Northland Workforce Development Center

Committee Substitute for Ordinance No. 250250

April 15, 2025

Finance, Governance and Public Safety Committee

Northland Workforce Development Center (NWDC) Project Update

- Additional revenues identified for construction (to reduce City borrowing)
  - Surplus revenues from Northland TIF plans – City portion
  - Surplus revenues from Northland TIF plans – school district portion
- City Manager is directed to review options prior to issuance of the City's bonds

Northland Workforce Development Center (NWDC) Project Update

- Additional revenues identified for debt service
  - Northland Industrial Project PILOTs (payments in lieu of tax)
    - In addition to Data Center Project PILOTs
  - Redirected economic activity taxes (EATs) from Northland Data Center Projects – as a percentage of net new revenue
    - No TIF plan; City tax redirection
    - **50%** of earnings tax and **100%** of utility tax to the extent generated

Updated Plan of Finance

- Tax-exempt Special Obligation Bonds to be sold in **April 2026**
- Debt service to begin in **FY 2027**
- Contribution amount:
  - **$25,000,000 – reduced from $29.5 million**
- General Fund Subsidy of up to approximately **$16.8 million** ($841,000 annually)
  - **If Potential Development Projects do not meet projections, and utility tax redirections do not make up the difference**
- Projected coverage ratio is **less than 1.00x** annual debt service
  - Codified Debt Policy calls for at least 1.25x

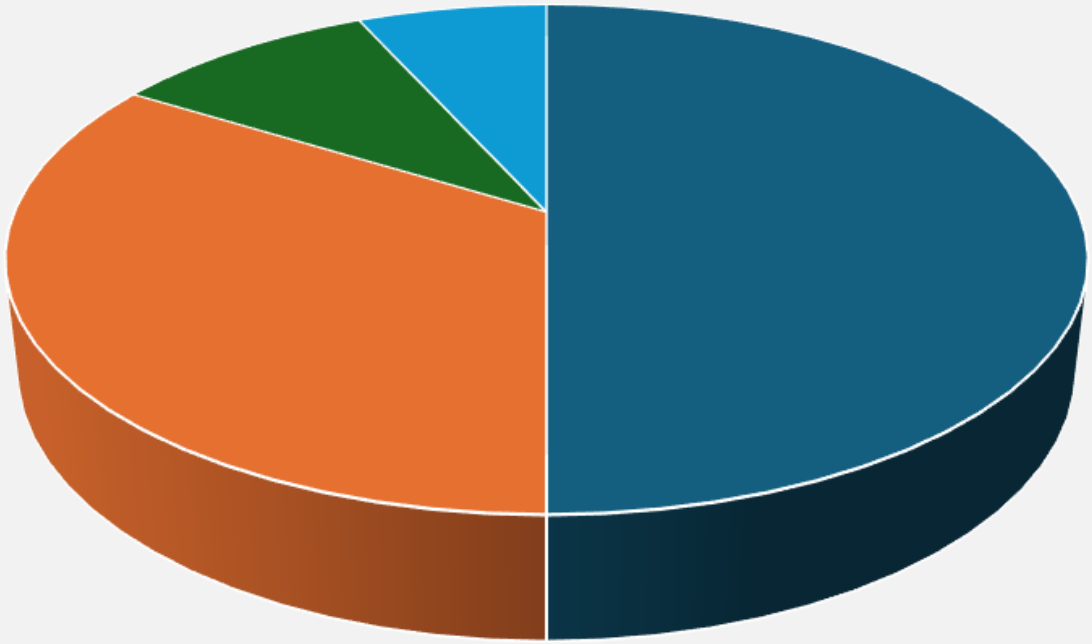
Updated Plan of Finance

- **Scenario 7** – PILOTs and City Tax Redirection (**50% earnings tax and 100% utility tax**) from Expected Data Centers + PILOTs from Expected Northland Industrial / Logistics Projects
- **Scenario 8** – PILOTs and City Tax Redirection (**50% earnings tax and 100% utility tax**) from Expected and Potential Data Centers+ PILOTs from Expected and Potential Northland Industrial / Logistics Projects
- **Scenario 9** – Scenario 8 revenues with $29.5 million of bond proceeds

Summary of New Scenarios

	Scenario 7	Scenario 8	Scenario 9
Tax Exempt Bond Proceeds	$ 25,000,000	$ 25,000,000	$ 29,500,000
Expected Development			
Data Center PILOTs	$ 18,057,955	$ 18,057,955	$ 18,057,955
Northland Industrial PILOTs	$ 6,196,449	$ 6,196,449	$ 6,196,449
City Tax Redirection	$ 1,006,024	$ 1,006,024	$ 1,006,024
	$ 25,260,428	$ 25,260,428	$ 25,260,428
Potential Development			
Data Center PILOTs	$ 17,081,466	$ -	$ 17,081,466
Northland Industrial PILOTs	$ 1,184,638	$ -	$ 1,184,638
City Tax Redirection	$ 1,008,498	$ -	$ 1,008,498
	$ 19,274,602	$ -	$ 19,274,602
Total Sources of Funds	$ 44,535,030	$ 25,260,428	$ 44,535,030
Cumulative Debt Service	$ 42,084,708	$ 42,084,708	$ 49,594,614
Projected Cumulative Excess / (Shortfall)	$ 2,450,322	$ (16,824,280)	$ (5,059,584)
Projected Average Annual Excess / (Shortfall)	$ 122,516	$ (841,214)	$ (252,979)

NWDC Source of Funds



① Includes $500,000 previously contributed by the City.

Committee Substitute for Ordinance No. 250250

- Establishes 2026A Special Obligation Projects Fund and repurposes 5250 Fund
- Estimates and appropriates **$25 million** in special obligation bond proceeds
- Approves a Plan of Finance
- Authorizes a contribution agreement with the NWDC to provide up to **$25 million** funded from bond proceeds
- Directs the City Manager to:
  - Work with the TIF Commission to **identify potential surplus funds from Northland TIF Plans** to reduce the City's borrowing
  - Work with the Northland School Districts to **identify potential School District surplus funds from Northland TIF Plans** which may be contributed

Committee Substitute for Ordinance No. 250250 (continued)

- Directs the City Manager to:
  - **Utilize the various revenue sources** to repay debt service
  - **Replenish the City's General Fund** for any subsidies, to the extent excess revenue is available
  - **Reduce the amount of Northland Data Center and Industrial / Logistics PILOTs** utilized to pay debt service, if not needed and the General Fund has been replenished
- Effective Date: **May 1, 2025**

Committee Substitute for Ordinance No. 250250 (continued)

- Potential agreement shall include the following conditions:
  - City has **no responsibility** for operations and maintenance of the facility and **no legal liability** related to the facility
  - City has ability to use the NWDC for community meetings, trainings, career fairs, etc., **free of charge**
  - **No less than 2/3rd of the student population** of the NWDC shall live within Kansas City's corporate limits
  - NWDC will provide a **discounted tuition rate for City employees**

Questions?

Additional Slides – Expected and Potential Development Timing

Expected Development

- **Expected Development** include buildings that range from occupied to those that have building plans under review. We are **most confident** about these revenues.
- **Data Center PILOTs**
  - Includes the City's portion (19-21% of PILOTs) for
    - 3 building/halls for Golden Plains Technology Park
    - 2 buildings for Shalerock
    - 1 building for Rocky Branch Creek Technology Park
- **Data Center City Tax Redirection**
  - 50% City Economic Activity Tax (EATs) Redirection
- **Northland Industrial PILOTs**
  - Includes Hunt Midwest Phase I, II, and VI, JCT Warehouse, KCI 29 Logistics Park Phase I, Niagara Bottling (Facility and Equipment)

Expected Northland Data Centers

	Golden Plains (META)	Shalerock (Google)	Rocky Branch Creek (Google)
2026	Buildings 1 & 2	Building 1	-
2027	Building 3	Building 2	-
2028	-	-	Building 1

Potential Development

- **Potential Development** includes buildings that are on development plans that have been approved by Council**,** but the timeline for construction **is unknown and speculative.**
- **Data Center PILOTs**
  - Includes the City's portion (19-21% of PILOTs) for
    - 3 additional building/halls for Golden Plains Technology Park
    - 2 additional buildings for Shalerock
    - 4 additional buildings for Rocky Branch Creek Technology Park
- **Data Center City Tax Redirection**
  - 50% City Economic Activity Tax (EATs) Redirection
- **Northland Industrial PILOTs**
  - Congress Industrial, Tiffany Springs Logistics

Potential Northland Data Centers

	Golden Plains (META)	Shalerock (Google)	Rocky Branch Creek (Google)
2029	Building 4	-	-
2030	-	Building 3	Building 2
2031	Building 5	-	-
2032	-	Building 4	Building 3
2033	Building 6	-	-
2034	-	-	Building 4
2035	-	-	-
2036	-	-	Building 5

Potential Risks and Issues

- The Potential Development **may not occur** in total or in part, which would impact the City Tax Redirection and Data Center PILOTs and Northland Industrial PILOTs
- Projected General Fund subsidy of **$16.8 million ($841,000 annually)**
  - With FY 26 Adopted Budget, General Fund is just at the three-month (25%) target – no additional flexibility available without cuts to expenditures
  - Removes future flexibility
- Voters may not renew certain taxes which would impact the City Tax Redirection
  - Earnings Tax Expiration – 12/31/26 - **Subject to renewal every 5 years** - 10-year stepdown if not renewed