



Public Hearing

August 24, 2023

**Grant Application to MN Dept. of Employment and Economic
Development (DEED)**
Minnesota Investment Fund (MIF) Program
for
L&M Supply Distribution Center Project





■ Company Background

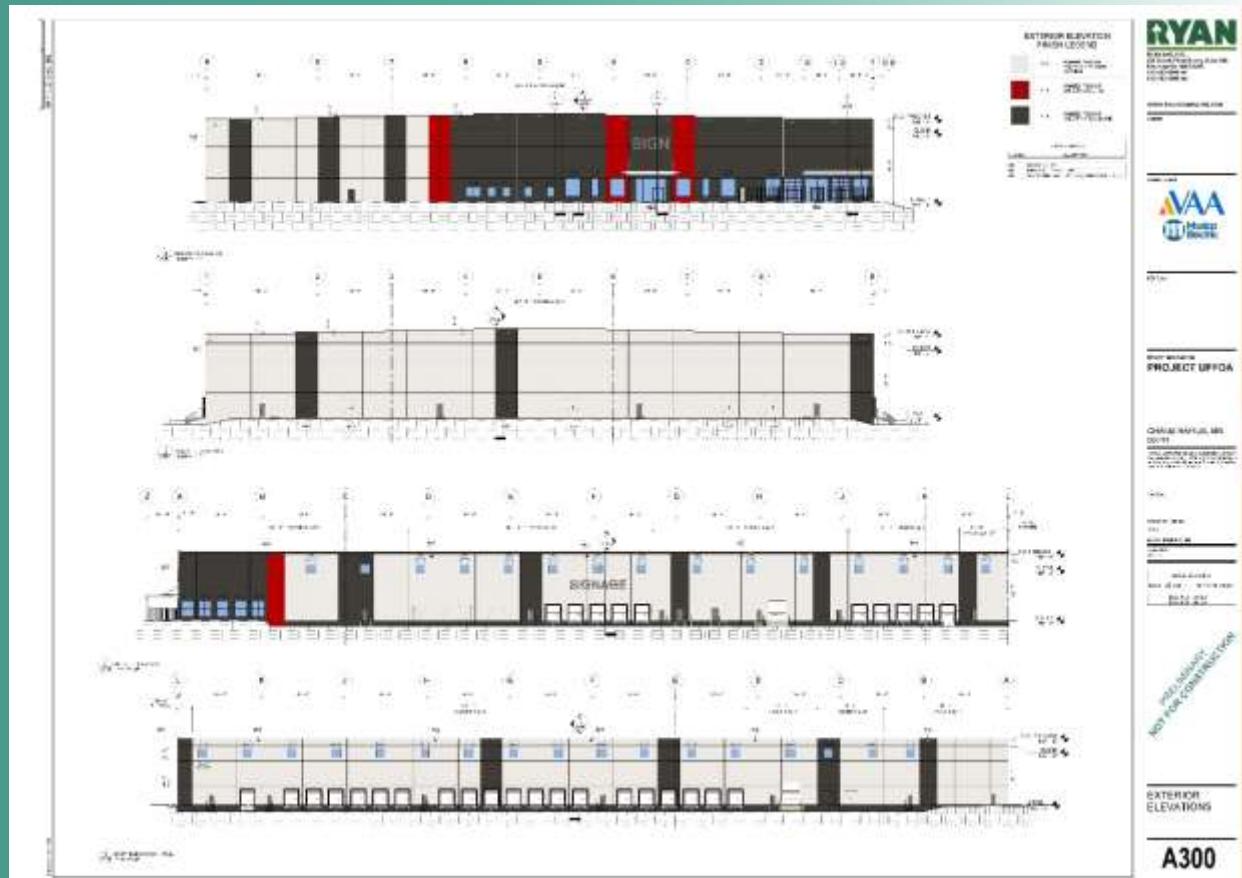
- **L&M Supply, Inc. is a privately held retail company with 12 stores located across Northern Minnesota, Wisconsin, and the upper peninsula of Michigan. L&M was founded in 1959 in Grand Rapids and is currently led by the third generation of family owners.**
- **Presently, L&M Fleet Supply employs 245 in the Grand Rapids area, including 62 administrative/professional, 81 in distribution and 102 in retail.**
- **L&M also operates an e-commerce platform where items are shipped to online customers across the United States. L&M has established itself as a strong competitor in the e-commerce space, especially when it comes to serving home heating and outdoor recreation customers with both small parcel and LTL delivery methods.**
- **With continued same-store sales growth, the addition of new stores across the northland and plans for future expansion of retail locations, L&M has exhausted their current distribution space, which is in their prior retail space in LaPrairie.**
- **Coupled with the supply chain challenges of needing to buy in larger quantities and hold them until the selling season, increased distribution capability is critical.**



Project Physical Description

The proposed project involves L&M Supply's construction of a new, state of the art distribution center.

- **Location** – 45-acres of Industrial zoned property, generally located on the east side of 7th Ave. SE (aka Airport Rd.) at its intersection with 29th Street S. GREDA has secured purchase agreements with three private landowners, which will be sold to L&M at a discounted price.
- **Building Size** – the planned distribution center has an approximate footprint of 200,000 sf with a proposed height of 48'.





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Grand Rapids Warehouse • Concept Site Plan • 08.01.2023



■ **Site Due Diligence Completed**

- **Phase 1 Environmental Site Assessment – found no Recognized Environmental Conditions and thus no recommendation for a Phase 2 ESA.**
- **Traffic Impact Study – found that the proposed development is not anticipated to have an adverse effect on the surrounding roadway network.**
- **Geotechnical Evaluation (Soil Borings) – contained specific design considerations for the proposed DC.**
- **ALTA Survey**



■ **Projected New Employment**

- The proposed distribution center project will allow L&M Fleet Supply to 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 MIF project location and 5-8 additional positions in their Grand Rapids corporate headquarters over a three-year phase in.
- Positions to be added include those such as; General Manager, DC Supervisor, DC Administrator, Human Resources Lead, Director, Specialized Equipment Operators, Pallet Movers, and Warehouse Workers.
- L&M provides benefits for all its employees, including 401K contribution, health, dental, life insurance, and employee discounts.
- Base wages, less benefits, for these positions range from \$18.00 to \$60.00/hour. The average hourly wage is \$21.55, and the average hourly benefits are \$15.06.
- The estimated annual net increase in payroll after full implementation is: \$2,637,180.



■ 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 or secured, to date)

Expense Description	MN IRRR	MN DEED/GREDA	Equity	Bank	City	Itasca County	Total
Property Acquisition		486,500	121,600	364,900			973,000
Site Work Construction		Proposed MIF Loan	1,189,600	3,568,800			4,758,400
Building Construction			2,632,700	24,856,400	4,251,800	1,401,100	33,141,800
Purchase of M&E	2,500,000	2,000,000		10,452,000			14,952,000
FFE and Software			537,500	1,612,500			2,150,000
Total Project Cost	\$2,500,000	\$2,486,500	\$4,517,400	\$40,854,600	4,251,800	1,401,100	\$56,001,400

- In addition, MN DEED has proposed the Job Creation Fund program which would provide rebates to L&M for building construction expenses and per job created. The estimate value of the job creation rebates is \$850,000 over 7 years.



- **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 \$2,000,000 grant from DEED
 - When approved by DEED, GREDA will execute a grant contract with DEED and use the grant proceeds to provide a \$2,000,000 equipment loan to L&M.
 - **Loan Terms:**
 - 0% interest, 7-year term.
 - GREDA has the ability to provide forgivable terms on 50% (\$1,000,000) of the loan, which will be tied to job creation estimates provided for the first two years following the loan. I am recommending GREDA provide those forgivable terms to L&M.



- **City Council**
 - At their August 14 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 August 9.



Questions/Comments