

PROJECT OVERVIEW

Type:
Real Estate – Commercial

Total Development Cost:
\$9 million

LISC New Markets Tax Credit Allocation:
\$7.0 million

PROJECT STAKEHOLDERS

LISC Program:
Rural LISC

Investor:
US Bank

Lender:
Midwest Minnesota CDC

Sponsor/Developer:
Midwest Minnesota CDC

Other Key Stakeholders:
**City of Mahanomen, Minnesota
CDC, White Earth Tribal Council**

COMMUNITY ECONOMICS

- **CDFI Hot Zone**
- **Federally-designated Native American area**

COMMUNITY IMPACT

- **29,500 sq. ft. of Commercial Space**
- **36 Construction Jobs**
- **30+ Permanent Jobs**
- **\$1.5 million annually in additional tax revenue**

Project Basics:

- The Mahanomen Baked Chips (MBC) project involved the construction of a snack-food production facility at an industrial park in Mahanomen, MN.
- MBC will occupy 29,500 sq. ft of commercial space and house state-of-the-art equipment with an annual capacity of 27 million cans of baked potato chips.
- The facility will allow MBC to become the only private label producer of stackable baked potato chips and rapidly capture a significant share of the potato chip industry's fastest growing market.
- The MBC project will create at least 30 new, permanent jobs – the vast majority of which will be accessible to entry-level workers and targeted toward low-income residents. Notably, although entry-level, the jobs will offer wages aligned with industry standards which translate into entry-level wages higher than comparable local positions.
- The MBC facility is projected to generate nearly \$1.5 million in new tax revenue each year.



Project Background:

- Mahanomen is the largest city on the White Earth Indian Reservation, Minnesota's largest federally-designated Native American area. Unfortunately, like too many other Native American communities, Mahanomen's residents have had to cope with a chronic shortage of jobs – a fact manifest in local unemployment 150% the national rate.
- The Midwest Minnesota Community Development Corporation (MMCDC) was founded in 1971 to enable communities like Mahanomen to build much-needed infrastructure and assets. Through its White Earth Economic Initiative, which MMCDC pursued in cooperation with the City of Mahanomen and the White Earth Tribal Council, MMCDC identified an opportunity to build and own this state-of-the-art production facility for baked potato chips.

Financing a Solution - New Markets Tax Credits (NMTTC):

- As a facility intended for a start-up business within an economically distressed community, the high cost of financing MBC through conventional methods threatened to derail the project. Our program offered a more viable way to finance MBC under favorable terms.
- \$7.0 million in NMTTC allocation authority provided a custom product of debt with equity features. Other non-traditional and/or favorable terms included: a below-market interest rate; a longer interest-only payment period; and a lower debt service coverage ratio.
- MBC will be well-positioned to catalyze economic development on a wider scale. As the manufacturer of a hard-to-make product in an emerging product category worth over \$200 million in annual U.S. sales, MBC's success could signal the arrival of other new related businesses who seek to benefit from the company's success and/or the availability of a more skilled, industry-aware workforce.