

Officials Cautious After Mamtek Failure

Wes Duplantier, Associated Press

JEFFERSON CITY, Mo. (AP) — Five months ago, the failure of a sweetener factory project in a northern Missouri town sent a jolt through the state's small towns about the risk of putting money into startup companies.

Now, small cities across the state are trying to learn from Moberly's mess, with some saying they're being more careful about supporting new projects — even as they face pressure to create jobs quickly in the down economy.

Mamtek U.S. Inc. had promised to build an artificial sweetener factory in Moberly. The venture was projected to create 612 jobs in a city of about 14,000 people, but it never opened.

In September 2011, the company missed a payment toward \$39 million of bonds issued by Moberly for the project. Construction of the factory halted and the city has said it will default on the bond. The city's credit rating has also been downgraded by Standard and Poor's.

Missouri had offered up to \$17 million in state incentives, but nothing was paid because the deal fell apart before Mamtek received the state money. In a statement this past week, Moberly Mayor Bob Riley said local economic development officials had acted as "responsible stewards" of taxpayer money.

Also this past week, an investigative committee in the state House issued a report saying the state should have done a better job of communicating with Moberly officials about the possibility of Mamtek's failure, including sharing an email that revealed the company had never started production in China because of a dispute with local environmental groups.

For their part, Moberly officials appear to have relied on a Mamtek attorney who they said told them the China plant had been "operational for several years." The attorney later told House investigators that he was aware of Mamtek's problems in China before the bond deal in Moberly had closed.

But the committee could not find any evidence that the attorney ever told Moberly officials about those problems.

Richard Sheets, deputy director of the Missouri Municipal League, said small cities rely on the state to refer them projects— and also to verify a project's financials.

"When the state comes to the city and says, 'Hey, here's this thing we have,' I think it's a trust level they have with this agency because they have worked with them in the past," Sheets said. "I think this would definitely have to have some impact on the relationship between DED and cities."

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While regulators and lawmakers sort through the Mamtek debacle, local economic development officials in two cities similar to Moberly say that individual communities should be doing their own due diligence to make sure they don't invest in projects that could end in big losses.

Carolyn Chrisman was a member of the Kirksville city council when the DED began pushing the Mamtek project in Moberly. Now she's Director of Job Creation for K-REDI, a not-for-profit group that works to create manufacturing jobs in Kirksville. Chrisman said she has a responsibility to research projects looking to come to her city. But she said the failure of Mamtek placed fresh emphasis on the need to get verified information about a company's track record.

"I think it really has woken people up at every level," Chrisman said. "I think it's just made everyone more aware that we do have to do more due diligence."

Steve Halter, Director of Economic Development for Poplar Bluff and Butler County, said his city does take suggestions for projects from the state, but he said that for a project with the potential impact that Mamtek promised, his staff would research the company itself, even if doing so were expensive or time-consuming.

"If you're talking about a significant amount of jobs and a significant amount of capital," Halter said, "I would do what I have to do."

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