

HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS

DATE: APRIL 23, 2014

**REGARDING: AUTHORIZATION OF A LOAN UNDER THE STRATEGIC INVESTMENT FUND
PROGRAM TO HLB TAUTGES REDPATH FOR 55 EAST FIFTH STREET.
DISTRICT 17, WARD 2.**

Requested Board Action

Approval of a \$120,000 forgivable Strategic Investment Fund (“SIF”) loan to HLB Tautges Redpath, Ltd.

Background

HLB Tautges Redpath, Ltd. (“HLB”) is an employee-owned accounting firm providing audit, tax, and consulting services to closely held businesses, governments, and nonprofits, primarily in the greater Twin Cities metro area. Created in 1971, HLB is the twelfth largest accounting firm in Minnesota.

HLB has 120 employees and is currently located in White Bear Lake, MN. Having outgrown their current location, and with plans to expand their workforce, HLB is looking to lease up to three floors of the Alliance Bank Building (36,000 sq. ft.) in downtown Saint Paul. HLB still has several years left on their lease, however, and although the current location no longer meets all of its needs, until this property can be sold or released, HLB will only be able to occupy a portion of the space currently available in the Alliance Bank Building. They plan on leasing one floor now and moving 40 employees by October 2014. They plan to take additional floors and move the rest of their employees as circumstances dictate or allow. The proposed \$120,000 forgivable SIF loan, to be used for purchasing furniture and equipment, will be available for nine months in \$40,000 increments, at a rate of \$1,000 per job, and based on leasing additional floors. The limited time for this assistance will serve as an incentive to make the full move as soon as possible.

The Alliance Bank Building (55 East Fifth Street) is located in a B-5 zoning district, with all of HLB's current and proposed land uses permitted. See Attachment D for a demographic profile of District 17, the Saint Paul planning district where 444 Cedar Street is located. No existing businesses will be displaced or relocated as a result of this project, and there was no land acquisition that took place as a result of eminent domain.

Budget Action

This loan is funded from fiscal year 2014 budgeted funds in the HRA Loan Enterprise – Strategic Investment Fund.

Financing Structure

Uses:		Sources:	
Equipment / Furniture	<u>\$120,000</u>	SIF Loan	<u>\$120,000</u>
Total:	\$120,000		\$120,000

The Strategic Investment Fund (SIF) guidelines define eligible uses as “capital expenses, leasehold improvements, or other renovation of the space they will occupy, and parking and transit costs.” HLB does not plan to undertake any construction activities with this SIF loan, but will use the proceeds for the purchase of furniture and equipment related to its relocation.

The proposed terms include a five year term at 4.25% (prime plus one). Assuming HLB borrows the full \$120,000, each scheduled yearly payment on the loan would be forgiven if HLB maintains at least 120 full-time (or full-time equivalent) jobs on site. The job requirements would be adjusted accordingly if HLB ultimately leases less space and moves fewer employees within the next year. The loan will be a full recourse obligation of HLB, and the HRA will have a separate security interest in the firm's fixtures, equipment and other business assets.

PED Credit Committee Review

The PED Credit Committee will review this loan on April 21, 2014, with a recommended Risk Rating of Forgivable – Strategic Investment.

Compliance

Due to the amount of the HRA assistance, and the fact that there is no construction activity associated with this loan, the compliance requirements are the Vendor Outreach Program, Affirmative Action, and St. Paul's Living Wage Ordinance. HLB has acknowledged that these compliance requirements will apply.

Green/Sustainable Development

The project will comply with the Saint Paul/HRA Sustainability Initiative.

Environmental Impact Disclosure

N/A

Historic Preservation

This project does not need to be reviewed by either HPC PED staff or the HPC Commission.

Public Purpose

Along with bringing 120 new employees to Saint Paul, this action will help stabilize the downtown tax base through utilization of vacant and underutilized commercial space. This action complies with the statement in the "Working" chapter of the *Saint Paul Downtown Development Strategy* that encourages "all employers needing office space to meet their needs within the existing supply of vacant office space." HLB will also add to the growing list of companies with a regional presence that are choosing to have significant facilities located in Saint Paul, thereby enhancing the City's reputation as business-friendly, and a great place to do business.

Recommendation:

The Executive Director and staff recommend approval of the attached Resolution authorizing the loan to HLB Tautges Redpath.

Sponsored by: Commissioner Thune.

Staff: Martin Schieckel 266-6580

Attachments

- **Attachment A – Resolution**
- **Attachment B – Map/Address of Project**
- **Attachment C – Public Purpose Form**
- **Attachment D – Census Facts**