

# City to buy factory for startup company

By Dan Linehan

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**MANKATO** — A startup company's plan to build a plastic recycling factory in Mankato took a step forward Monday as the City Council agreed to buy property and lease it to the company.

Genesis Poly Recycling plans on occupying the former home of Spartec Plastics and employing 42 people at once and up to 115 in two years.

Councilman Vance

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Stuehrenberg asked why the city is getting involved.

Todd Loosbrock, president of U.S. Bank's Mankato office, said startup businesses need all the capital they can get. The city's help will give the startup factory space without a big upfront cost.

U.S. Bank is planning on loaning the company about \$ 7.4 million. The U. S. Department of Agriculture is offering a loan guarantee for 70 percent of that amount.

The city's support came because of the bank's diligence and confidence in Genesis Poly's business plan, City Manager Pat Hentges said.

The city already owns about two- thirds of the Spartec building, and the asking price for the final third is \$800,000. Hentges said the money will come from loan repayments and building sales, not local property taxes.

The final third is already occupied by a tenant who may have to move outside of Mankato when they are asked to leave to make room for Genesis Poly, which requires the whole facility.

The Spartec facility was formerly used to assemble plastic products; Genesis Poly plans to do the reverse by breaking apart plastic into pellets, which are then used to make other plastic products.

Spartec Plastics closed last year and laid off about 80 people, former employee Clarence Hall said. He said about 50 or 60 still haven't found work and many are hoping for a job with Genesis Poly.

There has been other interest in the Spartec facility but no solid proposals like Genesis Poly's.

Among other possible buyers was Volk Investments Company, LLC.

Volk Transfer Chief Executive Officer Troy Volk wrote an e-mail to the City Council advising against the purchase and lease to Genesis Poly.

He called the recycler a " high risk startup company" and said there's a good chance it will go into default, leaving the city on the hook for the building's cost.

Volk also wrote the \$2.50 per square foot lease is "substantially lower" than market rates and said the city should negotiate a sale of the building with his company.

The lease rate with Genesis Poly is slated to rise to \$5.21 per square foot by the company's 11th year.

Genesis Poly plans to focus on agricultural plastics, like hay tarps and fertilizer bins, which are among the hardest plastics to recycle because they are so dirty and distributed around a large geographical area, Chief Executive Officer Dan Hauschild said.

He said there has been intense demand among farmers and others who have lots of plastic but no regional recycling options. California and Florida are the current leaders in this industry, he said, but a plant in Mankato would make it the regional focus.

According to the Environmental Protection Agency, only 5 percent to 10 percent of all plastics are recycled.

Genesis Poly is the successor to Advance Granulating Solution, Inc., which dissolved last year only days before it was slated to begin operations after a major investor backed out.

The city will consider JOBZ benefits for Genesis Poly at a later meeting.