RESOLUTION NO. 74-2015

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS, APPROVING ADDITIONAL DEVELOPMENT CORPORATION OF ABILENE, INC. ("DCOA") FUNDING FOR PRAIRIE DOG PET PRODUCTS ("PDPP") OTHERWISE KNOWN AS PROJECT GOLDSTAR.

WHEREAS, headquartered in Grand Prairie, Texas, PDPP 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, PDPP is interested in Spec 3 in the Five Points Business Park, consisting of a 100,000 sq ft shell industrial facility on 22.5 acres, which will be finished-out by the company; and,

WHEREAS, PDPP will be creating more than 200 direct new manufacturing and distribution jobs at this facility; and,

WHEREAS, on September 8, 2015, the DCOA approved resolution DCOA-2015.18 authorizing a $9,000,000 capital investment incentive to Project Goldstar to assist the company in moving its corporate headquarters and establishing a manufacturing operation in the Spec 3 building; and,

WHEREAS, on September 10, 2015, the City Council approved resolution No. 54-2015 approving the DCOA's $9,000,000 assistance package for Project Goldstar, which allows the company to earn ownership of the Spec 3 facility valued at $5,000,000, and provide them with an additional $4,000,000 for finish-out; and,

WHEREAS, as staff and PDPP have discussed the project and worked through scenarios for build-out of the Spec 3 facility, it has become apparent the original amount of $4,000,000 represents an under estimate of the costs; and,

WHEREAS, the site selection consultant retained by PDPP developed the estimate of $4 million without the benefit of a workable layout for the company's operations; therefore, staff engaged the services of Emergent Construction Technologies at a cost of no more than $40,000 to develop a preliminary layout of operations and a preliminary cost for build-out; and,

WHEREAS, the estimated cost is now $5.5 million, an increase of $1.5 million; and,

WHEREAS, on November 17, 2015, the DCOA approved resolution DCOA-2016.04 authorizing additional assistance of $500,000 for finish-out of the Spec 3 building resulting in total assistance for PDPP of $9,500,000; and,

WHEREAS, the DCOA board requests the City Council approve additional funding of $500,000 for PDP, bringing the total assistance package to $9,500,000, with the company covering the additional cost estimated at $1,000,000.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS:

PART 1. DCOA incentive of up to Five Hundred Thousand and no/100's Dollars ($500,000.00) is authorized for Prairie Dog Pet Products in addition to the original approval of $9,000,000 approved on September 10, 2015 via Resolution No. 54-2015, resulting in a total incentive package of $9,500,000. The structure of the assistance has been revised slightly to accommodate the company's pending New Markets Tax Credit allocation, which will net additional capital toward the purchase of equipment and finish out for the Abilene plant.

The total $9,500,000 (ORIGINALLY $9,000,000) incentive will be earned as follows:
1) Part A - Company's cumulative capital expenditures and cumulative payroll at a rate of 8:1. In other words, the company will earn down $1 of the incentive for every $8 it spends in these two categories, for a total investment of $76,000,000 dollars (ORIGINALLY $72,000,000) before it can satisfy this first part of the agreement. Based on actual performance, the company could earn the value of the incentive earlier or later. Any balance unearned by the end of Year 10 will be reduced by lease payments as described below.

Part A: Company Investment Schedule — Beg Note Balance: $9,500,000 **(ORIGINALLY $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	$7,780,625
2-2017	$20,000,000	$4,388,000	$24,388,000	$38,143,000	$4,767,875	$4,732,125
3-2018		$4,981,000	$4,981,000	$43,124,000	$5,390,500	$4,109,500
4-2019		$5,858,000	$5,858,000	$48,982,000	$6,122,750	$3,377,250
5-2020		$6,608,000	$6,608,000	$55,590,000	$6,948,750	$2,551,250
6-2021		$6,608,000	$6,608,000	$62,198,000	$7,774,750	$1,725,250
7-2022		$6,608,000	$6,608,000	$68,806,000	$8,600,750	$899,250
8-2023		$6,608,000	$6,608,000	$75,414,000	$9,426,750	$73,250
9-2024		$6,608,000	$6,608,000	$82,022,000	$10,252,750	-$(752,750)
10-2025		$6,608,000	$6,608,000	$88,630,000	$11,078,750	-

Regardless of the rate at which the project investment is made, unencumbered fee simple title to the facility will not be conveyed to PDPP until the eighth (8th) anniversary date of the Agreement for Financial Assistance. This provision eliminates the necessity for Part B (time earned schedule) in the original approval.

The deal structure will also include:
1) Spec 3 existing land and shell building valued at $5,000,000 to the company, which will not be included in the New Markets Tax Credit schedule, and to which DCOA will retain title until performance measures contained herein are met by the company.
2) Lease of the Spec 3 property (ORIGINALLY a contract for sale) for 30 years at $0

rent for the first ten years, with company paying utilities, taxes and all maintenance and improvements. A lease rate of $4 per square foot per year on the initial 100,000 square foot building will apply during years 11 through 20 with company paying utilities, taxes and all maintenance and improvements. In years 11 through 20, any lease amount paid by the company will be applied toward any remaining unearned balance on the $9,500,000. A lease rate of $6 per square foot per year on the initial 100,000 square foot building will apply during years 21 through 30 with company paying utilities, taxes and all maintenance and improvements. In years 21 through 30, any lease amount paid by the company will be applied toward any remaining unearned balance on the $9,500,000.00.

3) $4,500,000 (ORIGINALLY $4,000,000) cash loan for finish out of existing shell facility with company contracting for design and construction.

4) $9,500,000 (ORIGINALLY $9,000,000) total incentive balance reduces quarterly/annually at a rate of 8:1 as described above

5) In the absence of a NMTC award, this project will terminate.

6) Company will provide financials annually or upon request.

7) Company will agree to deadlines for a) financing to be in place acceptable to DCOA; b) finish out start date and finish out completion; c) Certificate of Occupancy.

8) Minimum annual payroll number to be established and annually certified.

9) All architectural and engineering design plans will be subject to DCOA approval.

10) Company will be responsible for any overage on finish out exceeding $4,500,000 (ORIGINALLY $4,000,000)

11) Future Agreement for Financial Assistance, lease and note documents subject to completed due diligence by DCOA or its representatives.

PART 2. That this resolution shall take effect immediately from and after its passage.

ADOPTED this the 19th day of November, 2015.

ATTEST:

Danette Dunlap, City Secretary

Norm Archibald, Mayor

APPROVED:

Stanley Smith, Interim City Attorney