TO: Mayor and City Council

SUBJECT: Public Hearing and Issuance of Industrial Revenue Bonds (Pawnee Industrial II, LLC) (District VI)

INITIATED BY: Office of Urban Development

AGENDA: New Business

Recommendation: Close the public hearing and place the ordinance on first reading.

Background: On June 10, 2014, the City Council approved a letter of intent to issue Industrial Revenue Bonds (IRBs) in an amount not to exceed $10,350,000 for Pawnee Industrial II, LLC, a development venture by Steve Barrett and Ivan Crossland. The bonds will be used to finance the construction of a manufacturing and warehouse facility located at 29th Street North and Ohio Street in North Wichita.

Pawnee Industrial II, LLC is now requesting the issuance of bonds in an amount not to exceed $8,687,900.

Analysis: Bond proceeds will be used to finance the costs of acquiring 13 acres of land and constructing approximately 250,000 square feet of speculative manufacturing and warehouse space located at the northeast corner of 29th Street North and Ohio Street. The project is split between two buildings that provide dock and bay doors for access. Two buildings, totaling 250,000 square feet have been constructed. Pawnee Industrial II, LLC anticipates the addition of 138 new jobs within five years with an average wage of $52,127 annually as a result of the project.

Pawnee Industrial II, LLC was the second speculative industrial building project to be considered under 2012 policy provision which expired in 2014. The project qualifies for 100% abatement for an initial five years. At the end of the first five years of tax abatement, a compliance review will be conducted to determine the tax abatement for the second five years. Approval of the second five-year abatement period will be subject to compliance with job creation and average wage commitment, capital investment commitment and a requirement that at least 51% of exports are stored/shipped to end-users outside the Wichita MSA as required by the current incentive policy.

Financial Considerations: Pawnee Industrial II, LLC agrees to pay all costs of the City relative to the issuance of the bonds. The company also agrees to pay the City's $2,500 annual IRB administrative fee for the term of the bonds.

The analysis of the ratio of benefits to costs based on the fiscal and economic impact model of the Wichita State University's Center for Economic Development and Business Research was conducted in 2014 in connection with the Letter of Intent, with the following benefit/cost ratios:

- City of Wichita: 1.38 to 1
- City General Fund: 1.30 to 1
- City Debt Service Fund: 1.52 to 1
- Sedgwick County: 1.18 to 1
- USD 259: 1.00 to 1
- State of Kansas: 12.11 to 1
Legal Considerations: The City’s contract bond counsel firm, Gilmore & Bell, P.C., has served as bond counsel in the transaction. Pawnee Industrial II, LLC has complied with the City’s Standard Letter of Intent Conditions. Bond documents required for the issuance of the bonds have been prepared by bond counsel and have been approved as to form by the Law Department.

Recommendations/Actions: It is recommended that the City Council close the public hearing and approve the first reading of the Bond Ordinance authorizing the execution and delivery of documents for the issuance of Taxable Industrial Revenue Bonds for Pawnee Industrial II, LLC in an amount not to exceed $8,687, 900 and authorize the necessary signatures.

Attachments: Bond Ordinance