

**ECONOMIC DEVELOPMENT AUTHORITY
MEETING AGENDA
March 21, 2019
8:30 A.M.
Elk River City Hall**

- 1) Call to Order
- 2) Roll Call
- 3) Approval of the January 31st County EDA meeting minutes
- 4) Jet Stream LLC County Tax Abatement Application
- 5) Next Meeting Date – April 18 (ER City Hall)
- 6) Adjourn

The meeting will be held at Elk River City Hall located at 13065 Orono Parkway NW, Elk River, MN 55330.

Draft

Sherburne County Economic Development Authority
Meeting Minutes
Annual Meeting January 31, 2019

1. At 9:30 a.m. the meeting was called to order by Bill LaVigne.
2. Roll Call – those present introduced themselves.

Members Present:

Sheldon Pool
Amanda Othoudt
Raeanne Danielowski
Tom Hammer
Marie Pflipsen
Steve Pflighaar
Bill LaVigne

Alternates Present:

Hanna Klimmek

Staff Present:

Dan Weber
Tim Sime

Others Present:

Wayne Elam, Commercial Realty Solutions
Cheree Hoese, Commercial Realty Solutions

3. Confirmation and recognition of new Commissioners:
Raeanne Danielowski

Amanda Othoudt's term expired. Marie Pflipsen recommended Amanda be reappointed to the Committee. Seconded by Steve Pflighaar. Motion carried unanimously.

4. Election of Officers and establishment of terms:

Motion by Amanda Othoudt to appoint Raeanne Danielowski as EDA Chair. Hanna Klimmek seconded the motion. There were no other nominations. Motion carried unanimously.

Motion by Bill LaVigne to appoint Tim Dolan as EDA Vice-Chair. Marie Pflipsen seconded the motion. There were no other nominations. Motion carried unanimously.

Draft

Motion by Marie Pflipsen to reappoint Amanda Othoudt as EDA secretary. Bill LaVigne seconded the motion. There were no other nominations. Motion carried unanimously.

Motion by Sheldon Pool to reappoint Tom Hammer as EDA Treasurer. Amanda Othoudt seconded the motion. There were no other nominations. Motion carried unanimously.

Motion by Bill LaVigne to reappoint Jared Johnson as Assistant EDA Treasurer. Amanda Othoudt seconded the motion. There were no other nominations. Motion carried unanimously.

5. Designation of Alternates: Raeanne Danielowski designated Lisa Fobbe as the alternate; Sheldon Pool designated Todd Maloney as an alternate; Amanda Othoudt designated Colleen Eddy as an alternate; Marie Pflipsen designated Greg Pruszinske as an alternate; Steve Pflighaar designated Bob Hofer as an alternate; Bill LaVigne designated Randy Piasecki; Felix Schmiesing, Hanna Klimmek and Pat Arnold were also designated as alternates. Motion by Bill LaVigne, seconded by Amanda Othoudt. Motion carried unanimously.
6. Appointment of Executive Director: Motion by Amanda Othoudt to reappoint Dan Weber as EDA Executive Director. Marie Pflipsen seconded the motion. Motion carried unanimously.
7. Motion by Steve Pflighaar to approve the EDA Meeting Agenda as presented. Motion seconded by Hanna Klimmek. Motion carried unanimously.
8. Motion by Bill LaVigne to approve the Sherburne County Economic Development Authority Meeting Minutes of December 20th, 2018 as presented. Marie Pflipsen seconded the motion. Motion carried unanimously.
9. Designation of committee assignments:
No new Committees
10. Determination of new committees and assignments:
No new committees
11. Consideration of staff assignments:
No Staff assignments
12. Official Newspapers: Motion by Steve Pflighaar to approve the Elk River Star News as the official Newspaper for EDA Publications. Amanda Othoudt seconded the motion. Motion carried unanimously.

Draft

13. Official Depository: Motion by Steve Pflighaar to use the same Official Depository as Sherburne County. Amanda Othoudt seconded the motion. Motion carried unanimously, with Bill LaVigne abstaining.

14. Reports by various officers and subcommittees:
No reports

15. Designation of Meeting dates and locations for 2019:
Motion by Marie Pflipsen to approve meeting dates and location as designated on schedule below, seconded by Hanna Klimmek. Motion carried unanimously.

All meetings will begin at 8:30 a.m.

February 21 – Elk River City Hall

March 21 – Elk River City Hall

April 18 – Elk River City Hall

May 16 – Board Room, Sherburne County Government Center

June 20 – Jury Assembly Room, Sherburne County Government Center

July 18 – Board Room, Sherburne County Government Center

August 15 – Board Room, Sherburne County Government Center

September 19 – Board Room, Sherburne County Government Center

October 17 – Board Room, Sherburne County Government Center

November 21 – Board Room, Sherburne County Government Center

December 19 – Board Room, Sherburne County Government Center

16. Modifications or amendments to the Statute or the Enabling Resolution:
Motion by Steve Pflighaar recommending no changes. Seconded by Amanda Othoudt. Motion carried unanimously.

17. Commercial Real Estate Market Update – Wayne Elam

Mr. Elam gave a review of the commercial market which includes industrial, retail, office, medical, specialty, senior housing and apartment properties. The retail market is changing with many national stores closing. There are a lot of opportunities coming up.

18. Revolving Loan Financial and Project Update:

All payments have been made on time. There is \$160,000 available in the revolving loan fund and seeking approval for an additional \$50,000 by the County Board.

The next meeting is scheduled for February 21, 2019 at the Elk River City Hall.

Draft

Motion by Marie Pflipsen to adjourn the meeting at 10:35, seconded by Amanda Othoudt.

Amanda Othoudt, EDA Secretary

3/12/19

SHERBURNE COUNTY EDA

Jet Stream LLC Proposed Tax Abatement Application Application Review & Summary

I. Applicant Background

- The following was provided by Jet Stream in their application:

Jet Stream's parent Company, Google LLC is a technology company providing products and services to organize the world's information and make it universally accessible and useful. Eight of Google's core products (Search, Android, Maps, Chrome, YouTube, Google Play, Gmail, and Drive) have more than one billion active users.

The company offers a broad collection of cloud-based products and services, including G Suite business productivity apps like Docs, Drive, and Calendar and satellite mapping and analysis platforms like Google Earth and Google Earth Engine. In recent years, Google has expanded into consumer electronics with products including Google Pixel, Google Pixelbook, Google Home and Chromecast. Google's headquarters in Mountain View, California.

Google is a wholly-owned subsidiary of Alphabet, Inc. The business currently has approximately 98,000 full time employees.

II. Proposed Project

- Jet Stream and Google have proposed constructing a 375,000 sf data center on approximately 315 acres in the Becker business park, on excess land they would purchase from Xcel.
- The total capital investment for the proposed project is \$600 million, which includes \$300 million in construction investment and \$300 million in equipment purchases.
- The project would increase the existing annual property taxes by approximately \$1,370,000. The County portion of this increase would be approximately \$390,000 per year.
- The project would create a minimum 50 local full-time jobs with a total expected compensation of \$4 million. DEED estimates the creation of an additional 110 jobs throughout Sherburne County, with a resulting increase in the area annual labor income of approximately \$6.1 million, or \$122 million over 20 years.

- DEED estimates that this will put an additional \$7.5 million into the local economy annually, once the project is completed.
- The project will also create an estimated 2,300 jobs during a two-year construction phase.
- DEED estimates that the construction phase of the project will put an additional \$200 million into the local economy.
- According to DEED's estimates, the construction phase will generate an additional \$320,000 in local option sales tax, and once completed, the project will generate approximately \$17,000 annually in local option sales tax.
- Facilities on the data center campus are regularly upgraded and expanded to meet growing demand and to incorporate the latest technologies. Although not factored into the scoring summary or the economic impact figures provided above, these maintenance and improvement jobs can reasonably be expected during the life of the project and would be in addition to the 50 full time ongoing jobs.

III. Tax Abatement Request

- Jet Stream is asking the County to abate the County property taxes resulting from the increase in property value or tax capacity of the property as a result of the project, for a period of 20 years. In other words, the applicant would still pay property taxes in the current amount, but the additional property taxes due to the construction of the data center would be abated.
- As mentioned above, the project is expected to generate an additional \$390,000 annually in County property taxes. A twenty-year tax abatement would equate to approximately \$7,800,000.
- In many of the other areas where Google has built a data center, the company has expanded the project by building additional facilities. Only one facility is planned for the Becker site, but given the length of the requested abatement period, we have accounted for potential additional abatement if the project were to ever expand. A second facility would increase the estimated county property tax to approximately \$675,000 annually. A third facility would increase the estimated county property tax to approximately \$925,000 annually. Our understanding is that each additional facility (if they were ever built) would add similar job numbers (2,300 construction and 50 full-time, ongoing jobs).

IV. Application Scoring

- The construction phase of the project scores as “High” on our Tax Abatement Policy Analysis scoring system. The on-going operations phase scores as “Moderate”.
- Including the construction jobs during the long-term construction phase would result in the project qualifying for 100% abatement. Even ignoring the construction jobs and using only the ongoing jobs, the project may qualify for 100% abatement based on the additional factors provided in the Policy. These include that:
 - the project will provide or help acquire or construct public facilities
 - the project will help redevelop or renew blighted areas
 - the project will help provide access to service for County residents
 - the project will finance or provide public infrastructure
- Two of those factors from the County’s Policy – redevelopment and the extension of necessary public infrastructure – are particularly applicable to this project:
 - Sherco coal units 1 and 2 will be closing in 2023 and 2026. Those closings will result in the loss of 150 direct and 250 indirect and induced jobs in the area, and the loss of over \$200 million annually for the regional economy.
 - The Sherco plant as a whole also accounts for approximately 75% of the tax base for the City of Becker.
 - To prepare for closings and the impact they will have on the local economy, the County, the City of Becker and Xcel have been working to develop a new business park near the Sherco site. The intent of the business park is to attract new companies to the area to help diversify the tax base and transition away from reliance on Sherco.
 - In order to make the new business park a viable location for new business and to attract more capital investment into the area, the City needs to extend major infrastructure to the business park.
 - The proposed Google data center project helps the City do this. Local legislators have also introduced a bill to provide \$20,000,000 in State funds to help with the infrastructure costs.
 - While the infrastructure is intended for the business park as a whole and is not related to the Google project only, the infrastructure for the business park cannot be funded locally without some major initial private investment, such as the proposed Google project.

- In addition to bringing in the infrastructure to make the business spark a viable option for new businesses, the Google project may also serve as a catalyst to attract other technology-based companies to the area. In other places where Google built a data center (like North Carolina, Iowa and Alabama), other major tech companies such as Facebook, Apple and Microsoft have followed and built data centers at the same location. While there's no guarantee that will happen here, there does seem to be a trend toward concentrating data centers in certain locations, and the proposed project would raise the City and the County's profile as a data center market.
- The County's tax abatement policy requires the County to consider that: (1) the benefits to the County will be at least equal to the cost of the tax abatement; and (2) that granting tax abatement is in the public interest because, among other reasons, the project will increase or preserve the tax base, will provide employment opportunities, will help redevelop areas and will help finance and provide public infrastructure.
- If approved, the abatement, based on the one facility planned for, would be approximately \$390,000 per year, or \$7.8 million total over 20 years. The return to the County on that \$390,000 annual investment would be over \$7.5 million per year in economic impact for the County from the direct, indirect and induced jobs. The total return would reach \$350 million when including the impact from the construction phase (\$200+ million annual impact during the 2-year construction phase and \$7.5 million annual impact for the 20-year abatement).
- In addition, the request may be considered in the public interest because it will help bring necessary infrastructure to the new Becker business park and will help facilitate future economic development.
- The City of Becker has also received a 20-year tax abatement request.
- Pursuant to Minn. Stat. § 469.1813, subd. 6(b), the County and the City may consider granting a 20-year abatement in this case because the Becker School Board has declined to grant an abatement of its property taxes for the project. The project will pay approximately \$300,000 in school property taxes annually.
- The Becker EDA has reviewed the application and is recommending approval to their City Council. The City Council will be considering the request at its March 19 meeting.
- The County Board has scheduled a public hearing to discuss the abatement request on March 26th.