

REQUESTED COUNCIL MEETING DATE: February 6, 2023 (Ch 100 hearing/1st reading)

ITEM: Council Bill No. 2023-004 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. 2023-004; copy of Chapter 100 Plan, Bond Purchase Agreement; Trust Indenture; Lease Agreement; Performance Agreement.

DEPARTMENT HEAD:

 Peter C. Edwards

DATE:

CITY MANAGER:

Nicholas Edwards

DATE:

PLANNING, DEVELOPMENT:

Troy Bolander

DATE:

FINANCE DIRECTOR:

Leslie Haase

DATE:

INTRODUCTION:

The Council Bill approves a plan for industrial development, or “Chapter 100 Plan”; authorizes the execution of documents; and authorizes the issuance of the first series of Bonds for the purpose of acquiring, constructing, improving, purchasing and installing the first of two new warehouse facilities (the “Project”) for 13696 HWY FF, LLC (the “Company”). The Project will be located at the northwest corner of 32nd Street and Quail Avenue in Joplin, Missouri (the “Project Site”) and used in the warehousing of products for the Company or its lessees. This 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 two warehouse facilities with 412,000 (approx.) square feet total with an estimated cost of \$33,950,000 for land and real property improvements (the “Project Improvements”). The first facility (Building 1) is estimated at 246,450 square feet with an estimated cost of \$20,200,000. The second facility (Building 2) is estimated at 165,360 square feet with an estimated cost of \$13,750,000. The Bonds being considered at this time are for Building 1. Council will have the opportunity to consider the issuance of bonds for Building 2 at a future date.

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 2023 will be \$5,569 and will increase by 2% in each odd year so that the final PILOT in 2034 will be \$6,148.

(Green Sheet cont'd – Council Bill No. 2023-004 authorizing the City of Joplin, Missouri, to issue its Taxable Industrial Development Revenue Bonds and authorizing the execution of other documents connected therewith)

Abatement on Project Improvements

The Project Improvements will be subject to 100% abatement starting in 2023 and ending with tax year 2034. This is calculated to provide 10 years of abatement after completion of the Project Improvements. The estimated value of abatement for the Project Improvements (both Building 1 and Building 2) is \$2,697,443.

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. The total estimated benefit of the local portion of the Chapter 100 incentive to the Company is as follows:

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| Abatement on Project Improvements | \$2,697,443 |
| Sales and Use Tax Exemption – Construction Materials | <u>1,199,597</u> |
| Total Estimated Local Incentive | \$3,897,040 |

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 \$33,950,000 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:

City staff recommends placing on First Reading.