



2021 Update to Mayor & Council
Matthew Zimmerman

Memo

To: City Council
cc: Matthew Zimmerman, City Manager
Hazelwood IDA
Hazelwood Economic Development Sales Tax Board
From: Becky Ahlvin, Assistant City Manager – Economic Development
Date: April 30, 2021
Re: Tax Abatement and Incentives Report
May 5, 2021 – Agenda Item 12B

The City of Hazelwood has a number of incentive projects in place, ranging from local option economic development loans to Chapter 100 and Chapter 353 tax abatements. Whereas the local option economic development loans may be repayable or forgiven, under Chapter 100 and Chapter 353, some projects may require a Payment in Lieu of Taxes (PILOT).

The most common form of tax abatement that may require a PILOT is a Chapter 100 where bonds are issued for the purchase of building materials or equipment. A lease of the building or equipment allows the items to be purchased using the City's non-taxable status to abate all real or personal property taxes that the company would be required to pay. A PILOT is used by the company to pay taxes due per the lease agreement. For example, if the abatement was for 50%, the company would pay a PILOT of 50% to make up the difference.

Chapter 353 tax abatement allows for the redevelopment of blighted areas through real property tax abatement. Abatement is available for a period of 25 years and is only available to for-profit "Urban Redevelopment Corporations." Land is taxed at an unimproved rate. Chapter 353 tax abatement may also require a PILOT.

Below is an update on projects in Hazelwood that use one of our incentive programs:

133 McDonnell

North Point Development constructed a 205,000 square foot distribution building on the vacant lot located at 133 McDonnell, at the northwest corner of McDonnell and Byassee. The City authorized up to \$15 million in Chapter 100 bonds for the project and 100% real property tax abatement. This project does have a PILOT for the next 15 calendar years, based on the square footage of the project improvements, starting at \$0.05 per square foot in year one and increasing each year after.

The building is completed and fully leased out to Bassik Services, Inc., a third party logistics supplier. This year, they have paid over \$5,400 in business license fees, occupancy permit fees, and other fees.

Artur Express

Artur Express was issued a Chapter 100 bond in the amount of \$8,000,000 for real property taxes. In addition, if they bring at least 334 of their existing jobs, they are eligible for tax abatement in a declining schedule over 10 years. If Artur maintains the 334 jobs the abatement decreases from 80% in year 1 to 35% in year 10. If they add 70 new jobs by year 2, the abatement goes from 80% in year 1 to 37.5% in year 10, an additional 2.5% abatement each year. If Artur increases the number of jobs, the amount of the abatement increases. For example, if they have a total of 700 jobs in year 1, the abatement is 95% and decreases to 52.5%.

In short, they receive more tax abatement if they bring more jobs. Artur would pay the City a PILOT for the remaining real property tax owed. Artur will not receive any tax abatement if they do not invest at least \$8 million in new buildings and equipment.

Artur also received a \$400,000 loan from the Economic Development Fund. The loan has yet to be funded but should be funded by the end of the fiscal year. In order to receive forgiveness, Artur will have to meet the same job requirements as outlined for tax abatement.

Artur moved into their facility this past year. According to the 2021 business license database, Artur paid a total of \$4,776.75 in business license fees and has 422 employees.

Aviator Business Park

In 2008, the City entered into a development agreement with Panattoni to redevelop the old Ford site, creating Aviator Business Park. They were granted a Chapter 353 tax abatement as follows:

- 100% real property tax abatement for the first 10 years. There is, however, a PILOT, which is calculated based on the predevelopment 2007 taxes (with some adjustments for inflation) divided among the whole property and then assessed per acre. This PILOT will end after 10 years.
- The next 15 years, real property taxes are 50% abated based on the land and new improvements to the land.

Pursuant to city ordinance, all buildings and vacant properties were placed on the tax rolls at the end of 2018.

According to the 2021 business license database, businesses in Aviator have a total of 487 employees paid a total of \$342,328.50 in business license fees, occupancy permit fees, and other fees. This is up from 2020 when they had 280 jobs and paid \$327,681.38 in fees.

Bommarito

Bommarito Automotive Group is a large car dealership group with five dealerships in Hazelwood. They received a \$750,000 loan to help with acquisition of the former Clay Cooley Toyota dealership. The loan was disbursed in three advances. Bommarito must satisfy specific criteria to receive each advance:

1. To receive the first advance, Bommarito must show they have made the investment into the facility and provide documentation that they have obtained the lease for the dealership facility. Additionally, they must show they preserved and maintained the existing jobs in the city and that they have created at least 10 jobs. Bommarito met these requirements.
2. In order to receive the second advance, Bommarito must show that they created a total of 20 new jobs in the city, including the 10 from the first advance. Bommarito met these requirements.
3. In order to receive the third advance, Bommarito must show that they created a total of 25 new jobs in the city, including the 10 from the first advance. Bommarito met these requirements.

The loan will be forgiven on July 1, 2024 - the fifth anniversary of Bommarito's purchase of the dealership.

In 2021, Bommarito Toyota paid over \$29,000 in business license fees, occupancy permit fees, and other fees and they have 30 jobs. The whole Bommarito dealership group located in Hazelwood paid over \$152,000 in business license fees, occupancy permit fees, and other fees and the group has 378 employees.

Bunzl Distribution

Bunzl Distribution is a company that distributes packaging, cleaning, and safety supplies to grocery stores and retailers around the region and into Canada, Mexico and the Caribbean. Bunzl borrowed \$750,000 through the City's local option loan fund. In order to receive loan forgiveness, Bunzl needs to create 73 jobs at their new facility in Hazelwood and then maintain those 73 jobs, with a minimum average wage of \$59,267, and payroll of \$4,300,000 over the next seven years. As of April 2020, \$375,000 of their loan had been forgiven, leaving two years until their loan is fully forgiven.

Due to the COVID-19 pandemic, Bunzl needed to layoff some employees which prevented them from meeting the required job threshold for forgiveness for 2020. They requested an extension on the loan term, which was granted. Their next verification report is due March 1, 2022.

In 2021, Bunzl paid \$35,633.59 in business license fees, occupancy permits fees, and other fees, a decrease from \$37,670.93 in 2020.

Buse/Major Custom Assemblies

Major Custom Assemblies, also known as Buse, was a manufacturer of wiring harness assemblies for the medical market. They had leased just under 46,000 square feet in the Hazelwood TradePort Industrial Park. They received a \$300,000 economic development loan. Buse moved into the facility in late 2018 and the City funded their loan in early 2019. In March 2020, they notified the City that Buse would be closing their facility, which was not related to the coronavirus pandemic.

Staff worked with City Attorney to have the loan repaid. Buse paid \$270,000 plus any interest owed, recognizing that the company had earned one year of forgiveness. Buse repaid a total of \$296,667.12 to the City's economic development fund.

Green Street/Pershall Road Development

Green Street is a developer that owns the vacant lot at 8930 Pershall Road and the building/lot at 8900 Pershall Road. They were the developer for the Book Source building at 8950 Pershall Road.

Green Street is building a new \$7.1 million building at 8930 Pershall Road as Phase I. Phase II would be to tear down the existing building at 8900 Pershall Road and build a new building. As part of the project, Green Street received a 100% real property tax abatement for 10 years through a Chapter 100. This is no minimum number of jobs or payroll requirements, but Green Street anticipates the first building could generate up to 60 jobs based on other projects they have built. Green Street has agreed to a 10-year escalating Payment in Lieu of Taxes (PILOT) schedule that is similar to other PILOT schedules in Hazelwood – Green Street will pay tax on the current value of the land plus an additional:

- \$0.10 per square foot for years one through four,
- \$0.12 per square foot for years five through seven, and
- \$0.15 per square foot for years eight through 10.

Staff is working with Green Street to make sure all the proper environmental studies are done so the company can start building.

Hazelwood Logistics Center

The original owner of Hazelwood Logistics Center (HLC) business park, McEagle, was granted a repayable economic development loan in the amount of \$390,000 for cleanup of the dump site on the property. There was also a TIF put on the HLC land. McEagle sold the property to North Point Development. When North Point bought the property, the developer and the City negotiated to shrink the TIF to the existing building and to put a Chapter 100 and a Chapter 353 tax abatement on the rest of the property. Their tax abatement is as follows:

- Runs for 18 years, which was the remaining time on the TIF when the agreement was reached, starting in 2016;
- 100% real property abatement for the first 10 years;
- 50% real property abatement for the last eight years.

At this time, HLC is fully built out and has 2 spaces open for tenants. Businesses in HLC paid a total of \$197,689.54 in business license fees, occupancy permit fees, and other fees in 2021, an increase from \$168,481.89 in 2020. Additionally, there are more than 2,215 jobs in the park.

Hazelwood TradePort

Hazelwood TradePort (HTP), a business park being developed by North Point Development, was granted a Chapter 100 bond incentive for real property taxes. PILOTs are calculated by multiplying the square footage of the completed building by the applicable per square foot PILOT amount on the PILOT schedule (attached). For example, if a 300,000 square foot building was substantially completed in 2022:

- The PILOT Payment for 2023 for the building would be $300,000 * \$0.11 = \$33,000$; and
- The PILOT Payment for 2040 for the building would be $300,000 * \$1.02 = \$306,000$.

Four buildings are completed, one building is almost completed, and a sixth building is in the beginning stages of construction.

Businesses in HTP have more than 400 jobs and paid a total of \$22,480.39 in business license fees, occupancy permit fees, and other fees in 2021, an increase from \$10,680.55 in 2020. Currently, nine businesses call HTP home: Mygrant Glass, Superior Freight, Wayfair, Bridgetown Trucking Midwest, Roto-Rooter, Keystone Auto Industries, 24 Seven Enterprises, Glideaway Bed Carriage, and Elite Printing and Packaging.

MiTek

MiTek was granted a Chapter 100 abatement for real property taxes on its new building in Hazelwood on McDonnell Blvd. Site construction was completed in 2018. Their building is occupied and the company is bringing in more equipment. Their first PILOT was due at the end of 2019 and equaled 50% of the taxes. In order to continue receiving 50% abated taxes, MiTek will need to have 150 jobs in their facility in 2021. Their 2020 report shows they have 57 jobs in the facility.

In 2021, MiTek paid a total of \$127,138.97 in fees, an increase over 2020's total of \$120,580.03.

Presence From Innovation

Presence From Innovation, LLC (PFI) received a Chapter 100 abatement on their expansion at their Park 370 facility. The agreement was for 100% abatement of property taxes for five years. As such, no PILOTs are due initially. There are two exceptions:

1. If there are less than 25 jobs at the facility or less than 27 jobs with a total payroll of less than \$2,072,000, the building owners must pay an extra PILOT. This will reduce the amount of tax abatement. If 25 or 26 jobs are reported, the company will not have to make the additional PILOT payment if the total payroll is still equal to \$2,072,000.
2. The maximum amount of abatement is \$600,000. If the exemption exceeds this amount in any year of the Chapter 100, there will be a PILOT for any amount over \$600,000.

According to PFI's 2020 annual compliance report, they met the requirements to not pay a PILOT. They had 40 jobs and a total annual payroll for the jobs reported was over \$2.8 million.

In 2021, PFI's Park 370 location paid \$624 in fees. All four PFI locations in Hazelwood paid over \$35,214 in fees this year, an increase over 2020's total of \$30,338.

Pallet Logistics Management

Pallet Logistics Management (PLM) recycles or rebuilds pallets and provides management services for all the recycled waste stream products, such as corrugated cardboard and plastics. They also offer dedicated transport services, and are a packaging products and equipment distribution company. PLM received a \$450,000 loan to relocate and consolidate three locations to 7100 Hazelwood Ave. The jobs the company is bringing consist of managerial, office, truck drivers, maintenance, and line workers. The loan is broken into two tranches:

1. The first tranche is \$300,000 and predicated upon the company completing the move and bringing 122 jobs with an average salary of \$52,052 to the new facility. The first tranche was funded in August 2020 when PLM satisfied the requirements. The forgiveness schedule for the first tranche is five years in equal 20% increments.
2. The second tranche is \$150,000 and funded once PLM shows it has added at least two jobs since the funding of the first tranche and that they will continue to add at least 2 new jobs over the next six years. The new jobs must meet a minimum average wage of \$43,025, which is 90% of the County average wage at the time of the agreement. The second tranche has not been funded. The forgiveness schedule for the second tranche is seven years, with 10% in the first year and 15% increments for the final six years.

Note that since the property is in the Enhanced Enterprise Zone (EEZ), it is eligible for a 50% abatement of the real property tax through 2028. PLM did apply for and received abatement through the County for the EEZ.

PLM paid almost \$4,000 in business license fees, occupancy permit fees, and other fees in 2021.

Quiet Logistics

Quiet Logistics, located in HLC, is a third-party distributor of goods. They were granted a \$450,000 loan through the City's local option loan fund. The loan is forgivable if Quiet Logistics meets certain conditions, including:

- Creating 116 jobs with an average wage of \$26,785 in their first year of operation at the new facility;
- Maintain those jobs and add 68 jobs with all jobs having an average wage of \$30,261 in years three, four, and five; and
- By the end of year five, Quiet has at least 209 jobs at their facility with an average wage of \$38,010.

Quiet Logistics must submit verification reports by Sept. 1 of each year, beginning in 2018, showing they have met the above criteria in order to receive loan forgiveness. Due to issues in hiring enough workers, Quiet Logistics requested an additional year on their loan period, which the City approved.

According to the Quiet Logistics's latest verification report, the company 194 jobs with wages averaging \$36,447.85. Their next report will be due Sept. 1, 2021 and Quiet Logistics will need to have 195 jobs with an average wage of \$34,676. They have three years of forgiveness remaining on the loan for a total of \$315,000.

Quiet Logistics paid over \$14,000 in business license fees, occupancy permit fees, and other fees in 2021.

Silgan Plastics

Silgan Plastics was issued a Chapter 100 bond in the amount of \$13 million to purchase equipment. The abatement is 50% of the taxes assessed on the book value of the equipment. Additionally, Silgan Plastics was granted a \$1.3 million forgivable loan through the City's economic development loan program. The loan is split into three tranches:

1. The first tranche is for \$400,000. In order to receive this tranche, Silgan needed to assume occupancy of their new facility and commence operation of its manufacturing plant before Aug. 31, 2016, create at least 120 manufacturing jobs in the City, and have a total annual payroll cost of \$4.3 million for the 120 manufacturing jobs. Silgan met this requirement and they received the first tranche in Oct. 2016.
2. The second tranche is for \$500,000. In order to receive this tranche, Silgan had to maintain occupancy and operations at their facility, maintain at least 120 manufacturing jobs, and maintained a total annual payroll cost of \$4.3 million for the 120 manufacturing jobs. Silgan met this requirement and they received the second tranche in Oct. 2017.
3. Per the Total Amendment and Restatement Agreement from August 19, 2020, the third tranche is \$400,000. Silgan must add 50 managerial and research and development jobs to Hazelwood and increase the minimum total payroll to \$7.3 million with forgiveness being on an eight year schedule. Silgan expected to complete the expansion by December 31, 2020. Staff is waiting for an update on the project. Of note, the original third tranche was \$500,000 and contingent upon Silgan relocating their headquarters to Hazelwood and creating 70 executive jobs in addition to still satisfying the requirements for the second tranche by Dec. 31, 2025.

Both the Chapter 100 tax abatement and the economic development loan agreement stipulate that Silgan provide annual reports showing monthly job total and annual payroll total. Silgan paid a total of \$221,184.74 in 2021 for business license fees, occupancy permit fees, and other fees. They also pay the full 6% utility tax on all utilities at the plant.

Stroco

Stroco is a company that creates shims, brackets, nut plates, terminal boards, cover plates, receptacle strips, and other metal products for the aerospace industry. They have been a long-time Hazelwood business that recently expanded their facility. The company borrowed \$700,000 through the City's local option loan program to help expand their facility within Hazelwood.

Stroco's 2020 verification report shows they had 158 employee with an average salary of \$48,780. Total payroll over \$7.7 million, \$3.5 million of which has been added to due to the expansion. Since Stroco exceeded the requirements laid out, they qualified for 15% (\$105,000) forgiveness. They have two years left on their loan.

In 2021, Stroco paid a total of \$12,247.66 in business license fees, occupancy permit fees, an increase from \$9,792.95 for the prior year.

Theodoro/Nature's Own Bakery

Theodoro took out a loan for \$770,000 from the City's economic development fund in 2012 to open a new facility in Hazelwood. Nature's Own Bakery bought Theodoro's assets out of bankruptcy in 2014 and assumed the remaining debt from the original agreement. Nature's Own Bakery satisfied all job and wage requirements and as of June 2020, the loan was fully forgiven.

They paid a total of \$192,431.49 in 2021 for business license fees, occupancy permit fees, and other fees, and increase over the previous year's total of \$134,272.40. The company has 118 employees.

Trans-Lux Corporation

Trans-Lux manufactures various electronic screens and signs, such as the large displays at sports facilities. They entered into an economic development loan agreement with the City for \$650,000 in 2016, subsequently amended in 2017, to bring at least 90 jobs to Hazelwood and relocate their existing operations from China and Iowa to Aviator Business Park.

Trans-Lux has never met the job requirements or earned loan forgiveness and is having significant financial difficulties, leading to a takeover by their creditors. The company's senior management has been replaced. Trans-Lux repaid \$650,000 to the City in July 2020.

It is important to note that Trans-Lux is still located in Aviator Business Park. In 2021, Trans-Lux paid \$15,847.06 in business license fees, occupancy permit fees, and other fees, up from \$14,970.37 in 2020.

Village Square

Somera Road is the owner and developer for Village Square and they are redeveloping the property using a Chapter 353 district and a Community Improvement District (CID). The Chapter 353 provides 100% real property tax abatement (above the base year value) in years 1 – 10 and 50% real property tax abatement in years 11 – 25. The CID provides a one percent sales tax on eligible sales in within the CID and a special assessment of \$1.00 per square foot of the buildings. The sales tax took effect Jan. 1, 2020, and the property assessment was effective for taxes due Dec. 31, 2020. Somera Road has been renovating the interior and exterior of the main buildings, including new facades, redoing the parking lot, and adding new lighting.

Somera Road is speaking with several potential tenants and expect to have updates soon. Dollar Tree recently opened and Axes Physical Therapy expanded their location within the center.

In November 2019, the IDA agreed to partner with Somera Road, the developer and owner of Village Square, on a competitive grant for businesses. The COVID-19 pandemic slowed that process but the IDA and Somera Road choose two winners for the grant and they will be announced in the upcoming couple of months.

In 2021, businesses in Village Square have over 720 employees, which is an increase from last year's 597 employees. The businesses paid over \$8,900 in business license fees, occupancy permit fees, and other fee, which is down from approximately \$9,100 in 2020.