

**TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT  
DISTRICT NO. 2 OF  
MUNICIPAL DEVELOPMENT DISTRICT NO VI**

**(JENNIE-O TURKEY STORE PROJECT)**

**APRIL 2014**

## **1. OBJECTIVES OF THE AUTHORITY (CITY)**

The City seeks to achieve the following objectives through the implementation of the Development Program for Municipal Development District No. VI (M.D.D.VI):

- a) To encourage planning and development of a desirable and unique character within M.D.D.VI through quality land use alternatives and design quality in new buildings, in a manner consistent with the Comprehensive Plan of the City and with a minimum adverse impact on the environment.
- b) To acquire certain property within M.D.D.VI which is not now in productive use or in its highest and best use, as the need arises, and to prepare the property for private development.
- c) To sell improved property to private developers to encourage redevelopment and increase the tax base of those taxing jurisdictions within which the District is located, thereby enabling such entities to better pay for governmental services and programs provided by them.
- d) To provide for financing and construction of public improvements and facilities within M.D.D.VI in order to effectively service new development in and about the District.
- e) To provide a promotional sales effort which will encourage private investment within the District.

## **2. PROPERTIES TO BE ACQUIRED BY CITY OF WILLMAR**

At this time, there is no property within M.D.D.VI that is being considered by the City for acquisition.

## **3. DEVELOPMENT ACTIVITIES IN TIF DISTRICT NO. 2**

Jennie-O Turkey Store (JOTS) proposes to construct a 35,000 square foot addition to their existing processing and corporate office facility. The expansion will primarily house administration, accounting, engineering, sales, and logistics functions for the processing operations. In addition to the building construction, the project will include a new access, parking improvements, lighting, utility extensions/relocation, soil correction, and storm water controls. The non-building costs for the project are estimated at \$1.0 million. Work on the project is anticipated to begin in June 2014, with completion in 2015.

A purchase agreement for the sale of property to JOTS by the City has been executed. The real estate transaction and tax increment financing program will be formalized in developer agreements detailing the rights and responsibilities of both the City and JOTS.

## **4. OTHER DEVELOPMENT**

The City is not aware of any other development anticipated to occur in TIF District No. 2 beyond the scope of the project identified in 3 above.

**5. FINANCIAL ESTIMATES**

- i. Project Costs – It is estimated that the total cost of the project will be in the range of \$6.0-\$7.0 million. Using an estimated market value of \$4 million for the project improvements, it is estimated that an annual tax increment of \$82,542 will be generated (using payable 2014 tax rates). The increment, to the extent possible, will be used to reimburse JOTS for the non-building development costs previously outlined in Section 3 above, as well as to pay City costs to administer the tax increment financing program.
- ii. Bonds – There will be no bonds sold to finance the project. All eligible costs will be paid by JOTS, and reimbursed with the tax increments as generated on a pay-as-you-go basis.
- iii. Original net tax capacity – The original net tax capacity for all parcels within Tax Increment District No. 2 totals \$86,500, broken down as follows:

|                     |            |                       |
|---------------------|------------|-----------------------|
| 95-921-5850         | \$6,356    |                       |
| 95-921-5860         | \$80,144   |                       |
| 95-872-1180*        | \$0        |                       |
| <u>95-872-1210*</u> | <u>\$0</u> |                       |
|                     | \$86,500   | *currently tax exempt |

- iv. Captured tax capacity – The estimated tax capacity of Tax Increment District No. 2 upon completion of the JOTS project is \$166,500.
- v. Duration of District - No tax increment shall in any event be paid to the City from an economic development district after eight years from the date of the receipt of the first increment, or ten years from approval of the Tax Increment Plan, whichever is less. Modification of this tax increment finance plan shall not extend the durational limits of this provision.

**6. TAX INCREMENT FINANCING IMPACTS**

The estimated impact of the tax increment financing program on the net tax capacities of each taxing jurisdiction is detailed below:

Captured Net Tax Capacity of Project Based on an Estimated Market Value of \$4.0 million = \$80,000.

Payable 2014 Tax Capacities =  
 County - \$50,754,057  
 City - \$12,173,920  
 School District - \$21,724,045

If the project is constructed without the use of tax increment financing and the entire net tax capacity from the project is made available to the taxing jurisdictions, the net tax capacity of each of the taxing jurisdictions would be increased by less than .066% (2/3 of 1%).

If the project is constructed without the use of tax increment financing and none of the net tax capacity from the project is made available to the taxing jurisdictions, the net tax capacity of each of the taxing jurisdictions would remain unchanged.

**7. STUDIES/ANALYSES USED TO MAKE DETERMINATION IN M.S. CHAPTER 469.175  
SUBD. 3, CLAUSE (2)**

The Willmar City Council finds that:

- a) The proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and
- b) The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increment for the maximum duration of the district permitted by the plan.

Both findings were made after consultation with the company and analyzing the development potential of the "expansion" property. Representatives of JOTS balked at the idea of developing the subject property due to some extraordinary costs involved. As JOTS is an adjoining property owner, it made sense to the City to encourage JOTS to utilize the site. The presence of the roadbed and utilities associated with a former State highway made development of the site a costlier alternative than building on a "greenfield" site. Tax increment financing will be used to reduce the cost disparity.

Without the use of tax increment financing to reduce the cost of developing the former highway right-of-way and remnant parcel created by re-routing a City street, it is doubtful that either property would be developed at all. Both properties are currently tax-exempt and generate no tax dollars. Because of the inherent obstacles to development for both parcels, if left undeveloped any market value increase would be due to a basic, underlying land value assigned by the City Assessor. The proposed project will create a market value for the parcels far in excess of any value they may carry in an undeveloped condition. This "as developed" value will exist for the life of the district and beyond.

**8. PARCELS INCLUDED IN THE TIF DISTRICT**

The following parcels will comprise the TIF District and all program increment will be derived from the four parcels (see attached map).

95-921-5850  
95-921-5860  
95-872-1180  
95-872-1210

**Kandiyohi County and City of Willmar Economic Development Commission**  
**5-Year Goals (2011-2016)**  
***Updated January 9, 2014***

**Goal 1 – Create, recruit, retain and expand businesses in Kandiyohi County**

Objective 1.1 – Develop, invest in, and support programs and activities that foster the retention and expansion of existing business in all portions of Kandiyohi County. Plus the creation of a growth environment that allows the recruitment of new businesses. There will be particular emphasis on industry, county-based business and service sector growth, value added agriculture, renewable energy, bioscience and the MinnWest Technology Campus as a technology hub

Strategy 1.1.1 – Retention, expansion, and recruitment of businesses at the MinnWest Technology Campus

- Coordinate with MWTC Business Development staff information available entrepreneurship information.
- Partner with MWTC in a Community Venture Network Membership
- Collaborate with MWTC for targeted business recruitment events and activities
- Develop materials for outreach and follow-up on leads generated that would fit the MWTC collaborative culture
- Support the Animal Science Venture Conference at the MWTC
- Support efforts to develop, engage, expand, and promote the Mid-Central Research and Outreach Center (MCROC)

Strategy 1.1.2 – Development of agriculture and renewable energy businesses

- Support the development of additional sources and uses for area food products
- Prioritize and target resources toward the recruitment, retention, and expansion of primary and secondary businesses in value added agriculture and agbioscience
- Additional movement to state designation as a Renewable Resource Development Zone
- Work with area partners to create a Bioscience Zone
- Attract State of Minnesota Dairy Research, Training and Consumer Education facility
- Continue development of Minnesota Turkey Research and Development facility

Strategy 1.1.3 – Business Retention and Expansion

- Develop and implement a business retention and expansion (BRE) survey program

- Complete Shovel Ready process for Willmar's Industrial Park.
- Assist other cities within the county in efforts to map their industrial properties and/or complete the Shovel Ready process.
- Contact service providers (utilities, broadband, telco's) for cooperative mapping and trench programs for Kandiyohi County and City of Willmar.
- Work with county community officials and real estate professionals to create and maintain a compilation of available commercial and industrial property

#### Strategy 1.1.9 – Broadband Internet Access and Utilization

- Continue collaborative efforts through Blandin's Broadband Initiative including the coordination of a Hackathon
- Coordinate with Connect MN to create an access map that will be utilized to educate community on existing infrastructure and build-out needs
- Convene a taskforce with user groups and providers to develop a public-private strategy utilizing best practices and attract resources for infrastructure funding

#### Objective 1.2 – Increase the availability of and /or access to debt and equity financing resources

##### Strategy 1.2.1 – Debt Financing

- Explore potential sources of capitalization for the EDC's loan program and other business finance programs within the county
- Leverage resources from regional, state, and national financing programs

##### Strategy 1.2.2 – Equity Finance

- Assess the feasibility of a countywide angel investor fund or network; support development efforts as warranted
- Participate in active angel investor networks within the state

#### Objective 1.3 – Market Kandiyohi County to prospective businesses, residents, investors and site selectors

##### Strategy 1.3.1 – Marketing materials and tactics that promote business opportunities in Kandiyohi County

- Develop new printed marketing materials and a plan for targeted dissemination
- Enhance the EDC's website and social media presence
- Re-create the recruitment campaign

### **Goal 2 – Improve, maintain and expand Kandiyohi County's transportation infrastructure through increased collaboration**

Objective 3.3 – Coordinate workforce recruitment efforts specifically designed for the healthcare sector within the “Home” campaign

- Invite medical recruitment professionals from Rice Hospital, APMC, Family Practice Medical Center, Bethesda, and other providers to input and design a “Medical HOME” campaign

**Current Kandiyohi County and City of Willmar  
Economic Development Commission  
Development Projects  
Report to Willmar City Council  
May 1, 2014**

Atwater – Business retention (1.1); hardware/greenhouse (1.1)

Raymond –business acquisition (1.1.10,1.5.1); community marketing plan (1.5.1); save-the-school effort (1.1.6)

New London – Grocery store (1.1); downtown business acquisition (1.1); marketing highway potential (1.1); motel (1.1); Support BRE program; Manufacturing plant w/ 60 jobs

Pennock – develop city owned housing lots (1.1); develop downtown property(1.1)

Kandiyohi – develop near RR property (1.1.); two business loans (1.1)

Lake Lillian – grocery store (1.1); natural gas pipeline (1.1); agricultural bio-mass pelleting center (1.1)

Priam – reconstituted animal feed – corn bio-mass and distillers grain (1.1)

Spicer – Highway 23 corridor marketing plan (1.1), downtown development (1.1); Support BRE program, Replace JOTS

MinnWest Technology Campus (1.1)

- Assisting in marketing this facility, results 30 companies 410 employees
- Manufacturing Showcase – future direction
- Animal Science Conference
- U of M Technology Showcase
- U of M Office for Technology Commercialization – recruiting
- Business center

Solar – solar farm near Atwater

Energy Commercialization Center (1.1)

Insurance Company Data Center (1)

Ag Bio – Epitopix, effort to attract Syntiron (3)

Jennie-O – two possible projects (1.1)

Venture capital (1.2)

Meadow Star, second plant (1.1, 1.2)

Cheese (1.1, 1.2)

Bio-Science corridor (1.1)

Renewable resource zone (1.1)

Beef finishing (1.1)

Kandiyohi County Landfill – waste to energy (1.1)

Buhler manufacture expanded product line (1.1)

Area Infrastructure (1.1, 2.1)

Industrial park development

Airport – development of marketing plan

Rail Served Industrial Park

Railroad By-Pass

Passenger Rail (long shot)

Highway 23 Task Force

## EDC ROI Budget Expended vs. Claimed Dollar Value Received

Jobs -  $600 \times \$40,000 \times 3 = \$72,000,000 \times .166 = \$11,952,000$  (job number x DEED bounce factor x 1/6<sup>th</sup> claimed)

Sales - \$1 billion increase =  $100,000,000 \text{ year} \times 10 \text{ years} = \$1,000,000,000 \times .05 = \$72,000,000 \times .10 = \$7,200,000$

New families -  $1000 \times .25 = 250 \times \$5,000 = \$1,250,000 \times .25 = \$312,500$

|                   |                |
|-------------------|----------------|
| Jobs              | \$11,952,000   |
| Sales             | 7,200,000      |
| New family impact | <u>312,500</u> |
| Total             | \$19,464,500   |

EDC Budget levy total for total 10 year period \$ 4,500,000

ROI of budget, benefit in excess of 432%

## Dialog on Economic Development Priorities

It is my opinion that the following strategic actions may have a substantial sustainable impact on the City of Willmar and Kandiyohi County. Please share your thoughts. Respond to [steve@kandiyohi.com](mailto:steve@kandiyohi.com) the more provocative comments – yes, even critical of me or the EDC, will appear in the next. The following priorities are from Steve Renquist – Director of the Kandiyohi County and City of Willmar Economic Development Commission. The rank order of the priorities is not intended to be the order of importance – they are simply how they came out of my notes.

1. The new Waste Water Treatment Facility and Kandiyohi County landfill have potential as economic drivers and/or energy producers. Power production and renewable resource driven industries are built by being in close proximity to waste treatment facilities.
2. Assure job producing construction in county industrially zoned property. Support job producing land development projects that may happen in appropriately zoned and sized land parcels.
3. Set a county wide target for job creation and retention. Keep current with the jobs/housing balance and accumulate 1,000 new jobs over the next five years. A strong collaboration between private and public sectors must occur to ensure the overall success.
4. Continue to expand the strong value-added agricultural base. Explore and ensure that the technical aspects of the agri-economy are pursued. Prepare for all aspects of evolving agri-based opportunities to include locally grown food production and distribution.
5. Continue to grow the capacity and content of the MinnWest Technology Campus to include the attraction of technology based companies and increasing the capacity to commercialize intellectual property.
6. Continue to grow and foster the wellbeing of our excellent health sciences complex. Superior health care delivery will separate our county from other areas when business and people decide where to locate.
7. Guide and foster development of Kandiyohi community's downtown's to include retail, service, office, hospitality and mixed-use residential development. Each community's downtown has a potential to increase the retail and service sector as well as features that enhance that city's quality of life. The identification and empowerment of the notion of downtown success is a matter of local community determination.
8. Adopt a plan and a budget to grow the utilization of the Willmar Municipal Airport. This will include the development of an Industrial /Business Campus to realize the airport's