

Memorandum

Date: December 11, 2007

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Subject: Request for Appropriation from the Administrative Contingency Fund

In February 2005 NRP was informed that Allina and Abbott Northwestern Hospital were considering consolidating the hospital and physician billing operations of the corporation 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 neighborhoods asked if NRP could help prepare a proposal to Allina that would make relocation to the Exchange a more attractive option. The reason for neighborhood interest was simple: they hoped that some of their residents would be employed in the relocated division. In June, Allina's CEO decided to move the billing operations to Midtown Exchange. One of the major reasons for his decision was the help being offered by the neighborhoods.

In August 2005 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 for up to \$250,000 with a term of ten years. The funds for the loan were to come from the neighborhood NRP allocations and be 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 relocation;
- 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.

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.

Based on the commitments of neighborhood leaders and representatives from Allina and Ryan Companies, I recommended that NRP use \$120,000 of the \$1.5 million allocated for its contingency fund in April 2004 to help meet the neighborhood commitment under this agreement. This recommendation was approved by the Policy Board on November 21, 2005 and then by the City Council. At that time it was expected that five neighborhoods would be participating and contributing.

During the next year changes in neighborhood organization leadership, reassessments by Allina and Ryan of the original agreement, concerns about future NRP funding and other expenses that neighborhoods had to absorb reduced the neighborhoods who could still participate in the agreement. After much discussion and many versions of the Agreement, Allina proposed a version that was finalized in April 2007. The final version of the document is attached for your information.

The number of neighborhoods participating has now been reduced to a single neighborhood: Midtown Phillips. Midtown included support of the agreement in a plan modification that they adopted and allocated \$ 5,000 from their remaining NRP funds to support implementation.

The neighborhoods that most need this agreement and the jobs at Allina do not have the resources they need to reach 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 would be a major blow to the community surrounding the Midtown Exchange. As a result, I am now recommending that NRP increase its set aside for this important effort by an additional \$ 125,000. 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 \$125,000 from the Administrative Contingency Fund approved by the Board on March 22, 2004 as an additional 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 Director is hereby authorized and directed to request that the City Council, City of Minneapolis, appropriate \$125,000 to Fund CNR0-890-3550 for the purposes herein authorized.

Job Relocation, Resident Recruitment, and Community Stabilization Agreement

Between the

Allina Health System, NRP and the Midtown Phillips Neighborhood of South Minneapolis

I. Job Relocation and Resident Recruitment

- 1) Allina Health System ("Allina") will have relocated approximately 1800 employees from metro locations to the Allina Commons in the Midtown Exchange at Lake Street and Chicago Avenue by July 1, 2007.
- 2) A substantial portion of the jobs that Allina brought to the Midtown Exchange are 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 (hereinafter "NRP") and the Midtown Phillips neighborhood (hereinafter "Midtown") believe that relocating these jobs to the Midtown Exchange is beneficial to the neighborhoods adjacent to the Midtown Exchange and can help achieve Living Wage employment for South Minneapolis residents.
- 4) Midtown feels 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 the activities being relocated 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 intent of NRP is to provide a forgivable loan to Allina, in the total amount of \$250,000, under the terms and conditions described herein.

Midtown will provide \$ 5,000 to Allina from its neighborhood NRP allocation and NRP will provide the remaining \$ 245,000. The total of \$ 250,000 is a loan from NRP and Midtown to Allina with a 3% simple annual interest rate calculated on the loaned principal and any prior interest accumulation. The loan (principal and accumulated interest) is due and payable 10 years from the day the loan is closed. No payments on the loan are required until the date of maturity. The principal and interest may be fully forgiven as a result of Allina's hiring and retaining residents from Midtown or providing homeownership loans and educational scholarships to the hired residents as described in this Agreement.

6) During the term of the loan, Allina will receive credits against the unpaid loan principal and interest for each new employee from Midtown 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 Midtown who remains in the position for which they were hired for at least 6 months.
- \$ 1,000 additional for each person hired from Midtown who is still an Allina employee 2 years after the original date of their hiring.
- \$ 1,000 additional for each person hired from Midtown who is still an Allina employee 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 term of the loan, Allina will also receive credits against the unpaid loan principal and interest for each new employee from Midtown that is hired by Allina Health Systems or its vendors for positions located at the Allina Commons, Abbott Northwestern Hospital, the Phillips Eye Institute, or 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 Midtown who remains in the position for which they were hired for at least 6 months.
- \$ 500 additional for each person hired from Midtown who is still an Allina employee 2 years after the original date of their hiring.
- \$ 500 additional for each person hired from Midtown who is still an Allina employee 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 funding under this agreement, showing the number of hospital and physician billing hires from Midtown 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 Allina Commons, Abbott Northwestern Hospital, Phillips Eye Institute, and 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 Midtown

with more detailed information, as and if requested, on the dates of hire and current status for each person hired from Midtown and a map showing the distribution of the employees so hired.

- 9) Where appropriate, given the position to be filled, Allina will work with NRP, Midtown, 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 a three-person committee for review and resolution. Such committee will consist of the Director of the Minneapolis Neighborhood Revitalization Program (NRP); one representative from Midtown; and a representative from Allina.
- 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 the interest so calculated will be added to the end of year balance 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 Midtown and NRP at the end of the term will be the beginning loan balance, if any, for the 11th year of the loan. Any remaining loan balance paid by Allina to NRP will be distributed by NRP to Midtown proportionate to their participation in the total amount of the original loan, and Allina shall have no further obligations to NRP or to Midtown.
- 12) Midtown has made the following commitment from the very limited NRP funds available to this neighborhood to support the availability of these jobs to their residents:

- Midtown Phillips: 5,000

The Minneapolis Neighborhood Revitalization Program (NRP) will provide \$ 245,000 to the loan pool to bring the total for the pool to \$ 250,000.

II. Community Redevelopment

A. Housing

- 1) At Allina's sole discretion, based on availability of funding and job opportunities, two additional incentives may be created to maximize the economic benefit to Midtown, neighborhood residents, and Allina and Abbott Northwestern employees of this job 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 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) A homeownership incentive fund may be created by Allina for neighborhood residents hired under this Agreement for positions in the South Minneapolis operations of Allina and Abbott Northwestern Hospital. If Allina elects to reinstate this program, the NRP agrees to assist Allina where possible in identifying potential funding sources, and applying (jointly, if appropriate or advantageous) for such funding. In the event Allina provides funds to Midtown residents under such a program, Allina will receive a \$1 credit against the unpaid balance of the loan for every \$2 provided by Allina or Abbott Northwestern Hospital to assist employees hired under this Agreement who are residents of Midtown with the purchase of a housing unit in Midtown. The credit provided against the unpaid loan balance will be limited to a maximum of \$50,000 over the term of the loan. The maximum downpayment assistance credit allowed for a single 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 to the employee may be structured as a zero interest deferred due on sale loan, or in another form acceptable to Allina.

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 Northwestern and Children's Hospitals. It is in the best interest of Midtown and Allina/Abbott Northwestern to continue creating a workforce trained to meet the future employment needs of the hospital and health care industry.
- 2) At Allina's sole discretion, based on availability of funding and job opportunities, a career training program and educational scholarship fund may be created as part of the employment package for residents of Midtown that are hired by Allina for the Midtown Exchange location. The program may provide training or 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. NRP 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 from Midtown.

- 3) The credit provided against the unpaid loan balance will be limited to a maximum of \$20,000 over the term of the loan. 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 by Allina annually and would continue as long as the employee meets the academic performance and attendance standards of the training/educational program in which they are participating.
- 4) The monies provided for continuing education may 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, or as Allina may otherwise deem appropriate. If the employee completes a portion of this time commitment but then leaves Allina/Abbott Northwestern, Allina may elect to require the employee to repay 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, Allina may elect to require the employee to pay back the loan in its entirety (but without interest) by the employee over a 10 year period beginning with the year after the educational activity is completed. Any money paid back to Allina would be deposited back into the training program for future students. Notwithstanding the foregoing descriptions of potential program structures, Allina shall determine all terms of such loan program, in its sole discretion. If an employee has to pay back some or the entire loan, Allina will still get the credit.

III. Indemnification

Allina shall hold harmless, defend and indemnify the NRP, its Policy Board and staff and the Board's and staffs of Midtown 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, except to the extent due to the NRP's, its Policy Board's or staff's negligence or willful negligence.

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 NRP or Midtown 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 Midtown Phillips neighborhood, and Allina and its affiliated institutions in the people and neighborhoods of South Minneapolis.

Allina Health Systems

Midtown Phillips

By _____ By _____

Its _____ Its _____

Date _____ Date _____

Ryan Companies

Minneapolis NRP

By _____ By _____

Its _____ Its _____

Date _____ Date _____