

November 19, 2024

**Single Series Bonds Request**  
Scott O'Neill dba Business Garage Authority  
Industrial Revenue Bond & Tax Phase-In Project  
Executive Summary

Located on the following Parcel:  
DP42450000 0001



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## **Introduction**

The City has received a \$3,200,000 industrial revenue bond application from Scott O'Neill / Business Garage Authority ("Applicant") for construction of a speculative light industrial facility on a portion of a 3.3-acre site at 15571 S. Mahaffie Street in the Mahaffie Business Park. 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 an existing business abatement in a business park under a master resolution, Resolution 23-1080 and Policy F-5 \$10 million.

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 33,000 square foot flex industrial facility on a portion of a 3.3-acre parcel. This building is a second phase to a project originally constructed in 2022. The first phase of this project included construction of 24,000 square feet of space for spec industrial flex. This project will add an additional 33,000 square foot facility, creating the addition of 14 flex units serving start-up and small to intermediate businesses. Spaces will range between 1,200 and 3,000 square feet.

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**

As this a speculative project the following job and salary numbers are based on conservative estimates by the applicant. Final jobs and salaries may vary. The project is expected to create 84 new jobs over the next 10 years. The average salaries are expected to be \$40,000 in the first year, growing to \$51,000 in year 10. These jobs would create approximately \$29.8 million in total new wages to the Olathe economy over the next 10 years.

## **Machinery & Equipment**

The application does not include any funds for furniture, fixtures and equipment. It is likely that the tenants will purchase items that will be subject to additional sales tax revenue not calculated in this analysis.

## **IRB Request**

This series request is to issue industrial revenue bonds in a single series not to exceed \$3,200,000 for the construction of a 33,000 square foot speculative flex light industrial facility. 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 23-1080 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 in a business park under the City's tax abatement policy as the industrial facility will result in a total investment of over \$2 million.

## **Taxes**

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 \$2,400,000 (75% of investment in the building only (real property)). This investment will result in approximately \$69,800 in annual property taxes at full value for all taxing jurisdictions, and \$6,950 in property taxes to the City. With a 50% property tax abatement, the tax revenue will be approximately \$349,000 for all jurisdictions over the 10-year abatement period, and \$69,500 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 \$1,000,000 the second year and growing to \$3,500,000 in year 10. A total of \$28,500,000 in additional sales in attributed to this project.

## **Annual Purchases**

The applicant has projected that the project would generate approximately \$675,000 in new operating expenditures over the life of the tax phase-in.

## **Franchise Fees**

It is expected that the project will generate \$13,600 in new franchise fees each year of the 10-year period.

## **Wastewater & Garbage**

The applicant anticipates generating an additional \$25,600 in revenue from increased sewer and garbage service during the 10-year abatement period.

## **Special Assessments**

There are currently no special assessments associated with this property.

## **Local Competition**

The applicant will be in competition with other local area developers with properties of a similar usage.

## **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 6.59 to 1 for the City of Olathe, which translates into an annual rate of return on the City's investment of taxes abated of 659.05%. The payback period for incentives and taxes abated will be approximately 2 years.

## **County & School District Impact**

It is expected that the project will bring approximately 109 total new jobs (direct and in-direct) to the City, with 89 new residents moving into Johnson County over the next 10 years. This project will be located in the Olathe School District. Of the new residents, 30% are expected to move into the Olathe School District. The impact on the school district would be about 16 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 on parcel DP42450000 0001. The minimum targeted expenditures would be approximately 80% of the projected bond issuance for this project, or \$2,560,000.