

City of Fayetteville Item Review Form

2014-0060

Legistar File Number

02/18/2014

City Council Meeting Date - Agenda Item Only

N/A for Non-Agenda Item

Jeremy Pate

Submitted By

Development Services

Department

Action Required:

Resolution of the City of Fayetteville certifying local government endorsement of Karcher North America, Inc. to participate in State of Arkansas Tax Back Program (as authorized by Section 15-4-2706(d) of the Consolidated Incentive Act of 2003) and authorizing the Department of Finance and Administration to refund local sales and use taxes to Karcher North America, Inc.

Does this item have a cost? No

_____	_____	_____
Cost of this request	Category or Project Budget	Program or Project Name
_____	_____	_____
Account Number	Funds Used to Date	Program or Project Category
_____	\$0.00	_____
Project Number	Remaining Balance	Fund Name
Budgeted Item? <input type="checkbox"/>	Budget Adjustment Attached? <input type="checkbox"/>	

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Previous Ordinance or Resolution # _____

Original Contract Number: _____

Comments:



[Handwritten signatures]
Paul a. Bell
[Signature]




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CITY COUNCIL AGENDA MEMO

To: Mayor Jordan, City Council

Thru: Don Marr, Chief of Staff

From: Jeremy Pate, Director of Development Services 

Date: January 30, 2014

Subject: Karcher North America, Inc. Tax Back Program

RECOMMENDATION: The City Staff and Administration recommend on behalf of the Mayor's office that the City Council of the City of Fayetteville pass a resolution in support of Karcher North America, Inc. to participate in the State of Arkansas Tax Back Program. The Arkansas Economic Development Commission seeks local support for the Tax Back Program, and the City Council's action to support this application will result in their approval.

BACKGROUND: The City of Fayetteville was contacted by Steve Clark, President and CEO of the Fayetteville Chamber of Commerce, Chung Tan, the City of Fayetteville's Economic Development Representative and Karcher NA, Inc, seeking endorsement of Karcher NA, Inc. to participate in the State of Arkansas Tax Back Program of the Consolidated Incentive Act of 2003.

Karcher NA, Inc. is a US company owned by Karcher of Germany, with its US corporate office located in Englewood, Colorado. The company is known for its high-pressure cleaners and window vacuum cleaners. During an expansion phase, Karcher carefully considered many sites and chose to purchase its first facility in the United States when it acquired the 661,500 SF building from Hanna's Candles on Armstrong Road in May of 2012. The business is currently utilizing 300,000 SF of the building as a warehousing/distribution center for Karcher products, investing more than \$10 million in the facility. With this proposal, Karcher is committed to creating 9 new jobs paying an average hourly wage of \$11.15 for a total annual payroll of \$208,228. In addition, they will be investing \$280,000 on renovating the existing building and another \$200,000 on equipment. Karcher's plans are to continue to grow the company in the future, including the use of the entire facility after 6 years and the creation of a training facility in Fayetteville for Karcher's staff from other locations in the US.

Support of this resolution will allow Karcher to carry out its expansion plan and generate additional economic activity for the City of Fayetteville. As a global company, Karcher has the capability and resources to successfully grow and expand the company, with Fayetteville a potential target for that growth.

BUDGET IMPACT: We believe the budget impact will be neutral. The job growth, while currently projected to be small, will spur new sales tax growth from new employees but most importantly may lead to further expansion in this area supporting Karcher's US needs. One of the City's economic development goals is to retain our current employers in our area, and passing this resolution allows for one such employer to do so.

RESOLUTION NO. _____

A RESOLUTION TO APPROVE AND CERTIFY THE PARTICIPATION OF KARCHER NORTH AMERICA, INC. IN THE ARKANSAS TAX BACK PROGRAM AND TO AGREE TO AUTHORIZE DF&A TO REFUND CITY SALES TAX BACK TO KARCHER NORTH AMERICA, INC.

WHEREAS, Karcher North America, Inc. has committed to renovating its plant in Fayetteville at a cost of \$280,000.00, investing an additional \$200,000.00 in new equipment and creating 9 new jobs paying an average hourly wage of \$11.15 for a total annual payroll of \$208,228.00; and

WHEREAS, in order to certify Karcher North America, Inc. to participate in the sales and use tax refund program, either Washington County or the City of Fayetteville, or both, must “(s)pecify that the Department of Finance and Administration is authorized to refund local sales taxes to the qualified business.” {A.C.A. §15-4-2706 (d)(B)(ii)}; and

WHEREAS, the City of Fayetteville or Washington County must also endorse Karcher North America, Inc.’s participation in this state and local sales and use tax refund program; and

WHEREAS, bond indentures prevent diversion of sales tax proceeds from the city’s bonded penny sales and use tax.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1: That the City Council of the City of Fayetteville, Arkansas hereby endorses Karcher North America, Inc.’s participation in the sales and use tax refund program authorized by A.C.A. §15-4-2706(d) in relation to its renovation, equipping and hiring at its facility in Fayetteville, Arkansas.

Section 2: That the City Council of the City of Fayetteville, Arkansas hereby specifies that the Department of Finance and Administration is authorized to refund the non-bonded penny city sales tax to Karcher North America, Inc. for qualified construction and manufacturing equipment purchased for its facility in Fayetteville, Arkansas.

PASSED and APPROVED this 18th day of February, 2014.

APPROVED:

ATTEST:

By: _____
LIONELD JORDAN, Mayor

By: _____
SONDRA E. SMITH, City Clerk/Treasurer



January 8th, 2014

Mayor Lioneld Jordan
City of Fayetteville
113 W Mountain
Fayetteville, AR 72701

Dear Mayor Jordan:

I write to express my strong support for the application submitted by Karcher North America, Inc. to participate in the State of Arkansas Tax Back Program. Karcher NA, Inc. is a US company owned by Karcher of Germany. Its US corporate office is located in Englewood, Colorado. The company is known for its high-pressure cleaners and window vacuum cleaners.

Because of expansion, Karcher NA, Inc. looked at many sites and after careful consideration, it chose to buy its first facility in the US when it bought the 661,500 SF building from Hanna's Candles located at 2700 S. Armstrong in May, 2012. The business is now using 300,000 SF of the building as a warehousing/distribution center for Karcher products. Karcher has already invested more than \$10 million in the purchase of the building and in getting the facility ready for use.

Currently, Karcher is committed to creating 9 new jobs paying an average hourly wage of \$11.15 for a total annual payroll of \$208,228. In addition, they will be investing \$280,000 on renovating the existing building and another \$200,000 on equipment. Karcher's plans are to continue to grow the company in the future and that includes using the entire facility after 6 years and the setting up of a training facility in Fayetteville for Karcher's staff from other locations in the US.

An approval to pass the resolution to refund sales and use taxes to Karcher for its purchases by the Fayetteville City Council will allow Karcher to carry out its expansion program and to spur economic development in Fayetteville. Karcher meets the City of Fayetteville's goal of attracting clean and good paying jobs to the city. It is progressive and has intention to make Fayetteville and Washington County its home. As a global company, Karcher has the capabilities and resources to successfully grow and expand the company.



This project and Karcher are valuable to the City's economic development as they contribute to improving lives for residents through access to jobs and they contribute toward the tax base in Fayetteville and Washington County. As Fayetteville's economic developer, the Chamber leverages its presence to attract new and similar companies to our city and county.

Thank you for your consideration and I look forward to working with you on this project.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Clark". The signature is written in a cursive, flowing style.

Steve Clark
President & CEO

