

MITCHELL || WILLIAMS

MEMORANDUM

TO: City of Jonesboro, Arkansas
FROM: Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.
DATE: March 2, 2022
RE: Colson Caster

At its November 17, 2020 City Council meeting, the City adopted a resolution (Res-20:205) authorizing an Agreement to Issue Bonds in the amount of \$24,000,000 and expressing the City's intent to offer tax abatement to Colson Group Holdings, LLC for the purpose of incentivizing Colson to re-build in the City. The City Council hosted a public hearing at its December 1st meeting, and no adverse comments were received.

Originally, Colson and the City anticipated that the Bonds would be issued solely for the purpose of achieving tax abatement. Industrial Development Revenue Bonds issued solely for this purpose would not result in a financial obligation for either the City or Colson.

Subsequent to the initial communications with the City, Colson requested and received state support with guaranties from the Arkansas Development Finance Authority backing \$6,000,000 of bonds and from the Arkansas Economic Development Commission backing \$5,000,000 of bonds. Further, Colson received a lending commitment of \$4,000,000 from First Security Bank who is partnering with ADFA and AEDC so that its bonds and the guaranties will be on a parity of security. The bonds supported by the state will be the \$11,000,000 Series A bonds. First Security Bank will

purchase the \$4,000,000 Series B Bonds. An affiliate of Colson will purchase the \$9,000,000 Series C Bonds.

At its core, the ordinance presented to the City Council results in tax abatement for the entire \$24,000,000 investment by Colson – just like the majority of ordinances supporting industrial development projects in the City. In this instance, the City also is facilitating the state’s support of the Colson project and a local bank’s lending commitment – without the City’s incurrence of a financial obligation. The proposed Industrial Development Revenue Bonds are special, limited obligations of the City payable solely from rents paid by Colson.

In contrast to other tax abatement projects supported by the City, Colson will incur a financial obligation. It is utilizing the bond structure to implement advantageous financing options offered by First Security Bank and facilitated by ADFA and AEDC.

SUMMARY

- \$24,000,000 of Industrial Development Revenue Bonds will be issued by the City of Jonesboro
 - The City’s sole obligation is to allow the Trustee to collect the rents paid by Colson. There is no financial obligation on behalf of the City.
- Colson is granted tax abatement of 65% for 20 years on its \$24,000,000 investment.
- Colson will incur a financial obligation with respect to the \$11,000,000 Series A Bonds and the \$4,000,000 Series B Bonds. Those financial obligations will be secured by Colson’s land, building and equipment.