

Request for Committee Action

To: Ways & Means
Date: 8/17/2015
From: Finance & Property Services
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Presented by: Mark Winkelhake
File type: Resolution
Subcategory: Bond

Subject:

Authorize the Issuance of TIF Revenue Refunding Bonds for the Ivy Tower and East River/Unocal Site Projects.

Description:

Adopting the attached resolutions that authorize the issuance of Tax-Exempt Tax Increment Revenue Refunding Bonds for the Ivy Tower and East River/Unocal Site Projects in order to lower interest rates and reduce interest costs.

Previous Actions:

August 15, 2002 – Resolution 2002-2640M authorized the issuance of up to \$1,600,000 of Taxable Tax Increment Revenue Notes (East River/Unocal Site Project), Series 2002.

May 13, 2005 – Resolution 2005R-267 authorized the issuance of up to \$6,200,000 of Tax Increment Revenue Bonds (Ivy Tower Project), Series 2005, and Resolution 2005R-268 authorized the issuance of up to \$3,300,000 Tax Increment Limited Revenue Note.

June 29, 2007 – Resolution 2007R-305 authorized the issuance of up to \$1,800,000 of Tax-Exempt Tax Increment Revenue Refunding Bonds (East River/Unocal Site Project), Series 2007.

Wards/Neighborhoods:

East River/Unocal Site Project is located in:

- Ward 2
- Prospect Park-East River Road

Ivy Tower Project is located in:

- Ward 7
- Downtown West

Background/Analysis:

In the early-to-mid 2000's, the Minneapolis Community Development Agency (MCDA) and the City of Minneapolis provided tax increment financing (TIF) assistance to two redevelopment projects that could not be fully funded and financed with private sources due to the high costs of building rehabilitation and renovation, soil remediation and other extraordinary redevelopment costs. The two projects included the Ivy Tower Project and the East River/Unocal Site Project.

The Ivy Tower Project is located at 1115 Second Avenue South in downtown Minneapolis, and includes 1) a 136-room luxury hotel in both a 20-story tower and the adjacent rehabbed and renovated Ivy Tower Building, 2) a 26-story for-sale residential condominium building containing 91 units, 3) underground parking for approximately 175 vehicles, and 4) supportive commercial space including a spa, athletic facility, and restaurant/bar.

To assist the Ivy Tower Project, the City 1) issued \$4,935,000 of Tax-Exempt Tax Increment Revenue Bonds in December 2005 (the "Ivy Tower Bonds"), and 2) issued a \$2,951,400 Taxable Tax Increment Limited Revenue Note in February 2006 (the "Ivy Tower Note"). The Bonds are payable solely from tax increment generated by the residential condominium building and reserve funds held by a trustee. The Note is payable solely from tax increment generated by the hotel, parking and commercial components of the project. These Bonds and Note are not general obligation debt of the City.

The East River/Unocal Site Project is located on Franklin Ave SE in the Prospect Park-East River Road neighborhood, and includes 53 units of for-sale housing units including 38 townhomes and 15 condominiums. To assist the project, the City initially issued \$1,500,000 of Taxable Tax Increment Revenue Notes that were secured by tax increment from the project and a developer guarantee. Upon construction completion the developer guarantee was terminated and the Notes were refunded (refinanced) through the City's issuance of \$1,750,000 Tax-Exempt Tax Increment Revenue Refunding Bonds in July 2007 (the "East River/Unocal Bonds"). These Bonds are payable solely from tax increment generated by the project and reserve funds held by a trustee, and are not general obligation debt of the City.

At this time, the outstanding Ivy Tower Bonds and Ivy Tower Note, and the East River/Unocal Bonds are all callable (prepayable), and can be refunded in order to lower interest rates that will result in significant interest cost savings. Preliminary estimates indicate that savings of approximately \$1.38 million can be realized in future years by refunding together the Ivy Tower Bonds and the Ivy Tower Note, and savings of approximately \$472,000 can be realized in future years by refunding the East River/Unocal Bonds. In both cases, the savings will be utilized over time for either bond prepayment or used for affordable housing purposes (if approved through the City's budget process in future years).

Finance & Property Services staff recommends that the City Council adopt the attached resolutions authorizing the Finance Officer to take the steps necessary to issue up to \$6,500,000 Tax-Exempt Tax Increment Revenue Refunding Bonds (Ivy Tower Project), Series 2015 and up to \$1,000,000 Tax-Exempt Tax Increment Revenue Refunding Bonds (East River/Unocal Site Project), Series 2015. The Finance Officer will report the actual bond sale results to the Ways & Means Committee after completion of the refunding transactions.

Financial Review:

Select financial statement.

- Future budget impact anticipated.**
- Approved by the Permanent Review Committee.** – Not Applicable
- Meets Small and Underutilized Business Program goals.** – Not Applicable

Attachments:

1. Resolution authorizing the issuance of TI revenue refunding bonds - Ivy Tower.
2. Resolution authorizing the issuance of TI revenue refunding bonds - East River/Unocal.