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The \$80 million question: Are incentives the missing piece Wichita development needs?

While they aren't always the primary factor in winning or retaining a company, economic development officials say incentives could help tip the scales in Wichita's favor when certain projects come along.

WICHITA'S
\$80M



Local leaders say Wichita needs a new jobs fund to help it compete with other communities in economic development. Others are dead set against incentives or a sales tax increase. The question is on the table. Is a multi-million-dollar pool of money the answer?



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What do we want the future of economic development to look like in the Air Capital?

The question will soon be posed directly to the citizens of Wichita, as local officials seek approval of a sales tax increase to raise \$80 million for jobs development. Sales tax proponents think the fund will help put Wichita on more equal footing with other communities in the ongoing battle to attract, retain and create jobs.

If the public approves the sales tax increase this fall, economic development officials say it will help expedite their efforts to grow the local economy.

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- [Editorial: More questions about the eco-devo fund](#)
- [How should the city provide incentives to expanding or new Wichita businesses?](#)

If the public turns it down, then it's the status quo: about 1 percent a year in jobs growth that proponents fear won't sustain the community.

Those in favor of the funds say the status quo hasn't been working. Those on the other side of the argument say there are other, better ways of growing the economy, like not raising taxes and creating a more business-friendly environment.

For [Tim Chase](#), president of the **Greater Wichita Economic Development Coalition**, the question is a matter of how fast the citizenry wants more jobs.

"If you set it 10 years out and say, 'Here is what the community looks like,' the number of jobs, the schools, the infrastructure, everything, are there resources that we could use creatively to bring that 10-year horizon to reality in half that time?" he asks.

What could we have gotten?

Chase says the funds won't be used as simply cash-in-hand to fork over to companies. The bulk of the money will be used for things like buildings and land or skills training related to specific projects. Only about 20 percent of the fund — \$16 million — is envisioned as a cash incentives pool accumulated over the five-year life of any approved sales tax.

So what has Wichita missed out on recently by not having these type of incentives?

GWEDC could not provide specific examples because of confidentiality agreements and the nature of economic development. However, it was able to provide the WBJ with details on two projects: one in which the lack of infrastructure and real estate were factors that cut us out of the game; in the other the winning community was simply able to offer more — nearly twice as much as Wichita in terms of an overall incentive package.

And the amount of money other states and communities are prepared to spend on some projects is eye-opening, far outstripping the fund Wichita officials seek.

For example, the \$300 million Tennessee promised **Volkswagen of America** to expand to build an SUV in Chattanooga included \$207 million cash-in-hand in exchange for about 1,200 direct and contract jobs.

[John Boyd](#), president of the national site selection firm **The Boyd Co.**, says such offerings highlight what is becoming more and more true across the country.

“Cash is king now, more so today than ever before,” he says.

It isn't the primary deciding factor. Wichita can offer a skilled work force, for example, that other communities just can't replicate overnight. But cash can definitely tip the scales when communities are closely matched.

Boyd believes the jobs fund would send a message of a community growing more serious about economic development at a time when the work force already in place could be positioned to take advantage of the increasing “re-shoring” of manufacturing jobs.

That work force, he says, is a unique and important selling point for Wichita. And a greater development pool at hand would only increase our competitiveness.

“There is no reason Wichita shouldn't be attracting and competing for companies,” Boyd says.

GWEDC's numbers on the level of business interest in Wichita over the past six years, which Chase says represent inquiries only, show the Air Capital was at least being considered for a variety of projects. Some of those located elsewhere, some were likely fishing.

According to GWEDC, there were 210 named projects with an estimated 41,000 jobs. Wages ranged from \$12.50 per hour to annual salaries of over \$100,000.

Most wanted to move in immediately to fill specific needs. Of the 210 projects, 81 needed an existing building — ranging in size from 20,000 square feet to up to 1 million square feet — 24 required rail access and another 18 preferred rail access.

Had the community been able to successfully compete for half of those 41,000, using Sedgwick County's average wage, GWEDC estimates a potential boost in local payroll of more than \$840 million just for direct jobs.

While these are just estimates, and there is no way of knowing exactly which projects Wichita could have won if it had more money for things like real estate, rail spurs and incentives, it highlights the potential sales tax proponents see.

Proponents of the jobs fund fear that without it, Wichita may not even be able to keep the status quo and the community risks falling even further behind its competitors in terms of job creation and economic growth.

"If we choose the status quo. ... there is the potential for actually losing more ground," Chase says.

The role of incentives

Local leaders do say there will always be a focus on aviation in the Air Capital. That's why, Chase says, economic development has to be a three-legged stool of retention, recruitment and entrepreneurship.

He also stresses that incentives can only play a part in an overall economic development strategy that also has to focus on things like work force development and quality of life issues in the community.

But for those opposed to the idea of sales a tax increase and an incentive fund, it is the entrepreneurship component that they see needs to be the primary driver behind economic development.

While many say incentives are vital to a community's ability to compete, and there are studies to show that those communities that can offer them are growing more quickly, there is also scholarly research that shows they don't necessarily work. Jobs come and jobs go, and eventually it's a wash.

To quote a study in the Winter 2004 Journal of the **American Planning Association** entitled "The Failures of Economic Development Incentives," traditional incentive-based development

efforts “produce an unending merry-go-round of tax cuts and subsidies,” that ultimately takes resources away from other services in the community.

But in tying the fund to a possible sales tax increase, proponents of the plan in Wichita say its approval would signal a community willingness to more aggressively pursue development and diversity in a hyper-competitive post-recession environment. It would also represent new revenue that wouldn’t necessarily take away from anything already in the local coffers.

Everyone wants growth, says Sedgwick County Commissioner [Richard Ranzau](#). But, he says, raising taxes is the exact opposite way the community should go about creating it.

He is among those that believe it is the entrepreneurial leg that truly leads to growth. It’s small businesses, he says, that create the most jobs over time.

His view is that lowering taxes — not increasing them with a new sales tax — and reducing the amount of government red tape encourages, rather than deters, such startups.

“I don’t think the way to prosperity is raising taxes,” he says.