



# City of Blaine Anoka County, Minnesota

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## Legislation Details (With Text)

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**WORKSHOP ITEM** *Erik Thorvig, Economic Development Coordinator*

### **DISCUSS POTENTIAL ECONOMIC DEVELOPMENT TIF DISTRICT FOR CROWN IRON WORKS PROJECT**

For almost two years staff has been working with a company called Crown Iron Works (Crown) about relocating their global headquarters to Blaine. Crown is currently located in Roseville with additional offices in six other countries worldwide. Crown is a global supplier of oilseed extraction technology, refining plants and processing equipment. They are an industry leader with over 400 large scale Crown designed facilities operating world-wide. The proposed building in Blaine would house their global office headquarters with executive level and administrative staff and design engineers, along with research, development and testing areas for the design of large scale oilseed extraction technology. Crown currently provides 102 jobs. The projected number at the new location is approximately 125 jobs. Jobs are:

- 50% engineering (average salary \$120,000/yr.)
- 10% supply chain (average salary \$110,000/yr.)
- 10% sales professional (average salary \$110,000/yr.)
- 10% accounting (average salary \$70,000/yr.)
- 10% admin (average salary \$50,000/yr.)

Crown has researched several sites across the north metro, however has identified the site at 9879 Naples St. as their preferred location. This property is owned by Mortenson Construction, who used the property as a contractor’s yard up until a few years ago. Mortenson is proposing to construct a 70,000 sf. office/research and development building and 5,000 sf. extraction

building for Crown. Crown would lease the building from Mortenson.

The original estimated project cost was \$14,037,521. Crown requires very specialized finished areas for their office and research/development work, causing construction costs to be much higher than typical for the developer. Therefore, under this proposal, it would have required rent amounts for Crown to be \$15.00/sf. annually, which was outside of Crown's budget for rent and much higher than market rate for this area.

Mortenson indicated the project cost would have to be reduced by approximately \$3.2mil in order to get rent rates down to \$11.41/sf. annually which is a rate that Crown is comfortable with and more consistent with market rates. As a result the developer was able to reduce the project cost by \$2mil; however a \$1.2mil project gap still exists.

Crown and Mortenson have requested city assistance to close this gap. Staff is proposing to offer tax increment financing to assist the project. Blaine currently has existing pooled redevelopment TIF money that is available for projects like this. These funds have been used in the past to assist companies like Aveda, Infinite Campus, Streamworks and Parametric Technologies. The beginning balance in 2017 for the pooled TIF account was \$8.3mil; however staff anticipates approximately \$6.9mil in expenditures from this account over the next several years on earmarked redevelopment and public infrastructure projects. Therefore, staff would propose only to use \$300,000 from the pooled TIF account for the Crown project.

To fund the remaining \$900,000 gap, staff is proposing to create an Economic Development TIF district for the project. Economic Development TIF districts are created to increase employment and tax base for cities from development of new manufacturing and research and design facilities. Economic Development TIF districts have a duration of 9 years, which is much shorter than a typical Redevelopment TIF district which has a duration of 26 years. The property currently collects \$35,000 in property taxes. It is anticipated the annual taxes generated by the project will be approximately \$150,000. Therefore the increase in taxes paid, or tax increment, of \$115,000 annually, can be contributed to the project over the 9 year period to fund the \$900,000 gap. In year 10, all taxing agencies receive the full benefit of the increased tax base the development created.

If Crown ultimately decides to locate in Blaine, they will begin design and obtain city approvals within the next six months and start construction sometime next summer with the business moving into their new building in June, 2019.

Staff believes Crown is a very strong company that Blaine should pursue. They have indicated that if the financial gap is not able to be resolved, it likely will result in them looking elsewhere for a project that will be more financially feasible for them. Staff believes the TIF proposal is consistent with the city's economic development goals and should be pursued.

The EDA/Council should discuss the proposal and direct staff to continue to work with Crown and to prepare documents to establish an Economic Development TIF district to assist in making the project economically feasible.