



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: January 18, 2005

To: Council Member Lisa Goodman, Chair, Community Development
Committee
Council Member Barbara Johnson, Chair, Ways & Means/Budget
Committee

Prepared by: Greg L. Davidson, Business Finance, 673-5070

**Presenters in
Committee:** Greg L. Davidson, Business Finance

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: A Public Hearing and request for Preliminary Approval of up to \$9 million in Limited Tax-Supported Development Revenue Bonds, Series 2005, to be issued through the Common Bond Fund for Greenheck Real Estate Holdings, LLC. (dba: Innovent Air Handling Co. a subsidiary of Greenheck Fan Company.)

RECOMMENDATION: The CPED Director recommends that the City Council adopt the attached Resolution giving Preliminary approval to the issuance of up to \$9,000,000 in Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2005, for Greenheck Real Estate Holdings, LLC (Innovent) to be issued through the Common Bond Fund and designating the bonds as entitled to the security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

Previous Directives: None for this company nor for its parent company.

Financial Impact (Check those that apply)

- No financial impact or Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): The issuance of these revenue bonds will generate revenue bond administrative fees of approximately \$33,750 annually for Minneapolis that are used to support the small business assistance programs of the City of Minneapolis.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact

Ward: The facility is located in Ward 3.

Neighborhood Notification: CPED Finance has notified the Hawthorne Neighborhood Association.

City Goals: The proposed refunding is consistent with the Goal 4 of creating an environment to maximize economic development within the City by focusing on its physical and human assets, and creating new jobs.

Comprehensive Plan: The proposed facility is designated as Light Industrial and is in Phase 3 of the Above the Falls Plan. Development in this area is not planned for another 20-30 years.

Zoning Code: The project is compliant for light industry, zoned I-2.

Living Wage/Job Linkage: Innovent provides livable wage jobs and will participate in our Job Linkage programs. It is anticipated that initially they will bring approximately 107 jobs to The City; and within two years, should they meet sales, may hire an additional 100 or so. Presently Innovent employees 107 full-time equivalent employees at their St. Paul location (including 14 degreed engineers and 81 manufacturing personnel) and 25 more at a facility in California. Innovent's sales increased from \$2 million in 1993 to \$17 million in 2003. They plan to introduce new products to further increase production at this facility.

Currently they employ 47 Minneapolis residents, three of whom live in the Minneapolis Empowerment Zone.

Their manufacturing pay scale ranges from \$12/hr to \$20/hr. In addition, they offer a 401K plan, stipend for health insurance, dental coverage, an ESOP retirement plan (currently equal to 4% of base wage) and a profit sharing plan which paid on average 5% of the base wage for the last 6 years.

Additionally they offer these benefits:

- Dental insurance
- Flexible Spending Accounts
- Paid vacations and holidays
- Tuition assistance

Background/Supporting Information:

PROJECT LOCATION: 2801 Pacific Street North. This is a 228,000 s/f facility that has been vacant for 18 months. It is located two blocks south of Lowry and one block west of the American Iron Works facility.

PROJECT DESCRIPTION:

Innovent manufacturers custom designed energy recovery and air handling equipment used in commercial heating, ventilating and air conditioning systems. Its parent company, Greenheck Fan, is headquartered in Schofield, WI. just outside of Wausau. Greenheck has additional production facilities in Kentucky, California and China; and 12 U.S. distribution centers. Greenheck employs 1,850 people and is an employee owned (ESOP) business. Total revenues approach \$350,000,000 and they plan to grow to over \$600,000,000 by 2010. Innovent's sales increased from \$2 million in 1993 to \$17 million in 2003. They budgeted growth of 15% in 2004 (on target) and 10% yearly for 2005 and 2006. They continue to gain market share in refitting and new construction for high schools, universities, hospitals and water-parks. Innovent is well known for its ability to work with architects to meet high specifications and tight deadlines. They are known for their ability to clean and recycle exhaust air from within a facility, adding in large quantities of fresh outside air, and thereby re-using the cleaned heated air thus saving heating costs. Given their design concepts, they are gaining business from gymnasiums, natatoriums and water-parks, as their design retards corrosion of a client's HVAC equipment.

Innovent is attracted to the former Williams Steel site for several reasons. They need more skilled, and trainable employees, they like the training available within Minneapolis from our city's vo-techs and universities, as well as proximity to our professional business services for accounting and advertising firms. Innovent plans to purchase new, hi-tech production equipment and will need more of their employees custom trained.

They also like the plant layout, its existing heavy ceiling cranes, numerous loading docks, and easy access to freeways. Compared to other facilities, this will require less renovation, although they still will upgrade this facility by approximately \$ 4-5 million.

Given Innovent's growth plans, this facility offers room into which they may grow which includes developing onsite parking for their employees. Their facilities in St. Paul and Wausau are well maintained, and they will improve the appearance and surroundings of the old Williams plant.

Greenheck has received recognition as a top employer by:

- 1) Sept 2004: Deloitte & Touche's Annual Wisconsin "People Power Award" which was one of four awards presented. The *People Power Award* recognizes a company's commitment to its employees by providing empowerment resources and assistance to help employees understand and adapt to a changing business world
- 2) July 2004: purchased AIROLITE CO., a national manufacturer of architectural louvers, grilles and sun control products, headquartered in Marietta, Ohio.
- 3) March 2002: Received the "*Sustained Excellence Award*" from Wisconsin Manufacturers & Commerce, the state's largest business association. Greenheck met or exceeded criteria for advancements in technology and product development, environmental solutions and employee programs.
- 4) November 2001 - Wisconsin Gov. Scott McCallum presented a "*WIN Award*" to Greenheck in recognition of its innovative approaches to develop and sustaining its workforce. "You are one of only 450 companies in the entire country where you have all the employees working together as owners," Gov. McCallum said.

Type of financing:

Sources:

Principal amount of Series 2005 Bonds	<u>\$ 9,000,000</u>
TOTAL SOURCES	\$ 9,000,000

Uses:

Project costs:	
- purchase of building and land	\$ 4,000,000
- building rehab and parking	3,000,000
- purchase of new equipment	1,500,000
- underwriting and closing costs	<u>500,000</u>
TOTAL USES	\$ 9,000,000

PRESENT EMPLOYMENT:

14	degreed engineers
6	votech drafters
6	office/clerical
<u>81</u>	manufacturing
107	

NEW EMPLOYMENT:

75-120 over three years, depending upon sales growth. Traditionally they have offered a career ladder to employees.

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE:

TBD (current taxes are \$162,902/yr.)

AFFIRMATIVE ACTION COMPLIANCE:

Greenheck currently does not have on file an affirmative action plan, but will provide one. Prior to this project, Greenheck has never operated within the City of Minneapolis.

CITY IRB POLICIES:

Job Component

Minimum standard of one (1) job per 1,000 square feet of building area.
Greenheck: Will be in compliance within three years.

Property Improvements

No more than 25% of the bond proceeds may be used for land and acquisition. If purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures.
Greenheck: In compliance.

Development Standards

Compliance with the Land Use Plan

of the City's Plan.

Greenheck: The proposed facility is designated as Light Industrial, Zone I-2, in Phase 3 of the Above the Falls Plan. Development in this area is not planned for another 20-30 years.

Equipment Financing

Limited to companies that create or preserve a significant number of jobs, and the equipment financed must be sufficiently secured. No more than 10% of the bond proceeds may be used to finance movable equipment not constituting a fixture.

Greenheck: In compliance.

Restaurant/Bank

IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in a Redevelopment Area. No more than 25% of the bond proceeds can be used to finance retail food and beverage establishments, automobile dealerships or recreation or entertainment facilities.

Greenheck: N/A

IRB CAP:

The project is subject to the State's limit on tax-exempt bond financing. An allocation for tax-exempt bonding authority will be requested from the State following preliminary approval.

BOND COUNSEL:

Gray Plant & Mooty, LLP

UNDERWRITER:

Piper Jaffray & Co.

FINANCIAL ADVISOR:

Dougherty & Co, LLC.