Special Joint City Council-Rice County Commissioners Work Session Tuesday, May 16, 2023 at 6:00 PM Council Chambers

AGENDA

1. **Call to Order**
   A. Call to Order FARIBAULT CITY COUNCIL/ Roll Call
   B. Call to Order RICE COUNTY COMMISSIONERS / Roll Call
2. **Items for Discussion**
   A. Business Subsidy Discussion - SageGlass Expansion
3. **Adjournment**
   A. RICE COUNTY COMMISSIONERS Adjournment
   B. FARIBAULT CITY COUNCIL Adjournment

(The Council may meet as a group for dinner)

Please contact the City Administrator’s Office if you need special accommodations while attending this meeting

Council Work Session Memorandum

TO:	Mayor and City Council
THROUGH:	Tim Murray, City Administrator
FROM:	David Wanberg, Community and Economic Development Director
MEETING DATE:	May 16, 2023
SUBJECT:	Business Subsidy Discussion - SageGlass Expansion

Discussion:

Project Overview. Vetrotech Saint-Gobain, a manufacturer of fire-resistant and fire-protective safety glass, is moving its North American headquarters from Auburn, Washington, to the SageGlass Saint-Gobain campus in Faribault. The Vetrotech move will net 40 new jobs for the Faribault campus (paying an average wage of $37.94/hour) and include a 10,000-square-foot building addition (see the attached location map and building addition plans). Vetrotech Saint-Gobain intends to invest over $7 million in the proposed building addition, infrastructure, and equipment. It plans to start construction this spring and be operational by the end of this year.

Due to unique circumstances, economic development tools, such as the Minnesota Investment Fund (MIF), the Job Creation Fund (JCF), and Tax Increment Financing (TIF), are not available or appropriate for the project. However, the City and County could approve tax abatement to demonstrate their commitment to the project and help justify the competitiveness of the Faribault campus relative to other Saint-Gobain projects and locations.

Overview of Tax Abatement. Minnesota law allows cities, counties, towns, and school districts to incentivize economic development through property tax abatement. As an economic development tool, tax abatement must benefit the community by increasing or preserving the tax base, creating jobs, redeveloping blighted areas, or providing residents with facilities and services. The benefits of tax abatement must equal or exceed its costs.

State statutes provide taxing authorities with leeway in their application of tax abatement. Historically, the City of Faribault and Rice County have used tax abatement to promote projects resulting in significant industrial expansion and investments. They have generally limited tax abatement to a maximum of ten years and limited the abatement to the tax increase generated by the expansion and investment.

Potential Tax Abatement for the Vetrotech-Saint Gobain Project. The Vetrotech-Saint Gobain project benefits the community by providing 40 new good-paying jobs in Faribault and increasing the tax base. Consequently, tax abatement is an appropriate tool that the City and County can use to help support the project. Assuming the City and County offer ten years of tax abatement on the increase generated by the project, the net tax abatement (with no inflation) would be roughly $103,000.

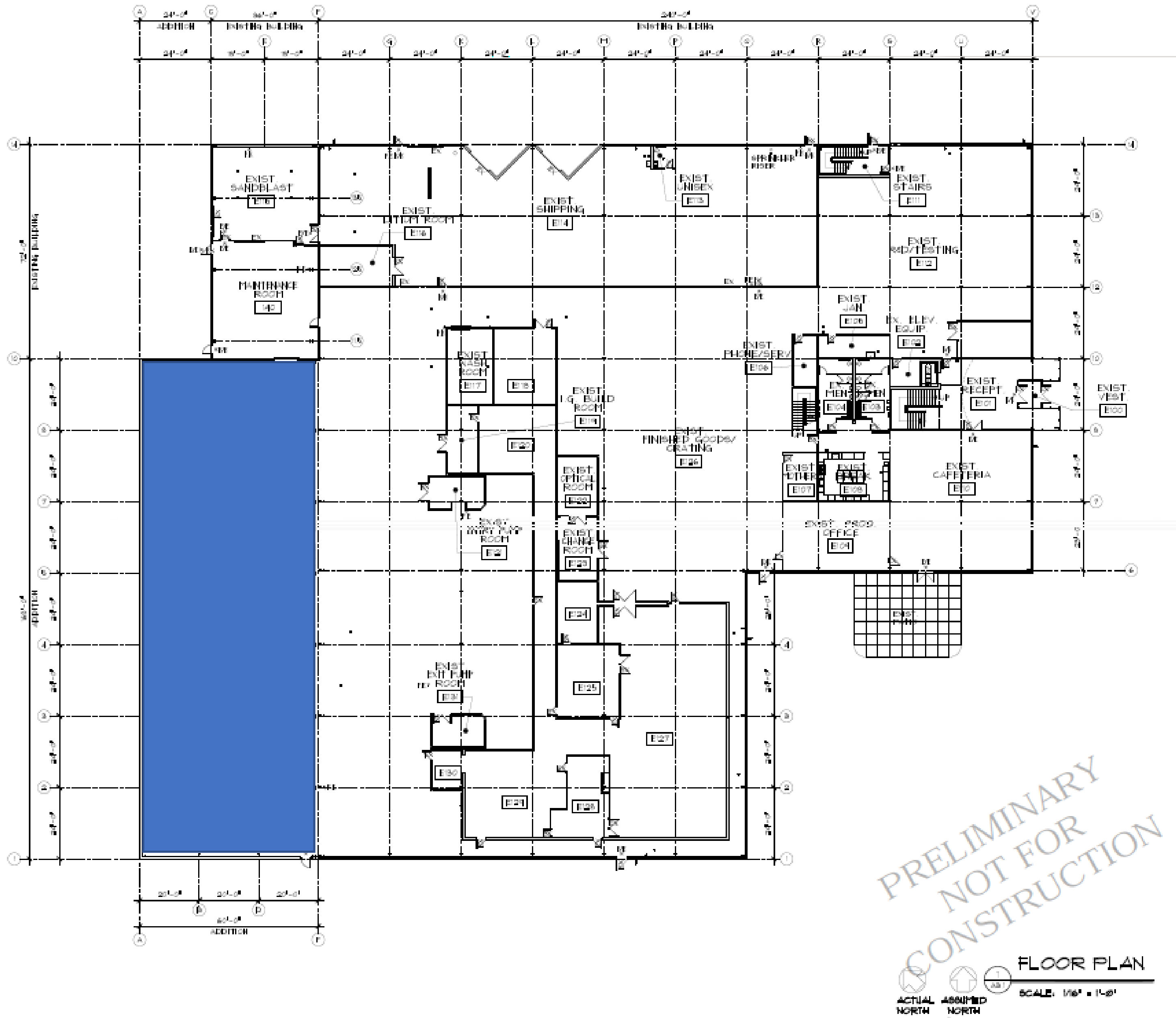
Requested Action. The Faribault City Council and Rice County Board of Commissioners should comment on its interest in providing ten years of tax abatement based on the increase generated by the proposed Vetrotech-Saint Gobain project.

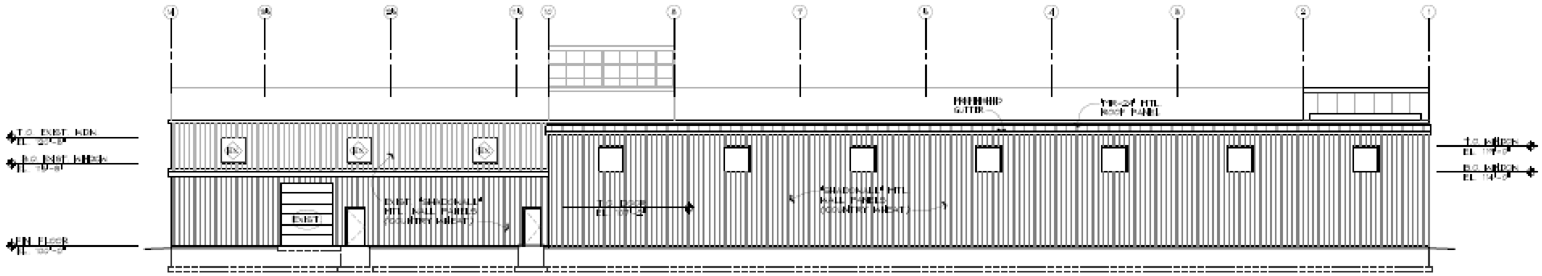
Attachments:

1. Proposed Vetrotech Addition and Tax Abatement Calculations

Proposed Vetrotech-Saint Gobain Project

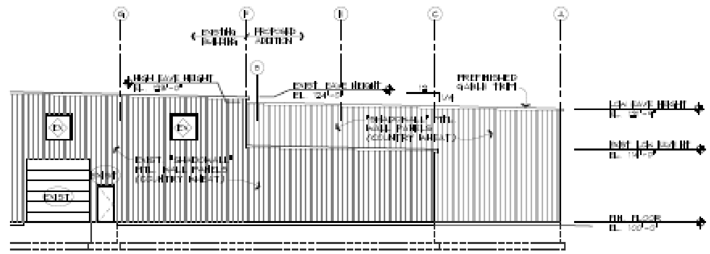
Location Map


ADDITION
EXISTING BUILDING
EXIST SANDBLAST
MAINTENANCE ROOM
EXIST SHIPPING
EXIST UNISEX
EXIST STAIRS
EXIST RD/TESTING
EXIST JAN
EX. ELEV. EQUIP
EXIST PHONE/SERV
EXIST RECEPT
EXIST VEST
EXIST WASH ROOM
EXIST I.G. BUILD ROOM
EXIST FINISHED GOODS/ CRATING
EXIST OPTICAL ROOM
EXIST CAFETERIA
EXIST PROD OFFICE
EXIST CHANGE ROOM
PRELIMINARY NOT FOR CONSTRUCTION
FLOOR PLAN
ACTUAL NORTH
ASSUMED NORTH



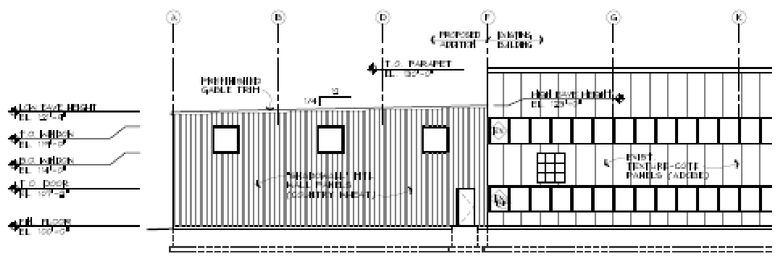
NORTHWEST ELEVATION

SCALE: 3/32" = 1'-0"



NORTHEAST ELEVATION

SCALE: 3/32" = 1'-0"



SOUTHWEST ELEVATION

SCALE: 3/32" = 1'-0"

Sage Expansion - No Inflation

City of Faribault

10,000 Sq. Ft. Addition

ASSUMPTIONS AND RATES

District Type:	**Abatement**	
First Year Construction or Inflation on Value	**2023**	
Inflation Rate - Every Year:	**0.00%**	
Interest Rate	**0.00%**	
Present Value Date:	**1-Feb-24**	
First Period Ending	1-Aug-24	
Cashflow Assumes First Abatement	2025	
Assumes Last Year of Abatement	2034	
Fiscal Disparities Election [Inside, Outside or NA]	NA	
Incremental or Total Fiscal Disparities	Incremental	
Fiscal Disparities Contribution Ratio	0.0000%	Pay 2023
Fiscal Disparities Metro-Wide Tax Rate	133.6670%	Pay 2023
Term of City Abatement	**10**	
Term of County Abatement	**10**	
Term of School District Abatement	**0**	
SD# **656**		
Total Years of Abatement:	10	

Current Total Local Tax Rate:	101.156%	Pay 2023
Current City Tax Rate	50.2060%	Pay 2023
Current County Tax Rate	37.8140%	Pay 2023
Current School District No. 656 Tax Rate	12.8880%	Pay 2023
Current Other Tax Rate	0.2480%	Pay 2023
State-wide Tax Rate (Comm./Ind. only used for total taxes)	33.0030%	Pay 2023
Market Value Tax Rate (Used for total taxes)	0.20620%	Pay 2023

PROPERTY TAX CLASSES AND CLASS RATES:		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First	$150,000	1.50%
Over	$150,000	2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		0.75%
Non-Homestead Residential (Non-H Res.)		1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First	$500,000	1.00%
Over	$500,000	1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	18.13.4.52.001	Sage	1 Sage Way	622,900	2,456,900	3,079,800	100%	3,079,800	Pay 2020	C/I Pref.	60,846	C/I Pref.	60,846	1
				622,900	**2,456,900**	**3,079,800**		**3,079,800**			**60,846**		**60,846**	

Note:

1. **Base values are for pay 2023 based on review of County website on 4-18-23.**
2. **Located in SD #656**

Sage Expansion - No Inflation

City of Faribault

10,000 Sq. Ft. Addition

EHLERS PUBLIC FINANCE ADVISORS

PROJECT INFORMATION (Project Tax Capacity)

Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Sq. Ft./Units	Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed 2023	Percentage Completed 2024	Percentage Completed 2025	Percentage Completed 2026	First Year Full Taxes Payable
1	Existing	59	59	51,763	3,079,800	C/I Pref.	60,846	100%	100%	100%	100%	2025
1	Addition	59	59	10,000	590,000	C/I	11,800	100%	100%	100%	100%	2025
TOTAL					3,669,800		72,646					
Subtotal Residential				0	0		0					
Subtotal Commercial/Ind.				61,763	3,669,800		72,646					

Note:

1. Market values are based upon current bldg sq. ft. value and discussions with county assessor on 5-10-23.

TAX CALCULATIONS

New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Existing	60,846	0	60,846	61,549	0	19,586	6,351	87,486	1.69
Addition	11,800	0	11,800	11,936	0	3,234	1,217	16,387	1.64
TOTAL	72,646	0	72,646	73,486	0	22,820	7,567	103,873	

Note:

1. Taxes and abatement will vary significantly from year to year depending upon values, rates, state law, fiscal disparities and other factors which cannot be predicted.

WHAT IS EXCLUDED FROM ABATEMENT?

Total Property Taxes	103,873
less State-wide Taxes	(22,820)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(7,567)
Less Small Taxing Jurisdiction Taxes	(180)
less Base Value Taxes	(61,398)
Annual Gross Maximum Tax Abatement	11,907

Sage Expansion - No Inflation

City of Faribault

10,000 Sq. Ft. Addition

Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	Captured Tax Capacity	Combined City, County, & School Tax Rate	Maximum Annual Gross Tax Abatement	Semi Annual Gross Tax Abatement	100% City Abatement w/ Tax Rate 50.2060%	100% County Abatement w/ Tax Rate 37.8140%	100% School Abatement w/ Tax Rate 12.8880%	Semi Annual Net Tax Abatement	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
						-	-	-	-	-				08/01/24
						-	-	-	-	-				02/01/25
72,646	(60,846)	-	11,800	101%	11,907	5,954	2,962	2,231	-	5,193	5,193	0.5	2025	08/01/25
						5,954	2,962	2,231	-	5,193	10,386	1	2025	02/01/26
72,646	(60,846)	-	11,800	101%	11,907	5,954	2,962	2,231	-	5,193	15,580	1.5	2026	08/01/26
						5,954	2,962	2,231	-	5,193	20,773	2	2026	02/01/27
72,646	(60,846)	-	11,800	101%	11,907	5,954	2,962	2,231	-	5,193	25,966	2.5	2027	08/01/27
						5,954	2,962	2,231	-	5,193	31,159	3	2027	02/01/28
72,646	(60,846)	-	11,800	101%	11,907	5,954	2,962	2,231	-	5,193	36,352	3.5	2028	08/01/28
						5,954	2,962	2,231	-	5,193	41,545	4	2028	02/01/29
72,646	(60,846)	-	11,800	101%	11,907	5,954	2,962	2,231	-	5,193	46,739	4.5	2029	08/01/29
						5,954	2,962	2,231	-	5,193	51,932	5	2029	02/01/30
72,646	(60,846)	-	11,800	101%	11,907	5,954	2,962	2,231	-	5,193	57,125	5.5	2030	08/01/30
						5,954	2,962	2,231	-	5,193	62,318	6	2030	02/01/31
72,646	(60,846)	-	11,800	101%	11,907	5,954	2,962	2,231	-	5,193	67,511	6.5	2031	08/01/31
						5,954	2,962	2,231	-	5,193	72,705	7	2031	02/01/32
72,646	(60,846)	-	11,800	101%	11,907	5,954	2,962	2,231	-	5,193	77,898	7.5	2032	08/01/32
						5,954	2,962	2,231	-	5,193	83,091	8	2032	02/01/33
72,646	(60,846)	-	11,800	101%	11,907	5,954	2,962	2,231	-	5,193	88,284	8.5	2033	08/01/33
						5,954	2,962	2,231	-	5,193	93,477	9	2033	02/01/34
72,646	(60,846)	-	11,800	101%	11,907	5,954	2,962	2,231	-	5,193	98,670	9.5	2034	08/01/34
						5,954	2,962	2,231	-	5,193	103,864	10	2034	02/01/35
Total						**119,071**	**59,243**	**44,621**	**-**	**103,864**				
Present Value From 02/01/2024			**Present Value Rate**	**0.00%**		**119,071**	**59,243**	**44,621**	**-**	**103,864**				