

May 21, 2024

Master Resolution Multi-Series Bond Request
Blue Springs Safety Storage South, LLC and assigns
Industrial Revenue Bond & Tax Phase-In Project
Executive Summary



Located on a total of 57% the following parcels:
DF231413-1001 and DF231413-2001

Introduction

The City has received a \$252,865,701 industrial revenue bond application from Blue Springs Safety Storage South, LLC and assigns ("Applicant") for the construction of industrial and warehouse facilities on 139-acres on the east side of 169 Highway, between 159th and 167th Streets. The Applicant anticipates construction of approximately 1,549,955 square feet of space to accommodate industrial uses in a business park setting. The Applicant seeks a master resolution over the entire project so that each series receives an approximate 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 new business abatement, Resolution 23-1080 and Policy F-5 with an investment of over \$10 million.

Bonds for this multi-phase project are expected to be issued in several series. The bonds to be issued would allow the Applicant to construct a total of 1,549,955 square feet of warehouse and industrial facilities on a total of 139-acres. The Applicant requests issuance of an amount not to exceed \$252,865,701 of industrial revenue bonds for construction of the buildings. The proceeds from the bonds would be divided as follows: \$4,616,488 of the bonds would cover costs to acquire the land, \$186,941,723 of the bonds would cover costs to construct the buildings, \$39,518,866 of the funds would cover other development costs including site work and soft costs, \$21,788,624 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 project planned for construction and was derived from the attached application materials.

Employment

The project is expected to create 1,033 new jobs over the next 10 years. The average salaries are expected to be \$44,000 in the first year, growing to \$57,410 in year 10. These jobs would create approximately \$59 million in new wages to the Olathe economy in the final year of the abatement.

Machinery & Equipment

This application includes \$21,788,624 in bond proceeds to purchase furniture, fixtures and equipment in this request.

IRB Request

This master resolution request is to issue industrial revenue bonds in multiple series not to exceed \$252,865,701 for the construction of a total of 1,549,955 square feet of industrial and warehouse 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 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 a new business under the City's tax abatement policy as the industrial facility will result in a total investment of over \$10 million.

Taxes

Current estimated property taxes generated at this site (all jurisdictions): \$3,686 (city portion of taxes - \$708) based on a 2024 appraised value of \$92,240 and an assessed value of \$27,672). The future property taxes generated by this project have been computed using a targeted level of real property estimated appraised value at build out that is \$120,90,000 (65% of investment in the buildings only (real property)). This investment will result in approximately \$3,536,800 million in annual property taxes at full value for all taxing jurisdictions, and \$705,935 in property taxes to the City. With a 50% property tax abatement, the tax revenue will be approximately \$17,684,000 for all jurisdictions over the 10-year abatement period, and \$3,529,680 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 \$478,936 in the first year growing to 2,324,932 in the final year of the 10-year abatement. A total of \$14,866,054 million in additional sales in attributed to this project.

Special Assessments

There are currently no special assessments associated with this property.

Franchise Fees

It is expected that the project will generate \$121,745 in new franchise fees each year of the 10-year period.

Wastewater & Garbage

The applicant anticipates generating an additional \$77,070 in revenue from increased trash and sewer service during the 10-year abatement period.

Local Competition

The applicant will be in competition with other local development projects of similar nature.

Annual Purchases

The applicant has projected that the project would generate approximately \$5,723,600 in new operating expenditures over the life of the tax phase-in.

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 districts, 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 1.47 to 1 for the City of Olathe, which translates into an annual rate of return on the City's investment of taxes abated of 146.69%. The payback period for incentives and taxes abated will be approximately 6 years.

County & School District Impact

It is expected that the project will bring approximately 1,343 total new jobs (direct and in-direct) to the City, with 1,552 new residents moving into Johnson County over the next 10 years. This project will be located in both the Olathe and Spring Hill School Districts. Of the new residents, 40% are expected to move into the Olathe School District and 40% into the Spring Hill School District. The impact on the school districts would be about 364 new students over the next 10 years. Per Kansas law, the City will provide written information to the County and the School Districts 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 parcels: DF231413-1001 and DF231413-2001. The minimum targeted expenditures would be approximately 80% of the projected bond issuance for this project, or \$202,292,560.