



CITY OF MENDOTA HEIGHTS

CITY COUNCIL AGENDA

August 24, 2015 – 4:30 pm
Mendota Heights City Hall

1. Call to Order

2. Roll Call

3. Public Hearing –

Consideration of Resolution 2015-64, authorizing participation in the Minnesota Investment Fund Loan program, on behalf of Prime Therapeutics, LLC

4. Adjourn



To: Mayor and City Council
From: Mark McNeill, City Administrator
Subject: Public Hearing—MIF Loan/Prime Therapeutics LLC
Date: August 24, 2015

Comment:

Introduction:

At a special meeting of the City Council Monday, August 24th, a Public Hearing will be held to consider whether the City should provide assistance to Prime Therapeutics LLC, through the State's Minnesota Investment Fund forgivable loan program.

Background:

Prime Therapeutics LLC (Prime) is a company which manages coverage for medicine to health insurers, employers, Medicare recipients, and individuals. The company also delivers medicine and processes claims to its members and offers clinical services to those with complex medical conditions.

Prime is planning to expand at 1440-1444 Northland Drive in Mendota Heights, and would make tenant improvements. The total project cost is approximately \$10,94 million, with \$2,704,233 of it being eligible for a capital investment rebate.

In exchange, Prime expects to create 125 jobs within three years at an average cash wage of \$26.82/hour. The project is eligible for a forgivable loan of \$750,000 from the Minnesota Investment Fund. For this loan, the City is required to hold a Public Hearing, so that people who have comments on whether or not to fund this loan are given a change to be heard.

For further details, please refer to the accompanying memo dated June 25, 2015. Note that the application and that memo references the creation of 375 jobs. However, that figure is for the entire number of jobs to be created in the State of Minnesota; 125 of those will be created in Mendota Heights. That is the number for which the City is holding a Public Hearing.

In exchange for the creation of these jobs, the company will receive \$750,000 as a forgivable loan (up from the \$500,000 initially announced). Prime will have 2 years to create those jobs; however, it may request an extension of one additional year if needed. If it meets its job creation numbers, the loan is forgiven. If Prime falls short of the job creation numbers, the State (with the cooperation of the City) may require a proportional reimbursement through a “claw back” mechanism.

In addition to the Minnesota Investment Fund loan, the company is also eligible to receive money through the Job Creation Fund, which is another State-sponsored financing resource.

If approved, the City will be asked to enter into a grant contract with the State, the terms of which are to be negotiated between the City, State, and Prime.

Budget Impact:

These are funds from the State of Minnesota, and so there is no direct City financial involvement. As required by the grant/loan regulations, the City is acting as the intermediary between DEED and the benefitting business.

Recommendation:

In order for the Minnesota Investment Fund forgivable loan to be made available to the Prime, the City must hold a Public Hearing. It then must authorize the loan through the passage of a resolution.

I recommend both actions.

Action Required:

The City Council should hold a Public Hearing regarding Prime Therapeutics LLC participation in the Minnesota Investment Fund program. Then, the City Council should adopt the following resolution:

**A RESOLUTION AUTHORIZING PARTICIPATION IN THE
MINNESOTA INVESTMENT FUND LOAN PROGRAM**

Mark McNeill

City Administrator

**CITY OF MENDOTA HEIGHTS, MINNESOTA
DAKOTA COUNTY**

RESOLUTION NO. 2015-64

**A RESOLUTION AUTHORIZING PARTICIPATION IN THE
MINNESOTA INVESTMENT FUND LOAN PROGRAM**

WHEREAS, the City of Mendota Heights desires to assist qualified businesses to grow their presence in the City in terms of expanding tax base and employment opportunities; and

WHEREAS, Prime Therapeutics, LLC has located a vacant commercial space within the Mendota Heights Industrial Area, and would occupy a long vacant building located at 1140 and 1144 Northland Drive, which would create some 125 new jobs over the span of two years; and

WHEREAS, the investment of some \$750,000 from the Minnesota Investment Fund is necessary to make the vacant commercial space functional and able to be occupied by Prime Therapeutics, LLC; and

WHEREAS, the City of Mendota Heights agrees to act as the legal sponsor for the project contained in the Minnesota Investment Fund Application to be submitted on or about September 2, 2015 and that the Mayor and City Administrator of the City of Mendota Heights are hereby authorized to apply to the Department of Employment and Economic Development for the funding of this project on behalf of Prime Therapeutics, LLC; and

WHEREAS, the City of Mendota Heights has the legal authority to apply for financial assistance, and the institutional, managerial, and financial capacity to administer said project; and

WHEREAS, Prime Therapeutics LLC has not violated any Federal, State, or local laws relating to fraud, bribery, kickbacks, collusion, conflict of interest, or other unlawful or corrupt practices; and

WHEREAS, upon approval of its application by the State, Prime Therapeutics LLC, and the City of Mendota Heights may enter into a Grant Contract with the State of Minnesota for the approved project, and that Prime Therapeutics, LLC and the City of Mendota Heights certify that they will comply with all applicable laws, statutes, regulations and rules as stated in the Grant Contract and described in the Project Compliance Certification of the Application; and

WHEREAS, the State of Minnesota and the City of Mendota Heights have obtained credit reports and credit information on Prime Therapeutics LLC and its owners, and that upon review, no adverse findings or concerns regarding, but not limited to, tax liens,

judgements, court actions, and findings with state, Federal, or other regulatory agencies were identified; and,

WHEREAS, failure to disclose any such adverse information could result in revocation or other legal action.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY MENDOTA HEIGHTS, MINNESOTA, that the Mayor and City Administrator or their successors, are hereby authorized to execute the Grant Contract and amendments, thereto, as are necessary to implement on behalf of Prime Therapeutics, LLC.

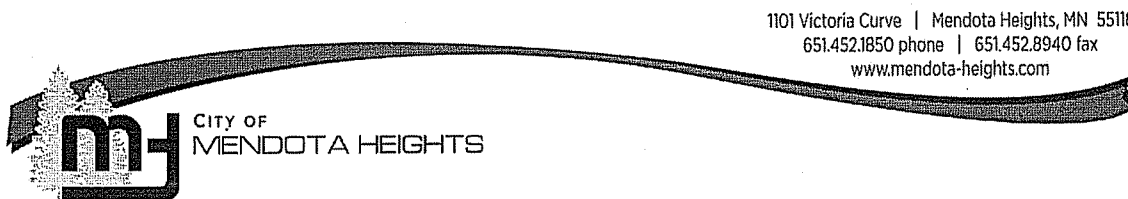
Adopted in regular session of the City Council of the City of Mendota Heights, Minnesota this _____ of _____, 2015

Sandra Krebsbach,
Mayor

Date

Mark McNeill
City Administrator

Date



DATE: June 25, 2015
TO: Mayor and City Council
FROM: Mark McNeill, City Administrator
SUBJECT: Economic Assistance Proposal—Prime Therapeutics

Comment:

INTRODUCTION:

The Council is asked to authorize the appropriate City officials to make applications to the Minnesota Department of Energy and Economic Development on behalf of Prime Therapeutics in its efforts to expand that business into Mendota Heights.

Included in this is a request for Council to approve two resolutions in support of a Minnesota Job Creation Fund (JCF) application, and an application for financing from the Minnesota Investment Fund (MIF).

BACKGROUND:

City staff was recently notified that the City of Mendota Heights was one of three locations being considered for the potential expansion of an existing Twin Cities business, which would create an additional 375 to 425 jobs.

No City economic incentives were being requested of Mendota Heights; however, if selected, the City of Mendota Heights would be asked to commit to being the financial sponsor and processor of a loan application.

On June 17th, we were notified that Mendota Heights had been chosen. The business is Prime Therapeutics (Prime), which is currently headquartered in Eagan. The company has more than 3800 employees nationwide, with approximately 2000 of those being located in Minnesota. Prime is owned by 13 not-for-profit Blue Cross and Blue Shield plans, subsidiaries or affiliates

of those plans. It provides for the on-line filling of pharmaceuticals, benefits, claims resolution, and clinical outcomes and management.

The location for this new business is at 1440-1444 Northland Drive. The building was originally constructed for Sanford-Brown College, and was more recently the home of the Cray Corporation. However, the building has been vacant for approximately five years.

Prime would occupy a total of 97,500 square feet; that would be through an initial five year lease (with the option of 2-two year extensions). The landlord would invest \$3.45 million in site and building improvements; Prime would invest a further \$4.53 million into location improvements which would not necessarily impact taxable property value.

The project is on a fast track (and is the reason for the request for the special meeting on June 25th). According to the company's schedule, it needs a commitment of all funds by July 1. The construction is to commence immediately thereafter—the City has committed to the processing building permit applications in a timely manner. Prime wants to begin operations January 1, 2016.

If approved, the proposed expansion would create a minimum of an additional 375 jobs over the next three years, excluding any internal transfers:

• 147 Pharmacy Technicians	Annual Salary:	\$ 41,000
• 43 Pharmacists		121,000
• 91 Clinical Review Assistants		34,000
• 94 Support Staff		<u>90,000</u>
	Average Wage	\$ 60,000

Note that the above is salary only; for loan application purposes, the hourly value of non-required benefits adds \$4.04 per hour. The Job Creation Fund requires that jobs which are benefitted by this program receive in excess of 110% of Federal minimum wage, which these do.

It is for these new jobs that State economic development assistance is sought. As such, the City of Mendota Heights must support the loan applications.

BUDGET IMPACT

MIF is a loan which is offered through DEED, and is necessary to make this project viable. It requires no matching funds or direct financial participation by the City. While DEED and Greater MSP have been integral in the preparation of the application materials, City staff will need to be involved with future monitoring and reporting. Public hearings will need to be held.

The City will not be obligated for any performance or reporting requirements beyond the term of the loan. The loan is intended to be "forgivable"; assuming Prime creates the jobs listed over the

next three years, the loan will become a grant to the company. If the jobs are not created, repayment will be needed from Prime.

A representative of DEED will be in attendance at the June 25th special Council meeting to answer questions.

RECOMMENDATION

The move of Prime Therapeutics to Mendota Heights will fill long vacant commercial space and create jobs. That will add to the financial viability of the Mendota Heights' industrial area, and improve the tax base. Therefore, I recommend that the City Council approve the two resolutions.

ACTION REQUIRED:

If the Council concurs, it should, by motion, adopt the following resolutions:

**RESOLUTION 2015-45, A REGARDING THE SUPPORT OF A JOB CREATION FUND
APPLICATION IN CONNECTION WITH RESOLUTION 2015-46**

RESOLUTION 2015-46 A RESOLUTION REGARDING PRIME THERAPUTICS, LLC

Mark McNeill
City Administrator



Initial Application

Minnesota Investment Fund

Application should not be submitted without consulting with DEED Loan Officer to discuss project eligibility.

DEED will use the information below to better understand the project scope and to determine if the local government, business and project are eligible for Minnesota Investment Fund (MIF) program funds. DEED will make a project eligibility determination within 30 days of receiving a complete application. Supplemental project documents will be required following application approval.

LOCAL UNIT OF GOVERNMENT INFORMATION

Applicant Name: City of Mendota Heights Contact Name/Title: Mark McNeill / City Administrator
 Address: 1101 Victoria Curve City Mendota Heights State: MN Zip: 55118
 Telephone: (651) 255-1153 Email: markm@Mendota-heights.com

Does the local government have an EDA? ☒ Yes ☐ No

1) Does applicant have a Revolving Loan Fund? ☐ Yes ☒ No

If yes: What is the balance of the DEED revolving loan funds? _____

What is the balance of all other revolving loan funds? _____

What is the amount the local government is committing to this project? _____

Please note, any federal revolving loan fund balance must be used prior to requesting additional federal MIF funding.

2) Is the applicant up to date with the filing of Minnesota Business Assistance Forms? ☒ Yes ☐ No

3) Does the community have any outstanding TIF issues associated with the property? ☐ Yes ☒ No

BUSINESS/PROJECT BACKGROUND INFORMATION

Business Name: Prime Therapeutics, LLC Contact Name/Title: Brian Holmes / Sr. Dir., RE & Facilities
 Address: 1305 Corporate Center Drive City Eagan State: MN Zip: 55121
 Telephone: (612) 777-5476 Email: Brian.Holmes@PrimeTherapeutics.com

4) Business Type: ☐ Startup ☒ Expansion

5) Will any jobs be relocated from another Minnesota site or from outside of Minnesota? ☐ Yes ☒ No

If yes, which location(s) will the employees be relocated from? NA

6) Current Number of Full Time Equivalent (FTE) Employees in Minnesota: 2000 (as of 6/1/15)

***Full Time Equivalent (FTE) is based on a total annual hours of 2080.**

7) Number of new FTE jobs to be created within 2 years in Minnesota: 375

***Job number will be used to determine eligibility, for scoring and for job creation commitments.**

8) What is the hourly base wage of the lowest paid job that will be created? \$ 13.03



Initial Application
Minnesota Investment Fund

9) Will benefits be provided? ☒ Yes ☐ No

If yes: What is the hourly value of the benefits? \$ 4.04

Which benefits will be provided?

☒ Health

☒ Dental

☒ Retirement

☒ Life

☐ Profit Sharing/Bonuses

10) Does the property or the business have any outstanding local, state or federal tax liabilities? ☐ Yes ☒ No

If so, please detail tax and liability: NA

ESTIMATED PROJECT TIMETABLE

Task:	Estimated Completion Date:
Commitment of all funds	7/1/15
Start of construction	7/1/15
Purchase equipment	7/1/15
Complete construction	10/31/15
Begin operations	12/1/15

ESTIMATED SOURCES AND USES OF FUNDS

	MIF	Bank	Equity	Local Government	Other	Total
Property Acquisition						
Site Improvement					\$ 450,000.00	\$ 450,000.00
New Construction						
Renovation of an Existing Building			\$ 1,580,000.00		\$ 3,000,000.00	\$ 4,580,000.00
Purchase of Machinery & Equipment						
Public Infrastructure						
Other	\$ 1,000,000.00		\$ 950,000.00		\$ 1,000,000.00	\$ 2,950,000.00
Total Project Costs	\$ 1,000,000.00		\$ 2,530,000.00		\$ 4,450,000.00	\$ 7,980,000.00



Initial Application
Minnesota Investment Fund

ATTACHMENTS

Attach the following information with the application. Application is not considered complete until all documents have been received.

10) Include a project narrative which answers the following questions:

A) Briefly describe the past and present operations of the business and/or events leading up to its creation. Include when business was established and any change in controlling ownership within the last five years. Does the marketing strategy support the planned expansion or start-up? What is the business' competitive position in the marketplace?

B) Describe the proposed project for which financing is being requested. Discuss such topics as square footage of the new building, lease or ownership, etc.

C) Provide local governments' summary of the projects financial feasibility. For example, summarize other funding sources, the debt/equity ratio and the retained earnings levels.

D) Describe the local governments' ability to manage the grant, revolving loan fund, state and local compliance requirements, and the implementation of the project:

E) Explain why MIF financing is necessary for this project?

11) Three years historical financial information & 2 years projected: Balance Sheets, Profit and Loss Statements and Cash Flow Statements.

12) Business Plan: Company History, Market Opportunity and Competitive Advantage

ENVIRONMENTAL

13) Are there any environmental risks associated with the site, building, or the business itself? ☐ Yes ☒ No

14) Will the project result in the loss or diminution of wetlands? ☐ Yes ☒ No

*If yes, attach a narrative that describes the measures which will be taken to mitigate all functional values of the wetlands that will be lost or diminished.

15) Will the proposed project be located in a flood plain? ☐ Yes ☒ No
 If yes, is flood insurance required? ☐ Yes ☒ No

16) Have state environmental review requirements been met, if applicable? ☒ Yes ☐ No

17) Does the project involve a historical property? ☐ Yes ☒ No

18) Does the project include the expansion of the building footprint by 20% or more? ☐ Yes ☒ No

19) Does the project include the installation of a new sewer and/or water system? ☐ Yes ☒ No



Initial Application
Minnesota Investment Fund

BUSINESS OFFICIAL MUST READ AND SIGN THE FOLLOWING INFORMATION

DATA PRIVACY ACKNOWLEDGEMENT:

Tennessen Warning Notice: per MN Statutes 13.04, Subd.2, this data is being requested from you to determine if you are eligible for a loan under the Minnesota Investment Fund program. You are not required to provide the requested information, but failure to do so may result in the department's inability to determine your eligibility for a loan pursuant to the criteria developed under the program's enabling legislation. The data you provide is classified as private or non-public and cannot be shared without your permission except as specified in statute.

Data Privacy Notice: per MN Statutes 13.591, Subdivision 1, certain data provided in this application is private or non-public data; this includes financial information about the business, including credit reports, financial statements, net worth calculations, business plans; income and expense projections; balance sheets; customer lists; income tax returns; and design, market, and feasibility studies not paid for with public funds. Per MN Statutes 116J.401, Subd. 3., certain data provided in this application is private data; this includes data collected on individuals pursuant to the operation of the Minnesota Investment Fund program.

I have read the above statements and I agree to supply the information requested to the MN Department of Employment and Economic Development, Office of JOBZ and Business Finance with full knowledge of the information provided herein. I certify that all information provided herein is true and accurate and that the official signing this form has authorization to do so.

Name/Title of Business Official: Brian Holmes / Sr. Director of Real Estate & Facilities Operations

Signature of Business Official: _____ Date: 6/19/15