



JOINT MEETING MINUTES
FARIBAULT CITY COUNCIL,
RICE COUNTY BOARD OF COMMISSIONERS, AND
FARIBAULT ECONOMIC DEVELOPMENT AUTHORITY

COUNCIL CHAMBERS

TUESDAY, JUNE 12, 2018

6:00 PM

Call to Order/Designation of Presiding Officer (Acting Mayor)/Roll Call

The meeting was called to order by Council Member Steve Underdahl at 6:00 pm. Council Members Elizabeth Cap, Royal Ross, John Rowan, Steve Underdahl and Janna Viscomi were in attendance. Mayor Kevin Voracek and Council Member Kay Duchene were absent. Also in attendance were City Administrator Tim Murray, Assistant to the City Administrator Heather Slechta, Director of Community and Economic Development Deanna Kuennen, Public Works Director Travis Block, Police Chief Andy Bohlen, Planning Coordinator Peter Waldock, City Engineer Mark DuChene, Economic Development Coordinator Samantha Markman, and Finance Director Karla McCall.

Motion by Ross seconded by Rowan to appoint Council Member Steve Underdahl as Presiding Officer (Acting Mayor) and carried unanimously.

President Steve Underdahl called the meeting of the Economic Development Authority to order at 6:00pm. Economic Development Authority members Rodney Gramse, Gary Kindseth, Matt Carlander, Dave Albers, and Matt Drevlow were in attendance. Council Member Duchene was absent.

Daikin Applied Project

Business Subsidy and Tax Abatement Public Hearing

Motion by Ross, seconded by Rowan to open the Public Hearing for the Faribault City Council and carried unanimously.

Motion by Kindseth, seconded by Carlander to open the Public Hearing for the Economic Development Authority and carried unanimously.

Community and Economic Development Director Deanna Kuennen explained that since the summer of 2017, Staff has been working with local and state economic development partners on "Project Rice/Acorn" that involved an international business prospect with a Minnesota presence, seeking to build a state-of-the-art manufacturing facility. The company was evaluating locations in Minnesota, southern US, and Mexico with the intent to invest \$40 million in building and equipment for a new manufacturing plant. The new plant will house the production of a new product line expanding the company's portfolio, and result in the hiring of approximately 300 employees by the year 2026. On May 17, 2018, Daikin Applied announced their intent to construct a new Southern Minnesota

Manufacturing Facility in the Met-Con Business Park. This decision is pending finalization of building acquisition and financial incentive approvals necessary to support the facility's infrastructure, investment, and employment needs.

Kuennen further explained that Daikin Applied is proposing a two-phased industrial facility expansion. The total \$40 million project involves the proposed acquisition of an existing, underutilized 300,000 SF warehouse facility located in the Met-Con Business Park. The company will convert the warehouse into a state-of-the-art, build-to-order manufacturing facility for a new product line. The multi-phased project is estimated to create 32 jobs within two (2) years, and 300 new quality jobs by 2026. This project is significant because not only does the project result in the investment in a new facility, but the location for the new Southern Minnesota Manufacturing Facility also allows the existing Daikin Applied plant, located at 300 24th Street NW, to continue to produce legacy products, and add capacity – securing the company's commitment to the community. In totality, the project will result in three (3) Daikin Applied facilities in southern Minnesota – all supporting one another.

As part of the recruitment of this project, a proposed incentive package was developed to make Minnesota competitive, and to help support the facility's infrastructure, investment, and employment needs. Multiple economic development partners including the State of MN - DEED, City of Faribault, Rice County and the City of Faribault Economic Development Authority have worked together and proposed an incentive package that totals \$4.8 million, including providing tax abatement from both the City and County and business subsidies.

Kuennen explained that for tax abatement, each taxing jurisdiction must agree to participate in the abatement of property taxes. With tax abatement, the benefitting property pays their full property tax bill. The participating jurisdictions (City and County) execute an abatement agreement with the developer, whereby each jurisdiction will provide abatement payments twice yearly if all conditions of the agreement are met.

The proposed tax abatement request and recommendation is a 10-year tax abatement of 100-percent of the City and County taxes:

Rice County	\$ 68,415 annual taxes	\$ 684,150 total tax abatement over 10 years
City of Faribault	\$ 97,195 annual taxes	\$ 971,950 total tax abatement over 10 years
TOTAL	\$165,610 annual taxes	\$1,656,100 total tax abatement over 10 years

Payments from the participating jurisdictions will not exceed \$1,656,100 in total over the duration of the abatement term. The assistance will come in the form of a semi-annual abatement of 100-percent of the City and County share of taxes, beginning in the tax payable year of 2020 since that will be the first year of full City taxes.

Kuennen explained that Minnesota Statutes, Sections 116J.993 through 116J.995 is known as the Business Subsidy Act. The Act establishes criteria and regulations associated with providing business subsidies. The proposed incentive package meets the definition of a business subsidy – requiring a

public hearing and a Business Subsidy Agreement between Daikin and the City/EDA.

The local Business Subsidy Policy also establishes minimum job and wage goals that must be met for an applicant to receive a business subsidy. The City's job and wage goals state that the business must create at least one (1) full time job. Daikin is committed to creating 32 jobs within two (2) years, and ultimately creating approximately 300 jobs by 2026. Both the near term and long-term job projects exceed the established goals.

Will Fort, General Manager of Daikin Applied, explained the growth of Daikin over the last 50 years in Faribault and southern Minnesota. Daikin is working towards being the number one HVAC company in the United States. Fort will take the message of support from the City, County and EDA back to the company headquarters.

Jeff Rossate from the State of Minnesota Department of Employment and Economic Development, stated that they are here to provide support at a community level.

No comments were received from the general public.

Motion by Rowan, seconded by Ross to close the City of Faribault Public Hearing and carried unanimously.

Motion by Kindseth, seconded by Albers to close the Economic Development Authority Public Hearing and carried unanimously.

City Resolutions

Resolution 2018-129 Approving Property Tax Abatement for Certain Property in the City of Faribault

Motion by Ross, seconded by Rowan to approve Resolution 2018-129 Approving Property Tax Abatement for Certain Property in the City of Faribault and carried unanimously,

Resolution 2018-130 Approving Contract for Private Development with Daikin Applied Americas, Inc., for Certain Property in the City of Faribault

Motion by Ross, seconded by Rowan to approve Resolution 2018-130 Approving Contract for Private Development with Daikin Applied Americas, Inc., for Certain Property in the City of Faribault and carried unanimously.

Resolution 2018-132 Support of a Minnesota Investment Fund Program Application in Connection with Daikin Applied Americas, Inc.

Motion by Ross, seconded by Rowan to approve Resolution 2018-132 Support of a Minnesota Investment Fund Program Application in Connection with Daikin Applied Americas, Inc. and carried unanimously.

Acting Mayor Steve Underdahl thanked Fort and Daikin Applied, and looks forward to working with Daikin.

EDA Resolutions

Resolution 2018-010 Approving Contract for Private Development with Daikin Applied Americas, Inc. for Certain Property in the City of Faribault

Motion by Drevlow, seconded by Carlander to approve Resolution 2018-010 Approving Contract for Private Development with Daikin Applied Americas, Inc. for Certain Property in the City of Faribault and carried unanimously.

Resolution 2018-011 Support of a Minnesota Investment Fund Program Application in Connection with Daikin Applied Americas, Inc.

Motion by Drevlow, seconded by Carlander to approve Resolution 2018-011 Support of a Minnesota Investment Fund Program Application in Connection with Daikin Applied Americas, Inc. and carried unanimously

SteinAir, Inc. Project

Tax Abatement Public Hearing

Motion by Rowan, seconded by Ross to open the City of Faribault Public Hearing and carried unanimously.

Director of Community and Economic Development Deanna Kuennen explained that late last fall, Staff was contacted by SteinAir, an existing, highly specialized avionics company that has been located in Farmington, MN for the last 12 years. SteinAir contacted the City of Faribault because they were evaluating options to grow their business. SteinAir currently does not have a commercial facility on an airport, critically hindering their ability to expand. Being an aviation company manufacturing parts for installation into aircraft, an on-airport location will allow the company to expand by being able to install the instrument panels and components that they manufacture and assemble into their client's aircraft. Pilots will be able to fly into the facility, have SteinAir install the assembled panels and harnesses, then fly out once the installation is complete.

The company owner and president, Stein Bruch, explained that due to the unique nature of the products and services they offer, there are not many competitors in the country – and therefore a number of states have been actively recruiting the company to relocate to their locale. Expanding in Minnesota was the company's preferred choice, and therefore he was looking at a number of airports – including airports in Lakeville, South St. Paul, Owatonna, as well as reviewing proposals from airports in Wisconsin and South Dakota.

After meeting with the company and learning more about the avionics industry, Staff assembled a team to evaluate opportunities at the Faribault Airport that would fit within the airport master plan, and accommodate this niche business. Staff and the Airport Board recognized that this project had the

potential to change the trajectory of the Faribault Airport, creating a cluster of very specialized, niche avionics commercial enterprises. Staff also reached out to our economic development partners to identify potential financial resources that could support the business relocation and expansion to the Faribault Airport. Based on those conversations, a proposal was presented to SteinAir, and in late December, SteinAir submitted a Letter of Intent, identifying the Faribault Airport as their preferred location, pending approval of financial incentives necessary to support the business growth and relocation, site preparation, and FAA approval.

SteinAir currently leases 6,000 SF of space in an industrial building in Farmington, MN. The proposed project includes relocating their entire business operations to the Faribault Airport. The company would construct a multi-use building with a footprint of approximately 16,000 SF facility that would house both manufacturing/production space and hangar space. The scope of the project includes investing approximately \$1,750,000 in capital for construction of the facility and purchase of machinery and equipment. SteinAir would own the building that they are proposing to construct, and the City of Faribault will continue to own the land in which the building sits on at the Faribault Municipal Airport. The company would relocate their existing employees to the new location, and create an additional eight (8) full-time equivalent positions for highly skilled laborer positions within 3-years for a total employment of 25 full-time equivalent positions. The company currently employs 17 highly skilled employees (FAA licensed aircraft pilots, aircraft mechanics, technicians, and engineers), has a payroll of nearly \$1 million, and current business revenues are in excess of \$5 million.

As part of the recruitment of this project, a proposed incentive package was developed to make the Faribault location competitive, and to help support the facility's infrastructure, investment, and relocation needs. Multiple economic development partners have identified tools – and the overall proposed incentive package totals \$283,500.

As with other tax abatement requests, each taxing jurisdiction must agree to participate in the abatement of property taxes. With tax abatement, the benefitting property pays their full property tax bill. The participating jurisdictions (City and County) execute an abatement agreement with the developer, whereby each jurisdiction will provide abatement payments (rebates) twice yearly if all conditions of the agreement are met.

The proposed tax abatement request and recommendation is for an 8-year tax abatement of 100-percent of the City taxes and 5-year tax abatement of 100-percent of the County taxes:

Rice County	\$ 5,078 annual taxes	\$25,390 total tax abatement over 5 years
City of Faribault	\$ 7,214 annual taxes	\$57,712 total tax abatement over 8 years
TOTAL	\$12,292 annual taxes	\$83,102 total tax abatement over duration of tax abatement term

Payments from the participating jurisdictions will not exceed \$83,102 in total over the duration of the abatement term. The assistance would come in the form of a semi-annual abatement of 100-percent of the City and County share of taxes (8 and 5 years respectively), beginning in the tax payable year

of 2020 since that will be the first year that the improvements will be reflected on the City taxes.

Stein Bruch informed the Council on what type of products and services SteinAir provides for aircraft and the scope of work done at SteinAir.

There were no comments received from the general public.

Motion by Rowan, seconded by Ross to close the Public Hearing and carried unanimously.

Resolution 2018-128 Approving Property Tax Abatement for Certain Property in the City of Faribault

Motion by Rowan, seconded by Viscomi to approve Resolution 2018-128 Approving Property Tax Abatement for Certain Property in the City of Faribault and carried unanimously.

Resolution 2018-127 Approving Contract for Private Development with SteinAir, Inc., for Certain Property in the City of Faribault

Motion by Rowan, seconded by Ross to approve Resolution 2018-127 Approving Contract for Private Development with SteinAir, Inc., for Certain Property in the City of Faribault and carried unanimously.

Council Member Ross thanked both SteinAir and Daikin for believing in Faribault, as well as Rice County and the EDA. Ross also tipped his hat to City Staff for their work done on these projects.

Adjournment

Motion by Viscomi, seconded by Rowan and carried unanimously to adjourn the meeting of the Faribault City Council.

Motion by Carlander, seconded by Drevlow to adjourn the meeting of the Faribault Economic Development Authority.

Meeting adjourned at 6:48 pm.

Respectfully Submitted,



Heather J. Slechta
Assistant to the City Administrator

Note: Minutes of the Rice County Board of Commissioners actions are separate (by Rice County).