

March 7, 2023

Single Series Bonds
1918, LLC
Industrial Revenue Bond & Tax Phase-In Project
Executive Summary
Located on 60 acres of the following Parcel:
6F231414-4002



Introduction

The City has received an application from 1918 LLC (“Applicant”) for issuance of \$257,000,000 of industrial revenue bonds for the construction of a 320,000 square foot state-of-the-art beef carcass processing and packaging facility for retail ready products. The project is located on 60 acres of a 138-acre site near the northwest corner of 167th Street & 169 Highway. This is a single series of bonds to be issued to cover land, the building and furniture, fixtures and equipment costs. The Applicant seeks to have the project receive a 10-year / 50% real property tax abatement in conjunction with the issuance of the City’s industrial revenue bonds.

Bonds for this project are expected to be issued in one series. This series of bonds to be issued would allow the Applicant to construct the high-tech food-grade industrial facility on 60-acres. The Applicant requests issuance of an amount not to exceed \$257,000,000 of industrial revenue bonds for construction of the facility. The proceeds from the bonds would be divided as follows: \$25,000,000 of the bonds would cover costs to acquire the land for the project, \$152,000,000 of the bonds would cover costs to construct the building, and \$80,000,000 of the funds would be allocated to cover costs to purchase furniture, fixtures and equipment for the facility.

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

Employment

The project is expected to create 667 new jobs over the next 10 years. The average salaries are expected to be \$40,618 in year 10. These jobs would create approximately \$198,425,000 in total new wages to the Olathe economy over the next 10 years.

Machinery & Equipment

This application includes a \$80,000,000 request for bond revenues for furniture, fixtures and equipment for the purpose of a sales tax exemption for the purchases.

IRB Request

The request is to issue industrial revenue bonds in a single series for the construction of the high-tech food grade 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 22-1080 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 project will result in a total investment of over \$10 million.

Taxes

Currently no property taxes are generated at this site as it is not yet annexed into the city boundaries. During the 10-year / 50% property tax phase-in it is expected that the project will increase the sales tax base of the city overall.

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 \$114,000,000 (75% of investment in the building only (real property)). This investment will result in approximately \$3.5 million in annual property taxes at full value for all taxing jurisdictions, and \$690,000 in property taxes to the City.

Sales

The project is expected to facilitate \$282,000,000 new annual sales in the first year growing to \$502,000,000 in year ten of the abatement period.

Special Assessments

There are currently no special assessments on the property.

Franchise Fees

It is expected that the project will generate \$76,250 in new franchise fees the first year and \$762,500 in franchise fees over a 10-year period.

Sewer & Garbage

The applicant anticipates generating an additional \$148,000 in net revenue from increased water and sewer service during the 10-year abatement period.

Local Competition

The development does not anticipate any direct competition in the area as this is a facility for the parent company purposes only.

Annual Purchases

The applicant has projected that the project would generate approximately \$7,500,000 in new operating expenditures in each year of the abatement period.

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 2.21 to 1 for the City of Olathe, which translates into an annual rate of return on the City's investment of taxes abated of 220.78%. 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 667 total new jobs (direct and in-direct) to the City, with 226 new residents moving into Johnson County over the next 10 years. This project will be located in the Spring Hill School District. Of the new residents, 40% are expected to move into the Spring Hill School District. The impact on the school district would be about 26 new students over the next 10 years. This information is based solely on the expected job increase and not the apartment and townhome residents. 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 near the northwest corner of 167th & 169 Highway. The minimum targeted expenditures would be approximately 80% of the projected bond issuance for this project, or \$205,600,000.