



Request for Action

TO: Economic Development Authority
FROM: Deanna Kuennen, Community & Econ Dev Director
MEETING DATE: April 15, 2021
SUBJECT: Business Assistance Request – Trystar, LLC

Background

At the March meeting, Staff presented a proposed economic incentive program for discussion, explaining that on a regular basis Staff receives inquiries from a variety of businesses and industries looking to make an investment or move/relocate to the Faribault community. As part of this discussion, Staff shared that they have been working with Trystar, LLC on an incentive package that would ultimately result in Trystar creating 20 additional quality jobs, expanding their existing facility by 50,000 SF, plus investing significant capital in equipment and building improvements to support the company's growth plans.

Since then, Staff has continued to work with Trystar and DEED to fine-tune a proposal that would layer different financial incentive programs to reduce the cost differential between relocating the recently acquired Load Banks Direct business to Faribault, or pursuing a Kentucky option. The following outlines the proposed project, and analyzes the request based on criteria including job creation, investment, and taxes.

Proposed Project

Trystar is an electrical distribution solution provider serving the needs of portable power, critical facilities, and utilities segments with specialized cable and electrical distribution equipment. The company has been in business since 1991, located in Faribault. Over the years the company has occupied different locations as they outgrew their facilities. In 2020 the company, after working with the City, EDA, Rice County, and Met-Con consolidated all of their operations to the 100,000 SF Met-Con facility at 15765 Acorn Trail, and added a 20,000 SF office addition. At the time of the consolidation, Trystar outlined their growth plan and how the new Faribault location would allow the company to grow in Faribault versus relocating to a south-metro location.

During 2020 that company faced challenges due to COVID-19, but were able to retain their workforce (no reductions), create new business opportunities, and accelerate their growth and expansion plans. In November 2020 Trystar acquired Load Banks Direct out of Covington, Kentucky – a company that adds a complementary product to Trystar's existing portfolio. As part of this acquisition,

Trystar originally expected to upgrade the Kentucky facility or lease a new facility in the same area. This originally was the plan due to the additional cost implications and complications associated with an interstate move of the entire operation. After further internal discussions, Trystar determined that if the additional costs associated with the move could be offset – the preferred option would be to consolidate the operations in the new Faribault facility. If the consolidation were to occur, the project would entail the following:

- 50,000 SF expansion to existing facility (approximate cost of \$3.5m)
- Capital improvements to existing facility to accommodate reconfiguration (approximate cost of \$250,000)
- Capital equipment investment of at least \$500,000
- In-sourcing or local sourcing of \$1m annually (currently sources in Kentucky)
- Creation of 20 FT jobs – with wages ranging from \$16.16-\$33.28/hr. plus benefits

Trystar has identified the following costs associated with the Faribault option that would need to be overcome/off-set to make the move to Minnesota viable:

- \$175,000 - Disassembly, move, and reassembly costs to facilitate safe movement of critical equipment long distance.
- \$450,000 - Employee transition costs to train new employees and transfer of knowledge from the existing Kentucky employee base. To move successfully without disrupting our customers, we will have to operate in both locations simultaneously for a period of time.
- \$90,000 - Re-certification costs for regulatory production-site certification of the products for our Minnesota facility.
- \$250,000 - New building modification costs. While we expect that we will pay for the Acorn Trail site expansion through our lease as we did previously with Met-Con at the same lease rate, we will have to make modifications to the building to fit our specific manufacturing needs.

Request

Trystar is seeking a \$100,000 forgivable loan to offset some of the Minnesota specific costs. This would be coupled with the following as part of an overall economic development proposal to encourage the investment and support the accelerated growth and expansion of an existing Faribault business:

- \$125,000 Minnesota Invest Fund loan (forgivable)
- \$175,000 Job Creation Fund award
- *\$100,000 forgivable EDA loan*
- TOTAL PROPOSED INCENTIVE PACKAGE - \$400,000

The total financial request/proposals will bridge some, not all, of the overall financial gap between relocating the company to the Faribault location versus maintaining the operations in Kentucky. The reduction in the cost differential, coupled with the operational benefits of consolidation in one facility, makes Faribault the preferred option.

Analysis

As the EDA is aware, the EDA at this time does not have a specific economic development incentive fund, but has considered forgivable loan requests on an individual basis. The EDA understands the importance of business retention and expansion, however consideration regarding the return on the EDA's investment must be considered when evaluating any forgivable loan request. Based on the discussion of the March EDA meeting – the Trystar proposal has been evaluated based on:

- Project investment
- Job creation
- Tax-base

Trystar Project <i>See attached project spreadsheet for additional details</i>	
Investment	
Facility Expansion	\$2,750,000
Capital Expenditures (building)	\$751,000
Capital Expenditures (equipment)	\$1,700,000
Recertification	\$140,000
Moving, Misc. Expenses	\$175,000
Job Creation	
Total New Jobs	20
Estimated NEW Taxes	
Existing 120,000 SF building	EMV - \$6,247,800 Total Annual Taxes - \$202,122 Annual City Taxes - \$68,069
With 50,000 SF Expansion	EMV - \$8,412,300 (increase of \$2,164,500) Total Annual Taxes - \$261,869 (+\$59,747) Annual City Taxes - \$88,060 (+\$19,991)
Totals	
Investment	\$5,516,000
Job Creation	20 (Wages = \$16.00-\$33.00 per hour + benefits)
Maximum Incentive (1.5% + \$2,500/job)	\$82,740 (1.5% of project investment) \$50,000 (20 jobs)
Total Incentive	\$132,740
Maximum Incentive Recommended	\$100,000
ROI based on taxes	Approximately 5 years through city taxes

*The EDA also provided \$100,000 in 2020 to Trystar to facilitate the consolidation of Trystar to the 15765 Acorn Trail location along with the 20,000 SF expansion to the facility.

*The 2020 project received \$260,040 in tax abatement from the City of Faribault – payable over a maximum of 10 years. No additional tax abatement is being requested for the proposed 50,000 SF expansion.

Recommendation

Staff is recommending that the EDA approve an economic development incentive/forgivable loan in the amount of \$100,000 to support the accelerated growth and expansion of a local company. The recommendation is based on the level of investment, job creation, increased tax base, and benefit to the community of retaining and growing a local company. The funds would come from the EDA Revolving Loan Fund, which has a current balance of \$376,116.

Attachment

- Trystar – Economic Incentive Request letter
- Trystar – Project Cost and Employment Spreadsheet
- Resolution 2021-03 Approving an Economic Incentive in the Form of a Forgivable Loan to Support the Growth and Expansion of a Local Business Located at 15765 Acorn Trail (Trystar, LLC)

ECONOMIC DEVELOPMENT AUTHORITY OF FARIBAULT

RESOLUTION 2021-03 APPROVING AN ECONOMIC DEVELOPMENT INCENTIVE IN THE FORM OF A FORGIVEABLE LOAN FOR TRYSTAR, INC. TO SUPPORT THE GROWTH AND EXPANSION OF A LOCAL COMPANY

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 the 1990’s has indicated that they have acquired a Kentucky-based business and intend to expand their existing facility to accommodate the relocation of this newly acquired company – so to improve efficiencies and overall business operations and support their business growth plans; and

WHEREAS, after a thorough analysis, their preferred option is to add a minimum 50,000 square foot expansion onto their operations at their existing 15765 Acorn Trail facility; and

WHEREAS, this plan would allow Trystar, Inc. to streamline operations and accelerate their growth in Faribault; and

WHEREAS, to support this business retention effort, to offset costs associated with the relocation/interstate move, to encourage private investment, and to create 20 additional full-time permanent jobs that pay a minimum of \$16 plus benefits, 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 at 15765 Acorn Trail, demonstrates an investment of \$750,00 in equipment and facility reconfiguration costs, and creates a minimum of 20 job; 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 \$750,000.00 in capital improvements in a combination of equipment and facility reconfiguration costs to support the relocation of the Kentucky company to the building located at 15765 Acorn Trail.

Section 4: That no additional economic incentives be requested of the Economic Development Authority during the five (5) year timeframe – to ensure that the community realizes an economic development return on this investment.

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: April 15, 2021

Attest

Rodney Gramse, President

Dave Albers, Secretary/Treasurer



15765 ACORN TRAIL
FAIRIBAULT MN 55021

507.333.3990
TRYSTAR.COM

March 1, 2021

Deanna Kuennen, Community & Economic Development Director

Deanna –

Please consider this a formal request from Trystar for economic incentive assistance, to support the accelerated growth and expansion of Trystar located at 15765 Acorn Trail, Faribault, MN. Trystar is seeking financial support to offset expenses associated with relocating a recently acquired company, Load Banks Direct, from Kentucky to Faribault. The project, if approved, will result in a 50,000 SF expansion onto the recently renovated/expanded Trystar facility, increased tax base, and the addition of 20 new FTE positions earning a minimum of \$16 per hour plus an extensive benefits package. The costs to relocate the company to the Faribault location, relocate industrial equipment, and recertify the operations exceeds the costs of retaining the Kentucky location. However, I believe that the consolidation to the Faribault location provides benefits that outweigh some of the cost differential. EDA assistance in the form of a forgivable loan, coupled with DEED programs – will bridge some of the overall financial gap between Kentucky and Faribault, and move Faribault into the realm of reasonable additional expenses to justify.

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. This building was leased to us by another local company, Met-Con. In 1998 we began to design, engineer and manufacture our own products and grew to occupy all of that facility, as well as another facility we leased from Met-Con at 3305 Industrial Drive. We continued to grow and these facilities no longer met our needs. Through working with the City of Faribault, the EDA, Rice County, and Met-Con, we found a viable option to stay in the Faribault area that allowed us to optimize our current operations and left room for further expansion. We moved all of our operations to the 100,000 square foot Met-Con facility at 15765 Acorn Trail and have since also completed the 20,000 square foot office addition to that facility. While 2020 has been challenging for most businesses – ours being no exception – we kept our workforce intact and did not make any reductions. We forged forward, creating new business, training and developing our team, and in November of 2020 made our first acquisition of Load Banks Direct out of Covington, KY. The first of what we expect to be multiple future additions to Trystar adds a set of complementary products to our portfolio.

Our Situation

Our next planned step for the load banks business is to update its operations. We need to complete this upgrade in order to establish a foundation for further growth. The original expected approach to achieve this was to update the existing facility in Covington, KY or to lease a new facility on that same area. As we evaluated both of these options, we came to the understanding that if not for the additional cost and complication, that we would also be considering a move of the Covington operations into our Faribault, MN facility. While it would require us to expand the Acorn Trail building earlier than planned, we would feel comfortable accelerating those plans if not for the additional costs of the move. If we could offset these costs, we would prefer the option to bring these operations to Faribault. We need to make a decision expeditiously in order to get started in early spring regardless of the location, so would like to explore what options are available to offset the costs related to relocation to see if moving the operations to Minnesota is a viable one.

Additional Costs

The costs that we would need to overcome to make the move to Minnesota viable are the following:

- Disassembly, move, and reassembly costs of \$175,000 to facilitate safe movement of critical equipment long distance.
- Employee transition costs of \$450,000 to train new employees and transfer of knowledge from the existing Kentucky employee base. To move successfully without disrupting our customers, we will have to operate in both locations simultaneously for a period of time.
- Re-certification costs of \$90,000 for regulatory production-site certification of the products for our Minnesota facility.
- New building modification costs of \$250,000. While we expect that we will pay for the Acorn Trail site expansion through our lease as we did previously with Met-Con at the same lease rate, we will have to make modifications to the building to fit our specific manufacturing needs.

Minnesota Benefits

If we are able to make the move to Minnesota a financially viable option, we would bring the following to our Faribault, MN facility:

- An additional 20 full time jobs at our Faribault facility, with an average wage of \$18 dollars per hour plus benefits.
- In-sourcing or local sourcing of \$1,000,000 annually that is currently sourced in Kentucky
- Major capital improvements of \$250,000 to the existing Faribault, MN facility as we reconfigure the site for the additional production lines and prepare for the power requirements of the incoming production.
- Acceleration of expansion of our Faribault facility to accommodate expansion of our combined business.
 - Expected 50,000 square foot facility expansion to be started in 2021 and completed in 2022 with jobs and work performed by local company Met-Con and additional long-term lease revenue gained by Met-Con.
 - Significant additional large capital equipment investments to the Faribault, MN facility of at least \$500,000, including additional power generation equipment for final product testing, and overhead cranes and equipment for safe movement of large scale final product.

While we expect investment and expansion to exceed these numbers, we are confident that we would achieve the above.

Request

We have been working with the City of Faribault and their economic development partners to identify eligible programs and funding amounts to equalize the cost differential between the Kentucky and Faribault scenarios. The current proposal includes:

- A forgivable Minnesota Investment Fund (MIF) loan in the amount of \$125,000,
- A Job Creation Fund award in the amount of \$175,000.
- **Financial assistance from the EDA in the amount of a \$100,000 forgivable loan to offset relocation of industrial equipment, recertification, and other Faribault specific scenario costs.**

Together this package will support additional investment and job creation in Faribault, and continue to solidify Trystar's presence in this community.

Thank you again for your consideration in this matter. We believe that the move of these operations to Minnesota would have significant positive impact to Faribault and Minnesota.



AJ Smith | CEO



aj.smith@trystar.com

P 507.331.4519 | M 952.258.3551

**15765 Acorn Trail
Faribault, MN 55021
507.333.3990**

Building Related Costs	Met-Con	Trystar		
50k square feet addition (\$55/sq.ft. estimate)	\$ 2,750,000			
Lighting upgrade plus install		\$ 86,000		
Bathroom upgrade & Sewer added washbay		\$ 100,000		
3000 amp Additional Electrical Service		\$ 80,000		
Make up Air & Ventilation System		\$ 150,000		
Natural Gas 500KW Generator		\$ 210,000		
Overhead Hoists & Engineering		\$ 125,000		
	\$ 2,750,000	\$ 751,000	\$ 3,501,000	
Capital Equipment				
New Brake Press		\$ 200,000		
Laser cut/Punch		\$ 1,250,000		
Assembly/Powdercoat		\$ 250,000		
		\$ 1,700,000	\$ 1,700,000	
Local Sourced Business		Annual		
Fabrication/Powdercoat		\$ 750,000		Potential if we do not add equipment in year 2 or 3
Electrical components		\$ 800,000		Potential from Johnson Electric to Graybar, etc.
		\$ 1,550,000	\$ 1,550,000	
Physical Move Costs		Annual		
Rigging & Dis-assembly		\$ 75,000		
Inter-state Shipping		\$ 25,000		
Rigging and Re-Assembly		\$ 75,000		
		\$ 175,000	\$ 175,000	
Certification Costs		Annual		
UL Certification		\$ 10,000		UL certification costs are \$5-15,000 per cert
CSA Certification		\$ 10,000		CSA certification costs are \$5-15,000 per cert

Product build for testing		\$ 15,000		Labor and materials to build a product for UL and CSA (typically is not salable)
		\$ 35,000	\$ 35,000	
		x4		There are 4 product families we have to move and get re-certified
		\$ 140,000	\$ 140,000	

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