

TO: Honorable Mayor and City Council

FROM: City Administrator Ron Johnson

SUBJECT: Cannon River Winery Expansion Request

MEETING DATE: January 16, 2018

BACKGROUND

The Cannon River Winery is proposing to expand their building by approximately 19,040 sq. ft. to the west. The purpose of this expansion is to increase capacity, add a new filtration system, expand the tasting room and add a brick fired pizzeria. Their total project cost is anticipated to be roughly \$1.6- \$1.8M (as per the attached term sheet).

This expansion stops at the 30' wide city parcel located between the existing Lee Chevrolet building and the river (this parcel was purchased by the EDA in 2013 for \$57,943.45 with the intent to be sold back to the city for park land).

Cannon River Winery hopes to break ground in the spring of 2018 with anticipated completion in the fall of 2018.

At the time of distribution of this memo, it appears that the EDA and Cannon River Winery may reach an agreement on the Former Lee Chevrolet property.

This would leave 2 primary items for Council to consider for advancement of the project-

- Sale price of the approximate 4200 sq ft city-owned property between the Winery and the Lee Chevrolet Building

- Approval of TIF and/or Tax Abatement

REQUESTED COUNCIL ACTION

Discuss, and consider taking action on, the Cannon River Winery Project and sale price of city-owned land and Tax Increment Financing/Tax Abatement.

Attachments; Misc Info

Proposed Cannon River Winery Expansion - TERM SHEET 11-15-17

EDA
City

ABOUT

Cannon River Winery (CRW) is located in historic downtown Cannon Falls and has been in business for 15-years. Located in an up-to code historic two-story building, this 15,000 sq. ft. facility offers an 8,000 sq. ft. tasting room, event center and production. Hosting over 40 weddings per year, CRW brings over 35,000 visitors to Cannon Falls annually. Under new ownership, owner Ron Stowell is looking forward to continuing to contribute to the Cannon Falls community.

CRW has 300 wholesale accounts (liquor stores and restaurants), and produces 12,000 cases, or, 120,000 bottles, per year. While current demand meets current production, CRW winery is operating at full capacity, and needs to expand operations. CRW currently employs 10 FTE averaging \$36/hr and 23 PTE. CRW grows and uses grapes from their 80-acre vineyard, located 7 miles from the winery.

PROPOSED PROJECT

CRW is looking to expand their building by approximately 19,040 sq. ft to the west. The purpose of this expansion is to increase capacity, add a new filtration system, expand the tasting room and add a brick fired pizzeria. With a goal of doubling production to 240,000 bottles/year, CRW will be purchasing new equipment, including, but not limited to: tanks, barrels and a cooling system. CRW currently leases approximately 6,000 sq.ft. of warehouse space; this will be included in the new expansion. Total project cost is anticipated to be roughly \$1.6- 1.8M*.

In discussions with Goodhue County, based upon the current project information, she estimates the total proposed project completed would be valued between \$1.4 - \$1.5M, which would result in an additional annual tax base of \$52,756 - \$56,525 per year. Please note, these are preliminary estimates, and CRW is aware this may change. **

RW hopes to break ground in the Spring of 2018, with an anticipated completion date in the Fall of 2018. Within two years of project completion CRW anticipates hiring a minimum of 12 additional PT employees, averaging over \$12/hr.

TERMS

CRW has met with the city's economic development team and reviewed the proposed expansion (as outlined on the RJRyan/Lampert Architects site plan dated 7-31-17) and hopes to work together to execute a project that will benefit both parties. To move forward with the expansion, CRW will need the following:

- Land for \$1 (total acreage TBD) - includes PID 521004160 and a portion (exact size TBD) of 521004110
- Complete removal of building(s) on 433 Mill Street West, Parcel 521004160 (staff indicated this was likely to happen regardless of the project)
- All environmental work (soil borings, Phase I, Phase II (if necessary), etc.) completed and paid for by city (staff indicated this was likely to happen regardless of the project)

- Any/all remediation and cleanup of site completed and paid for by city - this needs to be completed no later than April 1, 2018 - if total cost of clean up exceeds \$100,000, CRW is willing to reconnect and discuss.
- Replacement/abandonment/relocation costs for any applicable costs related to utilities completed and paid for by city
- City to design and install sidewalk (ADA accessible), on the west side along the river (previously discussed with City) on PID 521004161 (City of Cannon Falls parcel)
- Any applicable platting, and other applicable land use applications - completed and paid for by city, to be contingent upon project moving forward
- Pay-as-you go tax abatement for 15 years - total abatement estimates from the city and county are \$533,100
 - If county is unwilling to participate, a 9 year TIF from the city and county, totalling \$319,860 and the consideration of additional funding from City MNDEED fund*

In lieu of being able to waive future assessments, if the city is willing to work with us to obtain a letter from the School District to agree they are not willing to provide abatement, we are willing to apply for 20 years abatement, with the last five years of abatement going directly to the city. Should we decide to pursue TIF instead of abatement, further discussion regarding shared participation would need to occur.

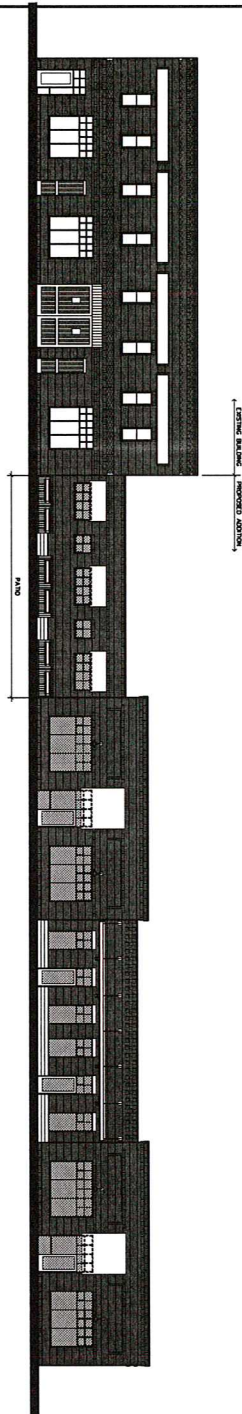
CONCLUSION

The wine industry is often miscategorized as an industry similar to bars, restaurants and liquor stores. In actuality, wineries have far more in common with medical device and food manufacturing. What the public generally sees and identifies with, are the forward facing "tasting rooms" where you can purchase wine, socialize with friends, and take in live entertainment/attend an event. Wineries operate more as advertising and market research departments than they do as bars. The real revenue generation and business operations are what you don't see; the tanks, barrels, cooling system, vineyard, etc. that make up the highly regulated wine manufacturing process.

CRW feels this proposed project will increase both their local and regional economic impact, while bringing an unmeasurable economic impact to the Cannon Falls community and area businesses. In order to make this happen, it needs to secure a level of public/private partnership with both the City of Cannon Falls and Goodhue County. The growth of CRW's physical operation, the exponential increase of its production and export of product, as well as the creation of 12 new jobs in Cannon Falls directly depends on the plan as outlined above. CRW has a great relationship with the community, and is confident they can continue working with the community to complete a project that will benefit all parties involved.

**at this time, potential site issues are unknown (i.e.: environmental, utility locations, etc.) therefore this number will likely increase. At this point we want to explore the MNDEED funding the city has, tax abatement and other city/county/state financing programs to help offset any potential gaps in financing, or extraordinary costs.*

***at this time, the preliminary valuation far exceeds what CRW had anticipated for future business planning purposes. CRW will work with the city and county regarding additional building details to determine if the valuation can be lowered. At this point in time, should the valuation remain, CRW will likely not move forward with the project.*



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Fax 513.444.1201

PREPARED FOR
LEGATION OF THE
UNITED STATES OF AMERICA
CONSTRUCTION

ARCHITECTS
ARCHITECTS

420 Summit Avenue
25, P.O. Box 50102
P.O. Box 50102
P.O. Box 50102
P.O. Box 50102

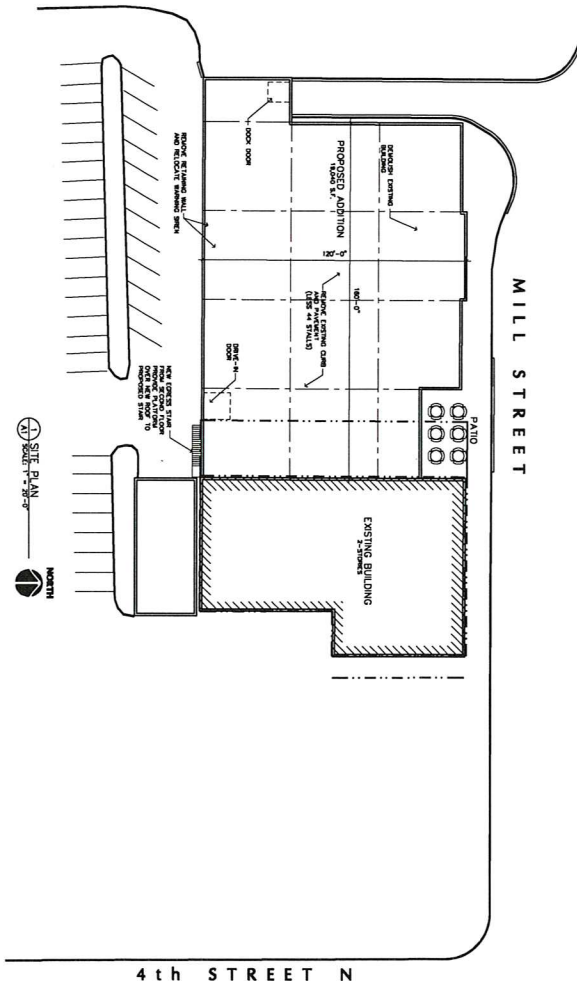
ARCHITECT CERTIFICATION
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SPECIFICATION ON REPORT AND
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BUILDING ELEVATION

Sheet Number _____

A2

Project No. 170719-1



1" = 20'-0"

NORTH

A1

Project No. 170715-1

Sheet Number

SITE PLAN

Owner	Cannon River Winery, LLC
Architect	LANPERS ARCHITECTS
Engineer	RYAN ENGINEERING
Contractor	RYAN CONSTRUCTION
Inspector	RYAN INSPECTION
Permitting	RYAN PERMITTING
Construction	RYAN CONSTRUCTION
Occupancy	RYAN OCCUPANCY
Final	RYAN FINAL

CANNON RIVER WINERY
421 Mill Street W, Cannon Falls, Minnesota

RYAN
ENGINEERING

RYAN
CONSTRUCTION

RYAN
INSPECTION

RYAN
PERMITTING

RYAN
OCCUPANCY

RYAN
FINAL

ArcGIS WebMap



December 1, 2017

House Number

PIN

Roads 9.600

Township or Other Roads

Major Roads 600

 US Highway

State Highway

Township or Other Roads

County Roads 600

County Roads

County Roads - P

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Roads 600

Travel Tow

ved Roads 600

 Tow

600

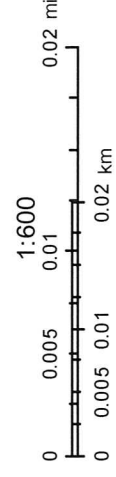
Township or Other Roads

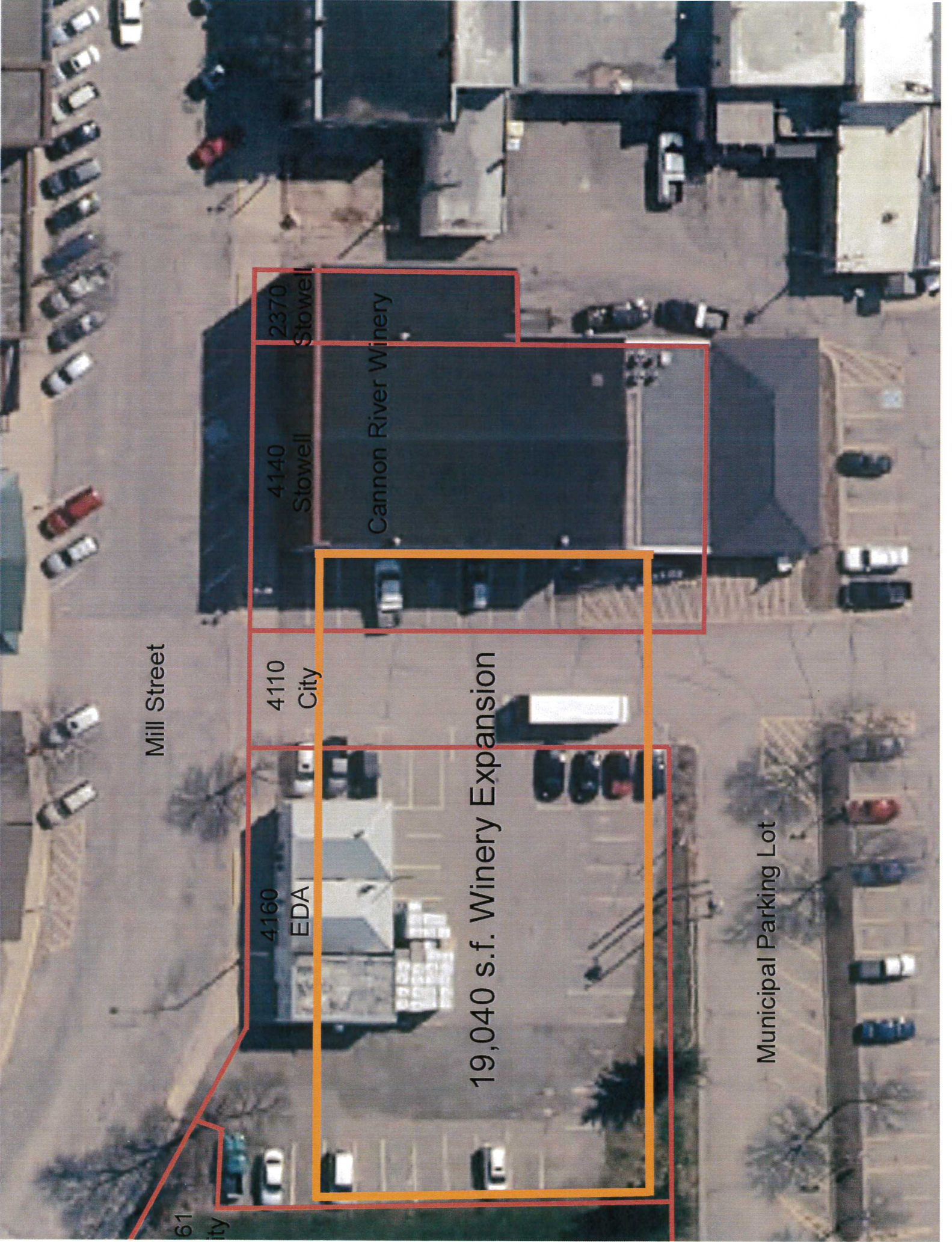
600

Township or Other Roads

Parcels

1000





Mill Street

Municipal Parking Lot

2370

Stowell

4140

Stowell

Cannon River Winery

4110

City

4160

EDA

19,040 s.f. Winery Expansion

61

City



Tillion
Brewery

Mill Street

Cannon River
Winery

433 Mill Street
PID 52.100.4160

Municipal Parking

Little
Cannon
River