

**City of Fayetteville Staff Review Form**

**2017-0355**

\_\_\_\_\_  
Legistar File ID

**7/18/2017**

\_\_\_\_\_  
City Council Meeting Date - Agenda Item Only

N/A for Non-Agenda Item

Devin Howland

6/26/2017

ECONOMIC DEVELOPMENT (050)

\_\_\_\_\_  
**Submitted By**

\_\_\_\_\_  
**Submitted Date**

\_\_\_\_\_  
**Division / Department**

**Action Recommendation:**

Resolution of the City of Fayetteville certifying local government endorsement of Kimbel Mechanical Systems, Inc. to participate in the 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 Kimbel Mechanical Systems, Inc.

**Budget Impact:**

Account Number	Fund
Project Number	Project Title
<b>Budgeted Item?</b> <u>  No  </u>	Current Budget            \$            -
	Funds Obligated            \$            -
	Current Balance            \$            -
<b>Does item have a cost?</b> <u>  No  </u>	Item Cost
<b>Budget Adjustment Attached?</b> <u>  NA  </u>	Budget Adjustment
	Remaining Budget            \$            -

V20140710

Previous Ordinance or Resolution # \_\_\_\_\_

Original Contract Number: \_\_\_\_\_

Approval Date: \_\_\_\_\_

Comments:



**TO:** Mayor; Fayetteville City Council  
**THRU:** Don Marr, Chief of Staff  
**FROM:** Devin Howland, Director of Economic Vitality  
**DATE:** June 26, 2017  
**SUBJECT:** **Kimbel Mechanical Systems, Inc. Tax Back Program**

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**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 Kimbel Mechanical Systems, 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 and Chung Tan, Director of Economic Development with the Fayetteville Chamber of Commerce, seeking endorsement of Kimbel Mechanical Systems Inc. to participate in the State of Arkansas Tax Back Program of the Consolidated Incentive Act of 2003.

Kimbel Mechanical Systems, Inc. is a US company which was previously headquartered in Springdale. Kimbel Mechanical Systems (KMS) has moved its national headquarters to 1936 N Shiloh Drive. KMS is a construction mechanical contractor where they design and construct plumbing, electrical, and HVAC for the residential housing sector and commercial sector. During an expansion phase, KMS considered several sites and chose to locate its new facility in Fayetteville on North Shiloh Drive. With this proposal, KMS is committed to creating 55 new jobs which pay an average hourly wage of \$27.37 for a total annual payroll of \$3,131,128. In addition, they will be investing \$580,000 on renovating and updating the existing building. Furthermore, KMS trains their entry level employees for licensing in plumbing and electrical, contributing to the development of a skilled workforce in the City of Fayetteville.

**DISCUSSION:**

Kimbel Mechanical Systems, Inc. meets the Fayetteville First Plan's goals of attracting corporate services and developing a skilled workforce.

**BUDGET/STAFF IMPACT:**

We believe the budget impact will be neutral. The job growth will spur new sales tax growth from the new employees but most importantly may lead to further expansion in this area supporting KMS's needs.

**Attachments:**

Exhibit A: Chamber of Commerce Support Letter

Exhibit B: Consolidated Incentive Act of 2003 Incentive Application



June 13, 2017

Mayor Lioneld Jordan  
Fayetteville City Council  
113 West Mountain  
Fayetteville, AR 72701

Dear Mayor Jordan and Council Aldermen:

I am pleased to inform you that Kimbel Mechanical Systems, Inc. (KMS), a company previously headquartered in Springdale, has moved its national headquarters to Fayetteville at 1936 N Shiloh Drive. KMS is a new construction mechanical contractor where they design and/or execute plumbing, HVAC and electrical work for the residential and commercial housing sector.

This expansion project includes the purchase of property in Fayetteville, \$580,000 in improvements and new construction to the existing building as well as creating 55 new jobs in the process. Average hourly wage of the new employees will be \$27.37 resulting in a new payroll of \$3.1 million annually.

KMS has applied for the Arkansas Tax Back program and the Fayetteville Chamber is very much in favor of supporting its application. I strongly recommend that the City leaders approve a resolution to refund sales and use taxes to KMS for qualified purchases under this program.

Such action allows KMS to reinvest the funds in its expansion program and spur economic development in Fayetteville. KMS meets Fayetteville First's goals of attracting corporate services to Fayetteville and providing workforce training. KMS trains its entry level employees for licensing in plumbing and electrical thus contributes towards building a trained workforce in Fayetteville. KMS has the capabilities and expertise to successfully operate and manage the company as evidenced by this expansion exercise. I anticipate KMS to grow and expand even more in the future. Last but not least, KMS is a valuable asset that we can leverage when we attract new and complementary businesses to the city.

Sincerely,

Steve Clark, IOM  
President/CEO

bh



# Consolidated Incentive Act of 2003 Incentive Application

OFFICE USE ONLY

Project #

Project Manager

Date Received

## Incentive Program

Please select which of the following program(s) are applicable to this application:

### Job Creation:

**Advantage Arkansas** (Income Tax Credit program)

**Investment:** (construction, expansion, modernization)

**Applicants may only select one of the following programs:**

**Tax Back** (Sales and Use Tax Refund program)  
For new or expanding businesses with a \$100,000 minimum investment

OR

**InvestArk** (Sales and Use Tax Credit program)  
For existing businesses only, with two (2) or more years of operating in Arkansas, investing a minimum of \$5,000,000 and obtaining a direct-pay sales/use tax permit.

## Applicant

*Kimbel Mechanical Systems, Inc.*  
Local Operating Name of Company

*1936 N. Shiloh Drive Fayetteville, AR 72704*  
Mailing Address City/State Zip

*Same*  
Physical Location of Project City/State/Zip County

*Eric Barnes 479-409-6062*  
Name and Title of Local Company Contact Phone Fax

*eric.barnes@kimbelmechanical.com | www.kimbelmechanical.com*  
Company Contact e-mail address Company Website

Complete Company Name, if company is filing for tax credit under a different name

**Project**

**Cost**

**Estimate**

Land .....\$ \_\_\_\_\_  
 Building (a) New construction .....\$ \_\_\_\_\_  
           (b) Existing building\* .....\$ 580,000  
 Equipment.....\$ \_\_\_\_\_

**TOTAL** .....\$ 580,000

*\* Much of this cost relates to improvements/new construction in the building acquired.*

**Employment\***

Present employment: 195

Number of new employees resulting from this project: 55

Average Hourly wage of new employees hired for this project: \$ 27.37

Total annual payroll of new employees hired for this project: \$ 3,131,128

**NOTE: To qualify for the income tax credits provided by the Advantage Arkansas program, the company must be an eligible business and meet the minimum payroll requirements for the Tier (county) in which the project is located. The Tier Map is available on line at [www.ArkansasEDC.com](http://www.ArkansasEDC.com).**

*\* All numbers relate to Arkansas employment.*

**NAICS**

**Classification**

**Code**

551114

*New construction mechanical contractor, performing plumbing, HVAC and electrical work on residential and commercial housing.*  
 Description of principal business activity, products manufactured, etc.  
 What percentage of the applicant's gross sales are retail sales to the public? 0 %  
 (An eligible company must not derive more than 10% of its revenue from sales to the general public)

If the applicant is a computer-related company, a distribution center, office sector business, motion picture company or a scientific and technical services business, 75% of the applicant's sales revenue must be derived from out of state.

What percentage of the applicant's sales is derived from out of state? 50 %

**NOTE: Information contained in this application is subject to audit by the Arkansas Department of Finance and Administration. If any of the above information is found to be inaccurate and does not qualify, the business will be decertified and shall not receive any benefits and may be required to repay any benefits received, plus penalty.**

<b>I.D. Numbers</b>	Employer's Federal I.D. Number	_____
	Arkansas Sales or Consumer Use Tax Number	_____

<b>Information for Income Tax Credit</b>	<b>Ownership of Company</b> (Please check the appropriate box.)	
	<input type="checkbox"/> Individual	<input type="checkbox"/> Partnership
	<input type="checkbox"/> Taxable Corporation (C Corporation)	<input checked="" type="checkbox"/> <b>Small Business Corporation</b> (Sub S Corporation)
	<input type="checkbox"/> LLC	
If ownership of company is Individual, Partnership, LLC or Small Business Corporation, please provide the following information (a separate attachment may be submitted if necessary):		
	Name(s) of Owner(s)	Social Security Number or Federal Tax I.D. Number
	<u>Brad Smith</u>	_____
	<u>Dustin Hughes</u>	_____
	_____	_____
	_____	_____
When does your tax year end? <u>12</u> <u>31</u> Month Date		

<b>Consultant Information</b> (If Applicable)	<u>N/A</u>		
	Name of Consultant filing this application	Phone	Fax
	Consultant Firm Name		
	Mailing Address	City/ State/ Zip	
	Consultant E-mail address		

## Project Plan

Please indicate the activity planned by the company associated with this application.  
(Check all that apply)

New Construction    
  Expansion of existing business    
  Modernization

Estimated Start Date of Project: \_\_\_\_\_ Estimated Completion Date of Project: \_\_\_\_\_

**Project Description:**

*Expansion of offices in Northwest Arkansas to allow for further growth of the Company's corporate and operations management personnel, and to provide for meeting, training and classroom facilities.*

Project Cost Estimates:		
<b>Land:</b>	<b>Description:</b>	
		\$
<i>Land Total:</i>		\$
<b>Building:</b>	<b>New construction:</b>	\$
	<b>Expansion or Purchase of existing facility:</b> <i>See attached schedule</i>	\$ 580,000
<i>Building Total:</i>		\$ 580,000
<b>Machinery and Equipment:</b>	<b>Description:</b>	
		\$
<i>Machinery &amp; Equipment Total:</i>		\$
<b>Total Estimated Project Cost:</b>		\$ 580,000



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**Certification**

The undersigned authority, Eric Barnes acknowledges that he/she is  
Company Official (Printed Name)  
the owner or authorized official of the applicant company that has the authority to act on behalf of  
the applicant.

This affidavit is made for the specific purpose of verifying that the information contained in this application is true and correct. The applicant acknowledges that only those eligible project costs incurred and/or employees hired after the date this application is received by the Commission will be considered for refund or credit. The Advantage Arkansas program requires a separate financial incentive agreement, signed by the applicant company and the Commission, before hiring any new, full-time, permanent employees. **The applicant company does hereby agree to report new job creation and investment figures annually to the Arkansas Department of Finance and Administration for the term of the incentive agreement and to the Arkansas Economic Development Commission upon request.**

Eric Barnes  
Signature of Company Official

CFO  
Title

5/26/17  
Date

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**Contract Disclosure**

Any individual contracting with the State of Arkansas must make full disclosure if he or she is a current or former: member of the General Assembly, Constitutional Officer, Board or Commission member, State employee, or the spouse or immediate family member of any of the persons described herein; or if such persons having any position of control or any ownership interest of ten percent (10%) or greater in the entity currently applying to contract with the State. Please indicate if this disclosure is required for this application. Failure to disclose such information is a criminal offense and shall render any contract with the State of Arkansas null and void.

Disclosure Required?:  Yes or  No

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**Press Release Disclosure**

I  do  do not authorize the Arkansas Economic Development Commission to release to the press the new job creation and investment figures.

(Signing this authorization to release job creation and investment numbers is not mandatory. However, information about benefits received is public information and may be obtained through a Freedom of Information request filed with the Arkansas Department of Finance and Administration.)

\_\_\_\_\_  
Signature of Company Official

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

If you have questions about the incentive programs included in this application, please call the Arkansas Economic Development Commission at 501-682-7675 or visit the Commission's website at [www.ArkansasEDC.com](http://www.ArkansasEDC.com).

Submit this application to:  
**Business Development Division**  
**Arkansas Economic Development Commission**  
**900 West Capitol, Suite 400**  
**Little Rock, AR 72201**

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#### **AEDC APPROVAL**

The Commission's approval of this application is based upon its content. The eligibility provisions of the individual incentive programs will be administered by the Arkansas Department of Finance and Administration upon audit at a later date.

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Signature of AEDC Incentives Manager

**Kimbel Mechanical Systems, Inc.**  
**Advantage Arkansas Program**  
**Tax Back Program**

**Project Description**

Expansion of offices in Northwest Arkansas to allow for further growth of the Company's corporate and operations management personnel, and to provide for meeting, training and classroom facilities.

**Project Cost Estimate**

Land	\$	-
Building:		
(a) New construction*		-
(b) Existing building*		580,000
Equipment		-
Total	\$	<u>580,000</u>

\* **Project Cost Estimates**

1. Refurbishment		
A. New HVAC units	\$	50,000
B. Remodel / paint / repairs		50,000
C. Repave parking lot		10,000
D. Furniture / fixtures - relocate		10,000
E. Roof repair		15,000
F. Electrical repair		37,500
G. Fire safety		25,000
H. Clean-up		3,000
		<u>200,500</u>
2. Improvements / new construction		
A. New meeting room and classroom		77,000
B. Office and file room wall partitioning		10,000
C. Flooring		75,000
D. Signage		10,000
E. Electrical upgrade		37,500
F. Low voltage cabling		7,000
G. Network engineering		18,000
H. Security		25,000
I. Audio / visual for meeting room and classroom		100,000
J. Kitchen / break room upgrade		20,000
		<u>379,500</u>
Total Project Cost Estimate	\$	<u>580,000</u>

**Kimbel Mechanical Systems, Inc.**  
**Advantage Arkansas Program**  
**Tax Back Program**

**Employment**

Present employment in Arkansas	195
Number of new Arkansas employees over the next 5 years**	55
Average hourly wage of new employees	<u>\$ 27.37</u>
Total annual payroll of new employees	<u><u>\$ 3,131,128</u></u>

**\*\* Estimated New Jobs**

<b>Year</b>	<b>Cumulative Jobs</b>	<b>Average Hourly Wage</b>	<b>Payroll Estimates</b>	<b>Tax Credit Estimates</b>
1	12	\$ 27.37	\$ 683,155.20	\$ 6,831.55
2	28	\$ 27.37	\$ 1,594,028.80	\$ 15,940.29
3	38	\$ 27.37	\$ 2,163,324.80	\$ 21,633.25
4	47	\$ 27.37	\$ 2,675,691.20	\$ 26,756.91
5	55	\$ 27.37	\$ 3,131,128.00	\$ 31,311.28
<b>Totals</b>			<b>\$ 10,247,328.00</b>	<b>\$ 102,473.28</b>