PUBLIC NOTICE

DEVELOPMENT CORPORATION OF ABILENE, INC.

A regular meeting of the Development Corporation of Abilene, Inc. (DCOA) will be held on Tuesday, September 8, 2015, Abilene Laboratories, 1325 Pine St., Abilene, Texas, commencing at 1:30 p.m. to consider the following agenda:

SIGNED: ______________________________
Kent Sharp, CEO of the DCOA

AGENDA

September 8, 2015
1:30 p.m.

Abilene Laboratories
1325 Pine St., Abilene, TX

1. Call the meeting to order.

2. Approval of minutes from the August 25, 2015, board meeting.

3. Executive Session:
The DCOA reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any item on the agenda, as authorized by Texas Government Code Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.074 (Personnel Matters) see list below, and 551.087 (Business Prospect/Economic Development). After discussion in executive session, any action or vote will be taken in public.

   (Personnel) Section 551.074
The DCOA, pursuant to the adopted Bylaws, may consider the appointment, employment and duties of certain positions as well as membership of certain committees.

4. Discussion and possible approval of assistance for Project Goldstar.

5. UNTABLE, discussion and possible approval of a settlement agreement with Receptor Logic, Inc.

6. Discussion and possible approval of a resolution authorizing amended debt restructure for BBP Bird, LP secured by the Tige Boats manufacturing facility on Hwy 36.

7. Discussion and possible action by oral resolution related to the first annual performance evaluation of DCOA's CEO, Kent Sharp.

8. Adjournment.

CERTIFICATE

I hereby certify that the above notice of meeting was posted on the bulletin board at the City Hall of Abilene, Texas, on the ________ day of ____________________, 2015, at ____________________.

____
City Secretary

NOTICE

Persons with disabilities who would like special assistance or need special accommodations to participate in this meeting should contact Department of Economic Development, (325) 676-6390, at least forty-eight (48) hours in advance of this meeting. Telecommunication device for the deaf is (325) 676-6360.

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DEVELOPMENT CORPORATION OF ABILENE, INC.
BOARD MEETING MINUTES
August 25, 2015

MEMBERS PRESENT:	Dave Copeland Jack Rich	Dani Ramsay	John Beckham
MEMBER ABSENT:	Marelyn Shedd		
STAFF PRESENT:	Kent Sharp	Kim Tarrant	Stan Smith
GUESTS PRESENT:	Justin Jaworski – Abilene Industrial Foundation		

1. **CALL THE MEETING TO ORDER:** President Dave Copeland called the meeting to order at 1:33 p.m. at Abilene Laboratories, 1325 Pine St., Abilene Texas.

2. **APPROVAL OF MINUTES FROM THE AUGUST 11, 2015 BOARD MEETING:** John Beckham moved to approve the minutes from the August 11, 2015, board meeting. Jack Rich seconded and the motion carried.

3. **SALES TAX REPORT FOR AUGUST 2015 AND STATEMENT OF NET POSITION FOR JULY 2015:** Kent Sharp, CEO of the DCOA presented the sales tax report for August 2015. The sales tax rebate for August was $3,992,302.25 which represents June sales. Economic Development received $998,075.56, which is 3.23% above last year and 7.81% above the revised FY 15 budget amount. For the period October through August, sales tax is 5.09% above last year and .44% above the revised FY 15 budget amount. The DCOA's total current assets as of July 31, 2015 are $20,875,925. The July 2015 revenues totaled $884,592 and total expenditures were $324,269 with $136,023 being spent on six different projects.

4. **EXECUTIVE SESSION – SESSION 1:** I hereby announce we are going into Executive Session pursuant to Texas Government Code Sections 551.071, 072, 074 and 087 to consult with our legal counsel, discuss real property transactions, personnel matters, and discuss economic development negotiations involving a business prospect, as set forth on the agenda. Any vote or action will be taken in open session.

President Dave Copeland announced the date is August 25, 2015, and the time is 1:42 p.m. Later, President Copeland announced the date is still August 25, 2015, and the time is 3:17 p.m. No vote or action was taken in Executive Session.

5. **ADJOURNMENT:** There being no further business the meeting was adjourned.

____
Dave Copeland, President

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DEVELOPMENT CORPORATION OF ABILENE, INC.
BOARD AGENDA
MEETING DATE: September 8, 2015

PROJECT: **Project Goldstar Assistance**

STAFF: **Kent Sharp, CEO**

SUMMARY & INCENTIVE REQUEST
See attached.

FISCAL IMPACT

Spec 3 shell value	$5,000,000
Spec 3 finish-out	$4,000,000
Total	$9,000,000

STAFF RECOMMENDATION
Staff recommends approval of resolution DCOA-2015.18 authorizing a capital investment incentive to Project Goldstar of up to $9,000,000 as described in the attached.

ATTACHMENTS
Project description and incentive summary
Resolution DCOA-2015.18

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Project Goldstar

Project Goldstar is a manufacturer of quality pet products for the pet industry in the United States and globally. As a U.S. Headquartered company established in 2007, the main focus of the business has been the development of innovative pet treats manufactured in the U.S. from U.S. sourced raw materials to the highest quality standards available, in which to meet the just in time demands of its customers at a competitive price.

The goal of Project Goldstar is to expand its manufacturing and distribution needs in the U.S. This initiative will enable manufacturing of high quality "Made in the USA" product lines at price points that can compete with imported products. In doing so, Project Goldstar will be creating more than 200 direct new manufacturing and distribution jobs at this facility.

Project Description

In February 2015, the Abilene Industrial Foundation received a lead from a site selection group to supply an RFP for an existing building or a "build-to-suit" option. Given the lack of an existing building, the AIF initially responded with a "build-to-suit" option in Five Points Business Park. Upon hearing the news that the Spec 3 building was again available, the site selection group made a site visit to view the property and communicated a strong interest in the building.

The initial project calls for a 100,000 square-foot facility and 120 jobs with plans to expand into 200,000 square feet within 12 months and hire an additional 95 employees. The ultimate project would be 350,000 square feet and 300 jobs, which is not included in the projections of this summary.

The estimated investment would be as follows:

Phase 1		Phase 2	
Spec 3 Bld:	$4MM	2nd 100K SF:	$10MM
Equip/Material:	$12MM	Equipment:	$10MM
Total:	$16MM	Total:	$20MM

The Abilene facility would serve as the key manufacturing center for the company and would include headquarters type activities including finance, customer support and sales. The packaging would identify the product as being made in Abilene, TX. The company would maintain one other small facility in Colorado then look for expansion opportunities after reaching max capacity in Abilene.

The job breakdown is provided in the following table along with the payroll impact by job.

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Job Creation Schedule

Job Description	Annual Wage	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Production No Exp	$22,000	25	4	4	6	5	44
Production 90 days Exp	$25,000	25	4	4	6	5	44
Production Exp	$30,000	50	8	9	13	10	90
Production Lead	$35,000	8	1	1	3	2	15
Shift Manager	$45,000	3	1	1	1	2	8
Office/Professional	$55,000	3	1	1	1	1	7
Engineering/Technical	$70,000	2	1	0	0	0	3
Plant Leadership	$90,000	4	0	0	0	0	4
Total	--	**120**	**20**	**20**	**30**	**25**	**215**
Average	--	**$31,292**	**$31,650**	**$29,650**	**$29,233**	**$30,000**	**$30,735**

Payroll Impact

Job Description	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total
Production No Exp	$550,000	$88,000	$88,000	$132,000	$110,000	$968,000
Production 90 days Exp	$626,000	$100,000	$100,000	$150,000	$125,000	$1,100,000
Production Exp	$1,500,000	$240,000	$270,000	$390,000	$300,000	$2,700,000

Production Lead	$280,000	$35,000	$35,000	$105,000	$70,000	$525,000
Shift Manager	$135,000	$45,000	$45,000	$45,000	$90,000	$360,000
Office/Professional	$165,000	$55,000	$55,000	$55,000	$55,000	$385,000
Engineering/Technical	$140,000	70,000	0	0	0	$210,000
Plant Leadership	$360,000	0	0	0	0	$360,000
Total	**$3,755,000**	**$633,000**	**$593,000**	**$877,000**	**$750,000**	-
Cumulative Total	**$3,755,000**	**$4,388,000**	**$4,981,000**	**$5,858,000**	**$6,608,000**	-

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Spec 3 - Finish-Out

Finish-Out Item	Estimated Cost
Plumbing	$500,000
Electrical	$500,000
Lighting	$175,000
Foundation	$500,000
Insulation and A/C	$1,000,000
Office Construction	$500,000
Finish-Out (Dock doors, levelers, seals, lights, locks)	$500,000
Total	**$3,675,000**

The items listed in the table above are "broad estimates" by major category and would require architectural services to compose plans for this specific building at an estimated cost of $20,000.

Plumbing $500,000 - The project's plumbing requirement will be fairly extensive with 30,000 SF of kitchen and food production plus the plumbing for the freezer and A/C units.

Electrical $500,000 - The project's electrical service will need heavy power to run the 30,000 SF freezer, several hundred meat smokers and automated packaging equipment that include a fairly elaborate distribution of power to hook up their various equipment.

Lighting $175,000 - Applying a general "rule of thumb" estimate at a cost of $2.50 per SF for a total 70,000 SF will provide the necessary lighting (the 30,000 SF tenant provided freezer vault will have internal lighting).

Foundation $500,000 - Concrete prices are approximately $5.00 per SF installed for a screed flat foundation at 100,000 SF, not including the special insulated foundation required for the 30,000 SF freezer.

Insulation and A/C $1,000,000 - The project will need to insulate the shell envelope to 25R factor at a cost of $300,000; plus the A/C units to condition the 30,000 SF food production area to maintain 50 degrees; plus 5,000 SF of packaging area; plus 25,000 SF warehouse area to maintain 80 degrees at a total estimated cost of $571,000; heat dissipation and ventilation for the 30,000 SF freezer and the heat generating meat smoker 10,000 SF at an estimated cost of $209,000.

Office Space $500,000 - To support the headquarters type activities, the project will need office space of 10,000 SF at $50.00 per SF for the main office for the entire operation.

Finish-Out $500,000 - Additional finish-out construction to the structure will include the installation of dock doors, dock levelers, dock seals, dock lights and dock locks ($15,000 per door for 30 doors) plus miscellaneous finish out items.

Estimated Economic Impact (10 Year)

Economic Impact Over the First 10 Years			
Impact Category	**Direct**	**Indirect & Induced**	**Total**
Total number of permanent direct and indirect jobs to be created	215	176	391
Salaries to be paid to direct and indirect workers	$78,896,651	$48,103,288	$126,999,938
Economic output supported	$568,625,389	$286,246,021	$854,871,410
Number of direct and indirect workers who will move to the City	11	9	20
Number of new residents in the City	28	23	50
Number of new residential properties to be built in the City	3	2	5
Number of new students expected to attend local school district	7	5	12
Taxable sales and purchases expected in the City	$31,991,154	$10,221,949	$42,213,103
The value of new residential property to be built for direct and indirect workers who move to the City by Year 10	$294,799	$241,200	$535,999
The market value the firm's property on local tax rolls in Year 1	$40,000,000	$0	$40,000,000

Net Benefits Over the First 10 Years for Local Taxing Districts				
	Additional Benefits	**Additional Costs**	**Net Benefits**	***PV of Net Benefits****
City of Abilene	$3,627,083	($405,436)	$3,221,647	*$2,549,087*
Taylor County	$1,758,474	($40,949)	$1,717,526	*$1,340,254*
Abilene ISD	$4,691,899	($4,036,472)	$655,427	*$509,743*
Total	**$10,077,456**	**($4,482,857)**	**$5,594,599**	**$4,399,084**

*The Present Value of Net Benefits is a way of expressing in today's dollars, dollars to be paid or received in the future. Today's dollar and a dollar to be received or paid at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 5% to make the dollars comparable.

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Incentive Structure

In contrast to the traditional incentive model utilized by DCOA, the following model is designed to allow the company to earn down the value of a $9,000,000 incentive through two parts: 1) company investment and 2) a time earned schedule.

The company investment is termed as "Part A" of the incentive structure and allows the company to earn the $9,000,000 million dollar DCOA incentive directly relative to their cumulative capital expenditures and cumulative payroll at a rate of 8:1. In other words, the company will earn down $1 dollar of the incentive for every $8 dollars it spends in these two categories, for a total investment of $72,000,000 dollars before it can satisfy this first part of the agreement.

Part A: Company Investment Schedule — Beg Note Balance $9,000,000

	Capital Exp.	Payroll	Total Investment	Cumulative Inv.	Company Equity Earned	Note Payoff Amount in Cash
1-2016	$10,000,000	$3,755,000	$13,755,000	$13,755,000	$1,719,375	$7,280,625
2-2017	$20,000,000	$4,388,000	$24,388,000	$38,143,000	$4,767,875	$4,232,125
3-2018		$4,981,000	$4,981,000	$43,124,000	$5,390,500	$3,609,500
4-2019		$5,858,000	$5,858,000	$48,982,000	$6,122,750	$2,877,250
5-2020		$6,608,000	$6,608,000	$55,590,000	$6,948,750	$2,051,250
6-2021		$6,608,000	$6,608,000	$62,198,000	$7,774,750	$1,225,250
7-2022		$6,608,000	$6,608,000	$68,806,000	$8,600,750	$399,250
8-2023		$6,608,000	$6,608,000	$75,414,000	$9,426,750	$(426,750)
9-2024		$6,608,000	$6,608,000	$82,022,000	$10,252,750	-
10-2025		$6,608,000	$6,608,000	$88,630,000	$11,078,750	-

Based on estimates provided by the company, the following table shows that the company will earn the value of the DCOA incentive in Year 8 of operations, sometime in 2023. However, based on actual performance, the company could earn the value of the incentive earlier or later. Any remaining balance unearned by the end of Year 10 will be due by the company.

The time earned schedule is termed as "Part B" of the incentive structure and is designed to require a minimum lifetime of the company's operations regardless of its performance in Part A. This second part requires the company to earn down the $9,000,000 dollar DCOA incentive over an 8 year period of time, reducing its obligation by $1,125,000 million dollars per year.

Part B: Time Earned Schedule

	Beg Note Balance	$9,000,000
	Amount Earned	Payoff
1-2016	$1,125,000	$7,875,000
2-2017	$2,250,000	$6,750,000
3-2018	$3,375,000	$5,625,000
4-2019	$4,500,000	$4,500,000
5-2020	$5,625,000	$3,375,000
6-2021	$6,750,000	$2,250,000
7-2022	$7,875,000	$1,125,000
8-2023	$9,000,000	-

4.8

The Part B component is recommended only in the instance the company will not be pursuing a NMTC incentive. The NMTC program requires a lifetime of 7 years in order to receive its value and therefore provides a "minimum lifetime" expectation on behalf of the company and therefore providing a secondary claw back.

Incentive Summary and Terms

After the site visit, the site selection group made a second visit to Abilene to discuss the project in more detail, to communicate the project's timeline and long-term goals for expansion. In the course of the meeting, the group outlined the critical criteria that would help locate the project in Abilene and formulate an incentive offer that would be competitive for the other site considerations.

The group expressed at minimum an expectation of a proposal from Abilene that would include the following:

1) Provide existing land and building in addition to $4,000,000 for finish out of Spec 3, earned over an 8 year period of time
2) Sponsor and facilitate an application for Texas Enterprise Fund
3) Sponsor and facilitate an application for benefits under the Texas Enterprise Zone Program
4) Assist in application for New Market Tax Credits for the original facility, the expansion and equipment in whatever capacity is required.

Terms and Conditions

1) Spec 3 existing land and improvements valued at $5,000,000 to the company
2) Company agrees to a Part A incentive that includes:
    a. Contract for sale of property for Spec3 and 22.61 acres valued at $5,000,000
    b. $4,000,000 cash loan for finish out of existing facility
    c. $9,000,000 balance reduces quarterly/annually at a rate of 8:1 where 8 is the combined cumulative capital expenditures by company PLUS the aggregate payroll paid by the company and 1 is the debt balance on the Contract for Sale
    d. Formula: Debt balance minus (Aggregate CAPEX plus Cumulative Payroll divided by 8)
3) In the absence of a NMTC award, the company agrees to a Part B incentive that requires the company to earn down the $9,000,000 dollar DCOA incentive over an 8 year period of time, reducing its obligation by $1,125,000 million dollars per year
4) DCOA will have "first lien" on real property in case the company fails to perform
5) Company will provide financials annually or upon request
6) Company will agree to deadlines for 1) financing to be in place acceptable to DCOA; 2) finish out start date and finish out completion; 3) Certificate of Occupancy
7) Minimum annual payroll number to be established and annually certified
8) Company will be responsible for all architectural and engineering design plans, subject to DCOA approval
9) Company will be responsible for any overage on finish out exceeding $4,000,000
10) Company will be responsible for all property taxes and insurance, maintenance and operations
11) Future Agreement for Financial Assistance subject to completed due diligence by DCOA or its representatives

Comparisons

Using readily available information on previous projects, these are the incentives available in other areas for DCOA consideration:

- Oklahoma: 50% of new payroll over 10 years plus 5-year tax abatement: $10 million +/- plus local incentives.
- New Mexico: Various grants and credits for new payroll and investment including a 5% investment credit and 20-year property tax exemption: $12 million
- Amarillo: Recently announced a new wind tower manufacturer (higher wages than Project Goldstar) with the incentives being $10,000 per job, free 50 acres and TEF commitment plus college, city and county tax abatement for 10 years: $11 million

Timing

As the project is extremely time sensitive, an expedient response is requested in order to make the determination as to whether or not Abilene will be considered for the project.

RESOLUTION NO. DCOA-2015.18

A RESOLUTION OF THE DEVELOPMENT CORPORATION OF ABILENE, INC. (DCOA), ABILENE, TEXAS AUTHORIZING FINANCIAL ASSISTANCE FOR PROJECT GOLDSTAR.

WHEREAS, Project Goldstar was established in the U.S. in 2007 as a manufacturer of quality pet products for the pet industry with its main focus being the development of innovative pet treats manufactured in the U.S. from U.S. sourced raw materials to the highest quality standards available; and,

WHEREAS, the goal of Project Goldstar is to expand its manufacturing and distribution capabilities and create more than 200 direct new manufacturing and distribution jobs, which will enable the manufacture of high quality product lines at price points that can compete with imported products; and,

WHEREAS, the initial project calls for a 100,000 square-foot facility and 120 jobs (Phase 1) with plans to expand into 200,000 square feet within 24 months and hire an additional 95 employees (Phase 2); and,

WHEREAS, Project Goldstar is interested in Spec 3 in the Five Points Business Park, consisting of a 100,000 sq ft shell industrial facility, which will be finished-out by the company; and,

WHEREAS, the company requests the DCOA allow them to earn ownership of the Spec 3 facility, which is valued at $5,000,000, and provide them with an additional $4,000,000 for finish-out; and,

WHEREAS, Project Goldstar will invest approximately $32 million in equipment and raw materials for Phases 1 and 2; and,

WHEREAS, staff requests the DCOA authorize up to $9,000,000 for Project Goldstar.

NOW THEREFORE, BE IT RESOLVED BY THE DEVELOPMENT CORPORATION OF ABILENE, INC., ABILENE, TEXAS, THAT:

PART 1. DCOA hereby authorizes up to Nine Million and no/100's Dollars ($9,000,000.00) for Project Goldstar in the Spec 3 property consisting of a 100,000 sq ft industrial shell and 22.6 acres of land at 6558 Five Points Parkway. The company will earn the assistance over a 10-year period or less under a structure that ensures the DCOA a secured interest in the Spec 3 property and will be further described in the forthcoming Agreement for Financial Assistance (AFFA). Should the full $9,000,000 not be earned at the end of the 10-year period, the company will be liable for payment of the unearned balance, which will carry a 0% interest rate.

The $9,000,000 incentive consists of the following:

A. $5,000,000 value of the existing Spec 3 property, including the 100,000 sq ft industrial shell building. Unencumbered ownership will not convey to the company until all $9,000,000 is earned or paid by the company by the specified time, and,

B. $4,000,000 cash funds for finish-out of the property to the company's specifications. These funds will be disbursed upon receipt by DCOA of acceptable invoices evidencing qualified capital costs such as architectural/engineering fees, construction, and equipment purchases. Project Goldstar will be responsible for all design plans, which will be subject to DCOA approval, and for any finish out costs exceeding $4,000,000.

The incentive balance of up to $9,000,000 shall be earned down by the company as follows:

i. Company Investment - The company investment is termed as "Part A" of the incentive structure and allows the company to earn the $9,000,000 incentive over 10 years, directly relative to their cumulative capital expenditures and cumulative payroll at a rate of 8:1. The company will earn down $1 dollar of the incentive for every $8 dollars it spends in these two categories, for a total investment of $72,000,000 dollars before it can satisfy this first part of the agreement. Regardless of the rate at which the company earns the incentive under this Part A., unencumbered ownership will not convey prior to the end of an 8-year period.

ii. Time Earned - The time earned schedule is termed as "Part B" of the incentive structure and is designed to require a minimum lifetime of the company's operations regardless of its performance in Part A. Unencumbered ownership will not convey until the end of an 8-year period, whereby regardless of the rate at which the company earns the incentive under Part A, above, the $9,000,000 incentive will reduce by $1,125,000 per year.

PART 2. Funding under this resolution is contingent upon execution of all necessary agreements. The funding commitment authorized under this resolution shall expire without notice 180 days from the date of adoption of same unless all required documents and agreements are executed prior to that expiration date or the commitment herein is extended in writing by the DCOA.

PART 3. The Chief Executive Officer of the Development Corporation of Abilene, Inc. is hereby authorized to negotiate, enter into and execute a final contract and all other related documents on behalf of the DCOA.

ADOPTED this the 8th day of September, 2015.

ATTEST:

Dani Ramsay
Secretary/Treasurer

Dave Copeland
President

APPROVED:

Stanley Smith, Assistant City Attorney

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Item #5

Will be provided during the meeting

DEVELOPMENT CORPORATION OF ABILENE, INC.
BOARD AGENDA
MEETING DATE: September 8, 2015

PROJECT: **Amended Debt Restructure for BBP Bird, LP Loan for Tige Boats Manufacturing Facility on Hwy 36**

STAFF: **Kent Sharp, Chief Executive Officer**

BACKGROUND

Tige Boats was founded in 1991 by Charlie Pigeon, and had been sharing manufacturing space in California with another boat manufacturer. In 1994, the DCOA purchased the industrial property at 6803 Hwy 83/277N to move Tige here plus assistance of $475,000 for leasehold improvements, employee training and relocation costs. Tige committed to create 35 new jobs. In 1996, another $340,000 was approved to expand the facility and make other modifications. Tige committed to retain 80 and create 25-30 more jobs.

In November 2003, the DCOA approved an assistance package to construct a new 100,000 s.f. manufacturing facility in the total amount of $4.6 million: $600,000 as an earned grant to acquire land, extend utilities, make site improvements, and $4 million construction loan, which was converted to a 25-year real estate lien note upon completion of construction. The 40-acre site is the southeast corner of the intersection of State Hwy 36 and FM 18, adjacent to the Airport, and is now a 130,000 sq ft, 3 building complex designed and built specifically for state–of–the–art, high–quality inboard boat production. The complex includes a product development and engineering facility dedicated to the creation of new Tigé boat designs and innovative technology. The manufacturing facility includes innovative features and engineering designed to optimize the composite boat–building process, promote environmental responsibility and ensure absolute quality of the Tigé product. Tige committed to retain 110 and create 130 new jobs for a total of 240 jobs. The highest FTE employment reported was in 2006 at 198. Current employment is at 163.

The $4 million permanent loan is dated December 30, 2005, to BBP Bird, LP, the limited partnership that holds the real estate. There is no interest on the loan and payments are required monthly with the first payment due in July of 2006. The DCOA has a first lien on the land and plant on Hwy 36 plus a corporate guaranty from Tige Boats, Inc. Monthly payments are based on boat production from the previous month at $100/boat with a minimum payment of $3,600. The original loan structure requires "true-up" payments every 7 years in order to ensure the loan balance amortizes sufficiently to be paid off by July 1, 2031. The first true-up payment was due June 1, 2014 in the amount of $642,600. That payment was not made though the company has continued to make monthly payments based on boat production. The note balance as of February 28, 2015 was $3,399,600. The $600,000 grant was fully earned in 2010.

On February 24, 2015, DCOA approved resolution DCOA-2015.07 authorizing a debt restructure to BBP Bird, LP in order to ensure better amortization of the note balance. Instead of a fluctuating monthly payment based on boat production, the monthly payment beginning March 1, 2015 will be $13,333.33, or $160,000/year for 16 years (192 months) to mature on February 28, 2031. A balloon payment of $839,600 will be due at maturity, which the company will then have to either pay or refinance with another financial institution. We will retain a first lien on the real estate and the corporate guaranty from Tige Boats, Inc.

THE REQUEST

The company is requesting the note modification not include a change in the maturity date. The original maturity date of July 1, 2031 will provide for a balloon payment due of $786,267 rather than $839,600. Staff proposes the board allow the original maturity date of July 1, 2031 stand in the modified note documents, which provides for 196 monthly payments of $13,333.33 plus a balloon at maturity of $786,267.

FISCAL IMPACT

None.

STAFF RECOMMENDATION

Staff recommends the board approve resolution DCOA-2015.07 (AMENDED) authorizing a restructure of the outstanding debt owed by BBP Bird, LP for the Tige Boats manufacturing facility on Hwy 36. The loan will require monthly payments of $13,333.33 beginning March 1, 2015 until maturity on July 1st, 2031, 0% interest, secured by a 1st lien on the real estate and a corporate guaranty from Tige Boats, Inc.

ATTACHMENTS

Resolution DCOA-2015.07 (AMENDED)

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RESOLUTION NO. DCOA-2015.07 (AMENDED)

A RESOLUTION OF THE DEVELOPMENT CORPORATION OF ABILENE, INC. (DCOA), ABILENE, TEXAS AUTHORIZING A DEBT RESTRUCTURE FOR BBP BIRD, LP FOR THE TIGE BOATS MANUFACTURING FACILITY ON HWY 36.

WHEREAS, Tige Boats was founded in 1991 by Charlie Pigeon, and had been sharing manufacturing space in California with another boat manufacturer; and,

WHEREAS, in 1994, the DCOA purchased the industrial property at 6803 Hwy 83/277N to move Tige here plus assistance of $475,000 for leasehold improvements, employee training and relocation costs in exchange for 35 new jobs; and,

WHEREAS, in 1996, another $340,000 was approved to expand the facility and make other modifications in exchange for retention of 80 and creation of 25-30 more jobs; and,

WHEREAS, in November 2003, the DCOA approved an assistance package to construct a new 100,000 s.f. manufacturing facility in the total amount of $4.6 million: $600,000 as an earned grant to acquire land, extend utilities, make site improvements, and $4 million construction loan, which was converted to a 25-year real estate lien note upon completion of construction; and,

WHEREAS, the 40-acre site is the southeast corner of the intersection of State Hwy 36 and FM 18, adjacent to the Airport, and is now a 130,000 sq ft, 3 building complex designed and built specifically for state–of–the–art, high–quality inboard boat production; and,

WHEREAS, Tige committed to retain 110 and create 130 new jobs for a total of 240. The highest FTE employment reported was in 2006 at 198, and current employment is at 163; and,

WHEREAS, the $4 million permanent loan is dated December 30, 2005, to BBP Bird, LP, the limited partnership that holds the real estate. There is no interest on the loan and payments are required monthly with the first payment due in July of 2006. The DCOA has a first lien on the land and plant on Hwy 36 plus a corporate guaranty from Tige Boats, Inc. Monthly payments are based on boat production from the previous month at $100/boat with a minimum payment of $3,600; and,

WHEREAS, the original loan structure requires "true-up" payments every 7 years in order to ensure the loan balance amortizes sufficiently to be paid off by July 1, 2031. The first true-up payment was due June 1, 2014 in the amount of $642,600. That payment was not made though the company has continued to make monthly payments based on boat production, resulting in a current note balance is $3,399,600; and,

WHEREAS, on February 24, 2015, the DCOA approved resolution DCOA-2015.07, authorizing a restructure of the debt for the Tige Boats manufacturing facility on Hwy 36, which provided for monthly payments of $13,333.33 beginning March 1, 2015 for 192 month maturing on February 28, 2031 with a balloon payment due of $839,600; and,

WHEREAS, Tige is requesting the original maturity date of July 1, 2031 stand in the restructure; and, WHEREAS, staff requests the DCOA amend the original resolution authorizing a debt restructure for BBP Bird, LP to allow a maturity date of July 1, 2031 and balloon payment of $786,267.

NOW THEREFORE, BE IT RESOLVED BY THE DEVELOPMENT CORPORATION OF ABILENE, INC., ABILENE, TEXAS, THAT:

PART 1. DCOA hereby authorizes amend resolution DCOA-2015.07 originally approved on February 24, 2015 a restructure of the debt for the Tige Boats manufacturing facility on Hwy 36 as follows:

Borrower: BBP Bird, LP
Note Balance: $3,399,600
Interest Rate: 0%
Note Date: March 1, 2015
Maturity Date: July 1, 2031
Payments: $13,333.33 due monthly beginning March 1, 2015
Collateral: 1st Lien D/T on real estate and improvements at 1801 Hwy 36
Corporate Guaranty: Tige Boats, Inc.
Balloon Payment at Maturity: $786,267

Borrower will be required to pay the balloon payment at maturity.

PART 2. This resolution is contingent upon execution of all necessary agreements. The funding commitment authorized under this resolution shall expire without notice 180 days from the date of adoption of same unless all required documents and agreements are executed prior to that expiration date or the commitment herein is extended in writing by the DCOA.

PART 3. The Chief Executive Officer of the Development Corporation of Abilene, Inc. is hereby authorized to negotiate, enter into and execute a final contract and all other related documents on behalf of the DCOA.

ADOPTED this the 8th day of September, 2015.

ATTEST:

Dani Ramsay
Secretary/Treasurer

Dave Copeland
President

APPROVED:

Stanley Smith, Asst. City Attorney

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