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TO: Goodhue County EDA Board
FROM: Lucas Dahling, Finance Director
SUBJECT: Oronoco Auto Salvage Minnesota Investment Fund Loan Update
DATE: December 3, 2024

Background:

On December 2, 2010, Goodhue County passed a resolution to begin participating in the Minnesota Investment Fund (MIF) as administered by the MN Department of Employment and Economic Development (DEED). The purpose of the loan fund was to provide assistance to and promote the recovery of businesses that were directly and adversely affected by the 2010 flood. Additionally, the repayments to the fund would provide long-term benefits to the County and encourage an increase in the County's tax base.

All funding for this program was received from DEED as part of the 2010 Flood Assistance Grants. Goodhue County did not contribute any funds to this program. Between 2011 and 2013 a total of \$1,105,632.54 of loans were issued. In accordance with DEED guidance, the loans were structured such that as long as payment terms were followed, half of the loan balance would be forgiven. During the life of the program Goodhue County received \$328,272.99 of loan repayments, forgave \$195,294.01 in accordance loan agreements, and wrote off \$30,739.72 of loans. This leaves a remaining balance owed from Oronoco Auto Salvage (OAS) of \$551,325.82.

Discussion:

OAS operated an auto salvage yard at a 14-acre site near Oronoco. The last MIF loan payment Goodhue County received from Oronoco Auto Salvage was in 2016.

In response to complaints about the OAS site, MPCA investigated and determined that the site contained improperly stored hazardous waste, as well as large and illegal accumulations of non-hazardous solid waste. On May 20, 2020, MPCA put OAS under an administrative order requiring it to take various steps to clean the site, remove hazardous and solid waste, and investigate potential groundwater contamination issues. OAS failed to timely completely work and the MPCA filed suit. On June 20, 2022, the Courts held OAS in contempt and entered an order with fixed dates for the completion of cleanup items. At the December 14, 2023, hearing, the Court prohibited OAS from expending funds, or selling, disposing, encumbering of assets worth more than \$250 without the approval of the MPCA.

Based on the significant cost related to environmental remediation, as well as the fact that OAS cannot spend more than \$250 without prior approval by the MPCA, it is highly unlikely that Goodhue County will collect the remaining loan balance.

Recommendation:

Staff recommends the EDA Board write off the remaining Minnesota Investment Fund loan receivable from Oronoco Auto Salvage in the amount of \$551,325.82.

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