

December 3, 2024

Single Series Bonds Request
PT Property LLC (Pizza 51 South and assigns
Industrial Revenue Bond & Tax Phase-In Project
Executive Summary

Located on the following Parcel:
DP52000061 0007A



Introduction

The City has received a \$1,085,000 industrial revenue bond application from PT Property LLC (Pizza 51 South) and assigns (“Applicant”) for redevelopment and construction of a 3,405 square foot fast-casual restaurant facility on .31-acres north at 200 S. Kansas Avenue. The Applicant anticipates construction of an additional 1,690 square feet of space onto the existing 1.715 square foot structure. The Applicant seeks to have the project receive a 10-year, 100% 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 in a targeted area (Downtown Olathe), Resolution 23-1080 and Policy F-5.

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 redevelop and add additional square footage to the existing facility and significantly upgrade from the current property use. The Applicant requests issuance of an amount not to exceed \$1,085,000 of industrial revenue bonds for the construction. The proceeds from the bonds would be divided as follows: \$825,000 of the bonds would cover costs purchase and redevelop the building, \$75,00 of the bonds would cover costs for furniture, fixtures and equipment and \$185,000 would cover other development costs associated with the project.

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

Employment

The project is expected to create 30 new jobs over the next 10 years. The average salaries are expected to average \$19 per hour in the first year, growing to average \$25 per hour in year 10. These jobs would create approximately \$13.6 million in total new wages to the Olathe economy over the next 10 years.

Machinery & Equipment

The application does include \$75,000 for furniture, fixtures and equipment. These items will include kitchen equipment along with furniture for the facility.

IRB Request

This series request is to issue industrial revenue bonds in a single series not to exceed \$1,085,000 for the redevelopment of a 1,715 square foot facility into a 3,405 square foot fast casual restaurant 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, 100% 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 in a targeted area.

Taxes

The City of Olathe will be forgoing property taxes over the 10-year period, however the increased sales tax collections of the project will help to offset the tax loss during the life of the abatement.

Sales

The project will increase new annual sales throughout the duration of the project for the tenant and are projected to be \$1,500,000 in the first year growing to \$2.3 million in the final year of the abatement. A total of \$19.1 million in additional sales is attributed to this project.

Annual Purchases

The applicant has projected that the project would generate approximately \$600,000 in new operating expenditures over the life of the tax phase-in.

Franchise Fees

It is expected that the project will generate \$9,850 in new franchise fees each year of the 10-year period.

Water, wastewater & Garbage

The applicant anticipates generating an additional \$9,580 in revenue from increased water, 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 potentially be in competition with other local area eating establishments with similar product.

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 1.55 to 1 for the City of Olathe, which translates into an annual rate of return on the City's investment of taxes abated of 154.68%. 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 15 total new jobs (direct and in-direct) to the City, with 9 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, 70% are expected to move into the Olathe School District. The impact on the school district would be about 2 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 DP52000061 0007A. The minimum targeted expenditures would be approximately 80% of the projected bond issuance for this project, or \$868,000.