

## Legislation Text

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**File #:** BILL NO. 22-38, **Version:** 1

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An Ordinance approving a plan for an Industrial Development Project for the Zerega Pasta Project.  
(Note: First read by Council on March 8, 2022. Passed by unanimous vote with one abstention.)

Issue/Request:

A Plan for an Industrial Development Project for the Zerega Pasta Project and authorizing the issuance by the City of its taxable industrial development revenue bonds in the aggregate principal amount of not to exceed \$42,000,000 to finance costs of the industrial project for A. Zerega Sons, Inc. The Bonds will be issued pursuant to the provisions of Sections 100.010 to 100.200 of the Revised Statutes of Missouri, as amended, and Article VI, Section 27(b) of the Missouri Constitution, as amended (collectively, the "Act").

Motion:

I move for adoption of an Ordinance approving a plan for an Industrial Development Project for the Zerega Pasta Project.

Key Issues:

A. Zerega Sons, Inc. (Developer) is requesting that the City approve incentives through a Chapter 100 Master Plan to provide sales tax exemption on construction materials and tax abatement for 10 years in the amount of 75% for a 160,000 square foot expansion to a current facility in the City, together with the extension of a rail spur to service the expansion and the installation of equipment. which will be used for manufacturing, warehousing and distribution purposes (the "Project"), to be situated on approximately 9.48 acres surrounding the current facility at 200 NW Victoria Drive in Lee's Summit, Missouri.

Background:

On February 1, 2022, the City Council heard a conceptual presentation about the incentive request presented by Developer for the proposed industrial expansion. A majority of the City Council expressed an interest in considering the incentive request through the formal Chapter 100 process. The City Council did not vote or render any type of final or binding decision as part of the conceptual presentation.

Impact/Analysis:

The Project is expected to cost approximately \$41,894,562, consisting of approximately \$14,894,562 of real property and improvement investments and approximately \$27,000,000 in personal property investments. The investments are anticipated to be made in the years shown in the attached Cost-Benefit Analysis, although the actual years of investment may vary based on Project implementation.

The Project to be financed by the Bonds consists of a 160,000 square foot expansion to the Company's current facility in the City, together with the extension of a rail spur to service the expansion and the installation of equipment. The Project will be constructed on approximately 9.48 acres partially surrounding the Existing Facility (the "Project Site").

Under Article X, Section 6 of the Missouri Constitution and Section 137.100 of the Revised Statutes of Missouri, all property of any political subdivision is exempt from taxation. Under this Plan, the City intends to issue the Bonds in 2022 and subsequent years to provide tax abatement.

The Company will make payments in lieu of taxes (“PILOTS”) for each component of the Project as follows:

- (1) during all years, a PILOT based on the existing value of the land included in the lease in the year prior to conveyance of such land to the City,
- (2) during the construction period, a PILOT calculated to represent 25% of the taxes that would otherwise be due on the partially completed Project improvements component,
- (3) in years 1 through 10 after project completion, a PILOT calculated to represent 25% of the taxes that would otherwise be due on the completed Project improvements component, and
- (4) in years 1 through 10 after each year in which personal property components of the Project are installed at the Project Site, a PILOT calculated to represent 25% of the taxes that would otherwise be due on such personal property components (on a rolling basis, meaning that each item of personal property will enter and exit the abatement program with a 10-year abatement window starting the year after acquisition).

Timeline:

If the Chapter 100 incentive is approved, the project is expected to begin in 2022.

David Bushek, Chief Counsel of Economic Development & Planning

Mark Dunning, Assistant City Manager

Tim Anderson, Marks Nelson for applicant A. Zerega Sons, Inc.

Recommendation: Staff recommends approval of the Chapter 100 Plan