GENERAL

Ordinance Fact Sheet

150377

Ordinance Number

Brief Title Approval Deadline	Reason	
Cerner Corporation Industrial Development Plan	To approve an Industri of equipping an interna	ial Development Plan for Cerner Corporation for the purpose al data center.
Details	Positions/Recommendation	ıs
Reason for Legislation	Sponsor	
Approving an Industrial Development Plan for Cerner Corporation for the purpose of the expansion, renovation, improvement, and equipping of an office industry consisting of a data center located at 3512 NE 33rd Terrace; authorizing and approving various agreement for the purpose of setting forth covenants, agreements and obligations of the City and Cerner Corporation; authorizing the issuance of taxable idustrial revenue bonds in a maximum aggregate principal amount not to exceed \$100,000,000; authorizing and approving certain other documents; and authorizing certin other actions in connection with the issuance of said bonds.	Programs, Departments, or Groups Affected	City Planning City Finance
	Applicants / Proponents	Applicant City Department
		Other
Discussion (explain all financial aspects of the proposed legislation, including future implications, any direct/indirect costs, specific account numbers, ordinance references, and budget page numbers.) In 2009, Cerner purchased a property on NE 33 rd Terrace in	Opponents	Groups or Individuals None Known Basis of opposition
Kansas City Missouri and converted a portion (approximately 1/3) of the existing building into a data center, while the remaining area was used for warehouse space pending future expansion. During the second phase of expansion an additional 1/3 of the 3512 NE 33rd Terrace facility will be converted from warehouse space to a data center. In addition to the 16 jobs retained at the facility, two new people will be employed as a result of this project (average starting salary of \$80,000/year) and 35 will be temporarily employed during the construction period. The total anticipated cost of this phase of expansion is \$116 million. Cerner has requested up to \$100 million from multiple bond issuances over a six year term under Chapter 100 to fund the acquisition and installation of personal property (machinery/equipment/furniture/ fixtures) for use within the facility. The personal property purchased with the bond proceeds will be owned by the City and leased back to Cerner under a lease agreement. The bonds will be repaid solely by Cerner under the terms of the lease agreement. Cerner is seeking ad valorem tax abatement on the personal property associated with the project (up to a five-year abatement period in connection with each bond issuance). No real property tax abatement is being sought. Staff estimates total personal property tax abatement to be \$5,117,607 during an aggregate 10 year	Staff Recommendation	X For Against Reason Against
	Board or Commission Recommendation	By For Against No action taken For, with revisions or conditions (see details column for conditions)
	Council Committee Actions	Do pass Do pass (as amended) Committee Sub.
		Without Recommendation Hold Do not pass

(Continued on reverse side)

Details

period (the 5-year exemption applies to each year's new or replacement equipment, such that equipment purchased in Year 1 would be exempt for Years 2-6, beginning in 2016, and equipment purchased in Year 6 would be exempt for Years 7-11 beginning in 2021). The City's portion of this tax abatement is approximately \$887,622. Pursuant to the City's Chapter 100 policy, Cerner will make annual payments in lieu of taxes (PILOTS) equal to 50% of the personal property taxes to the affected taxing jurisdictions that would have been payable had the personal property been fully taxed.

Cerner, as the City's contractor, will purchase and install personal property on the project site in accordance with the lease agreement. The City shall be the sole owner of the personal property during the lease term. While the personal property is owned by the City and is subject to the lease, Cerner's leasehold interest will be exempt from all ad valorem property taxes, while Cerner will make PILOT payments. During the lease term, Cerner has agreed to both earnings tax and investment thresholds. Each item of personal property shall be conveyed by the City to Cerner on the 5th anniversary of Cerner's conveyance to the City (or sooner at Cerner's option).

The cost/benefit report for the project shows a net positive benefit for all the affected taxing jurisdictions as follows:

City: \$3,846,068

North Kansas City School District: \$3,184,158

Clay County: \$992,414

Metropolitan Community College \$115,997

The affecting taxing jurisdictions were given notice of the project by certified mailing in accordance with Section 100.059.1 of the Revised Statutes of Missouri on April 27, 2015.

Poncy or Program Change	No No	X Yes
Operational Impact Assessment	None	

Policy/Program Impact

Finances Cost & Revenue Projections --Including Indirect Costs Any future bond issuance associated with this project Financial Impact would be considered "conduit debt" of the City solely repaid by Cerner's resources. The bond issue will not count against the City's debt capacity and will only appear on the City's financial statements as a footnote. Fund Source (s) and Appropriation Account Codes Is This Ordinance or Resolution Good for the Yes. The Cerner Corporation Project is an important Children? economic development to the City because it is expected to generate additional investment in the City and the creation of 2 jobs and the retention of 16 jobs.

Applicable Dates:

Fact Sheet Prepared by:

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Reviewed by:

Reference Numbers