

May 21, 2019

Single Series Bonds
Carrier Services Plus, LLC
(HP Distribution)
Industrial Revenue Bond & Tax Abatement Project
Executive Summary

Located on the following Parcel:
DP53100000 0001



Introduction

The City has received an approximately \$3,000,000 industrial revenue bond application from Carrier Services Plus, LLC ("Applicant") for construction of transportation terminal space on 6.5 acres at Dennis Avenue and (future) Pine Street, west of the BNSF railroad tracks. The Applicant anticipates construction of approximately 21,400 square feet of space to accommodate transportation terminal uses. The Applicant seeks to have the project, which will be constructed on the 6.5-acre parcel in the Olathe Commerce Center development (former Delphi site), receive a 10-year, 50% property tax abatement 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 master resolution abatement, Resolution 18-1111 and Policy F-5 with an investment over \$10 million for new businesses. The master resolution will have an overall investment of over \$41 million in land, buildings and infrastructure cost.

Bonds for this first phase project are expected to be issued in one series. This series of bonds to be issued would allow the Applicant to construct 21,400 square foot of transportation terminal space on a 6.5-acre parcel. The Applicant requests issuance of an amount not to exceed \$3,000,000 of industrial revenue bonds for construction of this building. The proceeds from the bonds would be divided as follows: \$567,000 of the bonds would cover costs to acquire the land for the project, \$2,433,000 of the bonds would cover costs to construct the building, and no funds would be allocated to cover costs to purchase machinery and equipment for the building. It is expected an investment would still be made in FF&E at this project.

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

Employment

The project is expected to create 160 new jobs over the next 10 years. The average salaries are expected to be \$42,000 in the first year. These jobs would create approximately \$42,407,980 in total new wages to the Olathe economy over the next 10 years.

Machinery & Equipment

The application does not include a request for bond revenues for furniture, fixtures or equipment for this first phase project. It is expected however that FF&E items will be purchased adding to the expected sales tax generated by the project.

IRB Request

This request is for a master resolution to be created in an amount not to exceed \$41,681,920. The first series request is to issue industrial revenue bonds in a single series for the construction of 21,400 square feet of 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 a 10-year, 50% property tax abatement for its project, under the City's Tax Abatement Resolution 18-1111 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 new businesses under the City's tax abatement policy, Resolution No. 18-1111, as the industrial park will result in an investment over \$10 million (new Olathe business application).

Taxes

Current estimated property taxes generated at this site (entire 66-acre parcel taxes are below) (all jurisdictions): \$3,618 (city portion of taxes - \$345) based on a 2018 appraised value of \$117,850 and an assessed value of \$14,142). 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 \$1,825,000 (building only). This investment will result in approximately \$58,376 in new annual property taxes at full value for all taxing jurisdictions, and \$29,188 in new property taxes to the City. With a 50% property tax abatement, the tax revenue will be approximately \$291,880 for all jurisdictions over the 10-year abatement period, and \$55,675 to the City over the 10-year abatement period.

Sales

The project is expected to facilitate \$2,500,000 in new annual sales the first year growing to \$12,899,451 in year ten of the abatement. A total of \$64,896,705 in new sales is expected over the 10-year life of the abatement project as a result of the facility being constructed.

Special Assessments

There are currently no special assessments associated with this property.

Franchise Fees

It is expected that the project will generate \$800 in new franchise fees the first year and \$8,000 in franchise fees over the 10-year period.

Water, Sewer & Garbage

The applicant anticipates generating an additional \$6,960 in revenue from increased water and sewer service during the 10-year abatement period.

Local Competition

The first phase applicant will not be in competition with other local area companies.

Annual Purchases

The applicant has projected that the project would generate approximately \$2,000,000 in new operating expenditures in most years with the exception of one year where additional items will need to be replaced and purchased. Those purchases will total \$24,000,000 over the 10-year period, approximately 30% which will potentially be subject to sales taxes over 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 1.08 to 1 for the City of Olathe, which translates into an annual rate of return on the City's investment of taxes abated of 107.82%. The payback period for incentives and taxes abated will be approximately 10 years.

County & School District Impact

It is expected that the project will bring approximately 208 total new jobs (direct and in-direct) to the City, with 328 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 115 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 at Dennis Avenue and (future) Pine Street, west of the BNSF railroad tracks. The minimum targeted expenditures would be approximately 80% of the projected bond issuance for this project, or \$2,400,000.