

BILL NO. 1-11-24(2)

ORDINANCE NO. 1368

AN ORDINANCE AUTHORIZING THE MAYOR TO SIGN A TERMS SHEET WITH CHEHAR PETROLEUM, INC., RELATED TO A PROPOSED INCENTIVE APPLICATION.

WHEREAS, Chehar Petroleum, Inc. (“Applicant”), has indicated its interest in submitting applications for sales tax pledge, community improvement district and Chapter 100 Bonds for the development of a travel truck stop on property that will be annexed within the City of Mound City, Missouri (“City”); and

WHEREAS, the City’s staff and consultants have conducted initial due diligence regarding the proposed applications and have negotiated certain terms with the Applicant related to the due diligence conducted; and

WHEREAS, it is in the best interest of the City to memorialize these terms prior to the submission of the applications; and

WHEREAS, the Board of Aldermen of the City of Mound City, Missouri (“Board of Aldermen”) desires to authorize the Mayor of the City to sign a Terms Sheet memorializing the negotiated terms.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE CITY OF MOUND CITY, MISSOURI, AS FOLLOWS:

SECTION 1: That the Terms Sheet, a copy of which is attached hereto and incorporated herein as **Exhibit A**, is hereby approved and adopted.

SECTION 2: That the Mayor is hereby authorized to sign the Terms Sheet.


SECTION 3: That City staff, the City’s special legal counsel, and other appropriate City officials are hereby authorized to take any and all actions as may be deemed necessary or convenient to process the applications for incentives pursuant to state statutes and City ordinances and policies.

SECTION 4: This Ordinance shall be in full force and effect from and after its passage and approval by the Board of Aldermen.



Passed this 11th day of January, 2024.

Approved this 11th day of January, 2024.



Duane Nauman, Mayor

ATTEST:



Annissa Brandon, City Clerk

EXHIBIT A

Terms Sheet

Between the City of Mound City, Missouri, and Chehar Petroleum, Inc.
for a Sales Tax Pledge, Community Improvement District, and Chapter 100 Bonds
for the development of a T/A Travel Center

(SEE ATTACHED)

Terms Sheet

Between the City of Mound City, Missouri, and Chehar Petroleum, Inc. for a Sales Tax Pledge, Community Improvement District, and Chapter 100 Bonds for the development of a Travel Center

January __, 2024

The purpose of this Terms Sheet is to provide a guide to the preliminary negotiation of the terms of a development agreement between the City of Mound City, Missouri (the “City”), and Chehar Petroleum, Inc. and its assigns (the “Applicant”) for implementation of economic development incentives for the development of a travel truck stop located on property that is currently adjacent to City limits and which the Applicant intends to annex said property within the City. The proposed development is expected to provide approximately 19,500 square feet of total commercial space distributed across a convenience store, associated restaurants and truck wash/service building (the “Development Project”), as generally depicted in the concept plan attached hereto as **Attachment A.1**. The Terms Sheet provides written evidence of the parties’ understanding of certain material terms of the economic development incentives to be provided to the Development Project and the Applicant’s cooperation with the consideration of the approval of a sales tax pledge agreement, a community improvement district and Chapter 100 bonds (the “Proposed Incentives”), all of which will be presented to the Board of Aldermen for approval.

At the time of this writing, the City has not completed an initial draft of the documents to implement the Proposed Incentives. However, City staff and consultants have met with the Applicant to discuss preliminary due diligence information to serve as a basis for early discussions. The parties understand that the incentive amounts enumerated in this Terms Sheet are still subject to review based on the analysis of additional information related to the Development Project. The parties further understand that approval of the Proposed Incentives are subject to the sole discretion of the Board of Aldermen. The final, executed sales tax pledge agreement, community improvement district petition and cooperative agreement, and the Chapter 100 bond documents (the “Development Agreements”) will contain additional and more detailed provisions related to implementation of the Proposed Incentives, if approved. Although the provisions agreed to by virtue of this Terms Sheet are expected to appear in the Development Agreements in substantively the same form, such provisions may be modified by the mutual agreement of the parties to the Development Agreements.

I. Development Summary

- A. The Applicant is proposing to develop the Development Project. The Development Project is generally located at the northwest corner of MO Route 118 and Interstate 29 (the “Development Area”). Currently, a portion of the Development Project is located in unincorporated Holt County.

¹The attached concept plan is subject to change, however, such changes shall not substantially modify the components of the Development Project or otherwise alter the proposed private costs materially.

- B. **Total Development Project Costs:** The total cost of the Development Project is estimated to be \$16,350,284. The costs are allocated between private Development Project costs and public Development Project costs. The costs are allocated as follows:

Mound City, MO
Sources and Uses

Project Cost	Total	Shared City Sales Tax (General Fund)	Shared City Sales Tax (Capital Improvements)	CID Reimbursement	Developer Private Costs
Acquisition Costs	\$1,000,000	\$0	\$0	\$0	\$1,000,000
Building Costs	\$12,065,695	\$566,260	\$0	\$1,571,679	\$9,327,746
14,500 SF Building	\$ 5,075,000				
10,500 SF Truck Wash/Service Repair Building	\$ 1,260,000				
Gas/EV Station Components	\$ 630,500				
Parking/Paving	\$ 3,252,195	\$ 566,260		\$ 1,571,679	\$ 2,137,933
Signage	\$ 50,000				
Underground Storage Tank	\$ 968,000				
Landscaping	\$ 70,000				
FFE	\$ 850,000				
Site Construction Costs (Demo/Etc.)	\$975,000	\$0	\$0	\$0	\$975,000
Sewer/Sanitary	\$612,500	\$219,500	\$392,320	\$0	\$0
General GC Conditions	\$976,099	\$0	\$0	\$0	\$976,099
Soft Costs (Civil/Etc.)	\$721,000	\$0	\$0	\$0	\$721,000
TOTAL PROJECT COSTS	\$16,350,284	\$785,840	\$392,320	\$1,571,679	\$13,599,845
		Shared City Sales Tax (General Fund)	Shared City Sales Tax (Capital Improvements)	CID Reimbursement	Developer Private Costs
		5%	2%	10%	83%
		20 years	20 years	20 years	

- C. **Private Development Project Costs:** The private portion of the total cost of the Development Project is estimated to be \$13,599,845.
- D. **Public Development Project Costs:** The public portion of the total cost of the Development Project is estimated to be \$2,750,439 (plus reimbursable interest thereon, as discussed below), and consist of the Proposed Incentives components set forth in Section III.C. below.

II. Development Schedule.

It is anticipated that the Applicant will begin construction of the Development Project by February 28, 2024. Completion of the project is anticipated to be by approximately eighteen (18) months after commencement of construction, but the parties hereto acknowledge and agree

that the actual timing for commencement of construction and completion of the Development Project will depend on tenant/user demand.

III. **Financing.**

- A. **Private Financing.** The costs of the Development Project will be paid for with private debt and equity, subject to partial reimbursement as described below under “Proposed Incentives.”
- B. **Preliminary Project Costs.** The total Development Project costs are estimated to be \$16,350,284. The private portion of the total Development Project costs is estimated to be \$13,599,845 (~83%).
- C. **Proposed Incentives.** The Applicant is requesting \$2,750,439 in public assistance for the Development Project costs (~17%) (plus reimbursable interest thereon, as discussed below). Below are the following public incentives being requested by the Applicant (collectively the “Proposed Incentives”):
 1. *City Sales Tax Reimbursement (“CSTR”).* City staff and consultants have agreed in principal to support the submission of an application requesting the City to share revenues generated by the Applicant’s proposed Development Project from the City’s 1.5% Sales Tax (the “CSTR Revenues”). The City will pledge 0.75% of the CSTR Revenues generated each year by the Development Project for a period not to exceed twenty years from when the travel center opens for business, including reimbursable interest thereon, as discussed below. The maximum amount of Development Project costs to be reimbursed under the CSTR program shall not exceed \$1,178,760 (plus reimbursable interest thereon, as discussed below). This amount (plus reimbursable interest thereon, as discussed below) would be the City’s hard cap for reimbursement to the Applicant through CSTR for this Development Project, but only until year twenty. Once the sum of \$1,178,760 is reimbursed to the Applicant from CSTR Revenues, the pledge of the CSTR Revenues shall terminate and the City shall thereafter receive 100% of the CSTR Revenues generated by the Development Project. City staff will seek to have the Board of Aldermen declare the Development Area to be a blighted area and determine that the development of the travel center has a public purpose. The CSTR revenues will be pledged at risk to the Applicant and the Applicant will indemnify the City against any challenge to the City’s pledge of the CSTR Revenues.
 2. *Community Improvement District (“CID”).* A CID sales and use tax in the amount of 1.0% would be levied within the Development Area. The Applicant will utilize CID revenues for the reimbursement of costs of the Development Project as permitted by State statutes. Initial estimates of the amount of CID revenues available to pay for and/or reimburse Development Project costs is \$1,571,678 (plus reimbursable interest thereon, as discussed below). The City will be allowed at least one seat on the board of directors of the CID.
 3. *Chapter 100 Industrial Revenue Bonds (“Chapter 100 Bonds”).* The City will consider the approval and issuance of Chapter 100 Bonds to provide tax abatement and a sales tax exemption for construction materials for the Development Project. The term of the bonds shall be for a period of 20 years. The Developer will pay a payment in lieu of taxes (“PILOT”) in the amount of 50% for years 1-20 during the term of the Chapter 100 bonds. The City will issue a certificate for the utilization of the sales tax exemption on construction materials only. It is estimated that the construction materials will cost approximately \$5,216,274. The sales tax savings on the proposed cost is \$429,039. Provided that, the City acknowledges and understand such calculations are only estimates,

and such estimates shall not limit the Applicant from incurring higher costs for construction materials and thereby saving more in overall sales tax savings.

4. The City makes no guarantee that the Proposed Incentives revenues will be enough to reimburse the Applicant's eligible costs; the potential that such revenues are not sufficient to do so is the Applicant's risk.
5. Applicant will voluntarily annex any remaining portion of the project area located within unincorporated Holt County into the City prior to a date specified by the parties in a mutually agreed upon Development Agreement, provided that an executed Terms Sheet is provided to the Applicant.

IV. Certification of Reimbursable Project Costs

Process for Reimbursement: The Applicant shall certify all costs in a manner reasonably determined by the City and submit requests for reimbursement from CSTR revenues on a form provided by the City. Each reimbursement request shall specify the total actual costs incurred by the Applicant, and shall be accompanied by copies of invoices, canceled checks, receipts, lien waivers, and such other supporting documentation related to the requested reimbursement as the City shall reasonably require.

V. Reimbursement of Interest Expenses

The Applicant is eligible to receive interest on the principal amount of certified reimbursable Development Project costs until reimbursed, which will not compound, at the rate of 6.5% per annum.

VI. Administrative Costs and Expenses

- A. Basis For Administrative Fee: The parties shall agree to an Administrative Fee in the Development Agreements to reimburse the City for its administrative costs and expenses (including staff time and contracted services) in connection with the ongoing administration of the Development Agreements, in an amount of two percent (2.0%) of the Public Incentives revenues generated by the Development Project (the "City Administrative Fee"); specifically, the City Administrative Fee shall be calculated based on 2% of the CSTR and CID revenues generated by the Development Project and transferred to the City from the Missouri Department of Revenue.
- B. Payment of Administrative Fee: The City Administrative Fee shall be reimbursed from Public Incentives revenues generated by the Development Project but shall not be deducted from the reimbursement caps set forth herein. Reimbursement of the City Administrative Fee shall occur at the City's discretion when funds are available.



Signature

Jagadish Patel, President

Date
Chehar Petroleum, Inc.



Signature

Mayor

Date
City of Mound City

