



Request for City Council Committee Action from the Department of Community Planning and Economic Development

Date: November 3, 2014

To: Councilmember Lisa Goodman, Community Development & Regulatory Services Committee Chair

Referral to: Councilmember John Quincy, Ways & Means/Budget Committee Chair

Subject: (1) Public hearing for a State Department of Employment and Economic Development (DEED) Minnesota Investment Fund (MIF) Application for a \$1,000,000 forgivable loan related to Code42's expansion project at their current headquarters at 1 Main Street SE and (2) Local government resolution of support for a DEED Job Creation Fund (JCF) Application related to Code42's future expansion project for new office headquarters at the MoZaic East project.

Recommendation:

1. Authorize application to the Minnesota Department of Employment and Economic Development (DEED) Minnesota investment Fund for a \$1,000,000 forgivable loan related to the Code42 expansion project at their current location at 1 Main Street SE; and
2. Subject to loan approval by DEED, accept an award of the Minnesota Investment Fund in the amount of up to \$1,000,000 for furniture, fixtures, and equipment purchases; and
3. Subject to loan approval, increase the 2014 Revenue Budget for the Community Planning and Economic Development Department (CPED) Fund 01600 – Other Grants – State and Local (01600-8900900 321515) by amount awarded up to \$1,000,000; and
4. Subject to loan approval, amend the 2014 General Appropriation Resolution by increasing the CPED Fund 01600 – Other Grants – State and Local (01600-8900320) by amount awarded up to \$1,000,000; and
5. Authorize the appropriate City officials to execute the attached Project Compliance with State Laws, Statutes, and Rules document; and
6. Subject to CPED and Finance review of business credit reports and information and finding no adverse findings or concerns, authorize the appropriate City officials to execute the attached Resolution; and
7. Subject to loan approval, authorize appropriate City officials to execute loan documents incorporating State and City Business Subsidy requirements; and
8. Authorize the appropriate City officials to execute any necessary agreements to implement the transactions described in this report.
9. Approve the attached resolution for the State Department of Employment and Economic Development (DEED) Job Creation Fund (JCF) supporting the application for the future Code42 expansion project.

Previous Directives: None

Department Information

Prepared by: Rebecca Parrell, Senior Project Coordinator (673-5018)

Approved by: Charles T. Lutz, Deputy Director, CPED

Catherine A. Polasky, Director of Economic Development, CPED

Presenters in Committee: Rebecca Parrell

Appropriation Language Reviewed by Development Finance:

X

Financial Impact

- Action requires an appropriation increase to the Capital Budget or Operating Budget
Dept Name: CPED Business Development
Fund Name: 01600 – Other Funds – State and Local
Amount: up to \$1,000,000
- Action provides increased revenue for appropriation increase
Dept Name: CPED Business Development
Fund Name: 01600 – Other Funds – State and Local
Amount: up to \$1,000,000
- Action is within the Business Plan

Community Impact

- Neighborhood Notification: NA (Notification of this public hearing for the Minnesota Investment Fund was published in Finance and Commerce on Friday, October 24, 2014.)
- City Goal: A hub of economic activity and innovation: Businesses – big and small – start, move, stay and grow here.
- Comprehensive Plan: Policy 4.1 Support private sector growth to maintain a healthy, diverse economy; Policy 4.2 Promote business start-ups, retention and expansion to bolster the existing economic base
- Zoning Code: These projects will comply with all requirements of the applicable zoning districts.
- Living Wage/Business Subsidy Agreement: Yes
- Job Linkage: No

Supporting Information

Minnesota Investment Fund Program

The Minnesota Investment Fund (MIF) is administered and funded by the Minnesota Department of Employment and Economic Development (DEED). The intent of the program is to provide match financing for industrial, manufacturing and technology-related businesses, which in turn increase the tax base and promote economic vitality. Local governments formally apply on behalf of an eligible business. If funds are awarded the local government administers a loan to the business consistent with the MIF program terms.

Job Creation Fund Program

Minnesota Department of Employment and Economic Development (DEED) administers and funds the Job Creation Fund (JCF). The intent of the program is to provide financial incentives to new and expanding businesses that meet certain job creation and capital investment targets. Companies deemed eligible to participate may receive funds for creating or retaining high-paying jobs and for constructing or renovating facilities or making other property improvements. Funds are awarded upon completion of the project and when the job goals for the project have been achieved. Unlike the MIF loan program where dollars flow through a municipality, JCF is a direct relationship between the State and the company, requiring a resolution of support from the host city.

Code42

Code 42 was founded in Minneapolis in 2001 and currently employs over 350 engineering, sales, marketing, design, and support professionals in the City of Minneapolis at 1 Main St SE. The company also has offices in London and Sydney. Code42 is best known for CrashPlan, a system that manages and protects digital files with easy-to-use software and high-performance hardware storage. Code42's enterprise endpoint backup and file sync/share products serve over 30,000 businesses and protect millions of consumer devices. Code42 was ranked 44th on Forbes' Most Promising Companies List in 2014 and was listed on the 2014 Inc. 5000 list of the nation's fastest growing companies. Code42 was named one of the "100 Best Companies to Work For" this year and was awarded the "2014 Community Impact Award," both from Minnesota Business Magazine.

Code42 sponsors “CoderDojo,” teaching children and young adults (ages 8-17) to learn to program; “Girls in Tech,” promoting the growth and success of women in technology; and “Minne*,” a conference for technology engineers and entrepreneurs. They are also a member of the Minnesota High Tech Association.

Project 1 – MIF Loan for Expansion at Current Location, 1 Main St SE

Code42 works within an intensely competitive tech marketplace and is growing at a rapid pace. The company created over 100 new full-time permanent jobs in 2012 and over 150 more in 2013. To help offset the software and equipment purchase costs associated with this rapid job growth, CPED staff seeks approval for the City of Minneapolis to apply to the State of Minnesota for a \$1,000,000 forgivable Minnesota Investment Fund (MIF) Loan to Code42.

Code42 expects to hire an additional 150 permanent, full-time employees in Minneapolis and to purchase all related software and equipment over the coming months at their current headquarters at 1 Main St SE. The \$1,000,000 in MIF funds will be matched by \$1,000,000 in investment by the company, with forgiveness tied to job creation targets. The entire \$1 million in state loan funds will be fully forgivable if all 150 jobs are created at specified wage levels and \$2 million of eligible costs (\$1 million MIF and \$1 million match) are incurred for eligible equipment expenses. If the company were to fall short of either requirement, the loan documents will require the company to repay a proportionate amount of the loan at 2% interest at the end of the two year loan term.

Project 2 – JCF Application for New Headquarters Expansion

Code42’s future expansion plans go beyond hiring 150 at their current location. They also project creating 250 more full-time permanent positions once a new Minneapolis headquarters facility is constructed. The capital investment and job creation associated with future growth into a planned new construction office building, qualifies Code42 to apply for a Job Creation Fund (JCF) award from the State of Minnesota Department of Employment and Economic Development (DEED). A requirement for being approved by DEED for a JCF award, is obtaining the support of the local government. CPED staff seeks Minneapolis City Council support for Code42’s JCF application for their new headquarters expansion project.

The Code42 new headquarters expansion project is expected to total over \$25 million in real property improvements and machinery and equipment purchases. This level of investment qualifies the project as a “mega” project, eligible to receive a maximum \$1 million job creation award, subject to DEED job retention, creation, and wage requirements, as well as a maximum \$1 million capital investment rebate, subject to DEED investment requirements.

Exhibits

- A. MIF Project Compliance with State Laws, Statutes, and Rules
- B. MIF Local Government Resolution
- C. JCF Local Government Resolution

EXHIBIT A

PROJECT COMPLIANCE WITH STATE LAWS, STATUTES, AND RULES

1. Minnesota Statutes, Section 181.59, discrimination on account of race, creed, or color prohibited in contracts.
2. Minnesota Statutes, Section 363A.08 prohibits unfair discrimination practices related to employment or unfair employment practices.
3. Minnesota Statutes Chapter 363 Minnesota Human Rights Act. Requires that all public services be operated in such a manner that does not discriminate against any person in the access to, admission to, full utilization of or benefit from such public service.
4. Minnesota Statutes, Sections 176.181 – 176.182. Requires recipients and subcontractors to have worker's compensation insurance coverage.
5. Minnesota Statutes, Sections 290.9705. Requires that 8 percent of payments made to out-of-state contractors be withheld once cumulative payments made to the contractor for work done in Minnesota exceed \$50,000 in a calendar year, unless a waiver is granted by the Department of Revenue.
6. Minnesota Statutes, Section 116J.871 applies to this project. This statute requires of recipients of state assistance to pay the prevailing wage rate to laborers and mechanics at the project construction site when state funds are provided for construction in the amount of \$200,000 or more.
7. Minnesota Statutes Sections 471.87 and 471.88 - Forbids public officials from engaging in activities which are, or have the appearance of being, in conflict of interest.
8. Antitrust or unfair trade practices laws - Regulates and controls the sale of goods and services and prohibits deceptive and unfair competition between businesses.
9. Minnesota Statutes 116J.993-995, Business Subsidy Statute, applies to this project.
10. Minnesota Statutes, 116J.8731, Minnesota Investment Fund applies to this project.
11. Minnesota Investment Fund Rules Chapter 4300.
12. Minnesota Statutes, Chapter 13, the Minnesota Government Data Practices Act.

_____ certifies compliance as so stated in the accompanying Local Government Resolution.
(Signature of Applicant)

EXHIBIT B

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By Council Member _____

Approving the Minnesota Department of Employment and Economic Development Minnesota Investment Fund (MIF) application for the Code42 office expansion project at 1 Main St SE.

Resolved by The City Council of The City of Minneapolis:

That the City of Minneapolis, MN act as the legal sponsor for project(s) contained in the Business and Community Development Application to be submitted on _____ and that the Deputy Director of CPED is hereby authorized to apply to the Department of Employment and Economic Development for funding of this project on behalf of City of Minneapolis.

Be It Further Resolved that the City of Minneapolis, MN has the legal authority to apply for financial assistance, and the institutional, managerial, and financial capability to ensure adequate construction, operation, maintenance and replacement of the proposed project for its design life.

Be It Further Resolved that the City of Minneapolis, MN has not incurred any costs and has not entered into any written agreements to purchase property.

Be It Further Resolved that the City of Minneapolis, MN has not violated any Federal, State, or local laws pertaining to fraud, bribery, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice.

Be It Further Resolved that upon approval of its application by the state, the City of Minneapolis, MN, may enter into an agreement with the State of Minnesota for the above-referenced project(s), and that the City of Minneapolis, MN certifies that it will comply with all applicable laws and regulations as stated in all contract agreements and described on the Compliance Section (S-7) of the Business and Community Development Application.

Be It Further Resolved that the City of Minneapolis, MN has obtained credit reports and credit information from Code 42 Software, Inc., Inc. Upon review by CPED, Finance, and the City Attorney's Office, no adverse findings or concerns regarding, but not limited to, tax liens, judgments, court actions, and filings with state, federal and other regulatory agencies were identified. Failure to disclose any such adverse information could result in revocation or other legal action.

Be It Further Resolved that the Finance Officer or designees or their successors in office, are hereby authorized to execute such agreements, and amendments thereto, as are necessary to implement the project(s) on behalf of the applicant.

EXHIBIT C

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By Council Member _____

Supporting the Job Creation Fund (JCF) Application to the State of Minnesota Department of Employment and Economic Development in connection with Code42.

Whereas, the City of Minneapolis (the "City") desires to assist Code 42 Software, Inc., a Delaware corporation authorized to do business in Minnesota, which is proposing to complete building improvements for a new office headquarters facility in the City; and

Whereas, the City understands that Code42, through and with the support of the City, intends to submit to the Minnesota Department of Employment and Economic Development an application for an award and/or rebate from the Job Creation Fund Program; and

Whereas, the City considered this matter at a regularly scheduled City Council meeting on November 14, 2014;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the City hereby expresses its approval of Code42, application for an award and/or rebate from the Job Creation Fund Program.