participate in these changes.

Colorado's advice to its sweet sister, Kansas: "...I admit you have been unfairly typecast as a plain Jane. Because you and I have been so close for so long, I know what a beautiful state you are. Sometimes I say to myself what a lot of suckers people are for overlooking my sweet sister, Kansas. But then I want to cry out to you: Keep your skirt over your knees, dearie; you don't know when you're well off."
-- Excerpts from Pete Goering's Topeka Capital-Journal column of June 26, 2005.

³ 2003 Kansas Department of Human Resources, 2000 U.S. Census (chart provided by Topeka Chamber).

CHAPTER 2: TOPEKA'S IMAGE

The City of Topeka projects an image to the outside world and to those who live in the city itself. As in any city, "image" can have an impact on development efforts. If a community is passed over for business expansions or locations due to a real or perceived negative image, the economic impact is real.

The Mayor's Business Friendly Committee discussed and received input on Topeka's image. There is a general belief that, although the city has a great quality of life and has had a number of recent successes in growing the economy, the city's image is in need of some attention. The Committee believes there are improvements needed in both the city's outside image and particularly with the image that Topekans have of their own community.

The Business Friendly Committee believes the "image" a city portrays directly affects the success the community has in attracting business growth and investment and in attracting new residents to the community.

The need to improve Topeka's image both for those outside our community and for those of us who live and work here will assist in making Topeka the "business-friendly" community that the Mayor, this Committee, and the community desires.

In order to affect change, the Committee believes it is important to determine the shortcomings and the positives and encourage the community, government and business leaders to become partners to enhance the positives and undo the shortcomings. Several needs are clear.

1. A need to improve Topekans' attitudes about their community. There have been several public actions causing citizens to be apologetic. Topekans continually face "nay-sayers" and "image-busters". There is an immediate need for positive and energetic leaders to lift the community up and take deliberate action to bring image-enhancing community projects to fruition.
2. There is a need to encourage all city employees, from front desk personnel to professionals and elected officials, to embrace the concept of assisting in business investment by encouraging business growth rather than instituting bureaucratic policies that stymie investment.
3. There is a need to work on community challenges with a determination to eliminate actions and words that are fractious within the community. It is time to unify and not let artificial political boundaries separate the community.
4. The city needs to promote the many attractions Topeka has to offer to visitors. Topeka should welcome visitors and provide ease in locating attractions. Residents should develop a sense of pride for the many attractions this community has to offer and let it show to visitors. The City of Topeka is the capital city of Kansas but we do not always appreciate and utilize the unique position it places the city.

The Business Friendly Committee is pleased to report that several recommendations have already been acted upon by the city. The challenge is to continue improving

Topeka's image particularly within our own community. Listed below are actions that have been taken and actions to continue or institute.

1. The Business Friendly Committee recommends that a mechanism be created, such as a Mayor's Business Roundtable, where businesses and individuals advise the Mayor and city officials on enhancing image.
2. The Business Friendly Committee was deluged with development-related issues that have festered in this community for some time. These issues will be discussed in detail in other sections of the report, however it is important to note that the difficulty or ease in the development process, for commercial and residential projects, contributes to the image of our community. Jurisdictional governance issues in the three-mile area have negatively impacted the image of this city and its growth.

It is critical that these issues are resolved soon so rules and fees are reasonable and encourage development rather than stymie it. A commitment to continued quality residential development is necessary to the growth of population in Topeka/Shawnee County. The community needs to encourage workers to live in our community where they work. Promoting a high quality of life in the capital city is important to that growth.

3. The city and business community will be well-served by embarking on an image campaign. Highlighting the assets of this community will continue to spread the positive image of Topeka. This campaign should target local residents and communities in the region. Additionally the implementation of "buy Topeka" and "business loyalty" campaigns can assist in promoting all the business community has to offer.
4. The Business Friendly Committee encourages city leaders to be cheerleaders for the city. Creating the image that we all desire starts with leaders who believe Topeka is a great city and are willing to proclaim that fact at every opportunity.

Clearly these are only a beginning; others will undoubtedly bring many other ideas to the table as to how to achieve a positive image.

CHAPTER 3. EXCERPTS FROM GO TOPEKA REPORT

The Business Friendly Committee received a compilation of business views from GO Topeka, the economic development department of the Greater Topeka Chamber of Commerce. These opinions were collected during 2004, having been gleaned from personal interviews with 200 local business owners/representatives, including the 50 largest employers in the Topeka community. Questions asked during these interviews included: perceptions about the community, issues hindering business growth; suggestions to make Topeka/Shawnee County more business friendly.

Community Evaluation:

Forty-eight percent of the persons interviewed reported they feel more positive about the community because:

- there has been recent growth and positive action within the city and county
- there is an overall feeling that the community wants to grow and attract new business
- much of the positive movement has been due to the actions of GO Topeka
- the passage of the .5% sales tax increase signaled community support for growth

Thirty-six percent of those interviewed reported no change in their attitude regarding the positive or negative aspects of doing business in Topeka/Shawnee County.

Sixteen percent responded negatively about doing business in this community. The reasons they cited were:

- high taxes
- health insurance costs
- lack of support in the community for small business
- the inability of the City of Topeka and Shawnee County to work together cooperatively

Major Concerns of Business Owners/Representatives:

- In addressing the divisions within the community of North, South, East, and West Topeka -- there were strong concerns that the community will not grow until residents view Topeka as one community rather than the view that there are four distinct communities.
- Business resources and assistance are needed for small businesses.
- The community has a negative self-image that affects growth.
- There is a lack of community support for Topeka businesses and activities by Topeka residents.
- Redevelopment of downtown is needed.

The final comments from these business interviews concerned workforce issues. There is general satisfaction with the quality and availability of a workforce. However, eighteen percent reported that they had difficulty finding individuals with specialized training. It was noted that some companies have a difficult time

recruiting prospective employees from out-of-state or even from Kansas City; others noted that entry-level employees lack basic work skills. Overall, employers are very pleased with the work ethic exhibited by their employees.

CHAPTER 4: SMALL BUSINESS IN TOPEKA

In the GO Topeka report cited in the previous chapter, 16% responded negatively, with “lack of support in the community for small business” being one of the major complaints. In the list of major concerns, two of them were:

- Business resources and assistance are needed for small businesses
- There is a lack of community support for Topeka businesses and activities by Topeka residents

The Business Friendly Committee believes a reason for this opinion is a lack of knowledge in what is available to businesses in the community. GO Topeka, Washburn University, WU Small Business Development Center, and the Greater Topeka Chamber of Commerce are jointly offering a wide array of activities and support programs for small businesses. One of the challenges has been promoting and communicating those resources adequately. Those communications could be improved by partnering with city staff to inform small businesses at every possible opportunity of the availability of resources. We’ve got to do a better job of getting the word out and continuing to publicize these resources.

The SBA-sponsored Small Business Development Centers (SBDC), nationwide, are by far the most effective program for assisting small businesses. In Topeka, we have one of the best SBDC programs anywhere because the Chamber, GO Topeka, and Washburn have teamed up to provide a single, coordinated program. The program is strongly funded. It is getting even better as time goes on. New ideas are adopted and put into action quickly.

Small Business Funding

There is a widely held misconception that lack of public funding is holding back small business. The truth is that most small businesses have no outside funding of any kind. Almost all the rest have loan relationships with banks, and only a tiny number of small business startups and expansions need any public funding assistance. Far less than 1% of small businesses ever receive any “risk capital” funding from government grants. Another 1% or 2% receive government loans or loan guarantees to provide working capital loans or installment loans.

Risk capital for small businesses almost always comes from personal savings or reinvested profits. Although they are rare, government grants to businesses are risk capital. The granted money becomes a part of the permanent equity of the company and does not have to be paid back.

Loans, whether private or government, are temporary capital, even though “temporary” can be a very long time. Eventually the money must be paid back.

For those few businesses that can’t get bank financing, GO Topeka has money for working capital loans but not for risk capital. GO Topeka loans will be high-risk, and that is expected. If they weren’t high-risk, a bank would make them.

BF Committee Conclusion: Topeka is very business friendly to small businesses’ capital needs, provided their business plan is sound. Topeka is blessed with a number of local banks that cater to small businesses. Where government programs

are needed, Go Topeka does an excellent job of connecting a small businessperson with local, state and federal programs.

Small Business Training and Support

Topeka is rich in resources for small business training. Junior Achievement provides young people with business training in grade school and middle school. Area high schools offer business courses. Kaw Area Technical School (KATS) offers business and technical training. Washburn University is an excellent source of business education and has agreements with KATS for students to move seamlessly from technical training into university business offerings.

When a person is interested in starting a business, the Washburn SBDC offers on-target courses and individual assistance. The SCORE program provides mentoring for small business owners. Additionally two new business incubators have opened for small business startups that require special attention. The incubators are available through GO Topeka's efforts to assist start-up businesses.

Small business support does not include running the business for the owner. We know from studies that some neophyte entrepreneurs would like for this to be the case and some even expect it to be the case. When surveys were done of entrepreneurs who recently started a business with SBDC support⁴, they often cited "more mentoring" as a need, and even complain because it isn't provided. The dynamics supporting small business startups does not include running the business for them. In fact, true entrepreneurs won't let you. The SBDC model is to help people learn what they need to do and help them develop a realistic plan, provide advice and mentoring, then let the entrepreneur work and take the risks that are inherent in any business venture. There is assistance available from an SBDC no matter how long a business is in existence, but only for "growing pain" types of needs. Entrepreneurs ultimately must run their own businesses, and the businesses will be stronger if they do.

Conclusion: The BF committee feels that Topeka is providing excellent training and support to small businesses. Every effort should be made to communicate the availability of the resources for small businesses in the Topeka area.

Economic Development Incentives for Small Business

Economic development incentives are little used by small businesses. Many incentives aren't available to small businesses. The process is often so complicated that few small business owners will devote the time to access them.

Case-by-case incentives are available to all sizes of businesses based on the types of jobs. Usually they are reserved for primary jobs such as manufacturing, distribution, or home office jobs. Such incentives are available through local, state, and federal programs including GO Topeka.

During the committee's fact-finding, interviewees suggested it would be very helpful if there was a go-to person for new and small businesses to contact concerning

⁴ In 2004, the Go Topeka Small Business Committee commissioned in-depth interviews with dozen of new entrepreneurs. They were far more concerned about having someone "hold their hands" than entrepreneurs whose businesses were more established.

incentives. It appears to the committee that such people are already available through GO Topeka, the Topeka Chamber, and John Myers of the city. Perhaps we need to make sure that the issue of incentives is completely covered by the existing resources, or perhaps we just need more publicity about them. Once it is up and running, the new Kansas Center for Entrepreneurship will provide a statewide point of entry for those seeking such information.

In Kansas, the two incentives most available to small businesses are the income tax credit for property taxes paid on business machinery and equipment and the property tax abatements for new facilities under the Neighborhood Revitalization Act (NRA).

For business machinery and equipment, 20% of any property taxes paid may be deducted from Kansas income taxes. Many small business owners do not take advantage of this, but it is not very complicated and tax preparers can help.

For new facilities constructed in an N.R.A. area, 80% of the increase in property taxes from those taxing authorities who agree to participate in the program can be abated for up to ten years. This incentive is perhaps the only way many projects in declining areas of Topeka are economically feasible.

Conclusion: The BF committee does not recommend any new economic development incentives for small business.

Health Insurance And Health Care Costs

Health insurance costs are the number one problem for small business owners according to numerous surveys throughout the country. Although small businesses in Topeka share this view, most solutions must come at the state and national level.

However, health insurance and health care costs are low in Topeka and Kansas as compared to other cities and states. A U.S. Census Bureau report released in July, 2005, based on 2000 data, shows the uninsured of Shawnee County at 11.1% compared to the State of Kansas at 12.0% and the U.S. at 14.2%⁵. Of the urban counties in Kansas, Shawnee County was second only to Johnson County.

A 2002 analysis of employer-provided insurance costs puts Kansas at 45th in the U.S. and lowest in the region⁶. A 2005 ranking by Expansion Management Magazine ranks Kansas 3rd lowest in health insurance costs in the U.S. and best overall in its "2005 Health Care Cost Quotient"⁷. And, in 2002, Kansas had fewer uninsured,

⁵ U.S. Census Bureau, Small Area Health Insurance Estimates, July 2005. Available at: <http://www.census.gov/hhes/www/sahie/index.html>

⁶ "Average Annual Cost of Employer-Based Health Insurance, Single Coverage, 2002", Kaiser Family Foundation, www.statehealthfacts.kff.org. Kansas was 45th out of 51 states (D.C. was listed as a state). Colorado was 13th highest, Texas 16th, Oklahoma 22nd, Nebraska 23rd, Iowa 26th, Missouri 36th, and Arkansas 43rd. These figures include the combined costs to employer and employee.

⁷ "2005 Health Care Cost Quotient", Expansion Management magazine, February 2005, www.expansionmanagement.com. With #1 being best and 50th being worst, Kansas ranks 36th in health care facilities, 19th in health care providers, 3rd in health insurance costs, 14th in health care provider visit costs, and 13th in malpractice costs.

11.0%, than the nationwide average of 15.2%⁸. Topeka has a diverse and excellent health care community, and an advantage over other states and cities in costs and the percentage of insured residents.

This does not mean Topeka should not try to tackle this problem. Wichita has the Wichita Independent Business Association, which offers health insurance to its members and insures about 1,000 small businesses and their employees. Although WIBA's plan cannot be cloned today because of changes in state laws, there are ways to start a Topeka plan if willing insurance companies can be found to partner. This should be a private-sector effort and not a government effort.

Conclusion: If anything, Topeka has an advantage in the areas of health insurance costs, health care costs, availability of health care, and number of uninsured. It would be helpful if some entity in Topeka could help us get ahead in this area by implementing a private-sector solution targeted directly at businesses with fewer than 20 employees.

⁸ Kaiser Family Foundation, 2004, using data for 2002 published in a September, 2003 Census Bureau report.

CHAPTER 5: BIG BUSINESS IN TOPEKA

Definition of Small vs. Big

The U.S. Small Business Administration has complicated standards for determining the difference between large and small businesses. For the most part, though, they consider businesses with fewer than 500 employees to be small businesses.

In Kansas, it is common for the number to be much lower. Across the country, various laws put the break at 250, 100, 50, or even 20 employees. In Kansas, a business cannot qualify for the small business health insurance tax credit unless it has no more than 50 employees.

Because the State of Kansas sets its definition of "small business" much lower than many other states, larger Kansas small businesses cannot bid on "small business set-aside" projects in other states, while larger small businesses from other states can bid on them here. There are two very successful small businesses in Topeka that are facing this inequity right now.

There are other ways to classify businesses that are far more useful. Publicly-traded companies are very different from privately-held companies, even if the basic business is identical. Private companies are more likely to forego current profits to enhance long-term profits. Public companies are the opposite.

Recommendation: Work to get the State of Kansas to change its definition of "small business enterprise" so that larger Kansas businesses can compete in other states on an equal footing with businesses from other states.

Key Issue: Headquarters Location

We need to be keenly cognizant of the needs of larger employers in Topeka. Unlike smaller businesses, there are not so many that we can't meet "business friendly" standards for each of them. Types of big businesses:

- Publicly-traded companies headquartered elsewhere.
- Publicly-traded companies headquartered in Topeka.
- Publicly-traded companies with division headquarters in Topeka.
- Private companies headquartered out-of-state.
- Private companies headquartered in Kansas but not in Topeka.
- Private companies headquartered in Topeka.
- Private companies located only in Topeka.

The highest paying jobs in a company are in the headquarters city. The leaders of a business are more concerned about the quality of life where they live than where they don't. Headquarters cities get the lion's share of the company's charitable and other gifts, and the gifts of the most highly paid people in the company. The company and its leaders spend much money near home. Key points to consider:

- Quality of life issues are far more important to companies that are headquartered here. High tax issues are far more important to companies that are not.

- Local small business startups are extremely important. Most large businesses were small businesses at one time. Of the 25 largest U.S. companies in 1998, 19 were either small businesses or did not exist in 1960⁹. Topeka's best chance to have another Fortune 500 company headquartered here is for us to grow our own.
- Privately-owned businesses get their equity from personal savings and profits. The more savings and profits you take away for taxes, the less equity they will have, and the less they will grow.
- We need to be very aggressive about finding out about and courting any new executives that might be moving here. A special work group or committee to lay out the red carpet for these families long before they move here could result in more executives living in Topeka.
- We need to undertake a loyalty program with major CEO's to strengthen ties to the community.
- Perhaps we should create a Mayor's Business Roundtable, to meet monthly with the Mayor/City Manager to discuss business issues as they arise – not limited to development, but all sorts of issues.

⁹ "Creators of Our Prosperity", U.S. News and World Report, June 8, 1998, Page 64.

CHAPTER 6: NEED FOR SUPPORT OF TOPEKA BUSINESSES

The BF committee received a large number of comments from Topeka business owners about the need for local support for our own businesses. Topeka is blessed with a great number of businesses which provide quality products and services. Every effort needs to be made to encourage government, particularly at the local level, to support businesses in this community. Whenever local businesses contract with the public sector those businesses provide jobs to local citizens and wealth that moves through the local economy. Additionally, local businesses pay taxes to provide funds for additional public projects and services. It is incumbent upon local governments, school districts, and other publicly funded entities to keep public dollars in our community. The Business Friendly Committee strongly promotes this action and challenges our local officials to do everything in their power to utilize businesses in Topeka/Shawnee County.

The BF committee also asks that the business community also support other local businesses wherever possible. There are numerous opportunities for the private sector to become familiar with other local businesses in the community. Efforts need to continue to inform and encourage new businesses to utilize service providers and retailers within the Topeka community. In an earlier chapter the committee suggested a "Buy Topeka" program and a business loyalty program. The business community through organizations such as the Greater Topeka Chamber of Commerce, GO Topeka, the North Topeka Business Alliance, North Topeka on the Move, Downtown Topeka, Inc. and others need to be vigilant in promoting the use of local companies to each other.

Conclusion: Topeka should absolutely not adopt any formal preference policies, but when a choice between a local or out-of-town entity exists, we should put a high priority on giving the work to the local party. Private businesses should be the first choice to perform government work that can be done properly by private firms.

CHAPTER 7: TOPEKA TAXES COMPARED TO OTHER CITIES

The costs of taxes are of major concern to business:

- They are not controllable expenses.
- Taxes add to the cost of doing business.
- Taxes play a role in the competitive situation of a business.
- Equity capital for smaller businesses comes mainly from profits. More taxes means less growth capital and less growth.

Topeka utilizes many types of taxes, and for most of them, our tax rates are among the highest in the state. High taxes make Topeka businesses less competitive and prevent the growth of equity capital for privately-owned businesses.

The committee has gathered tax information on Kansas cities with populations of 10,000 or more. In several cases, both 2003 and 2004 data was examined. The 2004 data was used if available. Where city names are not listed, no information was obtained. Where city names are listed, but no tax rates, the city either does not have that tax or it was not reported to the authority¹⁰ from which the statistics were obtained.

PROPERTY TAXES

County	2004 Urban Average Mill Levy ¹¹
Wyandotte	159.173
Jackson	148.741
Lyon	148.193
Geary	147.088
Shawnee	143.824
Jefferson	141.767
Waubaussee	141.048
Leavenworth	134.458
Harvey	134.020
Crawford	133.252
Osage	128.032
Ellis	124.012
Saline	120.591
Riley	118.526
<i>Shawnee Co. Rural</i>	<i>117.996</i>
Pottawatomie	117.150
Sedgwick	114.316
Johnson	105.968
Douglas	105.515

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¹⁰ 2004 and 2005 annual surveys of members by the Kansas League of Municipalities, capturing mostly 2003 and 2004 information. Where the 2005 figures have not yet been furnished by the cities, the figures from the 2004 survey were used.

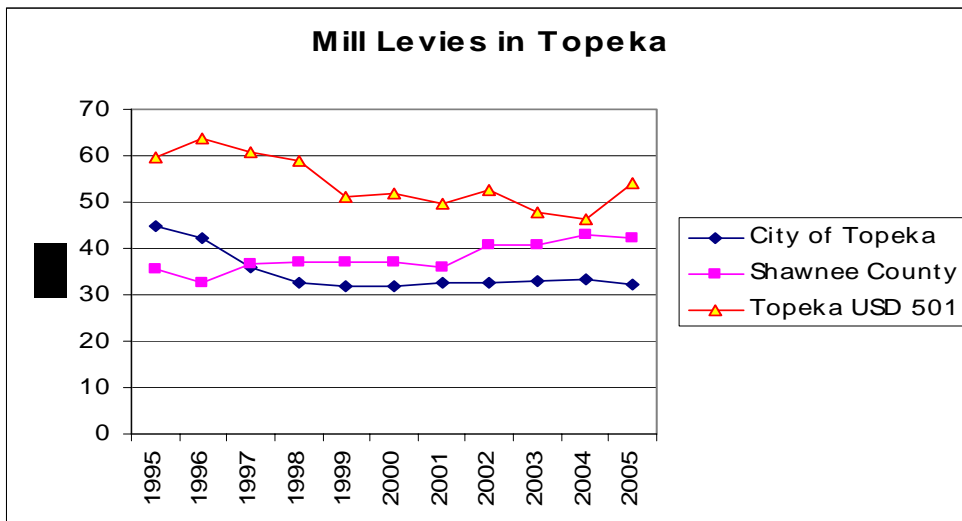
¹¹ "Average County Levies on Tangible Property Valuation", 2002-2004, Kansas Department of Revenue. <http://www.ksrevenue.org/pdf/02-04TableIVavglevies.pdf>. (Note that the rural and urban index columns for 2004 are reversed.)

Note that in Shawnee County, the 2004 rural average mill levy was 117.996, which is higher than the urban levy in Sedgwick, Johnson, and Douglas counties.

The mill rates listed above are a total of all the levies by all the taxing entities within the urban areas of the counties. The City of Topeka has, over the years, aggressively and successfully worked to hold down its mill levy. The Committee commends the efforts of the city council and city department staffs for those actions.

Even without mill levy increases, property tax revenues to the city have increased significantly every year because of valuation increases. Additional dollars are made available to all taxing authorities as appraised property increases in value or additional property is added.

The chart below shows, for residents of the City of Topeka, increases in the Shawnee County mill levy over the past ten years have basically wiped out the decreases in the Topeka mill levy. In spite of tens of millions of dollars of increases of state and federal funds for USD 501, the district mill levy is back up to 54.01 mills, only marginally lower than its 59.59 mill levy of 1995.



SALES TAXES

In July 2003, two new local use taxes were enacted by the Kansas Legislature. These fall almost entirely on businesses because very few individuals pay consumer's use tax, while most businesses do.

From 2003 through 2005, Topeka's sales and use tax revenues will increase \$1.72 million, part of which is accounted for by the sales tax increase of .25% that took place on July 1, 2005¹².

City	Sales Tax Rate
Kansas City KS	7.550%
Overland Park	7.525%
Topeka	7.450%
Junction City	7.300%
Leavenworth	7.300%
Osage City	7.300%
Manhattan	7.300%
Wichita	7.300%
Lawrence	7.300%
Hays	7.050%
Salina	7.050%
Holton	6.950%
Emporia	6.800%
Pittsburg	6.800%
Newton	6.300%

FRANCHISE FEES

Topeka's franchise fees, which fall heavily on businesses, were increased dramatically in July of 2004. These increases produced about \$600,000 in new revenue in 2004 and will produce another \$3,075,000 in 2005. Fewer than 40 Kansas cities have franchise fees. Topeka's franchise fees offset ten mills of property tax.

From 2003 to 2005, the increase in franchise fee revenues is 55%.

Franchise Fees ¹³ City	Population	Cable/ CATV Rate	Elect. Rate	Natural Gas Rate	Phone Rate	Other Franchise Fee Rate
Merriam	10,835	5.00%	5.00%	5.00%	5.00%	7.00%
Topeka	122,008	5.00%	5.00%	5.00%	5.00%	5.00%
Prairie Village 2003	21,514	5.00%	5.00%	5.00%	5.00%	5.00%
Leavenworth	35,211	5.00%	5.00%	5.00%	5.00%	0%
Liberal	20,067	5.00%	5.00%	5.00%	5.00%	0%
Pittsburg 2003	19,086	5.00%	5.00%	5.00%	5.00%	0%
Newton 2003	17,913	5.00%	5.00%	5.00%	5.00%	0%
Derby 2003	18,908	5.00%	5.00%	5.00%	?	5.00%
Gardner	11,670	5.00%	5.00%	4.00%	5.00%	0%
Lenexa 2003	41,249	5.00%	5.00%	5.00%	3.50%	?

¹² Official rates for the third quarter of 2005, Kansas Department of Revenue.

¹³ 2004 and 2005 annual survey of members by the Kansas League of Municipalities, capturing mostly 2003 and 2004 information. Where the 2005 figures have not yet been furnished by the cities, the figures from the 2004 survey were used.

Shawnee	54,093	5.00%	5.00%	3.00%	5.00%	0%
El Dorado	12,686	3.00%	4.00%	5.00%	5.00%	0%
Leawood 2003	28,270	5.00%	5.00%	5.00%	2.00%	0%
Ottawa	12,031	5.00%	0%	5.00%	5.00%	0%
Unified Gov't 2003	146,978	5.00%	?	4.00%	5.00%	0%
Great Bend	14,927	5.00%	5.00%	3.00%	0%	0%
Overland Prk 2003	158,430	4.50%	3.00%	2.50%	3.00%	0%
Lansing	10,032	5.00%	3.00%	0%	3.00%	0%
Parsons 2003	11,289	3.00%	3.00%	5.00%	?	0%
Lawrence	82,120	3.25%	4.00%	0%	2.00%	0%
Garden City	27,216	5.00%	0%	4.00%	0%	0%
Winfield	12,016	5.00%	0%	0%	3.00%	0%

In the above chart, the latest information submitted by the cities is shown. Where the rate is shown as zero percent, there is no tax. Where it is shown as a question mark, there may or may not be a tax. The franchise fee rate for electricity is 3% in Salina and Manhattan, and 5% in Wichita, cities not included above.

Conclusions: The committee is concerned about the high level of taxes in Topeka, particularly in the tax rates but also about the number of types of taxes.

CHAPTER 8: TOPEKA DEVELOPMENT ISSUES AND TAXES

Topeka and Shawnee County are highly co-dependent. Whatever benefits Topeka benefits Shawnee County and vice versa. Whatever harms Topeka harms Shawnee County and vice versa. With the demise of the joint city-county planning department, contradictory and damaging decisions to city-county growth have had a negative effect on overall growth and development.

For many years, development occurring outside the city limits was unregulated. Efforts to annex potential growth areas prior to development were nil. More recently there have been steps taken to control growth or even prevent it. Twenty-five years ago, it was possible to build residences in the county as long as there was 60 feet of frontage on a public road. To limit the number of houses that could be built, the law was changed to require 200 feet of frontage on the public road and a minimum 3-acre lot. This did not stop residential development, it just reduced the density of homes and pushed development further out, even out of the county. The result is that it will be very expensive to provide city-level services to those areas. Expansion of infrastructure was haphazard and land use planning was not in evidence.

Strong residential development usually occurs near new school buildings in rural and suburban areas. When Washburn Rural, Seaman, and Shawnee Heights districts built attractive new schools further out, we failed to develop plans to support residential development around them. Planning decisions not to enhance the roads, water and sewer access have limited development around the outlying schools, retarding growth both inside and outside the city.

In Topeka, when three new grade schools were built, they were built in areas of the city with declining neighborhoods, limiting the opportunity for new residential developments around the schools. Similar issues are found in the area near the new USD 501 sports complex, requiring multi-million dollar street projects to make it more accessible. The lack of coordination between the city and the school districts is resulting in negative population and economic growth.

The Business Friendly Committee has heard about a number of distressing development blunders. An example that has come to our attention is a devastating decision in the city's refusal to approve the final plat on a subdivision at 45th and Auburn Road, even though the developer had followed all the rules and regulations and was entitled to approval. In this case, the city stopped a development that could easily have become part of the city in the future. There is more information about this particular problem in Appendix A.

Quality residential developments inside the city will work, as has been proven by McFarland Farm, Clarion Woods, Westboro Place, Randolph Square, Berkshire, Welton Grove, Misty Harbor, and others. The development community has expressed significant concerns regarding housing developments and the inability to find cooperation for residential building in the areas surrounding the city. Those concerns included:

- the constant discord between the city and county
- the lack of clear decisions regarding annexation and providing water and sewer service

- the difficulty within the municipal service areas (MSA) surrounding the city in determining who is in charge and who is responsible for making decisions
- the double fees collected in the municipal service areas
- the problems associated with having 2 planning departments
- the lack of a realistic land-use plan that is flexible enough to accommodate the need for change
- the need for planning staff and a planning commission that wants to assist developers rather than find reasons to stop or delay a project
- decisions by the city council to discourage residential development around the fringe of the city

The Committee has identified major concerns with the planning function within the city. The decision to split the department and create a city planning and county planning has not been successful. The development community is extremely frustrated with the difficulty in getting projects approved and through the planning process. Unclear authority governing areas of the community have been a major impediment to development. Slow approval of projects, lack of “friendly” professional staff willing to work with the developer to address issues and provide flexibility have caused a loss of building projects and inflated developer costs on projects.

Common Sense Flexibility In Planning

Disregarding land costs, identical business buildings on the Wanamaker corridor and East Sixth Street will have radically different market values when finished. The Wanamaker building might be worth 125% to 150% of its costs. The East Sixth building might be worth 50% to 75% of its costs.

The same is true for residences. A \$125,000 new house in Welton Grove is likely to appreciate in value, while the same house on East 4th Street and Golden might cost only \$110,000 because of less expensive land costs, but would likely have a market value of \$75,000 or less because of the neighborhood, even with a new school nearby.

Developers complained to the committee that idealistic and unreasonable requirements are driving up the costs of construction, making some development less feasible. It makes little sense to discourage projects in areas of the city that are less in demand by requiring extensive landscaping and architectural enhancements when the new structure alone will greatly enhance the neighborhood.

Unless the city finds ways to stabilize declining neighborhoods, large areas of the city will continue to deteriorate and thin out as buildings and houses reach the end of their useful life. The city must strongly encourage commercial development and re-development in declining areas by giving consideration to waiving some requirements. Waiving landscape requirements and other non-safety issues may make the projects more feasible. This issue is one the BF committee had significant input stressing the need for immediate attention.

Recommendation: It is important that city officials recognize differences in the community and encourage development in distressed areas by allowing flexibility in some development requirements. Instead of forcing idealistically high requirements on projects in distressed areas, the city should allow variances that will encourage projects to be built, thereby increasing the neighborhood's appeal and value.

Development Services

One exception to this myriad of development problems must be noted. All of the comments received by the Committee regarding the Development Services Department led by Miriam Berke have been glowing. Under her leadership, the concept of "one-stop service" is being provided to the customer – the development community. She is described as "pro-active" in helping draw a road map for those seeking to build, advising of what needs to be done and what roadblocks they might face, and in getting other parties together or in step to help the project move forward. The Committee is pleased that the Development Services Department understands the need to be "business friendly", this model should be emulated throughout city departments.

Planning

The Committee has received very little positive feedback regarding the City and County Planning Departments. There have been multiple complaints of favoritism, appeasement of the politically powerful, non-productive attitudes, condescension, and more. Virtually no one thinks the departments are customer-friendly. In general, comments about professional competence have been positive, but there have been some negatives, too. There is also concern that the city department is overstaffed.

Down-Zoning

The Committee has received comments regarding areas of the city that have been down-zoned. The intent of down-zoning was to address residential concerns but commercial properties have been negatively affected. The Committee believes there needs to be a review of the down-zoning decisions of commercial properties to determine a more business friendly answer to businesses located in those areas. In many instances the businesses have been a part of those neighborhoods for many years and have provided residents in the area with employment, services and goods. Accommodations need to be made for business development and growth where it is feasible and not a detraction to the neighborhoods. The requirement for new zoning with each building expansion of 10% or more adds great expense and red tape, and is preventing businesses from expanding.

Building Permit and Construction Fees

Cities use widely varying methods of computing building permit fees. Topeka is competitive on residential permits, but high on commercial permits in most cases. Add 25% to the following fees for permits outside the city limits.

FOR A 10,000 SQ FT \$500,000 COMMERCIAL BUILDING			
	Year	Building Permit	Plan Review Fee for Same Building
Topeka	2005	3,234	1,294
Lawrence	2005	3,234	0
Overland Park	2005	1,900	950
Salina	2005	2,823	0
Manhattan	2005	2,619	0

CHAPTER 9: CONTRACTOR LICENSING & FEES

The City of Topeka recently expanded the types of contractors and sub-contractors who are required to have a city license. In order to qualify for a license, contractors must carry insurance that they were not required to carry previously. Prior to applying for a building permit a contractor must now be licensed.

The new licensing requirements have caused a great deal of consternation in the contractor community. Some contractors are no longer able to work. Some find difficulty in acquiring the required insurance and/or the insurance costs are prohibitive, particularly if the contractor did not carry certain types of insurance prior to the new requirements.

Topeka is among the last of Kansas cities to have broad contractor licensing requirements. It is good public policy to require contractors to be insured and make sure they have a reasonable knowledge of their trade. Insurance protects clients, employees, and even the general public. And failure to carry insurance is one of the chief characteristics of fly-by-night contractors.

People don't like changes, and that explains most of the grouching about the new licensing requirements. Nonetheless, there are some legitimate complaints that should be addressed:

- Topeka's licensing fees are very high compared to most cities.
- Some contractors have been disenfranchised by the insurance requirements.

Testing And Training For Contractor Licenses

Even though these requirements have been expanded recently, and there is some angst among those who have new hoops to jump through, this is good public policy. We certainly don't want electricians wiring houses without being highly skilled, or framing contractors erecting structures that might fall down. These are safety issues. We need strict licensing requirements for these trades. Lives are at stake.

It is in our interests to make sure contractors are at least basically qualified in their trade and that we keep fly-by-night contractors from victimizing citizens. On the other hand, it is beyond the role of city government to assure citizens are wise consumers. Licensing requirements for each trade need to make sense in the context of public safety and degree of skill required for the trade. On the other hand, unreasonably restrictive requirements serve as a barrier to entry in a trade, limiting competition and driving up prices.

In Appendix A, Jerry Young of Young's Landscaping has a complaint about licensing that probably merits a review of the requirements for "lawn irrigation contractors". If a back flow prevention valve is first installed by a master plumber, there appears to be no other issue that should prevent Mr. Young from getting training in the field and then being licensed without having a master's license.

Contractors' Liability Insurance Coverage

Topeka licensing requires that a contractor carry general liability insurance with a \$300,000 limit. The general liability coverage is not a problem; however, the wording of the ordinance also requires "independent contractor's coverage". Commercial building contractors can easily get that coverage and should. Very few residential building contractors can get it.

The "independent contractor's coverage" wording is a big problem and should be removed from the ordinance entirely. The commercial contractors will still carry it because virtually all commercial construction contracts require it. Most residential contractors have been disenfranchised with this requirement.

The effect is to require a residential contractor to have coverage for the faulty work of a subcontractor. The insurance industry never intended to insure against faulty work. The insurance covers losses resulting from poor quality work.

For example, if a roofing contractor improperly installs a roof, and a fire results which burns down the entire structure, the insurance would pay to replace everything except the roof itself. The roofing contractor would be responsible for replacing the roof as a warranty issue. However, in recent years, courts have distorted this issue and forced the prime contractor, who didn't cause the damage, to cover the subcontractor's faulty roof work. Most insurance companies are now endorsing their residential contractor policies with language that specifically eliminates any such coverage. A few well-established contractors can still get the old language in their policies, but it is very difficult for new firms.

By having the "independent contractors coverage" language in the licensing ordinance, Topeka has created a major barrier for new residential firms to enter the contracting business. "Paper" contractors, who subcontract all the work, are now required to have insurance that they cannot get or can get only at an exorbitant cost.

Topeka should eliminate this requirement from the ordinance for the following reasons:

- The insurance industry isn't going to start providing coverage because any city mandates it. The industry views such exposures, especially for residential contractors, as uninsurable and no city ordinance is going to have an noticeable effect on that trend.
- It would be very difficult for the city to police such a requirement. The standard way of evidencing the existence of insurance is with a certificate of insurance. That form does not disclose "limiting endorsements". The city would have to become much more specific in what evidence is required and would have to review that evidence closely for compliance.
- As mentioned earlier, coverage is difficult to get but not impossible. Some long-time builders may have policies that do not exclude the coverage and those policies may be renewed. Others may be able to find coverage from an "unsuspecting" insurer. But many, if not most, residential contractors will find it impossible to buy or very expensive. This will have the effect of limiting eligible contractors.

Workers' Compensation Insurance Requirements for Licensing

The circumvention of workers' compensation laws by some contractors is a long-standing problem in Kansas, and the city is right to try to stop abuses. The way the city has worded its workers' comp requirement appears to tie it to State law, which is a very good idea. If State law does not require coverage, neither does the city. In Kansas, a sole proprietor independent contractor with no employees is not required to carry Workers' Compensation Insurance. This has been widely abused, however. Contractors claim to be independent or use subs who claim to be independent for the sole purpose of avoiding buying coverage.

In Kansas, the prime contractor is considered a statutory employer of the employees of any uninsured subcontractor. There are cases where an injured independent subcontractor is able to collect from the prime because a court finds that they didn't meet some of the tests of being an independent contractor. They are found either to be the employee of an uninsured sub or the direct employee of the prime.

Paper contractors, who subcontract all the work, can obtain worker's compensation coverage for about \$750 per year if the prime has no employees and its subcontractors have their own worker's compensation. If the insurance company finds employees or subs without coverage in its annual audit, it will charge the prime for workers' comp for those employees. If the auditor finds none, the contractor will get a \$550 refund, leaving the ultimate out-of-pocket costs at \$200 per year¹⁸.

This will not stop abuses completely because a prime or a sub can obtain insurance, then cancel it after the certificate of insurance is issued. This is a dishonest practice and it is not without risks, but it can happen. Kansas subcontractors who are genuinely sole proprietors have no legal way to avoid being covered by either their own or the prime's workers comp insurance.

Recommendation: No action is needed on workers' compensation requirements in the ordinance.

¹⁸ Kansas Rule 3-A-16-b-2.

CHAPTER 11: DOWNTOWN TOPEKA

In doing interviews for this report, the Business Friendly Committee has received numerous comments about downtown Topeka and the Business Improvement District Tax, and we think it is important that we present them in this report.

There is considerable disagreement in the committee and in the community whether a “vibrant” downtown is an important “business friendly” issue. Obviously it is important to downtown businesses and to many citizens, but there are disagreements whether it is important to businesses that are remote from downtown.

Whether “vibrant” is a “business friendly” issue or not, most members of the committee feel it is highly unlikely downtown will achieve “vibrant” without public funding.

Business Improvement District Tax

Topeka is one of only three cities in Kansas with a “Business Improvement District” tax. Downtown Topeka, Inc. receives all of the revenue, currently about \$200,000 per year, from the B.I.D. tax, and uses it for promoting downtown and maintaining certain common areas. DTI accounts to the city for the money each month.

BUSINESS IMPROVEMENT DISTRICT TAX	Population	B.I.D. Tax	Report Year
Topeka	122,008	209,899	2004
Overland Park	158,430	88,488	2003
Hutchinson	44,703	16,661	2004

The Topeka B.I.D. has been around for many years. In 1999, the area of the district was greatly expanded, taking in many non-retail and non-office businesses that are remote from the core retail area.

Topeka’s B.I.D. tax is reset every January. Right now it is 4.9 cents per square foot. Last year the maximum tax on any single business was \$11,000. and five businesses paid the maximum. Businesses with under 1,000 square feet do not pay the tax.

Comments Favoring Public Funding of Downtown

- Many Topekans wish our downtown to be more vibrant, many times comparing it to downtown Lawrence. There is a desire for downtown Topeka to be busy, pleasant, and inviting, an exciting and fun place to be that is active in the evening, where lots of people live in the area, and the residential areas are healthy and vibrant as well.
- Such a downtown would certainly be “business friendly” for downtown businesses and for the citizens of Topeka.

- A thriving downtown area may entice more of the people who work here to live here.
- An appealing downtown attracts both visitors and new businesses. Doing business in a city that has a healthy downtown affects the quality of life and makes the community more desirable for businesses to locate in Topeka.
- An attractive downtown promotes pride in the community and reflects the commitment of the citizens to the city.
- If a thriving downtown increases city revenues, it could provide tax relief to businesses throughout the community.
- The B.I.D. should absolutely not be eliminated. That would kill Downtown Topeka, Inc. At the very most, we might consider re-examining the boundaries. Calling for the elimination of the B.I.D. is too strong a statement.
- Since 2001, the city's Downtown Redevelopment Grant incentive has assisted in the opening of 25 new dining, entertainment, and retail businesses, 6 new offices, and 27 new residential units.

Comments Unfavorable to Public Funding of Downtown

- Most of the businesses added to the B.I.D. tax district in 1999 receive no direct benefit from the expenditures. Many of those businesses continue to be very angry about being forced to pay this tax. They say it is a highly unfair tax which takes money from some businesses for the benefit of others.
- This unfair tax sends the wrong message to a number of Topeka's most important employers.
- This is just another example of how tax-happy Topeka officials are. This tax should be eliminated entirely. If the city council thinks the downtown area or Downtown Topeka, Inc. deserves special funding, it should come out of the general fund and be subject to annual budgeting by city officials.
- Downtown is no more deserving of public money for shoveling sidewalks and special promotions than many other areas in town that receive no funding.
- Businesses outside the core downtown area do not benefit much, if any.
- It is not vital that Topeka have a "vibrant" downtown, but it cannot be shabby, either.
- The decisions to de-emphasize the downtown area for retail and as our convention area were made years ago and cannot be reversed now.
- If the city thinks downtown is so important, why did they buy the isolated EBA building and abandon 515 S. Kansas?
- Maintenance of the downtown streets, sidewalks, and plantings should be the responsibility of the city.

Other Issues Concerning Downtown

Downtown provides challenges because it is not financially feasible to restore some of the current buildings. It is also costly to demolish them. The city needs to delve into methods to clear property and provide the needed infrastructure such as additional parking, especially street-level parking.

The committee heard many comments about downtown parking and parking fees. Parking meters are now very expensive compared to other cities, notably Lawrence. More inexpensive or free street-level parking is needed, perhaps along with more stringent enforcement to prevent downtown workers from monopolizing it.

In Appendix D, there is a write-up about Oklahoma City and how it improved its downtown area with a development project that included the nearby river.

Also in Appendix D, there is a write-up of conversations with George Fletcher of Greenville, South Carolina. He has been a key player for more than twenty years in the redevelopment of downtown Greenville. They adopted a “barbell” approach – a large Hyatt Hotel complex on one end of the development area, and a large performing arts complex on the other end, five blocks away. The first floor of the Hyatt is a public park. Main Street was narrowed to two lanes and no longer carries much traffic. The extra space at the sides is used for sidewalk cafes and other uses. Fletcher says the office workers drive downtown development, and downtown development attracts offices. Neither aspect will drive downtown development on its own.

CHAPTER 12: WORKFORCE ISSUES

As mentioned in Chapter 3, larger Topeka businesses are generally satisfied with the quality and availability of our workforce. However, eighteen percent reported that they had difficulty finding individuals with specialized training, and recruiting from out-of-state or even Kansas City is often difficult. Others noted that many local entry-level employees lack basic work skills. In some job specialties, there are shortages from time to time of technically trained people, which are generally supplied by technical colleges.

Topeka businesses draw from six surrounding counties in addition to Shawnee County. This large employment area is a distinct advantage to city employers, and it is an advantage that can be used as a strength in attracting new businesses.

One solution is to train those workers here. At least for larger employers, the workers can be specifically trained for the jobs that are available.

Kaw Technical School has an advisory committee that reviews its programming and attempts to tie it to the occupational outlook for the next 5-10 years, but could benefit from a stronger tie to the Topeka business community as it plans for future needs.

In one case, KATS learned there was a critical need for machinists. By the time the school found teachers, adjusted the curriculum, enrolled and trained students, the need had shifted and the graduates had difficulty finding the jobs. Right now, their funding is enrollment-based, so they have to discontinue programs in order to start new ones. The state legislature controls higher education funding, and it has lagged severely in recent years. There might be some need for some local funds to assist with program development and start-ups to meet business needs.

There is a large pool of students for whom technical education would be appropriate. Data from the State Board of Regents indicates that for every 100 ninth graders, 74.4% graduate from high school and approximately 50% enter college; only 32% are enrolled after 2 years and only 21% graduate. However, the message to most young people is that in order to be successful you have to go to college. Training in technical professions is often not considered; yet, workforce needs demand more technically trained graduates.

Recommendation: Businesses and business advocacy groups should work with the Kaw Area Technical School to enhance the image of technical training for students coming out of high school, as an acceptable alternative to college preparation.

APPENDIX A**NOTES FROM INTERVIEWS WITH BUSINESS PEOPLE
(Suggestions, Notes, Reports, Incidents)****DAVID ALLISON, MANAGER, CBIZ ACCOUNTING**

What is a "business friendly" community? Most states and communities look at such areas as education, taxes, transportation, cost of living, housing, aesthetics, ethics and honesty, governments, crime, etc.

RANDY AUSTIN, FAIRLAWN PLAZA SHOPPING CENTER

When Randy first came to Topeka, Topekans were being told that their taxes would be lowered if the race track was built. When he questioned some local leaders about that, he was told "the only way to get Topekans to do anything is to tell them it will lower their taxes".

Randy also mentioned the old Capital-Journal story about Mel Simon, developer of West Ridge Mall, saying that the property taxes on that mall were by far the highest of the more than fifty malls he owned in the U.S.

A few years ago, Randy was getting close to making a deal to build a Topeka building for Brandsmart, a Kansas City firm with audio-visual/television/audio stores. Randy was very optimistic when he was able to quote a lower square foot lease rate than the owner, Bill Berg, had on his KC stores. However, when Berg saw the taxes calculation, he immediately dropped the deal, saying, "I have absolutely no intention of paying taxes like that".

JO BEILMAN, GO TOPEKA

Here are some observations from my many visits with Topeka businesses: Of businesses that respond negatively, high taxes are mentioned as a problem more than anything else. Topeka's location and connectivity are considered excellent. Redeveloping downtown with a combination of living quarters and retail stores feeding upon one another is mentioned by a broad cross-section of businesses.

BOB BERNICA, KAW VALLEY STATE BANK & TRUST

Topeka has about 800,000 square feet of office space vacant. We also have a lot of warehouse space, including 508,000 in one complex at Forbes. Our high taxes are definitely a detriment to growth. Interest and principal hasn't started yet on some of the \$300 million of bonded indebtedness. They talk about no mill levy increase but our property values and sales taxes increases have produced much greater revenues, and all of it is being spent. High taxes are the biggest detriment to the growth of this beautiful city.

STEVE BRIMAN, BARTLETT AND WEST ENGINEERS

Overland Park and Lawrence are just as hard or harder to do projects in as Topeka, but there are lots more people wanting to do projects and they can get away with it.

It hurts Topeka to lose any project because we are not a “hot” area like some others. We need to work very hard to make every reasonable project work.

Topeka should work very hard to get the urban areas of the county into the city, but leave the rural areas alone for the most part.

He strongly supported the change to the city manager form of government, but if we keep going the way we are, we will never realize any benefit from it. We've set the salary low, elected officials continue to go directly to city staff, and other things that are being done will go a long way toward making sure the city manager form of government won't work here.

MAYOR BILL BUNTEN

The city government's attitude should be “We want to help,” not just “Here's a list of things you need to do.”

CHRISTY CALDWELL, VICE-PRESIDENT, TOPEKA CHAMBER

There has been a lot of change, especially with the change in the form of city government and with the consolidation work being done. We need a partnership between the city and business, not an adversarial relationship. There are a few people who don't want things to work, and they get most of the attention. The majority of citizens want things to work well. We need to get beyond our history.

SAM CARKHUFF, REALTOR, PRUDENTIAL REALTORS

...the current situation with two planning commissions and two staffs and two permits is like being a pinball – the builder is tossed all over the place. There has to be a way to have quality construction without all this.

MEL CHAPMAN, COOK FLATT & STROBEL ENGINEERS

Our attitude should be “How can we help with your project?” We should design the procedures so that any public backlash will show up early in the process instead of late. By the time a project reaches the council, it should have a very high percentage chance of passing. No use doing a lot of expensive and time-consuming design work just to have the council kill a project.

KENNY CLARK, TEAMSTER LOCAL #696

There's a lot of negative portrayal of Topeka in the media. We need to take care of the businesses we have first. It is easier and smarter to nurture a business that is already here than to get one to move here.

GEORGE COE, LANDMARK BUILDING CORPORATION

The Legacy Woods Development was held up for two years while the city and county used this development to go to war against one another. (Using the rule of thumb that delays cost about 1% per month, this delay cost the developers 24%.)

This is a huge development – about three hundred lots. The value of the property will be \$75 million or more when it is completed. The city refused to furnish water

even though the water was already there and the developers agreed to pay the higher out-of-city prices for it.

The developers also agreed to be annexed. This would be an "island" annexation – it was not contiguous to the city limits at the time, but the city has rights to annex most or all areas in between and has been moving that way along S.W. 41st Street. Even though plans to widen 41st Street were already approved, there was a lot of concern about traffic, even though traffic from the new development would not come into play until after 41st is widened.

At a city council meeting, a city commissioner angrily and loudly berated the developers and accused them of underhanded tactics.

Once the city agreed to furnish water, the county refused to approve the plat and pressured the developer to sue the city instead. A county commissioner was very worried about who was going to plow snow on one mile of road. Planning Director David Thurbon was fully supportive of the developers before the commission meeting, but at the meeting did a complete about face when confronted by tough questioning from a county commissioner.

This developer played by all the rules, but the rules were changed several times during the process. Said Coe, "Developers here are treated as if they are the enemy. I will never try to do another development here."

Neil Dobler – class act. Miriam Berke – class act, very helpful. Dave Streit – great, works with you and helps you. Other inspectors – very difficult -- should have joined the Military Police instead of becoming inspectors.

Coe on Miller's Glen
21st & Indian Hills Road
Developer – Bill Roland (spelling?)
Builder – George Coe

The developers wanted to make the streets more attractive by splitting the lanes and putting islands in the middle. This would result in more than one-third of the area being dedicated to green space, and it makes a very attractive street. This is being done a lot in Johnson County. The city refused to allow it because they didn't have standards for such streets and were unwilling to publish them, even though they could have easily been obtained from other cities. In the end, the developers had to keep the streets private in order to build them the way they wanted to.

Coe on Licensing

In order to install a humidifier on a furnace, a sheet metal worker must cut the hole and install the humidifier. A plumber must attach the ¼" water tubing. An electrician must install the low-voltage valve. There is absolutely nothing dangerous about a humidifier. All this does is make them extremely expensive in Topeka.

BARBARA COWDIN, HOME BUILDER

Cowdin is a home builder who uses subcontractors for 100% of the work – a "paper contractor". Her business has no employees except owners, and owners don't have to have workers' comp insurance. Has been building low-cost family homes for more

than 30 years. Has built more than 200 homes. Has a development in East Topeka in area where Boyles Joyland used to be. All adjoining areas have above-ground electric utilities. She is now required to have underground electric at a cost of \$750 per home, even though the power will come to her property on wires.

When licensing law went into effect in December, she wasn't notified. Now has to pass a test while the ones who were notified don't.

So far she hasn't been able to get the insurance required. She has been told it will be \$15,000 at least, which would mean \$7500 per house for her this year if she can get started on time. She spent tens of thousands putting in a street, but now can't build on the lots next to it even though she owns them.

(We are working on finding affordable insurance for her. Is it smart to kill off one of the only infill projects in East Topeka by making her do stuff that hasn't ever been done in that neighborhood?)

KEN DANIEL, CEO, MIDWAY WHOLESALE, TOPEKA

From a development standpoint, Topeka has been very "business friendly" to us. We have been especially happy with Miriam Berke, and have benefited from her "one-stop" efforts a couple of times. On the other hand, there have been a couple of instances where I feel the city's position was bad policy.

Midway's Last Project

When we built the new Heartland Door and Window warehouse at 1300 SE 2nd in late 2000, storm water retention became a big issue in spite of the fact that there would be less runoff than there had been in 1965, and the storm water infrastructure had not changed. In a nutshell, we had to spend major bucks to solve a problem our property had nothing to do with. Our choices were to abandon a vital parking area, abandon a future development area, spend major bucks for a fancy underground retention structure, or turn less valuable land into a virtual swamp. Mayor Wagnon solved this problem by selling us a small piece of otherwise unusable city-owned land for \$1.

Abandoned Project

About three years ago, we decided to invest \$1 million in a new building to expand our showrooms and offices and replace the old school building we occupy. We had been through a P.U.D. process a couple of years previously, but the new project was more extensive. We were told that we would have to go through the entire P.U.D. process again, allow more of our land to be pulled into the new P.U.D. even though it would not be built upon, and put pretty little green "islands" of trees and shrubs into our parking lots. We cancelled the project and expanded our Kansas City operation instead.

Flexibility Needed

When we build here in East Topeka, the resulting structures are worth only 70% to 80% of the costs to build them. All eight of the projects built in our 18-block neighborhood in the last 40 years are business structures. None of them included trees and shrubs, and only one was required to make storm water retention

improvements. By requiring parking lot islands, expensive trees and shrubs that don't fit the neighborhood, useless little 3' wood fences, storm water upgrades unrelated to the property in question, paving of alleys to new street specifications, and more, the costs have been increased so much that development in East Topeka is impractical and has virtually shut down. One size doesn't fit all. Topeka needs much more flexibility.

JIM DEINES, ASA MARKETING

Keep Topeka Money in Topeka.

The city should have a policy (and our chamber, and our public school system), to do business with Topeka firms. It is not business friendly to solicit, encourage, and benefit from business investment in Topeka to have our city spend taxpayers' money outside of the community. There is absolutely nothing that can't be figured out ...and often better... with local businessmen and women. We have to start supporting one another if we are sincere about making Topeka the best it can be. Exceptions should be with the agreement of the local businesses who were asked to help. Reasonable guidelines would give a leeway for competitive bids from local vs. out of town vendors and that should only happen when there are not three local businesses that offer the product or service. A process of final negotiations with the two lowest bidders could make up the difference. We all know the lowest bid is not always the best bid or wisest choice. A point system could be used to give points for chamber membership and participating in civic charities, sponsorships, etc. A little thought process could develop a good and reasonable system that would at least make the locals feel like the city preferred to do business with them and motivate them to do more for Topeka.

Image (Perception) is everything!

Put out a Request for Proposal (RFP) for a 3-year public relations campaign for Topeka targeted to the greater Topeka area including the trade zone of 500,000 people. This would give the city a chance to establish a new image for a new day. There is a right brand for Topeka that will work to win the hearts and minds of the trade area citizens. There is a process to insure that it is right and that it will work. Ask for budget recommendations in the RFP and make sure that the RFP is well crafted to challenge the participants to provide extraordinary presentations. Do this first class...not to be confused with expensive...and it will change the perception of Topeka forever for better and that is extremely business friendly.

MIKE ENGLER, BARTLETT & WEST ENGINEERS

Contractor licensing: This should be OK when the dust settles down. It will probably prove to be a good thing. The problem is that Topeka did nothing for 40 years, then caught up with other cities all at once. It ran up the price of new homes considerably – I've heard the figure of \$10,000 per home. The annexation issue undoubtedly played into this – it gives the city another way to extract revenue from development in the county.

Twenty-acre minimum lots: The proposal to require twenty-acre plots for building permits except when property is platted might kill virtually all building in the 3-mile zone. Even if septic systems are allowed, you can't have small enough lots to recover all the development costs. If septic systems aren't allowed, no development

will take place except where city sewer is available. Developers will presumably have to agree to annexation to get sewer hookups.

Building inspection: Process is valuable and vital. The biggest complaint I hear is that Topeka is inconsistent or was – I have no direct experiences. People want to do things right. They get mad when the rules change all the time, especially when inspectors disagree on a requirement.

Development, building, and inspection officials: By and large, staffers are very good. Some seem to be timid about taking firm stances and making tough decisions, probably because they have been second-guessed by multiple “bosses”. Maybe the city manager form of government will cure a lot of this.

Planning commission: Idealism is likely out of sync with Topeka reality. Topeka has lost population over the past 35 years. Shawnee County has grown by less than 15,000. We aren’t Vail CO or Ft. Collins CO or Greenwich CN or Johnson County KS. People aren’t so anxious to live here that we can adopt the severe restrictions that the “hot” areas have. Our restrictions have to be as reasonable as possible to attract development and population. If the Planning Commission gets revamped, maybe this will change.

City officials vs. county officials: Must sit down and work out differences whether the consolidation goes anywhere or not. Both sides have made retaliatory moves – lately some moves have been extreme. Both are harming the other, but harming themselves at the same time – “cutting off your nose to spite your face”.

“Deal Killers”: Some people are deal makers, and some are deal killers. We’ve got to have deal makers in control. Minutia can kill almost any worthwhile deal. Insistence on having every single detail worked out in advance is a favorite tool of deal killers. The only way to do the most complicated stuff is to start working the big plan and work out most details as you go along. Architects and engineers have their licenses on the line – we have building codes – minutia shouldn’t be allowed to delay and undermine progress.

Expedited Plan Review: Really bad policy. It’s hard to justify putting everyone else on hold while the people with the bucks go to the head of the line. This is like saying “if you want it in a reasonable period of time, you’ve got to pay double.”

Deleted:

DEAN FERRELL, FERRELL CONSTRUCTION

He has had few problems with officials on projects. His only real experience with another city is Overland Park, and they are extremely hard to work with compared with Topeka. He still doesn’t have a building permit on a project there, but thinks things are smoothing out.

He has had a problem with the fire inspectors. After complying with everything the department asks for in plan review, the department insists on a list of things that were never mentioned when it is time to get the occupancy permit. He will do what he needs to if they will just tell him in advance. Topeka should be consistent from start to end on a project, not to mention from project to project.

MATT FLERLAGE, CARPENTER'S DISTRICT COUNCIL #1445

There should be a go-to person that new businesses can contact. We don't need to give away as much in the form of special incentives if procedures are easier for businesses to follow.

RICHARD FORESTER, TCVB

The Topeka Convention and Tourism Bureau commissioned a study a year ago to determine the strength and weaknesses of our convention and tourism industry.

The study concluded that we have a solid tourism base in our community. However, people coming here cannot find the attractions.

The study recommended a gateway from the highway into the community befitting of a capital city, and also stressed the need for a quality, themed (to the capitol) wayfinding system to direct visitors to the attractions. Attractions that we have that are particularly good are those related to the arts, the museum, capitol complex and the pioneer village at Ward Meade. Additionally, people look to downtowns for dining and entertainment. There needs to be a master plan and concerted effort to create that type of atmosphere downtown.

Outside this area, people view Topeka in a positive way and see it as a destination for weekend visits and the like. In the first 6 months of the year, the TCVB has received over 5000 tourism inquiries, many of whom will visit. Tourism is a business that our community can encourage which will bring additional dollars to the city and county.

SCOTT GALES, ARCHITECT, ARCHITECT ONE

The planning department is my biggest beef. I am a major supporter of their intentions (to establish a minimum building and planning code for the city) but I think that they are very narrow-minded and short sighted in the day to day operations. I've heard a great deal of grouching in my professional community about how the department functions and questions about its competency. I don't know where to start about what to do with the planning department but I have some ideas.

ONE: If there are rules stick with them and make everyone follow them...don't waffle around and give different folks different levels of scrutiny.

TWO: If someone violates the building codes go after them. Make an example of people who aren't following the rules. It will make the rest of us in the construction and design industry feel that we are all working on the same level playing field.

THREE: Create a special packet for new businesses that may come to town or businesses that already are here that want to expand and build. Include information on building a new building or expanding an existing building. Include general information about obligations for building codes, landscaping codes, permits, inspections, certificates of occupancies, etc. Include information on professional service needs like architects, engineers, surveyors, builders, material suppliers, etc. Make it easy for a business to understand the process no matter what the project,

and promote our local ability to meet building expansion needs with services and materials.

The city needs to be more proactive about supporting and promoting some of the "big picture" projects that seem to be floating out there. I know there are plans for the riverfront; I am aware of a project for a major hotel to be built on a main street downtown; the Menninger Hill project could use some more help; continued promotion of the development of the old state hospital grounds; the Center Point Industrial Park. (Target was a nice start, but what have you done for me lately?)

Last but not least...we have to figure out how to have complete infrastructure extended by the city into areas adjoining the city limits, with the city having complete rights to annex those areas afterward. Lenexa, Overland Park, Lawrence, and Wichita have figured out how to extend full services to an area in exchange for annexation. The city should not be holding up development in areas it can't realistically serve, nor should the city be providing services to those areas. It's a chicken or egg thing – how much does the city do to have a future opportunity to annex? Do those other cities annex first and then build those "roads to nowhere" that later become developed areas? We are far more likely to get businesses to build in the hot areas than in the dying areas. The fight to stop residential development outside the city is also stopping commercial development both inside and outside the city.

KENT GARLINGHOUSE, M-C INDUSTRIES

Kent has about 350 employees and has done ten facility expansions in the past 34 years. Three of those were new facilities in new locations. None of them were in Topeka.

He feels that some Topeka leaders talk strongly about economic development, but their actions and behavior do not track with the talk.

He doesn't believe Topekans support their local businesses very well. "Ask your committee members how many of them use a private company for their trash collection as opposed to a government service. Ask them which fitness and athletic facilities they use – do they use private businesses, non-profit facilities, or public facilities? Do they attend Karen Hasting's theater productions, or Topeka Civic Theater, or TPAC, or Helen Hocker? The private businesses pay a wide range of taxes and non-profits pay some, but the public facilities are consumers of taxes and are extremely costly."

He believes high property taxes on commercial real estate are a big drawback.

Kent does not think his business has suffered by the lack of entrepreneurial vitality in Topeka. He long ago decided Topeka was what it wanted to be, and decided not to worry about it. In the end, he says "I'm glad we raised our kids here".

GORDON GARRETT, APPRAISER, KANSAS CITY

Moved from Topeka to KC. Topeka has suffered from a serious lack of leadership for decades.

Business property taxes are killing Topeka and Kansas. 40% of Goodyear's total property taxes in the U.S. are the Topeka plant's.

Topeka should have gotten busy and bought the Menninger Campus for \$8 million, but we didn't even try. Should have gone after a huge employer like an insurance company or credit card company to move their headquarters there. Probably too late now – the property is broken up into 8 or 10 pieces.

Topeka should still go after a huge employer with 5000 people or so and pull out all the stops to get them here, maybe still at Menninger's. (What about the old State Hospital?)

Topeka is a central location to at least 100,000 college students if you take in Johnson County Community College with its 30,000. If what is left of Menninger's became a high-tech research park, it could draw from those colleges.

MIKE AND BONNIE GISH, MIKE'S FRAME SHOP

They built an attractive and well-maintained building where there was only blight before, and are providing jobs to Topekans including people from East Topeka. They own additional property around them, which they keep well-maintained, and they have single-handedly cleaned up the full length of the alley behind their business.

Their zoning was reduced from C to X. Now they can't expand their building more than 10% without going through an expensive and complicated zoning process. The 10% is not enough to even add one work stall, so it might as well be 0%.

In effect, the City of Topeka has taken away part of their property value without any compensation whatever. There has not been nor is it likely that any residential building will be done on East 6th Street, so in effect the city has killed all or almost all development on this main street by down-zoning.

HERITAGE TRACTOR

Background: Heritage Tractor wants to build a \$2 million facility on 10 acres in North Topeka that will employ 35 people. They will get absolutely no economic development incentives – this is the best possible scenario for the city and taxpayers.

Heritage has followed all the rules. They have done everything they needed to do. 70% of the land owners have agreed to a sewer benefit district and all the steps have been completed and there should now be a sewer benefit district. By law the district should be in existence now. The district will enhance the value of all land owners.

This project would be completed in September if the law had been followed. To date, the Topeka City Council has failed to follow the law.

Update July 18:

Heritage made a deal with two of the three opposition landowners, who could not agree among themselves. The third landowner in opposition did not get any

add the equipment. In fact, they were probably operating out side the law as it was. Fortunately, then Mayor Wagnon sent her representative to the business with the inspectors who were able to coach the company as to how to comply with the code and pursue their expansion within the code. This is an example of government being an obstructionist and then turning around to be a partner.

- b. A small company opened their doors and started operations. They then asked for assistance with property taxes. They are out of luck because they have already opened for business.
2. Incentives to existing companies as well as for new ventures should be considered.
 3. Stop bashing our community and praise it.
 - a. Example - USD 501 has taken some shots from community leaders. We do not want to project an image of a community with a substandard education system.
 - b. Remember - we are selling our community to others. Lets talk about how great Hummer is; how lucky we are to have the soccer complex; the great activities provided by Heartland Park & the Sunflower Games.
 - c. Promote our medical community. Our medical community is remarkably strong.
 4. Government should try to be "fair" and "consistent".
 - a. Business has enough risks due to market issues - changing customer tastes, competition from all sides, rising costs for things like health insurance, being able to staff adequately, etc. Changing government policies or unpredictable applications of policies is a risk that government can recognize and try to minimize.
 - b. The state, of course, has great influence over this, i.e., KDOR taking consistent positions on tax issues.
 - c. Street closings by local government for repairs, street widening, etc. can crush a small business.

We need to take care of the businesses we have. People don't choose a place to locate based on taxes alone. If low taxes and tax incentives were the main issue, Wyoming would be overrun with businesses.

KEITH SIMON, DEVELOPER, HICKORY CREEK SUBDIVISION

Keith Simon is a homebuilder and developer who has built more than 150 homes in Shawnee County, more than 90% of them in Topeka.

He first submitted a preliminary plan for Hickory Creek Subdivision at S.W. 46th and Auburn Road, and it was approved. Because a question of water availability arose,

For 2003, Kansas, Inc. analyzed unemployment taxes another way³⁵. "Actual collection rates" as a percentage of total payroll in the region were:

IA .76%, **KS .61%**, MO .47%, NE .50%, OK .43%, CO .30%

Sales & Use Taxes – Retailer Compensation:

Kansas is one of only 18 states that does not allow businesses a fee for being the collection agent for sales taxes³⁶. In the region, the fees paid are:

Colorado allows 3.33% of the total tax due.

Nebraska allows 2.5% of the first \$3,000 remitted and .5% of excess over that.

Missouri allows 2.00% of total tax due.

Oklahoma allows 2.25% of tax due up to \$3,300 per reporting period.

Kansas and Iowa allow nothing.

While Kansas doesn't pay its own retailers, it does pay retailers from other states for collecting Kansas sales & use taxes, giving them a competitive advantage over retailers located in Kansas.

Destination Sourcing of Sales Taxes

The destination sourcing provisions of the Streamlined Sales Tax Act require retailers to collect sales taxes based on the delivery location instead of the retailer's location. This affects about 25% of Kansas retailers. Because Kansas has a very large number of sales tax jurisdictions, this will be a continuing competitive disadvantage to Kansas small businesses compared to virtually all other states.

Kansas Vehicle Taxes

In the mid-1990s, property taxes on vehicles of less than 20,000# gross vehicle weight were cut by approximately half. While Kansas property taxes on vehicles are still relatively high, they are no longer the highest in the U.S.

Taxes on trucks larger than 20,000# GVW were not lowered. They continue to be among the very highest in the U.S. Small businesses are the main users of these types of trucks.

Trucks used by truck lines, "Motor Carriers for Hire", are taxed differently. Property taxes on those trucks are fairly competitive with other states.

Franchise Tax

Of the 19 states that have a stand-alone franchise tax, Kansas has the 10th highest tax rate. At \$20,000, Kansas has the 4th lowest "cap" or maximum, which softens this tax for big businesses. Ten states have no "cap" at all. The tax is levied on the net worth of corporations and limited liability partnerships. The "franchise" in the name of the tax refers to the right to operate in Kansas as a corporate or limited

³⁵ "Business Taxes and Costs: A Cross State Comparison, 2003 Update", Kansas, Inc., February 2004, page 85, "Collections per \$100 of Payroll".

³⁶ "2003 All States Tax Handbook", Thompson RIA, pages 226-8.

liability entity. The franchise tax is not imposed on sole proprietorships or standard partnerships or on businesses with net equity less than \$100,000.

APPENDIX C: WORKERS' COMPENSATION COSTS

Very good comparative data on workers compensation systems comes from a private actuarial firm, Actuarial and Technical Solutions. The firm constructs a measure of average benefits and average costs for each state, and then indexes them to nationwide norms. In other words, the data show the ratio of costs or benefits in a state to those in the nation.³⁷

Workers Compensation Comparative Costs (adjusted), 2003

<u>State</u>	<u>Index of Benefits</u>	<u>Index of Costs</u>
Colorado	1.34	1.03
Iowa	1.08	0.82
Kansas	0.83	0.95
Missouri	0.73	1.18
Nebraska	1.05	0.82
Oklahoma	0.88	1.26
U.S. Average	1.00	1.00

³⁷ "Business Taxes and Costs: A Cross State Comparison, 2003 Update", Kansas Inc., Feb. 2004, Page 86.

APPENDIX D: RELATED BUSINESS FRIENDLY ISSUES

This appendix, while not directly connected to “Business Friendly” Topeka, contains information the committee collected that should be taken into account in planning for the success of Topeka and Shawnee County.

CHRISTY CALDWELL, VICE PRESIDENT, GREATER TOPEKA CHAMBER

The Business Friendly Committee drew some comparisons with what has happened in Oklahoma City in the last 10 years. In Oklahoma City, their government and business leaders readily admitted the “image” of their city was tarnished prior to their community’s re-investment in the city’s core. Their wake-up call came when the city lost out in recruiting a major business relocation. The prospective business executives told Oklahoma City that their company employees would not like living in the city. Therefore, the company did not relocate there even though Oklahoma City’s government and business leaders had offered a highly competitive incentive package.

The hard reality is that Oklahoma City did not project a good image to the outside world and the residents held that lackluster self-image as well. This realization was the catalyst that motivated the city to re-create itself as a more exciting and appealing community for its own residents and for outsiders. They decided to tax themselves and dedicate the dollars to “quality of life” projects, including a minor league baseball stadium, the creation of a man-made canal and entertainment district, improvements to the convention center, state fairgrounds and civic center, a new library, cleaning up and creating an attractive riverfront with parks and walkways which has now attracted a new corporate facility on its banks, all in the city’s downtown/center city area.

This high-energy city is now attracting significant business investment from large employers; they are facilitating the growth of “home-grown” small businesses and they are now a city that attracts new individuals and families to fill the jobs that have been created. City government partnered with the business community to make Oklahoma City “business-friendly” in every notion of the phrase.

What does understanding Oklahoma City’s growth and success mean for Topeka?

Downtown Topeka, Inc. (DTI) along with the Business Improvement District (BID) and the North Topeka Business Alliance (NTBA) are striving to create the downtown/uptown atmosphere that other cities have already achieved. The center of Topeka may never be the retail center it once was but there are ways to create a strong viable heart of the city which is an attractive center for government, the location of a myriad of professional businesses, a growing center for entrepreneurial retail, the location for unique dining and entertainment offerings, home to visitor attractions, and the new in-demand location for residential development.

Limitations in funding available through DTI, the BID and the NTBA is slowing development. The city should consider augmenting or replacing BID fees with public funds to spur faster public and private investment in the central business districts on both sides of the river. The city’s economic development efforts should highlight and market the business incentives and assistance available to businesses who locate in the center city on both sides of the river.

The possibilities for the development of the Kansas River banks through the center of the city can be a catalyst for continued growth and exciting renewal of both the North and South business centers. This proposition is capturing the imagination of the city's residents. Successful riverfront development is long-term but it can bring this community together by taking an eyesore and making it into an engaging attribute that business, government leaders and residents can point to with pride. River development will further define our city's image in a positive way.

The Topeka Convention and Visitors Bureau completed a study of the community's visitor attractions to determine how to encourage more visitors to the community. We have a significant number of attractions in Topeka. However, the attractions are spread throughout the city, not centrally located as in many cities. The report indicated the need for a quality way-finding system to eliminate the slippage of visitors from Topeka to nearby cities. The city council has recently invested in creating a way-finding system. The sign system will assist in keeping visitors in Topeka longer, resulting in additional dollars spent in Topeka/Shawnee County. The Convention Bureau noted that Topeka is considered a desirable location by visitors; they have a positive view of our community.

CHARLIE STRYKER, C.A.S. CONSTRUCTION

Charlie Stryker has an economic development idea that could solve a number of problems. Topeka has a great deal of unused capacity in both water and wastewater treatment. Many of the expenses of maintaining that capacity go on whether the capacity is used or not.

Most food plants use a lot of water and typically have to pay heavily to have their wastewater treated, or pay heavily to treat it themselves before they send it on.

To attract food plants or encourage the ones here already to expand, why not make them an extremely good deal on water and wastewater? Some income from that capacity is better than none. Most cities can't go after these plants because they are limited in capacity on either water or wastewater. And, lots of agricultural products are grown in and near Kansas.

Now, let's cross that idea with one from George Fletcher of Greenville, S.C. South Carolina has had success with industry "clusters", that is, having a number of businesses from the same field in the same area. Greenville decided not to pursue the bioscience industry nor the young high-tech startups. Instead, they decided to go after the automotive industry because Detroit is the only area in the U.S. with a broad auto industry base.

Greenville teamed up with nearby Clemson University to start a doctoral program in automotive engineering modeled on one at the technical institute in Munich, Germany. They have recruited some of the finest automotive engineering minds in the world to Clemson, and several major players in the automobile industry have joined the effort.

Why couldn't Topeka team up with Kansas State or K.U. in a similar effort based on the food industry (but not necessarily biotech)? We already have Reser's, Frito-Lay, Cargill, Del Monte, Hill's and others here.

Gordon Garrett, a commercial property appraiser, formerly of Topeka, suggests that the old Menninger campus could tie in to this idea. Topeka is a central location to at least 100,000 college students if you take in Johnson County Community College with its 30,000. If what is left of Menninger's became a high-tech or food industry research park, it could draw from those colleges.

Charlie Stryker is scheduled to make a presentation about his ideas to Go Topeka in August 2005. We should listen carefully.

GEORGE FLETCHER, GREENVILLE, SOUTH CAROLINA

George Fletcher is an professional engineer and President of the Fletcher Group, an engineering and environmental consulting firm in Greenville, South Carolina. Greenville is a city of 60,000 in a county of 400,000. It is 160 miles from Atlanta, and 95 from Charlotte. There are 18 direct flights per day from the regional airport.

He is a graduate of K.U. For more than 20 years, George has been heavily involved in the highly successful downtown development and economic development efforts in Greenville and in regional economic development in the northwest region of South Carolina, an area of about 1.2 million people including Greenville, Spartanburg, and Anderson. He is a past chairman of the Greenville Chamber.

George recently became the Executive Director of the South Carolina Council for Competitiveness, which is charged with spurring South Carolina economic development.

S.C. hired Michael Porter of Cambridge, MA to help them do their long-term economic strategy planning. Porter cautioned strongly against trying to develop Bioscience because "everyone and their dog is doing it". Porter is a great advocate of "clusters". The NW South Carolina region decided to work on developing an automotive cluster because Detroit is really the only U.S. city in that game.

South Carolina dedicated \$30 million per year of its \$80 to \$100 million of lottery money to endowed chairs at Clemson. Clemson partnered with Michelin, BMW, and GE to start a graduate school of automotive engineering modeled after a technical institute in Munich, Germany, which has a very creative and unique way of training engineers, unlike anything else in the world. Microsoft, IBM, and Sun have now joined the project.

George suggested reading Tom Freidman's "The World is Flat", which delves into the economic success of Ireland and has a list of 10 factors that are important to consider.

He also cautioned about chasing "small tech companies". Charleston has been successful, and Austin, Louisville, and Chattanooga, but again, there are so many cities chasing so few companies that most just end up bidding up the price for the cities that were going to win, anyway.

Water

I mentioned Charlie Stryker's idea about Topeka courting food manufacturers because we have an abundance of water and sewer capacity. George felt the idea has great merit. He suggested we look into partnering with KU or KSU the way they

did with Clemson. He is biased to KU, but admitted KSU might be the better choice for a food industry cluster partner.

Greenville is blessed with an overabundance of good water but its sewer systems are problem because they are upstream from huge populations and must treat their sewage three times before releasing it. George is the former chair of the sewage treatment authority.

Downtown

Greenville has used the Urban Land Institute of L.A. or San Francisco as consultants for their downtown planning. They are "downtown" people, according to George.

Greenville narrowed its wide downtown main street to two lanes from four or five, and used the extra space at each side for sidewalk cafes and other uses. They adopted a "barbell" approach – two main attractions, one at each end of the strip. One end has a large Regency Hotel, and the other, five blocks away, has a large, privately-owned performing arts center costing about \$40 million. \$10 million of public funds was put into the performing arts center. They also tore down a freeway to expose a covered-up waterfall and river, which now are a central focus of the downtown area. They now have a downtown basketball arena, a school for the arts, and a downtown baseball stadium.

At the same time Greenville opted for downtown development, its sister city Spartanburg opted for a mall (downtown?), which has been a miserable failure.

George talked about "Urban Energy" but I didn't pick up the drift or I've forgotten it. I'll try to ask him again about that.

Greenville's current high priority is to fill 400,000 square feet of vacant downtown office space. "Offices drive downtown markets", he says.

PETE AND JOYCE RITCHEY, DEVELOPERS, RURAL SHAWNEE COUNTY

This is not a Topeka problem, but it affects Topeka and Shawnee County both, and needs to be corrected.

The Ritcheys bought 60 acres in Dover Township in 1972.

In 1997, they joined with neighbors and paid \$12,000.00 to have the one mile stretch of road next to their property chipped and sealed, with Shawnee County doing the work. Dover Township provided the gravel base and preparation. The work was done in 1997 and 1998 in two applications under the supervision of Mike Sease, the County Engineer.

In 2001, they hired C-P Engineers of Topeka and platted their 60 acres into the Ritchie Subdivision, which was approved in June 2002. The subdivision is across the road from Prairie View Golf Course.

The subdivision would generate about \$80,000 per year in taxes, of which Shawnee County and Dover Township would receive a big part. The golf course brings in revenue, too.

Dover Township maintained the road for several years but it fell into disrepair. On September 3, 2002, the township trustees voted unanimously to pay the county up to \$6000 to overlay and repair the road. But they didn't do it, claiming the county and the residents had committed "orally" to take care of the road and that the county had done shoddy work that was causing the problems.

On June 12, 2003, the Ritcheys, another landowner on the road, and the Dover Township Trustees attended a meeting of the Shawnee County Commission. The residents wanted Shawnee County to chip and seal the road again. Commissioner Vic Miller said that the county commission never approved the project, even though they had done the project, and the county had not maintained it and would not maintain it. "I wasn't here at the time. I understand it may be a problem now. But it's a township road, and the county is not responsible for it." He suggested that anyone who helped pay for the original chip and seal file a claim against the county with the clerk.

By this time the Ritchey's spec house was completed and the asphalt street contract had been let to Schmidlein Excavating. The day after the county commission meeting, Dover Township suddenly began tearing up the road and putting it back to gravel. It cost them \$9,700 to tear it out, about \$4000 more than it would have to repair it. As a result, the Ritcheys have sold no lots in two years and are paying \$18,000 per year in road special assessments out of their own pocket.

The golf course, in the meantime is suffering. The actions of the county commission and Dover Township have done great harm to two Shawnee County businesses that could be pumping money into their coffers instead.

Mission Township has committed to pave the road with asphalt to the golf course if they are allowed to take the property into that township. That is where it stands right now.