



REQUEST FOR GRAND RAPIDS EDA ACTION

AGENDA DATE: March 10, 2022

STATEMENT OF ISSUE: Outcome of discussions with the Blandin Foundation relative to low interest financing options for the development of an industrial building.

PREPARED BY: Rob Mattei, Executive Director

BACKGROUND:

As you will recall from our previous study and discussions of the unmet market demand for industrial and warehouse/distribution space and the development cost for this type of facility, we concluded that market rate rents in our community could not support the development cost assuming conventional market rate financing is used.

President Blake and I presented this information along with a verbal proposal/request to the Blandin Foundation seeking a Program Related Investment, which would allow GREDA an opportunity to provide a loan to a private developer at 1% interest who would build a 30,000 sf industrial building in the Airport South Industrial Park. The building would provide immediate space for Minnesota Flexible to relocate from their space in the IEDC building, which is planned to be converted to another use, and would have speculative space for new business. The request to the Foundation was not for the full amount of the required financing, rather it was framed as if the Blandin Foundation was supportive, we would look to the IRRR for participation as well.

As you can see from the message below, their response was not what we had hoped:

Hello Rob and Sholom,

Thank you for your time on January 11th and follow up conversations regarding the GR Industrial Building request. The Request was reviewed by me, in consultation with colleagues and a trustee, under the Directed Investments – Tier 2 category within our Mission Related Investment Policies. Those Policies are available on our website as an addendum to the Investment Policy Statement: [2021-Blandin-Foundation-IPS.pdf \(blandinfoundation.org\)](https://www.blandinfoundation.org/2021-Blandin-Foundation-IPS.pdf)

Given the need for financial risk/return objectives that align with near market-rate opportunities, our decision is not to invest in the GR Industrial Building as requested. The prudent investor standard would not be met if we invested 6.5% of our investment assets at 1% over a 20-year period, especially given the current market outlook over the next ten years. Therefore, the financial return objectives would not be met if we funded this request.

A request for consideration as a Program-Related Investment to be reviewed by the Grants team is not a workable one this year. As I shared on our call, PRIs are treated the same as a grant for budgetary purposes and a \$3.35 million grant would be 22.5% of the total grants budget for 2022. Our grantmaking strategies and other commitments leave out this avenue as a possibility. Historically, we made sizable investments beyond the grants budget for extraordinary mission-related opportunities, though an industrial building is not on par with a hospital or land easements.

We appreciate the work of GREDA and look forward to future discussions on how we may partner to support the furtherance of community plans.

Best,
Daniel

Daniel Lemm, CMA, MNM

Pronouns: He/Him/His

Chief Financial Officer

Blandin Foundation

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RECOMMENDATION:

Discuss and consider any follow up work.

REQUIRED ACTION: None required