

**CITY COMMISSION AGENDA MEMO**  
**July 12, 2016**

**FROM:** Jason Hilgers, Deputy City Manager

**MEETING:** July 19, 2016

**SUBJECT:** Economic Development Agreement: Manhattan Area Technical College

**PRESENTERS:** Jason Hilgers, Deputy City Manager  
Jim Genandt, President, Manhattan Area Technical College

**BACKGROUND**

Founded in 1965, Manhattan Area Technical College (MATC) is a two-year public institution of higher education. It is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. MATC has a long and vibrant history of providing quality technical and continuing education for individuals who are making lifelong career decisions. MATC's current campus, located at 3136 Dickens Avenue, was occupied in 1967. In 2004, following changes in state law, MATC moved to autonomous governance, independent of the public school system. The college is governed by an appointed Board of Directors under a governance plan approved by the Kansas Board of Regents. MATC is also advised by more than 120 volunteer program advisory board members and general advisory members representing a cross section of business and industry. It officially serves a 10-county area of northeast Kansas, although students hail from communities all over Kansas, other states, and other countries.

MATC has a unique opportunity to receive two used modular buildings from Fort Riley due to the new hospital opening at the installation. The college is seeking economic development assistance to dismantle, relocate, and install the buildings on campus to become instructional facilities. The first unit will house general education and business administration. This move will enable MATC to begin renovations in the south wing of the main building to relocate science/biotechnology labs and classrooms. The second unit will occupy CAD/Drafting-Design, and MATC will enhance promotion and training with these programs.

## **DISCUSSION**

The proposed agreement includes MATC making the final payment on the \$75,000 conventional loan (July 1, 2017).

On July 5, 2016, the initial proposal included the City forgiving the remaining \$291,000 forgivable loan, and granting MATC with another \$300,000 to relocate two modular units from Fort Riley to the MATC campus. The \$300,000 would be used to assist with the dismantling, moving, and re-establishing the modular units from Fort Riley to MATC.

At the July 5, 2016, meeting, the City Commission expressed a desire to have performance measures included in the existing and potential loan to MATC.

City Administration met with MATC President and Chamber of Commerce representatives and came up with a proposal to track those individuals receiving industry-recognized credentials, certificates, and associate degrees from MATC, instead of tracking enrollment in certain educational categories.

The current \$291,000 forgivable loan runs through 2021 (remaining balance of \$145,500). City Administration is proposing a consistent set of performance measures apply to the remaining forgivable loan, and the proposed loan of \$300,000. These loans would be evaluated annually based on the total number of graduates at MATC. MATC is currently averaging 380 graduates per year. The intent is to measure performance from 2017-2021. The plan is to monitor graduates and increase the number of total graduates by 3% annually. The annual loan amount to be considered is \$89,100 for 5 years (\$29,100 + \$60,000). This reflects the original \$291,000 loan, and the new \$300,000 loan divided by the 5 year reporting period. If MATC's graduation number is greater or equal to 90% of the target, then MATC will receive 100% of the incentives; if 80-89% of the target is reached, 80% of the annual incentives will be provided; if 70-79% of the target is reached, 70% of the annual incentives will be provided; if 50-69%, 50% of the annual incentives will be provided, and if below 50%, no incentives will be provided.

## **FINANCING**

The City is set to receive the last payment of the \$75,000 conventional loan by July 1, 2017. To date, MATC has paid back \$32,010 of the \$291,000 forgivable loan due to current inability to fully meet the performance requirements. MATC is proposing the remaining balance of the \$291,000 (\$29,100 per year through 2021) be included with the proposed \$300,000 forgivable loan from the Economic Development Fund. These funds would be monitored through 2021, with an annual exposure of \$89,100 (\$29,100 + \$60,000). Performance will be measured by the number of graduates per year starting at 380 in 2017 and growing by 3% per year.

## **ALTERNATIVES**

It appears the Commission has the following alternatives concerning the issue at hand. The Commission may:

1. Authorize the Mayor and City Clerk to execute a Third Amendment to the economic development incentive agreement with the Manhattan Area Technical College.
2. Do not authorize the execution of the Amendment.
3. Direct City Administration to negotiate modifications to address the concerns or desires of the Commission.
4. Table the request.

## **RECOMMENDATION**

City Administration recommends that the City Commission authorize the Mayor and City Clerk to execute a Third Amendment to the economic development incentive agreement with the Manhattan Area Technical College.

## **POSSIBLE MOTION**

Authorize the Mayor and City Clerk to execute a Third Amendment to the economic development incentive agreement with the Manhattan Area Technical College to assist with moving modular units from Fort Riley for use as instructional facilities.

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JH

Enclosure:

1. Amendment

## **THIRD AMENDMENT TO AGREEMENT**

**THIS AMENDMENT (the "Agreement")** is made and entered into as of July 19, 2016, (the "Effective Date") by and between the Manhattan Area Technical College ("MATC"), an area vocational school formed and existing under the laws of the state of Kansas, and the City of Manhattan, Kansas, a Municipal Corporation, (the "City").

**WHEREAS**, the parties hereto have previously entered into an Agreement (the "Original Agreement") dated the 21<sup>st</sup> day of September, 2010; Amended on the 8<sup>th</sup> day of January, 2013 (the "First Amendment"); and, Amended on the 2<sup>nd</sup> day of December, 2014 (the "Second Amendment"); the Original Agreement, the First Amendment and the Second Amendment are collectively hereinafter the "Collective Agreements"; and,

**WHEREAS**, the parties hereto desire to amend the Collective Agreements; and,

**WHEREAS**, The terms of the Original Agreement required the City to provide MATC with a forgivable loan (the "Forgivable Loan") of up to Two Hundred Ninety One Thousand Dollars (\$291,000), and also a conventional loan (the "Conventional Loan") in the total amount of Seventy Five Thousand Dollars (\$75,000), all subject to the provisions of the Original Agreement; and

**WHEREAS**, the parties agree that the City provided the maximum amount of the Forgivable Loan, as required, and that as of the Effective Date, the sum of \$145,500 (the "Remaining Balance") remains due thereon; and,

**WHEREAS**, the parties further agree that MATC has also complied with all terms of the Collective Agreements regarding the repayment of the Conventional Loan, with the exception of one installment of \$10,800, which is due on July 1, 2017; and,

**WHEREAS**, the City has funds available to enhance economic development initiatives benefiting the City; and,

**WHEREAS**, MATC has submitted a written application, (the "Application"), pursuant to City policy, requesting economic development incentives; and,

**WHEREAS**, the Application has been or shall be reviewed pursuant to City policy; and,

**WHEREAS**, MATC is a quasi-municipal entity, located within the City and formed under the laws of the state of Kansas which provides training and education to students and those students, once trained, are likely to enhance, and supplement, the workforce of the City, which will, in turn, encourage businesses to locate within the City; and,

**WHEREAS**, MATC desires to improve its facilities by obtaining, and relocating to its Manhattan campus, certain modular units, and such action shall be deemed to be a part of the Project, as that term is defined in the Original Agreement; and,

**WHEREAS**, the modular units shall be considered to be part of the Equipment, as that term is defined in the Original Agreement;

**WHEREAS**, the Project, as amended hereby, will enable MATC to further enhance, and supplement, the workforce of the City, thereby encouraging businesses to locate here; and, therefore, the Project is an economic development initiative benefiting the City; and,

**WHEREAS**, in order to assist with the Project, and to enhance the economic development initiative benefiting the City, MATC has requested through the Application, and the City desires to provide MATC a second forgivable loan in the amount of \$300,000 (the "Second Forgivable Loan")subject to the provisions of this Agreement; and,

**NOW THEREFORE**, in consideration of the mutual covenants contained in this Agreement, the parties agree as follows:

1. That the Collective Agreements shall be amended as set forth herein. All portions of the Collective Agreements not amended hereby shall remain in full force and effect.
2. MATC hereby agrees to comply with all provisions of the Collective Agreements not amended hereby, and specifically agrees to repay the City the sum of \$10,800, due on or before July 1, 2017, as required by the terms of the Original Agreement and the Conventional Note. MATC further agrees to comply with the terms of the Forgivable Loan, as set forth in the Original Agreement and as amended herein.
3. The City hereby agrees to provide MATC with the Second Forgivable Loan in the total amount of Three Hundred Thousand Dollars (\$300,000), subject to the provisions of this Agreement. Such grant shall be disbursed to MATC at such time as MATC has provided the City with evidence satisfactory to the City, that MATC has entered into a construction contract with a responsible contractor to complete the Project. Provided, however, the obligation of the City to provide the Second Forgivable Loan shall constitute a current expense of the City, is from year to year, and does not constitute a mandatory payment obligation of the City in any ensuing fiscal year beyond the then current fiscal year of the City, and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained herein constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City, subject to the provisions of this section, intends to provide the Second Forgivable Loan. The City reasonably

believes that legally available funds, in an amount sufficient to make all of such payments, will be obtained by the City. The City further intends to do all things lawfully within the power of the City to obtain and maintain funds from which all of such payments may be made. Any failure to make any such payment shall be deemed to be an “Event of Nonappropriation.” After the occurrence of an Event of Nonappropriation, the City must, or it must instruct the financial advisor to the City to, immediately notify in writing every nationally recognized municipal securities repository and every nationally recognized rating agency which then maintains a rating on any of the bonds of the City of the Event of Nonappropriation.

- 4.** MATC agrees to repay all sums disbursed as the Second Forgivable Loan, in five (5) equal annual installments of \$60,000, with no interest. Said installments shall be considered additional Rental Payments as set forth in paragraph 3 of the Original Agreement, and this Agreement shall be considered a “lease-purchase” agreement, pursuant to the provisions of K.S.A. 10-1116b, with the terms of the lease set forth in said paragraph 3. The first annual installment shall be due on July 1, 2017, and each subsequent installment shall be due on a like date each year thereafter until the Second Forgivable Loan has been paid in full. Each annual installment shall be deemed forgiven if annual performance targets are met, pursuant to the performance measures, set forth in Paragraph 5, hereinafter.
- 5.** That paragraph 4 of the Original Agreement, as well as the entirety of the First and Second Amendments, are hereby amended, and totally replaced by, the following: The disbursement by the City of the Second Forgivable Loan, and the forgiveness of the annual obligations under the Forgivable Loan and the Second Forgivable Loan (the “Incentives”), shall be subject to the following conditions and limitations (the “Conditions and Limitations”):

  - a.** The Incentives may be withheld by the City if MATC is in material default under or material breach of this Agreement, and such default or breach remains uncured for 60 days after notice thereof is given by the City to MATC. The term “withheld” as used herein shall mean that the “forgiveness” of the annual obligations under the Forgivable Loan and the Second Forgivable Loan is set aside and the payments are due and owing pursuant to the terms of this Agreement and the Original Agreement.
  - b.** MATC will be required to meet one performance requirement: workforce development. Workforce development shall mean that MATC is providing graduates to the workforce who have an industry-recognized credential, and/or certificate, and/or an associate of applied science degree. In order to meet this performance requirement, MATC is required to provide at least 380 of such graduates for the reporting year ending on June 30, 2017,

and to increase that number by at least 3% per year, through the reporting year ending on June 30, 2021.

- c. Compliance with this performance requirement will be measured by generating the percentage that actual performance bears to the required performance (the "Compliance Percentage"). If MATC's Compliance Percentage is greater or equal to 90%, then MATC will receive 100% of the incentives; if the Compliance Percentage is 80-89%, 80% of the annual incentives will be provided; if the Compliance Percentage is 70-79%, 70% of the annual incentives will be provided; if the Compliance Percentage is 50-69%, 50% of the annual incentives will be provided, if the Compliance Percentage is below 50%, no incentives will be provided.
- d. MATC agrees to continue to operate as a non-profit technical college within the City for a minimum of five (5) years from and after the date of this Agreement.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the Effective Date.

**CITY OF MANHATTAN, KANSAS:**

**ATTEST:**

By: \_\_\_\_\_  
Usha Reddi, Mayor

By: \_\_\_\_\_  
Gary S. Fees, MMC, City Clerk

**MANHATTAN AREA TECHNICAL COLLEGE:**

BY: \_\_\_\_\_  
James D. Genandt, President/CEO