



Request for Council Action

TO: Mayor and City Council
THROUGH: Tim Murray, City Administrator
FROM: Deanna Kuennen, Community & Economic Development Director
MEETING DATE: April 9, 2019
SUBJECT: Resolution 2019-057 Support of a Job Creation Fund Application in Connection with Sage Electrochromics, Inc.

Background:

Starting in 2009, the City, along with the Department of Employment and Economic Development (DEED), Rice County, Steele Waseca Cooperative Electric, Southern Minnesota Initiative Foundation, Faribault EDA, Faribault Industrial Corporation, and others worked collectively to develop a comprehensive business assistance package for the SAGE Electrochromics (SAGE) expansion project. Those efforts resulted in the construction of a 300,000 SF high volume manufacturing facility in Faribault and the creation of 114 new jobs. Today, SAGE employs 248 persons at the Faribault facility and continues to grow.

Late last year, SAGE met with their Corporate Managers and parent company to review their long-term business strategy. The High volume production plant in Faribault began offering product to a global market in 2014, and the facility currently operates 3 full shifts and a 24/5 operation to meet demand. The decision was made to continue investing in Faribault and implement a multi-year investment plan that will increase the capacity of the existing plant. The proposed investment plan includes:

- Capital investment of over \$14 million in equipment and plant improvements/renovations
- Creation of 16 new jobs over three (3) years – with an average wage of \$22 plus benefits, as the new production capacity comes online.

Discussion:

To offset the expenses associated with the growth strategy, SAGE is seeking assistance through the Job Creation Fund (JCF) Program – a State of Minnesota program that provides job creation awards and capital

investment rebates to designated businesses that retain or create quality, full-time permanent jobs and invest in real property improvements. To become a designated JCF business and receive benefits (direct from the State to the business) – the business must work with the local government where the business will be located. The business must complete an application, and the local government must pass a resolution of support for the business/JCF application – and submit the application to the Department of Employment and Economic Development (DEED) on behalf of the business/applicant.

To be eligible, the business must invest a minimum of \$500,000 in real property improvements, and create five (5) new full-time jobs.

The proposed SAGE investment plan includes a \$1 million investment in building renovations and equipment acquisition within a 12-month period, and the creation of 16 new jobs over three (3) years. SAGE meets the eligibility requirements for the JCF program both in terms of capital investment and in terms of job creation.

The next step for SAGE to be designated as a JCF business and receive the business incentives – is for the City of Faribault to pass a resolution supporting the project. The resolution identifies that the business and the City are working together, and the City approves the company's application to DEED seeking an award and rebates from the JCF program. Once the application and resolution are submitted, DEED will evaluate the application and notify the City and SAGE of approval or denial. If approved – DEED will formally designate the business as a JCF business and make a determination on the job creation award and amount of the capital investment rebate. The company will then enter into a required business subsidy agreement with DEED, and the City will be responsible for submitting required annual progress reports.

Recommendation:

Approve Resolution 2019-057 Support of a Job Creation Fund Application in Connection with Sage Electrochromics, Inc.

Attachments:

- Resolution 2019-057

CITY OF FARIBAULT

RESOLUTION #2019-057

SUPPORT OF A JOB CREATION FUND APPLICATION IN CONNECTION WITH SAGE ELECTROCHROMICS, INC.

WHEREAS, the City of Faribault, Minnesota (the "City"), desires to assist Sage Electrochromics, Inc., a unique high-tech manufacturing company in the tintable glass space, which is proposing to renovate an existing facility in the City; and,

WHEREAS, the City of Faribault understands that Sage Electrochromics, Inc., through and with the support of the City, intends to submit to the Minnesota Department of Employment and Economic Development an application for an award and/or rebate from the Job Creation Fund Program; and,

WHEREAS, the City of Faribault held a city council meeting on April 9, 2019, to consider this matter.

NOW, THEREFORE BE IT RESOLVED, that, after due consideration, the Mayor and City Council of the City of Faribault, Minnesota, hereby adopts the following findings of fact related to the project proposed by Sage Electrochromics, Inc. and its application for an award and/or rebate from the Job Creation Fund Program and express their approval.

The Mayor and City Council hereby finds and adopts the reasons and facts supporting the following findings of fact for the approval of the Job Creation Fund Program application:

1. Finding that the project is in the public interest because it will encourage the growth of commerce and industry, prevent the movement of current or future operations to locations outside Minnesota, result in increased employment in Minnesota, and preserve or enhance the state and local tax base

This project supports an investment strategy, approved by Sage Electrochromics, Inc. parent company, that will increase production at their existing plant located at 2 Sage Way, Faribault, MN.

2. Finding that the proposed project, in the opinion of the City Council, would not reasonably expected to occur solely through private investment within the reasonably foreseeable future.

Sage Electrochromics, Inc. has had to compete with all sister-companies to receive the support of their parent company (Saint Gobain) to make an investment at the local plant. As part of the competition – financial assistance and support is necessary to demonstrate the importance of the project to the community and State of Minnesota.

3. Finding that the proposed project conforms to the general plan for the development or redevelopment of the City as a whole.

The City values all of our existing business and industry and works to support existing business growth and expansion. Sage Electrochromics – located in the Northern Industrial Park – will continue to provide and grow high quality jobs, and will continue to contribute to the local tax base.

4. Finding that the proposed project will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the redevelopment or development of the project by private enterprise.

The City values all of our existing business and industry and works to support existing business growth and expansion. Sage Electrochromics will provide high quality jobs, will continue to contribute to the local tax base, and is an example of the foreign direct investment (FDI) that is important to growing Faribault's global economy.

Date Adopted: April 9, 2019

Faribault City Council

Kevin F. Voracek, Mayor

ATTEST:

Timothy C. Murray, City Administrator