

Watertown Economic Development Authority

August 22, 2019

Agenda Item: Municipal Subsidy Application - Stonwerk**Request for Action: Recommendation for Approval****Department: Shane Fineran, City Administrator****Background:**

Steve Homola, principle of Stonwerk, Inc. (<https://www.stonwerk.com/>) has submitted an application for business subsidy from the City for consideration of providing Tax Increment Financing (TIF) for the acquisition and development of a 18,600 square foot manufacturing, warehouse, and showroom space for his business.

Stonwerk is based in Watertown and does high quality custom stone fabrication, CNC machining, and installation for residential and commercial applications. The company also has a showroom and design center space located in Minneapolis, the company provides 25 jobs in the community.

Mr. Homola is pursuing the purchase of a lot in the Watertown Business Park for the construction of a new building to house the business and is requesting municipal subsidy in the form of TIF. In a new development, or "Economic Development" TIF district the City can consider TIF financing for up to 9 years for such items as site acquisition, site preparation, and building construction. The estimated cost of site acquisition and improvements at this time totals \$1,450,000. Mr. Homola plans to finance the project through traditional financing, cash, and municipal subsidy.

The total estimated amount of TIF available to the developer over the life of the district would be \$231,000. The TIF program proposed would be a "pay go" plan, in which the municipal subsidy would be reimbursed back to the property owner on a pay as you go system in which the available TIF subsidy is paid via the property tax collection process. No up-front financing is proposed as part of the TIF plan. The City retains a minimum of 10% of the available TIF for administrative expenses.

Staff is looking for a recommendation from the EDA to the City Council for approving the municipal subsidy and TIF plan. A public hearing and City Council consideration is scheduled for August 27th, 2019.

Funding Source:

Tax Increment Financing

Attachments:

Memo from Tammy Omdal, Municipal Advisor from Northland Securities
DRAFT TIF Plan