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California Dispute Over Spicy Sauce Imperils Bond Payment.

A dispute over eye-watering odors between city officials in Irwindale, [California](#), and a company that makes spicy sauce there may jeopardize bond payments if the food maker leaves, according to bond documents.

[Huy Fong Foods Inc.](#), which grinds peppers for its [Sriracha Hot Chili Sauce](#) in the community about 20 miles (32 kilometers) east of Los Angeles, has been locked in a legal dispute with the city since last year, when a judge ordered it to reduce “extremely annoying, irritating and offensive” smells that prompted complaints from neighbors.

While the two sides are negotiating over odor-abatement technology, closely-held Huy Fong has threatened to leave town, even as Irwindale plans to sell \$10.8 million in bonds to refinance debt. The offering is backed by real-estate taxes and Huy Fong, with its 628,000-square-foot (58,300-square-meter) plant, is the third-largest property owner in the city, according to the documents.

“Although anticipated that the parties will reach an agreement, if such agreement cannot be reached between the city and Huy Fong, and Huy Fong’s operation is negatively impacted or shut down, it could have a material negative impact on the assessed valuation of such property and corresponding negative impact on the tax revenues,” according to bond documents.

Huy Fong’s property would generate about \$584,000 a year in tax revenue toward the bonds, according to the documents. The bonds, which are insured, are rated AA, third-highest, by [Standard & Poor’s](#).

Donna Lam, operations manager for Huy Fong, didn’t immediately respond to a phone call requesting comment on the company’s plans.

‘Public Nuisance’

Complicating the issue is a planned City Council [vote](#), scheduled for May 14, on a resolution to declare that Huy Fong has breached agreements to deal with the odors and declaring the factory a public nuisance, according to the bond document.

Chief Executive Officer David Tran, 69, grew up in [Vietnam](#) and emigrated to the U.S. in 1979. He named the company for the ship that carried him.

The rust-colored sriracha sauce, packaged in a clear squeeze bottle with a green cap, is decorated with a rooster, the symbol of Tran’s birth year. The company expanded into its Irwindale plant from nearby Rosemead as its popularity grew.

Neighbors of Huy Fong’s plant have complained of stinging eyes, aggravated asthma symptoms and nosebleeds, Irwindale’s city attorney has said.

Irwindale, with a population of about 1,500, is located at the base of the San Gabriel Mountains. Just

1 percent of the city's area is occupied by homes and apartments, with the largest share devoted to industrial uses such as sand and gravel mining, according to the city's [website](#).

The case is City of Irwindale v. Huy Fong Foods Inc., BC525856, California Superior Court, County of [Los Angeles](#).

By James Nash May 1, 2014 8:23 PM PT

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