City of Joplin **City Council Agenda Item**

REQUESTED COUNCIL MEETING DATE: November 7, 2016 (hearing and 1st reading)
November 21, 2016 (bond sale / final readings)

ITEM: Council Bill No. 2016-014 authorizing the City of Joplin, Missouri, to issue its Taxable Industrial Development Revenue Bonds and authorizing the execution of other documents connected therewith.

ORIGINATING DEPARTMENT: Legal Department
ATTACHMENTS: Council Bill No. 2016-014; 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:**
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 acquisition of land for and construction of a frozen foods manufacturing facility. Council Bill No. 2016-014 authorizes the City to issue its Taxable Industrial Development Revenue Bonds for the purpose of acquiring, constructing, improving, purchasing, equipping and installing a frozen foods manufacturing facility on approximately 26 acres of land located on the north side of East 32nd Street at the intersection of East 32nd Street and Prairie View Road 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 frozen food products and the incentives will benefit a large frozen foods manufacturing company (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. The Company is in the process of creating a special purpose entity that will enter into the transactions relating to the Bonds. When that entity is created, its name will be added to the Ordinance and the attached documents. This is anticipated to occur prior to the November 7 meeting.

DISCUSSION:

The project involves the acquisition of property and construction and equipping of a new facility with approximately Twenty Six Million Two Hundred Fifty Thousand Dollars ($26,250,000.00) in project costs for land and real property improvements and Eighteen Million Dollars ($18,000,000.00) in machinery and equipment. The Chapter 100 Plan provides 100% abatement for the real property improvements and equipment for 10 years after project completion and then 50% abatement for an additional 5 years. Payments in lieu of taxes represent taxes otherwise due on the value of the underlying real estate and 50% of the value of the real property improvements and equipment after the initial 10-year period ends. The Project is anticipated to add 415 new jobs at the site.

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 375 jobs at a base wage of $34,000 per year (adjusted for inflation) plus benefits at the project for so long as the Bonds are unpaid. In the event that the Company fails to maintain 375 jobs at the base wage and benefits at the project for two consecutive years, then the Company shall be required to pay a pro-rata portion of the property taxes abated in the second year (and any subsequent year in which the failure continues), based on the employment numbers. Also, if the Company fails to spend at least 80% of the projected investment at the project site, the Company will lose a portion of the abatement value. Additionally, if the Company vacates the project site for more than a year, the City can terminate the abatement incentives.

RECOMMENDATION:

Staff presents this Council Bill to the Council for consideration.

PCE
attachments