



## Request for MCDA Board of Commissioners Action from the Department of Community Planning & Economic Development - CPED

Date: May 14, 2013

To: Council Member Lisa Goodman, Community Development Committee

Referral to: MCDA Board of Commissioners

**Subject:** A Public Hearing and Request for Approval of an Amended and Restated Revenue Bond as a New Issue of up to \$500,000 in 501(c)(3) Bank Qualified Bank Direct Tax-exempt Minneapolis Community Development Agency Revenue Bonds for the Open Arms of Minnesota Project.

**Recommendation: City Council Recommendation: Adopt the attached Resolution, giving Approval of an Amended and Restated Revenue Bond as a New Issue of up to \$500,000 in Tax-exempt 501(c)(3) Bank Qualified Bank Direct Minneapolis Community Development Agency Revenue Bonds, Series 2013 for the Open Arms of Minnesota project.**

**MCDA Board Recommendation: Forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the attached Resolution giving Approval of an Amended and Restated Revenue Bond as a New Issue of up to \$500,000 in Tax-exempt 501(c)(3) Bank Qualified Bank Direct Revenue Bonds, Series 2013, for the Open Arms of Minnesota project.**

**Previous Directives:** April 2009. The City Council and the MCDA Board of Commissioners granted approval of \$2,850,000 in Tax-exempt 501 (c)(3) Bank Qualified Bank Direct Revenue Bonds for Open Arms of Minnesota for the construction of a new facility located at 2500 Bloomington Avenue South.

Prepared by: Charles Curtis 612-673-5069

Approved by: Charles T. Lutz, Deputy Director CPED \_\_\_\_\_

Catherine A. Polasky, Director, Economic Development \_\_\_\_\_

Presenters in Committee: Charles Curtis

### Reviews

- Permanent Review Committee (PRC): Approval NA Date \_\_\_\_

## Financial Impact

- Other financial impact: The issuance of revenue bonds for the Open Arms of Minnesota project will generate revenue bond administrative fees of approximately \$1,250 a year that are used to support the small business assistance programs of the City of Minneapolis.

## Community Impact

- Neighborhood Notification: Midtown Phillips Neighborhood has been notified of this proposed project.
- City Goals: This project promotes the City's 5-year goal for providing Livable Community, Healthy Lives.
- Sustainability Targets: NA
- Comprehensive Plan: The existing facility is in compliance with the policies of the Minneapolis Plan.
- Zoning Code: Existing facility in compliance
- Living Wage/Business Subsidy Agreement Yes \_\_\_ No X All conduit revenue bonds allocated under State Statute 474A, refunding bonds and 501 (c)(3) bonds are exempt from the State Act. City bond financing is not subject to the City's local Ordinance if the intent of the bond financing is not to create jobs.
- Job Linkage Yes \_\_\_ No X

## Supporting Information

### Project Location & Description:

Open Arms of Minnesota is a non-profit Minneapolis organization that prepares and provides free meals specifically tailored to meet the nutritional needs of individuals living with serious and life threatening diseases. Open Arms of Minnesota started in 1986 in the apartment kitchen of founder Bill Rowe. Mr. Rowe began shopping, cooking and preparing meals for a group of men living with AIDS who were too ill to shop and cook for themselves. A dedicated pool of volunteers soon began streaming in to assist in the meal preparation and delivery. Over the ensuing years Open Arms of Minnesota has continued to increase the number of meals served and has outgrown a number of locations. In 2009, through the use of \$2,850,000 of Bank Qualified Bank Direct Revenue Bonds, Open Arms of Minnesota was able to construct a 20,000 square foot headquarters facility containing office space, conference rooms, a kitchen and storage facilities at 2500 Bloomington Avenue South.

**Type of Financing:** The 2009 Bank Qualified Bank Direct Revenue Bonds were purchased by Bremer Bank and were variable rate with a term of up to 5 years. Most of the original bonds have been retired through capital campaigns. The remaining \$500,000 of the original 2009 bonds are to be re-issued as amended and restated revenue bonds in the proposed 2013 financing and new interest rates and terms are to be set. This re-issue is very similar to a refinancing of debt, but the 2013 project bonds will be a new issue, the form of which will be accomplished as amended and restated bonds.

**Present Employment:** 25

**New Employment:** None. This is a re-issue of existing bonds for an existing facility.

**Assessor's Estimate Annual Tax Increase:** Tax-exempt facility

**Affirmative Action Compliance:** Open Arms of Minnesota is working with Civil Rights to update their affirmative action plan. A closing will not occur until this is completed.

**CITY IRB POLICIES:**

Job Component	<p>Minimum standard of one (1) job per 1,000 square feet of building area.</p> <p>Open Arms of Minnesota – the proposed project is for a non-profit organization and is not directed at job creation.</p>
Property Improvements	<p>For private activity IRBs consisting of industrial/manufacturing projects, no more than 25% of the bond proceeds may be used for land and acquisition. If purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures. This IRB policy does not apply to nonprofit organizations issuing 501 (c)(3) tax-exempt revenue bonds.</p> <p>Open Arms of Minnesota – Not applicable. The policy does not apply to 501 (c)(3) tax-exempt revenue bonds. This is an existing facility.</p>
Development Standards	<p>Compliance with the Land Use Plan of the City's Comprehensive Plan.</p> <p>Open Arms of Minnesota- In compliance.</p>
Equipment Financing	<p>Limited to companies that create or preserve a significant number of jobs, and the equipment financed must be sufficiently secured. No more than 10% of the bond proceeds may be used to finance movable equipment not constituting a fixture.</p> <p>Open Arms of Minnesota- Not applicable. The proposed project does not include movable equipment.</p>
Restaurant/Bank	<p>IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in an CPED Redevelopment Area. No more than 25% of the bond proceeds can be used to finance retail food and beverage</p>

establishments, automobile dealerships or recreation or entertainment facilities.

Open Arms of Minnesota – Not applicable. Not a restaurant or bank use.

Tax-exempt Institution

Refinancing is permitted when new jobs are created or when a significant number of jobs are preserved. Interest savings must be applied to the stated purpose of the tax-exempt institution.

Open Arms of Minnesota- The interest savings will be used for the services provided by the non-profit organization.

IRB CAP:

The project is not subject to the volume cap, in that the project is exempt from income tax under Internal Revenue Code Section 501(c)(3) for its exempt purposes and is classified thereunder as a non-profit organization.

BOND COUNSEL: Gray, Plant & Mooty

UNDERWRITER: None

Direct placement with Bremer Bank, the original purchaser of the 2009 bonds.

**RESOLUTION  
OF THE  
CITY OF MINNEAPOLIS**

**Giving approval to and authorizing the amendment of a revenue bond previously issued by the Minneapolis Community Development Agency on behalf of Open Arms of Minnesota (the “Company”).**

Whereas, pursuant to Laws of Minnesota 1980, Chapter 595, as amended (“Chapter 595”), the City Council of the City of Minneapolis, Minnesota (the “City”) established the Minneapolis Community Development Agency (the “Agency”) and granted certain powers and duties to the Agency; and

Whereas, pursuant to such granted powers, the Agency has been authorized to issue revenue obligations for various purposes; and

Whereas, the Agency has previously issued its \$2,850,000 Revenue Bond (Open Arms of Minnesota Project Series 2009 (the “Bond”), which is currently outstanding in the principal amount of \$500,000, to finance the construction and equipping of the Company’s headquarters facility located at 2500 Bloomington Avenue South in the City; and

Whereas, the Company and Bremer Bank, National Association, the holder of the Bond, have proposed an amendment to the Bond to extend the term thereof and adjust the interest rate thereon; and

Whereas, the Agency expects to give approval to the amendment of the Bond by a resolution to be adopted on the date hereof;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the City Council hereby gives approval to the amendment by the Agency of the Bond.

That the amended Bond is hereby designated as a “Program Bond” and is determined to be within the “Economic Development Program” and the “Program,” all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.

**RESOLUTION  
OF THE  
MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY**

**Relating to the Minneapolis Community Development Agency Revenue Bond (Open Arms of Minnesota Project) Series 2009; authorizing the amendment thereof.**

Be It Resolved by the Board of Commissioners (the "Board") of the Minneapolis Community Development Agency (the "Agency"), as follows:

Section 1. Definitions.

1.01. In this Resolution the following terms have the following respective meanings unless the context hereof or use herein clearly requires otherwise:

"Amendment Agreement" means the Amendment Agreement among the Agency, the Borrower and the Holder relating to the amendment of the Bond;

"Agreement" means the Loan Agreement entered into between the Agency and the Borrower relating to the Bond;

"Bond" means the Revenue Bond (Open Arms of Minnesota Project), Series 2009 previously issued by the Agency in the original principal amount of \$2,850,000, and currently outstanding in the principal amount of \$500,000;

"Bond Documents" means the Agreement, the Pledge Agreement, the Mortgage and the Bond;

"Borrower" means Open Arms of Minnesota a Minnesota nonprofit corporation, its successors and assigns;

"City" means the City of Minneapolis, Minnesota;

"Holder" means Bremer Bank, National Association, the registered holder of the Bond;

"Mortgage" means the Building Site Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Financing Statement granted by the Borrower to the Holder as security for the Bond, and the Supplemental Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Financing Statement granted by the Borrower to the Holder as security for the Bond;

"Pledge Agreement" means the Pledge Agreement entered into between the Agency and the Holder relating to the Agreement and the Bond;

"Project" means the construction and equipping of the Borrower's headquarters facility located at 2500 Bloomington Avenue South in the City, financed with the proceeds of the Bond, as further defined in the Agreement.

Section 2. Authorization and Approval of Amended Bond.

2.01. Request. The Borrower and Bremer Bank, National Association, the Holder of the Bond, have requested that the Agency authorize the amendment of the Bond to provide for an extension of the term thereof and an adjustment of the interest rate thereon.

2.02. Approval of Amended Bond. Pursuant to the foregoing, there has been prepared an Amended and Restated Revenue Bond (Open Arms of Minnesota Project) Series 2009 (the "Amended Bond"), which is now or shall be placed on file in the office of the Agency.

The Amended Bond is approved, with such variations, insertions and additions as are deemed appropriate by the parties and approved by the Agency.

2.03. Execution of Amended Bond and Related Documents. Upon the completion of the Amended Bond, the Deputy Executive Director and Finance Officer (or Assistant Finance Officer) shall execute the same on behalf of the Agency, and the foregoing persons and other officers of the Agency shall execute the Amendment Agreement and such other certifications, documents or instruments as Bond Counsel shall require, subject to the approval of the Agency, and all certifications, recitals and representations therein shall constitute the certificates, recitals and representations of the Agency. Execution of any instrument or document by one or more appropriate officers of the Agency shall constitute and shall be deemed the conclusive evidence of the approval and authorization by the Agency and the Board of the instrument or document so executed.

Section 3. Limitations of the Agency's and City's Obligations.

3.01. Notwithstanding anything contained in the documents relating to the Amended Bond, the Amended Bond and any premium and interest thereon shall not constitute an indebtedness of the Agency or City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the Agency or City or a charge against their general credit or taxing powers and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the Agency or City, and no Holder of the Amended Bond shall ever have the right to compel any exercise of the taxing power of the Agency or City to pay the Amended Bond or the interest thereon or to enforce payment thereof against any property of the Agency or City. The agreement of the Agency to perform the covenants and other provisions contained in the documents relating to the Amended Bond shall be subject at all times to the availability of revenues furnished by the Borrower sufficient to pay all costs of such performance or the enforcement thereof, and neither the Agency or City nor any of their officers, employees or agents shall be subject to any personal or pecuniary liability thereon.

Section 4. Agency Representative.

4.01. The Finance Officer or Assistant Finance Officer of the Agency is hereby designated and authorized to act on behalf of the Agency for purposes of the documents relating to the Amended Bond.

Section 5. Governmental Program.

5.01. The Amended Bond is hereby designated as a "Program Bond" and is determined to be within the "Economic Development Program" and the "Program," all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.