



# **Public Hearing**

**Grant Application to MN Dept. of Employment and Economic  
Development (DEED)  
Minnesota Investment Fund (MIF) Program  
for  
Arbor Wood Project**

**October 27, 2022**



## ■ **Company Background**

- [Arbor Wood Co. LLC](#) is a domestic provider of thermally modified siding, decking and dimensional lumber.
- Arbor Wood was originally formed in 2012 as subsidiary brand of Intectural, a Duluth based architectural materials distributor founded in 2010.
- Intectural was introduced to, and Arbor Wood was formed around the process of thermal modification of wood products by the Natural Resource Research Institute (NRRI), a branch of the University of Minnesota Duluth.
- Day to day operations of Arbor Wood Co. are overseen by Jon Heyesen, Founder and CEO and Kelly Bartz, Founder and COO.
- Arbor Wood presently outsources the thermal modification of their products to three plants based in the United States and one milling facility based in Hermantown, MN.
- The proposed project will vertically integrate Arbor Wood Co. as a manufacturer of thermally modified wood products. The integration of manufacturing will allow the company to alleviate/improve supply chain, quality control, logistics and inventory issues as well as lower the cost of goods sold.





## ■ **Project Description & Schedule**

- **The proposed project involves a renovation of a 48,000 square foot space in the southeast corner of the former Ainsworth Plant at 502 W. County Road 63 in Grand Rapids by the owner, Voyageur Capital Group (VCG) of International Falls, MN.**
- **The proposed renovation of the space by VCG will include: the infill of one existing loading dock, construction of an office and conference room area, restrooms, energy upgrades, roof repairs, exterior painting, mechanical and electrical upgrades, demising wall and sprinkler systems. Tenant Buildout = \$2.0MM**
- **In addition, VCG will connect this space to the sanitary sewer and water service to be provided by the City Infrastructure Project. The cost of this and other site improvements for this project = \$800,000.**
- **Arbor Wood will lease this space from VCG, who is also an investor/owner in Arbor Wood.**
  - **Arbor Wood equip their manufacturing operation by the purchase and installation of an: autoclave, milling equipment (optimizer, moulder, end matcher and gang rip saw), dust collection and fork lifts. Total Equipment Budget = \$3.2MM**
- **The proposed tenant buildout is scheduled to begin in December 2022. Delivery of equipment and site improvements will occur up until May/June of 2023. Startup of Arbor Wood operation in June/July 2023.**



## ■ Projected New Employment

- The proposed project involves the creation of both hourly and salaried positions in Grand Rapids within the first two years of operation. The proposed addition of direct jobs will result in annual payroll increase of approximately \$430,000.
- Arbor Wood provides health care benefits to their employees. In addition to the current 4 positions employed by Arbor Wood, the following positions would be added with this project.

	Number of Positions	Hourly Cash Wage W/O Benefits	Hourly Value of Benefits	Total Hourly Compensation
Production Manager/Autoclave Lead	1	\$38.50	\$6.00	\$44.50
Autoclave Lead	1	\$25.00	\$6.00	\$31.00
Work Center Lead	2	\$25.00	\$6.00	\$31.00
General Laborer	3	\$17.00	\$6.00	\$23.00

- These new jobs will have an average hourly wage of \$23.50/hour. The average hourly benefits will have a value of \$6.00/hour.



▪ **Project Cost/Sources/Uses of Funds**

- The following represents the anticipated sources of funds and their proposed use. (Not all sources of economic development assistance shown have been applied for, to date)

Expense Description	MIF	Bank	Arbor Wood	City TIF	IRRR	Total
Site Work Construction	Proposed MIF Loan		\$375,900		\$500,000	\$875,900
Building Renovation		\$1,695,600	\$388,700	\$425,000		\$2,509,300
Purchase of M&E	\$232,000	\$804,400	\$745,500		\$1,200,000	2,981,900
	\$232,000	\$2,500,000	\$1,510,100	\$425,000	\$1,700,000	\$6,367,100



- **MN DEED/GREDA Minnesota Investment Loan (MIF) Loan**

- **The proposed project qualifies for the DEED MIF Program. Under the MIF program:**

- **GREDA would submit an application for a \$232,000 grant from DEED**

- **When approved by DEED, GREDA will execute a grant contract with DEED and use the grant proceeds to provide a \$232,000 equipment loan to Arbor Wood.**

- **Proposed Loan Terms:**

- **0% interest, 7 year term.**



- **City Council**

- **At their October 10 meeting, the City Council adopted a resolution in support of GREDA's application for MIF funding.**

- **GREDA Public Hearing**

- **The purpose of today's public hearing is to give the public an opportunity to express comments on the project. It is a requirement of the MIF program.**
- **A notice of this meeting was published in the Grand Rapids Herald Review on October 5.**



# Questions/Comments