

April 16, 2024

Master Resolution Multi-Series Bond Request
PDC STL/INDY LPIV, LLC and assigns
Industrial Revenue Bond & Tax Phase-In Project
Executive Summary



Located on the following Parcels:
DF231421-2001, DF231421-2005, DF231421-1012, DF231421-3010

Introduction

The City has received a \$261,423,959 industrial revenue bond application from PDC STL/INDY LPIV, LLC and assigns ("Applicant") for construction of industrial and warehouse space on 186-acres on the northeast quadrant of 175th Street and Clare Road. The Applicant anticipates construction of approximately 2,828,059 square feet of space to accommodate industrial uses in a business park setting. The Applicant seeks a master resolution over the entire project so 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 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 2,828,059 square feet of warehouse and industrial facilities on a total of 168-acres. The Applicant requests issuance of an amount not to exceed \$261,423,959 of industrial revenue bonds for construction of the buildings. The proceeds from the bonds would be divided as follows: \$39,590,400 of the bonds would cover costs to acquire the land, \$89,633,999 of the bonds would cover costs to construct the building, \$132,199,560 of the funds would cover other development costs including site work and soft costs, and no funds 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 1,851 new jobs over the next 10 years. The average salaries are expected to be \$43,500 in the first year, growing to \$56,758 in year 10. These jobs would

create approximately \$105 million in new wages to the Olathe economy in the final year of the abatement.

Machinery & Equipment

This application does not include bond proceeds to purchase furniture, fixtures and equipment in this request. However, it is expected that any future tenants will purchase FF&E will potential sales taxes collected on those purchases.

IRB Request

This master resolution request is to issue industrial revenue bonds in multiple series not to exceed \$261,423,959 for the construction of a total of 2,828,059 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): \$2,667 (city portion of taxes - \$446) based on a 2023 appraised value of \$69,070 and an assessed value of \$20,666). 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 \$58,240,000 (65% of investment in the buildings only (real property)). This investment will result in approximately \$1,878,520 million in annual property taxes at full value for all taxing jurisdictions, and \$314,640 in property taxes to the City. With a 50% property tax abatement, the tax revenue will be approximately \$9,392,600 for all jurisdictions over the 10-year abatement period, and \$1,572,200 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 \$4,244,022 each year of the 10-year abatement. A total of \$42,440,220 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 \$222,237 in new franchise fees each year of the 10-year period.

Wastewater & Garbage

The applicant anticipates generating an additional \$140,700 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 \$12,250,000 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 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 1.98 to 1 for the City of Olathe, which translates into an annual rate of return on the City's investment of taxes abated of 197.82%. 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 1,851 total new jobs (direct and in-direct) to the City, with 1,353 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, 50% are expected to move into the Gardner-Edgerton School District. The impact on the school district would be about 192 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 parcels: DF231421-2001, DF231421-2005, DF231421-1012, and DF231421-3010. The minimum targeted expenditures would be approximately 80% of the projected bond issuance for this project, or \$209,139,160.