

August 6, 2024

Single Series Bonds Request
LECC Building 5, LLC and assigns
Industrial Revenue Bond & Tax Phase-In Project
Executive Summary

Located on the following Parcel:
DF231415-2007



Introduction

The City has received a \$23,000,000 industrial revenue bond application from LECC Building 5, LLC and assigns ("Applicant") for construction of a speculative light industrial space on 19.74-acres north of 167th Street between Lone Elm Road and Erickson Street. The Applicant anticipates construction of a 204,880 square foot facility to accommodate warehouse and distribution 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 new business abatement, Resolution 23-1080 and Policy F-5 with an investment over \$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 204,880 square foot industrial facility on a 19.74-acre parcel. This building is building 5 on the included site plan. The Applicant requests issuance of an amount not to exceed \$23,000,000 of industrial revenue bonds for construction of this building. The proceeds from the bonds would be divided as follows: \$2,652,804 of the bonds would cover costs to acquire the land for the project and \$20,347,196 of the bonds would cover costs to construct the building.

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 154 new jobs over the next 10 years. The average salaries are expected to be \$38,000 in the first year, growing to \$58,950 in year 10. These jobs would create approximately \$57.9 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 tenant 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 \$23,000,000 for the construction of a 204,880 square foot speculative 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 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): \$275 (city portion of taxes - \$55) based on a 2024 appraised value of \$7,250 and an assessed value of \$2,175). 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 \$13,000,000 (65% of investment in the building only (real property)). This investment will result in approximately \$374,585 in annual property taxes at full value for all taxing jurisdictions, and \$75,900 in property taxes to the City. With a 50% property tax abatement, the tax revenue will be approximately \$1,872,925 for all jurisdictions over the 10-year abatement period, and \$379,500 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 \$250,000 per year throughout the 10-year timeframe. A total of \$2,500,000 in additional sales is attributed to this project.

Annual Purchases

The applicant has projected that the project would generate approximately \$7,893,043 in new operating expenditures over the life of the tax phase-in.

Franchise Fees

It is expected that the project will generate \$126,420 in new franchise fees each year of the 10-year period.

Wastewater & Garbage

The applicant anticipates generating an additional \$15,660 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 size.

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 1.73 to 1 for the City of Olathe, which translates into an annual rate of return on the City's investment of taxes abated of 172.57%. The payback period for incentives and taxes abated will be approximately 5 years.

County & School District Impact

It is expected that the project will bring approximately 200 total new jobs (direct and in-direct) to the City, with 212 new residents moving into Johnson County over the next 10 years. This project will be located in the Gardner Edgerton School District. Of the new residents, 30% are expected to move into the Gardner Edgerton District. The impact on the school district would be about 17 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 DF231415-2007. The minimum targeted expenditures would be approximately 80% of the projected bond issuance for this project, or \$18,400,000.