

**CITY OF GOODYEAR  
COUNCIL ACTION REPORT**

**SUBJECT: Approve, Authorize and Direct the City Manager to Execute a Job Creation Agreement for Andersen Regional Manufacturing, Inc.**

**STAFF PRESENTER:** Harry Paxton,  
Economic Development Project Manager

**CASE NUMBER:** None.

**OTHER PRESENTER:** Harold Stewart,  
Interim Economic Development Director

**PROPOSED ACTION:**

ADOPT RESOLUTION NO. 2018-1900 APPROVING, AUTHORIZING AND DIRECTING THE CITY MANAGER TO EXECUTE A JOB CREATION AGREEMENT FOR ANDERSEN REGIONAL MANUFACTURING, INC., AUTHORIZING CITY STAFF TO TAKE ACTIONS CONSISTENT WITH TERMS OF RESOLUTION AND AGREEMENT, AND PROVIDING FOR AN EFFECTIVE DATE.

**BACKGROUND AND PREVIOUS ACTIONS:**

Andersen Regional Manufacturing, Inc., a subsidiary of Andersen Corporation, which is an international manufacturer of windows and doors, with its United States corporate headquarters located in Bayport, Minnesota. Andersen has identified the need for a new regional manufacturing facility to serve Arizona and portions of the western United States.

Andersen has entered into a contract to purchase and have constructed a 546,395 square foot building for the location of the Goodyear facility. Andersen plans to begin construction of the building by the end of 2018 and anticipates it will receive a final or temporary Certificate of Occupancy for the facility by the 3<sup>rd</sup> quarter of 2019 and, within four (4) years of the Effective Date of this Agreement, Andersen will have invested, or will cause to have invested a minimum of \$105,000,000 in purchasing the property upon which the Goodyear facility will be located, constructing a new building, including tenant improvements, and equipping the property for the Goodyear Facility.

There were no previous items that went to Council related to this agreement.

**STAFF ANALYSIS:**

Andersen Regional Manufacturing, Inc. has identified the city as its preferred location for its new regional manufacturing facility that will accommodate its immediate and long-term expansion plans and otherwise meet its business needs, and will construct a new 546,395 square foot building generally located at the southeast corner of S. Cotton Lane and W. Commerce Drive in Goodyear, Arizona.

Benefits to the community of Andersen Regional Manufacturing, Inc. in Goodyear over the course of ten (10) years include:

- Creating at least 415 full-time jobs in Goodyear
- Paying each Qualified Employment Position an annual salary/wage of at least \$41,133 per year
- Total investment is expected to be at least \$105,000,000 million in land acquisition, building construction, equipment, and tenant improvements to the building.

## **FISCAL ANALYSIS:**

### *Plan Review and Permit Fees*

Negotiations with Andersen begin in June 2018. The city of Goodyear offered (contingent upon approval by Council and a third-party economic analysis) to waive 75% of all non-expedited plan review and permit fees up to \$1,729,862 and 100% of expedited plan review fees up to \$849,464 for a total of \$2,579,326 for Phase I and Phase II.

Andersen is required to begin construction on Phase II of the project within six (6) years of the Effective Date of the Agreement to be eligible for Phase II job creation funding and plan review and permit fee waivers.

### *Job Creation*

The job creation agreement also contains a job hiring, training, relocation and related expenses reimbursement component in which the city agrees to pay the company \$1,944.00 for each qualified employment position hired before or after the effective date, with a maximum amount of \$875,000 regardless of the number of new employees (the agreement is for 415 jobs, maintaining 325 beginning the fourth annual anniversary of the issuance of the final certificate of occupancy). This payment will be made for Qualified Employment Positions (QEP's) meeting specific qualifications, including a full-time basis at a salary of at least \$41,133 (not including overtime or bonuses), with healthcare coverage by the company covering at least 65% of the premium costs.

Payments to the company shall be made on an annual basis at the beginning of each city fiscal year. Requests for payments will not be due for this agreement until Fiscal Year 2020 at the earliest. The department will monitor and identify if and when an additional budget allocation is required and requests will be made through the budget process.

There are also what is called "clawbacks" in this agreement for repayment of funding from the city, should the company not perform. Those clawbacks are as follows:

- If the Company does not cumulatively hire four hundred fifteen (415) full-time QEP employees within sixty-six (66) months after obtaining a final Certificate of Occupancy for the entire Phase I or maintain an annual average of three hundred twenty five (325) full-time QEP employees for the twelve month period ending on such sixty-sixth (66<sup>th</sup>) month, the Company shall be obligated to return 25% of the Job Creation Payments received from the City;
- If the Company does not cumulatively hire four hundred fifteen (415) full-time QEP employees within seventy-two (72) months after obtaining a final Certificate of

Occupancy for the entire Phase I or maintain an annual average of three hundred twenty five (325) full-time QEP employees for the twelve month period ending on such seventy-second (72<sup>nd</sup>) month, the Company shall be obligated to return 50% of the Job Creation Payments received from the City;

- If the Company does not cumulatively hire four hundred fifteen (415) full-time QEP employees within seventy-eight (78) months after obtaining a final Certificate of Occupancy for the entire Phase I or maintain an annual average of three hundred twenty five (325) full-time QEP employees for the twelve month period ending on such seventy-eighth (78<sup>th</sup>) month, the Company shall be obligated to return 75% of the Job Creation Payments received from the City; and
- If the Company does not cumulatively hire four hundred fifteen (415) full-time QEP employees within eighty-four (84) months after obtaining a final Certificate of Occupancy for the entire Phase I or maintain an annual average of three hundred twenty five (325) full-time QEP employees for the twelve month period ending on such eighty-fourth (84<sup>th</sup>) month, the Company shall be obligated to return 100% of the Job Creation Payments received from the City.

#### *Foreign Trade Zone*

The site on which Andersen Regional Manufacturing, Inc., will locate is an approved Magnet site of the Foreign Trade Zone. Therefore, should Andersen Regional Manufacturing, Inc. qualify for Foreign Trade Zone (FTZ) status, the non-objection letter from the city was previously recorded. The Foreign Trade Zone status allows for a 72% reduction in real and personal property (building and equipment) for qualifying companies. It is anticipated due to time of the Magnet Zone expiring by December 31, 2018, and when Andersen will start operations, that the Magnet FTZ site will be converted to a Usage Driven FTZ designation extending the time for Andersen to activate the FTZ designation on the site by three years.

#### *Third-Party Analysis on Economic Impact*

A third-party economic analysis was conducted by Applied Economics, showing that the economic benefits of Phase I and Phase II. Applied Economic estimated the direct revenue and economic impacts for Phase I and Phase II to be:

- Direct revenue benefit to the City of Goodyear from sales taxes, personal property and real property taxes, permit and impact fees, and utility franchise fees, generated by Andersen during the first six (6) years of operation will be approximately \$3,720,073 and for the first ten (10) years, assuming the implementation of Phase II in year seven (7), direct revenues will be approximately \$7,962,598.
- The total economic impacts of Andersen's operations in Goodyear will total approximately \$373.4 million over the first six (6) years of operation and for the first ten (10) years, assuming the implementation of Phase II in year seven (7), economic impacts will be approximately \$969.8 million.

**RECOMMENDATION:**

Given the creation of at least 415 full-time jobs, a capital investment of at least \$105 million, and significant ongoing property taxes, utility taxes and franchise fees, it is recommended that the proposed agreement be approved.

**ATTACHMENTS:**

Resolution No. 2018-1900  
Job Creation Agreement