

April 1, 2025

Single Series Bonds Request
Cherry Santa Fe, LLC
Industrial Revenue Bond & Tax Phase-In Project
Executive Summary

Located on the following Parcel:
DP52000046 0014



Introduction

The City has received a \$7,031,629 industrial revenue bond application from Cherry Santa Fe, LLC (“Applicant”) for the redevelopment of a 10,859 square foot commercial facility on .36-acres at 114-126 N. Cherry Street. The Applicant plans to occupy 3,634 square feet of the facility with additional restaurant and retail tenants occupying the remaining space in the building. Additionally, the applicant will add rooftop patio spaces. 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 24-1075 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 the existing facility and significantly upgrade it from the current property use. The Applicant requests issuance of an amount not to exceed \$7,031,629 of industrial revenue bonds for the construction. The proceeds from the bonds would be divided as follows: \$6,100 of the bonds would cover costs purchase the building, \$4,464,058 to redevelop the building, \$1,000,000 for furniture, fixtures and equipment and \$1,561,471 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 hire 174 new employees over the next 10 years. The salaries are expected to average \$50,000 in the first year, growing to an average of \$65,239 in year 10. These jobs would create approximately \$94 million in total new wages to the Olathe economy over the next 10 years.

Machinery & Equipment

The application does include funds 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 \$7,031,629 for the redevelopment of 10,859 square feet of restaurant and retail 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 24-1075 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 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. This facility is currently tax exempt as it was owned by the City of Olathe.

Sales

The project will increase new annual sales throughout the duration of the project for the tenants and are projected to be \$2,500,000 in the first year, growing to \$3,261,933 million in the final year of the abatement. A total of \$28.6 million in additional sales is attributed to this project.

Annual Purchases

The applicant has projected that the project would generate approximately \$1,250,000 in new operating expenditures over the life of the tax phase-in.

Franchise Fees

It is expected that the project will generate \$64,000 in new franchise fees over the 10-year period.

Water, wastewater & Garbage

The applicant anticipates generating an additional \$30,400 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 products.

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 2.76 to 1 for the City of Olathe, which translates into an annual rate of return on the City's investment of taxes abated of 275.95%. 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 87 total new jobs (direct and in-direct) to the City, with no 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 no 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 DP52000046 0014. The minimum targeted expenditures would be approximately 80% of the projected bond issuance for this project, or \$5,6,25,300.