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# Sedgwick County

525 North Main Street 3rd  
Floor  
Wichita, KS 67203

## Legislation Text

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File #: 11-1015, Version: 1

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### **APPROVAL OF A RESOLUTION AND AGREEMENT AUTHORIZING A FORGIVABLE LOAN TO JCB LABORATORIES, INC OF WICHITA FOR ECONOMIC DEVELOPMENT INCENTIVES, AND AUTHORIZING THE INTRA-FUND TRANSFER OF BUDGET AUTHORITY.**

Presented by: Sherdeill Breathett, Economic Development.

**RECOMMENDED ACTION:** Approve the Resolution and authorize the chairman to sign.

#### **Background:**

JCB Laboratories (JCB) is a sterile compounding pharmacy specializing in the preparation of custom injectible pain medications and topical ophthalmic products. This is a highly specialized niche within the pharmacy industry. JCB focuses on servicing ambulatory service centers, dialysis centers, hospitals and veterinarians throughout the United States. The company was founded in Wichita in 2003 and has achieved an average annual revenue growth rate in excess of 30%.

JCB is currently located at 3510 N. Ridge Rd. The company is looking to practically triple the amount of space it currently occupies to accommodate demand for their products. JCB has looked at options in Wichita for its expansion/relocation as well as outside of Kansas. The company is considering relocating to 7335 West 33rd Street North in Wichita. Brian Williamson of JCB contacted the Greater Wichita Economic Development Coalition which worked with City, County and State partners to fashion the incentive offer described below. Based on the incentives offered, JCB has decided to expand its operations here. The local incentives were offered subject to formal approval by the governing bodies. The Cost Benefit Analysis conducted by WSU reflects a ROI of 1.50 to Sedgwick County.

#### **Analysis:**

JCBs expansion project includes moving from its existing 3,000 square foot facility to an 8,100 square foot facility which will allow it to expand its production capacity.

JCB estimates that the total capital investment for the project will be \$700,000 for leasehold improvements at the new facility and the purchase of new machinery, furnishings and equipment.

JCB currently employs 9 workers in Wichita/Sedgwick County. As a result of the expansion, the company will hire an additional 15 employees over the next three years. The average annual wage of the existing and new jobs will be \$62,500 for a total annual payroll of \$1,500,000.

#### **Current sales:**

- 81% outside of Wichita
- 80% outside of Kansas (majority of sales in NE United States)
- 1% outside of the US

Percentage of NEW sales:

- 99% outside of Wichita
- 99% outside of Kansas
- 1% outside of the US

PROPOSED INCENTIVES

State of Kansas: Sales tax Exemption on Construction Materials, FF&E \$ 44,000  
High Performance Incentive Program \$ 65,000

Total State Incentive Package \$109,000

Sedgwick County: Forgivable Loan \$30,000

City of Wichita: Forgivable Loan \$30,000

Under the terms of the attached Forgivable Loan Agreement and Promissory Note, the forgivable loan proceeds will be used to remodel the new Wichita headquarters, purchase new machinery, furnishings and equipment and/or to provide employee training. The forgivable loan will have a term of five years ending September 30, 2016. Loan principal will be forgiven in equal annual installments at the end of each year, provided that the employment and wage commitments set forth in the agreement have been met. Unforgiven principal will carry forward and any unforgiven principal remaining at the end of the loan term shall be immediately due and payable. In the event JCB ceases operations in Wichita during the term of the loan, the entire original principal will be immediately due and payable, plus interest from the start of the loan at 12% APR.

Financial Considerations: This action requires the reallocation of budget authority from the Economic Development Contingency fund 77005-110 to Economic Development 47001-110 \$30,000

Legal Considerations: The attached Forgivable Loan Agreement has been approved as to form by the County Legal Department.

Policy Considerations: N/A

Outside Attendees: Brian Williamson, President/CEO

Multimedia Presentation: NO