

Memorandum

Date: November 16, 2005

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Subject: Request for Appropriation from the Administrative Contingency Fund

Last February NRP was informed that Allina and Abbott Northwestern Hospital were considering consolidating the hospital and physician billing operations of the corporation from two suburban office sites into a single location. We thought that this potential consolidation was important because of the number of jobs involved, their pay rates, and the limited prerequisites for new hires. As a result, we convened a meeting of representatives from the Central, Midtown Phillips, West Phillips, East Phillips, Whittier, Powderhorn Park and Corcoran neighborhoods to discuss the level of their interest in trying to encourage Allina to relocate its hospital and physician billing operations to the Lake Street site. Several sites were under consideration at that time and the competition was very stiff. The higher buildout costs at Lake Street were viewed by the review team at Allina as a major negative.

The neighborhoods asked if NRP could help prepare a proposal to Allina that would make relocation to the Exchange a more attractive option. They proposed offsetting the higher costs of relocation with \$250,000 of neighborhood resources. The reason for neighborhood interest was simple: they hoped that some of their residents would be employed in the approximately 475 jobs that would be relocated. In April NRP helped prepare a proposal to Allina that was presented during the corporation's relocation options review process by Bob Long (Welsh Companies) and Rick Collins (Ryan Construction). Bob and Rick had become advocates for relocation to Lake Street. In June, after reviewing the various relocation proposals, Allina's CEO decided to move the billing operations to the Midtown Exchange. One of the major reasons for his decision was the help being offered by the neighborhoods.

In August the neighborhoods met with NRP staff to work on a final agreement. As part of that discussion, two new elements were added to the proposed agreement. The neighborhoods wanted a housing and career training component to be part of the final commitment. NRP drafted the agreement as an interest bearing forgivable loan with a term of ten years. The loan is either repaid with interest when its term expires or repaid through credits earned by:

- 1) hiring from the neighborhoods committing resources to help with the buildout;

- 2) providing home purchase assistance to help hired employees from the participating neighborhoods purchase homes in the neighborhoods; and/or
- 3) providing scholarships for career training to hires from the neighborhoods.

Allina has accepted the terms of the revised agreement and the final version of the document is attached for your information. This is a detailed and comprehensive arrangement that links the relocation loan to Allina performance and commitment to its surrounding neighborhoods. It is an agreement that benefits all parties.

The neighborhoods are finalizing their commitments and they are having problems reaching the goal of \$ 250,000. Negotiations on this agreement took longer than initially expected and some of the neighborhoods involved in the early discussions have now fully committed their Phase II revenues to other neighborhood priorities (primarily housing and economic development projects). Other neighborhoods have expressed concerns that they may not have the Phase II resources needed to commit to this priority because of the changed projections on NRP's Phase II revenues. This agreement is important to the neighborhoods surrounding this site and they began these discussions with certain assumptions about the resources that they would have available in Phase II.

The uncertainty surrounding the projections of future revenues is not the fault of the neighborhoods but a failure to complete this agreement and provide incentives for Allina to hire local residents would be a major blow to the community surrounding the Midtown Exchange. As a result, I am recommending that NRP use \$120,000 of the \$1.5 million allocated for its administrative contingency fund in April, 2004 to complete the neighborhood commitment under this agreement. NRP would be a signatory to the agreement and help ensure compliance with its terms.

I am recommending this unusual action because of the importance of this job relocation effort and the potential impact of this agreement on the neighborhoods surrounding Midtown Exchange. I recommend the following action for your review and approval:

RESOLVED: That the Minneapolis Neighborhood Revitalization Program (NRP) Policy Board ("Board") supports the Job Relocation, Resident Recruitment, and Community Stabilization Agreement Between the Allina Health System, NRP and the Neighborhoods of South Minneapolis ("Agreement") as detailed in the Attachment;

RESOLVED FURTHER: That the Board approves and appropriates \$120,000 from the Administrative Contingency Fund approved by the Board on March 22, 2004 as an NRP commitment to the relocation loan offered under this Agreement to the Allina Health Systems;

RESOLVED FURTHER: That the Board authorizes the Director to spend up to that amount for this loan and negotiate and sign any Agreements needed to transfer these funds without further approval from this Board; and

RESOLVED FURTHER, That the Board hereby authorizes the Director to request that the City Council and Mayor [a] amend the 2005 General Appropriation Resolution by increasing the Community Planning and Economic Development Department agency Fund CNR-NRP Program Fund (CNR0-890-3550) appropriation by \$ 120,000, and [b] authorize the appropriate City officers to enter into any contracts or agreements needed to implement the activities above.

Job Relocation, Resident Recruitment, and Community Stabilization Agreement

Between the

Allina Health System, NRP and the Neighborhoods of South Minneapolis

I. Job Relocation and Resident Recruitment

- 1) Allina Health System ("Allina") will relocate approximately 475 jobs in its hospital and physician billing operations from their current suburban locations to the Midtown Exchange at Lake Street and Chicago Avenue.
- 2) A substantial portion of the jobs that Allina will bring to the Midtown Exchange will be positions that pay a living wage, provide significant fringe benefits for the employees, and do not require a college degree.
- 3) The Minneapolis Neighborhood Revitalization Program ("NRP") and the West Phillips, Midtown Phillips, and Whittier neighborhoods ("participating neighborhoods") believe that relocating these jobs to the Midtown Exchange is beneficial to their neighborhoods and can help achieve Living Wage employment for their residents.
- 4) The participating neighborhoods feel very strongly that jobs located at the Midtown Exchange should be available and marketed to neighborhood residents and can significantly improve local economic conditions while helping stabilize local families. This is especially true for these billing operations because of the number of jobs in the relocating organizations, the average salary of these positions and the limited prerequisites for obtaining one of these positions.
- 5) The participating neighborhoods will provide a total of \$ 250,000 to Allina in January 2006 (or at a mutually agreeable date concurrent with the physical relocation of the hospital and physician billing operations of Allina to the Midtown Exchange). **The \$ 250,000 is a forgivable loan from the neighborhoods to Allina with a 2% simple annual interest rate that is due and payable 10 years from the day the loan is closed.** No payments will be made on the loan until the date of maturity. The principal and interest may be fully forgiven as a result of hiring and retaining residents from the participating neighborhoods or providing homeownership loans and educational scholarships to the hired residents as described in this Agreement.
- 6) During the ten year term of the loan, Allina will receive credits against the unpaid loan principal and interest for each new employee from the participating neighborhoods that is hired by Allina for positions in the hospital and physician billing operation. The amount of the credit will be:

- **\$ 500** for each person hired from the participating neighborhoods who remains in the position for which they were hired **for at least 6 months**.
- **\$ 1,000 additional** for each person hired from the participating neighborhoods who is still an Allina employee (in their original or in another position) at least **2** years after the original date of their hiring.
- **\$ 1,000 additional** for each person hired from the participating neighborhoods who is still an Allina employee (in their original or in another position) at least **5** years after the original date of their hiring.

[Note: Eligibility for credits will be based on the address of the potential employee at the time of their hire. After being hired the credits will accrue during the person's employment regardless of their neighborhood of residence in future years.]

- 7) During the ten year term of the loan, Allina will also receive credits against the unpaid loan principal and interest for each new employee from the participating neighborhoods that is hired by Allina for positions located at the Midtown Exchange that provide a starting per hour salary of \$10 or more. The amount of the credit will be:
- **\$ 200** for each person hired from the participating neighborhoods who remains in the position for which they were hired **for at least 6 months**.
 - **\$ 500 additional** for each person hired from the participating neighborhoods who is still an Allina employee (in their original or in another position) at least **2** years after the original date of their hiring.
 - **\$ 500 additional** for each person hired from the participating neighborhoods who is still an Allina employee (in their original or in another position) at least **5** years after the original date of their hiring.

[Note: Eligibility for credits will be based on the address of the potential employee at the time of their hire. After being hired the credits will accrue during the person's employment regardless of their neighborhood of residence in future years.]

- 8) Allina will provide the Director of the NRP with an annual report, beginning with a report for the first full calendar year after approval of this agreement, showing the number of hospital and physician billing hires from each of the participating neighborhoods during the year, the number retained for 6 months, the number retained for 2 years, the number retained for 5 years, and the cumulative totals since the loan was closed. The same information will be provided on the hires for the other positions at the Midtown Exchange. The amount of the credit will be determined annually before the interest payable for the year is calculated. Allina will be prepared to provide

representatives from NRP and the participating neighborhoods with more detailed information, as and if requested, on the dates of hire and current status for each person hired from the participating neighborhoods and a map showing the distribution of the hires.

- 9) NRP expects that the employees hired from the participating neighborhoods will be reasonably distributed across the participating neighborhoods. Where appropriate, given the position to be filled, Allina will work with NRP, the participating neighborhoods, and appropriate workforce development organizations from the "Employment and Training Administrative Vendor List" of the City of Minneapolis to assist with the recruiting, hiring and training of new employees as they may be needed. Allina is expected to hire the best persons available, regardless of their residency, from the pools of applicants for these positions.
- 10) Any disputes concerning the hiring and retention credits will be submitted to the Director of the Minneapolis Neighborhood Revitalization Program (NRP) for review and decision. The decision of the NRP Director on the issues in question will be final.
- 11) The credits for the year will be deducted from the beginning loan balance (along with any homeownership and education credits) to establish the end of year balance. The interest rate will be applied to the end of year balance and added to that figure to form the beginning loan balance for the next year. This process will be completed each year of the loan's term or until the loan principal and interest have been fully repaid via the credits. The amount due and payable to the neighborhoods at the end of the term will be the beginning loan balance, if any, for the 11th year of the loan. The amount payable will be distributed to the neighborhoods proportionate to their participation in the total amount of the original loan.
- 12) The participating neighborhoods have made the following commitments from the very limited NRP funds available to these neighborhoods to support the availability of these jobs to their residents:

- West Phillips: \$ 100,000
- Whittier: 25,000
- Midtown Phillips: 5,000

The Minneapolis Neighborhood Revitalization Program (NRP) will provide \$ 120,000 to the loan pool. The amount of the NRP contribution will be reduced dollar for dollar for any additional neighborhood contributions to this pool.

II. Community Redevelopment

A. Housing

- 1) Two additional incentives will be created to maximize the economic benefit to the participating neighborhoods, neighborhood residents, and Allina and Abbott Northwestern employees of this relocation and neighborhood improvement effort. These programs will build on two past initiatives of Allina and Abbott Northwestern (i.e. the "Abbott Northwestern Hospital Home Ownership Program" and the "Train to Work" Program). The goal is to continue to "provide the necessary links between housing, jobs, transportation, social services" and education that will stabilize and improve economic and social conditions in the very challenged neighborhoods surrounding the Midtown Exchange and for the individuals and families that live there.
- 2) The neighborhoods surrounding the Midtown Exchange are firm believers in helping to build resident wealth by creating opportunities for homeownership. Homeownership builds neighborhood stability while it helps residents meet their housing needs. Allina and Abbott Northwestern have previously demonstrated their support for homeownership by establishing the Abbott Northwestern Hospital Home Ownership Program that helped potential homeowners by providing downpayment assistance.
- 3) This program creates a homeownership incentive fund for neighborhood residents hired under this Agreement for positions in the South Minneapolis operations of Allina and Abbott Northwestern Hospital. The program will provide a \$1 credit against the unpaid balance of the \$250,000 loan for every \$2 provided by Allina or Abbott Northwestern Hospital to assist employees hired under this Agreement who are residents of the participating neighborhoods with the purchase of a housing unit in one of the participating neighborhoods. The credit provided against the unpaid loan balance will be limited to a maximum of \$50,000. The maximum downpayment assistance credit for a household will be \$5,000. The employee would be eligible for this support only after Allina/Abbott Northwestern has employed them for at least 18 months. The monies provided would be structured as a zero interest deferred due on sale loan.

B. Education

- 1) One of the most effective avenues available for individuals and families to break the cycle of poverty is to improve their education and future employment options. Abbott Northwestern recognized this when they established the Train to Work Program that assisted neighborhood residents with preparation for entry-level positions at Abbott and Children's Hospitals. It is in the best interest of the participating neighborhoods and Allina/Abbott Northwestern to continue creating a workforce trained to meet the future employment needs of the hospital and health care industry.
- 2) This program creates an educational scholarship fund as part of the employment package for residents of the participating neighborhoods that are hired for positions in the

hospital and physician billing operations. The program would provide a scholarship from Allina/Abbott Northwestern of up to \$ 10,000 to assist a resident hired under this program to pursue additional education that improves their future earnings potential. The participating neighborhoods will give a credit of \$1 against the unpaid balance of the loan provided to Allina for each \$2 used for this purpose by an eligible resident/employee.

3) The credit provided against the unpaid loan balance will be limited to a maximum of \$20,000. Employees would be eligible for this support only after Allina/Abbott Northwestern has employed them for at least 2 years. The amount of support provided would be approved annually and would continue as long as the employee meets the programs academic performance and attendance standard.

4) The monies provided for continuing education would be structured as a zero interest deferred loan that would be completely forgiven if the employee pursues an educational curriculum in a health care field and continues to be employed at Allina or any of its affiliated institutions in the health care field for which they were trained for at least five years after the date of completion of the approved educational program. If the employee completes a portion of this time commitment but then leaves Allina/Abbott Northwestern, the employee will be responsible for repaying a proportionate part of their educational loan (i.e. If the employee leaves employment 3 years after completing their educational program they would be required to repay 40% of their educational loan ($2/5=40\%$). If the employee's chosen educational activity is in a non health care related field, or the employee is trained in a health care field and is employed at a health care organization other than Allina or its affiliated health care operations after completing their education, the loan would be paid back in its entirety (but without interest) by the employee over a 10 year period beginning with the year after the educational activity is completed.

III. Indemnification

Allina shall hold harmless, defend and indemnify the NRP, its Policy Board and staff and the Board's and staffs of the neighborhood organizations signing this Agreement from any and all claims, actions, suits, charges and judgments whatsoever that arise out of Allina's performance or nonperformance of the services called for in this Agreement.

IV. Tangible Property

The parties agree that all tangible items produced in any form (i.e. written materials, videos, etc.) that discuss or present this Agreement, its implementation or results shall reside in the public domain and be available to any of the parties without royalty or fee. The parties may reproduce, publish, or otherwise use this material to promote, explain, or review the results of this Agreement.

V. Discrimination

Allina agrees that during the life of this Agreement, it will not discriminate against any potential participant because of race, color, creed, national origin, ancestry, religion, sex, affectional preference, disability, age, marital status, or status with regard to public assistance. This Agreement may be canceled or terminated by the NRP and all money due or to become due to the neighborhoods shall be immediately payable for a violation of the terms and conditions of this paragraph.

VI. Amendments

All amendments or modifications to this Agreement must be in writing and approved by all parties.

VII. Conclusion

This Agreement constitutes a major and visionary investment by NRP, the West Phillips, Midtown Phillips, and Whittier neighborhoods, and Allina and its affiliated institutions in the people and neighborhoods of South Minneapolis.

Allina Health Systems

Phillips West

Midtown Phillips

By _____ By _____ By _____

Its _____ Its _____ Its _____

Date _____ Date _____ Date _____

Whittier (WA)

Ryan Companies

Minneapolis NRP

By _____ By _____ By _____

Its _____ Its _____ Its _____

Date _____ Date _____ Date _____