

Minneapolis Community Development Agency

## Request for City Council Action

Date: July 15, 2003

To: Council Member Lisa Goodman, Community Development Committee

Approved by Lee Sheehy, MCDA Executive Director  
Chuck Lutz, MCDA Deputy Executive Director \_\_\_\_\_

**Subject:** A Public Hearing and Request for Preliminary Approval of up to \$85,000,000 for City of Minneapolis Tax-exempt 501 (c)(3) Revenue Bonds Series 2003 for the Guthrie Theatre Foundation.

**Previous Directives:** None in relation to Revenue Bonds. The MCDA and the City have approved various actions over the past two years related to this proposed project. The MCDA has executed a Redevelopment Contract with the Guthrie Theatre Foundation providing for land sales, public parking and other public improvements.

**Ward:** 2 The site includes two parcels of land, the first bounded by West River Road, 10<sup>th</sup> Avenue South, 2<sup>nd</sup> Street South and Chicago Avenue South, and the Second bounded by 2<sup>nd</sup> Street South, 9<sup>th</sup> Avenue South, Washington Avenue South, and Chicago Avenue South.

**Neighborhood Group Notification:** Downtown East Neighborhood has been notified.

**Consistency with *Building a City That Works*:** The proposed project is consistent with Goal 4 of preserving and enhancing the urban institutes and amenities that define Minneapolis.

**Comprehensive Plan Compliance:** The proposed project complies with the Policies of the Minneapolis Plan.

**Zoning Code Compliance:** The proposed project is in compliance.

Crown Roller Mill,  
105 Fifth Ave. S., Suite 200  
Minneapolis, MN 55401-2534  
Telephone: (612) 673-5095  
TTY: (612) 673-5154  
Fax: (612) 673-5100  
www.mcda.org

**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 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:** The proposed project is a 501 (c)(3) conduit financing that is not subject to Living Wage/Business Subsidy. The Guthrie Theatre Foundation has agreed to execute a Business Subsidy Agreement as part of the Redevelopment Contract.

**Job Linkage:** Does not apply to Revenue Bond financing. The Guthrie Theatre Foundation has agreed to execute a Job Linkage Agreement as part of the Redevelopment Contract.

**Affirmative Action Compliance:** The Guthrie Theatre Foundation will complete its Affirmative Action Plan prior to the bond closing.

**RECOMMENDATION:**

**City Council Recommendation:** The Executive Director recommends that the City Council adopt the attached Resolution, a summary of which will be published following a Public Hearing held on July 15, 2003 notice of which was published in Finance and Commerce on June 28, 2003, giving Preliminary Approval to the issuance of up to \$85,000,000 of City of Minneapolis Tax-exempt 501 (c)(3) Revenue Bonds, Series 2003, for the Guthrie Theatre Foundation.

Background/Supporting Information

PROJECT LOCATION & DESCRIPTION:

The proposed project will be located on two parcels of land, the first bounded by West River Road, 10<sup>th</sup> Avenue South, 2<sup>nd</sup> Street South and Chicago Avenue South, and the second bounded by 2<sup>nd</sup> Street South, 9<sup>th</sup> Avenue South, Washington Avenue South and Chicago Avenue South.

The proposed project consists of the construction of a three-theater complex of approximately 285,000 square feet with an aggregate seating capacity of approximately 2,150, together with associated production and administrative space, an educational center and associated retail, beverage and food service facilities.

TYPE OF FINANCING:

<u>Sources:</u>	Revenue Bonds	\$ 85,000,000
	State Grant	25,000,000
	Equity (Pledges)	15,000,000
	Total	<u>\$125,000,000</u>

<u>Uses:</u>	Construction	\$ 96,000,000
	Contingency	500,000
	Land Purchase	3,870,000
	Professional Fees	15,680,000
	Relocation Costs	1,435,000
	Administration Costs	3,250,000
	Restaurant Finish	750,000
	Project Contingency	<u>3,015,000</u>
	Total	<u>\$125,000,000</u>

PRESENT EMPLOYMENT: 900

NEW EMPLOYMENT: 200

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE: Tax-exempt Facility

AFFIRMATIVE ACTION COMPLIANCE: Affirmative Action Plan will be completed prior to bond closing

MCDA IRB POLICIES:

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

Guthrie Theatre Foundation: NA

Property Improvements	<p>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.</p> <p><u>Guthrie Theatre Foundation:</u> In compliance.</p>
Development Standards	<p>Compliance with the Land Use Plan of the City's Comprehensive Plan.</p> <p><u>Guthrie Theatre Foundation:</u> In compliance.</p>
Equipment Financing	<p>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.</p> <p><u>Guthrie Theatre Foundation:</u> In compliance.</p>
Restaurant/Bank	<p>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.</p> <p><u>Guthrie Theatre Foundation:</u> In compliance.</p>
Tax-exempt Institution	<p>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.</p> <p><u>Guthrie Theatre Foundation:</u> NA</p>

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:

Dorsey & Whitney

UNDERWRITER:

RBC Dain Rauscher

**Preliminary Approval to a Project and its Financing on Behalf of Guthrie Theater  
Foundation Under the Minnesota Municipal Industrial  
Development Act; Referring the Project Proposal to the Minnesota  
Department of Employment and Economic Development for Approval;  
and Authorizing the Preparation of Necessary Documents**

WHEREAS, this Council has received a proposal that the City of Minneapolis (the City) finance a portion or all of the cost of a proposed project under Minnesota Statutes, Sections 469.152 through 469.165 (the Act), on behalf of the Guthrie Theater Foundation, a Minnesota nonprofit corporation (the Borrower), consisting of the construction and equipping of a three-theater complex of approximately 285,000 square feet with an aggregate seating capacity of approximately 2,150, together with associated production and administrative space, an educational center and associated retail, beverage and food service facilities (the "Project"), to be operated by the Borrower and located in the City on 2 parcels of land, the first bounded by West River Road, 10<sup>th</sup> Avenue South, 2<sup>nd</sup> Street South and Chicago Avenue South, and the second bounded by 2<sup>nd</sup> Street South, 9<sup>th</sup> Avenue South, Washington Avenue South and Chicago Avenue South

WHEREAS, at a public hearing, duly noticed and held on July 15, 2003, in accordance with the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (the Code), 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.

NOW THEREFORE BE IT RESOLVED, based on the public hearing, written comments (if any) and such other facts and circumstances as this Council deems relevant:

(a) The undertaking of the Project would further the general purposes contemplated and described in Section 469.152 of the Act.

(b) This Council has been advised by representatives of the Borrower that conventional, commercial financing to pay the cost of the Project is available only at such high costs of borrowing that the economic feasibility of acquiring and operating the Project would be below that resulting from municipal borrowing, and its lower borrowing cost.

(c) The City is authorized by the Act to issue its revenue bonds to finance capital projects consisting of properties used and useful in connection with a revenue

producing such as that of the Borrower, and the issuance of the bonds by the City would be a substantial inducement to the Borrower to undertake the Project.

FURTHER RESOLVED, on the basis of the information given the City to date, it appears that it would be desirable for the City to issue its revenue bonds, in one or more series, under the provisions of the Act to finance the Project in the maximum aggregate face amount of \$85,000,000, the interest on which will be excludable from gross income under Section 103 of the Code (the Bonds).

FURTHER RESOLVED, that this Council hereby gives preliminary approval to the Project and the issuance of the Bonds under the Act to finance the Project. The issuance of the Bonds to finance the Project shall be subject to approval of the Project by the Minnesota Department of Employment and Economic Development (the Department) and final determination by the City of the terms and conditions. This resolution shall not constitute an irrevocable commitment on the part of the City to issue the Bonds. The Bonds, if issued, shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City, except the revenues specifically pledged to the payment thereof, and each Bond, when, as and if issued, shall recite in substance that the Bond, including interest thereon, is payable solely from the revenues and property specifically pledged to the payment thereof, and shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

FURTHER RESOLVED, that the Application to the Department (the Application), with attachments, is hereby approved, and the Mayor, Finance Officer and President of the Council or other authorized representatives of the City are authorized to execute said documents on behalf of the City.

FURTHER RESOLVED, that in accordance with Section 469.154, Subdivision 3 of the Act, the Mayor and Finance Officer or other authorized representatives of the City are hereby authorized and directed to cause the Application to be submitted to the Department for approval of the Project. The proper officers, employees and agents of the City are hereby authorized and directed to provide the Department with any preliminary information needed for this purpose and to assist in the preparation of such documents as may be appropriate to the Project, if approved by the Department.