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Mayor Michael Dever	<a href="mailto:mdever@sunflower.com">mdever@sunflower.com</a>
Commissioner Mike Amyx	<a href="mailto:mikeamyx515@hotmail.com">mikeamyx515@hotmail.com</a>
Commissioner Jeremy Farmer	<a href="mailto:voteyourselfafarmer@gmail.com">voteyourselfafarmer@gmail.com</a>
Commissioner Terry Riordan	<a href="mailto:riordan346@gmail.com">riordan346@gmail.com</a>
Commissioner Bob Schumm	<a href="mailto:schummfoods@gmail.com">schummfoods@gmail.com</a>

Re: **Proposed Tax Abatement for Sunlite Science & Technology, Inc.**

Mayor and Commissioners,

The City Commission is considering whether it should provide a property tax abatement to Sunlite Science & Technology, Inc.

*Background*

The City of Lawrence pursued a tax abatement program for many years. The program proved to be a failure that should have been predicted and should not be replicated.

Over the course of the program, Lawrence granted 25 abatements to 17 firms. Had the program been a success, the City should have experienced only a small number of failed abatements or firms out of compliance. A 10 percent non-compliance level would suggest that the City should have seen 2 to 3 abatements in non-compliance and only 1 or 2 firms not performing.

Of the 17 firms granted abatements, evaluated in terms of jobs and wages created:

- 6 have met or are meeting the promised jobs and wages,
- 11 were/are either out of compliance, out of business, or not reporting.

This record of success is unimpressive. The abatements are:

- Successful only: 35 percent of the time;
- Non-compliant: 40 percent of the time; and
- Complete failure: 25 percent of the time.

A costly program that succeeds only 35 percent of the time while creating resentment among other business taxpayers who do not receive abatements is not a program that should be continued.

#### *Research on Tax Abatements*

Lawrence cannot say that it was not warned of the inability of tax abatement programs to perform well. The published research showed that tax abatements do not work because property taxes are too small a percentage of a firm's total operating expenses to influence location decisions. Nationwide, economic development planners have argued against tax abatements because they are ineffective and divisive.

#### *Exceptional Merit Lacking*

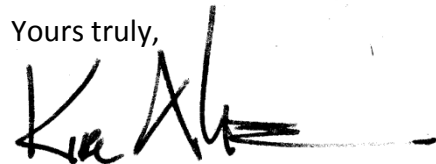
It would take exceptional merit to justify a property tax abatement now, given the City's experience with tax abatements. The proposed abatement lacks that exceptional merit:

- It is small in scale promising 40 jobs over 10 years but only 5 jobs in the next few years,
- Manufacturing jobs are valuable to any community as they bring external dollars into the community, but Sunlite has exported its manufacturing jobs, a decision that should not be rewarded with a tax subsidy,
- The firm has already received substantial subsidy through use of space in the business incubator. The incubator is supposed to help firms mature so that they can make a full contribution to the tax base and the supply of jobs in the City, especially manufacturing jobs,
- The proposed firm generates few benefits for the community, failing to meet the standard benefit-to-cost ratio of 1.25.

#### *Recommendation*

The proposed tax abatement lacks the exceptional merit to justify returning to a failed program and granting a property tax abatement.

Yours truly,

A handwritten signature in black ink, appearing to read "Kirk McClure", with a horizontal line extending to the right.

Kirk McClure