



REQUEST FOR COUNCIL ACTION

AGENDA DATE: August 14, 2003

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 L&M Fleet Supply Distribution Center project

PREPARED BY: Rob Mattei, Director of Community Development

BACKGROUND:

GREDA has been engaged in discussions for the past many months with L&M Fleet Supply Inc. presenting site and business assistance options for their development of a new, state of the art, 200,000 square foot distribution center to serve their growing network of 12 retail stores in Northern Minnesota, Wisconsin, and the upper peninsula of Michigan.

Presently, L&M Fleet Supply employs 245 in the Grand Rapids area, including 62 administrative/professional, 81 in distribution and 102 in retail.

This project represents a capital investment of approximately \$55 million spread across building construction and significant equipment purchases. The proposed modern, efficient, and data-driven distribution center will allow L&M to retain and grow their business and provide additional distribution jobs in Grand Rapids and will have the added benefit of achieving the expansion of the industrial park area in southeast Grand Rapids.

GREDA has secured a 45-acre industrial zoned site for this project along the east side of the 7th Ave. SE (Airport Rd.) at its intersection with 29th St. SE. GREDA's due diligence work of preparing a survey of the property, a soils investigation, wetland survey and phase 1 environmental study have all been completed.

With this project, L&M Fleet Supply will retain and relocate the 81 positions currently employed in their existing warehouse and distribution center. In addition to retaining those employees, L&M will add 30-45 positions in the new distribution center project location and 5-8 additional positions in their Grand Rapids corporate headquarters over the three-year phase in.

The estimated annual net increase in payroll after full implementation is \$2,637,180. L&M Fleet Supply provides benefits for all of its full-time employees, including Medical & Dental Insurance, Life Insurance, an employee discount, and a generous 401k Retirement Plan.

We estimate the renovation, site improvements and internal building layout modifications will employ approximately 20 full-time temporary jobs for the duration of the project. The construction of the distribution center has an estimated construction budget of \$38.4 million.

Through a consultation with the Itasca County Assessor, the estimated post development assessed value of the distribution center will be approximately \$18,000,000. At current tax rates, this capital improvement will generate an additional \$661,000 of annual local and state property tax revenue.

The GREDA request to the DEED MIF program will be for \$2,000,000. If successful, the MIF funds will be awarded to GREDA as a grant. With those funds, GREDA would provide a no interest loan to L&M for equipment purchases. One half of that debt will have 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 L&M Fleet Supply Distribution Center project