City of Joplin **City Council Agenda Item**

REQUESTED COUNCIL MEETING DATE: August 1, 2016 (hearing and 1st reading)
August 15, 2016 (bond sale and final readings)

ITEM: Council Bill No. 2016-012 authorizing the City of Joplin, Missouri, to issue its Taxable Industrial Development Revenue Bonds (Heartland Pet Foods Manufacturing Project), Series 2016 and authorizing the execution of other documents connected therewith.

ORIGINATING DEPARTMENT: Legal Department
ATTACHMENTS: Council Bill No. 2016-012; copy of Chapter 100 Plan, Bond Purchase Agreement; Trust Indenture; Lease Agreement; Performance Agreement.

DEPARTMENT HEAD:	Peter C. Edwards	**DATE:**
CITY MANAGER:	Sam Anselm	**DATE:**
PUBLIC WORKS:	Nick Heatherly	**DATE:**
FINANCE DIRECTOR:	Leslie Haase	**DATE:**

INTRODUCTION:

The Council Bill authorizes the execution of documents and issuance of Bonds relating to an economic development project consisting of the expansion of an existing dry pet food manufacturing facility. Council Bill No. 2016-012 authorizes the City to issue its Taxable Industrial Development Revenue Bonds (Heartland Pet Foods Manufacturing Project), Series 2016, for the purpose of providing funds to pay the costs of acquiring, constructing, improving, purchasing, equipping and installing an expansion of an existing dry pet food manufacturing facility on approximately 46 acres of land in the City, including the land and associated buildings, structures, fixtures and equipment (the "Project"). The Project is designed to be used for the manufacturing, packaging and distributing of dry pet food products and the incentives will benefit Heartland Pet Foods Manufacturing, Inc., a Delaware corporation (the "Company"). The Council Bill authorizes the City to enter into certain agreements in connection with the issuance of the Bonds; and authorizes the City to take certain other actions in connection with the issuance of the Bonds.

DISCUSSION:

Joplin, along with Jasper County, Missouri, has offered a number of incentives to the Company to build the existing dry pet food manufacturing facility located at 8101 East 32nd Street, Joplin, MO. The City passed an ordinance granting enhanced enterprise zone abatement in the amount of 100% abatement for improvements to real property for the existing facility until 2023. Additionally, the County issued a Chapter 100 bond in 2013, which granted 100% abatement for approximately $55,000,000 in machinery and equipment installed in the existing facility, which abatement is effective from 2015 through 2019. Since the original project was completed, the property has been annexed into the City of Joplin.

The current project involves a building expansion with approximately $43,250,000 in project costs for

land and real property improvements and $40,000,000 in machinery and equipment. The Chapter 100 Plan provides 100% abatement for the real property improvements for 10 years and for the machinery and equipment for 7 years. Payments in lieu of taxes represent the value of the underlying real estate, the value of the existing building after the enhanced enterprise zone abatement terminates, and the value of the new machinery and equipment after the 7-year abatement period for personal property ends. The Project is anticipated to add 45 new jobs at the site.

Heartland Pet Foods Manufacturing, Inc., a Delaware corporation (the "Company"), is a subsidiary of Blue Buffalo Company. Blue Buffalo is a large company that produces and distributes dog and cat food in the United States. It offers dry foods, wet foods, and treats for puppies, adult dogs, and senior dogs, dry foods, wet foods, treats, and litters for kittens, adult cats, and mature cats. The company is based in Wilton, Connecticut.

Chapter 100 Revenue Bonds are authorized pursuant to Chapter 100 of the Missouri Revised Statutes. This funding vehicle provides for the City to be the actual owner of the project. The project then is leased to the Company. During the time the Bonds remain unpaid and the City owns the project, the project is exempt from real and personal property taxes because title to the project is held by the City as a tax-exempt entity. Chapter 100 Revenue Bonds are paid solely from revenue received from the project and such Bonds are not an obligation or debt of the City, except for the obligation to apply lease payments to the bond debt service. Thus, in the unlikely event that the Company was to default on the payment of its obligations under the Bond documents, the City is not liable to make such payments from any source other than revenue received from the project. In addition, because such Bonds do not constitute a debt of the City within the meaning of any constitutional or statutory limitation, the bonding capacity of the City is not affected by their issuance.

Since, as is stated above, the City will technically be the owner of all of this project, the sales taxes will be abated at one hundred percent (100%) for the construction materials purchased for the project in the State of Missouri and the real and personal property taxes will be abated as described above.

Additionally, the Performance Agreement requires that:

The Company will maintain 175 Jobs at the average wage and the average benefits at the project for so long as the Bonds are unpaid. In the event that the Company fails to maintain 175 jobs at the average wage and the average benefits at the project, then the Company shall be required to pay a pro-rata portion of the property taxes abated in the test year, based on the employment numbers. Also, if the Company fails to complete the project on time or spend at least 80% of the projected investment at the project site, the Company will lose a portion of the abatement value during the period of failure. Additionally, if the Company vacates the project site for more than 6 months, the Company loses the entire value of the abatement during the period of abandonment.

(Green Sheet cont'd – Council Bill No. 2016-012 authorizing the City of Joplin, Missouri, to issue its Taxable Industrial Development Revenue Bonds (Heartland Pet Foods Manufacturing Project), Series 2016 and authorizing the execution of other documents connected therewith)

RECOMMENDATION:

PCE:ab
attachments