

MEMORANDUM

TO: Council Members, City of Grand Rapids
Board Members, Itasca County Board of Commissioners

FROM: Rebecca Kurtz, Ehlers

DATE: February 8, 2023

SUBJECT: Proposed Tax Abatement for ASV/Yanmar Development

The City of Grand Rapids and Itasca County received a request for tax abatement (“abatement”) from ASV Holdings, Inc. (“ASV”) to assist with an expansion of their Grand Rapids production facility. Note that in 2019, ASV was acquired by Yanmar Group, and the Yanmar Compact Equipment North America (“Yanmar”) is based in Grand Rapids. Legal documents related to this request are with Yanmar.

Proposed Project

ASV/Yanmar is planning an expansion of its Grand Rapids production facility to meet increased production of Compact Track Loaders, the anticipated launching of new products, and the relocation of the production of mini excavators from Japan to Grand Rapids. The proposed expansion includes construction of a 32,000 square foot addition to the paint system along with related site improvements and equipment.

The project is anticipated to cost \$9.4 million and has a variety of funding sources, including an equity contribution of over 71 percent of the project costs. ASV/Yanmar anticipates adding at least 115 permanent, full-time jobs over the next two years with average hourly wages of \$37.18, exclusive of benefits. Over a five-year term, ASV/Yanmar has plans to grow employment by over 300 employees.

The project is estimated to have a completed market value of \$7,150,200, per the County Assessor. This is an increase in value of \$1,545,900. Based on Pay 2022 tax rates, it is estimated to generate an additional \$45,259 in total taxes.

Tax Abatement Request

ASV/Yanmar has requested \$234,000 in tax abatement assistance from the City of Grand Rapids and \$196,566 in tax abatement assistance from Itasca County to assist with the construction of the proposed expansion. The term of the tax abatement would not exceed 20 years.

Proposed Tax Abatement for ASV/Yanmar

After review of the project information submitted by ASV/Yanmar, we conclude the tax abatement requests of \$234,000 from the City and \$196,566 from the County can be justified for this project. This total request equates to about 5 percent of the total project cost.

It is recommended that assistance be provided through the issuance of pay-as-you-go notes issued by the participating jurisdictions. Under this scenario, ASV/Yanmar would pay their taxes, and semi-annual payments would be made by the City and/or County until each the Note is paid including 4.25% interest. The term of the abatement would be the lesser of the full payment of the note or up to a maximum of 20 years. The City and County may identify a shorter term.

Process and Next Steps

The City Council (the “Council”) and the County Board (the “Board”) called for public hearings at their January 23 and 24 meetings, respectively, and published notices the week of January 30.

At the February 13 meeting the Council will hold a public hearing to consider the abatement request of \$234,000. The proposed abatement would be based on the increase over the current tax capacity. Therefore, the City would continue to receive the taxes on the current value throughout the term of the abatement. It is estimated that the annual taxes abated by the City will be \$22,659.

At the February 14 meeting the Board will hold a public hearing to consider the abatement request of \$196,566. At the February 7 meeting, the Board received information on the impacts of various tax abatement structures.

After each public hearing, the Council and Board may consider a resolution to approve the tax abatement. As part of the resolution, the Council and Board will be required to make the following findings:

*The abatement expects the benefits to the political subdivision to at least equal the costs to the political subdivision **and** the project is in the public interest because it will:*

- *Increase or preserve tax base;*
- *Provide employment opportunities;*
- *Provide or help acquire or construct public facilities;*
- *Help redevelop or renew blighted areas;*
- *Help provide access to services for residents; **and/or***
- *Finance or provide public infrastructure.*

If the abatement is approved, the City and/or County will enter into a Contract for Development with Yanmar, which will outline the terms of the assistance. Note that the City and County terms may differ.

I plan to attend both of the public hearings to answer questions related to tax abatement and the requested assistance.