



Legislation Text

File #: 18-405, **Version:** 1

City Council Meeting Date: August 21, 2018

To: Mayor and City Council
City Administrator

From: Nate Carlson, Economic Development Coordinator
Chris Heineman, Community Development Director

Presentation of Business Subsidy/TIF Request by Strobel and Werner Real Estate Holdings Incorporate (dba Aurora Pharmaceutical).

Action Requested:

None. Staff is providing advance information only at this meeting. The public hearing and future regular meeting item will be an opportunity for the public comment, questions, and council deliberation on the issue.

Summary Report:

Strobel and Werner Real Estate Holdings Incorporate (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.

City Planner Scott Tempel worked with the developer on the site plan and the Development Review Committee (DRC) conducted a formal review of the proposed project on Monday, July 16. A copy of the DRC approval letter is attached for your review. The Planning Commission conducted a Public Hearing on Thursday, July 19 to consider if the proposed sale of public land is in conformance with the Northfield Comprehensive Plan. The Planning Commission confirmed that this sale of public land is in compliance with the Comprehensive Plan.

Strobel and Werner Real Estate Holdings 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 Holdings have submitted an application for a total of \$231,336 in TIF to assist with the site improvements and acquisition of City-owned land. The expansion requires a land conveyance of 0.35 acres of adjacent property. Staff has arrived at a potential land valuation of \$22,716 for the 0.35 acres using a hybrid calculation of parkland valuation and commercial valuation. The calculation is demonstrated in an attached report.

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:

No action is requested of the council. Staff would welcome questions to be provided by Council in advance of the future public hearing to allow for any enhancements to the memo and background provided.

Financial Impacts:

- TIF Amount Requested: \$231,336
- 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:

August 3 - Rice County and Northfield School District notified of draft TIF Plan
August 22 - Publication of notice of public hearing for Business Subsidy/TIF and Sale of land
September 4 - Council holds public hearing on Business Subsidy/TIF and Sale of land
September 4 - Council consideration of Resolution approving TIF District, Business Subsidy Agreement, and Sale of Public Land

*The closing on sale of public land can occur after the public hearing has been conducted.