



Request for Council Action

TO: Mayor and City Council
THROUGH: Tim Murray, City Administrator
FROM: Deanna Kuennen, Com & Econ Dev Director
MEETING DATE: April 27, 2021
SUBJECT: Resolution 2021-083 Support of a Minnesota Investment Fund Program Application in Connection with Trystar, LLC

Background:

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. Trystar has become a market leader in this space, with many of its products currently produced in Faribault. The company has differentiated themselves from their competition by providing unmatched flexibility to create custom solutions tailored to their customers' specific needs. Trystar now serves more than 1,000 customers globally with extremely strong loyalty – over 80-percent of their business coming from repeat customers.

Last year Trystar, with the help of the City of Faribault, consolidated all of their Faribault operations into a 100,000 SF Met-Con facility located at 15765 Acorn Trail, and added a 20,000 SF office addition. This move was focused on optimizing the company's operations in a facility and on a site that would accommodate future growth. While 2020 was a challenging year for all businesses – Trystar forged ahead with their growth plans and in November acquired Load Banks Direct out of Covington, Kentucky.

Load banks are used for testing and verification of back-up power systems (i.e. when a data center is commissioned). This is a complementary product to the current Trystar offerings.

After the acquisition the company started to explore the capital and facility needs for the Load Banks Direct Company knowing they would need to update its operation. Options being evaluated include updating the existing Kentucky facility, leasing a new facility in the same area, or relocating the operations to Faribault. Relocating to Faribault would accelerate the growth plans envisioned for the Faribault operations – but would have a much higher cost associated with expanding the existing facility, as well as complications associated with an interstate-move of large equipment (complete disassembly, long-distance shipping, reassembly, set up, and

certification). If the cost differential could be reduced, the preferred location of the Trystar/Load Banks Direct project would be in Faribault.

Proposed Project:

To accommodate the possible relocation of the newly acquired Load Banks Direct company to Faribault, the project will require an expansion of the existing Trystar building and reconfiguration of the internal spaces to upgrade the facility capabilities. The total project would include the following:

- 50,000 SF expansion to existing facility (Approximate cost of \$2.75-\$3.5m)
- Capital improvements to existing facility to accommodate reconfiguration (Approximate cost of \$750,000)
- Capital equipment investment to set up and expand operations (Approximate investment of at least \$1.7m)
- **Total project cost: \$5m**

- In-sourcing or local sourcing of \$1.5m annually (Currently sourced in Kentucky)
- Creation of 20 FT jobs – with wages ranging from \$16.16-\$33.28/hr. plus benefits within two (2) years
- Estimated annual total tax increase of \$59,747 (city tax increase \$19,991)

This project is significant because not only does the project result in the investment in a facility expansion and the creation of quality jobs, but the project would continue to solidify Trystar’s Faribault location as they augment offering and capabilities in the electrical power distribution and back-up emergency power solutions both organically and inorganically through additional future acquisitions. The more investments made into the Faribault location and the better operating the plant is in Faribault, the more likely Faribault will be seen as the location of choice for future expansions and consolidation.

If the project were to move forward, construction would start in September 2021, equipment would be purchased in February 2022 and operational in May 2022.

Proposed Financial Incentives:

Staff reached out to the Department of Employment and Economic Development (DEED) to develop a financial assistance/incentive package to help offset the costs associated with relocating the Load Banks Direct business to Faribault. In working through the project details – including investment and job creations – the following proposed overall economic development incentive package in being recommended to encourage the investment and support the accelerated growth and expansion of an

existing Faribault business in Faribault versus the investment occurring in Kentucky:

Proposed Financial Incentive/Assistance Package:

State of MN – Employment & Economic Development (DEED)	\$175,000 – Job Creation Fund
	\$125,000 (forgivable loan) – Minnesota Investment Fund
	TBD Job Skills Partnership funding to support training efforts
	TBD Job Training Incentive Program for job training assistance
City of Faribault – Economic Development Authority	\$100,000 (forgivable loan)
<i>Total Incentive Package Proposal</i>	<i>\$400,000 Value</i>

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, would make Faribault the preferred option.

Discussion:

The Minnesota Investment Fund (MIF) specifically is a program intended to provide loans to businesses that create or retain high-paying, full-time permanent jobs, and invest in machinery or real property acquisition or improvements. This program is available for specific industries (of which Trystar is included), and the company must work with the local government to complete an application. MIF also requires a public hearing – where understanding how the MIF request and project will strengthen the community is identified. This project meets many of the City’s stated “economic growth goals” as identified in the City’s Business Subsidy Policy including:

- Enhance economic growth and increase the tax base
- Create high quality jobs
- Retain high quality jobs
- Encourage additional unsubsidized private development

The project also supports business retention, of a company that has had Faribault roots since the 1990’s.

A public hearing for April 27, 2021 was properly noticed.

After the public hearing – the City Council will be asked to take action to support the MIF application in conjunction with Trystar, LLC.

Recommendation:

Adopt Resolution 2021-083 Support of a Minnesota Investment Fund Program Application in Connection with Trystar, LLC

Attachments:

- Resolution 2021-083 Support of a Minnesota Investment Fund Program Application in Connection with Trystar, LLC
- Public Hearing Notice

CITY OF FARIBAULT

RESOLUTION #2021- 083

SUPPORT OF A MINNESOTA INVESTMENT FUND PROGRAM APPLICATION IN CONNECTION WITH TRYSTAR, LLC

WHEREAS, the City of Faribault, Minnesota (the "City"), will act as the legal sponsor for the project contained in the Minnesota Investment Fund Application to be submitted on or about April 28, 2021, and that the City Council of the City of Faribault, Minnesota, is hereby authorized to apply to the Department of Employment and Economic Development for funding of this project; and

WHEREAS, the City has the legal authority to apply for financial assistance, and the institutional, managerial, and financial capability to administer the proposed project; and

WHEREAS, the City has not violated any Federal, State, or local laws pertaining to fraud, bribery, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice; and

WHEREAS, that upon approval of its application by the State, the City may enter into a Grant Contract with the State of Minnesota for the approved project, and that the City certifies that it will comply with all applicable laws, statutes, regulations and rules as stated in the Grant Contract and described in the Project Compliance Certification of the Application; and

WHEREAS, the City has obtained credit information on Trystar, LLC. Upon review by the City and the City's Legal Counsel, no adverse findings or concerns regarding, but not limited to, tax liens, judgments, court actions, and filing with state, federal, and other regulatory agencies were identified. Failure to disclose any such adverse information could result in revocation or other legal action.

NOW, THEREFORE BE IT RESOLVED, that the City Council of the City of Faribault, Minnesota are hereby authorized to execute the Grant Contract and amendments, thereto, as are necessary to implement the project on behalf of the City of Faribault and Trystar, LLC.

Date Adopted: April 27, 2021

Faribault City Council

Kevin F. Voracek, Mayor

ATTEST:

Timothy C. Murray, City Administrator

CITY OF FARIBAULT, MINNESOTA
CORRECTED NOTICE OF PUBLIC HEARING REGARDING
A MINNESOTA INVESTMENT FUND APPLICATION
ON BEHALF OF TRYSTAR, INC.

NOTICE IS HEREBY GIVEN that the City Council of the City of Faribault, Minnesota will meet on April 27, 2021, at 6:00 p.m., or as soon as possible thereafter, in the City Council Chambers at City Hall, 208 1st Avenue NW, Faribault, MN, to conduct a public hearing concerning submittal of an application to the Minnesota Department of Employment and Economic Development for a grant under the Minnesota Investment Fund (MIF) program.

The City of Faribault is requesting approximately \$125,000 to assist with the expansion of Trystar, Inc. The funds will be used to support the expansion of the business and for the creation of jobs.

At the public hearing, any person wishing to express comments on the project will be heard orally or in writing. Specific questions can be directed to Deanna Kuennen, Community & Economic Development Director at 507-333-0376. Written comments can be submitted to the following:

Deanna Kuennen, Community & Economic Development Director
208 NW 1st Ave
Faribault, MN 55021

BY THE ORDER OF THE CITY COUNCIL

/s/ Timothy C. Murray
City Administrator

Dated: April 6, 2021.

Date of Publication: April 15, 2021

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