

# **Request for City Council Committee Action from the Department of Community Planning & Economic Development**

Date: February 27, 2007

To: Council Member Lisa Goodman, Community Development Committee

**Subject:** Request for Final Approval of up to \$9,000,000 In Tax-exempt City of Minneapolis, Limited Tax-Supported Development Revenue Bonds, Series 2007A, and up to \$1,000,000 In Taxable City of Minneapolis, Limited Tax-Supported Development Bonds, Series 2007B, for the New French Bakery Project to be issued through the Minneapolis Common Bond Fund.

**Recommendation:** The CPED Director recommends that the City Council adopt the attached Resolution giving Final Approval to the issuance of up to \$9,000,000 in Tax-exempt Limited Tax Supported Development Revenue Bonds, Common Bond Fund, Series 2007A, and up to \$1,000,000 in Taxable City of Minneapolis, Limited Tax-Supported Development Revenue Bonds, Series 2007B, for the New French Bakery Project to be issued through the Common Bond Fund and designating the bonds as bonds entitled to the security provided by Ordinance No. 87-OR-084, Chapter 424, Tax Reserve and Pledge Ordinance.

**Previous Directives:** In November 2003, the City Council granted preliminary approval for the purchase of a different facility for the New French Bakery. The purchase was not completed and the project delayed.

**In September 2006, the City Council granted preliminary Approval for up to \$9,000,000 in Tax-exempt and Taxable Limited Tax Supported Development Revenue Bonds for the acquisition, renovation and equipping of a facility located at 828 Kasota Avenue.**

Prepared by: Charles Curtis, Business Finance 612-673-5069

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

Presenters in Committee: Charles Curtis

## Reviews

- Permanent Review Committee (PRC): Approval \_\_\_\_ Not Applicable  X

### Financial Impact

- Other financial impact: The issuance of revenue bonds for the New French Bakery Project will generate revenue bond administrative fees of approximately \$37,500 a year that are used to support the small business assistance programs of the City of Minneapolis.

### Community Impact

- Neighborhood Notification: The Southeast Como Improvement Association was notified on May 10, 2006 of the proposal by the New French Bakery to purchase, renovate and equip the facility at 828 Kasota Avenue.
- City Goals: The proposed project promotes the City's 5 year goal to make the City a Premier Destination by promoting economic leadership and by promoting private business investment in the City.
- Sustainability Targets: Not Applicable
- Comprehensive Plan: The proposed project is in compliance with the Minneapolis Plan.
- Zoning Code: The proposed project is in compliance.
- Living Wage/Job Linkage: This proposed project received preliminary approval in 2006 and is viewed as a transition project that is not subject to the Living Wage Ordinance. A Job Linkage Agreement has been agreed to by the company.

### Supporting Information

#### Project Location & Description:

The New French Bakery is a wholesale bakery with a current facility located at 2609 26<sup>th</sup> Avenue South in the 2<sup>nd</sup> Ward. The company has outgrown its capacity to produce bakery products for its customers, both locally and nationally. Peter Kelsey, the owner of the company, has identified a building at 828 Kasota Avenue, also located in the 2<sup>nd</sup> Ward, as being suitable for a second plant operation. The 828 Kasota Avenue building was constructed in 1976 for a cardboard box manufacturer and contains 42,000 square feet.

The New French Bakery's proposed project will consist of the rehabilitation of the existing facility, the construction of an addition to the building and the equipping of the bakery operation. The equipment will include new state of the art baking ovens.

The existing plant at 2609 26<sup>th</sup> Avenue South will continue to produce various frozen bread products for its local and national sales operation. The new facility at 828 Kasota Avenue will permit the expansion of the bakery into a number of new product lines, including the extended shelf-life packaging of bakery goods.

#### Type of Financing:

The proposed project calls for the issuance of both tax-exempt and taxable revenue bonds through the Minneapolis Common Bond Fund system, currently rated "A+" by Standard & Poor's.

It is anticipated that the Bonds will be publicly issued with sales to both the institutional and retail markets. The Bonds will be secured by the property and equipment, one year's debt service reserve and the corporate and personal guaranty of the New French Bakery and Peter Kelsey.

Sources:

Revenue Bonds	\$10,000,000
Equity	<u>1,000,000</u>
Total	\$11,000,000

Uses:

Building Purchase, Renovation and Expansion	\$ 6,200,000
Equipment	3,900,000
Costs of Issuance	<u>900,000</u>
Total	\$11,000,000

**Present Employment:** 150 (at both facilities)

**New Employment:** 25

**Assessor's Estimate Annual Tax Increase:** Investment is mainly in changing the use of the facility for use as a bakery and the installation of related equipment. While there will be some limited increase in the property valuation, most of the value is in personal property.

**Affirmative Action Compliance:** An updated Affirmative Action Plan has been completed.

**CITY IRB POLICIES:**

Job Component

Minimum standard of one (1) job per 1,000 square feet of building area.

New French Bakery: Projected jobs in the third year at the new facility will meet the policy.

Property Improvements

No more than 25% of the bond proceeds may be used for land acquisition. If

purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures.

New French Bakery: In compliance.

Development Standards

Compliance with the Land Use Plan of the City's Comprehensive Plan.

New French Bakery: In compliance

Equipment Financing

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.

New French Bakery: In compliance

Restaurant/Bank

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 establishments, automobile dealerships or recreation or entertainment facilities.

New French Bakery: NA

Tax-exempt Institution

Refinancing is permitted when new jobs are created or when a significant number of jobs is preserved; any interest cost savings must directly reduce patient costs.

New French Bakery: NA

IRB CAP:

The project is subject to the State's limit on tax-exempt bond financing. An allocation

for tax-exempt bonding authority will be requested from the State following the Final Approval. The taxable portion of the proposed project is not subject to a State limit.

FINANCIAL ADVISOR:

Dougherty & Company

BOND COUNSEL:

Gray, Plant & Mooty

UNDERWRITER:

Piper Jaffray, Inc.

RBC Dain Rauscher, Inc

REVIEW BY CBF COORDINATING  
COMMITTEE:

Approved.

CBF Report Final Approval