



Legislation Text

File #: EDA Res. 2019-009, **Version:** 1

DATE: December 19, 2019

TO: Members of the Economic Development Authority

FROM: Nate Carlson, Economic Development Coordinator

Resolution of support for Minnesota Investment Fund Program (MIF) Request from All Flex Flexible Circuits, LLC

SUMMARY AND ACTION REQUESTED:

The EDA Board shall review the recommendation made by the Loan Review Committee and take action to approve EDA Resolution 2019-009 approving the application for MIF funding.

BACKGROUND:

All Flex Flexible Circuits, LLC is requesting \$300,000 in a forgivable MIF Loan from the Minnesota State Department of Employment and Economic Development (DEED) to assist with a planned expansion of their Northfield manufacturing plant. The company, working through a consultant, has provided a partial application for the funds, which can be found attached to this report. The application has several parts that include City participation, which is why the application is partially complete at this time. Nonetheless, this should not hinder the EDA's review of the request.

All Flex senior management has been working for several years to hone the parameters of their potential expansion. As noted in their project overview, the company operates out of three locations, two primary locations in Northfield and the third in Bloomington. They employ over 200 people throughout their three locations with wages ranging from \$17.50 per hour to \$36.50 per hour, and the company began operating in Northfield over 25 years ago. As stated in their company history, All Flex is a full line low to medium and high volume manufacturer providing value add services like surface mount and through whole assembly, testing, design, and engineering support through flexible circuit technology.

For the past three years, Economic Development Coordinator, Nate Carlson, has been working with the company to identify potential resources for their expansion. All Flex has identified fiscal year 2020 as a prime opportunity to expand its Northfield main location located at 1705 Cannon Lane, Northfield, MN. The company wishes to expand from a 25,500 square foot facility to a 40,000 square foot facility with investment in capital equipment and an increase in employment of 35-40 new jobs. Working with the regional DEED representative, Natalie Siderius, we have identified the Minnesota Investment Fund and Job Creation Fund as the two programs that could assist with this major expansion effort. Total cost for the Northfield expansion is estimated to be \$6.4 million between construction and capital equipment. All Flex has identified a gap in financing of roughly \$400,000 to \$500,000. Private financing is still being secured.

At this time, All Flex is requesting a \$300,000 forgivable MIF loan from DEED with the applicant being the Northfield Economic Development Authority. MIF funds must be funneled through a local government agency prior to reaching the business. Hence, the joint application between the EDA and business taking some time to complete. Staff has completed the due diligence for credit review and is awaiting the financial analysis report from City's Financial Advisor, Nick Anhut of Ehlers. Currently, there is no cause for concern that All Flex Flexible Circuits, LLC is unable to make payments on potential debt. The company is doing quite well.

Additionally, the EDA has the opportunity to take part in this expansion effort by offering a low-interest loan to supplement the application. DEED encourages local support when scoring the application. At this time, the Board should consider whether the EDA would pledge a low-interest loan to All Flex should DEED approve the MIF application. Staff recommends using the EDA 293 fund as a source of this potential loan to offer a \$50,000 loan to All Flex.

In order for All Flex to secure MIF funding, the EDA must hold a public hearing on the application and approve resolution supporting the EDA's application for the funds. There is no recourse for the EDA from DEED should the project not materialize. The EDA will be charged with annual reporting on the business, however. The City Council must also approve resolution supporting the EDA's application. This has been scheduled to be on the Council's agenda for January 7.

Attached to this report are the necessary documents for EDA review:

- MIF Application/Guidelines
- Project Overview
- Potential DEED Award estimate note

The EDA Loan Committee met on December 10, 2019 to review the initial application. The minutes are attached to this report. The Committee has recommended approval of the application.

The EDA shall review the following terms for the MIF Application and loan request:

- MIF Request: \$300,000
- Terms: Forgivable Loan
- MIF Applicant: Economic Development Authority

OPTIONS:

The EDA has the following options to consider:

- 1) Approval of the Resolution in support of MIF Application for \$300,000 in MIF Funds.
- 2) Request further information from applicant to review at a follow-up loan committee meeting
- 3) Take no action.

RECOMMENDATION:

Staff recommends approval of EDA Resolution 2019-009.