Finance Committee Memo

Our Committee would like to thank you for the opportunity to review the Prospect Village Project. Even though we had a very short time frame, we were able to have one very productive meeting and will give you our analysis from this meeting.

In this meeting, we had a live video call with Drew Snyder of Woodsonia and four representatives from Baker Tilly who worked on the project. Baker Tilly explained their process and “due diligence” and Mr. Snyder answered numerous questions for us. Coincidentally, since I am on the TIF Commission also, I had heard some, but not all of this before and had voted on the project to advance.

This is our summary of that meeting: I have 7 points to make and it will only take 5-6 minutes of your valuable time.

I believe you already know most of this.

First and Most Important

The City should not have any financial loss of funds from this project regardless of the outcome, full or partial development.

Secondly

The City is working with a Midwestern developer in Woodsonia that we have had experience with to date on several projects. As you know, Woodsonia has several reputable consultants working for them to assist in design, environmental issues, sports complex expertise, etc. Moreover, Woodsonia has spent approximately two years of time and significant money already on this project and seems very committed.

Thirdly

The City hired Baker Tilly, a large worldwide accounting and consulting firm with an excellent reputation. They reviewed the tax returns and financials of the Woodsonia owners. Baker Tilly did extensive background checks, internet research, analyzing management capability, and past Woodsonia for their expertise and capability to successfully complete projects. Moreover, they checked references and determined that Woodsonia had a reasonable expectation to secure the debt and equity of $147 million to execute the project.

The Committee asked Mr. Snyder extensively about the potential of cost overruns in the remediation of the property prior to construction. Mr. Snyder said the construction budget had several million dollars in contingency for cost overruns and there could be some. However, if the overruns went beyond the contingency amounts, he would be responsible, not the City.

Our Committee summarized that Baker Tilly's "due diligence” seemed extensive and acceptable. Moreover, Mr. Snyder seemed to know the risks and obstacles.

Fourth

Another layer of due diligence for the project is the bank and/or investment firm which will allegedly be lending Woodsonia approximately $100 million. Lenders usually do not loan on a project like this without extensive research and are more than likely asking Woodsonia to inject an estimated $50 million of their own money first, before the lenders' funds are injected. At this point, Woodsonia is financially very much committed and at risk for that capital injection. This would make it financially very painful for Woodsonia to withdraw.

Fifth

We were told by City staff that our staff engineers and staff financial professionals had reviewed the costs and projections and were satisfied, also.

Sixth

As you know better than our Committee, we believe your expansion of the sports complex to be equal to or better than the other regional, bigger city sports complexes was very astute and should be a wise financial decision, in the long run, to attract regional sports teams on weekends to our community to stay at hotels, eat at our restaurants and generate new tax revenue. While providing a benefit to Joplin citizens most of the time.

Seventh

Our committee certainly felt the land was blighted and has been blighted for decades. Even if the project is slow to develop or only partially developed, any development would be an improvement from the current status of the property.

In conclusion

This is a business investment and real estate development by Woodsonia, that certainly possesses some risk and a probability of success or disappointment as none of us know for sure how it will fully develop. However, the financial risk is on Woodsonia and the lenders. Again, as long as no City of Joplin funds are exposed or at risk, which we have been told by staff, it seems a reasonable project to pursue that could provide significant benefits to our community and improve a long time, large, blighted piece of property in our city, that is in a prime location.

Finance Committee

Russ Alcorn

Chairman