

August 15, 2023

Single Series Bonds request under a master resolution

167 Logistics Centre West, LLC and assigns
Industrial Revenue Bond & Tax Phase-In Project
Executive Summary



Located on the following Parcel:
DP55730000 0001A

Introduction

The City has received an approximately \$42,000,000 industrial revenue bond application from 167 Logistics Centre West LLC and assigns (“Applicant”) for construction of industrial space on approximately 22.5-acres near the northwest corner of 167th Street and Lone Elm Road at 22150 W. 167th Street. The Applicant anticipates construction of approximately 438,314 square feet of space to accommodate industrial and warehouse uses. The Applicant seeks to have the project receive a 10-year, 50% property tax phase-in in conjunction with the issuance of the City’s industrial revenue bonds. This project is applying for and falls under the City’s tax abatement policy for a master resolution abatement, Resolution 22-1080 and Policy F-5 with an investment over \$5 million for existing businesses.

Bonds for this single-phase project are expected to be issued in one series. This series of bonds to be issued would allow the Applicant to construct a 438,314 square foot industrial facility on a 22.5-acre parcel. The Applicant requests issuance of an amount not to exceed \$42,000,000 of industrial revenue bonds for construction of this building. The proceeds from the bonds would be divided as follows: \$3,000,000 of the bonds would cover costs to acquire the land for the project, \$36,000,000 of the bonds would cover costs to construct the building and other development costs, and \$3,000,000 in funds would be allocated to cover costs to purchase furniture, fixtures and equipment.

The following information about this request relates to the projected impacts of the building planned for construction and was derived from the attached application materials.

Employment

The project is expected to create 275 new jobs over the next 10 years. The average salaries are expected to be \$52,000 in the first year, growing to \$62,145 in year 10. These jobs would create approximately \$136,845,900 in total new wages to the Olathe economy over the next 10 years.

Machinery & Equipment

The application includes \$3,000,000 in funds for machinery and equipment which would be exempt from sales taxes for purposes of this project.

IRB Request

This series request is to issue industrial revenue bonds in a single series not to exceed \$42,000,000 for the construction of 438,314 square feet of space. It is anticipated that the bonds will be taxable industrial revenue bonds backed by the revenue generated from the facility. The applicant plans to purchase the bonds.

Tax Abatement Request

The Applicant is requesting an approximate 10-year, 50% property tax-phase in for its project, under the City's Tax Abatement Resolution 22-1080 and Policy F-5. The abatement would be for the new investment in improvements associated with the request to issue bonds for the project. The level of capital investment meets the criteria for a 10-year property tax abatement for an existing business under the City's tax abatement policy, Resolution No. 22-1080, as the industrial facility will result in a total investment of over \$5 million.

Taxes

Current estimated property taxes generated at this site (all jurisdictions): \$25,295 (city portion of taxes - \$4,878) based on a 2023 appraised value of \$1,572,200 and an assessed value of \$188,664). The future additional property taxes generated by this project have been computed using a targeted level of real property estimated appraised value at build out that is \$26,250,000 (75% of investment in the building only (real property)). This investment will result in approximately \$824,294 in annual property taxes at full value for all taxing jurisdictions, and \$159,080 in property taxes to the City. With a 50% property tax abatement, the tax revenue will be approximately \$4,121,470 for all jurisdictions over the 10-year abatement period, and \$795,400 to the City over the 10-year abatement period.

Sales

The project will increase new annual sales throughout the duration of the project for the tenant and are projected to be \$50,000 in year one, growing to \$216,486 in year ten.

Special Assessments

There are currently no special assessments associated with this property.

Franchise Fees

It is expected that the project will generate \$49,656 in new franchise fees each year of the 10-year period.

Sewer & Garbage

The applicant anticipates generating an additional \$21,800 in revenue from increased water and sewer service during the 10-year abatement period.

Local Competition

The applicant will not be in competition with other local area companies.

Annual Purchases

The applicant has projected that the project would generate approximately \$600,000 in new operating expenditures the first year and \$121,758 each year after. Those purchases will total \$1,695,822 over the 10-year period, approximately 30% which will potentially be subject to sales taxes over the abatement period.

Cost-Benefit Analysis

As required by Kansas law, staff completed a cost-benefit analysis of the project on the City of Olathe. The Kansas, Inc. model reflects the impact upon the city, county, school district, and state. A variety of information concerning the firm, the construction, and the community was input into the model.

The cost-benefit model shows that the facility will have a benefit to cost ratio of 2.46 to 1 for the City of Olathe, which translates into an annual rate of return on the City's investment of taxes abated of 245.93%. The payback period for incentives and taxes abated will be approximately 3 years.

County & School District Impact

It is expected that the project will bring approximately 358 total new jobs (direct and in-direct) to the City, with 211 new residents moving into Johnson County over the next 10 years. This project will be located in the Spring Hill School District. Of the new residents, 40% are expected to move into the Spring Hill School District. The impact on the school district would be about 25 new students over the next 10 years. Per Kansas law, the City will provide written information to the County and the School District pertaining to this request.

Performance Agreement

The applicant has been informed that a performance agreement will be required as part of a tax abatement for the project which is locating at 22150 W. 167th Street. The minimum targeted expenditures would be approximately 80% of the projected bond issuance for this project, or \$33,600,000.