



**Request for City Council Committee Action  
From the Department of  
Community Planning & Economic Development**

Date: December 18, 2006

To: Council Member Paul Ostrow, Chair, Ways and Means/Budget Committee

Submitted by: Jonathan Palmer, Empowerment Zone Director, 673-5016 

Approved by: Chuck Lutz, CPED Deputy Director 

**Subject:** Approve the forgiveness of a \$164,000 loan to Siyeza, Inc.

**Presenters in Committee:** Jonathan Palmer, Empowerment Zone Director, 673-5016

**Recommendation:**

Approve the Empowerment Zone (EZ) Governance Board recommendation to forgive the \$164,000 loan to Siyeza. It employed 33 EZ residents for at least three months and hired a total of 228 EZ residents for 498,893 hours, which is the equivalent of 99 residents hired for at least three months.

**Financial Impact**

No financial impact or Action is within current budget.

**Background/Supporting Information**

On December 13, 2002 the Minneapolis City Council approved a loan in the amount of \$164,000 to Siyeza, Inc., a frozen and refrigerated food manufacturing company located at 1000 Humboldt Avenue North. The loan term was five years with no interest or payments accrued until September 2004. The loan was then to accrue interest at 3% annually and be fully amortized over then next two years with final payment due in December 2006.

In May 2004, Destination Products International (DPI) purchased Siyeza and its manufacturing capacity and assets. DPI is a wholesale food distributor based in Ontario Canada with total sales of approximately \$150 million. DPI agreed to pay off Siyeza's existing short term debt, while other lenders, including the EZ/City of Minneapolis wrote off the majority of their long term debt. DPI paid a total of \$1.65 million. \$300,000 cash up front to pay off Siyeza's current liabilities and \$1.35 million will be in the form of vendor notes due in to Glory Foods, General Mills, Stairstep Foundation and Stairstep Inc

In order for the agreement to move forward, Siyeza requested that the EZ and City Council agree to forgive the entire \$164,000 loan. The EZ Governance Board at its meeting on June 17, 2004 agreed to forgive the loan based on a formula that would forgive \$2500 for each EZ resident employed. This means that the full \$164,000 can be forgiven if sixty six (66) EZ residents obtain full time employment during the next five years. If this does not happen, the EZ will recover a payment of \$50,000 from the \$400,000 DPI vendor note pledged to Stairstep Foundation. The \$50,000 has the same no interest, no payment terms of the other vendor notes.

On July 23, 2004, the Minneapolis City Council approved the EZ Governance Board recommendation to forgive the \$164,000 loan to Siyeza.

In May 2006, Siyeza discontinued its operation and has liquidated its assets, due to its inability to generate a profit.

**Recommendation**

On November 9, the EZ Governance Board Executive Committee elected to forgive the \$164,000 loan to Siyeza, based on the total number of EZ residents hired and hours employed. The goal was to employ 66 EZ residents for at least three months from 2002 to 2009.

Although Siyeza employed only 33 EZ residents for at least three months, a total of 228 EZ residents were hired for 47,678 hours, which is the equivalent of three months of employment for 99 people. Total wages and taxes paid to EZ residents were \$498,893.

Siyeza hired a total of 653 employees and paid \$1.4 million in salaries and taxes, which were also factors taken into consideration for the loan forgiveness. In addition, the majority of the employees were Minneapolis residents. While this has not met exactly the provisions set forth by the Council and Governance Board, Staff does not see merit in pursuing this further. The company is no longer in operation and it made a significant effort to employ EZ and Minneapolis residents.

The Empowerment Zone recommends the City Council approve the EZ Governance Board decision to forgive the \$164,000 loan to Siyeza.