Request for MCDA Board of Commissioners Action from the Department of Community Planning & Economic Development - CPED

Date: April 17, 2007

To: Council Member Lisa Goodman, Community Development Committee

Referral to: MCDA Board of Commissioners

Subject: A Public Hearing and Request for Preliminary and Final Approval of up to $2,915,000 in 501(c)(3) Bank Qualified Bank Direct Tax-exempt Minneapolis Community Development Agency Revenue Bonds for The Woman's Club of Minneapolis Project.

Recommendation: City Council Recommendation: Adopt the attached Resolution, giving Preliminary and Final Approval to the issuance of up to $2,915,000 in Tax-exempt 501(c)(3) Bank Qualified Bank Direct Minneapolis Community Development Agency Revenue Bonds, Series 2007 for The Woman's Club of Minneapolis Project.

MCDA Board Recommendation: Forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the attached Resolution giving Preliminary and Final Approval of up to $2,915,000 in Tax-exempt 501(c)(3) Bank Qualified Bank Direct Revenue Bonds, Series 2007, for The Woman's Club of Minneapolis Project.

Previous Directives: The City of Minneapolis has issued Tax-exempt Revenue Bonds for The Woman's Club of Minneapolis in 2002 in the amount of $5,500,000 for a capital improvement project. At this time staff is requesting on behalf of The Woman's Club, preliminary and final approval of up to $2,915,000 to refinance the outstanding balance on the Series 2002 bonds.

Prepared by: Becky Shaw, Business Finance Phone: 612-673-5066
Approved by: Charles T. Lutz, Deputy Director CPED _____
Presenters in Committee: Becky Shaw

Reviews

- Permanent Review Committee (PRC): Approval N.A.

Financial Impact

- Other financial impact: The issuance of revenue bonds for The Woman's Club of Minneapolis Project will generate revenue bond administrative fees of approximately $7,300 a year that are used to support the small business assistance programs of the City of Minneapolis.

Community Impact

- Neighborhood Notification: The Citizens for a Loring Park Community group has been notified of this project.
- City Goals: This project promotes the City's 5 year goal for an Enriched Environment where historical architecture is celebrated and public gathering areas a valued resource.
- Sustainability Targets: N.A.
- Comprehensive Plan: The proposed project is in compliance with the policies of the Minneapolis plan.
- Zoning Code: The proposed project is in compliance.
- Living Wage/Business Subsidy Agreement Yes ____ No _X__ All conduit revenue bonds allocated under State Statute Chapter 474A, refunding bonds and 501(c)(3) bonds are exempt from both the City Ordinance and the State Act unless the intent of the bond financing is to create jobs and the net benefit is greater than $100,000.
- Job Linkage Yes ____ No __X_

Supporting Information

Project Location & Description:

The Woman's Club of Minneapolis is a Minnesota 501(c)(3) non-profit organization. The Club started in the spring of 1907 with 25 influential local women in the Minneapolis Public Library. In 1928 The Woman's Club built the current clubhouse located at 410 Oak Grove Street which has been designated by the City of Minneapolis as a historic building. Exactly 100 years later, The Woman's Club has over 700 members and still holds true to the original mission of operating exclusively for charitable and educational purposes, civil and social services, study and friendly association.

In 2002 The Woman's Club came to the City of Minneapolis to issue bonds for a capital improvement project. The project included major upgrades to the entire mechanical system (plumbing, HVAC, and electrical), a new elevator, expansion of the kitchen and first floor restroom as well as other improvements bringing the building into compliance with current codes. At this time The Woman's Club wishes to refund these bonds with a Series 2007 issuance of Bank Qualified Bank Direct Bonds.

Type of Financing:

Industrial Development Bonds (commonly known as IDBs or tax-exempt revenue bonds) have been used by the City of Minneapolis since 1972 to finance the capital needs of many small companies and organizations. In 2003, City developed a financing program to provide cost-effective tax-exempt financing for small 501(c)(3) nonprofit organizations. Tax-exempt revenue bonds have often not been a practical financing option for small organizations in the past due to the high costs of borrowing. Providing a streamlined application and documentation process has resulted in lower borrowing costs for nonprofits.

Within the existing federal tax code, there is the ability to issue bank qualified debt that local lenders can purchase and take advantage of the partial tax deduction on the interest earnings. With the bank qualified status, banks are allowed to deduct 80% of their "carrying costs" (interest paid on borrowed funds like deposits to purchase bonds) associated with buying tax-exempt bonds. Banks therefore can get the dual benefits of tax-exemption and deductibility of carrying costs. This translates into lower borrowing costs for the nonprofit organizations that work with a city (issuer) on the issuance of bank qualified

bank direct bonds. Tax-exempt revenue bonds are underwritten and collateralized just like any conventional bank loan. The bank approval process for the revenue bond program does not differ from conventional financing.

The issuance of bank qualified bank direct tax-exempt revenue bonds is limited to issuers who issue less than $10 million a year in revenue bonds. Based on this limitation, the MCDA has the ability to issue bank qualified bank direct tax-exempt revenue bonds.

The Bank Qualified Bank Direct Tax-exempt Revenue Bonds for The Woman's Club of Minneapolis are being underwritten and purchased by Stifel Nicolaus. The $2,915,000 will be issued and sold to up to 5 qualified institutional investors.

Sources:

Bank Qualified Revenue Bonds	$2,915,000
Equity	55,000
Total:	$2,970,000

Uses:

Series 2002 Principal Outstanding	$2,840,000
Cost of Issuance	115,000
Additional Fees/Other Expenses	15,000
Total:	$2,970,000

Present Employment: The Woman's Club currently employs 55 individuals.

New Employment: The Woman's Club expects to retain all positions.

Assessor's Estimate Annual Tax Increase: Tax-exempt facility

Affirmative Action Compliance: The Woman's Club is currently working with the City on updating their affirmative action plan.

CITY IRB POLICIES:

Job Component	Minimum standard of one (1) job per 1,000 square feet of building area. Woman's 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. Woman's Club: N.A. Refunding Bonds only
Development Standards	Compliance with the Land Use Plan of the City's Comprehensive Plan.

	Woman's Club: N.A. Refunding Bonds only
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.
	Woman's Club: N.A. Refunding Bonds only
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.
	Woman's Club: N.A. Refunding Bonds only
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.
	Woman's Club: All jobs will be preserved.
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:	Briggs and Morgan, P.A.
UNDERWRITER:	Stifel Nicolaus

RESOLUTION

of the

CITY OF MINNEAPOLIS

By _____

Giving preliminary and final approval to and authorizing the financing of a project on behalf of The Woman's Club of Minneapolis (the "Borrower"), and authorizing the issuance of a revenue bond or bonds of the Minneapolis Community Development Agency therefor.

WHEREAS, pursuant to Laws of Minnesota 1980, Chapter 595, as amended ("Chapter 595"), the City Council of the City of Minneapolis, Minnesota (the "City") established the Minneapolis Community Development Agency (the "Agency") and granted certain powers and duties to the Agency; and

WHEREAS, pursuant to such granted powers, the Agency has been authorized to issue revenue obligations for various purposes; and

WHEREAS, it has been proposed that the Agency issue a revenue bond or bonds in an amount not to exceed $2,915,000 (the "Bond") by the Borrower to refinance certain tax exempt bonds issued in 2002 by the City to finance capital improvements to the Borrower's meeting and clubhouse facilities located at 410 Oak Grove Street in the City and to finance additional capital improvements to such facility (the "Project"); and

WHEREAS, the property included in the Project is owned by the Borrower, which is a Minnesota corporation; and

WHEREAS, the Agency expects to give final approval to the issuance of the Bond by a resolution to be adopted on the date hereof; and

WHEREAS, the Bond shall bear interest at a fixed interest rate expected to not exceed 6.50% per annum, shall have a final maturity date not later than May 1, 2023, and shall have such other terms as required or permitted by the Agency's resolution, which terms are to be incorporated herein by reference;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

That the City Council hereby gives preliminary and final approval to the issuance by the Agency of the Bond in a principal amount not to exceed $2,915,000 for the purpose of financing the Project.

That the Bond is hereby designated as a "Program Bond" and is determined to be within the "Economic Development Program" and the "Program," all 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.

Certified as an official action of the City Council:

RECORD OF COUNCIL VOTE (X INDICATES VOTE)													
COUNCIL MEMBER	AYE	NAY	NOT VOTING	ABSENT	VOTE TO OVERRIDE	VOTE TO SUSTAIN	COUNCIL MEMBER	AYE	NAY	NOT VOTING	ABSENT	VOTE TO OVERRIDE	VOTE TO SUSTAIN
President Johnson							Goodman						
							Glidden						
Ostrow							Schiff						
Gordon							Remington						
Hofstede							Benson						
Samuels							Colvin Roy						
Lilligren							Hodges						

PASSED _____ ☐ **APPROVED** ☐ **NOT APPROVED** ☐
VETOED

DATE

ATTEST _____ _____

CITY CLERK MAYOR DATE

RESOLUTION

of the

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

By _____

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
UP TO $2,915,000 COMMERCIAL DEVELOPMENT REVENUE NOTES
(THE WOMAN'S CLUB OF MINNEAPOLIS PROJECT), SERIES 2007

RESOLVED by the Board of Commissioners (the "Board") of the Minneapolis Community Development Agency (the "Agency"):

Section 1. Findings. The Board does hereby determine, as follows:

1.1. the Agency is authorized by Minnesota Statutes Sections 469.152 through 469.1651, as amended (the "Act"), to undertake the proposal of The Woman's Club of Minneapolis, a Minnesota nonprofit corporation (the "Borrower") to refinance certain tax exempt obligations issued in 2002 by the City of Minneapolis (the "City") to finance capital improvements to the Borrower's meeting and clubhouse facility and to finance additional improvements to such facility located at 410 Oak Grove Street in the City (the "Project"), and to enter into a Loan Agreement with the Borrower (the "Loan Agreement") for the public purposes expressed in the Act;

1.2. in authorizing the financing of the Project the Agency's purpose is, and in its judgment the effect thereof will be, to promote the public welfare by continuing to provide community facilities and to provide employment opportunities for citizens of the City;

1.3. it is desirable, feasible and consistent with the objects and purposes of the Act to issue the Commercial Development Revenue Notes, Series 2006 (The Woman's Club of Minneapolis Project), in the aggregate principal amount of no more than $2,915,000 (the "Notes") to finance the Project; and

1.4. the Notes and the interest accruing thereon do not constitute an indebtedness of the Agency or the City within the meaning of any constitutional or statutory limitation and do not constitute or give rise to a pecuniary liability or a charge against the general credit or taxing powers of the Agency or the City and neither the full faith and credit nor the taxing powers of the Agency or the City are pledged for the payment of the Notes or interest thereon.

Section 2. The Notes.

2.1. Authorized Amount and Form of Notes. The Notes issued pursuant to this Resolution shall be in substantially the form set forth on Exhibit A to the Loan Agreement, with such appropriate variations, omissions and insertions as are permitted or required by this Resolution, and in accordance with the further provisions hereof; and the total principal amount of the Notes that may be outstanding hereunder is expressly limited to $2,915,000 unless duplicate Notes are issued pursuant to Section 3.7.

2.2. The Notes. The Notes shall be dated as of the date of delivery, shall be payable at the times and in the manner, shall bear interest at the rate not to exceed 6.5% per annum, and shall be subject to such other terms and conditions as are set forth therein.

2.3. Execution. The Notes shall be executed on behalf of the Agency by the signature of the Executive Director and the Finance Officer and registered by the Finance Officer. In case any officer whose signature shall appear on the Notes shall cease to be such officer before the delivery of the Notes, such signature shall nevertheless be valid and sufficient for all purposes, the same as if it had remained in office until delivery. In the event of the absence or disability of the Executive Director or Finance Officer such officer of the Agency as, in the opinion of the City Attorney, may act in his behalf, shall without further act or authorization of the Board execute and deliver the Notes.

2.4. Delivery of Notes. Before delivery of the Notes there shall be filed with the Purchaser of the Notes (except to the extent waived by the Purchaser) the following items:

(a) an executed copy of each of the following documents:

(1) the Loan Agreement;

(2) the Pledge Agreement between the Agency and the Purchaser (the "Pledge Agreement");

(3) the Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Financing Statement from the Borrower to the Purchaser;

(4) such other security and disbursing agreements as required by the Purchaser.

(b) an opinion of Counsel for the Borrower as prescribed by Bond Counsel;

(c) the opinion of Bond Counsel as to the validity and tax exempt status of the Notes; and

(d) such other documents and opinions as Bond Counsel may reasonably require for purposes of rendering its opinion required in subsection (c) above or that the purchasers may reasonably require for the closing.

2.5. Disposition of Notes Proceeds. Upon delivery of the Notes, the purchase price paid will be used together with other funds available to redeem the City's 2002 tax exempt obligations, pay costs of issuance of the Notes and, if funds are available, refinance capital improvements to the Project.

2.6. Registration of Transfer. The Agency will cause to be kept at the office of the Finance Officer a Note Register in which, subject to such reasonable regulations as it may prescribe, the Agency shall provide for the registration of transfers of ownership of the Notes. The Notes shall be initially registered in the name of the original purchaser and shall be transferable upon the Note Register by the holder in person or by an agent duly authorized in writing, upon surrender of a Note together with a written instrument of transfer satisfactory to the Finance Officer, duly executed by the holder or its duly authorized agent. Upon such transfer the City Finance Officer shall note the date of registration and the name and address of the new holder in the Note Register and in the registration blank appearing on the Notes.

2.7. Mutilated, Lost or Destroyed Notes. In case any Note issued hereunder shall become mutilated or be destroyed or lost, the Agency shall, if not then prohibited by law, cause to be executed and delivered, a new Note of like outstanding principal amount, number and tenor in exchange and substitution for and upon cancellation of such mutilated Note, or in lieu of and in substitution for such Note destroyed or lost, upon the holder's paying the reasonable expenses and charges of the Agency in connection therewith, and in the case of a Note destroyed or lost, the filing with the Agency of evidence satisfactory to the Agency with indemnity satisfactory to it. If the mutilated, destroyed or lost Note has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Note prior to payment.

2.8. Ownership of Notes. The Agency may deem and treat the person in whose name the Notes are last registered in the Note Register and by notation on the Notes whether or not such Notes shall be overdue, as the absolute owner of such Notes for the purpose of receiving payment of or on account of the principal balance, redemption price or interest and for all other purposes whatsoever, and the Agency shall not be affected by any notice to the contrary.

2.9. Limitation on Notes Transfers. The Notes have been issued without registration under state or other securities laws, pursuant to an exemption for such issuance; and accordingly the Notes may not be assigned or transferred in whole or part, nor may a participation interest in the Notes be given pursuant to any participation agreement, except in accordance with an applicable exemption from such registration requirements.

2.10. Issuance of New Notes. Subject to the provisions of Section 2.9, the Agency shall, at the request and expense of a holder, issue new Notes, in aggregate outstanding principal amount equal to that of the Notes surrendered, and of like tenor except as to number, principal amount, and the amount of the monthly installments payable thereunder, and registered in the name of the holder or such transferee as may be designated by the holder.

2.11. Designation as a "Program Bond." The Notes are hereby designated as a "Program Bond" and is determined to be within the "Economic Development Program" and the "Program," all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted August 12, 1997.

Section 3. General Covenants.

3.1. Payment of Principal and Interest. The Agency covenants that it will promptly pay or cause to be paid the principal of and interest on the Notes at the place, on the dates, solely from the source and in the manner provided herein and in the Notes. The principal and interest are payable solely from and secured by revenues and proceeds derived from the Loan Agreement, the Pledge Agreement, and the Mortgage (the "Security Documents"), which revenues and proceeds are hereby specifically pledged to the payment thereof in the manner and to the extent specified in the Notes and the Security Documents; and nothing in the Notes or in this Resolution shall be considered as assigning, pledging or otherwise encumbering any other funds or assets of the Agency or the City.

3.2. Performance of and Agency for Covenants. The Agency covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Resolution, in the Notes and in all proceedings of the Board pertaining thereto. The Agency agrees to enforce all covenants and obligations of the Borrower under the Loan Agreement, upon request of the holders of the Notes and being indemnified to the satisfaction of the Agency for all expenses and claims arising therefrom, and to perform all covenants and other provisions pertaining to the Agency contained in the Notes and the Loan Agreement and subject to Section 4.3.

3.3. Nature of Security. Notwithstanding anything contained in the Notes, the Security Documents or any other document referred to in Section 2.4 to the contrary, under the provisions of the Act, the Notes may not be payable from or be a charge upon any funds of the Agency or the Agency or the City other than the revenues and proceeds pledged to the payment thereof, nor shall the Agency or the City be subject to any liability thereon, nor shall the Notes otherwise contribute or give rise to a pecuniary liability of the Agency or the City or, to the extent permitted by law, any of the Agency or the City's officers, employees and agents. No holder of the Notes shall ever have the right to compel any exercise of the taxing power of the Agency or the City to pay the Notes or the interest thereon, or to enforce payment thereof against any property of the Agency or the City other than the revenues pledged under the Pledge Agreement; and the Notes shall not constitute a charge, lien or encumbrance,

legal or equitable, upon any property of the Agency or the City; and the Notes shall not constitute a debt of the Agency or the City within the meaning of any constitutional or statutory limitation; but nothing in the Act impairs the rights of the holders of the Notes to enforce the covenants made for the security thereof as provided in this Resolution, the Loan Agreement and the Pledge Agreement, and in the Act, and by authority of the Act the Agency has made the covenants and agreements herein for the benefit of the purchasers; provided that in any event, the agreement of the Agency to perform or enforce the covenants and other provisions contained in the Notes, the Loan Agreement and the Pledge Agreement shall be subject at all times to the availability of revenues under the Loan Agreement sufficient to pay all costs of such performance or the enforcement thereof, and neither the Agency nor the City shall be subject to any personal or pecuniary liability thereon.

Section 4. Bank Qualification. In order to qualify the Notes as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Agency makes the following representations:

4.1. The Agency hereby designates the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code;

4.2. The reasonably anticipated amount of tax-exempt obligations (other than obligations described in clause (ii) of Section 265(b)(3)(C) of the Code) which will be issued by the Agency (and all subordinate entities whose obligations will be aggregated with those of the Agency) during this calendar year 2007 will not exceed $10,000,000; and

4.3. Not more than $10,000,000 of tax-exempt obligations issued by the Agency during this calendar year 2007 have been designated as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.

Section 5. Miscellaneous.

5.1. Severability. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions or in all cases because it conflicts with any provisions of any constitution or statute or rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or paragraphs in this Resolution contained shall not affect the remaining portions of this Resolution or any part thereof.

5.2. Authentication of Transcript. The officers of the Agency are directed to furnish to Bond Counsel certified copies of this Resolution and all documents referred to herein, and affidavits or certificates as to all other matters

which are reasonably necessary to evidence the validity of the Notes. All such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute recitals of the Agency as to the correctness of all statements contained therein.

5.3. Authorization to Execute Agreements. The forms of the proposed Loan Agreement and the Pledge Agreement are hereby approved in substantially the form heretofore presented to the Board, together with such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by Bond Counsel prior to the execution of the documents, and the Executive Director and Finance Officer are authorized to execute the Loan Agreement and the Pledge Agreement in the name of and on behalf of the Agency and such other documents as Bond Counsel consider appropriate in connection with the issuance of the Notes. In the event of the absence or disability of the Executive Director or the Finance Officer, such officer of the Agency as, in the opinion of the City Attorney, may act in their behalf, shall without further act or authorization of the Board do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers. The execution of any instrument by the appropriate officer or officers of the Agency herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof.

RECORD OF COMMISSIONER VOTE													
Commissioner	**Aye**	**Nay**	**NV**	**Abs**	**Ovrd**	**Sust**	**Commissioner**	**Aye**	**Nay**	**NV**	**Abs**	**Ovrd**	**Sust**
Benson							**Lilligren**						
Colvin Roy							**Ostrow**						
Glidden							**Remington**						
Gordon							**Samuels**						
Hodges							**Schiff**						
Hofstede							**Goodman, chair**						
Johnson													
Vote: NV - Not Voting Abs - Absent Ovrd - Vote to Override Sust - Vote to Sustain													

ADOPTED _____. _____.

Chairperson

APPROVED
NOT APPROVED _____. _____.
VETOED

Mayor

Minneapolis Community Development Agency
Crown Roller Mill, 105 Fifth Ave. S.
Minneapolis, MN 55401