



6700 Antioch
Suite 250
Merriam, Kansas 66204

Jeff White, Managing Member
913.312.8077
jwhite@columbiacapital.com

January 14, 2024

Mr. Mike Brungardt
City Administrator
City of De Soto
P.O. Box C
De Soto, Kansas 66018

RE: Cost-Benefit Analysis for MDP Properties, LLC

Dear Mike:

Please find attached the results of our cost-benefit analysis related to a requested property tax abatement for the development of 21 townhomes northeast of the intersection of Ottawa Rd. and Lexington Ave. on approximately 1.94 acres. (Project). The purpose of this analysis is to satisfy the City's requirement pursuant to KSA 12-1749d or KSA 79-251(a)(1) to undertake a cost-benefit analysis before granting a property tax abatement. The applicant, MDP Properties, LLC, requests an effective 10-year, 80% property tax abatement plus a sales tax exemption certificate on construction materials.

KSA 12-1749d(2) requires notification of anticipated abatements only to counties or school districts affected. As a result, our analysis focuses on financial impacts to the City, Johnson County and the De Soto schools. We have not calculated the cost-benefit on other taxing jurisdictions. State law also requires the analysis to include "the effect of the exemption on state revenues." Our modeling includes such an estimate.

MODELING APPROACH

Our cost-benefit modeling relies on a number of key assumptions in the calculation of net present value benefit to the City, Johnson County and USD 232. Most of our assumptions are derived from public information. Some of these key assumptions include:

- An evaluation of the direct costs and benefits of the project. Columbia's model does not include indirect or "spin-off" effects as a result of input-output multipliers.
- A ten-year analysis timeframe, matching the maximum permitted term of the abatement.

- Direct costs to affected taxing jurisdictions as estimated by Columbia based upon annual audits, proposed and adopted budgets, published tax rates and other publicly available information for the taxing jurisdictions affected.
- Where applicable, reliance upon statistical data as reported by the United States Census Bureau and Kansas Department of Revenue.
- The use of a discount rate comprised of two components: a risk-free rate of return (the current yield of the on-the-run 10-year US Treasury) plus a risk premium of three (3) percent. The value of the discount rate is a proxy for the opportunity cost of the City (and other agencies) of foregoing the future property and/or sales tax revenues that would be generated by the development. Thought of another way, if the City had those revenues in hand and placed them in an alternative investment with the same risk characteristics, what would be its expected rate of return?

STATUTORY PROTECTION OF SCHOOL CAPITAL LEVY

Reflecting a change adopted during the 2017 legislative session, this analysis assumes the USD 232's capital levy (7.99 mills) will not be abated.

USING THE COST-BENEFIT MODELING RESULTS

The output of the model is presented as the net present value benefit/(cost) of the Project for the City, County and school district over the 10-year life of the abatement. The net benefit (or, if negative, cost) of the incentive package is presented in today's dollars. The estimated impact on State revenues is presented in nominal (future value) terms.

In the preparation of this cost-benefit analysis, Columbia has relied upon the information provided to it by the applicant and has not independently verified or validated these data. The City must draw its own conclusions as to the reliability of these data.

Finally, the intent of this analysis and of the applicable statutes is to inform the governing body's policy debate about the value of the abatement incentive it is providing to the applicant. The Project's generation of a net present value benefit to the agencies affected should be but one of the many factors in the governing body's decision about whether and how much incentive to provide to any applicant.



Thank you in advance for your thoughtful consideration of the analysis attached.
Please let me know if you have any questions.

Respectfully submitted,
COLUMBIA CAPITAL MANAGEMENT, LLC

A handwritten signature in black ink, appearing to read "Jeff White", written over the printed name.

Jeff White
Managing Member

attachment



SUMMARY OF COSTS AND BENEFITS
City of De Soto, Kansas

APPLICANT INFORMATION:

Application Date: 10/16/23
Firm Name: MDP Properties, LLC
Firm Address: P O Box 8277
 Prairie Village, KS 66208

Summary of Incentives Provided:

Exemption from sales taxes on construction related materials and 80% property tax abatement for 10 years, related to the development of 21 townhomes northeast of the intersection of Ottawa Road and Lexington Avenue on a site approximately 84,530 gross square feet or 1.94 acres.

Firm Contact: Lenny Jurden
 913-961-9309

Building Size (sf): 30,270

SUMMARY OF INCENTIVE PACKAGE (LOCAL GOVERNMENT IMPACTS ONLY):

Year	Property Tax Abatement		Construction Sales Tax Exemption		Direct Incentives		
	(%)	(\$)	(%)	(\$)	City	County	School
2	80	61,544	100	4,194	0	0	0
3	80	61,544	100	0	0	0	0
4	80	61,544	100	0	0	0	0
5	80	61,544	100	0	0	0	0
6	80	61,544	100	0	0	0	0
7	80	61,544	100	0	0	0	0
8	80	61,544	100	0	0	0	0
9	80	61,544	100	0	0	0	0
10	80	61,544	100	0	0	0	0
11	80	61,544	100	0	0	0	0

SUMMARY OF PRESENT VALUE BENEFITS:

Year	City Summary				County Summary				School District Summary			
	Total Benefits	Total Costs	Net Benefit	Net PV Benefit	Total Benefits	Total Costs	Net Benefit	Net PV Benefit	Total Benefits	Total Costs	Net Benefit	Net PV Benefit
2	18,665	13,444	5,220	4,564	17,549	14,068	3,481	3,043	47,782	31,971	15,812	13,823
3	16,812	12,343	4,468	3,653	13,822	10,975	2,847	2,327	47,782	31,971	15,812	12,925
4	16,816	12,343	4,473	3,419	13,826	10,975	2,851	2,179	47,782	31,971	15,812	12,085
5	16,821	12,343	4,477	3,200	13,830	10,975	2,855	2,040	47,782	31,971	15,812	11,300
6	16,825	12,343	4,482	2,995	13,833	10,975	2,858	1,910	47,782	31,971	15,812	10,566
7	16,830	12,343	4,487	2,803	13,838	10,975	2,862	1,788	47,782	31,971	15,812	9,879
8	16,835	12,343	4,492	2,624	13,842	10,975	2,867	1,675	47,782	31,971	15,812	9,237
9	16,840	12,343	4,497	2,456	13,846	10,975	2,871	1,568	47,782	31,971	15,812	8,637
10	16,845	12,343	4,502	2,299	13,850	10,975	2,875	1,468	47,782	31,971	15,812	8,075
11	16,851	12,343	4,507	2,152	13,855	10,975	2,880	1,375	47,782	31,971	15,812	7,551
	170,140	124,535	45,605	30,165	142,091	112,844	29,247	19,374	477,821	319,705	158,116	104,078

SUMMARY OF ECONOMIC IMPACT (over 10-year period):

Number of jobs to be created : 0

Number of new residents:

- City 0
- County 0
- School District 0

Impact of exemption on state revs: \$ (23,024)