



Board of County Commissioners Agenda Request

7A
Agenda Item #

Requested Meeting Date: May 12, 2015

Title of Item: Public Hearing for Northland Hydraulic Service TAF request

- REGULAR AGENDA
- CONSENT AGENDA
- INFORMATION ONLY

Action Requested:

- Approve/Deny Motion
- Adopt Resolution (attach draft)

- Direction Requested
- Discussion Item
- Hold Public Hearing*

**provide copy of hearing notice that was published*

Submitted by:

Ross Wagner

Department:

Economic Development & Forest Ind

Presenter (Name and Title):

Ross Wagner, Economic Development & Forest Industry Coordinator

Estimated Time Needed:

20 minutes

Summary of Issue:

Aitkin County has received a Tax Abatement Financing (TAF) request from Northland Hydraulic Service, 367 US HWY 169, Hill City, MN (parcel # 57-0-002903). The purpose of the TAF is for Northland Hydraulic Service to construct a 2,400 sq. ft. addition to their current facility. The addition would allow Northland Hydraulic to expand its hydraulic manufacturing and hydraulic service capabilities in Hill City. Aitkin County's portion of taxes from the new addition is approximately \$850.00 and the request is to abate for 10 years. The City of Hill City has received a similar request and has approved it.

Alternatives, Options, Effects on Others/Comments:

Recommended Action/Motion:

Approve Abatement

Financial Impact:

Is there a cost associated with this request? Yes No

What is the total cost, with tax and shipping? \$

Is this budgeted? Yes No

Please Explain:

Aitkin County Economic Development & Forest Industry Coordinator
Aitkin County Courthouse
Ross Wagner
217 Second Street N.W.
Aitkin, MN 56431
Phone: 218/927-7305
Fax: 218/927-7374

TO: Aitkin County Board of Commissioners

FROM: Ross Wagner, Economic Development & Forest Industry Coordinator

DATE: May 6, 2015

SUBJECT: Northland Hydraulic Service TAF

Please find attached to this memo the Tax Abatement Financing (TAF) Application from Northland Hydraulic Service, Hill City, MN. Northland Hydraulic Service is looking to add an additional 2,400 square feet to their current building. This addition will enable Northland Hydraulic to expand their business especially in the manufacturing of hydraulic equipment. The request is to abate the new tax for the addition, estimated to be \$850.00 per year. A similar request to the City of Hill City has been approved by their city council. A breakdown of the new and existing property taxes is included in the packet.

With the increase in service and manufacturing space, Northland Hydraulics would be adding two new positions bringing total employment to 5 people. Northland Hydraulics employs skilled workers and offers wages and benefits at \$25.00/hour. Once the addition is complete and new employees hired, the payroll is expected to increase by \$100,000 which would be significant in our county and the Hill City area. It is for this reason that the Economic Development Committee is recommending approval of the 10 year abatement for Northland Hydraulic Service and waiving the 5 job threshold.

This would be the second expansion for Northland Hydraulics, moving from rented space to a new building about 10 years ago. Currently the property tax is \$5,102.00 and the new addition will result in a new tax of \$9,258, the TAF request is only for the new addition so the property will still be providing property tax to Aitkin County and the other jurisdictions.

**APPLICATION FOR TAX ABATEMENT FINANCING
AITKIN COUNTY, MINNESOTA**

APPLICANT

Business Name: Northland Hydraulic Service
Address: 367 Hwy 169, PO Box 37, Hill City, MN 55748
Telephone: 218-697-2473

Officers: Phil Gerber
Camille Gerber

Contact Person: Phil Gerber
Title: Owner/President

Business Form (Corporation, Partnership, Etc.): Corporation

Start-Up or Expansion: Expansion
Years in Operation: 14
Sales/Revenues (\$): \$1,000,000

Brief Description of Business, Principle Products, Etc.: Northland Hydraulic Service repairs and refurbishes hydraulics of all kinds, mainly in the mining, logging and construction business. We also do manufacturing of hydraulic lift products and would like to increase that aspect of our business.

Has applicant ever filed for Bankruptcy? Yes _____ No X
If Yes, provide details on separate page(s).

Has applicant ever defaulted on any bond or mortgage commitment?
Yes _____ No X If Yes, provide details on separate page(s).

Does Applicant have commitments for conventional financing for the project?
Yes X No _____

Please list three financing references: (Name/Address/Contact Person/Phone)
Kevin Zenke, Woodland Bank, Hill City, MN

Name/Address of applicants legal counsel and accountant:
Accounting is done in house, legal on as needed

PROPOSED PROJECT

Location: Located on Hwy 169 in Hill City, MN
Parcel ID #(s) for desired building site: 57-0-002903
Site Plan Attached: Yes X No

Type of Project: Commercial Industrial X Other

Describe Project: Project is a 30' X 80' 2,400 sq. ft. addition to the existing building, off of the west side of the building. The new addition will be used to increase Northland Hydraulic Service repair and manufacturing space. Specifically the addition will allow me more space to increase the manufacturing side of my business.

JOB CREATION

Current Number of Employees: 3
Current Payroll: \$167,000
Number of Jobs Created: 2
Wages, benefits for new jobs: approximately \$25.00/hr upon successful completion of probationary period
Number of Jobs Retained:
Revised Payroll: \$ 267,000

PROJECT COSTS

Land Acquisition:	\$ _____
Site Development:	\$ _____
Construction:	\$ 100,000
Machinery & Equipment:	\$ _____
Architectural/Engineering Fees:	\$ _____
Legal Fees:	\$ _____
Interest During Construction:	\$ _____
Debt Service Reserve:	\$ _____
Contingencies:	\$ _____
TOTAL:	\$ 100,000

SOURCE OF FINANCING

Conventional Loan:	\$ 100,000
Equity:	\$ _____
SBA Loan:	\$ _____
Revenue Bond:	\$ _____
Grant(s):	\$ _____
TOTAL:	\$ 100,000

CONSTRUCTION AND DESIGN

Name/Address of architect, engineer and contractor for project:
Northland Building Services, Hill City, MN

Target Dates:

Start of Construction: May/June 2015

Construction Completed: July 2015

Finished Market Value of Project (\$):258,600

STATEMENT OF PUBLIC PURPOSE

Describe why the proposed development/redevelopment would not reasonably be expected to occur solely through private investment within the foreseeable future, and therefore the use of Tax Abatement Financing is deemed necessary:

The proposed Tax Abatement is the cost break I need to go ahead with this expansion. I am in a very competitive industry and this will help me to continue to be competitive as my main competitor is in a JOBZ area. I am not seeking financing or other tax or financial incentives. I would also be able to use the production area gained to increase my manufacturing business. The tax savings from this abatement will help offset the increase in labor, heat and other costs. Property taxes on the main building will continue to be paid, the request is for the addition only.

A public hearing is required by State of Minnesota Statutes before TAF can be approved.

The County reserves the right to require additional information and supporting data from the applicant after the filing of this application. Portions of the information provided to Aitkin County may be subject to open meeting laws and therefore may be disclosed to the public. Please review the open meeting laws and disclosures with Aitkin County prior to submission.

The undersigned, (a) (the) Owner _____
of applicant, hereby represents and warrants to the County of Aitkin that (he) (she) has carefully reviewed this application, and that the statements and information contained herein and submitted herewith are accurate and complete to the best of the undersigned's knowledge and belief.

Dated: 4-30-15



Applicant

By: Phillip Gerber
Its: Owner

Woodland Bank



April 7, 2015

To whom it may concern,

Phillip Gerber (Northland Hydraulic Service Inc.) has been doing business with Woodland Bank of Hill City for over 20 years. His history with Woodland Bank is flawless and he has the ability to borrow funds at any time.

Phil has recently discussed with me the potential expansion of his business located in Hill City. Based on his recent sales history, we have seen an increase of nearly 100% in gross sales since 2010. 2013 showed the first time the business has surpassed the 1 million dollar mark in sales. Upon review of his full financial situation, the bank would be in full support of expansion as the extra room is needed for the increase in sales. Financial analysis also shows that there is no concern as to the ability of the business to handle any new debt which may be required to complete the expansion.

Phil retains top quality employees and demands perfection. He has built a reputation with his clients that he will stand behind any work that Northland Hydraulics performs. With these standards in place, Phil has been able to build a strong clientele including the mines, MPL, and the majority of the local logging operations. By being somewhat diverse, Phil has mitigated the risks that plague many businesses with changes in the economy.

Based on what we, as a bank, analyze, I would expect to see Northland Hydraulics continue to be a strong corner post for the economy of Hill City. Woodland Bank would give its full support in any expansion projects that Phil elects to undertake. It takes a strong business with strong, honest ownership to make it in today's market and Northland Hydraulics, with Phil Gerber as its owner, is this type of business.

Sincerely,

Kevin J. Zubke

Branch Mgr

Woodland Bank – Hill City

Hill City Office
P.O. Box 250
675 Hwy 169 South
Hill City, MN 55748
Phone (218) 697-8116

Cohasset Office
P.O. Box 368
55 E Hwy 2
Cohasset, MN 55721
Phone (218) 328-5432

Deer River Office
P.O. Box 100
217 Main Avenue East
Deer River, MN 56636
Phone (218) 246-2444

Grand Rapids Office
Operations / Bookkeeping
P.O. Box 960
Grand Rapids, MN 55744
Phone (218) 999-9952

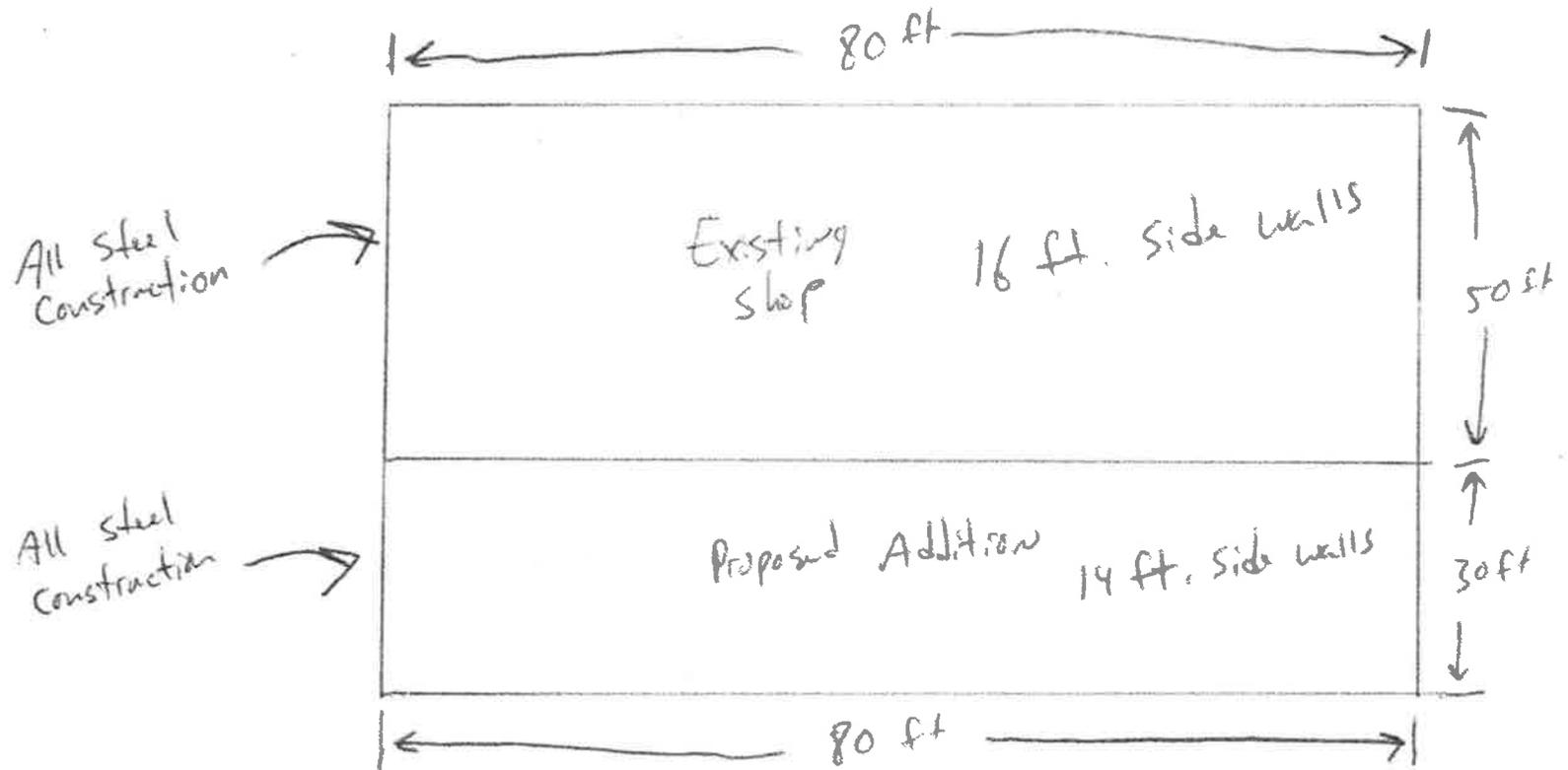
Grand Rapids Office
Loan Production
P.O. Box 5010
2610 S. Hwy 169
Grand Rapids, MN 55744
Phone (218) 327-4000
Toll Free 1-855-427-4422

Equal Opportunity Employer Member FDIC



Toll Free 1-888-566-2357 • www.woodlandbank.com

--- HWY 169 ---



Northland Hydraulic Service, Inc.
Contractors & Mechanical Builders, Inc. (Hill City, MO)



NORTHLAND HYDRAULIC SERVICE

phone: (218) 697-2473
fax: (218) 697-8117

P. O. Box 37 • Hill City, MN 55748

Northland Hydraulic Service offers a turn-key solution to your oil analysis needs. Let us extend your equipment life, minimize component failures and reduce costly oil changes.

Particulate and water contamination are the leading causes of machine downtime, expensive repairs and degrade lubricant. Northland Hydraulic Service uses a laser particle counter to determine your fluid's cleanliness class according to ISO code 4406:99. According to the type of system, system components, system pressure etc., we will determine a target cleanliness class for your machine(s), and advise the customer of potential savings by maintaining the appropriate cleanliness class.

Let our technicians perform the service for you or let us work with your maintenance people.

Please give us a call for consultation on your particular machine(s) or to set up an appointment. We look forward to hearing from you.

Our Fluid Management Program Will:

- Extend Equipment Life • Improve Reliability • Extend Fluid Life • Fewer Breakdowns
- Increase Production • Minimize Component Failure

Determine a Target ISO Cleanliness Class (How clean fluid needs to be) According to:

- System Component Types (Pump Type, Valve Type, Motor, Cylinder etc.)
- System Operating Pressure • Fluid Type

Select Optimal Sampling Locations and Draw Samples by:

- Online Sampling with Laser-Eye Particle Counter • Bottle Sampling from Reservoir
- TSS Sample Removal System

Determine Necessary Action:

- What is the Source of Contamination? • Is Sufficient Filtration in Place?
- Are Filters Being Changed on Schedule? • Are Filters Being Changed Correctly?
- Does Reservoir have Sufficient Breather Filtration? • Is Moisture Present?

Determine Potential Savings to Customer by Reaching Target Goal

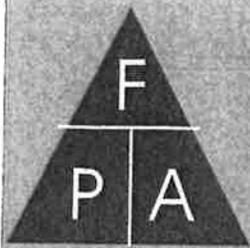
Take Necessary Actions:

- Install Appropriate In-Line Filtration • Off-Line (Kidney Loop System for Fine Filtration)
- Water Removal Equipment

Perform Follow up Sampling:

- Monitor Fluid Condition for Particles as Well as Water Contamination

Northland Hydraulics Service offers a full line of high performance filters and contamination control equipment by Internormen Filter.



NORTHLAND HYDRAULIC SERVICE

P. O. Box 37 • Hill City, MN 55748

phone: (218) 697-2473

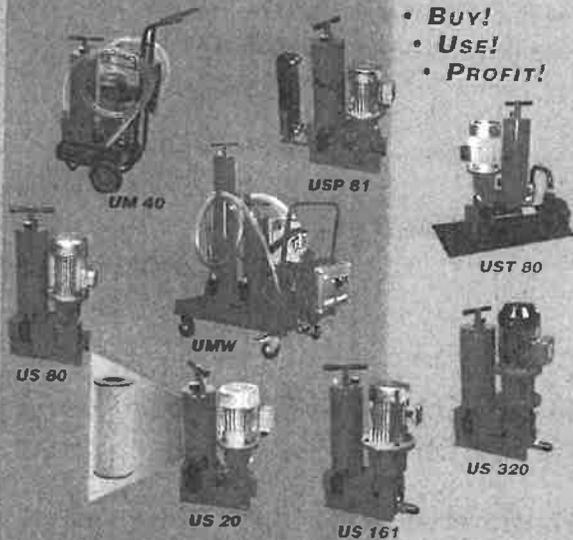
fax: (218) 697-8117

INTERNORMEN

Oil-Service Equipment for Hydraulics and Lubrication

Filter Units for finest filtration in off-line
as well as for oil change and filling

- **BUY!**
- **USE!**
- **PROFIT!**



We guarantee you optimal cleanliness

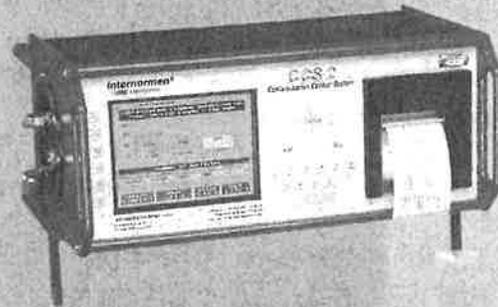
- Variety in capability and individuality of the series
- High quality filter elements
- Specific solution of problems
- Competent consultation

internormen
fluid management



CCS 2

Contamination Control System



- Electronic measuring system for hydraulic and lubricating oils
- Portable system with high precision
- Measurement of bottle samples taken by means of the BSS 2
- Determination of cleanliness classes according to the standards : ISO 4406:99, ISO 4406:87, NAS 1638

INTERNORMEN

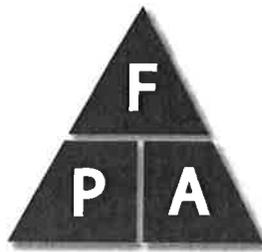
Fluid Purifier Systems



The **INTERNORMEN - IFPM / IFPS** fluid purification systems are user-friendly to operate and self contained systems that will:

- Remove free, dissolved and emulsified water
- Remove free and dissolved gases
- Remove particulate contamination down to 1 micron
- Reduce machine equipment / System downtimes
- Reduce component failures
- Less fluid changes
- Increased equipment reliability / Improved productivity

Northland Hydraulics
"The Fluid
Management Specialists"



NORTHLAND HYDRAULIC SERVICE

P.O. Box 37 • Hill City MN 55748
(218) 697-2473 • fax: (218) 697-8117

“All your Hydraulic needs under one roof”

New Component Sales

- Pumps
- Valves
- Motors
- Cylinders
- Filter Housings and Elements
- Hose Assemblies
- Circuit Design
- Power Unit Fabrication

Service

- Field Service
- Trouble-Shooting
- Mobile Hose Crimper
- Preventive Maintenance
- Fluid Sampling
- System Flushing

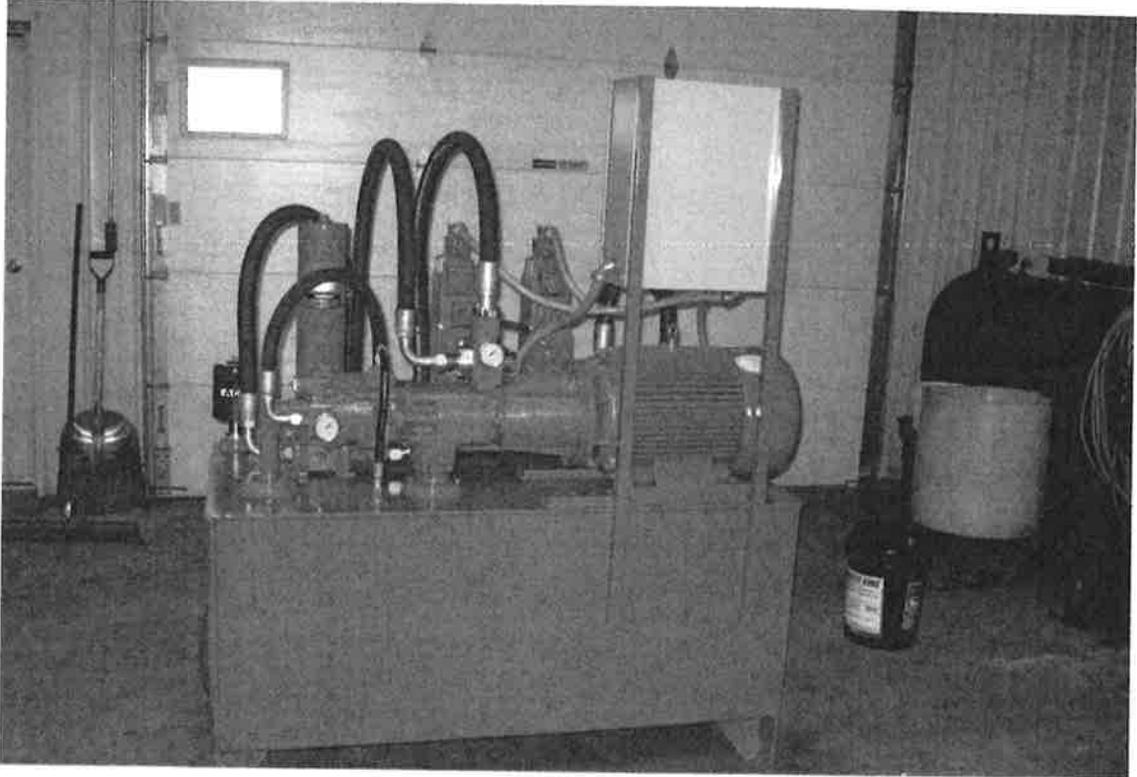
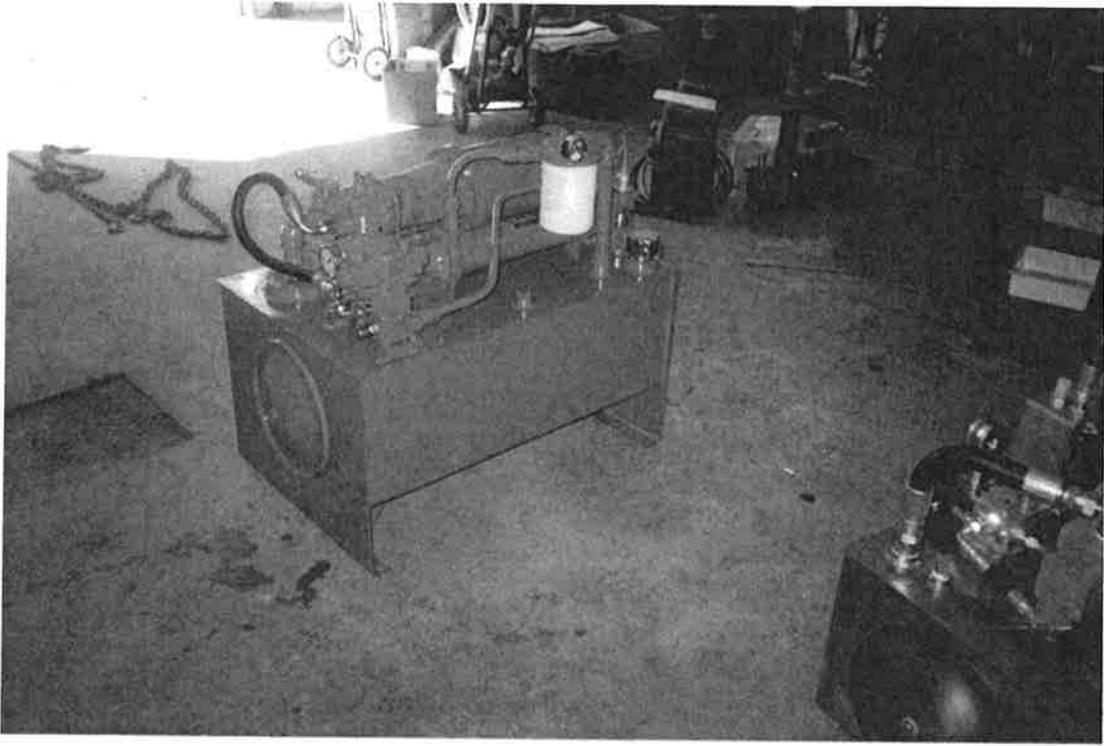
Repair

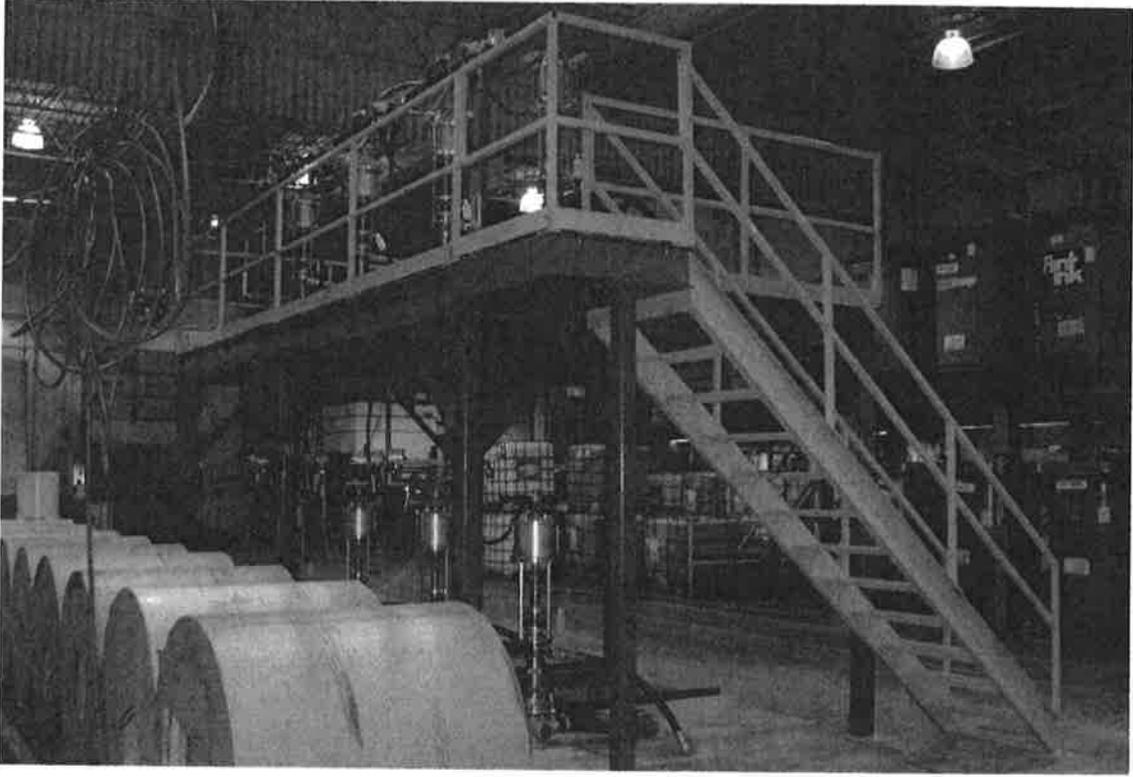
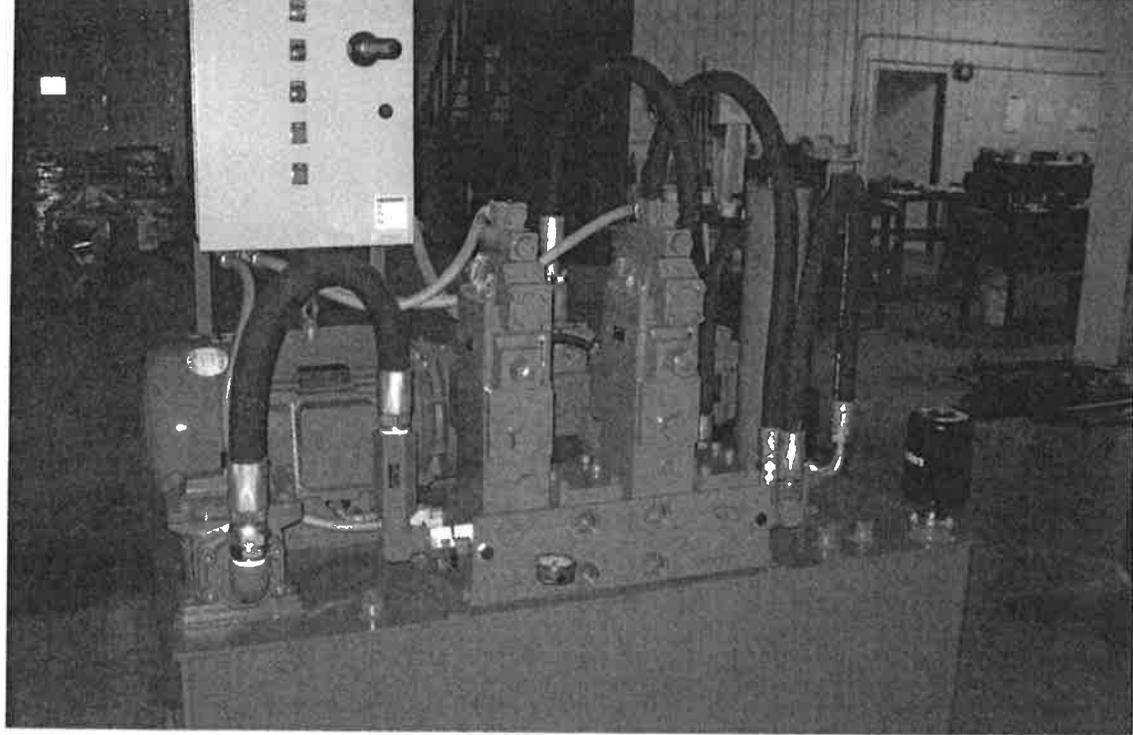
***All repairs are tested to assure the
job is done right the first time***

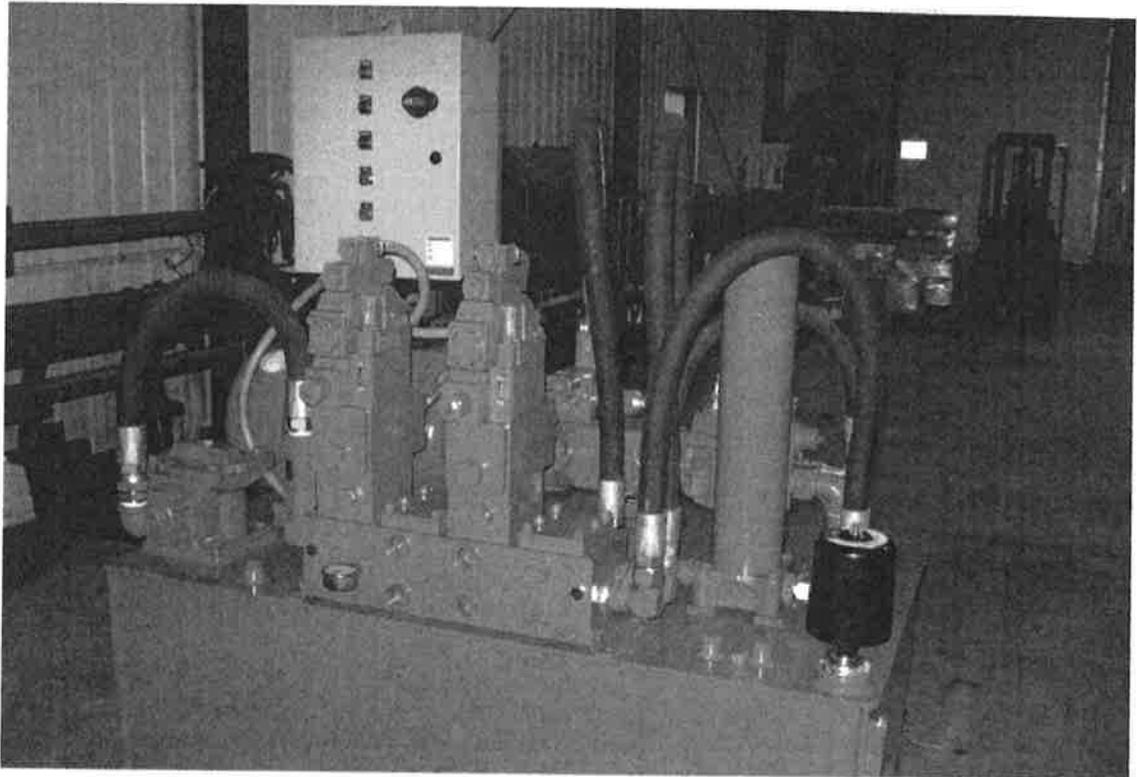
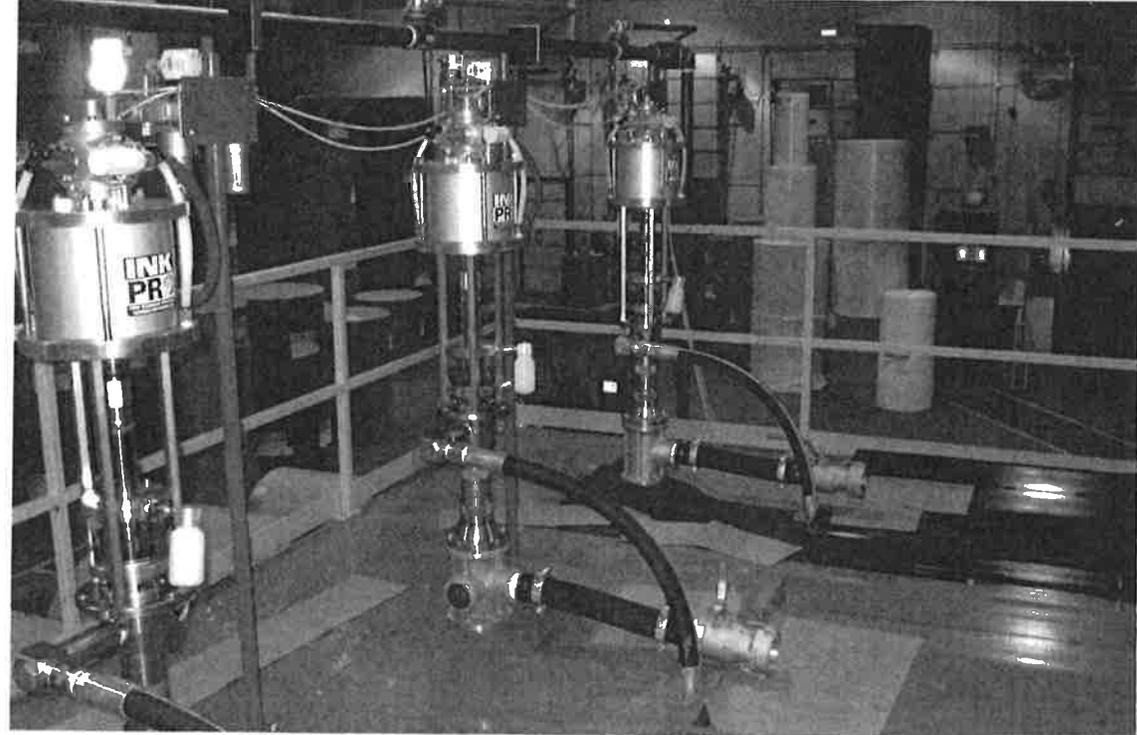
- Hydrostatic Transmissions
- Pump Repair
- Valve Repair
- Cylinder Repair
- Cylinder Re-chroming
- Excavator Pumps
- Skid Steer Service

*****140 HP Test Bench for testing all of your
Hydraulic Components*****

We invite everyone to come see why Northland Hydraulic Service is known for honest, reliable and knowledgable service.







Jurisdiction	2015 taxes	with addition	abatement request by jurisdiction
City of Hill City	2,216.22	4,046.00	1,830.00
Aitkin County	1,030.19	1,880.00	850.00
Hill City School District	209.90	612.00	276.00
• Voter Approved Levy	410.02	464.00	0
State Business Tax	1,231.31	2,248.00	0
Regional Development	4.36	8.00	0
TOTAL	\$5,102.00	9,258.00	2,956.00

Northern Hydraulic Service Tax Rebate Financing

WHEREAS, Northland Hydraulic Service, (hereinafter Property Owner), has filed an application for Tax Rebate Financing pursuant to Minnesota Statute Sections 469.1812 to 469.1815 (Tax Abatement) to construct a 2,400 sq. ft. addition to the existing Northern Hydraulic Service shop and office building parcel # 57-0-002903; and

WHEREAS, Property Owner has requested Tax Rebate Financing from the County of Aitkin for taxes payable to the County of Aitkin in the estimated annual amount of \$850.00 over a maximum term of ten (10) years, commencing with taxes payable in 2017 and ending with taxes payable in 2026, estimated total abatement is \$8,500.00; and

WHEREAS, the Tax Rebate Financing assistance to be provided to Property Owner will be contingent on Property Owner employing additional employees at a wage rate of 140% of the Federal Poverty Guidelines for a Family of Four and completing the construction of the 2,400 square foot expansion; and

WHEREAS, the Tax Rebate Financing will be in the form of a rebate of taxes paid by Property Owner to the County of Aitkin on parcel # 57-0-002903, commencing with taxes payable in 2017; and

WHEREAS, Property Owner's application meets the Criteria for awarding Tax Abatement Financing (TAF) in the TAF Policy for Aitkin County, Minnesota, including increasing the tax base and providing additional employment opportunities in Aitkin County; and

WHEREAS, Property Owner will add new employees at or above 115% of the Federal Poverty Guidelines for a Family of Four and construct a 2,400 square foot expansion to Northern Hydraulic Service; and

WHEREAS, Property Owner's application is not considered a business subsidy pursuant to Minnesota Statutes, Section 116J.993; and

WHEREAS, the Tax Rebate Financing assistance is contingent upon Property Owner and County of Aitkin agreeing to the terms of a Tax Rebate Financing and Business Subsidy Agreement; and

WHEREAS, a public hearing was conducted on the Tax Rebate Financing application from Property Owner on May 12, 2015 at the Aitkin County Courthouse pursuant to Minnesota Statutes, Sections 469.1812 - 1815, and 116J.993.

NOW, THEREFORE, BE IT RESOLVED that the Aitkin County Board of Commissioners approves the Tax Rebate Financing Agreement and Business Subsidy Agreement.

Commissioner xx moved the adoption of the resolution and it was declared adopted upon the following vote

FIVE MEMBERS PRESENT All Members Voting Yes

STATE OF MINNESOTA)
County of Aitkin) ss.
Office of County Auditor,)

I, Kirk Peysar, Auditor, of the County of Aitkin, do hereby certify that I have compared the foregoing with the original resolution filed in my office on the 12th day of May A.D., 2015, and that the same is a true and correct copy of the whole thereof.

WITNESS MY HAND AND SEAL OF OFFICE at Aitkin, Minnesota, this 12th day of May A.D., 2015

KIRK PEYSAR, County Auditor

BY _____, Deputy

**Notice of Public Hearing
Aitkin County Board of Commissioners
Property Tax Abatement**

Notice is hereby given that the Aitkin County Board of Commissioners will conduct a public hearing in the Aitkin County Courthouse, Commissioners Meeting Room on May 12, 2015 at or as near as possible to 1:00 PM. Purpose for said hearing is to consider an application for Tax Abatement Financing for Northern Hydraulic Service, Hill City, MN parcel ID# 57-0-002903. The request is to abate the Aitkin County Portion of the property tax for 10 years. Total estimated abatement of Aitkin County taxes over the 10 years is \$8,500.

Any person wishing to be heard with respect to the abatement may speak at the public hearing or submit written comments at or prior to the hearing, to, Aitkin County Administrator, 217 2nd Street NW, Aitkin, MN 56431. Additional information may be obtained at the above address.

/s/ Nathan Burkett, Aitkin County Administrator