



City of Olathe

COUNCIL AGENDA ITEM

MEETING DATE: 3/16/2021

FOCUS AREA: Economy

STAFF CONTACT: Dianna Wright

SUBJECT: Report on a request by Hedge 175 Associates, LLC for an industrial revenue bond sales tax exemption certificate for the development and construction of a 1,123,470 square foot spec industrial warehouse facility located at the northwest corner of 175th Street and Hedge Lane

ITEM DESCRIPTION:

Report on a request by Hedge 175 Associates, LLC for an industrial revenue bond sales tax exemption certificate under a master resolution for the construction of a 1,123,470 square foot industrial facility located in the 175th Street Commerce Centre.

SUMMARY:

The City has received an IRB application under a master resolution of intent (Resolution No. 08-112, as amended by Resolution No. 11-1058) from Hedge 175 Associates, LLC for construction of an approximately 1,123,470 square foot industrial warehouse facility in the 175th Street Commerce Centre development. The application requests a 10-year, 50% property tax phase-in for the facility and sales tax exemption on construction materials and furniture, fixtures, and equipment, all pursuant to the master resolution of intent.

The application requests \$65,000,000 in industrial revenue bonds for the construction of a 1,123,470 square foot industrial warehouse facility. The project is located on a 56-acre portion of a 123-acre parcel at the northwest corner of 175th and Hedge Lane.

The applicant is seeking to commence construction of the facility and requests that the City apply to the Kansas Department of Revenue for a sales tax exemption certificate pursuant to the master resolution of intent.

This project will be generating new jobs and wages for the community and the cost benefit report illustrates that this project exceeds the targeted cost benefit ratio.

- The project request of \$65,000,000 in industrial revenue bonds will cover;
 - \$6,000,000 to acquire land
 - \$59,000,000 to construct the building and other costs
- The project creates 560 new jobs over the next 10 years.
 - Average salaries of new jobs in the first year:
 - \$31,329
 - \$6,140,000 approximately in new annual wages in year 1
 - \$22,891,250 approximately in new annual wages in year 10
 - \$176,288,000 approximately in total new wages over the next 10 years

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- Property taxes over the 10-year period with 50% property tax phase-in is estimated to be:
 - All jurisdictions = \$669,378 annually / \$6,693,775 10-year total
 - Olathe = \$134,420 annually / \$1,344,200 10-year total
 - Olathe's current annual property tax revenue from the property is \$365
 - Upon retirement of the tax phase in, the City will receive approximately a total of \$268,840 in annual property tax revenue
- Overall the project has a positive fiscal/economic impact on the community with a cost benefit ratio of 1.28 with an expected payback of 5 years.

FINANCIAL IMPACT:

See attached materials for more detailed fiscal impact information.

ACTION NEEDED:

Accept report. A public hearing and resolution regarding the request for the sales tax exemption certificate for the project are scheduled for the March 16th City Council meeting.

ATTACHMENT(S):

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