

Council Manager Government Since 1924



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June 18, 2018

**Update to City of Two Rivers Proposal Dated January 26, 2018
To Assist The Metal Ware Corporation With Expansion Project
At Two Rivers Woodland Industrial Park**

This proposal reflects incentives that the City of Two Rivers is prepared to offer to support The Metal Ware Corporation's expansion and continued operation in the City of Two Rivers.

This is a revised version of a proposal dated January 26, 2018, presented by the Two Rivers City Manager to Metal Ware Corporation President Richard Carey on that date. That original proposal was based upon the company's description of a new facility of 210,000 SF, to provide new warehousing and distribution space, and upon the City's understanding of the company's funding needs.

That earlier proposal has been revised to reflect project scope, building type and estimated assessed valuation for a new facility as addressed in Metal Ware's Letter of Intent dated June 6, 2018 to the City of Manitowoc Common Council and Industrial Development Corporation.

The City of Two Rivers is very proud to be home to the Metal Ware Corporation since 1920. The City and the company have partnered to achieve successful expansion projects in the past; and the City is prepared to do everything possible to support Metal Ware's continued growth and success as a Two Rivers-based company.

This proposal is put forward to encourage good faith dialogue with this longstanding Two Rivers company, to maintain operations and its headquarters in the hometown where Metal Ware has achieved nearly a century of growth, innovation and success.

1. **Proposed Site.** 25.9 acre tract in the City's Woodland Industrial Park, shown on the attached area map and conceptual site plan

Current zoning is I-2 Industrial

Existing public infrastructure—concrete street (Brown's Drive) water and sanitary sewer—is within 200 feet of NW corner of the site. City 3-phase electric is within 1,000 feet of NW corner of site. Eastern boundary of site is along Woodland Drive.

City proposes to fund public infrastructure improvements to serve this development from non-TIF sources, which may include City borrowing or CDBG grant funds. Such infrastructure improvements, estimated to cost \$1 million, may include:

- Southward extension of Brown's Drive (concrete street, with curb and gutter) and City utility infrastructure to serve the development site
- Construction of an east-west street to connect Brown's Drive to either Woodland Drive or Mirro Drive.
- Construction of a storm water pond to serve the development site and adjacent public Streets

NOTE: City use of CDBG-PFED (Community Development Block Grant – Public Facilities for Economic Development) funds or locally-held CDBG funds for public infrastructure would require that the project create at least one new FTE job for each \$35,000 in CDBG funds invested, and that job creation benefits primarily low-moderate income households.. Additional job creation would be required under any loan agreement for CDBG RLF financing for the company, also at a ratio of 1 FTE per \$35,000 in loan funds.

2. **Development Incentives.**

A. **Free Land.** Site to be conveyed to Metal Ware for the sum of one dollar (\$1.00), subject to approval by the City's Community Development Authority. We understand that this compares to a \$400,000 site cost for a smaller site in Manitowoc.

B. **Industrial Development Tax Incremental District (TID) Assistance.** Subject to Metal Ware satisfactorily demonstrating that "but for" TID funding assistance, the development would not occur, City will pursue establishment of a new industrial development TID, which could provide a possible developer grant to Metal Ware and/or funding for public infrastructure to serve the development. (Establishment of such a TID will require review by the Plan Commission, approval by the City Council following Plan Commission public hearing and approval by the TID Joint Review Board.)

Estimated base valuation for the site (at \$11,000 per acre): \$ 284,900

Estimated valuation increment for Phase 1 project: \$7,715,100

Net present value of TIF revenues on this increment, 20 yrs. @ 5.0% annual interest:

Approximately \$2,500,000

Based on the estimates above, such a TID could fund developer grant of up to \$2,400,000 and related City legal, planning and administrative expenses of up to \$100,000.

This level of TID assistance would require that Metal Ware guarantee annual property tax revenues from its development equal to at least the amount of property taxes paid by a property with assessed value of \$8 million. This guarantee would be effective in the first tax year following project completion and each year thereafter, for the life of the TID. (We understand such a revenue guarantee to be consistent with what would be required by the City of Manitowoc, as a condition of its proposed development assistance.)

The City would prefer that any developer grant be made on a pay-as-you go basis ("developer financed grant"), but a mix of up-front and pay-as-you-go TIF grant funding is negotiable. Details for developer grant would be addressed in a TIF development agreement between Metal Ware and the City.

C. Assistance Through City's Electric Utility, WPPI Energy and/or Focus on Energy

Design Assistance in design of the facility's lighting, HVAC and production systems, to optimize energy efficiency.

2 percent loan, up to \$500,000, for 60-month term, to assist with additional up-front costs associated with energy efficiency upgrades.

Electric base load incentives (New Load Market Price), should the new facility add usage at a level of 500 kilowatts or greater; such incentives could result in savings of up to 30 percent on electric rates, for a period of up to 4 years.

D. Low-Interest Loan From City's Economic Development Revolving Loan Fund (CDBG RLF).

Possible loan of up to \$750,000 from the City's CDBG RLF, to help fund site work, building construction, and/or machinery and equipment, subject to City's loan policy and State and Federal requirements related to such loans. Interest rate for such loans is currently 3 percent for the life of the loan; City could consider an initial "zero interest" or payment deferral period, to assist with cash flow during new facility start-up.

Note: Requirements of the U.S. Department of Housing and Urban Development and the State of Wisconsin related to the CDBG RLF's statewide are currently under review, and may result in this program no longer being available at the local level. Such loans will likely continue to be available through the State of Wisconsin.

E. Opportunity Zone Tax Incentives

The City of Two Rivers Census Tract that includes the Woodland Industrial Park was designated early this year as an Opportunity Zone, nominated by Governor Scott Walker and approved by the U.S. Department of Treasury in April.

Opportunity Zones were added to the Tax Code by the Tax Cuts and Jobs Act on December 22, 2017.


Capital gains income invested in Opportunity Zones and capital gains realized from investments in Opportunity Zones both receive favorable tax treatment under the Federal Tax Code.

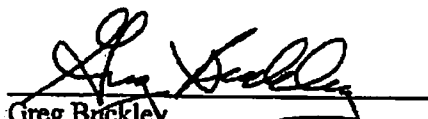
Information on this new Federal tax incentive for investment in designated economically distressed area is just starting to become available. Two Rivers' Columbus and Woodland industrial parks are the only industrial parks in Manitowoc County that are located in Opportunity Zones.

While not a local incentive, the City believes that further investigation of the possible benefits to The Metal Ware Corporation from the Two Rivers Opportunity Zone warrants investigation by both the City and the company.

Authorized by action of the Two Rivers City Council

June 18, 2018


Jack Powalisz
City Council President


Greg Buckley
City Manager

