

To: Board of County Commissioners
Penny Postoak Ferguson, County Manager

From: Aaron Otto, Assistant County Manager

Date: June 1, 2023

Re: Resolution No. 027-23. Adoption of Resolution authorizing the issuance of Taxable Industrial Revenue Bonds and assignment of such bonds and related documents for Building A located at 16105 John Glenn Way

Issue: Resolution No. 027-23. Consider adopting Resolution No. 027-23 authorizing Johnson County to issue Taxable Industrial Revenue Bonds (IRBs) in the principal amount not to exceed \$34,150,000 and assignment of such bonds and related documents for the purpose of financing the construction of a manufacturing facility located at 16105 John Glenn Way, New Century and to grant an ad valorem tax abatement on the constructed improvements and land for 10 years starting at \$0.30 a foot escalating at 1.5 percent (1.5%) each year thereafter and entering into a payment in lieu of tax (PILOT) agreement, and certain other documents in connection with the issuance of the bonds.

Suggested Motion: I move to adopt Resolution No. 027-23 to authorize the issuance of Taxable Industrial Revenue Bonds in the principal amount not to exceed \$34,150,000 and assignment of such bonds and related documents for the purpose of financing the construction of a manufacturing facility located at 16105 John Glenn Way, New Century and to grant an ad valorem tax abatement on the constructed improvements and land for 10 years starting at \$0.30 a foot escalating at 1.5 percent (1.5%) each year thereafter and entering into a PILOT agreement, assignment agreement, and certain other documents in connection with the issuance and assignment of the bonds.

Background: On October 8, 2020, the Board of County Commissioners approved the Master Development Agreement with VTRE Development, LLC (an affiliate of VanTrust Real Estate) for the development contained on the east and north sides of the airfield at New Century Commerce Center. On October 22, 2020, the Board of County Commissioners held a public hearing and approved a master resolution of intent to issue IRBs for up to \$278,415,690 to support the vertical construction of projects within the Master Development Area. On October 21, 2021, the Board of County Commissioners approved the Master Development Plan which outlined the method for developing and leasing the land outlined within the Master Development Agreement. The Airport Commission has approved two ground leases on the east side for two speculative buildings under construction by VanTrust.

Building A is a 333,365 square foot building that will be sold to CNANO Technology USA Inc., a Delaware corporation (CNANO USA), or an affiliate thereof to be used for manufacturing. It is expected that this facility will employ 120 individuals in manufacturing battery additives. This building is the second largest big box building at the New Century Commerce Center to be occupied. At its March 22, 2023, the Airport Commission recommended adoption of the proposed resolution for issuance of IRBs and approved the execution of the PILOT agreement which is in accordance with the master resolution of intent and Master Development Agreement. The PILOT agreement outlines the PILOT schedule which will start at \$0.30 a foot and escalate at a rate of 1.5

percent (1.5%) a year, as set forth in the Master Development Agreement. Prior to the development, this land was tax exempt as it is owned by the Board of County Commissioners.

Analysis: The total amount of the requested abatement will be approximately 75% in the first year and reduce to 71% in the later years as set forth in the master resolution of intent. The ground lease will initially generate \$132,874 per year in new rental revenues which will be used to retire the debt for public infrastructure improvements in the area. Any excess ground rent will be used to support the capital and operational needs of the County's airports. The new tenant, CNANO USA or its affiliate, will pay \$100,009.50 in new ad valorem taxes under the first year of the PILOT schedule, which increases each year. It is estimated this project will pay \$396,000 (2023 dollars) in ad valorem taxes starting in 2034 after the tax abatement expires. Pursuant to state law, during the abatement period, the project will pay full ad valorem taxes relating to the school district's capital outlay levy.

Funding Overview: There will be no fiscal impact to the Airport's or County's budget with the issuance of Taxable Industrial Revenue Bonds (IRBs). The tenant pays all costs relating to issuance of the bonds.

Alternatives: 1. Adopt a resolution authorizing Johnson County to issue Taxable Industrial Revenue Bonds (IRBs) in the principal amount not to exceed \$34,150,000 and assignment of such bonds and related documents for the purpose of financing the construction of Building A in the New Century Commerce Center, grant an ad valorem tax abatement on the constructed improvements and land for 10 years starting at \$0.30 a foot escalating at 1.5 percent each year thereafter, and to enter into certain other documents in connection with the issuance and assignment of the bonds, all in accordance with the previously adopted master resolution of intent and Master Development Agreement.

2. Do not adopt the resolution.

3. Table the matter for further discussion which could jeopardize the sale of this building which could eliminate the manufacturing jobs provided by this private sector company from taking place.

Recommendation: The Airport Commission unanimously recommends adoption of the resolution.

Purchasing Review: This item does not need Purchasing approval.

Budget Review: Budget and Financial Planning has reviewed the briefing sheet, resolution and other items.

Legal Review: County's Bond Counsel has prepared the proposed bond documents.