



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

Date: March 3, 2015

To: Council Member Lisa Goodman, Chair, Community Development and Regulatory Services Committee

Subject: Greenheck/Unison Comfort Technologies – Grow North loan request

Recommendation:

1. Authorize appropriate City officials to execute a Grow North financing package to Greenheck Fan Corporation (parent company of Unison Comfort Technologies) for an amount not to exceed \$80,000 subject to the terms described herein

Previous Directives:

1. On October 3, 2014 the City Council approved a resolution for the State Department of Employment and Economic Development (DEED) Job Creation Fund (JCF) supporting the application for the Greenheck/Unison expansion in the amount of \$627,000.
2. On April 25, 2014 the City Council approved revised Grow North program guidelines and approved new guidelines for the Minneapolis Advantage Program-Grow North and approved that the proper City officers be authorized to enter into a new contract not to exceed \$200,000 with Greater Metropolitan Housing Corporation to administer the Minneapolis Advantage Program - Grow North, on behalf of the City.
3. On June 28, 2013 the City Council approved conceptual guidelines for the Grow North program with specific terms to be approved on a case-by-case basis.
4. On January 17, 2012 the City Council authorized an application to the DEED Minnesota Investment Fund for a \$500,000 equipment loan related to the Greenheck/Unison expansion project located at 60 28th Avenue North and acceptance of the award. The company did not ultimately utilize this MIF financing due to changes in technology and their equipment needs.

Department Information

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Approved by: D. Craig Taylor, Executive Director, CPED _____

Presenters in Committee: Casey Dzieweczynski, Senior Project Coordinator

Financial Impact

The business loan portion of the Grow North program is funded using CDGB capital dollars budgeted through the Great Streets program.

Community Impact

- Neighborhood Notification – Unison's prior project noted in the Previous Directives, item 1 was reviewed by the Hawthorne Neighborhood Council (HNC). Minneapolis neighborhoods were notified of the original and modified Grow North guidelines prior to Council approval in June 2013 and March 2014, respectively.
- City Goals – A hub of economic activity and innovation: Businesses – big and small – start, move, stay and grow here
- Comprehensive Plan – This project supports many policies in Chapter 4, Economic Development.
- Zoning Code – This project will comply with all requirements of the applicable zoning district.

Background/Company Information

Unison Comfort Technologies, a division of Wisconsin-based Greenheck Fan Corporation, is located at 60 28th Avenue North. Unison manufactures commercial, institutional, and industrial HVAC equipment. Unison has three business lines, Innovent, Valent, and Precision Coils. Unison's headquarters and manufacturing facility are based in Minneapolis. It has additional manufacturing plants in California and Tennessee. Unison sells a majority of its products outside of Minnesota to customers throughout the United States.

Unison has been experiencing significant growth over the past several months and is subsequently pursuing many major investments to their facilities and workforce.

The company currently employs approximately 300 people at their North Minneapolis facility, at an average wage of \$27 per hour. Over the next three years Unison projects to add 98 jobs paying an average wage of \$19 per hour. As part of the Grow North request Unison is projecting that at least 15 of those new jobs will be occupied by North Minneapolis residents. Some of the positions to be filled include electrical unit assemblers, electrical test technicians and machine operators.

Related to their plant investments, Unison has purchased new state of the art production equipment allowing them to further grow their business. Unison also leases space in the nearby Second Street Business Center, which it uses for offices and a product showroom. In 2014 the company purchased an adjacent property and is currently building a new employee surface parking lot to accommodate their rapidly growing workforce. Unison currently has employee parking inside a portion of the production facility; this interior parking will be displaced by additional production space. In September 2014 Unison applied for and received a JCF award to assist in the cost to construct the surface parking lot. That project had a cost of approximately \$627,000. Overall, Unison invested nearly \$5 million in their plant in 2014.

It should be noted that Unison received a Minnesota Investment Fund award in 2012 to finance a piece of equipment. However, Unison did not draw on these funds because the company decided to instead purchase a different piece of equipment due to technological advancements and to improve process efficiencies.

Project Overview/Grow North Loan Request

Unison has requested a Grow North loan of \$80,000 to provide financing for a large industrial paint booth. Its existing paint booth has become inefficient due to the company's rapid growth. Despite being over 3 times larger than the existing booth, the new booth will be significantly more energy efficient and will reduce VOC emissions. The total cost of the project including the equipment, installation and permitting is estimated to be \$200,000.

Unison will also be applying for various environmental grants offered by the Minneapolis Health Department' Environmental Services Division and other entities to be used as an additional source of funding for the project.

Sources	
Grow North loan	\$80,000
Environmental grants	\$75,000
Unison equity	\$45,000
Total	\$200,000

Uses	
Paint booth	\$70,000
Related improvements & equipment	\$105,000
Design, permitting, etc.	\$25,000
Total	\$200,000

City Finance staff has reviewed Grenheck/Unison's financial statements and found that Unison has the financial capacity to meet the debt service requirements associated with the proposed Grow North financing package.

The Grow North loan terms will follow the program guidelines as adopted by the City Council. The loan will have a maximum term of 10 years and a fixed interest rate of 4%. If Unison hires at least 15 North Minneapolis residents (or existing employees move to North Minneapolis) within three years of the loan origination date, the Company will be eligible for loan forgiveness at a rate of \$5,000 per New Northside Resident. However, if less than 15 New Northside Residents are realized, no amount of loan forgiveness will be awarded.

Unison is also excited to utilize the Grow North program because of the benefit provided by the Minneapolis Advantage Program (MAP) that is connected to the Grow North loan. Per the Grow North guidelines any employee of a company with an outstanding Grow North loan is eligible to receive up to \$10,000 of down payment and closing cost assistance towards the purchase of a home in North Minneapolis (provided that the employee does not already own a home in North Minneapolis). Unison believes this benefit will be very attractive to its current employees and will also be a great recruitment tool for future employees. This feature of Grow North is meant to strengthen the link between North Minneapolis businesses, their employees and the broader North Minneapolis community.