

W. G. C.

Memorandum Date: August 30, 2006
Order Date: September 13, 2006

TO: Board of County Commissioners

DEPARTMENT: CAO, Community and Economic Development

PRESENTED BY: Mike McKenzie-Bahr, C&ED Coordinator

AGENDA ITEM TITLE: ORDER/IN THE MATTER OF AUTHORIZING AN ECONOMIC DEVELOPMENT GRANT FROM VIDEO LOTTERY STRATEGIC OPERATING CONTINGENCY IN THE AMOUNT OF \$100,000 FOR TURTLE MOUNTAIN CONSTRUCTION DEVELOPMENT AND AUTHORIZING THE COUNTY ADMINISTRATOR TO SIGN CONTRACTS RELATED TO THE PROJECT.

I. MOTION

Approve the use of \$100,000 in Video Lottery Contingency Funds for construction development of Turtle Mountain and authorize the County Administrator to sign the project contracts.

II. AGENDA ITEM SUMMARY

The Economic Development Standing Committee is requesting the Board of Commissioners approve the use of \$100,000 of video lottery Strategic Operating Contingency to be used by Turtle Mountain for construction costs to locate a manufacturing and distribution facility in Lane County.

The County's \$100,000 grant is being used to leverage a \$200,000 forgivable loan from the Strategic Reserve Fund that the State has approved contingent upon this \$100,000.

This project will retain 17 jobs that would otherwise move out of state and create the equivalent of 30 new jobs by December 31, 2011.

Turtle Mountain is being assisted in this project by the Lane Metro Partnership.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

The EDSC unanimously voted (4-0) at its August 24, 2006 meeting to send this

request to the Board of Commissioners. This was the second time the project appeared before the EDSC. The last time, on November 10, 2005, the EDSC approved the project contingent upon the availability of the state strategic reserve funds, and the specific scope of work being presented by Lane Metro Partnership. Those items have now occurred, leading to this request now coming to the Board.

Turtle Mountain is the largest manufacturer and distributor of non-dairy frozen deserts in the United States. The products are soy-based and growing in popularity nationally. The company is headquartered in southern California where the President (and founder of the company) resides. Marketing, administration, cold storage and shipping are located in Eugene, Oregon. Manufacturing of the product was until recently, subcontracted to Lochmead in Junction City and to Oregon Ice Cream (Dutch Girl) in Eugene. The Lochmead products have been moved to Wisconsin. Oregon Ice Cream still manufactures for Turtle Mountain but is not depended on Turtle Mountain products.

Turtle Mountain recently entered into a strategic partnership with Dreyers Ice Cream (50% owned by Nestle) to have its product distributed by Dreyers nationally. This has increased sales dramatically. Now the company would like to control production of the product in their own facility. After a previous local site did not work out, the company's Eugene management team has located a suitable site to for construction of its new 30,000sf production facility. That site is in the Westec Industrial Park.

The President of the company had also located a building in Southern California. Both Wisconsin and Vermont have made offers to assist with incentives to locate the new facility in their respective states. There are significant benefits to the company in terms of Oregon's image that make expanding here desirable; however the cost of constructing and equipping the new plant in Eugene is higher than relocating to any of the other three states.

If the company gets the \$300,000 in incentive funds, the company will build its new plant in Lane County.

B. Policy Issues

This request meets the criteria for use of Lane County's Video Lottery Strategic Operating Contingency and the State of Oregon's Strategic Reserve Fund.

C. Board Goals

This request meets the Lane County Strategic Plan's economic development goals to work for a strong regional economy to expand the number of family wage jobs available in Lane County. It also meets the goals of the video lottery funds by retaining and creating jobs and strengthening the food processing and natural foods cluster.

D. Financial and/or Resource Considerations

If this \$100,000 is allocated from the Strategic Operating Contingency, there will still be \$480,486 remaining in the contingency fund. The Strategic Operating Contingency is the unspent video lottery funds that are carried over each year.

In addition to the Contingency funds, there is \$200,000 available this year for Strategic Investments and \$462,179 available for General Allocation.

As this project is a carry over from last fiscal year, the Strategic Operating Contingency funds are the appropriate source of funds for the project.

E. Analysis

Retention of and creation of family wage jobs is one of the two priorities for the use of the video lottery funds. (The other priority is job training).

The cost per job appears to be consistent with goals for achieving median family income and the project fits with the natural foods cluster that the EDSC gives high priority consideration for funding whenever possible.

In addition, the expansion of the manufacturing sector is key to providing employment alternatives for the workforce in Lane County.

This plant should also build on the reputation of Lane County as a place that is conducive and friendly to food businesses.

The Video Lottery Strategic Operating Contingency Fund is designed to be used when projects with merit arise. This is one of those projects.

F. Alternatives/Options

1) The Board could approve the ORDER implementing the EDSC recommendation for funding of the Turtle Mountain Project.

2) If the Board has concerns about the project it could delay this request until those concerns are addressed.

3) The Board could determine that it is not in the best interest of Lane County to award funding to this proposal. In most likelihood, this option would mean that Turtle Mountain would not locate their new manufacturing facility in Lane County

IV. TIMING/IMPLEMENTATION

If the Board approves this request, a contract will be finalized with Turtle Mountain. The company intent is to proceed with construction immediately and will provide the contract to their bankers to verify the \$100,000 County commitment. The contract will call for the release of video lottery funds upon defined milestones worked out with the company and LMP. The company hopes to have the plant open within two years. The opening will ensure the retention of 17 jobs. It will create the equivalent of 30 new jobs by December 31, 2011, when the plant and distribution center are at full operation under the Dreyers contract.

V. RECOMMENDATION

The EDSC and staff recommend the Board approve the use of \$100,000 in Video Lottery Contingency Funds for construction development of Turtle Mountain and authorize the County Administrator to sign the project contracts.

VI. FOLLOW-UP

If approved the contract will be finalized immediately and sent through the County review process. Staff will keep the EDSC updated with project progress and work with LMP to monitor the project for contract compliance.

VII. ATTACHMENTS

Board Order
Memo from Lane Metro Partnership to Lane County EDSC, dated August 24, 2006

IN THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER NO.) In the Matter of AUTHORIZING AN ECONOMIC
) DEVELOPMENT GRANT FROM VIDEO LOTTERY
) STRATEGIC OPERATING CONTINGENCY IN THE
) AMOUNT OF \$100,000 FOR TURTLE MOUNTAIN
) CONSTRUCTION DEVELOPMENT AND AUTHORIZING
) THE COUNTY ADMINISTRATOR TO SIGN CONTRACTS
) RELATED TO THE PROJECT.

WHEREAS, Lane County has goals and objectives to promote economic development through job creation and creation of family wage jobs, and

WHEREAS, The Board of County Commissioners has held in reserve video lottery economic development funds for opportunities that require immediate action in order to leverage jobs and other funds, and

WHEREAS, Economic Development Standing Committee (EDSC) has reviewed the proposal from the Lane Metro Partnership and Turtle Mountain and recommends that this project be funded from the Strategic Operating Contingency, and

WHEREAS, the Board of County Commissioners has reviewed the proposal and found that time is of the essence in supporting this proposal and it is in the public interest to provide funding for this project; NOW, THEREFORE, IT IS HEREBY:

ORDERED that the Turtle Mountain proposal is awarded \$100,000 from the Strategic Operating Contingency, as proposed and these funds will be moved from the operating contingency to project funds in the fiscal year 2006-07 budget.

FURTHER ORDERED that a grant contract be executed with Turtle Mountain in the amount of \$100,000 for the immediate development and implementation of the Turtle Mountain project.

FURTHER ORDERED that the County Administrator is authorized to sign the contract with Turtle Mountain.

Signed this 13th day of September, 2006.

Bill Dwyer, Chair
Lane County Board of Commissioners

APPROVED AS TO FORM
Date 8/31/06 lane county
J. Haidlaw
OFFICE OF LEGAL COUNSEL



Lane Metro Partnership

August 24, 2006

Memo To: Lane County
Economic Development Standing Committee

From: Glenda Poling
Business Development Director, Lane Metro Partnership

Subject: Project Deep Freeze Update

Background, Project, Results, Today

BACKGROUND: Turtle Mountain is the largest manufacturer and distributor of non-dairy frozen deserts in the United States. The products are soy-based and growing in popularity nationally. The company is headquartered in southern California where the President (and founder of the company) resides. Marketing, administration, cold storage and shipping are located in Eugene, Oregon. Manufacturing of the product was until recently, subcontracted to Lochmead in Junction City and to Oregon Ice Cream (Dutch Girl) in Eugene. The Lochmead products have been moved to Wisconsin. Oregon Ice Cream still manufactures for Turtle Mountain but is not depended on Turtle Mountain products.

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PROJECT: The solution was to provide assistance to the company in the form of \$300,000 for costs associated with the construction, development, and equipping of a new facility in Lane County to manufacture and distribute their non-dairy frozen desserts products. A \$200,000 forgivable loan from the Strategic Reserve Fund is being matched by \$100,000 from the Lane County Economic Development Fund. This project will retain 17 jobs that would otherwise move out of state and create the equivalent of 30 new jobs by December 31, 2011.

ANTICIPATED RESULTS: This request meets the criteria for use of Lane County's Video Lottery Opportunity Reserve Fund and the State of Oregon's Strategic Reserve Fund resources by strengthening the food processing and natural foods clusters in Oregon and retaining 17 and creating 10 new jobs in Lane County, Oregon.

TODAY: Project Deep Freeze was on ice longer than any of us expected while they explored siting possibilities. Right now the company is in the final stages of signing a contract with Hyland Construction to build from the ground up at the Westec Industrial Park. Their intent is to proceed with construction immediately and are hoping for a document they provide bankers that shows the \$100,000 Lane County grant award and the \$200,000 forgivable loan from the State's Strategic Reserve Fund. I am here today to ask the EDSC to send Project Deep Freeze to the BCC for their approval.

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