

# A Tax Abatement Cost-Benefit Analysis of Teva Neuroscience, Inc.

The firm is located in: **City of Overland Park**

Report Printed: 4/12/2012

Description of the firm's location or expansion in the community:

The project contemplated under this Application is the relocation of Teva Neuroscience's Kansas City, Missouri office to a site in Overland Park, Kansas at the southwest corner of College Blvd. and Nall Avenue.

**This report includes an analysis of costs and benefits from the firm for the following taxing entities where the firm is or will be located. These taxing entities are considering tax abatements or incentives for the firm:**

<b>City:</b>	<b>Overland Park</b>
<b>County:</b>	<b>Johnson</b>
<b>School District:</b>	<b>Blue Valley (229)</b>
<b>Special Taxing District:</b>	<b>JCCC</b>
<b>Special Taxing District:</b>	<b>Johnson County Parks &amp; Library</b>
<b>State of Kansas</b>	

Contents of this report:

About this Cost-Benefit Analysis Report	Page 2
Summary of Costs and Benefits for all Taxing Entities	Page 5
The Economic Impact that the Firm will have on the Community	Page 6

Costs and Benefits for:

City:	Overland Park	Page 7
County:	Johnson	Page 8
School District:	Blue Valley (229)	Page 9
Special Taxing District:	JCCC	Page 10
Special Taxing District:	Johnson County Parks & Library	Page 11
State of Kansas		Page 12

This Kansas Tax Abatement Cost Benefit Analysis (CBA) is prepared by the Kansas Department of Commerce for the benefit and use of the State of Kansas and its local units of government. This model was developed to assess the costs and benefits property tax abatement and economic development incentives have on state revenues. The Department of Commerce makes no representations, guarantees, or warranties as to the accuracy, completeness, or suitability of the analysis or information contained in this CBA. The Kansas Department of Commerce specifically disclaims any and all liability for any claims or damages that may result from other uses of the analysis in this CBA.

## **About this Cost-Benefit Analysis Report**

---

This cost-benefit analysis report was prepared using a computer program that analyzes economic and fiscal impact. The report shows the impact that the firm, its employees and workers in spin-off jobs will have on the community and the state.

The economic impact over the next ten years is calculated along with the accompanying public costs and benefits for the State of Kansas and the taxing entities included in this analysis.

The analysis also shows the effect of tax abatements and incentives that may be considered for the firm.

Here is how the analysis was performed:

1. Data was entered for the state and community's tax and other rates; the firm and its employees; tax abatements and other incentives being considered for the firm; construction activity; and expected visitors.
2. Using the data entered, as well as some rates built into the computer program, calculations were made of the economic impact of the firm along with the related costs and benefits.

The calculations of impact include direct, indirect and induced impact. Regional economic multipliers, specific to the firm's industry group, were used by the program to calculate the direct and induced or spin-off jobs and earnings in the community.

These are the report sections:

### **Summary of Costs and Benefits for all Taxing Entities**

This report page summarizes the costs and benefits for all taxing entities resulting from the firm and from new direct, indirect and induced jobs.

### **The Economic Impact that the Firm will have on the Community**

This report page shows the number of direct, indirect and induced jobs that will be created in the community, the number of new residents and additional school children, and increases in local personal income, retail sales, economic activity and the property tax base in the first year and over the next ten years.

### **Benefits and Costs for Each Taxing Entity**

These report pages summarize the costs and benefits for the State of Kansas and for each taxing entity as a result of the firm locating or expanding in the Kansas community.

The public benefits include additional revenues from the firm and employees for the taxing entities - - -sales taxes, property taxes, utilities, utility franchise fees, other payments by new residents, Payments in lieu of taxes (PILOT) by the firm and additional school funding. Public costs include the additional costs of public services for new residents and the firm, costs of educating new students that move to the school district, along with tax abatements and incentives provided to the firm.

In addition to a presentation of public costs and benefits, this report also computes the present value of net benefits to be received by each taxing entity; the payback period for incentives and taxes to be abated; the rate of return on investment for each entity, and, cost benefit ratios.

#### **Payback Period**

The investment payback period for each taxing entity was computed. This analysis views the financial incentives, including tax abatement, that the taxing entities are considering for the firm as an investment that the public will be making in the company. The payback period, therefore, is the number of years that it will take each taxing entity to recover the cost of incentives from the net annual benefits that they will receive. This payback period also shows the point in time where the cost and benefits are equal for the level and length of tax abatements and incentives being granted. The payback period is a basis for judging the appropriateness of providing incentives to a firm. Generally, the shorter the payback period the better the investment.

### Present Value

The present value of the expected cash flow over the next ten years for each entity was computed. Present value is a way of expressing in today's dollars, dollars to be paid or received in the future. Today's dollar and a dollar to be received or paid at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. The analysis uses a discount rate that is entered to make the dollars comparable—by expressing them in today's dollars (present value). Generally, a positive present value indicates an acceptable investment.

### Rate of Return on Investment

The rate of return on investment for each taxing entity was also computed. As with the computation of payback, the rate of return analysis views the incentives that each taxing entity is considering as an investment that the public will be making in the company. The rate of return, therefore, is the compound rate of return, over the next ten years, on each taxing entity's investment in the firm. Generally, a positive compound rate of return is considered desirable.

### Benefit to Cost Ratio

The benefit to cost ratio for each taxing entity was also computed. This ratio compares public benefits over a ten year period from the new or expanding firm to public costs during the same period. For example, a benefit to cost ratio of 1.55 (or 1.55 to 1) shows that ten year benefits are 155 percent of public costs. Conversely, a benefit to cost ratio of .75 shows that public benefits are only 75 percent of public costs --costs exceed benefits. Generally, a benefit to cost ratio of 1.30 to 1 is considered acceptable for a taxing entity to grant tax abatements and other financial incentives to a firm.

## **How were the benefits and costs determined?**

---

### **City, County, Special Taxing District and State Benefits and Costs**

The Cost Benefit Analysis (CBA) operates with the assumption that 70% of the jurisdiction's revenues and expenditures supports its citizens, and 30% supports its businesses. Therefore, 70% of the revenues/costs (divided by number of residents) are calculated as the average revenue/cost per resident; 30% of these revenues/costs (divided by the number of workers in the jurisdiction) are calculated as the average revenue/cost per worker.

The CBA predicts potential benefits and costs from residents by multiplying the number of new employees moving to the jurisdiction by the average revenue/cost per resident. Benefits and costs from the business expansion are predicted by multiplying the average revenue/cost per worker.

Collection of sales taxes, transient guest taxes and property taxes as well as utility enterprises and franchise fees are potential benefits from an expansion.. Other revenues include fees, permits, license, and other charges.

The program predicts costs by removing utility enterprise expenditures and internal transfers from the general operating budget, and reducing the result to a cost per resident and a cost per worker.

### **School District Benefits and Costs**

Property taxes as well as state and federal payments per full time student are used to predict benefits a school district may realize. The Kansas Department of Education condenses the school district's budget to a cost per student. One new student will not cause the addition of a new classroom or the hiring of another teacher, so it would not be fair to estimate the impact of new students using the average cost per student. The program utilizes a marginal cost per student (10% of the average cost per student, unless a different percentage is requested) to predict the cost to the district when a new student is added. Revenue per student is calculated from the amount of state and federal payment per student that the district receives.

The business predicts the average family size of new employees moving to the jurisdiction and the number of school age children in the family. The CBA can work with percentages, as in a family size of 2.5.

### **Indirect Jobs**

The ripple or spin-off economic activity created by an expansion generates indirect or induced benefits. The number of jobs this activity generates depends largely on the type of business that is expanding and what types of jobs will be needed to support not only the business, but the new employees and their families. The program uses a default of 10% of the number of new employees to predict these jobs. The percentage can be adjusted, depending on community conditions, which also determine whether the indirect workers will be moving from out of state or out of county.

### **Formulas used in this analysis**

- **Present Value** = (Total Benefits (for the year) ÷ 1+Discount Rate (5.5%))<sup>Number of Years Abated</sup>)
- **Compound Rate of Return** = ((Present Value of Total Costs ÷ Present Value of Total Benefits)<sup>(1/Number of Years Abated)</sup>)-1
- **Benefit to Cost Ratio** = Present Value of Total Benefits ÷ Present Value of Total Costs
- **Payback Period** = The point where total benefits equal or surpass total costs.

K.S.A. 79-213 (g) allows governmental bodies to seek assistance provided by the Kansas Department of Commerce (COMMERCE) in preparing an application requesting exemption from property taxes. COMMERCE prepared this cost benefit analysis as a service under this statute utilizing data gathered by the requesting governmental body, and makes no recommendation to the Board of Tax Appeals either for or against approval of a request for tax abatement.

## Summary of Costs and Benefits for all Taxing Units

### **Benefits:**

	Sales Taxes	Property Taxes	Utilities and Utility Franchise Fees	Corporate and Personal Income Taxes	Additional School Funding	Other Revenues (Including PILOT)	Total Benefits
City: Overland Park	\$520,845	\$1,589,233	\$150,054			\$1,924,309	\$4,184,442
County: Johnson	\$470,086	\$3,355,420				\$1,315,117	\$5,140,623
Blue Valley (229)		\$13,001,686			\$2,494,730		\$15,496,416
JCCC		\$1,547,149				\$363,339	\$1,910,489
Johnson County Parks & Library		\$968,201				\$74,830	\$1,043,031
State of Kansas	\$3,538,570	\$292,350		\$86,103,298		\$15,571,812	\$105,506,03

### **Costs, Incentives and Taxes Abated:**

	Costs of Services for the Firm and New Residents	Costs of Educating New Students	Taxes Abated	Incentives	Total Taxes Abated & Incentives	Total Costs
City: Overland Park	\$470,102		\$818,571	\$125,000	\$943,571	\$1,413,673
County: Johnson	\$691,488		\$1,635,945	\$0	\$1,635,945	\$2,327,434
Blue Valley (229)		\$277,845	\$6,686,686		\$6,686,686	\$6,964,531
JCCC	\$231,556		\$808,811		\$808,811	\$1,040,367
Johnson County Parks & Library	\$107,784		\$506,151		\$506,151	\$613,936
State of Kansas	\$4,863,956	\$5,071,749	\$138,117	\$30,569,880	\$30,707,997	\$40,643,701

### **Net Benefits:**

	Total Benefits	Present Value of Total Benefits	Total Costs (Includes Taxes Abated and Incentives)	Present Value of Total Costs	Benefit to Cost Ratio (Over 10 Years)
City: Overland Park	\$4,184,442	\$3,171,196	\$1,413,673	\$1,087,930	2.91 : 1
County: Johnson	\$5,140,623	\$3,863,956	\$2,327,434	\$1,736,291	2.23 : 1
Blue Valley (229)	\$15,496,416	\$11,567,904	\$6,964,531	\$5,222,913	2.21 : 1
JCCC	\$1,910,489	\$1,425,957	\$1,040,367	\$779,014	1.83 : 1
Johnson County Parks & Library	\$1,043,031	\$779,108	\$613,936	\$459,975	1.69 : 1
State of Kansas	\$105,506,030	\$78,831,248	\$40,643,701	\$30,538,373	2.58 : 1

### **Other**

	Net Benefits	Present Value of Net Benefits	Taxes Abated & Incentives	Present Value of Taxes Abated and Incentives	Payback Period for Taxes Abated and Incentives and Taxes Abated	Compound Rate of Return (Over 10 Yrs)
City: Overland Park	\$2,770,768	\$2,094,652	\$943,571	\$739,624	2 Years	11.29%
County: Johnson	\$2,813,189	\$2,127,665	\$1,635,945	\$1,236,639	3 Years	8.33%
Blue Valley (229)	\$8,531,885	\$6,344,990	\$6,686,686	\$5,020,697	4 Years	8.28%
JCCC	\$870,122	\$646,942	\$888,020	\$607,296	4 Years	6.23%
Johnson County Parks & Library	\$429,095	\$319,132	\$555,720	\$380,044	>10 Years	5.41%
State of Kansas	\$64,862,329	\$48,197,082	\$30,707,997	\$23,146,137	5 Years	9.95%

## The Economic Impact of this expansion by Teva Neuroscience, Inc.

NAICS Code 325412 - Chemical manufacturing

	<u>In the first year</u>	<u>Over the next ten years</u>
*Number of new direct and indirect jobs to be created	1,565	1,565
Number of new residents in the community	496	601
Number of additional students in the local school district	400	409
**Increase in local personal income	\$135,798,000	1,556,771,883
***Increase in local retail sales	\$47,529,300	\$544,870,159
Increase in the community's property tax base	\$118,015,814	\$146,692,366
Land	\$5,384,186	\$7,025,142
Buildings	\$53,015,814	\$69,173,612
Furniture, fixtures & Equipment	\$6,600,000	\$1,320,000
Residential Property	\$62,450	\$407,417

\*The Employment Multiplier for NAICS Code 325412 is 3.9136. The Employment Multiplier is used to estimate the total change in the number of direct and indirect jobs as a result of the expansion.

\*\*The Earnings Multiplier for NAICS Code 325412 is 2.6115. The Earnings Multiplier is used for estimating to what degree more personal income will be generated.

\*\*\*The Percentage of Gross Salaries expected to be spent on retail sales is 0.35

Property taxes to be abated by the following taxing entities:

City	<input checked="" type="checkbox"/>	Special Taxing District 1	<input checked="" type="checkbox"/>
County	<input checked="" type="checkbox"/>	Special Taxing District 2	<input checked="" type="checkbox"/>
School District	<input checked="" type="checkbox"/>	The State	<input checked="" type="checkbox"/>

Percent of property taxes to be abated on:

	Land	Buildings and Improvements	Furniture, Fixtures & Equipment
Year 1	50.00%	50.00%	100.00%
Year 2	50.00%	50.00%	100.00%
Year 3	50.00%	50.00%	100.00%
Year 4	50.00%	50.00%	100.00%
Year 5	50.00%	50.00%	100.00%
Year 6	50.00%	50.00%	100.00%
Year 7	50.00%	50.00%	100.00%
Year 8	50.00%	50.00%	100.00%
Year 9	50.00%	50.00%	100.00%
Year 10	50.00%	50.00%	100.00%

**City of: Overland Park**

**Benefits:**

Year	Sales Taxes	Property Taxes	Utilities and Utility Franchise Fees	Other Municipal Revenues (Including PILOT)	Total
Construction Period	\$259,740	\$0	\$6,424	\$0	\$266,164
1	\$22,830	\$145,018	\$9,317	\$161,017	\$338,181
2	\$23,515	\$147,824	\$11,066	\$165,802	\$348,207
3	\$24,220	\$151,370	\$11,673	\$170,731	\$357,995
4	\$24,947	\$153,895	\$12,327	\$175,808	\$366,977
5	\$25,695	\$157,172	\$13,030	\$181,037	\$376,934
6	\$26,466	\$159,971	\$13,787	\$186,424	\$386,648
7	\$27,260	\$161,229	\$14,604	\$195,377	\$398,470
8	\$28,078	\$165,978	\$15,486	\$197,685	\$407,227
9	\$28,920	\$170,869	\$16,438	\$203,571	\$419,799
10	\$29,173	\$175,907	\$25,902	\$286,856	\$517,839
Total	\$520,845	\$1,589,233	\$150,054	\$1,924,309	\$4,184,442

**Costs:**

Year	Property Taxes Abated	Incentives	Taxes Abated & Incentives	City Costs for the firm and Municipal Services for New Residents	Total Costs, Taxes Abated & Incentives
Construction Period	\$0	\$125,000	\$125,000	\$0	\$125,000
1	\$79,566	\$0	\$79,566	\$40,208	\$119,773
2	\$79,836	\$0	\$79,836	\$41,414	\$121,250
3	\$80,165	\$0	\$80,165	\$42,657	\$122,821
4	\$80,554	\$0	\$80,554	\$43,936	\$124,490
5	\$81,005	\$0	\$81,005	\$45,254	\$126,259
6	\$81,520	\$0	\$81,520	\$46,612	\$128,132
7	\$80,424	\$0	\$80,424	\$48,010	\$128,434
8	\$82,749	\$0	\$82,749	\$49,451	\$132,199
9	\$85,143	\$0	\$85,143	\$50,934	\$136,077
10	\$87,610	\$0	\$87,610	\$61,626	\$149,235
Total	\$818,571	\$125,000	\$943,571	\$470,102	\$1,413,673

**Net Benefits (or Costs)**

Year	Public Benefits	Public Costs, Property Taxes Abated and Incentives	Net Benefits or (Costs)	Present Value of Net Benefits	Present Value of taxes abated and incentives
Construction Period	\$266,164	\$125,000	\$141,164	\$141,164	\$125,000
1	\$338,181	\$119,773	\$218,408	\$218,408	\$75,418
2	\$348,207	\$121,250	\$226,957	\$203,910	\$71,729
3	\$357,995	\$122,821	\$235,174	\$200,277	\$68,270
4	\$366,977	\$124,490	\$242,487	\$195,739	\$65,025
5	\$376,934	\$126,259	\$250,675	\$191,800	\$61,980
6	\$386,648	\$128,132	\$258,516	\$187,488	\$59,122
7	\$398,470	\$128,434	\$270,035	\$185,632	\$55,286
8	\$407,227	\$132,199	\$275,028	\$179,208	\$53,919
9	\$419,799	\$136,077	\$283,721	\$175,235	\$52,587
10	\$517,839	\$149,235	\$368,604	\$215,792	\$51,289
Total	\$4,184,442	\$1,413,673	\$2,770,768	\$2,094,652	\$739,624

Discounted payback period for taxes abated and incentives .....	2 Years
Compound rate of return over the next ten years on the city's investment of taxes abated and incentives for the firm .....	11.29%
Benefit/Cost Ratio (Over 10 Years).....	2.91 : 1

**Johnson County**

**Benefits:**

Year	Sales Taxes	Property Taxes	Other County Revenues (Including PILOT)	Total
Construction Period	\$185,771	\$0	\$0	\$185,771
1	\$24,859	\$293,552	\$107,886	\$426,298
2	\$25,605	\$303,113	\$111,123	\$439,841
3	\$26,373	\$318,344	\$114,457	\$459,173
4	\$27,164	\$323,865	\$117,890	\$468,920
5	\$27,979	\$335,099	\$121,427	\$484,505
6	\$28,819	\$341,324	\$125,070	\$495,212
7	\$29,683	\$344,486	\$128,822	\$502,991
8	\$30,574	\$354,645	\$132,687	\$517,905
9	\$31,491	\$365,108	\$136,667	\$533,266
10	\$31,766	\$375,885	\$219,089	\$626,741
Total	\$470,086	\$3,355,420	\$1,315,117	\$5,140,623

**Costs:**

Year	Property Taxes Abated	Incentives	Taxes Abated & Incentives	County Costs for the firm and County Services for New Residents	Total
Construction Period	\$0	\$0	\$0	\$0	\$0
1	\$159,015	\$0	\$159,015	\$56,727	\$215,741
2	\$159,555	\$0	\$159,555	\$58,428	\$217,984
3	\$160,213	\$0	\$160,213	\$60,181	\$220,394
4	\$160,990	\$0	\$160,990	\$61,987	\$222,977
5	\$161,892	\$0	\$161,892	\$63,846	\$225,738
6	\$162,921	\$0	\$162,921	\$65,762	\$228,682
7	\$160,731	\$0	\$160,731	\$67,734	\$228,465
8	\$165,377	\$0	\$165,377	\$69,767	\$235,143
9	\$170,162	\$0	\$170,162	\$71,860	\$242,022
10	\$175,091	\$0	\$175,091	\$115,197	\$290,288
Total	\$1,635,945	\$0	\$1,635,945	\$691,488	\$2,327,434

**Net Benefits (or Costs)**

Year	Public Benefits	Public Costs, Property Taxes Abated and Incentives	Net Benefits or (Costs)	Present Value of Net Benefits	Present Value of taxes abated and incentives
Construction Period	\$185,771	\$0	\$185,771	\$185,771	\$0
1	\$426,298	\$215,741	\$210,557	\$199,580	\$159,015
2	\$439,841	\$217,984	\$221,857	\$199,328	\$143,353
3	\$459,173	\$220,394	\$238,779	\$203,348	\$136,439
4	\$468,920	\$222,977	\$245,943	\$198,529	\$129,954
5	\$484,505	\$225,738	\$258,767	\$197,992	\$123,869
6	\$495,212	\$228,682	\$266,530	\$193,300	\$118,157
7	\$502,991	\$228,465	\$274,526	\$188,719	\$110,492
8	\$517,905	\$235,143	\$282,762	\$184,247	\$107,759
9	\$533,266	\$242,022	\$291,245	\$179,881	\$105,097
10	\$626,741	\$290,288	\$336,453	\$196,970	\$102,504
Total	\$5,140,623	\$2,327,434	\$2,813,189	\$2,127,665	\$1,236,639

Discounted payback period for taxes abated and incentives .....	3 Years
Compound rate of return over the next ten years on the county's investment of taxes abated and incentives for the firm.....	8.33%
Benefit/Cost Ratio (Over 10 Years).....	2.23 : 1



**School District: Blue Valley (229)**

**Benefits:**

Year	Property Taxes	Additional State, Federal and Other School Funding (Including PILOT)	Total
1	\$1,185,019	\$217,617	\$1,402,636
2	\$1,208,374	\$224,145	\$1,432,519
3	\$1,238,238	\$230,869	\$1,469,107
4	\$1,258,918	\$237,796	\$1,496,713
5	\$1,286,194	\$244,929	\$1,531,123
6	\$1,309,134	\$252,277	\$1,561,411
7	\$1,319,480	\$259,846	\$1,579,325
8	\$1,358,345	\$267,641	\$1,625,986
9	\$1,398,376	\$275,670	\$1,674,047
10	\$1,439,609	\$283,940	\$1,723,549
Total	\$13,001,686	\$2,494,730	\$15,496,416

**Costs:**

Year	Additional Costs	Property Taxes Abated	Total
1	\$21,760	\$649,949	\$671,709
2	\$22,413	\$652,159	\$674,571
3	\$23,085	\$654,846	\$677,931
4	\$24,491	\$658,024	\$681,801
5	\$25,226	\$661,708	\$686,199
6	\$25,226	\$665,914	\$691,140
7	\$25,982	\$656,963	\$682,945
8	\$26,762	\$675,953	\$702,715
9	\$27,565	\$695,512	\$723,077
10	\$56,784	\$715,659	\$772,442
Total	\$277,845	\$6,686,686	\$6,964,531

**Net Benefits (or Costs)**

Year	Public Benefits	Total Costs and Property Taxes Abated	Net Benefits or (Costs)	Present Value of Net Benefits	Present Value of Taxes Abated
1	\$1,402,636	\$671,709	\$730,927	\$692,822	\$616,065
2	\$1,432,519	\$674,571	\$757,947	\$680,980	\$585,934
3	\$1,469,107	\$677,931	\$791,177	\$673,777	\$557,675
4	\$1,496,713	\$681,801	\$814,912	\$657,810	\$531,168
5	\$1,531,123	\$686,199	\$844,924	\$646,480	\$506,296
6	\$1,561,411	\$691,140	\$870,272	\$631,161	\$482,951
7	\$1,579,325	\$682,945	\$896,380	\$616,205	\$451,620
8	\$1,625,986	\$702,715	\$923,271	\$601,603	\$440,450
9	\$1,674,047	\$723,077	\$950,969	\$587,347	\$429,569
10	\$1,723,549	\$772,442	\$951,107	\$556,807	\$418,969
Total	\$15,496,416	\$6,964,531	\$8,531,885	\$6,344,990	\$5,020,697

Discounted payback period for taxes abated and incentives .....	4 Years
Compound rate of return over the next ten years on the school district's investment of taxes abated and incentives for the firm .....	8.28%
Benefit/Cost Ratio (Over 10 Years).....	2.21 : 1

**Special Taxing District: JCCC**

**Benefits:**

Year	Property Taxes	Additional Revenues	Total
1	\$142,740	\$31,210	\$173,950
2	\$145,073	\$32,147	\$177,219
3	\$147,529	\$33,111	\$180,640
4	\$149,963	\$34,105	\$184,068
5	\$152,597	\$35,128	\$187,725
6	\$155,283	\$36,182	\$191,464
7	\$156,442	\$37,267	\$193,709
8	\$161,049	\$38,385	\$199,434
9	\$165,793	\$39,537	\$205,330
10	\$170,680	\$46,269	\$216,949
Total	\$1,547,149	\$363,339	\$1,910,489

**Costs:**

Year	Additional Costs	Property Taxes Abated	Total
1	\$19,890	\$78,617	\$98,507
2	\$20,487	\$78,884	\$99,371
3	\$21,102	\$79,209	\$100,311
4	\$21,735	\$79,594	\$101,328
5	\$22,387	\$80,039	\$102,426
6	\$23,058	\$80,548	\$103,606
7	\$23,750	\$79,465	\$103,215
8	\$24,463	\$81,762	\$106,225
9	\$25,197	\$84,128	\$109,325
10	\$29,487	\$86,565	\$116,052
Total	\$231,556	\$808,811	\$1,040,367

**Net Benefits (or Costs)**

Year	Public Benefits	Total Costs and Property Taxes Abated	Net Benefits or (Costs)	Present Value of Net Benefits	Present Value of Taxes Abated
1	\$173,950	\$98,507	\$75,443	\$71,510	\$74,518
2	\$177,219	\$99,371	\$77,848	\$69,943	\$70,874
3	\$180,640	\$100,311	\$80,330	\$68,410	\$67,456
4	\$184,068	\$101,328	\$82,740	\$66,789	\$64,249
5	\$187,725	\$102,426	\$85,299	\$65,265	\$61,241
6	\$191,464	\$103,606	\$87,858	\$63,719	\$58,417
7	\$193,709	\$103,215	\$90,494	\$62,209	\$54,627
8	\$199,434	\$106,225	\$93,209	\$60,735	\$53,276
9	\$205,330	\$109,325	\$96,005	\$59,295	\$51,960
10	\$216,949	\$116,052	\$100,897	\$59,068	\$50,678
Total	\$1,910,489	\$1,040,367	\$870,122	\$646,942	\$607,296

Discounted payback period for taxes abated and incentives .....	4 Years
Compound rate of return over the next ten years on the taxing district's investment of taxes abated and incentives for the firm .....	6.23%
Benefit/Cost Ratio (Over 10 Years).....	1.83 : 1

**Special Taxing District: Johnson County Parks & Library**

**Benefits:**

Year	Property Taxes	Additional Revenues	Total
1	\$89,326	\$6,359	\$95,685
2	\$90,786	\$6,550	\$97,336
3	\$92,323	\$6,746	\$99,070
4	\$93,847	\$6,949	\$100,795
5	\$95,495	\$7,157	\$102,652
6	\$97,176	\$7,372	\$104,548
7	\$97,901	\$7,593	\$105,494
8	\$100,784	\$7,821	\$108,605
9	\$103,753	\$8,056	\$111,808
10	\$106,811	\$10,226	\$117,037
Total	\$968,201	\$74,830	\$1,043,031

**Costs:**

Year	Additional Costs	Property Taxes Abated	Total
1	\$9,259	\$49,198	\$58,457
2	\$9,536	\$49,365	\$58,902
3	\$9,822	\$49,569	\$59,391
4	\$10,117	\$49,809	\$59,926
5	\$10,421	\$50,088	\$60,509
6	\$10,733	\$50,407	\$61,140
7	\$11,055	\$49,729	\$60,784
8	\$11,387	\$51,167	\$62,553
9	\$11,728	\$52,647	\$64,376
10	\$13,726	\$54,172	\$67,898
Total	\$107,784	\$506,151	\$613,936

**Net Benefits (or Costs)**

Year	Public Benefits	Total Costs and Property Taxes Abated	Net Benefits or (Costs)	Present Value of Net Benefits	Present Value of Taxes Abated
1	\$95,685	\$58,457	\$37,229	\$35,288	\$46,633
2	\$97,336	\$58,902	\$38,434	\$34,531	\$44,352
3	\$99,070	\$59,391	\$39,679	\$33,791	\$42,213
4	\$100,795	\$59,926	\$40,869	\$32,990	\$40,207
5	\$102,652	\$60,509	\$42,143	\$32,245	\$38,324
6	\$104,548	\$61,140	\$43,408	\$31,481	\$36,557
7	\$105,494	\$60,784	\$44,710	\$30,735	\$34,186
8	\$108,605	\$62,553	\$46,051	\$30,007	\$33,340
9	\$111,808	\$64,376	\$47,433	\$29,296	\$32,516
10	\$117,037	\$67,898	\$49,140	\$28,768	\$31,714
Total	\$1,043,031	\$613,936	\$429,095	\$319,132	\$380,044

Discounted payback period for taxes abated and incentives .....	>10 Years
Compound rate of return over the next ten years on the taxing district's investment of taxes abated and incentives for the firm .....	5.41%
Benefit/Cost Ratio (Over 10 Years).....	1.69 : 1

**Benefits:**

Year	Sales Taxes	Property Taxes	Corporate and Personal Income Taxes	Other State Revenues (Including PILOT)	Total
Construction Period	\$1,041,390		\$796,089	\$0	\$1,837,479
1	\$218,431	\$24,986	\$7,311,908	\$1,358,337	\$8,913,661
2	\$224,984	\$26,007	\$7,531,265	\$1,399,087	\$9,181,343
3	\$231,733	\$27,086	\$7,757,203	\$1,441,060	\$9,457,082
4	\$238,685	\$28,226	\$7,989,919	\$1,484,292	\$9,741,121
5	\$245,846	\$29,428	\$8,229,616	\$1,528,820	\$10,033,710
6	\$253,221	\$29,988	\$8,756,095	\$1,574,685	\$10,613,989
7	\$260,818	\$30,290	\$9,018,778	\$1,621,925	\$10,931,811
8	\$268,642	\$31,184	\$9,289,342	\$1,670,583	\$11,259,751
9	\$276,702	\$32,104	\$9,568,022	\$1,720,701	\$11,597,528
10	\$278,118	\$33,053	\$9,855,062	\$1,772,322	\$11,938,555
Total	\$3,538,570	\$292,350	\$86,103,298	\$15,571,812	\$105,506,030

**Costs:**

Year	Property Taxes Abated	Incentives	Taxes Abated & Incentives	State Costs for the firm and Services for New Residents	Cost of Educating New Students	Total
Construction Period	\$0	\$0	\$0	\$0	\$0	\$0
1	\$13,425	\$3,056,988	\$3,070,413	\$424,285	\$442,411	\$3,937,110
2	\$13,471	\$3,056,988	\$3,070,459	\$437,014	\$455,684	\$3,963,156
3	\$13,526	\$3,056,988	\$3,070,514	\$450,124	\$469,354	\$3,989,992
4	\$13,592	\$3,056,988	\$3,070,580	\$463,628	\$483,435	\$4,017,642
5	\$13,668	\$3,056,988	\$3,070,656	\$477,537	\$497,938	\$4,046,130
6	\$13,755	\$3,056,988	\$3,070,743	\$491,863	\$512,876	\$4,075,482
7	\$13,570	\$3,056,988	\$3,070,558	\$506,619	\$528,262	\$4,105,439
8	\$13,962	\$3,056,988	\$3,070,950	\$521,817	\$544,110	\$4,136,878
9	\$14,366	\$3,056,988	\$3,071,354	\$537,472	\$560,433	\$4,169,259
10	\$14,782	\$3,056,988	\$3,071,770	\$553,596	\$577,246	\$4,202,613
Total	\$138,117	\$30,569,880	\$30,707,997	\$4,863,956	\$5,071,749	\$40,643,701

**Net Benefits (or Costs)**

Year	Public Benefits	Public Costs, Property Taxes Abated and Incentives	Net Benefits or (Costs)	Present Value of Net Benefits	Present Value of taxes abated and incentives
Construction Period	\$1,837,479	\$0	\$1,837,479	\$1,741,686	\$0
1	\$8,913,661	\$3,937,110	\$4,976,551	\$4,717,110	\$2,910,344
2	\$9,181,343	\$3,963,156	\$5,218,186	\$4,688,292	\$2,758,661
3	\$9,457,082	\$3,989,992	\$5,467,089	\$4,655,848	\$2,614,892
4	\$9,741,121	\$4,017,642	\$5,723,479	\$4,620,088	\$2,478,623
5	\$10,033,710	\$4,046,130	\$5,987,580	\$4,581,303	\$2,349,464
6	\$10,613,989	\$4,075,482	\$6,538,508	\$4,742,025	\$2,227,043
7	\$10,931,811	\$4,105,439	\$6,826,372	\$4,692,700	\$2,110,815
8	\$11,259,751	\$4,136,878	\$7,122,873	\$4,641,256	\$2,001,028
9	\$11,597,528	\$4,169,259	\$7,428,269	\$4,587,916	\$1,896,958
10	\$11,938,555	\$4,202,613	\$7,735,942	\$4,528,857	\$1,798,308
Total	\$105,506,030	\$40,643,701	\$64,862,329	\$48,197,082	\$23,146,137

Discounted payback period for taxes abated and incentives .....	5 Years
Compound rate of return over the next ten years on the state's investment of taxes abated and incentives for the firm .....	9.95%
Benefit/Cost Ratio (Over 10 years).....	2.58 : 1

# Data Used in this Benefits/Cost Report

## #496 Teva Neuroscience, Inc.

### 1. City of Overland Park

<u>8.89</u>	2. City Mill Levy
<u>1.13%</u>	3. City Sales Tax rate
<u>9.00%</u>	4. City Transient Guest Tax rate
<u>\$313,700</u>	5. Average market value of new residential property in the city
<u>173,225</u>	6. Number of residents in the city
<u>121,019</u>	7. Number of workers at businesses in the city
<u>71,979</u>	8. Number of households in the city
<u>\$161,362,650</u>	9. Total Annual Revenues for the city
<u>\$176,728,882</u>	10. Total General Operating budget for the city
<u>\$11,736,408</u>	11. Enterprise funds that are self supporting, such as utilities
<u>\$53,437,852</u>	12. Internal transfers (the portion of the city budget reflecting one city department billing another city department)
<u>\$90,857,377</u>	13. Collection of property taxes, transient guest taxes, sales taxes, utilities and utility franchise fees

### Utility Revenue from Households

	City Owned Utilities		Franchise Fee Collections	
	Annual Billed Amount	Annual Cost	Collected	Fee Rate
14. Telephone	\$0	\$0	\$476,170	0.03
15. Electricity	\$0	\$0	\$5,272,930	0.03
16. Gas	\$0	\$0	\$1,770,840	0.025
17. Water	\$0	\$0	\$0	0
18. Waste Water	\$0	\$0	\$0	0
19. Garbage	\$0	\$0	\$0	0
20. Cable	\$0	\$0	\$2,431,584	0.045
21. Other	\$0	\$0	\$0	0

\$126 Average utility revenue and franchise fee collections per household:

### Utility Revenue from the Firm

	City or County Owned Utilities		Franchise Fee Collections	
	Annual Billed Amount	Annual Cost	Collected	Fee Rate
22. Telephone	\$12,120	\$0	\$364	0.03
23. Electricity	\$151,000	\$0	\$4,530	0.03
24. Gas	\$75,750	\$0	\$1,894	0.025
25. Water	\$30,300	\$0	\$0	0
26. Waste Water	\$30,300	\$0	\$0	0
27. Garbage	\$4,500	\$0	\$0	0
28. Cable	\$3,030	\$0	\$136	0.045
29. Other	\$1,345	\$0	\$0	0

\$6,924 Total utility revenue and franchise fee collections from firm in Year 1

### 30. Johnson County

<u>17.767</u>	31. County Mill Levy
<u>1.23%</u>	32. County Sales Tax rate
<u>0</u>	33. County Transient Guest Tax rate
<u>1</u>	34. Regional economic multiplier adjustment for the county
<u>544,179</u>	35. Number of residents in the county
<u>563,259</u>	36. Number of workers at businesses in the county
<u>\$342,000</u>	37. Average market value of new residential property in the county
<u>\$596,663,111</u>	38. Total Annual Revenues for the county
<u>\$576,672,676</u>	39. Total General Operating budget for the county
<u>\$132,908,814</u>	40. Enterprise funds that are self supporting, such as utilities
<u>\$50,042,787</u>	41. Internal transfers (the portion of the county budget reflecting one county department billing another county department)
<u>\$372,021,784</u>	42. Collection of property taxes, transient guest taxes, sales taxes, utilities and utility franchise fees

### 43. Blue Valley (229)

<u>72.62</u>	44. District local option mill levy
<u>\$475,000</u>	45. Average market value of new residential property in the district
<u>20,593</u>	46. Number of students enrolled in the district
<u>\$258,853,100</u>	47. Annual Operating expenditures
<u>\$12,570</u>	48. Average Cost per child enrolled in the district
<u>\$1,257</u>	49. Estimated marginal cost per child enrolled in the district
<u>\$4,275</u>	50. State funding per child in the district
<u>\$8,296</u>	51. Federal and other annual funding per child in district

### 52. JCCC

<u>8.784</u>	53. District mill levy
<u>\$342,000</u>	54. Average market value of new residential property in the district
<u>544,179</u>	55. Number of residents in the district
<u>283,223</u>	56. Number of workers at businesses in the district
<u>\$135,222,155</u>	57. Total annual revenues
<u>\$135,171,579</u>	58. Total general operating budget
<u>\$71,591,957</u>	59. Total property taxes collected
<u>70%</u>	60. Percent of budget devoted to residents
<u>70%</u>	61. Percent of non-tax revenues received from residents.
<u>30%</u>	62. Percent of budget devoted to businesses.
<u>30%</u>	63. Percent of non-tax revenues received from businesses.

64. Johnson County Parks & Library

<u>5.497</u>	65. District mill levy
<u>\$342,000</u>	66. Average market value of new residential property in the district
<u>544,179</u>	67. Number of residents in the district
<u>283,223</u>	68. Number of workers at businesses in the district
<u>\$60,755,429</u>	69. Total annual revenues
<u>\$62,919,546</u>	70. Total general operating budget
<u>\$38,622,699</u>	71. Total property taxes collected
<u>70%</u>	72. Percent of budget devoted to residents
<u>70%</u>	73. Percent of non-tax revenues received from residents.
<u>30%</u>	74. Percent of budget devoted to businesses.
<u>30%</u>	75. Percent of non-tax revenues received from businesses.

State of Kansas

<u>1.5</u>	State mill levy
<u>6.30%</u>	State sales tax rate
<u>\$1,597</u>	Annual marginal revenues per new resident (excluding property, income and sales taxes.)
<u>\$658</u>	Annual marginal cost of providing services to each new resident
<u>12%</u>	Tax classification for residential real property
<u>25%</u>	Tax classification for commercial and industrial real property
<u>25%</u>	Tax classification for commercial and industrial machinery and equipment (7 years of more life)
<u>30%</u>	Tax classification for all other tangible personal property
<u>7</u>	Economic life (in years) for straight line depreciation of commercial and industrial machinery and equipment
<u>20%</u>	Minimum taxable value (as a percent of retail cost) of commercial and industrial machinery and equipment
<u>\$550</u>	Annual marginal cost (per worker) of providing services to businesses
<u>\$1,336</u>	Annual per worker revenues for the state from businesses (excluding property, income and sales taxes)
<u>35%</u>	Percent of gross salary that a typical Kansas worker spends on taxable goods and services

Inflation and Discount Rates Used

<u>3.0%</u>	Inflation rate
<u>5.5%</u>	Discount for calculating the present value of costs and benefits

**76. Teva Neuroscience, Inc.**

325412 77. NAICS Code

78. Description and purpose of the expansion:

The project contemplated under this Application is the relocation of Teva Neuroscience's Kansas City, Missouri office to a site in Overland Park, Kansas at the southwest corner of College Blvd. and Nall Avenue.

**Capital Investment**

Market or retail value of the new or additional investment:

	First Expansion	Second	Third	Fourth
79. Land	\$5,384,186	\$0	\$0	\$0
80. Building Improvements	\$53,015,814	\$0	\$0	\$0
81. Furniture, fixtures and equipment	\$6,600,000	\$0	\$0	\$0

**Sales and Purchases**

	Sales	Purchases
82. Year 1	\$0	\$30,600,000
83. Year 2	\$0	\$24,000,000
84. Year 3	\$0	\$24,500,000
85. Year 4	\$0	\$25,000,000
86. Year 5	\$0	\$25,500,000
87. Year 6	\$0	\$26,000,000
88. Year 7	\$0	\$26,500,000
89. Year 8	\$0	\$27,000,000
90. Year 9	\$0	\$27,500,000
91. Year 10	\$0	\$28,000,000

Percentage subject to sales tax:

	Sales	Purchases
92. City	0%	50%
93. County	0%	50%
94. State	0%	75%

10.0% 95. Expected annual net taxable income (% of sales on which state corporate income tax will be computed.)

**Annual Utility Expenditures**

	Construction Period	Year 1 of Expansion
96. Telephone	\$0	\$12,120
97. Electricity	\$151,000	\$151,000
98. Gas	\$75,750	\$75,750
99. Water	\$30,300	\$30,300
100. Wastewater	\$30,300	\$30,300
101. Garbage	\$0	\$4,500
102. Cable	\$0	\$3,030
103. Other	\$50,000	\$1,345

3% 104. Anticipated percentage rate utility bills will increase during the remaining years of the expansion.



### New Employees due to Expansion

	New Hires	Average Annual Salaries	Moving to the county	Moving from out of state
105. Year 1	400	\$130,000	35	35
106. Year 2	0	\$133,900	0	0
107. Year 3	0	\$137,917	0	0
108. Year 4	0	\$142,055	0	0
109. Year 5	0	\$146,316	0	0
110. Year 6	0	\$150,706	0	0
111. Year 7	0	\$155,227	0	0
112. Year 8	0	\$159,884	0	0
113. Year 9	0	\$164,680	0	0
114. Year 10	0	\$169,621	0	0

### New Construction

	Initial Construction or Expansion	2nd Expansion	3rd Expansion	4th Expansion
115. Total Construction Cost	\$45,080,966	\$0	\$0	\$0
116. Construction Profit Percentage	3%	0%	0%	0%

### Construction Materials Purchased

	Initial Construction or Expansion	2nd Expansion	3rd Expansion	4th Expansion
117. In the state	\$10,500,000	\$0	\$0	\$0
118. In the County	\$6,000,000	\$0	\$0	\$0
119. In the City	\$4,500,000	\$0	\$0	\$0

### Costs of Furniture, Fixtures & Equipment Purchased

	Initial Construction or Expansion	2nd Expansion	3rd Expansion	4th Expansion
120. In the state	\$3,300,000	\$0	\$0	\$0
121. In the County	\$3,300,000	\$0	\$0	\$0
122. In the City	\$3,300,000	\$0	\$0	\$0

### Construction Workers and Salaries

	Initial Construction or Expansion	2nd Expansion	3rd Expansion	4th Expansion
123. Number of construction workers	260	0	0	0
124. Household size of average worker	3.0	0.0	0.0	0.0
125. Total salary paid average worker	\$60,000	\$0	\$0	\$0
126. Total construction salaries	\$15,600,000	\$0	\$0	\$0

## Visitors due to the Expansion

### Out-of-town visitors expected

127. Year 1	1,690
128. Year 2	1,690
129. Year 3	1,690
130. Year 4	1,690
131. Year 5	1,690
132. Year 6	1,690
133. Year 7	1,690
134. Year 8	1,690
135. Year 9	1,690
136. Year 10	1,690

- 2.0 137. Number of days an average visitor is expected to stay in the area.  
2.0 138. Number of nights a visitor is expected to stay in city hotels or motels  
2.0 139. Number of nights a visitor is expected to stay anywhere in the county

## Extraordinary Payments the Firm Will Make

	City	County	State
140. Construction Period	\$0	\$0	\$0
141. Year 1	\$1,500	\$0	\$0
142. Year 2	\$1,500	\$0	\$0
143. Year 3	\$1,500	\$0	\$0
144. Year 4	\$1,500	\$0	\$0
145. Year 5	\$1,500	\$0	\$0
146. Year 6	\$1,500	\$0	\$0
147. Year 7	\$1,500	\$0	\$0
148. Year 8	\$1,500	\$0	\$0
149. Year 9	\$1,500	\$0	\$0
150. Year 10	\$1,500	\$0	\$0

## Extra Costs to Provide Infrastructure and/or Services for this Expansion

	City	County	State
151. Construction Period	\$0	\$0	\$0
152. Year 1	\$0	\$0	\$0
153. Year 2	\$0	\$0	\$0
154. Year 3	\$0	\$0	\$0
155. Year 4	\$0	\$0	\$0
156. Year 5	\$0	\$0	\$0
157. Year 6	\$0	\$0	\$0
158. Year 7	\$0	\$0	\$0
159. Year 8	\$0	\$0	\$0
160. Year 9	\$0	\$0	\$0
161. Year 10	\$0	\$0	\$0

**Incentives, Other than Tax Abatements offered the Firm**

	City	County	State
162. Construction Period	\$125,000	\$0	\$0
163. Year 1	\$0	\$0	\$3,056,988
164. Year 2	\$0	\$0	\$3,056,988
165. Year 3	\$0	\$0	\$3,056,988
166. Year 4	\$0	\$0	\$3,056,988
167. Year 5	\$0	\$0	\$3,056,988
168. Year 6	\$0	\$0	\$3,056,988
169. Year 7	\$0	\$0	\$3,056,988
170. Year 8	\$0	\$0	\$3,056,988
171. Year 9	\$0	\$0	\$3,056,988
172. Year 10	\$0	\$0	\$3,056,988

**Property Tax Abatements**

Yes 173. Is the expansion located within city property tax jurisdiction?

Taxes will be abated by:

- Yes 174. City
- Yes 175. County
- Yes 176. School District
- Yes 177. Special Taxing District #1
- Yes 178. Special Taxing District #2
- Yes 179. State

Percentage of taxes to be abated on:

	Land	Buildings & Improvements	Furniture, Fixtures & Equipment
180. Year 1	50%	50%	100%
181. Year 2	50%	50%	100%
182. Year 3	50%	50%	100%
183. Year 4	50%	50%	100%
184. Year 5	50%	50%	100%
185. Year 6	50%	50%	100%
186. Year 7	50%	50%	100%
187. Year 8	50%	50%	100%
188. Year 9	50%	50%	100%
189. Year 10	50%	50%	100%

**Where new employees live**

As a Percentage of the Total Number of New Employees

- 25% 190. In the city.
- 25% 191. In the school district where the firm is located.
- 25% 192. In special taxing district 1
- 25% 193. In special taxing district 2

**Where new employees shop**

As a Percentage of the Total Number of New Employees

- 50%      194. In Kansas.
- 25%      195. In the county
- 25%      196. In the City

**New Employee Housing and Schools**

Count

- 3.00      197. Household size of a typical new employee
- 1.00      198. School age children in household of a typical new employee
- 50%      199. Percentage of new employees moving to the community for whom new housing will be required.

**Indirect New Employees**

As a Percentage of the Total Number of New Employees

- 25.00%    200. Moving to the county
- 50.00%    201. Of those, moving from out-of-state

**Where construction salaries are spent**

Spent in	Percentage	Initial Construction or Expansion	2nd Expansion	3rd Expansion	4th Expansion
202. Kansas	50%	\$7,800,000	\$0	\$0	\$0
203. County	25%	\$3,900,000	\$0	\$0	\$0
204. City	25%	\$3,900,000	\$0	\$0	\$0

**Visitors**

	<u>In the county</u>	<u>Of that, in the city</u>
205. Daily retail spending by a visitor, excluding lodging	\$75	\$75
206. Average daily hotel/motel room rates	\$100	\$100