

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

REPORT TO THE COMMISSIONERS

DATE: APRIL 10, 2019

**REGARDING: AUTHORIZATION OF A LOAN UNDER THE STRATEGIC INVESTMENT FUND
PROGRAM TO MISCO, 1771 ENERGY PARK DRIVE, DISTRICT 12, WARD 4**

Requested Board Action

Approval of a \$49,500 forgivable Strategic Investment Fund (“SIF”) loan to MISCO

Background

MISCO designs, tests, and manufactures loudspeakers and amplifiers. It is a family-run company that was founded 70 years ago with a unique sound engineering and manufacturing expertise. Their new headquarters facility in Saint Paul, located at 1771 Energy Park Drive, will be the only speaker design, testing, and manufacturing operation of its kind in North America.

MISCO has outgrown their location in Minneapolis and has considered spaces throughout the Twin Cities Metro. They want to locate somewhere with room to grow that is welcoming to their business and unique industrial needs. With the approval of a SIF loan the company will be able to purchase furniture and equipment to support their transition to Saint Paul. They will relocate 66 existing jobs, and through their growth hire an additional 50 – 60 new employees over the next ten years.

1171 Energy Park Drive is located in an I-1 zoning district, with all of MISCO’s proposed land uses permitted. See attached demographic profile of District 12, the Saint Paul planning district where 1171 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 2019 budgeted funds in the HRA Loan Enterprise – Strategic Investment Fund. No budget amendment is required. If this resolution is adopted, the balance in the SIF program will be \$258,102.

Future Action

N/A

Financing Structure

Uses:		Sources:	
Equipment / Furniture	<u>\$49,500</u>	SIF Loan	<u>\$49,500</u>
Total:	\$49,500		\$49,500

SIF guidelines define eligible uses as “capital expenses, leasehold improvements or other renovation of the space they will occupy, and parking and transit costs.” MISCO 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 6.5% (prime plus one percent). Each scheduled yearly payment on the loan would be forgiven if MISCO maintains at least 66 full-time (or full-time equivalent) jobs on site. The loan will be a full-recourse obligation of MISCO, 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 April 2, 2019, 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 anticipated compliance requirements would be limited to the

Vendor Outreach Program. MISCO has acknowledged that these and other 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 HPC PED staff or the HPC Commission.

Public Purpose/Comprehensive Plan Conformance

Along with bringing at least 66 employees to Saint Paul with many future job opportunities ahead, this action will help stabilize the tax base by allowing the utilization of commercial space currently vacant and underutilized. It will also help secure Saint Paul's commitment to industrial companies and jobs – in a very innovative sector. The site is within an area zoned for light industrial, and MISCO's unique work in the audio engineering and manufacturing field complements the recommended business cluster. MISCO will add to the growing list of innovative national companies 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 SIF loan to MISCO.

Sponsored by: Commissioner Jalali Nelson

Staff: Mary Rick, 266-1124

Attachments

- **Map**
- **Public Purpose**
- **District 12 Profile**