



City of Olathe

Legislation Details (With Text)

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| Title: | Report on a request by Safari Belting Systems, LLC for an issuance request for industrial revenue bonds and tax phase-in of a single series project for the construction of a 75,000 square foot manufacturing, assembly, and distribution facility on two parcels totaling 12-acres located at 607 W. Old 56 Highway. | | |
| Sponsors: | Jamie Robichaud, John Page | | |
| Indexes: | | | |
| Code sections: | | | |
| Attachments: | 1. A: Executive Summary, 2. B: Application, 3. C: Firm Data Sheet, 4. D: Project Cost Benefit Analysis, 5. E: Site Aerial, 6. F: IRB Historical Cost Benefit Ratios, 7. G: Resolution No. 16-1025 | | |

| Date | Ver. | Action By | Action | Result |
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FOCUS AREA: Economy

STAFF CONTACT: Jamie Robichaud/John Page

SUBJECT: Report on a request by Safari Belting Systems, LLC for an issuance request for industrial revenue bonds and tax phase-in of a single series project for the construction of a 75,000 square foot manufacturing, assembly, and distribution facility on two parcels totaling 12-acres located at 607 W. Old 56 Highway.

TITLE:

Report on a request by Safari Belting Systems, LLC for an issuance request for industrial revenue bonds and tax phase-in of a single series project for the construction of a 75,000 square foot manufacturing, assembly, and distribution facility on two parcels totaling 12-acres located at 607 W. Old 56 Highway.

SUMMARY:

The City has received an existing business application for \$19,375,000 in industrial revenue bonds for the construction of a 75,000 square feet total of industrial and warehouse space in the 56 Commerce Center development. The project is located on 12-acres at 607 E. Old 56 Highway. This will be a single series of bonds will be issued to cover land, the building and furniture, fixtures and equipment costs for the project.

The Applicant requests a 10-year / 50% property tax phase-in in conjunction with the issuance of the City's industrial revenue bonds. This project is applying under the City's tax abatement policy (Policy F-5, Resolution 23-1080). This project will allow the quickly growing Olathe company to expand to a new facility and remain within the City of Olathe.

On March 15, 2016, the City Council adopted Resolution No. 16-1025 determining the intent of the City to issue industrial revenue bonds in an amount not to exceed \$36,060,000 to Opus Development Company, L.L.C. In 2017, the City Council adopted Ordinance No. 17-58 which issued \$16,524,000 in industrial revenue bonds to Opus. The Assignor (Opus) desires to assign \$19,375,000 of its interest in the original Resolution to the Assignee (Safari).

The total request for the single-series of bonds under the resolution should not exceed \$19,375,000 in industrial revenue bonds for the construction of a 75,000 square foot manufacturing and distribution facility on 12-acres of land. The resolution request of industrial revenue bonds for all of the projects consists of:

- \$1,600,000 to acquire land.
- \$12,975,000 to construct the buildings.
- \$4,050,000 for furniture, fixtures & equipment.
- \$750,000 to cover other development costs including site work and soft costs.

The project will create 57 new jobs over the next 10 years.

- Average salaries of the new jobs:
 - \$69,012 in year one, growing to \$75,478 in year ten.
- A total of approximately \$24.9 million in new wages over the 10-year abatement.

Property taxes over the 10-year period with estimated 50% property tax phase-in on this project:

- All jurisdictions = \$144,075 annually / \$1,440,750 10-year total.
- Olathe = \$28,750 annually / \$287,500 10-year total.
- Olathe's current annual property tax revenue from the property is \$2,200.
- Upon retirement of the tax phase-in, the City will receive approximately a total of \$57,500 in annual property tax revenue once the property tax phase-in expires.

The cost-benefit ratio of this project for each jurisdiction is as follows:

City of Olathe

- 1.84
- Payback expected to take 4 years.

Johnson County

- 1.86
- Payback expected to take 6 years.

Olathe School District

- 1.00
- Payback expected to take 10 years.

Johnson County Community College

- 1.19
- Payback expected to take 9 years.

State of Kansas

- 212.76
- Payback expected during construction period.

FINANCIAL IMPACT:

See attached materials for more detailed fiscal impact information.

ACTION NEEDED:

Accept report. A public hearing and resolution regarding the project will go before the City Council at its June 4th meeting.

ATTACHMENT(S):

A: Executive Summary

B: Application

C: Firm Data Sheet

D: Project Cost Benefit Analysis

E: Site Aerial

F: IRB Historical Cost Benefit Ratios

G: Resolution No. 16-1025