



CITY OF OLATHE, KANSAS
APPLICATION FOR ISSUANCE OF INDUSTRIAL REVENUE BONDS
(IRB)

Master Park Resolution - Existing Olathe Company

This application is being submitted under a Master Resolution of Intent approved for JDC North Olathe Properties, L.L.C. by the City Council on pending.

This application is submitted in conformance with the city's tax abatement policy. It is understood that the city may require in lieu payments for property which becomes tax exempt. The attached sheets, if any, are submitted as Exhibits A-G of this application. This application must be submitted within sufficient time to meet procedural requirements of the abatement policy, (refer to the tax abatement calendar).

A non-refundable \$2,000 application / filing fee must accompany this application. If bonds are issued, the City will require an issuance fee of .0025 of the first \$40 million of bonds issued plus .0020 of the amount of bonds issued in excess of \$40 million (issuance fee shall not be less than \$2,500. For warehouse distribution or logistics-type projects the City will require an issuance fee of .0030 of the par amount of bonds being issued (which amount shall not be less than \$2,500). Additionally, the applicant shall be responsible for bond counsel fees, trustee fees and other fees associated with the issuance of the bonds. See Section 6 of Resolution No. 18-1111 and contact Bond Council for a more detailed explanation of the fees.

Carrier Services Plus, LLC

Applicant's Name

craig@hpdist.com

816-215-7692

Applicant's Email Address

Telephone Number

808 N Meadowbrook Drive, Olathe, KS 66062

Applicant's Address

Craig A. Cunningham

816-215-7692

Name and Title of Responsible Officer/Contact

Telephone Number

Address (if other than corporate address)

Curtis M. Holland

Attorney for Applicant

cholland@polsinelli.com

913-234-7411

Attorney's Email Address

Telephone Number

6201 College Blvd, Suite 500, Overland Park, KS 66211

Attorney's Address

TBD

Bond Purchaser/Underwriter for Applicant

Bond Purchaser/Underwriter's Address

Telephone Number

Bond Counsel for Applicant

Bond Counsel's Address

Telephone Number

I. BUSINESS INFORMATION

If the applicant corporation, or its parent, is a publicly-held corporation and regularly files annual reports on Form 10-K, respectively attach as a part of this application: Exhibit A - a copy of the most recent Form 10-K, and Exhibit B - the applicant's most recent annual report to shareholders.

- A. In what line or lines of business is the applicant engaged?

Refrigerated and Dry Goods Transportation

- B. Is the applicant (or its parent) a proprietorship, partnership, or corporation (LLC)?

Corporation (LLC)

- C. Year and State of incorporation 2016, Kansas

If proprietorship, partnership, or close corporation, list the names of owners and the approximate amounts owned by each of its principal stockholders.

N/A

- D. List the names and titles of the officers of the applicant firm:

Kimberly Cunningham, Member/General Manager

- E. List the name of the certified public accounting firm (or firms) which has performed audits of the applicant's (or its parent's) books and records for the past three (3) years. Attach financial reports (income statements, retained earnings statements, changes in working capital, balance sheets, etc.) for same years as Exhibit C.

N/A

- F. Have the applicant's credit instruments been rated by a rating service? ^{No}
Indicate name of rating service and types of instruments. Attach most recent copy of credit rating report as Exhibit D.

G Describe all outstanding or threatened litigation:

The Applicant is unaware of any pending or threatened litigation.

II. THE PROJECT

Briefly describe the nature of the proposed project, including information as to the structure itself (size of building, amount of land to be purchased, etc.), whether it is an expansion of an existing facility or the construction of a new facility, and what products or services are to be manufactured or provided there.

The project is the construction of approximately 21,400 sq. ft. of building space to be used as a Transportation Terminal located on approximately 6.5 acres (Lot 1) within a planned industrial mixed-use park called Olathe Commerce Center located at the southeast corner of Dennis Avenue and proposed Pine Street.

A. Approximate amount requested for:		<u>Entire Project</u>	<u>First Phase Project</u>
Land*	\$	_____	\$ 567,000
Building	\$	_____	\$ 2,433,000
Machinery and Equipment	\$	_____	\$ _____
Pollution Control Facilities	\$	_____	\$ _____
Other Costs**	\$	_____	\$ _____
Total	\$	_____	\$ 3,000,000

* Attach a legal description of property as Exhibit E

** State other costs:

B. Does the applicant, or its parent, presently have offices or industrial facilities located in Olathe, Kansas? ☒ Yes If so, describe.

808 N. Meadowbrook Dr. Olathe, KS 66062

C. Where is the location of the project?

Southeast corner of Dennis Avenue and proposed Pine Street.

D. Is the prospective location properly zoned? Yes If a zoning change is pending, cite application number and present status. If application has not been made, briefly describe what change will be needed and plans for submitting application:

N/A

E. Describe the type of buildings to be constructed and type of machinery and equipment to be financed?

The building to be constructed is an industrial warehouse to be leased to HP Distribution, LLC for use as its trucking business headquarters

F. Will the applicant be in direct competition with other local firms? No If so, name the firms:

N/A

Describe the nature of the competition:

N/A

G. Are adequate public streets and utilities available to the proposed site? Yes

H. Specify if unusual demands for water and sewer will be made?

N/A

I. Does the applicant plan to use the City of Olathe solid waste service? Yes If not, please identify special solid waste requirements or arrangements already made:

J. What percentage of usable floor space will be occupied by applicant? 100% What percentage will be occupied by other occupants? None Indicate each occupant, if known.

Building will be occupied entirely by HP Distribution, LLC under lease

K. Name and address of construction contractor and/or architect:

TBD

L. How many persons will be employed at the project? 25 Will this project represent an increase in employment opportunities in Olathe, Kansas? Yes
* Please complete Appendix I on page 10.

M. Briefly describe the approximate number of persons to be employed by the project at all levels (e.g. - management, office, skilled and unskilled):

See attached Appendix I

N. What dollar amount, and percentage of the applicant's total projected annual sales for the next ten (10) years, is expected to be generated by the project?

\$2,500,000

O. What percentage of sales will be sold locally? _____ Is this percentage increasing, decreasing, or remaining stable from the current trend? Increasing

P. What is the estimated annual amount of merchandise and services purchased locally by the applicant?

Q. Is there likelihood for expansion of the proposed facility within three (3) years? No
If such expansion is contemplated, please describe:

N/A

R. Has, or will, an environmental audit be performed for the site? No

III. FINANCING

A. Will the applicant pledge any assets other than the project itself to secure the bonds? No
If so, what?

N/A

B. Will a bond and interest reserve be provided for? No State amount and source of funding.

C. What portion of the project will be financed from funds other than bond proceeds?

None.

What is the source of such funds?

N/A

D. What will be the applicant's equity investment? Please describe:

TBD

E. Does the applicant have any major contractual arrangements that would tend to assure, or be a detriment to, the successful financing and marketing of the proposed bonds? No
If so, please describe:

F. List previous participation in IRB financing:

None

G. Has a bond underwriter determined whether or not the bonds are marketable? No If so, describe its determination and attach statement as Exhibit F.

H. Have arrangements been made for the marketing of the bonds? No Describe interest rate structure and term of bonds.

- I. Indicate whether bonds will be publicly or privately placed.

TBD

- J. Has the applicant considered conventional financing?

Yes

- K. Does the applicant, or its parent, intend to purchase all or any part of the proposed bond issue?

TBD

- L. Indicate name of primary officer, institution name, and address of trustee and/or fiscal agent.

Craig A. Cunningham, 808 N Meadowbrook Drive, Olathe, KS 66062

- M. Proposed date of issuing the bonds: _____

- N. ***Prior to the contractor starting construction on the project***, the applicant shall **notify the City Clerk** whether or not to proceed with an application for a **sales tax exemption** from the state of Kansas. ***Prior to, or at completion, of the project***, the applicant shall **inform the City Clerk** to proceed with the appropriate **filing with the state board of tax appeals for a tax abatement on the project**.

IV. FINANCIAL PLAN

Attach, as Exhibit G of this application, **projected proforma statements** for the first ten (10) years of operations which include revenue projections, operating expense projections, and debt amortization schedule.

V. TAXES

- A. What is the requested tax abatement term in years? 10 years Percentage requested 50 %

- B. If a Fixed PILOT payment is proposed for the project, please outline proposed structure:

Yes. Structure TBD based on estimated post development appraised value.

- C. Under normal circumstances, the City will require payment in lieu of payments for property which becomes tax exempt. If tax abatement is requested, please describe special features or benefits of the project, which would justify tax abatements at the requested percentage and term. Include information about other local revenues associated with the project, such as sales taxes and franchise fees.

This project will enable the applicant to bring new businesses to the area, producing additional property tax revenue, creating an environment that will attract employers and employees.

VI. CERTIFICATION OF APPLICANT

Applicant understands and agrees to pay all fees described on Page 1 of this application.

Applicant agrees to comply with the provisions of Chapter 2.82 of the Olathe Municipal Code (the "Code") regarding Public Art for the Project or to pay the necessary payment to the City's Public Art Fund.

It is understood that a performance agreement shall be required, as set forth in the City's tax abatement policy, for applications requesting tax abatement. I hereby swear that the foregoing and attached information dated this 3rd day of May 2019, is true and correct to the best of my knowledge.

Further, it is understood that additional information may be requested by the City of Olathe to assist the Governing Body in its consideration of this matter.

Signed


Name

By

MEMBER

Title of Responsible Officer

APPENDIX I*
EMPLOYMENT INFORMATION
APPLICATION FOR ISSUANCE OF INDUSTRIAL REVENUE BONDS

State law requires a fiscal impact analysis be performed prior to the issuance of a tax abatement. Information provided in sections below of Appendix I is essential in order for the city to meet this requirement.

Current number of employees at firm's present site. ²⁵ _____

Occupational Classification	Total	Average Starting Wage	Average Maximum Wage	Number By County of Residence *
See Appendix II of Firm Data Sheet for all employee information				Johnson
				Other
See Appendix II of Firm Data Sheet for all employee information				Johnson
				Other
See Appendix II of Firm Data Sheet for all employee information				Johnson
				Other
See Appendix II of Firm Data Sheet for all employee information				Johnson
				Other
See Appendix II of Firm Data Sheet for all employee information				Johnson
				Other
See Appendix II of Firm Data Sheet for all employee information				Johnson
				Other
See Appendix II of Firm Data Sheet for all employee information				Johnson
				Other

Firm Data Sheet

Information for firm that will occupy the facility and its employees

PLEASE NOTE APPENDIX TWO (BOTTOM TABS)

Use information on firm that will occupy the facility

Name of Firm

HP Distribution, LLC (tenant)

Description of the firm's location or expansion in the community:

New Transportation Terminal Lot 1 OCP Dennis Ave

Requested tax abatement term in years 10 Abatement percentage requested 50%

Square footage of the facility Bldg 1 4000 sq ft ground level 3200 sq ft upper level Bldg 2 14,200 sq ft

Acreage of land the project will occupy 6.57

NAICS or SIC Code _____

Market Value of the firm's initial new or additional investment in:

Land	<u>\$567,000</u>
Building and Improvements	<u>\$2,433,000</u>
Furniture, Fixtures and Equipment	<u> </u>
Other Costs	<u> </u>
Total	<u>\$3,000,000</u>

Project expansion (if acceptable):

Year of expansion 2019

Additional investment in:

Land	<u> </u>
Building and Improvements	<u> </u>
Furniture, Fixtures and Equipment	<u> </u>

Total Sales (from the most current completed fiscal year):

Year 2018 Sales \$9,573,000

New or additional sales of the firm - as a result of the project:

Year			
1	<u>\$2,500,000</u>	6	<u>\$6,220,800</u>
2	<u>\$3,000,000</u>	7	<u>\$7,464,960</u>
3	<u>\$3,600,000</u>	8	<u>\$8,957,952</u>
4	<u>\$4,320,000</u>	9	<u>\$10,749,542</u>
5	<u>\$5,184,000</u>	10	<u>\$12,899,451</u>

Percent of those sales subject to sales tax in the:

<i>City (Olathe)</i>	<u>0%</u>
<i>County (Johnson)</i>	<u>0%</u>
<i>State (Kansas)</i>	<u>0%</u>

Annual net taxable income, as a percent of sales, on which
state corporate income taxes will be computed: 10%

New or Additional annual purchases of the firm as a result of the project:
(items used in operations of business, not inventory that will be sold)

<i>Year</i>	
1	<u>\$2,000,000</u>
2	<u>\$2,000,000</u>
3	<u>\$2,000,000</u>
4	<u>\$2,000,000</u>
5	<u>\$2,000,000</u>
6	<u>\$6,000,000</u>
7	<u>\$2,000,000</u>
8	<u>\$2,000,000</u>
9	<u>\$2,000,000</u>
10	<u>\$2,000,000</u>

Percent of those purchases subject to sales taxes in the:

<i>City (Olathe)</i>	<u>10%</u>
<i>County (Johnson)</i>	<u>20%</u>
<i>State (Kansas)</i>	<u>30%</u>

Additional annual utilities that will be used by the firm as a result of the project

Water	<u>\$3,600</u>
Wastewater	<u>\$3,600</u>
Telephone	<u>N/A</u>
Electricity	<u>\$10,000</u>
Gas	<u>\$6,000</u>
Garbage	<u>\$1,500</u>
Cable	<u>N/A</u>

Number of new employees to be hired each year (to be used to complete Appendix II)

<i>Year</i>	
1	<u>25</u>
2	<u>40</u>
3	<u>55</u>
4	<u>70</u>
5	<u>85</u>
6	<u>100</u>
7	<u>115</u>
8	<u>130</u>

9	145
10	160

Number of new employees moving to the county each year (use numbers from above):

Year	From Out-of-State	From Another Kansas County	Will not move	Total
1	6	8	11	25
2	3	4	8	15
3	3	4	8	15
4	3	4	8	15
5	3	4	8	15
6	3	4	8	15
7	3	4	8	15
8	3	4	8	15
9	3	4	8	15
10	3	4	8	15
Total	33	44	83	160

Average annual salary of all employees:

Year	
1	\$42,000
2	\$42,630
3	\$43,269
4	\$43,918
5	\$44,577
6	\$45,246
7	\$45,924
8	\$46,613
9	\$47,312
10	\$48,022

Household size of a typical new worker 4

Number of school age children in the household of a typical new worker 2

Construction

Initial construction or expansion

Cost of Construction at the firm's new or expanded facility \$2,433,000

If construction is by an outside contractor, estimate percent profit on the cost of construction: 4.00%

Total construction salaries (A) \$250,000

Amount paid to average construction worker during the construction period (B) \$16,666 $A \div C = B$

Household size of an average construction worker	4
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Cost of Construction at the firm's new or expanded facility

If construction is by an outside contractor, estimate percent profit on the cost of construction:

Amount paid to average construction worker during the construction period (B) $A + C = B$

Number of construction workers (C)

Household size of an average construction worker

Number of out-of-town visitors expected at the firm:

Year			
1	30	6	
2		7	
3		8	
4		9	
5		10	

Number of days that each visitor will stay in the area	1
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Number of nights that a typical visitor will stay in a local hotel or motel:

In the City of Olathe	1
Anywhere in the county	<u>1</u>

Sales Tax Exemption Certificate

Prior to the contractor starting construction on the project, that applicant shall notify the City Clerk whether or not to proceed with an applicant for a sales tax exemption from the state of

Project Completion and Processing of the Tax Abatement

Prior to the completion of the project, the applicant shall inform the City and Bond Counsel to proceed with the state board of tax appeals for a tax abatement on the project.