



Legislation Text

File #: Res. 2018-082, **Version:** 1

City Council Meeting Date: September 4, 2018

To: Mayor and City Council
City Administrator

From: Nate Carlson, Economic Development Coordinator
Chris Heineman, Community Development Director
Mikaela Huot, Vice President, Springsted Incorporated

Consideration of Resolution approving Tax Increment Financing Business Subsidy and Development Agreement to Strobel & Werner Real Estate Holding Company, LLC.

Action Requested:

Staff recommends approval of the attached Resolution for Business Subsidy and Tax Increment Financing and related Development Agreement to Strobel & Werner Real Estate Holding Company, LLC.

Summary Report:

Strobel and Werner Real Estate Holding Company, LLC (dba Aurora Pharmaceutical) is requesting Tax Increment Financing (TIF) incentives from the City of Northfield to assist with a major planned expansion of the current facility. Dr. Michael Strobel and Dr. Mark Werner (owners) have submitted an application for an Economic Development TIF District which can be found attached to this report. The proposed pay-as-you-go TIF District requires the developer to pay all development costs with their own funds. As the net tax capacity of the district increases, the increase in property taxes paid by the developer (tax increment) can be used to reimburse the developer for eligible costs such as land acquisition, site preparation, and public infrastructure.

Community Development staff began working with Dr. Strobel and his development team in March, 2018. Community Development Director Chris Heineman and Economic Development Coordinator Nate Carlson met with the developer regarding the project scope and required land. After examining several potential options, it was determined that no other alternative would accommodate Aurora Pharmaceutical's needs and facilitate the proposed expansion project.

Strobel and Werner Real Estate Holding Company, LLC have proposed a \$1.5 million expansion on the current Aurora facility located at 1200 Highway 3 South, Northfield, MN. This building expansion will be occurring at the rear of the building to assist with current and anticipated business growth. Significant site improvements are required for this expansion project, including the construction of a retaining wall, relocation of the current stormwater pond, relocation of the chilling unit, relocation of an Xcel transformer, and relocation of the current 10' utility easement.

Strobel and Werner Real Estate Holding Company, LLC have submitted an application for a total of \$231,336 in TIF to assist with the site improvements and acquisition of City-owned land.

Staff determined that an Economic Development Tax Increment Finance District would facilitate the needs of

this project, and has been working with Springsted Public Sector Advisors to review the TIF application. Mikaela Huot, a public sector advisor from Springsted, provided an initial analysis of the TIF request and determined that the expansion project could create sufficient tax increment over the 8-year term of an Economic Development TIF District.

The EDA Loan Review Committee met on Wednesday, July 18. The Committee reviewed the application and found the request to be appropriate and the project to be an appropriate use for TIF funds. The Committee recommended that the EDA approve the application and recommend formal approval of the Business Subsidy / TIF Application by the City Council. The EDA was also in support of the sale of public land to accommodate this local business expansion project.

The EDA Board met on Thursday, July 26 and reviewed the EDA Loan Review Committee's recommendation. The EDA Board voted unanimously to recommend City Council approval of the Business Subsidy/TIF request. Community Development staff has reviewed the application thoroughly and has determined that this application meets all eligibility criteria for an Economic Development TIF District.

Alternative Options:

None recommended.

Financial Impacts:

- TIF Amount Requested: \$231,809
- Type of TIF District: Economic Development District (8-year duration)
- TIF Uses: Land acquisition, site improvements, design/engineering, relocating utilities
- City land Valuation: \$22,716
- TIF Funding Structure: "Pay-as-you-go"

Tentative Timelines:

The expansion project is scheduled to begin fall 2018.