

## City of Joplin

## City Council Agenda Item

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**REQUESTED COUNCIL MEETING DATE:** December 4, 2017 (public hearing)  
December 4, 2017 (first reading – bond sale)  
December 18, 2017 (final readings)

**ITEM:** Council Bill No. 2017-014 authorizing the City of Joplin, Missouri, to issue its Taxable Industrial Development Revenue Bonds and authorizing the execution of other documents connected therewith.

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**ORIGINATING DEPARTMENT:** Legal Department

**ATTACHMENTS:** Council Bill No. 2017-014; copy of First Supplemental Chapter 100 Plan, Bond Purchase Agreement; Trust Indenture; First Supplemental Lease Agreement; First Supplemental Performance Agreement.

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<b>DEPARTMENT HEAD:</b>	Peter C. Edwards	<b>DATE:</b>
<b>CITY MANAGER:</b>	Sam Anselm	<b>DATE:</b>
<b>FINANCE DIRECTOR:</b>	Leslie Haase	<b>DATE:</b>

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### **INTRODUCTION:**

The Council Bill authorizes the execution of documents and issuance of \$10,035,000 of additional Bonds relating to an economic development project consisting of the acquisition of land for and construction of a frozen foods manufacturing facility by DEF, LLC, a Missouri Limited Liability Company. Council Bill No. 2017-014 authorizes the City to issue its Taxable Industrial Development Revenue Bonds, Series 2017B for the purpose of acquiring, constructing, improving, purchasing, equipping and installing additional real property improvements and additional personal property (the “Series 2017B Project”) at an ongoing project consisting of 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 (the ongoing project plus the Series 2017B Project being the “Overall Project”). The Overall 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 named Ajinomoto Windsor (the “Company”). The Council Bill authorizes the City to amend and supplement certain existing agreements in connection with the issuance of the additional Bonds; and authorizes the City to take certain other actions in connection with the issuance of the additional Bonds.

### **DISCUSSION:**

The additional project involves the continued construction and equipping of a new facility with approximately \$6,300,000 in additional real property improvements and an additional \$3,700,000 in machinery and equipment. The Chapter 100 Plan provides 100% abatement for the additional real property improvements and additional equipment for 10 years after project completion and then 50% abatement for an additional 5 years. Payments in lieu of taxes represent 50% of the value of the real property improvements and equipment after the initial 10-year period ends. The Overall Project is anticipated to add 415 new jobs at the site. The Series 2017B Project is a result of the Company’s

(Summary Sheet cont'd – Council Bill No. 2017-014 authorizing the City of Joplin, Missouri, to issue \$10,035,000 in Taxable Industrial Development Revenue Bonds and authorizing the execution of other documents connected therewith).

decision to locate additional capabilities in the Overall Project and the fact that an existing plant was sold instead of being closed, meaning that equipment previously intended to be transferred to the Overall Project must now be acquired new. The Series 2017B Project will not result in a significant increase in the square footage of buildings constructed or a significant increase in the number of jobs at the Overall Project, but will allow the Company to complete the overall Project in accordance with its needs.

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 any bonds remain outstanding with respect to the Overall Project. In the event that the Company fails to maintain 375 jobs at the base wage and benefits at the project for two (2) 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. This is unchanged from the original Performance Agreement. Supplemental documents authorized by the Ordinance accomplish the following:

(Summary Sheet cont'd – Council Bill No. 2017-014 authorizing the City of Joplin, Missouri, to issue \$10,035,000 in Taxable Industrial Development Revenue Bonds and authorizing the execution of other documents connected therewith).

1. First Supplemental Indenture: Changes definitions in all documents to include Series 2017B Project; authorizes issuance of additional Bonds; provides terms and form of additional Bonds.
2. First Supplemental Lease: Subjects Series 2017B Project to the Lease provisions; provides disbursement requirements for proceeds of additional Bonds; clears up certain provisions relating to purchase price for new verses existing portions of the Overall Project.
3. First Supplemental Performance Agreement: Increases PILOT payment to cover amounts owed with respect to Series 2017B Project; increases PILOT reserve requirement accordingly.

**RECOMMENDATION:**

Staff presents this Council Bill to the Council for consideration.

PCE  
attachments