



REQUEST FOR COUNCIL ACTION

AGENDA DATE: February 14, 2022

AGENDA ITEM: Consider adopting a resolution regarding the approval of a DEED Minnesota Investment Fund (MIF) application by the Grand Rapids Economic Development Authority for the ASV/Yanmar expansion project

PREPARED BY: Rob Mattei, Director of Community Development

BACKGROUND:

We have been leading discussions with ASV/Yanmar on their proposed expansion for several months. Minnesota Department of Iron Range Resources & Rehabilitation (IRRR) and DEED staff have also been involved in those discussions to determine what the state and region can contribute to make the project move forward successfully. IRRR, DEED and IEDC have also been involved to provide assistance with ASV/Yanmar's challenge of accessing the required workforce.

The proposed project involves a significant expansion of the Grand Rapids production facility with the addition of a 60,000 square feet high-bay warehouse, site improvements, assembly layout modifications, additional equipment and staffing.

There are two main objectives of ASV/Yanmar driving their desire to expand. First, a significant ramp-up in the production of ASV and Yanmar branded Compact Track Loaders (CTL) in order to keep pace with growing demand and current backlog.

The second objective is the relocation of a line of Yanmar Compact Mini Excavator (CEX) production from Japan to the Grand Rapids facility, designed to serve the North American market. The planned startup of this line would be scheduled for 2024 after completion of the high-bay warehouse creates the necessary space in the existing manufacturing facility.



With this project, ASV/Yanmar would create additional production and operations employees as well as salaried administrative positions in the Grand Rapids location over a four-year ramp up beginning in 2022:

	2021 FTE	Estimated 2026 FTE	Estimated Increase FTE	Increase (%)	Avg. Wage	Position Types/Areas
Production & Operations (hourly)	152	436	284	187%	Production \$19.82/hour Non-production \$21.43/hour	Assemblers, Metal Fabricators, Welders, Painters, Warehouse Clerks
Administrative (salaried)	72	151	79	110%	\$81,250	Executives, Engineers, Human Resources, IT, Finance, Plant Management, Customer Support, Purchasing
	224	587	363	162%		

ASV/Yanmar provides benefits for all of its employees, including 401K contribution, health, dental and vision insurance, PTO, short and long-term disability, and paid holidays.

We estimate the warehouse construction, site improvements and internal building layout modifications will employ approximately 20 full-time temporary jobs for the duration of the project.

The proposed 60,000 square foot high-bay warehouse has an estimated construction budget of \$5.1M. The current project schedule has the design of the site improvements and structure beginning in the fall of this year and construction beginning in the spring of 2023.

Through a consultation with the Itasca County Assessor, the estimated post development assessed value of the warehouse addition will be approximately \$1,369,000. At current tax rates, this capital improvement will generate an additional \$45,000 of annual local and state property tax revenue.

The total CAPEX budget for this project is approximately \$9,500,000. The additional direct employment created by ASV/Yanmar in Grand Rapids will increase their annual payroll from \$18M to \$54M.

The GREDA request to the DEED MIF program will be for \$450,000. If successful, the MIF funds will be awarded to GREDA as a grant. With those funds, GREDA would provide a low or no interest loan to ASV for equipment purchases, like with some forgivable terms based on meeting employment goals.

REQUESTED COUNCIL ACTION:

Make a motion to adopt a resolution regarding the approval of a DEED Minnesota Investment Fund (MIF) application by the Grand Rapids Economic Development Authority for the ASV/Yanmar expansion project.