

MINUTES

SELECT COMMITTEE ON BUSINESS INCENTIVES MEETING

12:00 P. M., JANUARY 30, 2020

AV ROOM

Sam Minardi called the meeting of the Select Committee on Business Incentives to order at 12:00 p.m., JANUARY 30, 2020, in the AV Room in City Hall.

Select Committee Members Present:

Sam Minardi (Chair)

Ben Adams

Jennifer Pharr

Keeley Steele

1. Approval of Previous Minutes – Councilmember Adams asked for unanimous consent to approve the minutes for the December 12, 2019 meeting as distributed. There was no objection and the minutes were approved.
2. Overview – Councilmember Minardi said that their first meeting on 12-12-2019 was beneficial, and the Select Committee discussed a lot of ideas. He would like the Select Committee to focus their discussions on concepts around B&O taxes. Since this is a temporary committee, the objective is to be efficient with their time, and to release their proposal in April.
3. Presentation of Incentives and Credits Currently in Operation in Other WV Municipalities – Councilmember Minardi introduced the Assistant City Attorney, Joe Baldwin, who stated that after their last meeting he was asked to look at the effect various incentives and plans have had on the economies of other cities. He reached out to multiple cities, but hasn't received a lot of actual revenue data because a lot of the cities are operating on Revenue Tracking Systems (similar to the one Charleston uses) that make it a very labor-intensive search to provide all of that complex data. They were all able to provide finalized revenue, which is the total amount of that city's gross; they will provide him with more information as they get it. He was able to speak to the individuals who administer the B&Os. Baldwin gave the Select Committee a packet containing data from Wheeling, Fairmont, Morgantown, Beckley, etc. that summarizes how they have structured their B&O taxes and tax incentives. The report also included the various effect the incentives had on the municipality. One conclusion Baldwin made is the "if you build it, they will come" approach does not work. As a whole, the State is losing jobs. The Select Committee can analyze the data and decide which incentives they would like more information on.

Baldwin added that Wheeling had introduced incentives to keep their industrial businesses, one of which has increased jobs. While it hasn't directly increased B&O taxes for the City, it has increased them for other businesses, which has stimulated the economy. The New and Existing Management Information Services Taxpayer Credit has had an increase in revenue and jobs. They have also created a Downtown Business District Enhancement Tax Credit that did not result in an increase in revenue, but has resulted in more businesses coming into historic areas. Councilmember Steele confirmed that the Year 4+ 50% tax credit would be the new tax base for that specific zone. Baldwin added that the incentive is meant to fill in an area that is vital to the community but would not be filled otherwise. Councilmember Steel asked how it would have affected businesses already in that district. Baldwin replied that they would have been considered existing and would have received the 50% tax credit. Councilmember Adams confirmed that it encompasses all services, but Baldwin added he did not ask if it was created to incentive a specific business.

Baldwin added that Fairmont has a Re-Occupancy of Vacant/Dilapidated Structures Tax Credit that was used to fill vacant structures. While it is noted that there was no noticeable change in tax revenue, it is a fairly new incentive. Additionally, the Anniversary Tax Credit rewards longevity with tax credit milestones. Baldwin added that while it doesn't have a drastic impact on revenue, it also doesn't hurt projections. It has been well received, especially by smaller businesses. Minardi confirmed that the credit is only for the year of the established anniversary. From the audience, Councilmember Knauff asked if a business would be credited with established years if they moved out and back into the City. Baldwin said the statute stated it would be continuous occupation.

Baldwin added that it has been very difficult to get new businesses into West Virginia, and the pre-requisites for the New and Expanding Tax Credits are so high, most business would not qualify. If the Select Committee should want to explore that, the bar cannot be set so high that no one will be able to qualify for it. Beckley is in the process of phasing out a lot of their tax credits because of this. Councilmember Steele said that new jobs only directly impact the City's economy if the employees are either driving into the City to work, or moving into the City to work. Baldwin added that, per the current Revenue Tracking System for the City, any implemented credit will be labor intensive to manage. The Select Committee can help drive an RTS for the City, because whatever incentives they recommend can inform the best RTS product to purchase.

Baldwin continued that South Charleston rewards the retail/wholesale businesses separately from services but under the same structure. They mainly target expanding/new businesses. The City has confirmed that their tax credits have not done what they were expected to do, with only 12 businesses qualifying. Baldwin pointed out the importance that the City properly advertises whatever incentives it eventually chooses.

Councilmember Steele added that businesses would be interested in knowing about the various grants (façade, etc.) that could be obtained on top of any potential tax incentives. From the audience, Councilmember Bays recommended an entrepreneurial center where businesses could receive all of that information in one place. Baldwin added that the Director of the City Collector's Office, Lamont Moore, wants to create YouTube videos to educate as one of the ways the City can actively solicit businesses. Councilmember Knauff asked if that should be done by the Charleston Area Alliance. Councilmember Minardi said that 20 years ago, it was common for cities and utility companies to have Economic Development Directors. Councilmember Steele said that no one calls the Chamber of Commerce, for example, to get information; it is all online.

From the audience, Councilmember Pharr said that during a recent trip to Nashville, her phone instantly brought up activities in Nashville. She suggested there is an opportunity to target businesses in this way. Councilmember Bays added that Chattanooga took inventory of what they had in their different neighborhoods, and identified what was lacking to make it successful (adding a pharmacy for example). They then would give those identified lacking businesses additional incentives to locate in that area. Baldwin added that taxes must be applied uniformly by classification per the Supreme Court. Councilmember Steele added that the City could incentive in other ways that weren't related to taxes, such as façade or infrastructure grants. Baldwin recommended that the Select Committee narrow its focus to one thing, and then move on to the supplemental ideas that support it.

Baldwin added that Hurricane decided not to do any tax credits, but instead has a two tier system of taxation in retail which protects smaller business and is uniform. They have seen an increase in jobs and revenue. Parkersburg has four newer programs, one of which is to incentivize individuals to invest in dwellings. Morgantown has added a sunset provision to their incentives. Buckhannon has a \$1 million threshold for retail and manufacturing as well as Enterprise Zones, which would result in qualifying business to receive full or partial tax rebates. Baldwin added he is currently collecting information from Huntington.

4. Discussion on Trending B&O Tax Collections in the City – Moore gave a handout to the Select Committee for 2016-2018 that showed the number active accounts, gross incomes for those classifications, tax rate for each classification, the gross tax for each year and the percentage for each classification. He added that it gives a good overview of each classification and revenue for a given year. Councilmember Bays confirmed that the retail classification included restaurants. Councilmember Steele confirmed that "Service and Other" would be for lawyers, doctors, plumbers, etc. Councilmember Minardi stated that the bulk of the businesses fall under Retail, Contractors and Services. He added that it looked like Contractors had the steepest decline. It was confirmed the drop is due to the completion of a \$100 million project. Baldwin added that the number of Services accounts have declined significantly from 2016 to 2018. Councilmember Steele added that Retail and Services/Other make up the bulk of the percentage of B&O revenue, the majority of those likely being small businesses.

Councilmember Bays asked for a list of the stores in Southridge that would pay B&O taxes to the City. Baldwin said he would get them a map, and pointed out that a lot of those stores are striding the line between Charleston and South Charleston. The previous Administration sought agreements with South Charleston over which stores would pay taxes to which city. Kevin Baker, City Attorney, added that the short version is: from Target to Men's Warehouse is basically South Charleston, Kohls and that side is Charleston; the other side is more complex with Buffalo Wild Wings and Sams Club with Charleston, and South Charleston has Walmart.

Councilmember Knauff asked what happened in 2017 in regard to General Gross Sales that didn't happen the other years. Moore replied he wasn't sure without pulling more data. Councilmember Steele said it was disconcerting to see the total number of active accounts going down every year. Councilmember Minardi confirmed that Amusements were a variety of different things, like performances, that is a broad category (the City does collect taxes on ticket sales and merchandising from concerts). Baldwin pointed out that there is an exemption for musicians. Councilmember Bays added that the exemption includes poets and performers but not visual artists.

Councilmember Adams confirmed that it would be difficult to pull information from various incentives that the City might implement with the current RTS. Councilmember Adams asked if it would be relatively easily for them to track businesses for the Anniversary Tax Credit and project expected revenue, for example. Moore replied that the information would have to be added manually; it would not be possible to project revenue with the current system. Baldwin added that the burden to submit for that credit would be on the business. Baldwin continued that the RTS was custom built for the City in the 80s, and was advanced for its time. Councilmember Bays asked if there was a way to easily ask other City Collectors what software they use to get recommendations, such as a conference. Moore replied that he wasn't aware of one, but he will be attending a training seminar soon.

5. Discussion on Next Steps and Formulating a Plan – Councilmember Minardi said that Opportunity Zones sounded interesting, but how the area is determined and tracked would be involved. Councilmember Steele suggested targeting an area through Economic Improvement Zones to understand the local economic impact from incentivizing a grocery store, for example. Councilmember Pharr added that the General Wholesale has increased each year, and suggested encouraging those businesses.

Councilmember Minardi suggested that the Select Committee digest the information presented. Councilmember Pharr said she would be interested in seeing the information Baldwin gathered from cities like Nashville, Columbus, etc.

With no further discussion, Councilmember Adams motioned to adjourn. Meeting adjourned.