

Request for City Council Action

Date: March 25, 2002

To: Council Member Lisa Goodman, Community Development Committee

Prepared by Nila McDonald, Financial Analyst, Business Finance, Phone 612-673-5189

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: A Public Hearing and Request for Preliminary and Final Approval of up to \$5,500,000 in 501(c)(3) Tax-exempt Revenue Bonds on behalf of The Woman's Club of Minneapolis.

Previous Directives: None

Ward: 7th Ward

Neighborhood Group Notification: The Citizens for a Loring Park Community group have been notified of this project.

Consistency with *Building a City That Works*: The improvements to the The Woman's Club clubhouse are consistent with Goal 4 of preserving and enhancing the urban institutions and amenities that define Minneapolis.

Comprehensive Plan Compliance: In compliance.

Zoning Code Compliance: In compliance.

Impact on the MCDA Budget:

No financial impact

Action requires an appropriation increase to the MCDA Budget

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Other financial impact (Explain): The issuance of 501(c)(3) tax-exempt revenue bonds will generate annual administrative fees that are used to support the small business assistance programs of the City.

Living Wage/Business Subsidy: Does not apply. Project is a 501(c)(3) conduit financing that is not subject to Living Wage/Business Subsidy.

Job Linkage: Does not apply. Project is a 501(c)(3) conduit financing that is not subject to Living Wage/Business Subsidy.

Affirmative Action Compliance: The project will comply with the affirmative action requirements of the City by filing an Affirmative Action Plan.

RECOMMENDATION:

City Council Recommendation: The Interim Executive Director recommends that the City Council adopt the attached Resolution, a summary of which will be published following a Public Hearing held on March 25, 2002 notice of which was published in Finance and Commerce on March 9, 2002 giving Preliminary and Final approval to the issuance of up to \$5,500,000 in 501(c)(3) Tax-exempt Revenue Bonds on behalf of The Woman's Club of Minneapolis.

Project Location and Description:

The Woman's Club of Minneapolis, a Minnesota 501(c)(3) nonprofit organization, owns and operates its facility at 410 Oak Grove Street. They have requested the City of Minneapolis to issue up to \$5,500,000 of tax-exempt bonds for its capital improvement project. The bond proceeds, together with approximately \$2 million of its own funds raised through its capital campaign, will be used to improve its Clubhouse.

The Clubhouse is an architectural landmark built in 1928. The Heritage Preservation Committee officially listed it as a Cultural Treasure in November of 1998.

The improvements, many of which will bring it into compliance with current code requirements, include: major upgrades to its entire mechanical systems (plumbing, heating, ac and electrical; new 3,500 lb. Elevator, expansion and update of the kitchen area and the addition of a 11-stall restroom on the first floor.

TYPE OF FINANCING:

The bonds will be variable rate demand bonds backed by a letter of credit. They will be rated and have a term bond maturing in 20 years.

Sources

Par Amount of Bonds	5,500,000
Equity	<u>2,000,000</u>
Total	7,500,000

Uses

Project Costs (incl. arch/eng)	7,300,000
Cost of Issuance & Real Estate Closing Costs	<u>200,000</u>
Total	7,500,000

PRESENT EMPLOYMENT:

The Womens Club of Minneapolis employs 50-60 persons.

NEW EMPLOYMENT:

None. This is a rehabilitation project.

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE:

As a tax-exempt 501(c)(3) facility, there is no tax impact as a result of the project.

AFFIRMATIVE ACTION COMPLIANCE:

Project will have a signed affirmative action plan prior to closing on the bonds.

MCDA IRB POLICIES:

Job Component

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

The Womans Club: In compliance.

Property Improvements

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.

The Womans Club: N.A.

Development Standards

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

The Womans Club: Project complies.

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.

The Womans Club: N.A.

Restaurant/Bank

IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in an MCDA 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.

The Womans Club: N.A.

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.

The Womans Club: N.A. No refinancing.

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:

Faegre & Benson

UNDERWRITERS:

US Bancorp Piper Jaffray

Authorizing the Issuance and Sale of
Variable Rate Demand Revenue Bonds
(The Woman's Club of Minneapolis Project) Series 2002
of the City and the Execution of Documents

WHEREAS, this Council has received a proposal from The Woman's Club of Minneapolis, a Minnesota nonprofit corporation ("the Borrower"), that the City of Minneapolis (the "City") finance all or a portion of the cost of a proposed project under Minnesota Statutes, Sections 469.152 through 469.1651 (the "Act"), consisting of various improvements (the "Project") to the Borrower's existing clubhouse facility located at 410 Oak Grove Street in the City (the "Facility").

WHEREAS, at a public hearing, duly noticed and held on March 25, 2002, in accordance with the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended, on the proposal to undertake and finance the Project, all parties who appeared at the hearing were given an opportunity to express their views with respect to the proposal to undertake and finance the Project, and interested persons were given the opportunity to submit written comments to the City Clerk before the time of the hearing.

WHEREAS, this Council hereby finds that the issuance and sale of up to \$5,500,000 aggregate principal amount of the City's Variable Rate Demand Revenue Bonds (The Woman's Club of Minneapolis Project) Series 2002 (the "Bonds"), to finance all or a portion of the costs of the Project is in the best interest of the City and the City hereby determines to issue and sell such Bonds.

WHEREAS, the Bonds will be issued by the City under the authority contained in the Act.

WHEREAS, the proceeds of the Bonds will be loaned (the "Loan") by the City to the Borrower, in order to finance all or a portion of the cost of the Project and pay certain costs of issuance of the Bonds.

WHEREAS, pursuant to a Loan Agreement (the "Loan Agreement"), to be entered into between the City and the Borrower, a copy of which has been presented to the Council at this meeting and which has been reviewed to the extent deemed necessary, the City will lend the proceeds of the Bonds to the Borrower. The Borrower will unconditionally agree to repay the Loan made by the City under the Loan Agreement in specified amounts and at specified times sufficient to make the necessary payments of principal of, premium, if any, and interest on the Bonds, when due. In addition, the Loan Agreement contains provisions relating to the payment by the Borrower of the fee of the City related to the Bonds and of administrative costs of the Trustee (as hereinafter defined), indemnification, insurance and other agreements and covenants which are required by the Act or which are permitted by the Act and

which the City and the Borrower deem necessary or desirable for the sale of the Bonds. The City will grant a security interest in certain revenues and payments to be received by the City under the Loan Agreement to the Trustee.

WHEREAS, pursuant to an Indenture of Trust (the "Indenture") to be entered into between the City and U.S. Bank National Association, as Trustee (the "Trustee"), a copy of which has been presented to the Council at this meeting and which has been reviewed to the extent deemed necessary, the City will assign and pledge all of its right, title and interest in the Loan Agreement (other than the right of the City to indemnification and payment of administrative fees and expenses), to the Trustee. In addition, the Indenture, among other things, sets the interest rates, maturity dates and redemption provisions for the Bonds, establishes the various funds and accounts for the deposit and transfer of money and contains other provisions which are required by the Act or which are permitted by the Act and which the City and the Borrower deem necessary or desirable in connection with the sale of the Bonds.

WHEREAS, the Bonds would be further secured by a letter of credit (the "Original Letter of Credit") to be issued by Bremer Bank, National Association (the "Bank") to the Trustee for the account of the Borrower, which Original Letter of Credit will be confirmed by a letter of credit (the "Confirming Letter of Credit") to be issued by LaSalle Bank National Association (the "Confirming Bank"). As a condition to the issuance of the Original Letter of Credit, the Bank will require the Borrower to enter into a reimbursement or similar agreement, requiring, among other things, the Borrower to reimburse the Bank for draws paid under the Original Letter of Credit.

WHEREAS, pursuant to a Remarketing Agreement (the "Remarketing Agreement"), proposed to be made and entered into between the Borrower and the Underwriter (hereinafter defined), as remarketing agent, the remarketing agent will agree to use its best efforts to remarket Bonds tendered for purchase by the owners thereof in accordance with the requirements of the Indenture.

WHEREAS, the Bonds will be special, limited obligations of the City payable solely from Loan Payments (as defined in the Loan Agreement) payable by the Borrower under the Loan Agreement, certain funds held by the Trustee under the Indenture and draws on the Original Letter of Credit and, if necessary, the Confirming Letter of Credit. The Bonds shall not be payable from or charged upon any funds of the City other than the revenues pledged to the payment thereof, nor shall the City be subject to any liability thereon. No holder or holders of any Bond shall ever have the right to compel any exercise of the taxing power of the City to pay any such Bond or the interest thereon, nor to enforce payment thereof against any property of the City other than such revenues specifically pledged under the Indenture. The Bonds shall not constitute a debt of the City within the meaning of any charter, constitutional or statutory limitation.

WHEREAS, the Bonds will be offered and sold by U.S. Bancorp Piper Jaffray Inc. (the "Underwriter") pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") between the City, the Borrower and the Underwriter, a copy of which has been presented to the Council and which has been reviewed to the extent

deemed necessary.

WHEREAS, a draft of an Official Statement relating to the Bonds (the "Official Statement"), has been presented to the Council at this meeting and has been reviewed to the extent deemed necessary. The Official Statement will be distributed by the Underwriter to potential purchasers of the Bonds.

NOW, THEREFORE, BE IT RESOLVED, in order to provide for the financing of all or a portion of the costs of the Project, the City hereby authorizes the issuance of the Bonds as variable rate demand revenue bonds under the Act, in an aggregate principal amount not to exceed \$5,500,000. It is acknowledged that the purchase price of the Bonds, the principal amount of the Bonds, the maturity schedule of the Bonds and the interest rates on the Bonds have not been determined as of this date and are not reflected in the forms of the Loan Agreement, the Indenture, the Bond Purchase Agreement or the Official Statement. The Mayor (or Deputy Mayor), the City Clerk (or Assistant City Clerk) and the City Finance Officer (or Assistant Finance Officer) (collectively, the "City Officials") are hereby authorized to approve: (1) the purchase price of such Bonds, provided that the total compensation payable to the Underwriter in respect of the Bonds does not exceed 2% of the principal amount of the Bonds; (2) the principal amount of such Bonds, provided that the principal amount of the Bonds does not exceed \$5,500,000; (3) the maturity schedule of such Bonds, provided that such Bonds mature at any time or times in such amount or amounts no later than 30 years after the date of issue thereof; (4) the provisions for redemption of such Bonds; and (5) the interest rates on such Bonds, provided that the initial interest rate shall be a variable rate not to exceed five percent (5.00%) per annum. Such approval shall be conclusively evidenced by the execution of the Bond Purchase Agreement as provided herein.

FURTHER RESOLVED, each Bond shall be executed on behalf of the City by the manual or facsimile signatures of the City Officials. The Trustee is hereby designated as authenticating agent pursuant to Minnesota Statutes, Section 475.55. If any of the officers who shall have signed any of the Bonds shall cease to be such officers of the City before the Bonds so signed shall have been actually authenticated by the Trustee or delivered by the City, such Bonds nevertheless may be authenticated, issued and delivered with the same force and effect as though the person or persons who signed such Bonds had not ceased to be such officer or officers of the City.

FURTHER RESOLVED, the Indenture, the Loan Agreement and the Bond Purchase Agreement are hereby made a part of this Resolution as fully as though set forth in full herein and are hereby approved in the forms, submitted to this meeting, and the City Officials are hereby authorized and directed to execute, acknowledge and deliver the Indenture, the Loan Agreement and the Bond Purchase Agreement on behalf of the City with such changes, insertions and omissions therein as are within the limitations as provided in the second preceding paragraph and do not change the substance of the Indenture, the Loan Agreement or the Bond Purchase Agreement and as may be approved by the City Officials, such approval to be evidenced conclusively by their execution of the Indenture, the Loan Agreement and the Bond Purchase Agreement.

FURTHER RESOLVED, the City hereby consents to the distribution by the Underwriter to potential purchasers of the Bonds of the Official Statement in substantially the form submitted to the Council at this meeting. The City has not and will not participate in the preparation of the Official Statement and has made no independent investigation with respect to the information contained therein or in the appendices thereto, and the City assumes no responsibility for the sufficiency, accuracy or completeness of such information.

FURTHER RESOLVED, the City Officials and all other officers of the City are hereby authorized and directed to execute and deliver all other documents which may be required under the terms of the Indenture, the Loan Agreement or the Bond Purchase Agreement, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

FURTHER RESOLVED, the City Finance Officer (or Assistant Finance Officer) is hereby designated for all purposes of the Loan Agreement, the Indenture and the Bond Purchase Agreement as the City official authorized to execute on behalf of the City certificates, requests or consents as provided in the Loan Agreement, the Indenture and the Bond Purchase Agreement.

FURTHER RESOLVED, that each Bond is hereby designated as a "Program Bond" and is determined to be within the "Program" 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.

Authorizing the Issuance and Sale of
Variable Rate Demand Revenue Bonds
(The Woman's Club of Minneapolis Project) Series 2002
of the City and the Execution of Documents

WHEREAS, this Council has received a proposal from The Woman's Club of Minneapolis, a Minnesota nonprofit corporation ("the Borrower"), that the City of Minneapolis (the "City") finance all or a portion of the cost of a proposed project under Minnesota Statutes, Sections 469.152 through 469.1651 (the "Act"), consisting of various improvements (the "Project") to the Borrower's existing clubhouse facility located at 410 Oak Grove Street in the City (the "Facility").

WHEREAS, at a public hearing, duly noticed and held on March 25, 2002, in accordance with the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended, on the proposal to undertake and finance the Project, all parties who appeared at the hearing were given an opportunity to express their views with respect to the proposal to undertake and finance the Project, and interested persons were given the opportunity to submit written comments to the City Clerk before the time of the hearing.

WHEREAS, this Council hereby finds that the issuance and sale of up to \$5,500,000 aggregate principal amount of the City's Variable Rate Demand Revenue Bonds (The Woman's Club of Minneapolis Project) Series 2002 (the "Bonds"), to finance all or a portion of the costs of the Project is in the best interest of the City and the City hereby determines to issue and sell such Bonds.

WHEREAS, the Bonds will be issued by the City under the authority contained in the Act.

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the Trustee (as hereinafter defined), indemnification, insurance and other agreements and covenants which are required by the Act or which are permitted by the Act and which the City and the Borrower deem necessary or desirable for the sale of the Bonds. The City will grant a security interest in certain revenues and payments to be received by the City under the Loan Agreement to the Trustee.

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Purchase Agreement”) between the City, the Borrower and the Underwriter, a copy of which has been presented to the Council and which has been reviewed to the extent deemed necessary.

WHEREAS, a draft of an Official Statement relating to the Bonds (the “Official Statement”), has been presented to the Council at this meeting and has been reviewed to the extent deemed necessary. The Official Statement will be distributed by the Underwriter to potential purchasers of the Bonds.

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