

1. Call To Order/Roll Call

A. 1. EDA Agenda 2020-03-19

Documents:

[2020-03-19 EDA AGENDA.PDF](#)

2. Routine Business

A. 2A. Trystar Forgivable Loan -- Staff Report

Documents:

[2 - TRYSTAR FORGIVABLE LOAN - STAFF REPORT \(2\).PDF](#)

i. 2Ai. 2020-02 Resolutions

Documents:

[2 - ATTACHMENT1 - 2020-02 RESOLUTION.PDF](#)

ii. 2Aii. Letter From Trystar

Documents:

[2 - ATTACHMENT2 - TRYSTAR LETTER.PDF](#)

3. Public Hearings

4. Items For Discussion

5. Adjournment



Faribault Economic Development Authority
MEETING AGENDA

Minn. Stat. § 13D.021 – Meeting by Telephone or Other Electronic Means; Conditions - [Minn. Stat. § 13D.021](#) provides that a meeting of a public body may be conducted via telephone or other electronic means if meeting in a public location is not practical or prudent because of a health pandemic or declared emergency.

DATE: Thursday, March 19, 2020
TIME: 7:00 AM
PLACE: Zoom Video Meeting
Dial-In Information: +1 (929) 205-6099
Meeting ID: 802 454 968

1. Call to Order/Roll Call/Agenda Approval

2. Items for Discussion

- A. Resolution 2020-02 Approve Business Retention Package in the Form of a Forgivable Loan for Trystar, Inc.

3. Adjourn

If you need special accommodations related to a disability to attend this meeting, please contact the Community Development Department at 507-334-0100.



Request for Action

TO: Economic Development Authority
THROUGH: Deanna Kuennen, Community & Econ Dev Director
FROM: Samantha Markman, Econ Development Coordinator
MEETING DATE: March 19, 2020
SUBJECT: Resolution 2020-02 Approve Business Retention Package in the Form of a Forgivable Loan for Trystar, Inc.

Background

Business retention and expansion is a core function of economic development, and is one of the most fundamental and effective economic development strategies. While it is important for a comprehensive economic development strategy to include the recruitment or new businesses, “80-percent of net new jobs and capital investment in any economy are generate by existing firms.”

Recently, Staff was made aware that Trystar, an existing company who has had a Faribault presence since 1998, needs to consolidate their Faribault operations which are spread across four (4) different facilities, totaling 140,000 square feet, into a single building. The Company initially explored options to expand one of their existing facilities, but discovered the sites could not accommodate sufficient expansion to meet their needs. They then expanded their search for sites to include locations outside of Faribault (Burnsville/Lakeville) where they found attractive options that would accommodate their consolidation and provide opportunity for future growth. In December 2019, Trystar also opened an office location in Burnsville.

Trystar has expressed their preference is to remain in Faribault, but have felt there are no viable land/building options that meet their needs. In one last attempt to find a Faribault alternative, Trystar approached Met-Con regarding consolidating into the 100,000 square foot warehouse facility Met-Con recently constructed at 15765 Acorn Trail – with a 20,000 square foot office addition. The building, with the addition, would meet Trystar’s immediate needs allowing them to consolidate operations, build in efficiencies, and provide room for future expansion.

While this is a viable option for Trystar, there is a financial gap that makes this option less attractive and competitive. Staff has been working with the company to explore different potential resources that could fill the gap, bringing the Faribault option to an even playing field as the south metro alternatives, ultimately allowing the company to optimize their operations locally.

Summary of Proposed Project:

- Consolidate 140,000 SF of operations and warehousing currently taking place in four (4) separate facilities;
- Renovate the 100,000 SF Met-Con warehouse located at 15765 Acorn Trail into a manufacturing facility;
- Construct a 20,000 SF office addition onto the 15765 Acorn Trail facility;

- Retain 150 permanent FT jobs (and 50 temporary FT jobs during peak production times)
- Continue investment into training and development for existing employees in the area of advanced manufacturing, R&D, and operational excellence
- Invest \$1.5-\$2m in capital expenditures to support the renovation of the building and relocation needs.

Financial Gap:

- \$550,000
 - o Offset one-time expenses necessary to implement systems in the facility prior to move-in that will maintain proper air flow and quality for operations and safety for employees;
 - o Offset rent differential between Faribault location (which is smaller square footage) and metro locations, over a period of time.

Discussion:

Staff has analyzed different financial resources offered through the City, Economic Development Authority (EDA), DEED, and other economic development partners to address the gap and retain the company. Unfortunately, since the project does not include job creation goals, the number of potential resources is greatly limited. However – business retention is a priority of the Economic Development Authority, and the City’s business subsidy policy specifically identifies retaining high quality jobs as an economic growth goal.

Based on this information, Staff has worked with the company, City, Rice County and now the EDA to consider a potential financial incentive package to help close the gap. The proposal includes a forgivable loan from the EDA totaling \$100,000 and City/County tax abatement not to exceed 10 years.

The EDA forgivable loan will be structured as a deferred loan requiring the business to remain in operation in Faribault for five (5) years and invest \$1,500,000. The forgivable loan would be funded from EDA program dollars, similar to the contributions to the SteinAir and Daikin projects.

During the tax abatement period, all new taxes incurred beginning in 2021 up to a total amount, not to exceed \$450,000 (expected to capture in approximately 8-9 years). Currently, the total 2020 payable property taxes are \$99,210 to all taxing authorities. During the abatement period, the City and County will continue to collect their share of existing taxes (based on 2020 valuations) and abate all new taxes.

Project Tax Capacity	Original Tax Capacity	Fiscal Disparities NA	Captured Tax Capacity	Combined City, County, & School Tax Rate	Maximum Annual Gross Tax Abatement	Gross Tax Abatement	100% City	100% County	100% School	Semi Annual Net Tax Abatement	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
							Abatement w/ Tax Rate	Abatement w/ Tax Rate	Abatement w/ Tax Rate					
94,120	(66,608)	-	27,512	107%	29,481	14,741	7,507	5,484	-	12,992	12,992	0.5	2021	08/01/21
						14,741	7,507	5,484	-	12,992	25,983	1	2021	02/01/22
124,206	(66,608)	-	57,598	107%	61,721	30,861	15,717	11,482	-	27,199	53,182	1.5	2022	08/01/22
						30,861	15,717	11,482	-	27,199	80,381	2	2022	02/01/23
124,206	(66,608)	-	57,598	107%	61,721	30,861	15,717	11,482	-	27,199	107,580	2.5	2023	08/01/23
						30,861	15,717	11,482	-	27,199	134,779	3	2023	02/01/24
124,206	(66,608)	-	57,598	107%	61,721	30,861	15,717	11,482	-	27,199	161,978	3.5	2024	08/01/24
						30,861	15,717	11,482	-	27,199	189,177	4	2024	02/01/25
124,206	(66,608)	-	57,598	107%	61,721	30,861	15,717	11,482	-	27,199	216,376	4.5	2025	08/01/25
						30,861	15,717	11,482	-	27,199	243,574	5	2025	02/01/26
124,206	(66,608)	-	57,598	107%	61,721	30,861	15,717	11,482	-	27,199	270,773	5.5	2026	08/01/26
						30,861	15,717	11,482	-	27,199	297,972	6	2026	02/01/27
124,206	(66,608)	-	57,598	107%	61,721	30,861	15,717	11,482	-	27,199	325,171	6.5	2027	08/01/27
						30,861	15,717	11,482	-	27,199	352,370	7	2027	02/01/28
124,206	(66,608)	-	57,598	107%	61,721	30,861	15,717	11,482	-	27,199	379,569	7.5	2028	08/01/28
						30,861	15,717	11,482	-	27,199	406,768	8	2028	02/01/29

Requested Action

The EDA is asked to consider the request for financial assistance and adopt Resolution 2020-02 Approving Forgivable Loan for Trystar, Inc. for Certain Property in the City of Faribault.

The Faribault City Council and the Rice County Board of Commissioners will conduct a properly noticed Tax Abatement Public Hearing on Tuesday, March 24th, 2020 to consider the tax abatement request. The specific tax abatement include up to 10 years of tax abatement, not to exceed a total amount of \$450,000.

Attachments

- Resolution 2020-02
- Trystar Letter/Request for Assistance

ECONOMIC DEVELOPMENT AUTHORITY OF FARIBAULT

**RESOLUTION 2020-02
APPROVING FORGIVEABLE LOAN FOR TRYSTAR, INC.
FOR CERTAIN PROPERTY IN THE CITY OF FARIBAULT**

WHEREAS, business retention and expansion is a core function of the Economic Development Authority (EDA) of the City of Faribault; and

WHEREAS, business retention and expansion is one of the most fundamental and effective economic development strategies as “80-percent of new jobs and capital investment in any economy are generated by existing firms”, and

WHEREAS, Trystar, Inc., an existing company who has had a Faribault presence since 1998, has indicated that they intend to consolidate all of their operations which are spread out across four different facilities – so to improve efficiencies and overall business operations and support their business growth plans; and

WHEREAS, after a thorough analysis of their options to consolidate their operations in Faribault, Trystar, Inc. intends to relocate their operations to 15765 Acorn Trail – into an existing 100,000 square foot warehouse building – convert the warehouse into a production facility, and add an additional 20,000 square foot office addition; and

WHEREAS, this plan would allow Trystar, Inc. to remain and grow in Faribault; and

WHEREAS, to support this business retention effort, to offset costs associated with the relocation/consolidation, to encourage private investment, and to retain the current 150 full-time permanent employees the EDA agrees to provide a \$100,000 forgivable loan; and

WHEREAS, the \$100,000 loan will be forgiven at the end of five (5) years so long as the business remains in operations in Faribault and invests a minimum of XX of capital improvements into the conversion and expansion of the building located at 15765 Acorn Trail; and

WHEREAS, the EDA has reviewed said request and found it to be in compliance with the goals and mission of the EDA through business retention and not subject to the Business Subsidy requirements set forth in state law.

NOW, THEREFORE BE IT RESOLVED, by the Economic Development Authority for the City of Faribault, Minnesota:

Section 1: That a \$100,000 deferred loan is awarded to Trystar, Inc. for improvements for certain real property in the City of Faribault.

Section 2: That said deferred loan requires the business to remain operational at the improved real property in the City of Faribault for a minimum of five (5) years.

Section 3: That said deferred loan also requires that the business invest a minimum of XX in capital improvements in the conversion and expansion of the building located at 15765 Acorn Trail.

Section 3: That the President and the Secretary are hereby authorized to execute on behalf of the EDA all required financial agreements in furtherance of the above approved deferred loan.

ADOPTED: March 19, 2020

Attest

Rodney Gramse, President

Dave Albers, Secretary/Treasurer

February 27, 2020

Dear City of Faribault,

We're at the end of a considerable analysis on where we will establish our operations for years to come. I am a champion of our current base of operations and our employees. But as CEO of Trystar, I also need to consider the economics around this decision. We have plans to invest extensively in our new operations facility – wherever it may be located - and have continued to vigorously pursue efforts to continue in Faribault. But the available option in Faribault has financial gaps that we have not been able to overcome. The financial gaps are not extensive but are significant to the decision-making process. Thus our request for your consideration to help fill this gap and bring the Faribault scenario onto equal footing with the others we have been presented so we can move forward with a plan that is good for Trystar, our employees, and our community.

Our Background

Trystar is an electrical distribution solution provider serving the needs of portable power, critical facilities, and utilities segments with our specialized cable and electrical distribution equipment. Through customer-focused innovation and dedication to quality product that exceeds industry requirements, Trystar has become a market leader with many of its products currently produced in Faribault, MN. Trystar now serves more than 1,000 customers globally with extremely strong loyalty – over 80% of our business coming from repeat-customers.

Our business started in 1991 as a wholesale cable distributor based in part of the warehouse at 2917 Industrial Drive in Faribault. In 1998 we began to design, engineer and manufacture our own products and have grown to occupy all of that facility, as well as the entire facility at 3305 Industrial Drive and two nearby storage facilities. Today Trystar operations takes place across the entirety of these buildings. Unfortunately, that method of growth and expansion across sites is incredibly inefficient. Today it's not uncommon for a product to have to transition 3-4 times between buildings to be completed and for some they require transit back and forth many more times than this. A change has to be made to consolidate and reconfigure operations if we are to continue serving our customers rapidly and effectively – as they expect us to – and continue to grow our business as we expect to do.

Our Profile

- Trystar employs up to 200 full-time employees: 150 permanent employees and 50 full-time temporary employees during the peak production times (hurricane season) of the year.
- We are planning to continue the growth of this business in perpetuity. We would expect that while we gain efficiencies, we will continue to grow employment over time.
- As we grow in size we are also growing in sophistication – and creating the need for more highly-skilled jobs than ever before and expect to bring those into our operations in the very near-term.
- We are also investing in the existing employee base – spending huge amounts on training and development in the areas of advanced manufacturing, R&D, and operational excellence.

Our Situation

To relieve the strains the rapid growth had placed on our office workers in Faribault and to resolve challenges we had experienced recruiting and retaining our Cities-based workforce, we recently moved part of our office workforce to a very modern office building in Burnsville. Our next and current focus is on consolidating, modernizing, and streamlining our operations, including office space for our production support team. Originally we assumed that we could simply expand one of our existing facilities in Faribault, but soon learned that due to different codes and restrictions, we could not adequately expand at either of our existing sites. So we began searching for other options. While we desire to stay in Faribault, there were no other options presented to us at that time that met our needs so we began looking elsewhere. This wasn't a decision we took lightly. Much of our employee base has been with us for more than a decade and the community has been here since the beginning – for decades. But without a viable option being presented to us, we had to look elsewhere.

We found new factory location proposals closer to the Cities to be very compelling with sites that are “pad ready” where we could start construction immediately and be ready to move into in a short period of time. In addition, we could tailor these buildings to completely to fit our exact needs.

While we didn't have any viable options on the table for Faribault, we never gave up trying to find a suitable solution here. We wanted to look for every opportunity to keep our team intact. Thankfully this perseverance allowed us to find a potential solution which we quickly proposed to Met Con. We proposed to move in and fully occupy their new warehouse facility on Acorn Trail. The building almost matched our size requirements and has plenty of land around it for expansion. With an addition of 20,000 square feet of new, contemporary, office, it would be perfect to bring our current operations together, with room to expand the factory in the future as we continue to grow. The warehouse facility is currently occupied, but in working with Met Con, we understand the tenants are amenable to a "musical chairs" transition whereby Met Con would relocate those tenants into the facilities we will be vacating through our consolidation. We felt this would create a win-win for everyone.

While we have worked with Met Con through many of the challenges and currently feel like we now have a viable option that will allow us to continue to grow in Faribault, we're still currently at an impasse. The current proposal for the facility lease including the new 20,000 square feet of additional office (total 120,000 square feet) is currently 21% more than what we're paying today across our current 4 buildings and over 140,000 total square feet. More importantly, the proposal represents a \$550,000 increase over the quotes and proposals we have received for other locations closer to the metro. This amount represents a minimum of \$150,000 that our company will need to invest in the facility prior to occupancy to implement systems that will maintain proper air flow and quality for our operations and the safety of our employees. It also represents a rent differential of \$400,000 over a set period of time. In addition, we expect to put a significant amount of our own investment into the Acorn building for it to meet our standards for our employees, match the amenities we have in our new Burnsville office, and be at the level of quality we were presented in the options closer to the Twin Cities.

As already mentioned, this is more than a simple financial decision to us, but it must make financial sense. While it's not ideal to move into a smaller space and pay more, we are willing to do that as we know this option will allow us to bring our operations together and have a more effective operational setup that will position us to continue to grow. But without assistance to overcome the financial gap (paying more for less space as offered closer to the metro), the Faribault option does not make financial sense. My goal is to get the same top-end quality that we have seen in Lakeville/Burnsville for our employees at the same price, so we can make the decision based on the other factors which to us all point to Faribault as our future.

Thank you again for your consideration in this matter so we can make the best decision on behalf of our employees, our community and our company.

Respectfully,

AJ Smith | CEO

aj.smith@trystar.com

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