

City of Minneapolis
Request for Committee Action

To: Community Development & Regulatory Services
Date: 3/22/2016
Referral: Ways & Means
From: Community Planning & Economic Development
Prepared by: Judy Moses
Presented by: Judy Moses
File type: Resolution
Subcategory: Appropriation

Subject:

Public Hearing for a Minnesota Department of Employment and Economic Development (DEED) Minnesota Investment Fund (MIF) Application for an equipment loan related to the Total Quality Logistics, LLC expansion project.

Description:

Community Development and Regulatory Services Committee:

1. Passage of the attached resolution of support for a Minnesota Investment Fund loan application related to the Total Quality Logistics, LLC expansion project in Minneapolis.
2. Authorizing appropriate MCDA officials to submit an application to the Minnesota Department of Employment and Economic Development (DEED) Minnesota Investment Fund (MIF) for a forgivable loan in an amount up to \$125,000 related to the Total Quality Logistics, LLC expansion project., including authorizing appropriate MCDA officials to execute the attached Project Compliance with State Laws, Statutes and Rules document as part of the MIF application to DEED.
3. Referring to the Minneapolis Community Development Agency Board of Commissioners.
4. Subject to DEED loan approval, accept an award of the Minnesota Investment Fund in the amount of up to \$125,000.
5. Authorizing appropriate MCDA officials to execute a Business Subsidy Agreement with Total Quality Logistics, LLC
6. Authorizing appropriate MCDA officials to execute a Minnesota Investment Fund loan to Total Quality Logistics, LLC for an amount not to exceed \$125,000 subject to loan terms under the Minnesota Investment Fund guidelines.
7. Conducting a public hearing related to the Total Quality Logistics, LLC expansion project
8. Subject to loan approval, increase the 2016 Revenue Budget for the Community Planning and Economic Development Department Fund 01600 – Other Grants – State and Local (01600-8900900-321515) by the amount awarded up to \$125,000.
9. Subject to loan approval, amend the 2016 General Appropriation by increasing the Community Planning and Economic Development Department Fund 01600 – Other Grants – State and Local (01600-8900320) by the amount awarded up to \$125,000.

Previous Actions:

None

Ward/Address:

Ward 7

100 South 5th Street, Minneapolis, MN

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.

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

The MCDA plans to apply for up to \$125,000 in a forgivable MIF loan on behalf of Total Quality Logistics, LLC (TQL). Combined with additional capital sources, the MIF funds will allow the company to establish new office operations in the state at 100 S. 5th Street, Minneapolis and add 50 jobs over the next two years. TQL currently has no employees in Minnesota. Under DEED's program regulations a business can request a forgivable loan of up to \$5,000.00 per job. Based on their projection of adding 50 new jobs, TQL is requesting a \$125,000 forgivable loan.

TQL was founded in 1997 and is headquartered in Cincinnati, Ohio with additional offices in Charleston, Charlotte, Chicago, Columbus, Denver, Indianapolis, Dallas, Houston, Tampa, Austin, and Portland. TQL provides non-asset based third-party logistics services for companies in the United States and Canada. The company offers full truckload transportation for commodities ranging from steel and lumber to paper and plastic materials, fresh chicken and frozen foods. It also provides load management, advanced system integration, Web-based shipment tracking, and invoicing and payment solutions to clients.

TQL is the third largest freight brokerage firm in the United States with \$2.1 billion in revenue in 2014. TQL continues to grow rapidly with a 10-year compounded annual growth rate of 41%. Over the past 5 years, TQL has opened satellite offices across 18 states. Given their model, their employees are able to operate anywhere in the United States with the same capabilities. With this flexibility, they are able to select the markets that they feel have the strongest workforce to grow their operations. The abundance of young, educated professionals was a factor in their decision to open an office in Minneapolis.

Over the next two years the company plans to add 50 jobs downtown. The average wage of all 50 positions is projected to be \$26.04 per hour including benefits. Below is a list of the jobs and average wages. To accommodate its expansion into Minneapolis, TQL is leasing out space in the Fifth Street Towers office building. The total square footage of their space is roughly 8,200. Leasehold improvements and equipment purchases are required prior to opening of the office. The total project costs are expected to be \$250,000. Below is a summary of the project sources and uses.

Loan forgiveness is subject to TQL meeting the hiring goals. The terms of the loan will be finalized once the application is approved by DEED. The interest rate of similar programs range from 2-3% with a term set according to the useful life of the equipment being financed. The company will have up to 2 years to fulfill the hiring requirements. If the hiring goals are not met by that time the loan may be forgiven on a pro rata basis according to the number of jobs added.

Business Equity	\$125,000
MIF	\$125,000
Total	\$250,000

Use of Funds:

Leasehold Improvements	\$78,500
Equipment Purchases	\$171,500
Total	\$250,000

Position Title	Number of Positions	Hourly Rate Without Benefits	Hourly Rate With Benefits
Office Leader	1	\$48.08	\$55.29
Trainer	1	31.25	35.94
Recruiter	1	26.44	30.41
Logistics Account Executive/ LAE Trainee	47	21.84	25.12
Total	50	\$22.64	\$26.04

Financial Review:

Additional appropriation required.

Increasing the 2016 Revenue Budget for the Community Planning and Economic Development Department Fund 01600 – Other Grants – State and Local (01600-8900900-321515) by the amount awarded up to \$125,000. Amending the 2016 General Appropriation by increasing the Community Planning and Economic Development Department Fund 01600 – Other Funds – State and Local (01600-8900320) by an amount up to \$125,000

- Future budget impact anticipated.**
- Approved by the Permanent Review Committee.**
- Meets Small and Underutilized Business Program goals.**

Attachments:

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