



Legislation Text

File #: 250597, Version: 1

ORDINANCE NO. 250597

Sponsor: City Manager's Office

Approving an Industrial Development Plan for Blue Cross Blue Shield of Kansas City, a Missouri Corporation (together with its successors and assigns, the "Company") for the purpose of acquiring and constructing a project for industrial development consisting of the purchase and installation of personal property to be located 1400 Baltimore Street in Kansas City, Missouri; authorizing and approving various agreements for the purpose of setting forth covenants, agreements and obligations of the City and the Company; authorizing the issuance of taxable industrial revenue bonds in a maximum aggregate principal amount not to exceed \$22,000,000.00; authorizing and approving certain other documents; authorizing certain other actions in connection with the issuance of said bonds; and repealing Ordinance No. 241094.

WHEREAS, the City of Kansas City, Missouri, a constitutional charter city and municipal corporation of the State of Missouri (the "City") is authorized pursuant to the provisions of Article VI, Section 27(b) of the Missouri Constitution, as amended, and Sections 100.010 to 100.200, inclusive, of the Revised Statutes of Missouri, as amended, and the City of Kansas City Charter (collectively, the "Act"), to issue its revenue bonds for the purpose of carrying out a project or projects under the Act, such revenue bonds to be paid solely from revenue received from such project, and to enter into a lease of certain property associated with the Project to be financed with the proceeds of such revenue bonds with any person, firm or corporation; and

WHEREAS, the City desires to approve an Industrial Development Plan (the "Plan") for the purpose of carrying out a development project (the "Project") for the Company; and

WHEREAS, the City previously approved an Industrial Development Plan for the Project with Ordinance No. 241094, which inadvertently included incorrect information about the Project; and

WHEREAS, the City desires to repeal Ordinance No. 241094, and enact the Plan and accompanying authorization to provide support for the Project; and

WHEREAS, the City intends to issue its Taxable Industrial Revenue Bonds (Blue Cross Blue Shield of Kansas City Project), in one or more series (the "Bonds"), for the purpose of furthering the Project to be located at 1400 Baltimore Street in the City (the "Project Site"); and

WHEREAS, notice of the Project was given to the taxing jurisdictions in accordance with the Act; and

WHEREAS, the Council has heretofore and does hereby find and determine that it is desirable for the economic development of the City and within the public purposes of the Act that the Council approve a Chapter 100 Industrial Development Plan as proposed by the Company; and that the City issue the Bonds, as more fully described in the Indenture and in the Lease, as hereinafter defined and authorized, proceeds of which shall be used for the purchase and installation of certain property associated with the Project and which shall be located

at the Project Site and leased by the City to the Company, with an option to purchase; and

WHEREAS, the principal amount of the Bonds will be issued in taxable Chapter 100 bonds, with ten years of property abatement at 100% (but with annual payments-in-lieu-of-taxes due from the Borrower equaling 50% of the estimated amount of property taxes the property would have paid in each year of abatement if it had been fully taxed); and

WHEREAS, for a Chapter 100 bond issuance, the City Council has previously established a policy (Resolution No. 041033) reaffirmed by Second Committee Substitute for Ordinance No. 160383, as amended, as modified by Second Committee Substitute for Ordinance 200497, as amended (the "Chapter 100 Policy") for the review and approval of these projects, one component of which suggests a maximum bond term of 10 years and another of which suggests payments-in-lieu-of-taxes (PILOTS) at a level of no less than 50% of the amount the property would have paid if it had been fully taxed, to the affected taxing jurisdictions during the term of the bonds; and

WHEREAS, the Chapter 100 Policy caps the amount of property tax abatement for Chapter 100 projects at 50% for 10 years and requires the preparation of a financial return analysis to determine the economic viability of economic development projects and whether and to what extent such projects warrant public assistance; and

WHEREAS, the City Council wishes to confirm in this instance that the cost benefit analysis prepared by the Economic Development Corporation of Kansas City in conjunction with preparation of the Plan satisfies the intent of the policy for a business attraction project; and

WHEREAS, the principal amount of the Bonds will be advanced over a period of not to exceed three years following approval of this Ordinance such that the Project is substantially complete by that date; and

WHEREAS, the Bonds will be advanced commensurate with the City's incremental acquisition of the property comprising the Project, and such property will be leased by the City to the Company for a period of not to exceed ten years following acquisition thereof (subject to earlier termination as provided in the Lease); and

WHEREAS, the City Council has determined that the project serves a predominantly public municipal purpose because, without limitation, completion of the project (i) enhances the tax base; (ii) retains and creates jobs; (iii) promotes economic development in the area of the City in which the project is located; (iv) results in generation of tax revenues to the City from the conduct of business and other activities in the City that would not otherwise occur; (v) serves as a catalyst for additional investment in and further redevelopment and rehabilitation of the area of the City in which the project is located; and (vi) furthers the City's policy of encouraging economic stability and growth; and

WHEREAS, the City further finds and determines that it is necessary and desirable in connection with the Project and the issuance of the Bonds that the City enter into certain documents, and that the City take certain other actions and approve the execution of certain other documents as herein provided; NOW, THEREFORE,

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. Approval of Plan. The City Council hereby finds and determines that the Project will

promote the economic well-being and industrial development of the City and the Project will be in furtherance of the public purposes set forth in the Act. The City Council hereby approves the Plan for the Project, which includes the following provisions:

- (a) Purchase and installation of personal property to assist in finishing a new office location in the City of Kansas City, Missouri;
- (b) A total estimated project cost of approximately \$75,000,000.00, with furniture, fixture and equipment purchases comprising \$21,000,000.00 to fund the Project;
- (c) Acquisition and construction costs of the Project will be funded from proceeds of the sale of up to \$22,000,000.00 maximum principal amount of Taxable Industrial Revenue Bonds to be issued by the City and purchased by the Company or other purchaser named in the herein-defined Purchase Agreement; and
- (d) Property tax abatement for 10 years with PILOTS at a level of 50% of the amount the property would have paid if it had been fully taxed.
- (e) If the Project receives the required approval from the Missouri Department of Economic Development, acquisition of the furniture, fixtures and equipment comprising the Project will be exempt from sales tax as described in the Plan.

Section 2. Authorization of Documents. The City is hereby authorized to enter into the following documents (the “City Documents”), in such form as shall be approved by the officials of the City executing such documents, such officials’ signatures thereon being conclusive evidence of their approval thereof:

- (a) Trust Indenture (the “Indenture”), between the City and the trustee named therein (the “Trustee”), pursuant to which the Bonds shall be issued and the City shall pledge the Project and assign certain of the payments, revenues and receipts received pursuant to the Lease to the Trustee for the benefit and security of the owners of the Bonds upon the terms and conditions as set forth in the Indenture;
- (b) Lease Agreement (the “Lease”), between the City and the Company, under which the City will acquire the Project and lease the Project to the Company pursuant to the terms and conditions in said Lease as generally described in the recitals hereto, in consideration of rental payments by the Company which will be sufficient to pay the principal of, premium, if any, and interest on the Bonds; and
- (c) Purchase Agreement, as defined below, under which the purchaser named therein agrees to purchase the Bonds.

Section 3. Authorization of the Bonds. The City is hereby authorized to issue and sell its Taxable Industrial Revenue Bonds (Blue Cross Blue Shield of Kansas City Project), in a maximum aggregate principal amount not to exceed \$22,000,000.00, for the purpose of providing funds for the costs of the acquisition and construction of the Project. The Bonds shall be issued and secured pursuant to the herein authorized Indenture and shall bear such date, shall mature at such time, shall be in such denominations, shall bear interest at such rates, shall be in such form, shall be subject to redemption and other terms and conditions, and shall be issued in such manner, subject to such provisions, covenants and agreements, as are set forth in the Indenture.

Section 4. Sale and Terms of Bonds; Authorization and Execution of Bond Purchase Agreement. The Bonds will be sold to the Company or other purchaser under the terms of a Bond Purchase Agreement between the City and the Company or other purchaser (the "Purchase Agreement"). The maximum aggregate principal amount of the Bonds shall be \$22,000,000.00, the interest rate on the Bonds shall not exceed 8.00%, principal shall be payable at maturity, the maturity date shall be no later than June 1, 2037, the Bonds shall be purchased at 100% of the principal amount thereof and the Bonds may be redeemed at any time at a redemption price equal to the principal amount thereof plus accrued interest. The Director of Finance or the City Treasurer is each authorized to execute the Purchase Agreement for and on behalf of and as the act and deed of the City.

Section 5. Limitation on Liability. The Bonds and the interest thereon shall be limited obligations of the City payable solely out of certain payments, revenues and receipts derived by the City from the Lease described herein, and such payments, revenues and receipts shall be pledged and assigned to the Trustee as security for the payment of the Bonds as provided in the Indenture. The Bonds and the interest thereon shall not constitute general obligations of the City or the State of Missouri. The Bonds shall not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and are not payable in any manner by taxation.

Section 6. Creation of Bond Fund. The City is hereby authorized to establish with the Trustee pursuant to the Indenture, a special trust fund in the name of the City to be designated the "City of Kansas City, Missouri, Bond Fund - Blue Cross Blue Shield of Kansas City Project" and the City shall cause all sums required by the Indenture to be deposited therein and shall create all accounts therein required by the Indenture.

Section 7. Execution of Documents. The Mayor is hereby authorized and directed to execute the Bonds and to deliver the Bonds to the Trustee for authentication for and on behalf of and as the act and deed of the City in the manner provided in the Indenture. The Director of Finance is hereby authorized and directed to execute the City Documents and such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Ordinance, for and on behalf of and as the act and deed of the City. The City Clerk or a deputy City Clerk, of the City is hereby authorized and directed to attest to and affix the seal of the City to the Bonds and the City Documents and such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Ordinance.

Section 8. Further Authority. The Mayor, Director of Finance and other officials, agents and employees of the City as required, are hereby authorized and directed to take such further action, and execute such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Ordinance and to carry out, comply with and perform the duties of the City with respect to the Bonds and the City Documents.

Section 9. That Ordinance No. 241094 is hereby repealed in its entirety.

Approved as to form:

Emalea Kohler
Associate City Attorney