

**SPECIAL EDAP BOARD MEETING  
WISH'N WELL CAFE  
MAY 21, 2012  
7:00 A.M.**

AGENDA

- I. CALL TO ORDER
  
- II. CONSENT AGENDA
  
- III. NEW BUSINESS
  - A. TIF District – Bruce Stang (page 1)
  
- IV. OLD BUSINESS
  - A. Incubator/Industrial Park
  - B. Economic Status Of Community - Update
  - C. Past Due Loans – Update
  - D. Blighted Property On Minnie St.
  
- V. INFORMATIONAL
  - A. Revolving Loan Report (page 8)
  
- VI. ADJOURN

**\*\*\* Please call or email Renee at 320-243-3714 ext. 227 or at  
[renee@paynesvillemn.com](mailto:renee@paynesvillemn.com)  
if you are not able to attend the meeting.\*\*\***

**Members: Don Pietsch, Don Wiese, Bruce Stang, Chris Stanley, Alan Habben, Jean Soine, and Gene Beavers. Advisory Member: Renee Eckerly.**

This agenda has been prepared to provide information regarding an upcoming meeting of the EDAP Board. This document does not claim to be complete and is subject to change.

**BARRIER FREE:** All EDAP Board meetings are accessible to the handicapped. Attempts will be made to accommodate any other individual need for special services. Please contact City Hall (320) 243-3714 early, so necessary arrangements can be made.

**REQUEST FOR COMMITTEE/COUNCIL ACTION**

**COMMITTEE/COUNCIL NAME: EDAP Board Meeting**

Committee/Council Meeting Date: May 21, 2012

Agenda Section: New Business

Originating Department: Administration

Item Number: III - A

**ITEM DESCRIPTION: TIF District – Bruce Stang**

Prepared by: Staff

**COMMENTS:**

Please review the attached TIF District information.

**ADMINISTRATOR COMMENTS:**

**COMMITTEE/COUNCIL ACTION:**

Motion to approve TIF District for Bruce Stang and recommend such to the City Council.

[VIA EMAIL]

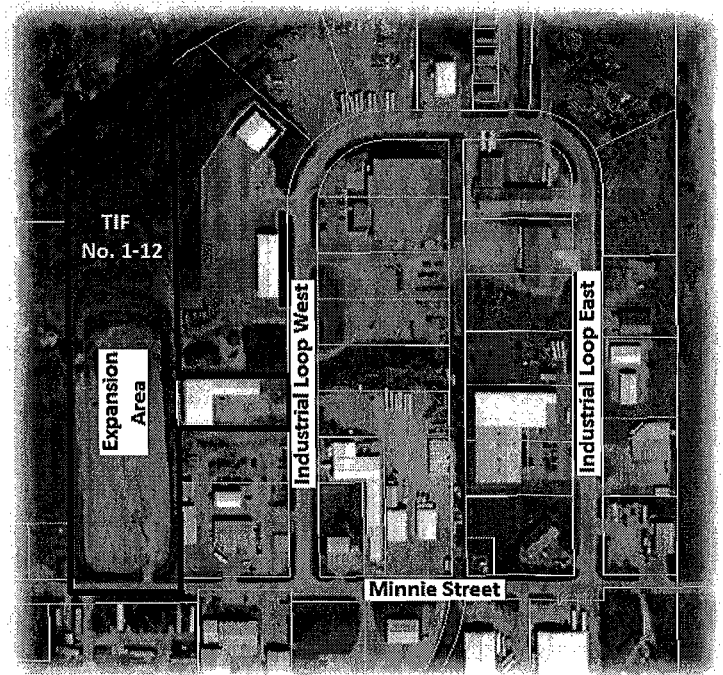
**To:** Economic Development Authority of Paynesville  
**From:** Ed Tschida  
**Re:** Establishing New TIF District  
TIF No. 1-12  
**Date:** May 17, 2012

BACKGROUND

Bruce Stang, owner of Stang Precision, Inc., is requesting that EDAP and the City consider the use of tax increment financing in conjunction with a proposed manufacturing facilities expansion. The 30,000-ft.<sup>2</sup> expansion will be constructed on the west side of the existing industrial building located at 125 Industrial Loop West. The aerial photo to the right shows the location of the existing building and the approximate expansion area, as well as the boundaries of the proposed TIF district.

DEVELOPMENT CRITERIA

Before using tax increment financing, EDAP and the City are required to determine the legal eligibility of the proposed project. The requirements for a project to qualify as an "Economic Development" tax increment financing district are presented in the response to question 1. In addition, EDAP and the City should consider how well the project fits economic and community development goals.



**1. Does the project meet the legislative criteria and general use of the law?**

A. Minnesota Statutes, section 469.174, subdivision 12 defines "economic development district" to mean a type of tax increment financing district which consists of any project, or portions of a project, which the city finds to be in the public interest because:

- it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or
- it will result in increased employment in the state; or

- it will result in preservation and enhancement of the tax base of the state.

B. Minnesota Statutes, section 469.174, subdivision 4c. places the following limitations on economic development districts:

Revenue derived from tax increment from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if 85% of the buildings and facilities (determined on the basis of square footage) are used for the following purposes:

- the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;
- warehousing, storage, and distribution of tangible personal property, excluding retail sales; and
- space necessary for and related to the activities listed above.

C. Minnesota Statutes, section 469.176, subdivision 1b provides that no tax increment shall in any event be paid to the City after eight years after receipt by the City of the first increment for an economic development district,

The proposed project is capable of meeting the above legislative criteria for a tax increment financing "economic development district". The proposal is typical of the general use of tax increment for economic development efforts.

**2. What new employment potential is created?**

The project consists of a 30,000-ft.<sup>2</sup> plant expansion. The expansion will create new jobs over the next few years.

**3. Does the project increase the tax base?**

The long-term impact would be an increase of the local (City, county and school district) tax base. Table 1 shows an estimate of the annual tax increment generated by the expansion project.

<b>TABLE 1: TAX INCREMENT CALCULATIONS</b>						
Local Tax Rate = 116.692% (Paynesville, Payable 2011)						
Property Classification: Industrial						
Completion Prior to December 31, 2012						
Estimated Completion Market Value: \$1,044,300						
YEAR TAXES PAYABLE	BASE TAX CAPACITY	PROJECT'S TAX CAPACITY	CAPTURED TAX CAPACITY	ADJUSTED TAX INCREMENT	LESS ADMIN. OF 5%	NET ANNUAL TIF
2012	7,524	0	0	0	0	0
2013	7,524	0	0	0	0	0
2014	7,524	20,136	12,612	14,664	733	13,931
through						
2022	7,524	20,136	12,612	14,664	733	13,931
<b>TOTALS</b>				<b>\$131,978</b>	<b>\$6,599</b>	<b>\$125,379</b>
Present Value Discounted at 5.00% Interest Equals						<b>\$95,161</b>

**4. *What impact is there on City service needs?***

The proposed project expands an existing manufacturer, which, due to the size of the expansion, will have minimal affect on City services.

**5. *Does the project support existing residential, industrial or commercial operations in the City?***

The project will result in the expansion of an existing manufacturer within the City that will increase local employment, purchases at local businesses and occupancy of local residences. These activities will generally be supportive of the local economy.

**6. *What is the quality of the proposed facility?***

The facilities would conform to City requirements for this type of development and be constructed similar to the existing building located at 125 Industrial Loop West.

**7. *What is the financial feasibility of the proposed project?***

The project consists of a locally owned and operated firm that is in need of larger facilities due to steady and continuing growth. In order to create a financially viable project, Mr. Stang seeks a public/private-financing package that includes owner equity, bank loan, and "pay-as-you-go" tax increment financing.

**8. *Would the project proceed in its present design and timetable without City assistance?***

The project would not proceed without City assistance. The proposed public/private financing is integral to financial viability of the business expansion.

**9. *Is there compatibility of the proposed project with the City's overall development plans and objectives and with those of the neighborhood proposed for the project's location?***

The community supports projects that promote the development of industrial and manufacturing uses, which will benefit the community and will not result in adverse effects to the land, air, infrastructure or community as a whole. The EDAP and City also encourage these developments by providing local financial assistance.

**OBSERVATIONS AND RECOMMENDATION**

**Observations:**

- The development proposal meets the EDAP and City goals for financial assistance, and it will be compatible with community plans and City ordinances.
- Overall, the project appears to be a good fit for the community.

**Recommendation:**

- If EDAP concurs with the above observations, it should recommend to the City Council to proceed with a new TIF district for the project.

**Attachments:**

- Attached is a review schedule for establishing a new tax increment financing district, City Council resolution calling for a public hearing and notice of public hearing.

**SCHEDULE OF EVENTS TO ADOPT  
TAX INCREMENT FINANCING DISTRICT DOCUMENTS  
FOR  
STANG PRECISION, INC. EXPANSION PROJECT  
CITY OF PAYNESVILLE, MINNESOTA  
TAX INCREMENT FINANCING DISTRICT NO. 1-12**

<b>DATE</b>	<b>DESCRIPTION</b>	<b>TYPE</b>	<b>TIME</b>
Monday, May 21, 2012	EDA meeting to review Project	Regular	7:00 A.M.
Wednesday, May 23, 2012	City Council adopts Resolution calling for public hearing	Regular	6:00 P.M.
Friday, May 25, 2012	County and School District Notification (30 days before public hearing) <b>TIF No. 1-12 Plan must be mailed by this date to school and county</b>		
Friday, June 08, 2012	Forward Notice to Legal Paper (On or before date to the left)		
Wednesday, June 13, 2012	Publish Notice of Hearing - City's Legal Newspaper - Wednesday Publication <b>- Notice must include map of TIF No. 1-12</b>		
Wednesday, June 27, 2012	Date of Public Hearing	Regular	6:30 P.M.
Wednesday, June 27, 2012	City Council adopts Resolution creating TIF No. 1-12	Regular	6:30 P.M.
Tuesday, June 28, 2012	Request TIF District Certification from County Auditor		
Monday, July 02, 2012	File documents with City, county and state		

**RESOLUTION CALLING PUBLIC HEARING ON THE PROPOSED  
ESTABLISHMENT OF TAX INCREMENT FINANCING  
DISTRICT NO. 1-12 WITHIN DEVELOPMENT DISTRICT NO. 1  
AND THE PROPOSED ADOPTION OF A TAX INCREMENT  
FINANCING PLAN RELATING THERETO**

**BE IT RESOLVED** by the City Council (the "Council") of the City of Paynesville, Minnesota (the "City"), as follows:

**1. Public Hearing.** This Council shall meet on Wednesday, June 27, 2012, at 6:30 p.m., to hold a public hearing on the following matters: (a) the proposed establishment of Tax Increment Financing District No. 1-12, and (b) the proposed adoption of a Tax Increment Financing Plan relating thereto, all pursuant to and in accordance with Minnesota Statutes, sections 469.174 through 469.179, both inclusive, as amended (the "Act").

**2. Notice of Hearing; Filing of Plan.** The City Administrator is hereby authorized to cause a notice of the hearing, substantially in the form attached hereto as Exhibit A, to be published as required by the Act and to place a copy of the proposed Tax Increment Financing Plan on file in the Administrator's office at City Hall and to make such copy available for inspection by the public.

Adopted this 23<sup>rd</sup> day of May 2012.

\_\_\_\_\_  
Jeffrey Thompson, Mayor

ATTEST:

\_\_\_\_\_  
Renee Eckerly, City Administrator

The motion for the adoption of the foregoing resolution was made by Councilmember \_\_\_\_\_ and duly seconded know will by Councilmember \_\_\_\_\_. Upon a vote being taken the following members voted in favor thereof:

\_\_\_\_\_  
\_\_\_\_\_

Those against same:

\_\_\_\_\_

**EXHIBIT A**  
**NOTICE OF PUBLIC HEARING ON**  
**TAX INCREMENT FINANCING DISTRICT NO. 1-12**

**TO WHOM IT MAY CONCERN:**

Notice is hereby given that the City Council of the City of Paynesville, Minnesota will meet at the City Hall in Paynesville, Minnesota, at 6:30 p.m. on Wednesday, June 27, 2012 to consider the formation of Tax Increment Financing District No. 1-12, and the adoption of a tax increment financing plan pursuant to Minnesota Statutes, sections 469.174 through 469.179, both inclusive, as amended. Such persons as desire to be heard with reference to the above proposal will be heard at this meeting. The map accompanying this notice shows the location of Tax Increment Financing District No. 1-12. Copies of the proposed Tax Increment Financing Plan are on file in the office of the City Administrator and are available for public examination. Written or oral statements will be considered.

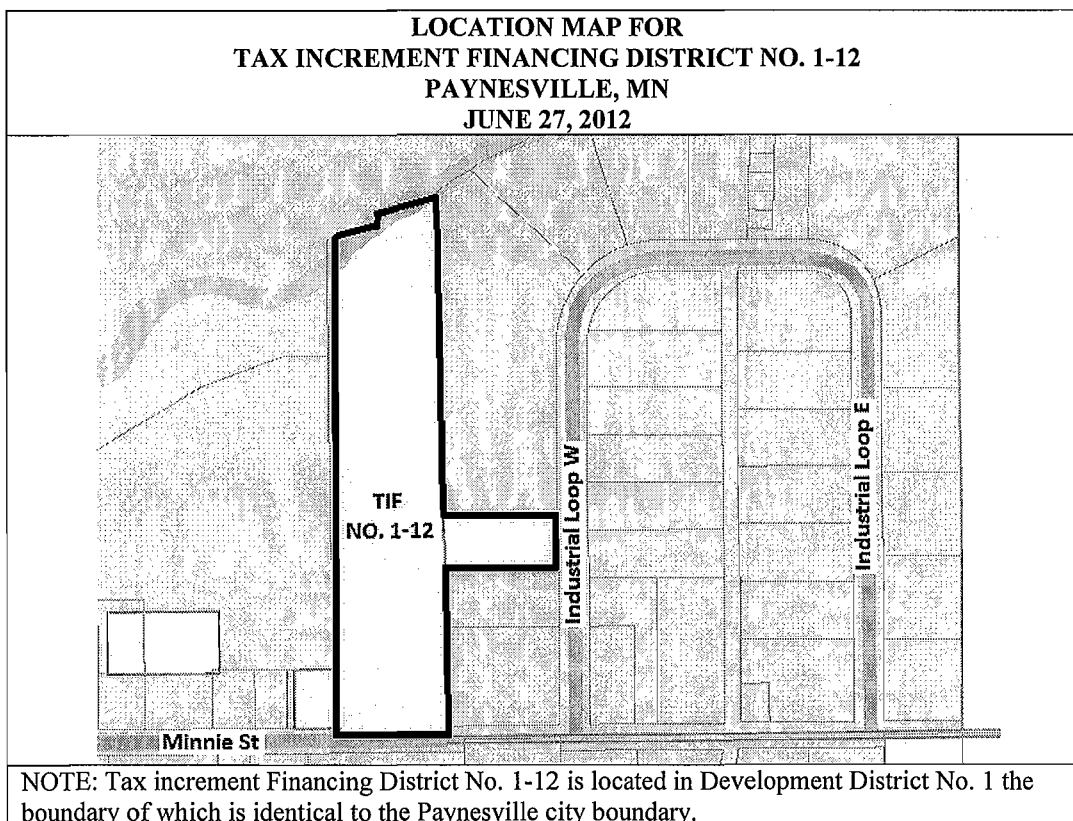
Any person with residence in the City of Paynesville, or the owner of taxable property in the City, may file a written complaint with the City if the City fails to comply with M.S. § 116 J.993 to 116J.995 (the Business Subsidy Act). No action may be filed against the City for the failure to comply unless a written complaint is filed.

All interested persons may appear at the public hearing and present their views orally or in writing.

Dated: This 13<sup>th</sup> day of June 2012.

BY ORDER OF THE PAYNESVILLE CITY COUNCIL

BY: */s/ Renee Eckerly*  
Renee Eckerly  
City Administrator



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## REVOLVING LOAN STATUS REPORT

05/08/2012	BALANCE	PRINCIPAL	PAYMENT	LAST PMT. AMOUNT	DUE DATE
MIDWEST CYLINDER #2	\$ 210,582.67	1,627.27	05/04/12 5/12 PMT.	2,115.64	22ND
SKINZ PROTECTIVE GEAR #3	\$ 92,040.44	130.70	04/17/2012 4/12 PMT.	732.84	10TH
* QUEEN BEE'S BAR & GRILL INC.	\$ 89,614.48	915.44	04/26/2012 1-3/12 PMTS.	2326.00	20TH
* BLOOM CORNER FLORAL	\$ 22,095.42	441.44	02/23/2012 1-2/12 PMTS.	629.08	1ST
STONEBURNER, ROBERT	\$ 341.45	107.81	04/12/2012 4/12 PMT.	110.00	1ST
JACKLITCH, RANDY & ANN	\$ 666.24	107.71	05/03/2012 5/12 PMT.	110.00	1ST
SKINZ #4	\$ 104,503.08	356.42	04/17/2012 4/12 PMT.	637.96	14TH
KORONIS LANES #2 **NO PMT DUE TIL 10/12	\$ 8,133.45	185.02	02/29/2012 3/12 PMT.	110.00	1ST
<b>TOTAL</b>	<b>\$ 527,977.23</b>				
* Joint Loans w/Township					
<b>LATE PAYMENTS:</b>					
BLOOM CORNER FLORAL		943.62	DUE 3-5/12		
STONEBURNER		110.00	DUE 5/12		
QUEEN BEE'S		775.30	DUE 4/12		
<b>TOTAL DELINQUENT</b>	<b>\$ 1,828.92</b>				
<b>CITY RLF BALANCE</b>		<b>\$531,501.73</b>	<b>03/13/2012 Unaudited</b>		
<b>CITY EDAP FUND</b>		<b>(\$19,170.38)</b>	<b>03/13/2012 Unaudited</b>		