

March 2, 2021

**Single Series Bonds**  
Integrus BioServices LLC  
Industrial Revenue Bond & Tax Phase-In Project  
Executive Summary

Located on approximately 55% the following parcel:  
DP37580000 0003



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### Introduction

The City has received an approximately \$18,525,000 industrial revenue bond application from Integrus BioServices LLC (“Applicant”) for construction of an office and laboratory services facility that will support pharmaceutical, biotech and animal health services on 6 acres in the Kansas Bioscience Park near the intersection of Clay Blair Boulevard & Valley Road, north of College Boulevard. The Applicant anticipates construction of a 70,000 square foot facility for office and lab uses. The Applicant seeks to have the project, which will be constructed on a 6-acre parcel in the Kansas Bioscience Park, receive a 10-year, 55% 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 new business abatement, Resolution 20-1069 and Policy F-5 with an investment over \$10 million for new businesses locating in the City.

Bonds for this project are expected to be issued in one series. The series of bonds to be issued would allow the Applicant to construct 70,000 square foot office and lab facility on 6-acres of a 11-acre parcel in the Kansas Bioscience Park. The Applicant requests issuance of an amount not to exceed \$18,525,000 of industrial revenue bonds for construction of this building, land and furniture, fixtures and equipment. The proceeds from the bonds would be divided as follows: \$25,000 of the bonds would cover costs to acquire the land for the project, \$16,000,000 of the bonds would cover costs to construct the building and other costs, and \$2,500,000 would be allocated to cover costs to purchase lab equipment, furniture, fixtures, and additional 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 288 new jobs over the next 10 years. The average salaries are expected to be \$69,737 in the first year, growing to \$90,991 in year ten. These jobs would create approximately \$204,453,400 in total new wages to the Olathe economy over the next 10 years.

## **Machinery & Equipment**

The application does includes \$2,500,000 in funding for lab equipment and office furniture, fixtures and equipment in the submission. If purchased with bond proceeds these items would be exempt from sales tax.

## **IRB Request**

This request is for a single series of bonds under the City's Tax Abatement Policy. The single series request is to issue industrial revenue bonds for the construction of a 70,000 square foot facility not to exceed \$18,525,000. 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, 55% property tax abatement for its project, under the City's Tax Abatement Resolution 20--1069 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, as the project will result in an investment over \$10 million required for new businesses.

## **Taxes**

Currently the City collects no property taxes at this site as it is a city-owned parcel. The City is currently covering the Special Assessments, but those will be taken on by the Applicant once title is transferred. 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 \$12,000,000 (75% of real property investment). This investment will result in approximately \$378,483 in annual property taxes at full value for all taxing jurisdictions, including \$73,320 in property taxes to the City. With a 55% property tax abatement, the tax revenue will be approximately \$1,703,174 for all jurisdictions over the 10-year abatement period, and \$329,940 to the City over the 10-year abatement period.

## **Sales**

The project is expected to facilitate \$200,00 in new additional annual sales for the applicant each year throughout the term of the abatement. A total of \$2,000,000 in new sales is expected over the 10-year life of the abatement project as a result of the facilities being constructed.

## **Special Assessments**

There are currently special assessments associated with this project that will not be abated with this property tax abatement.

## **Franchise Fees**

It is expected that the project will generate \$16,525 in new franchise fees the first year and \$165,250 in franchise fees over the 10-year period.

### **Water, Sewer & Garbage**

The applicant anticipates generating an additional \$36,400 in revenue from increased water, sewer and trash service during the 10-year abatement period.

### **Local Competition**

The applicant will not be in competition with other local firms.

### **Annual Purchases**

The applicant has projected that the project would generate approximately \$32,275,000 in new operating expenditures to be purchased in the first year growing to \$64,517,874 in the final year of the abatement. Those purchases will total \$467,553,804 over the 10-year period, approximately 5% which will potentially be subject to sales taxes in the City of Olathe 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 3.36 to 1 for the City of Olathe, which translates into an annual rate of return on the City's investment of taxes abated of 335.73%. The payback period for incentives and taxes abated will be approximately 3 years.

### **County & School District Impact**

It is expected that the project will bring approximately 173 total new jobs (direct and in-direct) to the City, with 40 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, 80% are expected to move into the Olathe School District. The impact on the school district would be about 9 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 in the Kansas Bioscience Park near the intersection of Clay Blair Boulevard & Valley Road, north of College Boulevard. The minimum targeted expenditures would be approximately 80% of the projected bond issuance for this project, or \$14,820,000.