

**CITY OF WILLMAR, MINNESOTA
REQUEST FOR COMMITTEE ACTION**

Agenda Item Number: 3

Meeting Date: November 25, 2014

Attachments: Yes No

CITY COUNCIL ACTION

Date: _____

- | | |
|-----------------------------------|---------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Denied |
| <input type="checkbox"/> Amended | <input type="checkbox"/> Tabled |
| <input type="checkbox"/> Other | |

Originating Department: Planning and Development Services

Agenda Item: Oil-Air (Donner) Tax Abatement Request

Recommended Action: Set a public hearing to consider the abatement for December 15, 2014.

Background/Summary: Oil-Air Products, a producer of hoses and fittings for fluid power equipment, proposes to open a Willmar facility in a portion of the Donnerite building on East Highway 12. To offset some of the increased real estate taxes resulting from the move, partial tax abatement has been requested. The abatement is detailed on the attachment, and would be made available to the company as a pass – through from the property owner, in whose name the documents will be drafted. The City Council had earlier requested that the company submit a formal application for assistance.

Alternatives: 1. Decline to set the hearing.

Financial Considerations: If approved, the abatement would yield approximately \$23,000 for the company over 8 years.

Preparer: Bruce D. Peterson, AICP
Director of Planning and Development Services

Signature:

Comments:

Date Submitted 11/9/2014

TAX ABATEMENT APPLICATION FORM

1. Applicant: William Donner

Company Name: Lessee: Oil Air Products, LLC Fluid Power Specialists

Address: (Donner) 4201 104th. Ave. NE Spicer MN, 56288

Contact Person: Bill Donner

Telephone Numbers:

(work) 320-354-7231

(cell) 320-212-1361

2. Corporation Partnership _____ Sole Proprietor _____

___ Cooperative Other _____

3. Type of Business: Assembly, Sales, and Delivery of Fluid Hydraulic Hoses

Primary Product (s)/ Service (s): Ship in bulk hose and fittings. Cut hose and clean before assembling fittings and ends according to specifications of customers

4. Legal Description of Site:

Parcel # 95-914-1670 Legal Description **Attached**

5. Project Description: Relocate Oil Air from Litchfield to Willmar for expansion. To clean building floors, add electrical to accommodate assembly machines, and enhance lighting, and drive equipment for cutting & assembling hydraulic and pneumatic hoses and connections for distribution and sales. Create interior loading dock and renovating loading door. Installing pallet racking and storage

Size of Proposed Structure or Expansion: 18,000 Sq. ft.

Estimated project cost: Land N/A

Equipment **Attachment**

Other: **Attachment**

Total \$ **83,540**

6. Employment: Current 9 Employees 3-year projection 12 to 15 Employees

Payroll: Current \$350,000.00 3-year projection \$460,000.00

7. Project Financing Sources and Amounts:
Oil Air Products LLC to Fund the Renovations added Equipment and Financed Internally.

8. Describe the Financing Gap to be Filed by the Abatement:

Abatement will help reduce expenses associated with the move from Litchfield and allow Company competitive lease rate necessary to move.

9. Amount of Abatement Requested:

Total: \$22,926.72 / \$11,005.02 years 1-3 / \$8,253.36 years 4-6 / \$3,668.34 years 7 & 8

10. Term of Abatement Requested: (years) **8 Years based upon 48% occupancy of Building**
100 % years 1 – 3 / 75 % years 4 – 6 / 50% years 7 & 8

11. Financial Institution(s) (Applicant's Affiliation):

Name Lake Region Bank Address 51 Main Street, New London, MN. 56273

Contact Person _____ Telephone 320-354-2011

Name United Prairie Bank Address 425 Access Way, Spicer, MN. 56288

Contact Person _____ Telephone _____

12. Fiscal Consultant/ Accountant:

Name Taunton & Meyer CPA Address Green Lake Mall, Spicer, MN. 56201

Contact Person _____ Telephone 320-796-2074

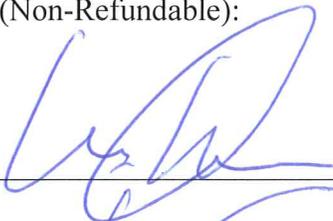
13. Legal Counsel:

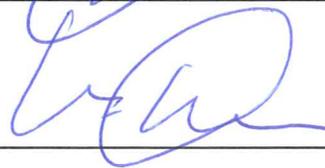
Name Waechter & Gustafson Address 328 5th. Street SW Willmar, MN.

Contact Person Ray Waechter Telephone 320-235-0000

14. Application Fee Paid (Non-Refundable):

11-19-14 \$500.00

Received by:  _____

15. Applicant Signature:  _____

Steve Renquist

From: Steve Renquist
Sent: Friday, November 07, 2014 10:37 AM
To: Denis Anderson (danderson@willmarmn.gov); Dean Shuck (Dean.Shuck@co.kandiyohi.mn.us); Ron Christianson; Harlan Madsen (Harlan.Madsen@co.kandiyohi.mn.us); Steve Ahmann (sahmann@willmarmn.gov); Jim Butterfield; Art Benson; Bev Dougherty; Bob Carlson; Bruce Peterson; Gary Gilman; Jean; Linda Kacher; Rollie Boll; Steve Renquist
Cc: EDC Administrative Support
Subject: FW: Oil-Air Tax Abatement
Attachments: Kan. Cnty. Res. Tax Abate 1114.doc

Board members,

I have attached information regarding the proposed Oil-Air Tax Abatement that is before Kandiyohi County and soon to be requested from the City of Willmar. This is an atypical situation as we are actually offering the tax abatement to Mr. Bill Donner and insist that he provide us with a copy of the leasing contract or a separate letter in which he certifies that 100% of whatever abatement offered comes off the triple-net portion of the lease. We are taking this extraordinary step because of the desire to add to our manufacturing base. It is, also, our expectation that 18,000 square feet of space will allow the rapidly growing metro area company to add some of their other product lines (and employees). We are requesting an eight year tax abatement and plan to make a strong argument that the company consider building in the new industrial park at the termination of the initial three year portion of their lease.

1. Attached is the draft resolution I've prepared for the county.
2. In the Public Meeting Notice, for the county, I had to indicate the total cost of the abatement. The following is the math for the County Tax Abatement using 2014 tax figures. You'll note the resolution only indicates percentages – as we do not have the 2015 property taxes at this time.

County portion of 2014 property taxes - \$12,413.01

Portion of Bill's building used by Oil-Air = 48%

Total taxes (county) \$12,413.01 X 48% (portion of building used) = \$5,958.24

Years 1 - 3 will receive (if approved) 100% abatement - \$5,958.24 X 3 = \$17,874.73

Years 4 – 6 will receive (if approved) 75% abatement - \$5,958.24 X 75% (\$4,468.68) X 3 = \$13,406.04

Years 7 and 8 will receive (if approved) 50% abatement - \$5,958.24 X 50% (\$2,979.12) X 2 - \$5,958.24

Total 8 year abatement:	Years 1 – 3 =	\$17,874.73
	Years 4 – 6 =	13,406.04
	Year 7 and 8 =	<u>5,958.24</u>
Total		\$37,239.01

Justification: The low estimate of the minimum number of jobs created indicate an annual \$350,000 salary for employees. The State of Minnesota Department of Employment and Economic Development estimates a multiplier of three for local economic effect of manufacturing jobs. Annual wages (low estimate) \$350,000 X 3 = \$1,050,000 local economic impact. For \$5,958.24 in property tax abatement we receive over \$1,000,000 in economic impact. It is this logic and practice that has assisted in the Kandiyohi County economy improving by over one billion (yes – billion) dollars in the past 10 years – in case you're curious – that is moving from a \$1.5 billion dollar economy to a \$2.5 billion dollar economy.

A similar process will be offered to the Willmar City Council, the following are the figures that I believe will be agreeable to the Council:

City portion of 2014 property taxes - \$7,559.77
Percentage of total building used (48%) - $\$7,559.77 \times 48\% = \$3,628.69$
Year's 1- 3 at 100% abatement - $\$3,628.69 \times 3 = \$10,886.06$
Year's 3 – 6 at 75% abatement - $\$3,628.69 \times 75\% (\$2,721.51) \times 3 = \$8,164.55$
Year 7 and 8 at 50% abatement - $\$3,628.69 \times 50\% (\$1,814.34) \times 2 = \$3,628.69$

Total city portion of 8 year property tax abatement:

	Years 1- 3 =	\$10,886.06
	Years 4 – 6 =	8,164.55
	Years 7 and 8 =	<u>3,628.69</u>
Total		\$22,679.30

Please feel free to contact me with questions regarding the process.
Steve

Steven C. Renquist
Executive Director
Kandiyohi County and City of Willmar Economic Development Commission
333 Litchfield Avenue SW, Suite 100
P.O. Box 1783
Willmar, MN 56201
320-235-7370 / toll free 855 665-4556 / Fax 320-231-2320
steve@kandiyohi.com / www.kandiyohi.com

ATTACHED IMPROVEMENTS

OIL AIR PRODUCTS, LLC

DONNER BUILDING

Electrical Updates and Preparation	\$19,000.00
Fork Lift (Used)	\$25,000.00
Pallet Racking	\$15,000.00
Construct Interior Loading Ramp	\$19,300.00
Loading Dock Door	\$5,040.00
Framing and Replacement Walls	\$4,500.00
Total	\$87,840.00