

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS
(Regular Meeting of October 27, 2015) **DATE:** Oct. 22, 2015

FROM: Laurie J. Hansen *ljh*

SUBJECT: **APPROVAL OF MIF APPLICATION
RESOLUTION NO. 4557**

Action Requested:

Authorization to submit a Minnesota Investment Fund (MIF) application to the State of Minnesota for a \$1,000,000 forgivable loan.

Public Purpose:

The loan proceeds will be utilized to build out leasehold improvements, purchase FF&E and locate 330 new jobs in Saint Paul.

Business Subsidy:

A forgivable loan is considered a business subsidy for purposes of MN Statutes. A public hearing regarding this subsidy will be held at the October 27, 2015 Board meeting.

Background:

Saint Paul is competing with several other locations in several other states to convince the company to locate the jobs in Saint Paul. Until a final location decision is made, the company would like to remain anonymous.

The company has also been in discussions with Department of Employment and Economic Development (DEED). The Port Authority has been working with representatives of the City and DEED to submit this application to convince the company to locate in Saint Paul.

Current Status:

The company estimates expenditures of approximately \$2.9 million--\$1.3 million in leasehold improvements and \$1.6 million in FF&E. They would create 330 new jobs with the lowest salary of \$13 per hour and benefits. Under the MIF program, jobs paying \$13 an hour are eligible for \$4,000 each in a forgivable loan, and any jobs paying in excess of \$18 per hour are eligible for \$5,000. The maximum MIF award is \$1 million. The jobs must be maintained during a two-year compliance period.

In addition to the \$1 million forgivable loan, DEED is offering the company \$400,000 in Jobs Skills partnership training grants.

The \$1 million MIF loan will be forgiven if at least 250 jobs paying \$13 per hour or more are created, or a combination of jobs paying \$13 per hour or more (\$4,000/job) and jobs paying \$18 per hour or more (\$5,000/job) to reach the \$1million.

The new positions must be filled and on the payroll of the company two years after the business is operational.

Financial Analysis:

Financial statements for the years ended 2012, 2013, and 2014 were reviewed. The company was profitable in all three years and generated adequate cash flow to cover debt service on this loan should it ever be necessary to repay the loan. The company is not highly leveraged and had a debt-to-equity ratio as of 12/31/14 of 2.0. The company does have the financial capacity to repay the loan if jobs are not created and the loan is not forgiven.

The MIF loan is a conduit financing. The Port Authority and the City of Saint Paul have no liability for repayment of this loan.

MIF is necessary to convince the company to create the jobs here. As an alternative, the company could locate in another state. Without the inducement of MIF, these jobs may not be created in Saint Paul or anywhere in Minnesota.

The company anticipates making their location decision by October 31, 2015. Before the loan is approved by the State, the company's identity will be known. Once they decide, they will want to move quickly on hiring and leasehold improvements. Therefore, we are requesting action by the Board in October prior to being able to identify the company.

Recommendation:

We recommend authorization to submit a MIF application to the State of Minnesota.

LJH:ca

Attach.