

November 19, 2019

Single Series Bonds
Under a Master Resolution Request
K/H Jensen - Sun Life Assurance Company of Canada
(I-35 Logistics Park)
Industrial Revenue Bond & Tax Phase-In Project
Executive Summary
Located on the following Parcel: DF231408-3003
(occupying 47% of this parcel)



Introduction

The City has received an approximately \$30,618,896 industrial revenue bond application from K/H Jensen as an agent for Sun Life Assurance Company of Canada (I-35 Logistics Park Building D) ("Applicant") for construction of a light industrial facility on a 36+/- acre parcel located west of Old 56 Highway at 155th Street. The Applicant anticipates construction of approximately 600,000 square feet of space to accommodate light industrial uses. The Applicant seeks to have the project, which will be constructed on the parcel, receive a 10-year, 50% property tax phase-in 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 one 600,000 square foot industrial building on a 36+/- acre parcel. The Applicant requests issuance of an amount not to exceed \$30,618,896 of industrial revenue bonds for construction of this building. The proceeds from the bonds would be divided as follows: \$3,192,077 would be allocated to cover costs to acquire the land for the project, \$27,426,819 of the bonds would cover costs to construct the building, and no funds would be allocated to cover costs to purchase fixtures and equipment for the building.

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 235 new jobs over the next 10 years. The average salaries are expected to be \$32,500 in the first year. These jobs would create approximately \$77,616,520 in total new wages to the Olathe economy over the next 10 years.

Machinery & Equipment

This application requests none of the bond revenues for furniture, fixtures or equipment for sales tax exemption purposes. However, it is expected that tenants would purchase FF&E that would then be subject to sales taxes, increasing revenue to the city of Olathe.

IRB Request

The request is to issue industrial revenue bonds in a single series for the construction of a 600,000-square foot 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 a 10-year, 50% property tax phase-in 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 in an existing master resolution under the City's tax abatement policy, Resolution No. 18-1111, as the project will result in an investment over \$3 million. This project is applying under existing master resolution 08-1068.

Taxes

Current estimated property taxes generated at this site (all jurisdictions): \$486 (city portion of taxes - \$96) based on a 2019 appraised value of \$13,179 and an assessed value of \$3,954). The future property taxes generated by this project have been computed using a targeted level of real property estimated appraised value at build out that is \$18,465,000. This investment will result in approximately \$568,967 in annual property taxes at full value for all taxing jurisdictions, and \$112,664 in property taxes to the City. With an estimated 50% property tax phase-in, the tax revenue will be approximately \$2,844,830 for all jurisdictions over the 10-year abatement period, and \$563,320 to the City over the 10-year abatement period.

Sales

The project is expected to facilitate \$500,000 in new annual sales each year of the abatement. A total of \$5,000,000 million 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 \$22,500 in new franchise fees the first year and \$225,000 in franchise fees over the 10-year period.

Water, Sewer & Garbage

The applicant anticipates generating an additional \$60,000 in revenue from increased water, wastewater and trash service during the 10-year abatement period.

Local Competition

The applicant will be in competition with other local developers of speculative space.

Annual Purchases

The applicant has projected that the project would generate approximately \$5,500,000 in new operating expenditures in the first year and a total of \$10,000,000 over the 10-year period, approximately 15% of which will potentially be subject to local 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 1.17 to 1 for the City of Olathe, which translates into an annual rate of return on the City's investment of taxes abated of 116.77%. The payback period for incentives and taxes abated will be approximately 6 years.

County & School District Impact

It is expected that the project will bring approximately 306 total new jobs (direct and in-direct) to the City, with 283 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, 40% are expected to move into the Gardner Edgerton School District. The impact on the school district would be about 33 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 46% of parcel DF231408-3003. The minimum targeted expenditures would be approximately 80% of the projected bond issuance for this project, or \$24,495,116.