



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

Date: November 18, 2014

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 the Hiawatha Academies Middle School project through the City of Cottage Grove.

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 the Hiawatha Academies Middle School project through the City of Cottage Grove.

Previous Directives: On July 19, 2013, the City Council held a public hearing and adopted a resolution authorizing the Host Approval for the issuance of Bank Qualified Bank Direct Financing for Hiawatha Academies Charter School through the City of Falcon Heights.

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

- None.

Community Impact

- Neighborhood Notification: The Field Regina Northrop Neighborhood Group has been notified.
- City Goals: Authorization of a Cooperative Agreement with the City of Cottage Grove 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
- 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 Northrop Facility, located at 1611 East 46th Street. Northrop is a Pre-K through 4th grade facility with 390 students. A new facility is proposed to be added to the Northrop Campus for a college preparatory middle school. All facilities are owned by Charter Schools Development Corporation and are leased to Hiawatha Academies.

Charter Schools Development Corporation approached the City of Minneapolis in August 2014 to issue \$6.6 million in bank qualified bank direct bonds for the Hiawatha Academy Middle School Project. Issuers are allowed to allocate \$10 million of bank qualified bank direct revenue bonds per calendar year to 501(c)(3) projects. The City of Minneapolis has committed almost \$8 million of its allocation to other projects in the City, and only has \$2 million remaining for 2014. The City of Cottage Grove has not used its allocation for 2014. 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 the City of Cottage Grove.

Cottage Grove 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 \$6,600,000. The proceeds of the notes will be used to for new construction and site improvements on the south east corner of Hiawatha Academy's Northrop campus on 1611 East 46th Street. They will construct a 38,000 square foot, two story facility including 19 classrooms, a gymnasium/auditorium, a cafeteria, conference and break out rooms, and an administrative space. Site improvements will include 36 parking spaces, a loading area, and related landscaping. The project will create 73 new full time positions and 2 part time positions.

RESOLUTION

of the

CITY OF MINNEAPOLIS

Resolution Giving Host Approval To The Issuance Of Educational Facilities Revenue Notes For The Hiawatha Academies 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 District of Columbia 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 \$6,600,000 (the "Notes"), by the City of Cottage Grove, Minnesota (the "Issuer") to finance the costs of a project (the "Project") consisting of financing the acquisition, construction and equipping of a charter school facility located at the southeast corner of Hiawatha Academies' Northrop Campus located at 1611 East 46th Street, Minneapolis, Minnesota, near the intersection of 17th Avenue East and 47th Street South, including an approximately 38,000 square foot two-story middle school building containing approximately 19 classrooms, a gymnasium, auditorium, a cafeteria, conference and break-out rooms, and administrative space, and site upgrades, including approximately 36 parking spaces, a loading area, and landscaping. 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 Finance and Commerce and the 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, November 18, 2014 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 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.