

# Chapter 100 Industrial Development Plan “Company”

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This Chapter 100 Industrial Development Plan (the “Plan”) provides information required by State Statute 100.050 and Committee Substitute for Resolution No. 041033. The Plan supports the issuance of Chapter 100 bonds for Melaleuca, Inc., an Idaho corporation (“Company”), for a project including the purchase of certain personal property for the outfitting of a distribution facility. Ordinance approval of the Chapter 100 Plan also authorizes the City of Kansas City, Missouri (the “City”) to issue Taxable Industrial Revenue Bonds in an amount not to exceed \$14,000,000.

## **A. Plan requirements per Missouri State Statute 100.050**

### **1) Project Description**

Company is a well-known national wellness brand that is expanding its operations into Kansas City, Missouri by adding a centralized distribution center that will also encompass an assembly operation. The project will allow Company to better distribute their health and wellness products in the regional and national markets.

The project will assume approximately 508,000 square feet in the industrial building located at 11401 N Congress Ave in Kansas City, Missouri (the “Project Site”). The project will create 202 new jobs over the first two years with an average wage of approximately \$40,500. Total investment will be around \$35.5 million with around \$13 million invested in personal property, machinery and equipment and the remaining \$21.5 million invested in real estate and tenant finishes. Company is requesting 75% personal property tax abatement for 10 years, which is above the standard length and term of abatement set forth in the City’s existing Chapter 100 Policy.

The total cost of the project is expected to be approximately \$35.5 million. The City has offered to issue its Taxable Industrial Revenue Bonds in the maximum principal amount of \$14 million (the “Bonds”) to fund the acquisition and installation of certain personal property, machinery and equipment to be installed and used at the Project Site (collectively, the “Equipment”). The Equipment purchased with Bond proceeds will be owned by the City and leased back to Company. The Bonds will be repaid solely by Company under the terms of that certain lease agreement entered into between the City and Company (the “Lease Agreement”), and do not reflect on the City’s credit rating.

The project will not benefit from any real property tax exemption or abatement. The City’s personal property tax exemption will be for a period of ten years at 75% for all personal property purchased within the first ten years following project commencement. Staff estimates total personal property tax abatement to be \$836,069 during the tax exemption period. Staff estimates total personal property sales tax exemption to be \$1,118,000. This is an estimate and not a guarantee.

Company will be subject to operational/performance standards commensurate with the anticipated investment for this project which will be incorporated into the Lease Agreement.

## 2) Cost Estimate

<b>COST CATEGORIES</b>	<b>TOTAL AMOUNT</b>	<b>COSTS FINANCED WITH BOND PROCEEDS</b>
<b>Acquisition</b>	Included in Tenant Improvements	\$0
<b>Site work</b>	\$0	\$0
<b>Construction/Renovation</b>	\$0	\$0
<b>Tenant Improvements</b>	\$21,500,000	\$0
<b>Furniture and Fixtures</b>	\$0	\$0
<b>Machinery and Equipment</b>	\$13,000,000	\$13,000,000
<b>Other (including interest)</b>	\$0	\$0
<b>Contingency</b>	\$1,000,000	\$1,000,000
<b>TOTAL PROJECT COSTS</b>	<b>\$35,500,000</b>	<b>\$14,000,000</b>

See Attachment 1 for the annualized cost breakdown.

## 3) Sources of Funds

<b>SOURCES</b>	<b>AMOUNT</b>
Bond Proceeds	\$14,000,000
Other Financing	\$21,500,000
<b>TOTAL</b>	<b>\$35,500,000</b>

## 4) Lease/Disposal Terms

Company will purchase and install the Equipment on the Project Site in accordance with the Lease Agreement. The City shall be the sole, titular owner of the Equipment during the lease term. While the Equipment is owned by the City and is subject to the lease, Company's leasehold interest will be exempt from all personal property taxes. Company will make PILOT payments equal to 25% of the personal property taxes as described in Section 1. Each item of personal property shall be conveyed by the City to Company on the 10<sup>th</sup> anniversary of Company's first conveyance to the City (or sooner at Company's option).

## 5) Affected Taxing Jurisdictions

The following taxing jurisdictions will be affected by this project: Kansas City, Platte County, Platte County R-III School District, Tri-County Mental Health Services, Health Fund, State of Missouri, Blind Pension Fund, and Mid-Continent Public Library.

**6) a) Equalized Assessed Valuation of Real Property/Personal Property in Project – Before Development**

Real Property: N/A  
 Personal Property: \$0

**b) Equalized Assessed Valuation of Personal Property in Project – After Development**

Personal Property		
Year	Appraised Value	Equalized Assessed Value
		33%
2021	\$ 11,607,700	\$ 3,869,233
2022	\$ 9,120,800	\$ 3,040,267
2023	\$ 7,166,900	\$ 2,388,967
2024	\$ 5,574,400	\$ 1,858,133
2025	\$ 3,981,900	\$ 1,327,300
2026	\$ 2,389,400	\$ 796,467
2027	\$ 1,300,000	\$ 433,333
2028	\$ -	\$ -
2029	\$ -	\$ -
2030	\$ -	\$ -

**7) 10 Year Cost/Benefit Analysis (Average Costs)**

Taxing Authority	Public Benefits:	Public Costs & Incentives:	Net Benefits (Costs):
City of Kansas City	4,397,043	3,408,326	988,718
Platte County	444,382	217,179	227,203
Mental Health Fund	62,850	21,886	40,964
PC Board of Services for the Developmentally Disabled	39,824	29,347	10,477
Blind Pension Fund	16,111	5,388	10,723
Mid Continent Public Library	58,014	85,286	-27,272
Platte County R-III	767,741	627,621	140,120
Metro Community Colleges (not used)	0	0	0
State of Missouri	12,241,299	6,957,813	5,283,486

See Attachment 2 for cost/benefit analysis.

**8) Anticipated PILOTs and Disposition of Payments**

	<b>Market Value</b>	<b>Assessed Value</b>	<b>Full Taxes</b>	<b>PILOT Amount</b>
		33%	7.8655%	25%
<b>2021</b>	\$ 11,607,700	\$ 3,869,233	\$ 314,522	\$ 78,631
<b>2022</b>	\$ 9,120,800	\$ 3,040,267	\$ 247,137	\$ 61,784
<b>2023</b>	\$ 7,166,900	\$ 2,388,967	\$ 194,194	\$ 48,549
<b>2024</b>	\$ 5,574,400	\$ 1,858,133	\$ 151,044	\$ 37,761
<b>2025</b>	\$ 3,981,900	\$ 1,327,300	\$ 107,894	\$ 26,973
<b>2026</b>	\$ 2,389,400	\$ 796,467	\$ 64,743	\$ 16,186
<b>2027</b>	\$ 1,300,000	\$ 433,333	\$ 35,225	\$ 8,806
<b>2028</b>	\$ -	\$ -	\$ -	\$ -
<b>2029</b>	\$ -	\$ -	\$ -	\$ -
<b>2030</b>	\$ -	\$ -	\$ -	\$ -
		<b>Totals</b>	<b>\$1,114,759</b>	<b>\$ 278,690</b>

## **B. Community Impact Statement Requirements (Resolution No. 041033)**

### **1) Project Integration with FOCUS**

The project location is not within a FOCUS priority zone.

### **2) Cost/Benefit of the Project**

<b>Taxing Authority</b>	<b>Public Benefits:</b>	<b>Public Costs &amp; Incentives:</b>	<b>Net Benefits (Costs):</b>
City of Kansas City	4,397,043	3,408,326	988,718
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Mid Continent Public Library	58,014	85,286	-27,272
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State of Missouri	12,241,299	6,957,813	5,283,486

See Attachment 2 for complete cost/benefit analysis.

### **3) Project Compliance with City Affirmative Action Policies**

Company will comply, and will cause its contractors to comply, with the nondiscrimination and equal employment requirements of the City of Kansas City, Missouri, and with affirmative action in employment requirements applicable to the project.

### **4) Other Evaluation Criteria**

#### **a) Number of New Jobs/Retained Jobs**

The proposed project will result in the creation of 202 jobs in Kansas City, Missouri in the first 24 months.

#### **b) Total Amount of Projected Investment**

Total investment is approximately \$35.5 million. This includes the Equipment, tenant finish, labor, and other expenses.

#### **c) Average Wage**

The jobs created by the project will have a blended average wage of approximately \$40,500.

**d) Capability to Attract sales from Outside KCMO**

The project will not involve on-site sales.

**e) Financial Strength of the Business**

Company is a reputable wellness brand with an excellent company history and a solid financial position.

**f) Additional Residents to the Area**

The company will be creating net new jobs to the area which will be available to residents in the area.

**g) Potential for Future Expansion**

Company anticipates 202 employees in the first two years, additional expansion may be possible at the site at a later date.

**h) Existing versus New Business to the City**

Company is new to Kansas City, Missouri.

**i) General Environmental Impact on the Area**

Company is not aware of any detrimental environmental impact that will result from the proposed project.

**j) Use of Federal and State Incentives for the Project**

Personal property tax exemption and sales tax exemption on Equipment purchases are the only incentives being offered to Company via Chapter 100.

**k) Evidence of the Need for Chapter 100 Bonds**

The availability of Chapter 100 personal property tax abatement was a deciding factor in Company's search in Kansas City, Missouri. Other cities explored for the project do not have a personal property tax and the availability of Chapter 100 helped to bridge that gap.

**l) Evidence of Support by Affected Taxing Jurisdictions**

All taxing jurisdictions will be notified in accordance with Missouri State Statute 100.059. In addition, EDC staff, and Company will respond to questions regarding the project with the taxing jurisdictions in advance of the City Council hearing. The project will not be seeking levels of personal property tax exemption beyond 10 years at 75%.

**m) Estimated Impact to Proximate Businesses/Competition in KCMO**

As the site sits amongst other industrial uses, it is not anticipated that this project will have an impact on proximate businesses.

**ATTACHMENT 1:**

**ANNUALIZED  
ESTIMATED COST BREAKDOWN**

<b>Personal Property Investment By Year</b>	
2021	\$13,000,000



# **ATTACHMENT 2:**

## **COST/BENEFIT ANALYSIS**

# ATTACHMENT 3:

## PILOT SCHEDULE

	<b>Market Value</b>	<b>Assessed Value</b>	<b>Full Taxes</b>	<b>PILOT Amount</b>
		33%	7.8655%	25%
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<b>2029</b>	\$ -	\$ -	\$ -	\$ -
<b>2030</b>	\$ -	\$ -	\$ -	\$ -
		<b>Totals</b>	<b>\$1,114,759</b>	<b>\$ 278,690</b>

# ATTACHMENT 4:

## AdvanceKC Analysis (Ordinance No. 140031)

### A. Jobs-Based Project Priorities:

#### Compete for Quality Jobs

- 1) **Retained jobs are as valuable as new jobs**  
# New Jobs = 202. # Retained Jobs = 0
- 2) **Focus on AdvanceKC Target Sectors**  
This operation aligns with AdvanceKC emphasized target sectors focus.
- 3) **Focus jobs in growth sectors**  
202 new jobs will be created in the first two years that are within Advance KC emphasized target sectors.
- 4) **Focus on companies that provide competitive wages for their industry**  
At approximately \$40,500 a year, Company's wages are competitive compared to the industry average.
- 5) **Promote comprehensive opportunities for education, skill development and lifelong learning to preserve and enhance Kansas City's workforce**  
Out of the 202 jobs being created, over 90% are entry level positions that will allow for full time positions for first time workers at a competitive wage.

### B. Site-Based Project Priorities:

- 1) **Provide incentives for real estate projects to encourage economic, social, and environmental sustainability**  
This project was a jobs-based project.
- 2) **Maintain and develop quality and workforce housing opportunities consistent with market needs of existing and prospective residents**  
N/A
- 3) **Support projects that benefit surrounding neighborhoods**  
Company's employment opportunities are consistent with the needs of surrounding neighborhoods. Company will also occupy a facility that has been vacant and will continue to provide stability to the market.
- 4) **Support projects that are consistent with City Area Plans and the City's Consolidated Plan**  
This project is consistent with the City's Area Plan of record for the area.
- 5) **Support early risk takers, especially in City Council priority development areas**  
N/A
- 6) **Target areas of historic underinvestment**

- a. **Focus on areas of long term declining property values**  
N/A
  - b. **Encourage geographic equity of development patterns** – This facility is located within Council District 2.
- 7) **Support projects that increase density in the urban core with a greater emphasis within the streetcar corridors**  
This project does represent support for infill development.

### **C. Fiscal Responsibility Policies:**

- 1) **Promote good stewardship of the City’s resources**  
This project will help to expand the City’s current tax base and create jobs. This project is anticipated to generate \$988,718 in net new public revenues to the City over a ten year period. Based upon a 75% personal property tax exemption over 10 years, the total amount of exemption for this project from all taxing jurisdictions is estimated at \$836,069. The overall financial impact is positive for the City.
- 2) **Provide incentives for real estate projects only as necessary to fill the financial gap**  
Not applicable. Jobs-based projects do not address gap analysis. Gap analysis is directed at real estate returns.
- 3) **Support pay-as-you-go projects and discourage the use of City debt**  
Ch. 100 bonds are conduit debt and do not involve any guarantees or obligations of the City.
- 4) **Super TIF should be used with great discretion and requires the support of a super majority (two-thirds) of the City Council, except when needed to access incentives from other public jurisdictions or to promote quality residential development**  
N/A
- 5) **Encourage retail projects that result in capture of net new consumer spending versus substitution of spending from other markets within KCMO**  
This project will support Company’s distribution and retail operations but will not have on site retail.
- 6) **Limit the use of incentives to reasonable and appropriate project expenses which have a public benefit and are essential to the successful completion of projects**  
Chapter 100 personal property tax exemption at 10 years and 75% and sales tax exemption on personal property were the only incentives offered by EDC staff. The State of Missouri has also offered sales tax exemption on purchases of tangible personal property.

**All projects should meet the “but for” test, either financially or competitively or should address the City Council’s strategic priorities.**

Company has indicated that the Chapter 100 program is essential to bridging the gap between Kansas City, Missouri and other communities which do not have a personal property tax. This is a competitive project.

**7) Promote a positive fiscal impact on taxing jurisdictions in the use of incentives**

In the first 10 years, the affected taxing jurisdictions will receive around \$278,690 of new revenues as a result of this project.

**8) Direct earnings tax incentives are prohibited**

No earnings taxes are used as an incentive in this project.

**9) The City's incentives should be used to maximize private investment**

The exemption for this project will only be used for personal property.

**10) Business types ineligible for incentives include: the sale of package liquor\* or firearms\*, pawn shops, short term loan establishments, gambling, blood/plasma centers, "adult-oriented" businesses, cigarette\*/smoke shops and hookah lounges, scrap metal operations, tattoo/piercing parlors, and used car lots**

**\* These business types are only ineligible when the indicated (\*) product comprises more than 30% of retail sales or the sales display area (Example: A liquor store would be ineligible but a grocery store that sells liquor would be eligible)**

Distribution Facilities are an eligible business type for the use of this incentive.