



# City of Olathe

## COUNCIL AGENDA ITEM

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**MEETING DATE:** 6/4/2024

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**FOCUS AREA:** Economy

**STAFF CONTACT:** John Page / Jamie Robichaud

**SUBJECT:** Public hearing and consideration of Resolution No. 24-1021 on a request by Safari Belting Systems, LLC 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.

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**TITLE:**

Public hearing and consideration of Resolution No. 24-1021 on a request by Safari Belting Systems, LLC 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.

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**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.

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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.

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**FINANCIAL IMPACT:**

See attached materials for more detailed fiscal impact information.

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**ACTION NEEDED:**

Two votes are needed:

- 1) Make a motion and vote to close the public hearing
  - 2) Make a motion and vote to consider approval of Resolution No. 24-1021
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**ATTACHMENT(S):**

- A: Resolution No. 24-1021
  - B: Executive Summary
  - C: Application
  - D: Firm Data Sheet
  - E: Project Cost Benefit Analysis
  - F: Site Aerial
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G: IRB Historical Cost Benefit Ratios

H: Resolution No. 16-1025