

City of Minneapolis
Request for Committee Action

To: Community Development & Regulatory Services
Date: 2/16/2016
Referral: Ways & Means
From: Community Planning & Economic Development
Prepared by: Casey Dzieweczynski
Presented by: Casey Dzieweczynski
File type: Resolution
Subcategory: Appropriation

Subject:

Approval of resolution of support for a Minnesota Investment Fund loan application related to the Link Snacks, Inc. (dba Jack Link's Beef Jerky) expansion project at Mayo Clinic Square in downtown Minneapolis. Public hearing at Ways and Means Committee related to the project.

Description:

Community Development and Regulatory Services Committee:

1. Approving the attached resolution of support for a Minnesota Investment Fund loan application related to the Link Snacks, Inc. (dba Jack Link's Beef Jerky) expansion project in downtown Minneapolis.
2. Authorizing appropriate City officials to submit an application to the Minnesota Department of Employment and Economic Development (DEED) Minnesota Investment Fund (MIF) for an \$850,000 forgivable loan related to the Link Snacks, Inc. expansion project., including authorizing appropriate City officials to execute the attached Project Compliance with State Laws, Statutes and Rules document as part of the MIF application to DEED.
3. Accepting an award of the Minnesota Investment Fund in the amount of up to \$850,000, subject to DEED Approval of the City's MIF application
4. Authorizing appropriate City officials to execute a Business Subsidy Agreement with Link Snacks, Inc.
5. Authorizing appropriate City officials to execute a Minnesota Investment Fund loan to Link Snacks, Inc. for an amount not to exceed \$850,000.00 subject to loan terms under the Minnesota Investment Fund guidelines.

Ways and Means Committee:

6. Conducting a public hearing related to the Jack Link's expansion project
7. Increasing the 2016 Revenue Budget for the Community Planning and Economic Development Agency Fund 01600 – Other Grants – State and Local (01600-8900900) by the amount awarded up to \$850,000.
8. Amending the 2016 General Appropriation by increasing the Community Planning and Economic Development Agency Fund 01600 – Other Grants – State and Local (01600-8900320) by the amount awarded up to \$850,000.

Previous Actions:

On February 7, 2014 the City Council approved a \$100,000 Minnesota Investment Fund Loan to Link Snacks, Inc. for their office expansion at 110 5th Street North and 111 5th Street North.

Ward/Address:

Ward 3
600 Hennepin Ave

Background/Analysis:

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 to the State on behalf of an eligible business. If funds are awarded, the local government enters into a loan agreement with the business consistent with the MIF program terms.

Jack Link's Beef Jerky (JLBJ) was founded in 1985 by current CEO Jack Link, and the company remains a privately held business. JLBJ manufactures a variety of meat snacks including beef jerky, meat and cheese packs and sausages. The products are sold in a variety of retail outlets worldwide. Since its founding in the mid 1980s the company has become the number one meat snack brand in the U.S. and has over 2,500 employees. The company's headquarters are located in Minong, WI but there are several manufacturing and warehouse facilities located throughout the U.S. and additional corporate offices in several countries. JLBJ currently leases office space in downtown Minneapolis where it employs over 140 professional staff. The company also has a manufacturing plant in Mankato MN, where it employs over 200 people.

To support the company's continued growth in the Minneapolis region, the City and DEED provided a \$100,000 MIF loan to JLBJ in 2014. The loan proceeds were used to build-out new office space in the Minneapolis warehouse district. JLBJ has added over 100 jobs at its Minneapolis' offices over the past two years. The current MIF loan hiring requirements are expected to be met by March 2016, and if so, the loan will be forgiven.

JLBJ's continued success in Minneapolis has resulted in the company quickly outgrowing its current downtown office space. The company has identified the Mayo Clinic Square building as a new home and has requested a MIF loan to assist in the buildout and necessary equipment expenditures to relocate into the newly renovated multi-tenant building. In addition to new office space the expansion will include the company's first standalone retail store, a bar/tasting room and an R&D/test kitchen for product development.

Pending City Council approval, the City plans to apply for an \$850,000 forgivable MIF loan on behalf of JLBJ. In addition to the MIF loan, JLBJ and the building owner plan to invest an additional \$13 million in tenant improvements and equipment in the Mayo Clinic Square building. JLBJ will occupy 45,000 square feet of office space on the building's second floor. The first floor uses will consist of 13,000 square feet of R&D/test kitchen space, 7,000 square feet of retail space including a bar/tasting room, 6,000 square feet of office space and a 3,000 square feet lobby to serve as a "front door" to the second floor offices.

JLBJ expects to add 85 new, fulltime jobs over the next two years at the Mayo Clinic Square location. These jobs are anticipated to pay an average \$51 per hour plus benefits and include positions in the organization's sales, HR, legal, finance and marketing departments. If approved by DEED, the MIF loan would be forgivable if JLBJ meets the hiring goals over a two year period. If the hiring goals are not met the City may request a one-year extension from DEED. If the goals are not achieved JLBJ will be required to repay the loan in full plus accrued interest at a rate of 2%.

Source of Funds:

JLBJ equity	\$9,000,000
Landlord contribution	\$4,000,000
MIF loan	<u>\$850,000</u>
Total	\$13,850,000

Use of Funds:

Machinery and equipment	\$9,850,000
Tenant improvements	<u>\$4,000,000</u>
Total	\$13,850,000

Financial Review:

Additional appropriation required.

Increasing the 2016 Revenue Budget for the Community Planning and Economic Development Agency Fund 01600 – Other Grants – State and Local (01600-8900900) by the amount awarded up to \$850,000. Amending the 2016 General Appropriation by increasing the Community Planning and Economic Development Agency Fund 01600 – Other Funds – State and Local (01600-8900320) by an amount up to \$850,000

Future budget impact anticipated.

Approved by the Permanent Review Committee.

Meets Small and Underutilized Business Program goals.

City staff will work with the City's Civil Rights department to ensure appropriate SUBP goals are established and met for this project.

Attachments:

1. Resolution
2. Project Compliance With State Laws, Statutes, and Rules certification form