

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 12, 2019

**REGARDING: AUTHORIZATION OF A LOAN UNDER THE BUSINESS ASSISTANCE
FUND TO UPSIE, 370 WABASHA ST N. DISTRICT 17, WARD 2**

Requested Board Action

Approval of a \$120,000 forgivable HRA Business Assistance Fund loan to Upsie.

Background

Founded in 2015 by Clarence Bethea, Upsie is a rapidly growing Minneapolis-based start-up that provides a technology-driven platform for consumers to purchase product warranties, including those for computers, electronics, and appliances. Upsie's model sharply undercuts traditional warranty options in a very modern way and they have seen a lot of recent success.

Upsie joined the Target Techstars program a few years ago. They exited the "beta" stage in 2016 and have since grown the company 300% each year. The company has also just announced a successful \$5 million Series A capital raise, including high profile funders from the Minneapolis-Saint Paul community and Silicon Valley.

Upsie approached the City of Saint Paul with an interest in relocating their headquarters here, preparing for expansion and a more permanent home. Mr. Bethea shared that he was inspired by the City's vision to engage young people from diverse backgrounds in technology and innovation as well as the emerging start-up ecosystem, including Techstars Farm to Fork, Full Stack, and Techquity. In addition to landing in a space that is focused on innovation and entrepreneurship, he wants to serve as a mentor and role model for youth of color and work with a City that shares that passion.

Upsie has the potential to scale rapidly and bring a wealth of tech jobs to Saint Paul. Their current team is very lean at six people, but as it grows Saint Paul has the opportunity to grow

with them. Upsie has identified a space in the Osborn370 building downtown that will serve as their new corporate headquarters. 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. Please see the attached demographic profile of District 17 and map of the area.

Budget Action

This loan is funded from the fiscal year 2019 budgeted funds in the HRA Loan Enterprise – Business Assistance Program. No budget amendment is required. If this resolution is adopted, the balance in the program will be \$304,077.

Future Action

N/A

Financing Structure

Uses:

Buildout/Equipment/Furniture	<u>\$120,000</u>
Total:	\$120,000

Sources:

Business Assistance Fund	<u>\$120,000</u>
	\$120,000

Upsie will use the funds to build-out their new headquarters and purchase any necessary furniture and equipment related to the relocation. The term of the loan would be four years and the interest rate would be 6.25% (prime plus one percent). Each scheduled yearly payment on the loan would be forgiven if Upsie maintains at least six full-time (or full-time equivalent) jobs on site. The loan will be a full-recourse obligation of Upsie and the HRA will have a separate security interest on any fixtures, furniture, and equipment purchased with these funds.

PED Credit Committee Review

The PED Credit Committee reviewed and approved this loan on June 4, 2019, with a recommended Risk Rating of Forgivable – Strategic Investment.

Compliance

Based on the amount of the HRA assistance associated with this loan and the company size, the anticipated compliance requirements include Little Davis Bacon, Affirmative Action, and Vendor Outreach.

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

Upsie has the potential to scale rapidly and bring a wealth of tech jobs to Saint Paul. They will be filling vacant office space and contributing to the vitality of downtown.

In addition to contributing to the City's tax base and providing quality job opportunities, Upsie's founder, Clarence Bethea, wants to serve as a mentor and role model for youth of color. With the economic and educational disparities in Saint Paul's communities of color, this is an opportunity to leverage business leaders to change that story.

Statement of Chairman (for Public Hearing)

N/A

Recommendation:

The Executive Director and staff recommend approval of the attached resolution authorizing the loan to Upsie.

Sponsored by: Commissioner Noecker and Chair Tolbert

Staff: Mary Rick, 266-1124

Attachments

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