

May 21, 2024

Property Tax Phase-In and Single-Series Bond Request

Safari Belting Systems, LLC
Industrial Revenue Bond & Tax Phase-In Project
Executive Summary



Located on the following parcels:
DP25340000 0004 and DP25340000 0T0D

Introduction

The City has received a \$19,375,000 industrial revenue bond application from Safari Belting Systems, LLC ("Applicant") for the construction of a manufacturing, assembly and distribution facility on 12-acres at 607 E. Old 56 Highway. The Applicant anticipates construction of a 75,000 square foot facility to accommodate industrial uses in a business park setting. The Applicant seeks a resolution and requests the project receives an 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, Resolution 23-1080 and Policy F-5 with an investment of over \$5 million.

Bonds for this project are expected to be issued in a single series. The bonds to be issued would allow the Applicant to construct a 75,000 square foot industrial facility on a 12-acres. The Applicant requests issuance of an amount not to exceed \$19,375,000 of industrial revenue bonds for construction of the building. The proceeds from the bonds would be divided as follows: \$1,600,000 of the bonds would cover costs to acquire the land, \$12,975,000 of the bonds would cover costs to construct the building, \$750,000 of the funds would cover other development costs including site work and soft costs, \$4,050,000 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 57 new jobs over the next 10 years. The average salaries are expected to be \$69,012 in the first year, growing to \$75,478 in year 10. These jobs would create approximately \$24.9 million in new wages to the Olathe economy over the 10-year life of the abatement.

Machinery & Equipment

This application includes \$4,050,000 in bond proceeds to purchase furniture, fixtures and equipment in this request.

IRB Request

This IRB and tax phase-in resolution request is to issue industrial revenue bonds in a single series not to exceed \$19,375,000 for the construction of a 75,000 square foot manufacturing and distribution 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 under the City's tax abatement policy 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): \$11,030 (city portion of taxes - \$2,200) based on a 2024 appraised value of \$784,840 and an assessed value of \$94,181). The future property taxes generated by this project have been computed using a targeted level of real property estimated appraised value at completion that is \$9.85 million (75% of investment in the building only (real property)). This investment will result in approximately \$288,150 in annual property taxes at full value for all taxing jurisdictions, and \$57,500 in property taxes to the City. With a 50% property tax abatement, the tax revenue will be approximately \$1,440,750 for all jurisdictions over the 10-year abatement period, and \$287,500 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 \$23,700,000 in the first year growing to \$66,757,972 in the final year of the 10-year abatement. A total of \$438,166,195 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 \$7,380 in new franchise fees each year of the 10-year period.

Water, Wastewater & Garbage

The applicant anticipates generating an additional \$5,760 in revenue from increased water, trash and sewer service during the 10-year abatement period.

Local Competition

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

Annual Purchases

The applicant has projected that the project would generate approximately \$16,825,000 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 1.84 to 1 for the City of Olathe, which translates into an annual rate of return on the City's investment of taxes abated of 184.39%. The payback period for incentives and taxes abated will be approximately 4 years.

County & School District Impact

It is expected that the project will bring approximately 74 total new jobs (direct and in-direct) to the City, with 26 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, 60% are expected to move into the Olathe School District. The impact on the school district would be about 4 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: DP25340000 0004 and DP25340000 OT0D. The minimum targeted expenditures would be approximately 80% of the projected bond issuance for this project, or \$15,500,000.