

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

**REPORT TO THE COMMISSIONERS**

**DATE: FEBRUARY 28, 2018**

**REGARDING: APPROVAL AND AUTHORIZATION OF HRA BUSINESS ASSISTANCE  
FUNDS UP TO \$200,000 TO TECHSTARS FARM TO FORK, DISTRICT  
17, WARD 2**

## **Requested Board Action**

Request the Saint Paul Housing and Redevelopment Authority (HRA) Board of Commissioners to approve and authorize \$200,000 of HRA Business Assistance Funds to Techstars Farm to Fork Accelerator.

## **Background**

Techstars is a fixed-term, team-based program to accelerate the growth of promising startup companies. Based out of Boulder Colorado, Techstars operates worldwide. Their programs include mentorship and educational components, and culminate in a public pitch event or demo day. Techstars recently announced a new program, called Farm to Fork, focused on the tech side of food and agriculture.

The Twin Cities was selected among several regions as a prime location to host the three-year Farm to Fork program. The region was chosen because of Cargill's and Ecolab's food processing, food safety and agriculture expertise. This expertise connects companies, mentors, talent and investors with innovators across the entire food value chain, including agriculture-focused technology, manufacturing and supply chains, food safety, waste reduction and ingredient traceability.

Techstars chooses 10 startup companies annually to receive Farm to Fork funding, support and mentorship. The Farm to Fork program focuses on the digital side of the food value chain. Companies building smart devices, working with big data, artificial intelligence, or creating a new software solution are sought for enrollment. Companies are chosen from throughout the world and temporarily relocate to the program host site. Many participating companies

eventually relocate to the city where they went through their Techstars program because of the vast local network they can continue to tap into once the program concludes. Techstars has operated a retail-based program in Minneapolis since 2016, and so far two out-of-state companies who participated have relocated to Minneapolis. One raised \$3.7 million in seed funding; the other attracted \$6.8 million and seeks to double its current staff of 20 this year.

Techstars Farm to Fork program will lease approximately 10,000 square feet in the Osborn 370 building (370 Wabasha Street), where several other notable tech companies are located, including Reeher and Structural. The increasing concentration of tech companies in downtown Saint Paul continues to garner greater visibility for the downtown business community, and offers local startups an opportunity to connect with other innovative companies. Cargill and Ecolab have contributed to the three-year Farm to Fork program, which includes an annual allowance of \$160,000 towards rent and associated expenses. The program will start in July 2018 with the space ready for startups to move in by mid-June 2018. The focus of the Farm to Fork program is investment in the selected startup companies, and Techstars has limited funds to address tenant improvements necessary to get their space ready for use.

On January 8, 2018, the PED Resource Team supported a request for \$200,000 to assist Techstars with costs associated with leasehold improvements, and the purchase of furniture, fixtures, and equipment. The support aligns with the objectives of the Full Stack Saint Paul framework to create an environment where more innovative businesses can locate and grow. Attracting Techstars to downtown Saint Paul achieves the goals of expanding innovation jobs and businesses by:

- Telling the story: Making people aware of the vibrant innovation culture in Saint Paul.
- Developing people: Building and supporting the places and events where innovators connect and support key pipelines for growing innovation talent in Saint Paul.
- Developing innovative places: Creating an ecosystem of high-quality real estate solutions that provide work environments and amenities so Saint Paul innovation companies can recruit and retain talent.

**Budget Action**

This loan is funded from fiscal year 2018 budgeted funds in the HRA Loan Enterprise – Business Assistance Fund. No budget amendment is required. If this resolution is approved today, \$597,077 of uncommitted HRA Business Assistance funds will remain.

**Future Action**

N/A

**Financing Structure**

<b>Source</b>	
HRA	\$200,000
Techstars	\$75,000
Osborn 370	\$274,230
Total	\$549,230

<b>Use</b>	
Furniture, fixtures, equipment	\$75,000
Tenant Improvements	\$474,230
Total	\$549,230

The term of the loan would be three years. The interest rate would be 5.5% (prime plus one). Each scheduled yearly payment on the loan would be forgiven if Techstars continues to occupy their space and operate their program.

**PED Credit Committee Review**

The PED Credit Committee will review this loan on February 27, 2018, with a recommended Risk Rating of Forgivable.

**Compliance**

This project will comply with all applicable requirements, which may include the following:

1. Affirmative Action/Equal Employment Opportunity
2. Vendor Outreach
3. Two Bid Policy

4. Little Davis Bacon
5. Livable Wage
6. Business Subsidy

#### **Green/Sustainable Development**

N/A

#### **Environmental Impact Disclosure**

N/A

#### **Historic Preservation**

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

#### **Public Purpose/Comprehensive Plan Conformance**

This action will help to stabilize the downtown tax base by allowing the utilization of currently-vacant office space. This action complies with the statement in the “Working” chapter of the *Saint Paul Downtown Development Strategy* that encourages “Cultivat[ion of] the development of Class A office space in Downtown” and “all employers needing office space to meet their needs within the existing supply of vacant office space before constructing new office space.”

The Techstars Farm to Fork Accelerator will also add to the growing list of organizations with a national and international presence choosing to have significant facilities in Saint Paul, thereby enhancing the city’s reputation as a great place to do business by bringing corporate and innovation talent, attention and vibrancy to downtown. Technology companies bring additional wealth into the community from other parts of the metropolitan area, our nation and across the globe by attracting local and outstate capital dollars.

In addition, Techstars has a robust commitment to diversity and inclusion. The company has expressed the willingness to support and engage with local communities and organizations to promote the tech industry.

**Statement of Chairman (for Public Hearing)**

N/A

**Recommendation:**

The Executive Director and staff recommend approval of the attached Resolution authorizing HRA Funds in the amount of \$200,000 to Techstars Farm to Fork.

**Co-Sponsored by:** Commissioner Noecker & Commissioner Tolbert

**Staff:** Marcq Sung, 651.266.6615

**Attachments**

- **Map**
- **Background**
- **Public Purpose**
- **District 17 Profile**