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

Date: November 27, 2007

To: Council Member Lisa Goodman, Community Development Committee

Council Member Paul Ostrow, Ways & Means Budget/Committee

Subject: Public hearing for Minnesota Investment Fund Application (MIF) for

an equipment loan related to the Coloplast campus expansion project

on West River Road.

#### Recommendation:

- 1. Authorize application to the Minnesota Department of Employment and Economic Development Minnesota Investment Fund for a \$500,000 equipment loan related to the Coloplast campus expansion project on West River Road; and,
- 2. Subject to loan approval, accept an award of the Minnesota Investment Fund in the amount \$500,000.00 for equipment; and,
- 3. Subject to loan approval, amend the 2007 General Appropriation Resolution by increasing the CPED Agency Fund 0600-890-8933, State Grants & Loan Programs by \$500,000.00; and,
- 4. Authorize the appropriate City officials to execute any necessary agreements to implement the transactions described in this report.

#### **Previous Directives: None**

\_\_X\_\_ Action is within the Business Plan

Prepared by: Carrie Flack, Sr. Project Coordinator, 612-673-5010	
Approved by: Charles T. Lutz, Deputy Director, CPED	
Presenters in Committee: Carrie Flack	
Financial Impact	
<ul> <li>X Action requires an appropriation increase to the Capital BudgetX or</li> </ul>	
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## **Community Impact**

- Neighborhood Notification Notification of this report as well as the tax increment financing report were published in Finance and Commerce. Notification of this project was also sent to the neighborhoods prior to the City Planning Commission hearing on July 16, 2007. This project was previously presented to the Above the Falls Citizen Advisory Committee on May 22, 2007, and the North Washington Jobs Park Committee on June 19, 2007. Both groups have submitted letters of support. The Northside Residents Redevelopment Council has also indicated support for the Coloplast project.
- City Goals One Minneapolis Equal Access, Equal Opportunity, Equal Input
- Comprehensive Plan 2.8 Minneapolis will develop the existing economic base by emphasizing business retention and expansion; 2.9 Minneapolis will strengthen long-term confidence in the economy by building innovative public to private sector partnerships; 9.6 Minneapolis will work with private and other public sector partners to invest in new development that is attractive, functional, and adds value to the physical environment.
- Zoning Code The proposed project is currently in compliance with zoning code and will
  follow all required City processes for new construction and the campus expansion portion
  of the project. The Coloplast project received approval of its application from the City
  Planning Commission on July 16, 2007.
- Sustainability Targets: NA
- Living Wage/Business Subsidy Agreement Yes\_\_X\_\_\_ No
- Job Linkage Yes\_\_\_\_\_ No\_\_X\_\_\_
- Other Not applicable

# **Supporting Information**

The Minnesota Investment Fund (MIF) was established more than 20 years ago to create jobs and foster economic development in Minnesota. The Minnesota Department of Employment and Economic Development (DEED) is the administering state agency. Applications are accepted throughout the year. No local match is required, but significant private investment and high quality job creation is required. Each city can receive up to a maximum of \$500,000 per year based on eligible business projects. Funding by the Legislature has fluctuated over the years, and currently approximately \$5 million is available statewide for MIF projects.

As required by the application, a public hearing notice was published and a public hearing scheduled to allow for public comment on the application.

## **Proposed Project Details:**

Coloplast, formerly known as the Mentor Corporation, is located at 1601 West River Road in Ward 5 on property owned by a company it acquired known as the Mentor Corporation. Mentor Corporation was founded in Minneapolis in 1969 to manufacture urology products. In 1972, Mentor moved to the West River Road site in Minneapolis. The original building included research and development, manufacturing, sales and administration. As the company grew, it purchased additional property along West River Road, including buildings at 1525, 1601 and 1615 West River Road.

In 1985, Mentor purchased a medical device company in Santa Barbara, California, and moved the headquarters to California. The West River Road site then became the research and development and manufacturing site for Mentor Urology, specializing in continence management devices as well as implantable devices to cure erectile dysfunction.

In June 2006, Coloplast A/S of Denmark bought the urological business of Santa Barbara - based Mentor Corporation, including the facilities on West River Road in Minneapolis. Coloplast is not new to the United States. Since 1990, sales and distribution facilities have

been located in Marietta, Georgia. Once the purchase of Mentor Corporation took place, a search began to determine the preferred site for a new North American headquarters. The headquarters location is important because Coloplast is projecting significant growth in the US market.

In July 2006, Coloplast announced that they would like Minneapolis to be the site of their North American headquarters. The reasons included: the existing Mentor labor force of approximately 300 employees; the presence of a strong medical device industry; the availability of a well educated and trained labor force; and, the belief that Minneapolis can accommodate long-term growth projections of Coloplast for the next 50 years.

Coloplast occupies 140,000 square feet at the West River Road location. The scope of the current project is to construct a new six-story, 90,000 sq. ft. "first-class" headquarters office building and 40,000 sq. ft. of new product development. The existing manufacturing space will be renovated with a portion of the warehouse space in the building being converted to a research and development use. There are two buildings on the site that will be demolished: a 14,975 sq. ft. two-story office building located at 1601 West River Road and a 67,275 sq. ft. single-story manufacturing building located at 1615 West River Road. With the existing building and new construction, the total amount of square footage on the site will be 197,050 sq. ft. with approximately 284 on-site parking spaces.

Coloplast is relocating a portion of its healthcare manufacturing operations (approximately 100 jobs) to a facility in Vadnais Heights. This move is to accommodate the new construction on the site and to satisfy the parking need. It is the intent of Coloplast to relocate the displaced healthcare manufacturing back to the West River Road Headquarters location upon the acquisition of additional land in the area as a potential second phase of the project.

The new office tower will accommodate 200 new headquarters employees with room for significant growth. Coloplast will also make improvements to the existing manufacturing area by increasing the space dedicated to research and development. These improvements represent the first of their expansion projects proposed over the next eleven years. The total development cost (TDC) of the project is currently projected to be approximately \$48.5 million. A site plan and elevation are attached as **Exhibit 1**.

The Minnesota Investment Funds (MIF) will be utilized to purchase equipment for the campus expansion. The equipment consists of surgical dipping systems and laboratory equipment totaling \$2,172,393 and the MIF loan of \$500,000 will be applied to this. Coloplast is required to create 200 new jobs for the West River Road location within a two year timeframe starting from the date of the submission of the preliminary application, August 28, 2006. Upon achieving this requirement, the loan will be forgiven. Coloplast has currently filled 172 of the 200 positions created for the project.

Several documents will be executed that implement the use of the MIF funds for the equipment. These documents include: the loan agreement between DEED and the City awarding the funds; a sub-loan agreement between the City and Coloplast that allows the City to pass these funds onto Coloplast; and a Security Agreement which holds the equipment as collateral for the funds.

## **RESOLUTION**

BE IT RESOLVED that the City of Minneapolis will act as the legal sponsor for the project(s) contained in the Business and Community Development Application to be submitted on December 10, 2007 and that the Director or the Deputy Director of CPED is hereby authorized to apply to the Department of Trade and Economic Development for funding of this project on behalf of the City of Minneapolis.

BE IT FURTHER RESOLVED that the City of Minneapolis 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 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 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, may enter into an agreement with the State of Minnesota for the above referenced project(s), and that the City of Minneapolis 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.

AS APPLICABLE, BE IT FURTHER RESOLVED that the City of Minneapolis has obtained credit reports and credit information from Coloplast Corp. Upon review by CPED and the City Attorneys 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.

NOW, THEREFORE BE IT 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.