



REQUEST FOR GRAND RAPIDS EDA ACTION

AGENDA DATE: August 11, 2022

STATEMENT OF ISSUE: Conduct a public hearing regarding a business subsidy proposed for the ASV/Yanmar Expansion Project

PREPARED BY: Rob Mattei, Executive Director

BACKGROUND:

The Minnesota Department of Employment and Economic Development (DEED) has awarded a \$450,000 grant to GREDA, through the DEED Minnesota Investment Fund (MIF) program, for the ASV/Yanmar Expansion Project.

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



With this project, ASV Holdings will 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	2026 FTE	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.

The proposed 60,000 square foot high-bay warehouse has an estimated construction budget of \$5,123,500. 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 taxes.

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.

Business Subsidy/Loan Agreement: Consistent with GREDA's request for the MIF grant and the approved grant contract with DEED, the grant funds are to be used by GREDA to provide a loan to ASV Holdings for the purchase of manufacturing equipment that supports their expansion. The terms for the loan are described within the Loan Agreement that will be considered following this public hearing.

In summary, the entire amount of the \$450,000 loan to ASV Holdings will be forgiven by GREDA if the following job retention and creation goals are achieved in the two years following the Benefit Date of August 23, 2023:

- (1) Maintained two hundred nineteen (219) permanent, non-contract, non-seasonal FTE jobs;
- (2) Created at least one hundred fifteen (115) New Jobs at the Development Property with each job noted once within "wage brackets" as stated below:
 - a. Twenty-three (23) New Jobs must pay a base cash wage of at least \$18.66 per hour (exclusive of Benefits); The Borrower is entitled to forgivable Loan Proceeds in the amount of \$3,851 per job created in this wage bracket not to exceed \$88,573 in total;
 - b. Seventy-nine (79) New Jobs must pay a base cash wage of at least \$20.21 per hour (exclusive of Benefits); The Borrower is entitled to forgivable Loan Proceeds in the amount of \$3,851 per job created in this wage bracket not to exceed \$304,229 in total;
 - c. Thirteen (13) New Jobs must pay a base cash wage of at least \$25.96 per hour (exclusive of Benefits); The Borrower is entitled to forgivable Loan Proceeds in the amount of \$4,401 per job created in this wage bracket not to exceed \$57,213 in total;
- (3) Any job created between the Effective Date and the Compliance Date shall pay at least \$14.68 per hour, including Benefits.

Minnesota Statute 116J.994 defines and regulates business subsidies provided by local and state government entities. Before granting a business subsidy in excess of \$150,000, a local government entity such as GREDA, must conduct a noticed public hearing to review and receive public input on the proposed subsidy, the job and wage goals, and the public purpose of the assistance. Section 8.1 of the Loan Agreement between GREDA and ASV Holdings serves as the business subsidy agreement with ASV.

The public purposes served by providing this business subsidy include assisting in the growth and stability of ASV/Yanmar, retaining existing and new living wage jobs in the community and the creation of new tax base.

RECOMMENDATION:

Conduct a public hearing, following this format:

- Entertain a motion to recess the regular meeting and open the public hearing
- State the purpose of the public hearing.
- Verify that legal notice of the public hearing was properly issued.
- Staff will present the background.
- Request public input on the proposed business subsidy agreement.

After all public input is received, entertain a motion to close the public hearing portion and reopen the regular meeting.

REQUIRED ACTION: