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August 7, 2025

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

RE: Cost-Benefit Analysis for Mount Sunflower Properties, LLC Master Resolution

Dear Mike:

Please find attached the results of our cost-benefit analysis related to a series of property tax abatements requested by Mount Sunflower Properties, LLC (Applicant) over an extended period of time at the northwest corner of Edgerton Road and 103rd St. (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. Based upon information provided by the Applicant, we assumed that individual buildings within the Project would each receive 10-year property tax abatements with annual fixed payments-in-lieu-of-taxes ranging from \$0.4050 per square foot of building size to \$0.4495 per square foot of building size.

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.

Our modeling relies upon a number of key inputs from the Applicant related to its anticipated build-out schedule for the Project, along with its assumptions on property valuation, building costs, employment and utility usage. The Applicant based these data on other similar projects with which it has familiarity. Based upon this information, our modeling shows construction of four buildings totaling approximately 1.14 million square feet of expected development over the next decade. The final abatement is modeled to expire in 2042.

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 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 for each building, 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 District's capital levy (up to 8 mills) will not be abated for any of the buildings.

USING THE COST-BENEFIT MODELING RESULTS

The output of the model is presented as the net present value benefit/(cost) of the entire Project for the City, County and school district over the 10-year life of the abatement on each building, aggregated across all phases comprising the 1.14 million square feet of total expected development. The net benefit (or, if negative, cost) of the tax abatement incentive is presented in today's (discounted value) 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



Jeff White
Managing Member

attachment





City of De Soto, Kansas

Cost-Benefit Analysis Results (Mt. Sunflower Properties Master CBA)

PERIOD	PROJECTED DEVELOPMENT RATE		CITY OF DE SOTO			JOHNSON COUNTY			USD 232			
	Year	New Sq Ft	Cum. Sq Ft	Benefits	Costs	NPV Benefit	Benefits	Costs	NPV Benefit	Benefits	Costs	NPV Benefit
2025	285,000	285,000	-	-	-	-	-	-	-	-	-	-
2026	-	285,000	5,309,157	5,026,880	245,541	5,429,031	5,408,512	17,849	12,441,154	10,763,339	1,459,462	
2027	285,000	570,000	3,044,774	2,782,478	212,796	3,535,554	3,516,802	15,214	12,441,154	10,763,339	1,361,184	
2028	-	570,000	8,828,298	8,116,691	589,304	9,245,162	9,206,401	31,580	25,207,734	21,808,000	2,767,349	
2029	285,000	855,000	6,329,316	5,637,690	533,411	7,154,041	7,116,957	28,078	25,207,734	21,808,000	2,581,001	
2030	-	855,000	12,870,003	11,728,682	888,663	13,707,353	13,649,689	44,052	40,191,461	34,778,789	4,158,171	
2031	-	855,000	10,111,903	8,990,563	812,612	11,397,925	11,341,846	39,763	40,191,461	34,778,789	3,878,167	
2032	285,000	1,140,000	10,111,903	8,990,563	757,892	11,398,237	11,341,846	37,288	40,191,461	34,778,789	3,617,019	
2033	-	1,140,000	17,269,879	15,698,456	1,092,731	18,608,507	18,530,944	52,847	56,649,096	49,029,425	5,265,601	
2034	-	1,140,000	14,225,578	12,674,135	1,000,688	16,057,958	15,981,874	47,918	56,649,096	49,029,425	4,898,280	
2035	-	1,140,000	14,225,578	12,674,135	931,003	16,058,378	15,981,874	44,827	56,649,096	49,029,425	4,556,638	
2036	-	1,140,000	11,180,803	9,891,657	752,555	12,521,997	12,465,073	33,273	44,207,941	38,266,086	3,512,042	
2037	-	1,140,000	11,180,803	9,891,657	699,907	12,522,281	12,465,073	31,097	44,207,941	38,266,086	3,265,430	
2038	-	1,140,000	7,896,261	7,036,445	464,964	8,903,503	8,864,917	20,874	31,441,361	27,221,425	2,290,235	
2039	-	1,140,000	7,896,261	7,036,445	431,964	8,903,696	8,864,917	19,489	31,441,361	27,221,425	2,127,340	
2040	-	1,140,000	4,113,675	3,683,572	215,158	4,659,610	4,640,028	9,796	16,457,635	14,250,636	1,104,049	
2041	-	1,140,000	4,113,675	3,683,572	199,221	4,659,708	4,640,028	9,116	16,457,635	14,250,636	1,022,268	
2042	-	1,140,000	4,113,675	3,683,572	184,464	4,659,808	4,640,028	8,483	16,457,635	14,250,636	946,544	
TOTALS	1,140,000				10,012,874			491,543			48,810,780	

PROJECTED JOB CREATION

Projected Jobs Created through 2040	155
Projected New Residents to:	
De Soto	0
Johnson County	54
USD 232	0

Impact of Exemption on State of Kansas Revenues Through 2040

(52,753,660)



City of De Soto, Kansas
 Cost-Benefit Analysis Results (Mt. Sunflower Properties Master CBA)

PERIOD	INCENTIVES SUMMARY				
	Year	Property Tax Abatement %	Constr. Sales Tax Exempt. %	Property Tax Abatement \$	Constr. Sales Tax Exempt. \$
2025		100%	100%	-	4,136,112
2026		100%	100%	18,662,206	-
2027		100%	100%	18,662,206	4,568,445
2028		100%	100%	37,812,237	-
2029		100%	100%	37,812,237	5,045,961
2030		100%	100%	60,300,104	-
2031		100%	100%	60,300,104	-
2032		100%	100%	60,300,104	5,573,390
2033		100%	100%	85,005,986	-
2034		100%	100%	85,005,986	-
2035		100%	100%	85,005,986	-
2036		100%	100%	66,343,780	-
2037		100%	100%	66,343,780	-
2038		100%	100%	47,193,749	-
2039		100%	100%	47,193,749	-
2040		100%	100%	24,705,881	-
2041		100%	100%	24,705,881	-
2042		100%	100%	24,705,881	-
TOTALS				850,059,856	19,323,909

NOTES:

- Data in nominal dollars
- Abatement on final project commences in 2033
- \$0.4050 to \$0.4495 per square foot fixed annual payment in lieu of tax assumed for each project