



Yanmar Compact Equipment North America Expansion Project

Tax Abatement

Public Hearing

February 13, 2023





Project Background

Company Background

- **Founded in Marcel, MN in 1983, ASV has grown to become an industry leader in compact equipment production, sales and parts distribution. In 1995, with support from the IRRRB, the City of Grand Rapids and the Grand Rapids EDA, ASV moved to a new facility in Grand Rapids.**
- **ASV has continued to grow and expand over the past 26 years in Grand Rapids, now employing 231 full time employees with a total annual payroll of \$18MM. ASV occupies 300,000 square feet of production and warehouse space on a 27-acre campus.**
- **In September 2019, ASV was acquired by the Yanmar Compact Equipment division of Yanmar Group. With the merger, ASV's independent dealer network throughout North America, Australia and New Zealand joined Yanmar's global construction equipment operations.**
- **The Yanmar Compact Equipment division, since 1968, has been designing, manufacturing, selling and servicing mini and midi excavators, wheel loaders and wheel excavators, with production facilities in Japan, France, Germany, and now the United States.**
- **On February 1, 2023, ASV Holdings Inc. changed its legal name to Yanmar Compact Equipment North America.**



Project Background

Project Description

- The proposed project involves a significant expansion of the Grand Rapids production facility, spanning a four-year period beginning in 2022.
 - Construction of a 32,000 square feet addition to the southeast side of the existing manufacturing facility for an upgraded paint system. (Design in 10/22 with construction beginning in 5/23)
 - Construction of site improvements including additional parking (following the same timeline as the addition)
 - Purchase and installation of additional tooling and equipment and staffing. (Beginning with welding cells in 2022 followed by new paint line)
- The initial objective of the ASV/Yanmar business plan which is driving the need to expand.
 - A significant ramp-up in the production of ASV and Yanmar branded Compact Track Loaders (CTL); both existing products and planned launching of new products to keep pace with the growing demand.





Project Background

- **Employment – The ASV/Yanmar Expansion Project will create the following full-time positions within the first three years of operation:**

Employment	FTE Positions
Current Employment	231
Employment to be created in Year 1	44
Employment to be created in Year 2	71
Employment to be created in Year 3	61
Total Employment after Year 3	407

- **ASV provides benefits for all its employees, including 401K contribution, health, dental, vision, PTO, short and long-term disability and paid holidays.**
- **The average wages of jobs created over the first two years - \$37.18/hour of \$77,344 annually.**
- **The job goals in the proposed tax abatement are focused on the first two years. Beyond that, the 5-year ASV target for new employment between 2021 and 2026 is in excess of 300, made up of approximately 284 production & operations positions and 79 administrative/professional salaried positions.**
- **The net increase in annual payroll and employer contributions to healthcare over the first three years is \$10.9MM. This will increase their annual payroll and employer contributions to approximately \$29MM.**



Project Background

- **Project Location** – The project is proposed to be located on 30-acre industrial zoned ASV campus, consisting of eleven parcels:

91-568-0220, 91-569-0110, 91-027-2401, 91-027-2105, 91-568-0210, 91-566-0305, 91-566-0310, 91-566-0315, 91-566-0320, 91-566-0325, 91-566-0330
- The address for the project is 840 Lily Lane, Grand Rapids.





Project Background

Project Sources and Uses:

- The following represents the anticipated sources of funds and their proposed use.
- Itasca County consideration of a Tax Abatement is scheduled for 2/14.

Expense Description	MN IRRR	MN DEED/GRE DA	Yanmar	City Tax Abatement	Itasca County Tax Abatement	Total
Site Work Construction	350,000		282,400			632,400
Building Construction	Grant to City		4,060,500	234,000	196,600	4,491,100
Building Renovation	Loan	MIF Loan	400,000			400,000
Equipment CAPEX	1,000,000	450,000	2,036,000			3,486,000
Employee Training		400,000				400,000
TOTAL:	\$1,350,000	\$850,000	\$6,778,900	\$234,000	\$196,600	\$9,409,500
	14.3%	9.0%	72.0%	2.5%	2.1%	

- In addition, MN DEED has proposed the Job Creation Fund program which would provide rebates to ASV for building construction expenses and per job created. The estimate value of the job creation rebates is \$850,000 over 7 years. This is exclusive of the sales tax rebate on building construction, which hasn't been estimated.



Project Background

Current and Future Assessed Value Estimate:

	Current (Itasca County Assessor)	Future (Itasca County Assessor)
Land Value (30 acres)	\$372,600	\$422,300
Building Value	\$5,231,700	\$6,727,900
Total Value	\$5,604,300	\$7,150,200
Annual Local Property Taxes (Pay 2022 Rate)	\$187,044	\$238,987

Based on the Pay 2022 tax rates, the annual increase in local property taxes = \$51,943



Tax Abatement Business Assistance

- **Tax Abatement Basics:**

- **In practice, Abatement is a reallocation of taxes rather than an exemption from paying taxes. The property for which taxes have been abated will continue to pay their taxes in full. The amount of the Abatement, however, is redirected to a specific project rather than going to the general fund.**
- **The law allows Abatements to be used for a broad range of projects and purposes, if the political subdivision finds that public benefits exceed the costs. Permitted uses of Abatement include:**
 - **General economic development, such as increasing tax base or the number of jobs in the community**
 - **Construction of public infrastructure, such as; streets, roads, utilities and public parking.**
 - **Redevelopment of blighted areas**
 - **Providing access to services for residents, such as; housing or retail.**
- **Important to note that the property taxes collected currently are still received and retained by the City during the term of the Tax Abatement**
- **Only the increase in taxes resulting from the new development (increment) is delayed until the Tax Abatement commitment is satisfied.**
- **Following the Abatement term, all property taxes resume full distribution to the taxing entities.**



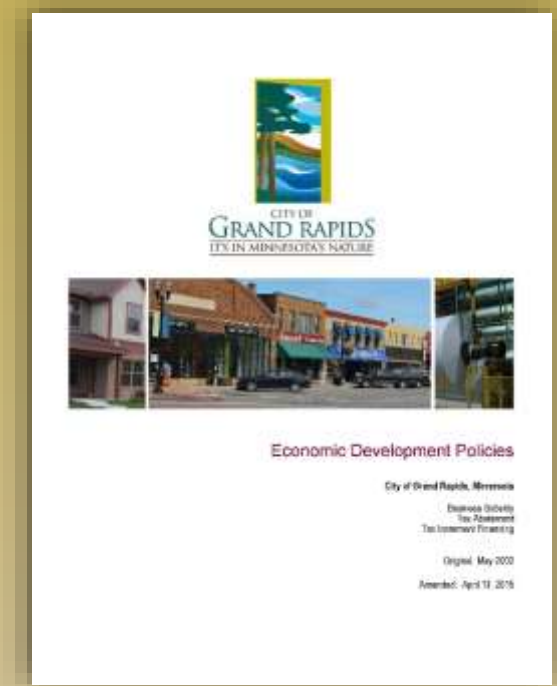
Tax Abatement Business Assistance

- **Tax Abatement Review** - ASV Holdings applied to the City for a Tax Abatement in the principal amount of \$234,000 on August 1, 2022. The advancement of the application was temporarily put on hold by ASV until their consideration of final revisions to the scope of plant buildout were complete.
 - The City's fiscal consultant Ehlers and City Staff have reviewed the Developer's Tax Abatement application, project budget and three-year projection, and reached a conclusion that it is aligned with the *Economic Development Policies* adopted by the City and GREDA.
 - Under Minnesota Statute 469, a Governing Body may rebate their portion of property tax if the benefits of the abatement are equal to or greater than its cost, and if it accomplishes at least one of the following:
 - Increase or preserve tax base
 - Provide employment opportunities within the political subdivision
 - Provide or help to acquire or construct public facilities
 - Help redevelop or renew blighted areas.
 - As the Abatement Agreement is drafted, this would be a Pay-As-You-Go Tax Abatement, meaning the improvements would have to be constructed, before any benefits are received.



Tax Abatement Business Assistance

- **The Public Purpose Objectives, within the Grand Rapids *Economic Development Policies*, which this project aligns with are:**
 - **To retain local jobs and/or increase the number and diversity.**
 - **To enhance and/or diversify the City's economic base.**
 - **To accomplish other public policies which may be adopted, in particular projects that are consistent with those community values and objectives described within the Comprehensive Plan.**





Tax Abatement Business Assistance

- The Grand Rapids *Economic Development Policies* also includes the following worksheet to review and score projects to measure impacts consistent with the Policy. This project scores as follows:

EXHIBIT B BUSINESS ASSISTANCE REVIEW WORKSHEET FOR COMMERCIAL/INDUSTRIAL PROJECTS TO BE CONSIDERED BY APPLICANTS AND CITY STAFF																										
<p>A. The project meets which of the following objectives as set forth in Section C of the Business Assistance policy? (Each worth 2 Points)</p> <p>Points</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> 1. To retain local jobs and to increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits. <input checked="" type="checkbox"/> 2. To enhance and/or diversify the City's economic base. <input type="checkbox"/> 3. To encourage additional residential private (re)development. <input type="checkbox"/> 4. To increase blight and/or encourage (re)development of commercial and industrial areas. <input type="checkbox"/> 5. To create housing opportunities for senior and low to moderate income families. <input type="checkbox"/> 6. To provide a diversity of housing adjacent to cultural, recreational, economic, natural, education, and transportation systems. <input type="checkbox"/> 7. To promote neighborhood stabilization and revitalization by the removal of blight and the upgrading of existing housing stock in residential areas. <input checked="" type="checkbox"/> 8. To accomplish other public policies which may be adopted, in particular projects that are consistent with those community values and objectives described within the Comprehensive Plan. 																										
<p>B. Ratio of Private to Public Investment in Project:</p> <table border="0"> <tr> <td>\$ 36,778,000</td> <td>Private Investment</td> <td>5:1</td> <td>3</td> </tr> <tr> <td>\$ 32,639,800</td> <td>Public Investment (including other public sources)</td> <td>4:1</td> <td></td> </tr> <tr> <td>2:6:1</td> <td>Ratio Private : Public Financing</td> <td>3:1</td> <td>3</td> </tr> <tr> <td></td> <td></td> <td>2:1</td> <td></td> </tr> <tr> <td></td> <td></td> <td>Less than 2:1</td> <td>1</td> </tr> </table>			\$ 36,778,000	Private Investment	5:1	3	\$ 32,639,800	Public Investment (including other public sources)	4:1		2:6:1	Ratio Private : Public Financing	3:1	3			2:1				Less than 2:1	1				
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<p>K. Impact on tax rate? All things being equal, how much would the City's tax rate hypothetically increase if the project were to proceed with the requested business assistance?</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/></td> <td>01%-02%</td> <td>Points:</td> <td></td> </tr> <tr> <td><input type="checkbox"/></td> <td>03%-04%</td> <td>4</td> </tr> <tr> <td><input type="checkbox"/></td> <td>05%-06%</td> <td>2</td> </tr> <tr> <td><input type="checkbox"/></td> <td>07%-09%</td> <td>2</td> </tr> <tr> <td><input type="checkbox"/></td> <td>10%-12%</td> <td>1</td> </tr> </table>			<input checked="" type="checkbox"/>	01%-02%	Points:		<input type="checkbox"/>	03%-04%	4	<input type="checkbox"/>	05%-06%	2	<input type="checkbox"/>	07%-09%	2	<input type="checkbox"/>	10%-12%	1								
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<p>Sub-Total Points: 54 of a possible 65 points.</p> <p>Bonus Points: 3 Bonus Points: 3</p> <p>The project will be 100% (100% of 250,000) financing</p> <p>If the business has demonstrated a clear and ongoing commitment to the City of Grand Rapids community by providing living wage jobs to their employees and City of Grand Rapids residents:</p> <p>3</p>																										
<p>Total Points: 62</p> <p>Overall project analysis: Highly Suitable 35 - 75 points</p> <p>Low 25 - 35 points</p> <p>Not Eligible 0 - 25 points</p>																										



Tax Abatement Business Assistance

- **Yanmar has also requested Itasca County's participation in the abatement. This request will be considered by the County Board on February 14, 2023.**
- **The City portion of the abatement is estimated to be approximately \$360,683. This is based upon the requested principal of \$234,000 with an applied present value rate of 4.75% over the estimated 16-year term. The annual abatement amount is estimated to be \$22,660.**
- **The County portion, with interest, would be approximately \$329,033, or \$16,452 annually.**
- **Abatements divert taxes paid by the development property to pay project costs. When used in a fashion like TIF, as this is, the addition to the annual levy required by the abatement is offset by the additional tax capacity created by the project. The result of which is no impact to the City or the taxpayers in general.**



Process

At their February 9 meeting, GREDA reviewed the application and adopted a resolution supporting the approval of a Tax Abatement and Business Subsidy Agreement with Yanmar Compact Equipment North America.

The City Council will hold a public hearing today, February 13, 2023, to consider this request for TIF Business Assistance. Actions that will be considered immediately following the Public Hearing will include:

- 1. Adoption of a resolution granting a property tax abatement for certain property in the City and approving a Tax Abatement Agreement with Yanmar Compact Equipment North America, Inc.**



Questions?