



# **Public Hearing**

## **Proposed Land Sale and Business Subsidy SE 7<sup>th</sup> Avenue Distribution, LLC**



**September 28, 2023**



# Project Background

- **L&M Fleet Supply, the City and GREDA have been working together toward the establishment a new 210,000 square foot, state of the art distribution center for L&M Fleet Supply.**
- **SE 7<sup>th</sup> Ave. Distribution, LLC (Developer), a Minnesota limited liability company related to L&M Supply Inc., filed an application for Business Assistance requesting Tax Increment Financing (TIF) and a City tax abatement. The City Council will be giving final consideration to this request on September 25.**
- **Consistent with the proposal submitted to the Developer, GREDA pursued and obtained purchase agreements with three private landowners controlling 42 acres of the proposed 46-acre site, with the remaining 4.3 acres to be purchased by GREDA from the Airport.**
- **Also consistent with the proposal, GREDA intends to discount the cost of these parcels in a sale of the land to the Developer. This discount, or land write down, does amount to a business subsidy, as it is defined under State statute.**



# Project Background





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## Project Timeline

Timeline	Description
5/2024	Start of Construction
8/2024	Purchase Equipment
12/2024	Complete Construction
3/2025	Begin Operations



# Project Background

**Employment** – The L&M Distribution Center Project will retain the 66 FTE positions currently employed in the existing distribution facility in LaPrairie. In addition, the project will create the following 31 full-time positions within the first two years of operation:

Positions	# of Positions	Hourly Cash Wage w/out Benefits	Hourly Value of Benefits	Total Hourly Compensation
DC General Manager	1	\$45.00	\$26.00	\$71.00
DC Supervisor	4	\$22.00	\$15.00	\$37.00
Specialized Equipment Operators	6	\$19.00	\$14.00	\$33.00
General Pallet Movers	4	\$19.00	\$14.00	\$33.00
Warehouse Workers	10	\$18.00	\$14.00	\$32.00
DC Admin	3	\$18.00	\$14.00	\$32.00
WMS Supervisor	1	\$22.00	\$15.00	\$37.00
Human Resources Lead	1	\$25.00	\$16.00	\$41.00
Director	1	\$60.00	\$28.00	\$88.00
<b>Average:</b>		<b>\$21.55</b>	<b>\$15.06</b>	<b>\$36.61</b>



## ■ Project Cost/Sources/Uses of Funds

- The following represents the anticipated sources of funds and their proposed use. (Not all sources of economic development assistance shown have been applied for or secured, to date)

Expense Description	MN IRRR	MN DEED/GRED A	Equity	Bank	City	Itasca County	Total
Property Acquisition		486,500	121,600	364,900			973,000
Site Work Construction			1,189,600	3,568,800			4,758,400
Building Construction			2,632,700	24,856,400	4,251,800	1,401,100	33,141,800
Purchase of M&E	2,500,000	2,000,000		10,452,000			14,952,000
FFE and Software			537,500	1,612,500			2,150,000
<b>Total Project Cost</b>	<b>\$2,500,000</b>	<b>\$2,486,500</b>	<b>\$4,517,400</b>	<b>\$40,854,600</b>	<b>4,251,800</b>	<b>1,401,100</b>	<b>\$56,001,400</b>

- In addition, MN DEED has proposed the Job Creation Fund program which would provide rebates to L&M for building construction expenses and per job created. The estimate value of the job creation rebates is \$850,000 over 7 years.



# Project Background

## Current and Future Assessed Value Estimate:

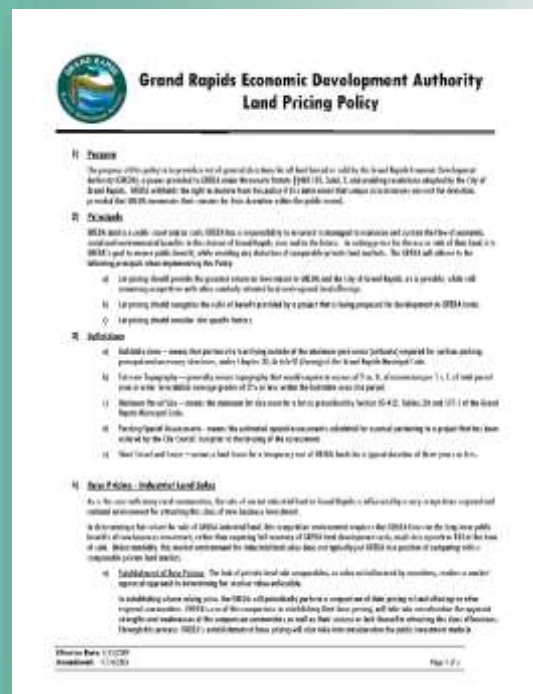
	Current (Itasca County Assessor)	Future (Itasca County Assessor)
Land Value (47 acres)	\$464,600	\$1,367,600
Building Value	\$203,300	\$16,609,400
Total Value	\$667,900	\$17,977,000
Annual Property Taxes (Pay 2023 Rate)	\$8,510	\$729,942





# GREDA Land Pricing Policy

- The adopted *Grand Rapids Economic Development Authority Land Pricing Policy* provides a set of directions for all property leased or sold by GREDA.
- The Policy allows GREDA to recognize the scale of benefit to be provided to the community by a project proposed for development on GREDA property. The scale of benefit is measured in multiple areas, including:
  - Ratio of public to private investment, job creation, wage level of jobs to be created, the amount of private investment and building construction, likelihood the project will spur additional unsubsidized spin-off development and the extent to which the project.
- The result of the evaluation of these criteria for the proposed L&M Supply Distribution Center project, qualifies for a reduction in price or write down, under Section 6b of the Policy, of 50%.





# GREDA Land Pricing Policy

**GREDA contracted with the Wellson Group to engage the private landowners and negotiate the purchase of their property. Those purchase agreements were approved by GREDA at the August 10 meeting. (The purchase of the property from the Airport will be covered under a separate purchase agreement pending FAA approval. The appraised value of the 4.3-acre portion of the Airport parcel is shown below.**

Parcel No.	Owner	Purchase Price
91-033-1410	Moyer	\$275,000
91-033-1430	Karpen	\$410,000
91-033-4120	Mimar Development, LLC	\$288,010
91-033-1406 (split)	City (Airport)	\$58,000
		\$1,031,010

**The amount of the proposed land write down discount (business subsidy) will range between \$717,160 and \$515,505, depending upon whether the 50% discount is applied to the actual purchase price or the County assessed value ( \$627,700) is used as the base price.**



# Public Hearing

**Minnesota state statute requires that the Grand Rapids Economic Development Authority hold a public hearing to both consider the sale of land and to consider granting a business subsidy.**

**Actions to be considered at a future date in the near term will be approval of:**

- 1. A Development Assistance Agreement between the City, SE 7<sup>th</sup> Avenue Distribution, LLC and GREDA; and**
- 2. Purchase Agreements between GREDA and SE 7<sup>th</sup> Ave. Distribution, LLC for the three parcels being purchased by GREDA from the private landowners and for the City (Airport) parcel.**



# Questions?