

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

REPORT TO THE COMMISSIONERS

DATE: November 12, 2015

**REGARDING: AUTHORIZATION OF A LOAN UNDER THE STRATEGIC INVESTMENT FUND
PROGRAM TO MAXIMUS, INC. 332 MINNESOTA STREET. DISTRICT 17**

Requested Board Action

Approval of a \$68,000 forgivable Strategic Investment Fund (“SIF”) loan to Maximus, Inc.

Background

Maximus, Inc. (“Maximus”) provides business process services (“BPS”) to government health and human services agencies. They are one of the largest pure-play health and human services BPS providers to governments in the United States, Australia, Canada, the United Kingdom, and Saudi Arabia. Founded in 1975 by David V. Mastran, a former employee of the U.S. Department of Health, Education, and Welfare, they use their experience, business process management expertise, and advanced technological solutions to help government agencies run efficient and cost-effective programs and improve program accountability and outcomes, while enhancing the quality of services provided to program beneficiaries. The specific project that is considering locating to Saint Paul will be the main Information Technology (“IT”) hub that will support the entire company worldwide. The company went public in 1997.

Maximus has 9,374 employees company-wide. The current IT hub is located in Denver, Colorado. The company as a whole is relocating the office for strategic operating cost purposes. Locations under consideration for the relocation of the IT hub are Denver, Austin, Kansas City and St. Louis. Within the State of Minnesota, there were three sites being evaluated: 332 Minnesota St. and 445 Minnesota St. in Saint Paul, and 6500 City West Parkway in Eden Prairie. The company has narrowed its Minnesota options to the First National Bank Building at 332 Minnesota Street.

The square footage being considered is 5,513. The company is planning to lease this space for a minimum of five years. They plan to hire 34 new employees by the end of December 2015. The SIF loan will be used to purchase equipment and furniture.

332 Minnesota Street is located in a B-4 zoning district, with all of Maximus's current and proposed land uses permitted. See Attachment D for a demographic profile of District 17, the Saint Paul planning district where 332 Minnesota 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 the fiscal year 2015 budgeted funds in the HRA Loan Enterprise – Strategic Investment Fund. No budget amendment is required.

Future Action

A public hearing has been scheduled for November 18, 2015 in a related but separate action for approval to apply for the State of Minnesota's Department of Employment and Economic Development Minnesota Investment Fund in the amount of \$235,640. No further action will be required by the HRA.

Financing Structure

Uses:		Sources:	
Equipment / Furniture	<u>\$68,000</u>	SIF Loan	<u>\$68,000</u>
Total:	\$68,000		\$68,000

The SIF guidelines define eligible uses as “capital expenses, leasehold improvements, or other renovation of the space they will occupy, and parking and transit costs.” Maximus 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 term of the loan would be five years. The interest rate would be 4.25% (prime plus one). Assuming Maximus borrows the full \$68,000 being offered – \$2,000 per full-time employee –

each scheduled yearly payment on the loan would be forgiven if Maximus maintains at least 34 full-time (or full-time equivalent) jobs on site. The loan will be a full recourse obligation of Maximus, 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 reviewed this loan on November 9, 2015, 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 only compliance requirements are the Vendor Outreach Program, and Affirmative Action. Maximus has acknowledged that these compliance requirements will apply.

Green/Sustainable Development

N/A

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 34 new employees to Saint Paul, this action will help to stabilize the downtown tax base by allowing the utilization of commercial space currently vacant and underutilized. 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.” Maximus will also add to the growing list of IT companies and companies with a regional, national and international presence

that are choosing to have significant facilities located in Saint Paul, thereby enhancing the City's reputation as a great place to do business.

Recommendation:

The Executive Director and staff recommend approval of the attached Resolution authorizing the SIF loan to Maximus, Inc.

Sponsored by: Commissioner Thune.

Staff: Ellen Muller, 266-6605

Attachments

- **Attachment B – Map**
- **Attachment C – Public Purpose**
- **Attachment D – District Profile**