

**REQUESTED COUNCIL MEETING DATE:** November 18, 2019 (Ch 100 hearing/1<sup>st</sup> reading)  
December 2, 2019 (final readings)

**ITEM:** Council Bill No. 2019-009 approving a Chapter 100 plan, 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. 2019-009; copy of Chapter 100 Plan, Bond Purchase Agreement; Trust Indenture; Lease Agreement; Performance Agreement.

<b>DEPARTMENT HEAD:</b>	Peter C. Edwards	<b>DATE:</b>
<b>CITY MANAGER:</b>	Daniel Pekarek	<b>DATE:</b>
<b>PUBLIC WORKS:</b>	David Hertzberg	<b>DATE:</b>
<b>FINANCE DIRECTOR:</b>	Leslie Haase	<b>DATE:</b>

**INTRODUCTION:**

The Council Bill approves a plan for industrial development, or “Chapter 100 plan”; authorizes the execution of documents; and authorizes the issuance of Bonds for the purpose of acquiring, constructing, improving, purchasing, equipping and installing a new warehouse and distribution facility (the “Project”) for Casey’s Marketing Company (the “Company”), an affiliate of Casey’s General Stores, Inc. The Project will be located at 2715 Prosperity Road, Joplin, Missouri (the “Project Site”) and used in the storage and distribution of products for the Company’s various retail stores. The Council Bill authorizes the City to enter into certain agreements in connection with the issuance of the Bonds.

**DISCUSSION:**

The project involves the construction of a 200,000 (approx.) square foot facility with an estimated cost of \$40,900,000 for land and real property improvements (the “Project Improvements”) and the acquisition and installation of approximately \$10,400,000 in equipment and other personal property (the “Project Equipment”).

*No Abatement on Land Value*

The Project Site will not be subject to abatement. The Company will pay a fixed schedule of payments in lieu of taxes (“PILOTS”) calculated to equal 100% of the estimated taxes that would otherwise be due on the land were it not for the Chapter 100 incentive. The PILOT for 2020 will be \$915 and will increase by 2% in each odd year so that the final PILOT in 2033 will be \$1,051.

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*Abatement on Project Improvements*

The Project Improvements will be subject to 100% abatement starting in 2019 or 2020 (depending on the issue date of the Chapter 100 Bonds) and ending with tax year 2033. This is calculated to provide 12 years of abatement after completion of the Project Improvements. The estimated value of abatement for the Project Improvements is \$1,532,187.

*Abatement on Project Equipment*

The Project Equipment will be subject to 100% abatement for five years, on a rolling basis, meaning that Project Equipment purchased in 2021 will receive abatement for tax years 2022, 2023, 2024, 2025 and 2026 and go on the tax rolls starting with tax year 2027, and Project Equipment purchased in subsequent years will receive five years of abatement in a similar manner. The estimated value of abatement for the Project Equipment is \$377,116.

*Total Chapter 100 Incentive*

The Company will also receive the benefit of applying the City’s tax exemption certificate to purchases of construction materials for the Project and purchases of certain personal property approved by the Missouri Department of Economic Development (“DED”). Because DED has not yet approved the personal property that may be acquired, it is not possible to estimate that portion of the incentive. The total estimated benefit of the local portion of the Chapter 100 incentive to the Company is as follows:

Abatement on Project Improvements	\$1,532,187
Abatement on Project Equipment	377,116
Sales Tax Exemption – Construction Materials	<u>926,000</u>
Total Estimated Local Incentive	\$2,835,303

*Jobs and Wage Requirements*

The Company is expected to add 108 jobs to the Joplin economy in connection with the Project. Under the Performance Agreement, the Company is required to create 100 jobs at the Facility in order to retain the abatement at the levels described above. The jobs must pay an average wage of \$39,816 (the county average wage), which is increased with inflation every other year, and the Company must cover at least 50% of the employees’ health insurance premiums. If these requirements are not met, the Company will be required to make penalty payments to the taxing jurisdictions proportionate to the percentage of failure. Additionally, if the Company ceases invests less than 80% of the amounts discussed above in the Project, the Company will be required to make penalty payments to the taxing jurisdictions proportionate to the percentage of under-investment.

*Other Benefits to the Joplin Area*

(Summary cont'd – Council Bill No. 2019-009 authorizing the City of Joplin, Missouri, to issue its Taxable Industrial Development Revenue Bonds and authorizing the execution of other documents connected therewith)

The Company has represented that it will utilize local contractors and suppliers to the greatest degree possible, so long as pricing, availability, and timing align with project goals. Additionally, the Company represents itself as a great community partner that has a long-standing reputation of giving back to communities in which its facilities are located. The Company represents that last year it contributed \$4.5 Million to various community and charitable organizations and events.

### *Chapter 100 Bonds*

Chapter 100 Bonds will be offered at a public sale in accordance with the City's charter. It is anticipated that the Company or an affiliate or a related entity will place a bid to purchase the Bonds in the estimated aggregate principal amount of \$51,400,000 to pay for the project costs and the costs of completing the Chapter 100 Bond transaction.

Chapter 100 Bonds are authorized pursuant to Chapter 100 of the Missouri Revised Statutes. This tax abatement tool provides for the City to be the actual owner of the Project. The Project is then leased to the Company. During the time the Bonds remain unpaid and the City owns the Project, it is exempt from property taxes because title is held by the City as a tax-exempt entity. Chapter 100 Bonds are paid solely from revenue received from the lease of 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 lease. 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.

Under the Bond documents, the Company agrees to indemnify the City against any losses or liability that might arise out of the City's ownership of the Project. The Company is also required to carry liability insurance to cover the City in an amount equal to the Missouri limits for waiver of sovereign immunity.

### **RECOMMENDATION:**

Staff recommends this council bill be placed on First Reading.