



City of Blaine Anoka County, Minnesota

Blaine City Hall
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Legislation Text

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ECONOMIC DEVELOPMENT AUTHORITY- *Erik Thorvig, Economic Development Coordinator*

RESOLUTION APPROVING AN AMENDMENT TO THE BLAINE ECONOMIC DEVELOPMENT PROJECT PLAN, ESTABLISHING AN ECONOMIC DEVELOPMENT TAX INCREMENT FINANCING DISTRICT AND APPROVING A TAX INCREMENT FINANCING PLAN THEREFOR (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 identified the site at 9859 Naples St. as their preferred location. The 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. At the June 21st City Council meeting the project received all necessary approvals for the project.

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. It's proposed to use a combination of new TIF revenue from an economic development TIF district specific to this project in the amount of \$713,756 and existing pooled TIF in the amount of \$486,244. 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 2018 for the pooled TIF account was \$5.6mil. Staff has prepared a long term plan for using these funds which included the Crown Iron Works project.

Formal action is required by the EDA to establish the economic development TIF district. 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 has a tax capacity of \$19,226. It is anticipated the new tax capacity when the project is complete will be approximately \$167,000, then increasing annually to \$206,000 by the end of the district. Therefore the increase in taxes paid, or tax increment, less administrative costs and fiscal disparities, of approximately \$100,000-\$123,000 annually, can be contributed to the project over the 9 year period to fund the \$713,756. The payment structure is referred to as pay-as-you-go, meaning the developer will receive annual payments, with interest, during the life of the district rather than one lump sum. However, the developer will receive the initial \$486,244 in pooled TIF when the project is complete. In 2029, all taxing agencies receive the full benefit of the increased tax base the development created.

The EDA is required to pass a resolution approving the TIF plan and a subsequent resolution approving the development agreement with Mortenson Construction.

Staff recommends approval of the proposed economic development TIF district for Crown Iron Works.

BE IT RESOLVED by the Board of Commissioners (the "Board") of the Blaine Economic Development Authority (the "EDA") as follows:

Section 1. Recitals.

1.01 The EDA has proposed to amend the Project Plan (the “Project Plan”) for the Blaine Economic Development Project (the “Project Area”) to expand the Project Area, to reflect increased public development and redevelopment costs and activities, and to establish Tax Increment Financing District No. 1-20 (An Economic Development District) (the “TIF District”) within the Project Area and to adopt the Tax Increment Financing Plan relating thereto (the “TIF Plan” and, together with the Project Plan, the “Plans”), all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.001 through 469.047, 469.090 through 469.1082, 469.124 through 469.134, and 469.174 through 469.1794, respectively (collectively, the “Plans”), all as reflected in that certain document, dated July 12, 2018, entitled “Amendments Relating to Blaine Economic Development Project Plan of the Blaine Economic Development Authority Including Establishment and Approval of Tax Increment Financing District No. 1-20 (An Economic Development District) and a Tax Increment Financing Plan therefor” and presented for the Board’s consideration.

1.02 The Board has investigated the facts relating to the amendment of the Project Plan, the establishment of the TIF District and adoption of the TIF Plan.

1.03 Certain actions required by law have been or will be taken prior to the adoption and approval of the TIF Plan, including, but not limited to, delivery of the TIF Plan to the County Auditor and School District Clerk, a review of the Amendment to the Project Plan by the City Planning Commission, and the holding of a public hearing by the City Council (the “Council”) of the City of Blaine, Minnesota (the “City”) thereon following notice thereof published in the City’s official newspaper.

1.04 Certain written reports and other documentation (collectively, the “Reports”) relating to the TIF Plan including the tax increment application made and other information supplied by Mortenson Development, Inc., a Minnesota corporation (or an affiliate thereof, the “Developer”) and Crown Iron Works Company, a Delaware corporation (the “Operator”) as to the activities contemplated therein, have heretofore been assembled or prepared by staff or others and submitted to the Board and/or made a part of the City and EDA files and proceedings on the TIF Plan. The Reports include data, information and/or substantiation constituting or relating to (1) why the assistance satisfies the so-called “but for” test and (2) the bases for the other findings and determinations made in this resolution. The Board hereby confirms, ratifies and adopts the Reports, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

1.05 The Developer has proposed to acquire, construct and equip an approximately 70,000 square foot custom manufacturing, office, research and development warehouse facility and an approximately 5,000 square foot pilot research and development building to be leased to the Operator (collectively, the “Development”) and has requested that the EDA provide tax increment assistance to pay a portion of the public redevelopment costs of the Development.

Section 2. Findings for the Creation of the TIF District and Adoption and Approval of the Plans.

2.01 The Board hereby finds that the land within the Project Area is proper and desirable to establish and develop within the City, its effect will be to carry out the objectives of the Redevelopment Plan by creating an impetus for the development of a manufacturing, warehouse and related structures in the City, and otherwise promote certain public purposes and accomplish certain objectives as specified in the Plans. The Project Area has been previously established by the City and the EDA and is not being expanded in connection with the establishment of the TIF District.

2.02 The Board hereby finds that the TIF District is in the public interest and is an “economic development district” within the meaning of Minnesota Statutes, Section 469.174, Subdivision 12, because it will discourage commerce and industry from moving their operations to another state, it will result in increased employment in the state, and it will result in capital investment in the City and therefore preservation and enhancement of the tax base in the state.

2.03 The Board hereby makes the following additional findings in connection with the TIF District:

(a) The Board further finds that the proposed development, in the opinion of the Board of Commissioners, would not occur solely through private investment within the reasonably foreseeable future and, therefore, the use of tax increment financing is deemed necessary. The specific basis for such finding being:

The Developer and the Operator have represented that they could not proceed with the proposed construction of the Development in the TIF District without tax increment assistance due to the high cost of the specialized nature of the construction of the facility.

(b) The Board further finds that the TIF Plan conforms to the general plan for the development or redevelopment of the City as a whole. The specific basis for such finding being:

The TIF Plan will generally complement and serve to implement policies adopted in the City’s comprehensive plan. The Development contemplated on the property is in accordance with the existing zoning for the property and the City’s Planning Commission has determined that the Development is consistent with the comprehensive plan.

(c) The Board further finds that the TIF Plan will afford maximum opportunity consistent with the sound needs of the City as a whole for the development of the TIF District

by private enterprise. The specific basis for such finding being.

The proposed Development will be used by the Operator, a private enterprise, for manufacturing of customized food processing systems and related activities and will afford maximum opportunity for the development of the applicable parcels consistent with the needs of the City. The Development will maximize the potential of an underutilized site and will increase the taxable market valuation of the City and the available manufacturing facilities in the City.

(d) For purposes of compliance with Minnesota Statutes, Section 469.175, Subdivision 3 (b)(2)(ii), the Board of Commissioners hereby finds that the increased market value of the property to be developed within the TIF District that could reasonably be expected to occur without the use of tax increment financing is probably \$0 (other than amounts due to inflation), which is less than the increased market value estimated to result from the proposed development (i.e., approximately \$9,345,515) after subtracting the present value of the projected tax increments for the maximum duration of the TIF District (i.e., approximately \$800,991) which is approximately \$8,544,524. Thus, the use of tax increment financing will be a positive net gain to the EDA, the School District, and the County, and the tax increment assistance does not exceed the benefit which will be derived therefrom.

2.04 The EDA elects to retain all of the captured tax capacity to finance the costs of the TIF District. The EDA elects the method of tax increment computation set forth in Minnesota Statutes, Section 469.177, Subd. 3(a).

2.05 The provisions of this Section 2 are hereby incorporated by reference into and made a part of the TIF Plan.

2.06 The Board further finds that the Plans are intended and, in the judgment of this Board, their effect will be, to promote the public purposes and accomplish the objectives specified therein.

Section 3. Creation of the TIF District and Approval and Adoption of the Plans; Interfund Loans.

3.01 Subject to the approval by the City Council following a public hearing, the Amendment to the Project Plan, establishment of the TIF District and adoption of the TIF Plan, as presented to the Board on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted.

3.02 The staff of the EDA and the advisors and legal counsel of the City and the EDA are authorized and directed to proceed with the implementation of the TIF District and the TIF

Plan therefor.

3.03 The Board hereby approves a policy on interfund loans or advances (“Loans”) for the TIF District, as follows:

(a) The authorized tax increment eligible costs (including without limitation out-of-pocket administrative expenses in an amount up to \$103,881, interest in an amount up to \$219,937 and other project costs in an amount up to \$715,000) payable from the TIF District, as its TIF Plan is originally adopted or may be amended, may need to be financed on a short-term and/or long-term basis via one or more Loans, as may be determined by the City Finance Director from time to time.

(b) The Council specifically, in addition to the loans described above, approves an interfund Loan in the amount of \$486,245 in pooled tax increment from one or more of Tax Increment Financing Districts Nos. 1-3, 1-4, 1-5, 1-11, and 1-13, as designated by the City Finance Director, to be repaid from available tax increments from the TIF District remaining after payment of the Tax Increment Revenue Note (Crown Iron Works Project) issued to the Developer, plus, to the extent sufficient tax increments are available, interest on the outstanding balance of such Loan at the greater of the rate specified under Minnesota Statutes, Sections 270C.40 or 549.09 at the time such payment is made to the Developer.

(c) The Loans may be advanced if and as needed from available monies in the City’s or the EDA’s general fund or other City or EDA fund designated by the City Finance Director. Loans may be structured as draw-down or “line of credit” obligations of the lending fund(s).

(d) Neither the maximum principal amount of any one Loan nor the aggregate principal amount of all Loans may exceed \$1,038,818 outstanding at any time.

(e) All Loans mature not later than February 1, 2029 or such earlier date as the City Finance Director may specify in writing. All Loans may be prepaid, in whole or in part, whether from tax increment revenue, TIF bond proceeds or other eligible sources.

(f) The outstanding and unpaid principal amount of each Loan shall bear interest at the rate prescribed by the statute (Minnesota Statutes, Section 469.178, Subdivision 7), which is the greater of the rates specified under Minnesota Statutes, Section 270C.40 or 549.09 at the time a Loan, or any part of it, is first made, subject to the right of the City Finance Director to specify a lower rate (but not less than the City’s or the EDA’s then-current average investment return for similar amount and term).

(g) Such Loans within the above guidelines are pre-approved. The Loans need not take any particular form and may be undocumented, except that the City Finance

Director shall specify the principal amount and interest rate and maintain all necessary or applicable data on the Loans.

Section 4. Approval of Development Agreement.

4.01. The Developer has presented the EDA with a proposal for the construction of the Development and there has been prepared a certain Tax Increment Development Agreement (the “Agreement”) between the EDA and the Developer, stating the terms and conditions of the Developer’s responsibilities with respect to the Development and the EDA’s the assistance therefor, which has been presented to the Board for its consideration.

4.02. Subject to the approval by the City Council of establishing the TIF District and adopting the TIF Plan therefor and the Amendment to the Project Plan following a public hearing, the Board hereby approves the Agreement substantially in the form presented to the Board, together with any related documents necessary in connection therewith, including but not limited to any agreements referred to therein, (collectively, the “Development Documents”) and hereby authorizes the President and Executive Director, in their discretion and at such time, if any, as they may deem appropriate, to execute the same on behalf of the EDA, and to carry out, on behalf of the EDA, the EDA’s obligations thereunder.

4.03. The approval hereby given to the Development Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the EDA and by the officers authorized herein to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the EDA. The execution of any instrument by the appropriate officers of the EDA herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. In the event of absence or disability of the officers, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the Board by any duly designated acting official, or by such other officer or officers of the Board as, in the opinion of the City Attorney, may act in their behalf.

4.04. Upon execution and delivery of the Development Documents, the officers and employees of the EDA are hereby authorized and directed to take or cause to be taken such actions as may be necessary on behalf of the EDA to implement the Development Documents, including without limitation the issuance of the Tax Increment Revenue Note thereunder.

4.05. The Board hereby determines that the execution and performance of the Development Documents will help realize the public purposes of the Act.

PASSED by the Blaine Economic Development Authority this 12th day of July, 2018.