



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: July 9, 2013

To: Council Member Lisa Goodman, Community Development Committee

Subject: A Public Hearing and Host Approval for the issuance of Bank Qualified Bank Direct Financing for Hiawatha Academies Charter School project through the City of Falcon Heights.

Recommendation: The CPED Director recommends that the City Council adopt the attached Resolution, authorizing Host Approval for the issuance of Bank Qualified Bank Direct Financing for Hiawatha Academies Charter School project through the City of Falcon Heights.

Previous Directives: None.

Prepared by: Becky Shaw, CPED - Business Development (612) 673-5066
Approved by: Charles T. Lutz, Deputy Director CPED _____
Catherine A. Polasky, Director, Economic Development _____
Presenters in Committee: Becky Shaw

Reviews

- Permanent Review Committee (PRC): N.A.

Financial Impact

- Financing the Bank Qualified Bank Direct Tax-exempt bonds by the City of Falcon Heights (capped at \$10 million annually) will allow for the City of Minneapolis to

maintain its current BQ Allocation for other projects. The issuance of bonds by the City of Falcon Heights will reduce potential annual bond fee revenues by approximately \$20,000 annually. Revenue Bond administrative fees are calculated based on the declining principal balance of outstanding revenue bonds.

Community Impact

- Neighborhood Notification: N.A.
- City Goals: Authorization of a Cooperative Agreement with the City of Falcon Heights is consistent with the City's goal of building strong partnerships with other public entities
- Sustainability Targets: NA
- Comprehensive Plan: In compliance.
- Zoning Code: In compliance.
- Living Wage/Business Subsidy Agreement Yes _____ No X All conduit revenue bonds allocated under 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

Hiawatha Academies is a Minneapolis non-profit corporation and a public (charter) school, which is a 501(c)(3) organization. Hiawatha Academies is made up of the Morris Park facility, located at 3810 East 56th Street with 390 Kindergarten through 4th Grade students, and the newly purchased Northrop Facility, located at 1611 East 46th Street enrolling Kindergarteners in the fall of 2013. Eventually, Northrop will be a Pre-K through 4th grade facility with maximum enrollment of 390 students. Both facilities will be owned by Charter Schools Development Corporation and leased to Hiawatha Academies. Hiawatha Academies has a strategic plan to expand their impact in Minneapolis closing the achievement gap between white and minority students, and help put more students on the path to college.

In a desire to ensure the timely issuance and availability of bank-qualified tax-exempt bonds, the borrower, Charter Schools Development Corporation, requested that the City of Falcon Heights act as issuer for the project in Minneapolis. Falcon Heights has agreed to issue two tax-exempt educational facilities revenue notes that will be sold to Minnesota Bank & Trust in a principal amount not to exceed \$8,000,000. For Falcon Heights to issue the bonds, the City of Minneapolis must provide host approval following a public hearing.

The proceeds of the notes will be used to refinance outstanding taxable indebtedness of the Borrower and finance improvements to the Morris Park facility, and to finance the acquisition, construction of an addition to, and renovation of the Northrop facility. Northrop will be purchased from the Minneapolis School District and the addition will be approximately 15,400 square feet.

The Borrower, which is a 501(c)(3) organization will lease both Morris Park and Northrop to Hiawatha Academies. The Borrower and the School are requesting that the City of Minneapolis hold a public hearing and provide host approval for the issuance of the Notes by Falcon Heights.

REFERRED TO (NAME OF COMMITTEE)

DATE

RESOLUTION

of the CITY OF MINNEAPOLIS

Resolution Giving Host Approval To The Issuance Of Educational Facilities Revenue Notes For The Hiawatha Academics Project By Charter Schools Development Corporation Located In Minneapolis, Minnesota Under Minnesota Statutes, Sections 469.152 Through 469.1655.

BE IT RESOLVED, by the City Council (the "Council") of the City of Minneapolis, Hennepin County, Minnesota (the "City") as follows:

Section 1. General Recitals. The purpose of Minnesota Statutes, Sections 469.152 through 469.1655, as amended, (the "Act"), is, among other things, to promote the welfare of the State of Minnesota (the "State") by the active attraction and encouragement and development of economically sound industry and commerce to prevent so far as possible the emergence of blighted and marginal lands and areas of chronic unemployment and by providing necessary care facilities so that adequate care services are available to residents of the State at reasonable cost.

Section 2. Description of the Project.

(a) Charter Schools Development Corporation (the "Borrower"), a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") has proposed the issuance of revenue notes under the Act, in one or more series, in an amount not to exceed \$8,000,000 (the "Notes") by the City of Falcon Heights, Minnesota (the "Issuer") to finance the costs of a project (the "Project") consisting of (i) refinancing certain outstanding taxable indebtedness of the Borrower, the proceeds of which were used for the acquisition of and renovations to a charter school facility located at 3810 East 56th Street, Minneapolis, Minnesota ("Hiawatha Academies - Morris Park"); (ii) financing improvements to Hiawatha Academies - Morris Park consisting of new ceilings, a bathroom facility, kitchen ventilation work, maintenance of unit ventilators and radiators and resurfacing of the parking lot; and (iii) financing the acquisition, construction and renovation of a charter school facility located at 1611 East 46th Street, Minneapolis, Minnesota ("Hiawatha Academies - Northrup"), including an approximately 15,400 square foot addition to the existing building. The Project will be owned by the Borrower and leased to and operated by Hiawatha Academies, a Minnesota non-profit corporation having federal income tax-exempt 501(c)(3) status as a public (charter) school.

(b) The City has been advised that the Notes or other obligations, as and when issued, will not constitute a charge, lien or encumbrance upon any property of the City or the Issuer, except the Project and the revenues to be derived from the Project. Such Notes or obligations

will not be a charge against the general credit or taxing powers of the City or the Issuer, but is payable from sums to be paid by the Borrower pursuant to a revenue agreement.

Section 3. Recital of Representations Made by the Borrower.

(a) The Borrower has agreed to pay any and all costs incurred by the City in connection with the issuance of the Notes, whether or not such issuance is carried to completion.

(b) The Borrower has represented to the City that no public official of the City has either a direct or indirect financial interest in the Project nor will any public official either directly or indirectly benefit financially from the Project.

Section 4. Public Hearing.

(a) As required by Section 147(f) of the Code a Notice of Public Hearing was published in the Finance and Commerce and Minneapolis Star Tribune, the City's official newspaper and a newspaper of general circulation, respectively, for a public hearing on the proposed issuance of the Notes and the proposal to undertake and finance the Project.

(b) As required by Section 147(f) of the Code a public hearing was conducted on Tuesday, July 9, 2013 by the Office of Community Planning and Economic Development of the City on the issuance of the Notes and the proposal to undertake and finance the portion of the Project located within the jurisdictional limits of the City, at which all those appearing who desired to speak were heard and written comments were accepted.

Section 5. Host Approval. The City hereby gives the host approval required under the Internal Revenue Code to the issuance of the Notes and, pursuant to Minnesota Statutes, Section 471.656, Subd. 2(2), the City Council hereby consents to the issuance of the Notes.