



City of Olathe

COUNCIL AGENDA ITEM

MEETING DATE: 12/3/2019

DEPARTMENT: Resource Management

STAFF CONTACT: Dianna Wright/Emily Vincent

SUBJECT: Report on a request by Calukas Properties (Garrison Plumbing and Total Design Flooring Inc.) for a first phase project under a master resolution application from Grayson Enterprise, LLC for an office/warehouse project. The applicant is asking for issuance of industrial revenue bonds and tax phase in for the construction of a 20,000 sq. ft. facility located on 2.5 acres of land located at 15430 S Mahaffie Street.

ITEM DESCRIPTION:

Report on a request by Calukas Properties (Garrison Plumbing and Total Design Flooring Inc.) for a first phase project under a master resolution application from Grayson Enterprise, LLC for an office/warehouse project. The applicant is asking for issuance of industrial revenue bonds and tax phase in for the construction of a 20,000 sq. ft. facility located on 2.5 acres of land located at 15430 S Mahaffie Street

SUMMARY: The City has received an application for \$2,700,000 in industrial revenue bonds for the construction of 20,000 sq. ft. of space for an office and warehouse facility on a 2.5 acre parcel located on the west side of Mahaffie Street, south of 151st Street (to be addressed as 15430 S. Mahaffie Street). The project will allow Garrison et al to relocate and expand from its current facility in Olathe. This is a single series of bonds to be issued to cover land, building and FF&E costs. This application is being submitted under the master resolution application for Grayson Enterprise with a total investment of approximately \$6,950,000 on a total of 5.47 acres.

- Construct 20,000 sq. ft. of space for an office and warehouse facility on a 2.5-acre parcel of land.
- The Applicant seeks to have the project receive a 10-year, 50% property tax phase-in for industrial uses 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 a master resolution abatement, Resolution 18-1111 and Policy F-5 with an investment over \$5 million total for a master resolution for existing businesses.
- First and single series of bonds for this facility under the master resolution.
 - 20,000 sq. ft. office and warehouse facility
- Requests amount not to exceed approximately \$2,700,000 of industrial revenue bonds:
 - \$350,000 to acquire land
 - \$2,250,000 to construct the building and other costs
 - \$100,000 for furniture, fixtures & equipment
- Creates 56 new jobs over the next 10 years.
 - Average salaries:
Year one = \$56,000

Year ten = \$56,000

- \$3,136,000 approximately in new annual wages in year 10
 - \$16,856,000 approximately in new wages combined over the next 10 years
- This project retains 65 existing Olathe jobs with this expansion
- Current property taxes at this site (2.5 acres used in calculations of 5.33 acres site used) (all jurisdictions): \$4,158 (\$272,840 appraised value for 2019 and \$32,740 assessed value for 2019). Olathe's current tax revenue from the property is \$798.
- Total *full value* property taxes on the project over the 10-year phase-in period considering an estimated appraised value of \$1,575,000 (building only portion of the project):
 - All taxing jurisdictions = \$503,800 10-year total / \$50,380 annually
 - Olathe = \$96,100 10-year total / \$9,610 annually
- Property taxes over the 10-year phase-in period with 50% property tax phase-in on this project:
 - All jurisdictions = \$251,900 10-year total / \$25,190 annually
 - Olathe = \$48,050 10-year total / \$4,805 annually

Olathe will realize approximately \$8,812 in new annual tax revenue after phase-in period expires.

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 December 17th meeting.

ATTACHMENT(S):

Attachment A: Master Resolution Application Attachment B: Project Application Attachment C: Executive Summary Attachment D: Firm Data Sheet Attachment E: Cost Benefit Analysis