



## 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 24<sup>th</sup>, 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