

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 28, 2018

**REGARDING: AUTHORIZATION OF A LOAN UNDER THE STRATEGIC INVESTMENT
FUND PROGRAM TO ALULA, 2340 ENERGY PARK DRIVE, DISTRICT
12, WARD 4**

Requested Board Action

Approval of a \$175,000 forgivable Strategic Investment Fund (“SIF”) loan to Alula

Background

Alula is the product of the acquisition and merger of Resolution Products and ipDatatel. Both companies work in the home security and Internet of Things space. The companies were operated independently until August 2017. Now that the merger has been completed, the company intends to close its facility in Hudson, WI and relocate to Saint Paul. Additionally, Alula would shift some workers over time from a Houston, TX facility to the Twin Cities, though the facility in Houston is planned to continue operating.

The proposed facility in Saint Paul will serve as the corporate headquarters for the combined operations. Alula considered spaces throughout the Twin Cities Metro and also explored options to headquarter the company in other regions. With the approval of Strategic Investment Funds, the company will lease approximately 50,000 square feet at 2340 Energy Park Drive in Saint Paul. They will relocate 56 existing jobs and hire 69 additional employees to staff the Saint Paul office, making a commitment of 125 jobs at their new headquarters in Saint Paul.

2340 Energy Park Drive is located in an I-1 zoning district, with all of Alula’s proposed land uses permitted. See attached demographic profile of District 12, the Saint Paul planning district where 2340 Energy Park Drive 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 2018 budgeted funds in the HRA Loan Enterprise – Strategic Investment Fund. No budget amendment is required. The balance in the SIF program after this investment is made will be \$307,602. There are no additional dollars proposed for the SIF program in the Mayor’s 2019 budget proposal.

Future Action

N/A

Financing Structure

Uses:		Sources:	
Equipment / Furniture	<u>\$175,000</u>	SIF Loan	<u>\$175,000</u>
Total:	\$175,000		\$175,000

SIF guidelines define eligible uses as “capital expenses, leasehold improvements or other renovation of the space they will occupy, and parking and transit costs.” Alula 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 6.25% (prime plus one percent). Consistent with the SIF program guidelines, each scheduled yearly payment on the loan would be forgiven if Alula maintains at least 125 full-time (or full-time equivalent) jobs on site. The loan will be a full-recourse obligation of Alula, 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 and approved this loan on October 30th 2018, with a recommended Risk Rating of Forgivable – Strategic Investment.

Compliance

Based on the amount of the HRA assistance, and the fact that there is no construction activity associated with this loan, the required compliance includes the Vendor Outreach Program, Affirmative Action, and Living Wage Ordinance. Alula has acknowledged that these compliance requirements may apply.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

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

Public Purpose/Comprehensive Plan Conformance

Along with bringing at least 125 new employees to Saint Paul, this action will help to stabilize the tax base by allowing the utilization of commercial space currently vacant and underutilized. The site is adjacent to the sub-district identified in the West Midway Industrial Area Plan (2014) by the City of Saint Paul, that recommends “Research, Bio Tech, and Manufacturing” businesses to locate in this area. Alula works in research and manufacturing and complements this recommended business cluster. Alula will also add to the growing list of companies with a national 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.

Statement of Chairman (for Public Hearing)

N/A

Recommendation:

The Executive Director and staff recommend approval of the attached Resolution authorizing the loan to Alula

Sponsored by: Commissioner Nelson

Staff: Andrew Hestness, 266-6577

Attachments

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