



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

Date: June 19, 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 \$1 million in 501(c)(3) Bank Qualified Bank Direct Tax-exempt Minneapolis Community Development Agency Revenue Bonds for the Migizi Communications Project

Recommendation: City Council Recommendation: Adopt the attached Resolution, giving Preliminary and Final Approval to the issuance of up to \$1,000,000 in Tax-exempt 501(c)(3) Bank Qualified Bank Direct Minneapolis Community Development Agency Revenue Bonds, Series 2007 for Migizi Communications 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 \$1,000,000 in Tax-exempt 501(c)(3) Bank Qualified Bank Direct Revenue Bonds, Series 2007, for Migizi Communications Project.

Previous Directives: On March 1, 2001, the Executive Director approved an updated Assignment, Subordination and Estoppel Agreement. On July 10, 1992, the City Council awarded \$200,000 in 1992 NRP Transition Funds to MIGIZI Communications for a Community Youth Center. On January 17, 1995, the MCDA Board approved loans of \$25,000 from the Community Commercial Economic Development Fund and the Program for Arts and Social Services for Improvements to the Community Youth Center. On February 9, 2001, the Executive Director approved a one year payment deferral on the \$187,500 NRP Loan.

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. Date _____

Financial Impact

- Other financial impact: The issuance of revenue bonds for the Migizi Communications Project will generate revenue bond administrative fees of approximately \$2,500 a year that are used to support the small business assistance programs of the City of Minneapolis.

Community Impact

- Neighborhood Notification: The Longfellow Community Council has been notified of this project.
- City Goals: This project promotes the City's five year goal to make lifelong learning second to none.
- Sustainability Targets: N.A.
- Comprehensive Plan: The proposed project is in compliance with the policies of the Minneapolis plan.
- Zoning Code: The proposed plan is in compliance.
- Living Wage/Business Subsidy Agreement Yes _____ No X All conduit revenue 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:

Migizi Communications started in 1975 by American Indian Journalist as a regional news organization. They are a 501(c)(3) nonprofit corporation providing media/technology and health/wellness services to the Twin Cities American Indian Community. Over the last 30 years, Migizi has served almost 10,000 Minneapolis community members. Migizi has provided over 50,000 hours of computer training to low-income youth and provided wellness and fitness training through their Running Wolf Fitness Center to low-income community members. In its 30 year history, Migizi and its affiliates have invested over \$20 million to the members and community in the City of Minneapolis.

Migizi Communications is located at 3123 East Lake Street. At this time they wish to issue bank qualified bank direct 501(c)(3) Bonds to refinance commercial indebtedness incurred to purchase and improve the 28,000 sq. ft building which houses Migizi Communications, Minnesota Transitions Charter School, Heart of the Earth Survival School, and Honor Our Neighbors Origins and Rights Inc.

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 Bonds for Migizi Communications will be underwritten and purchased by Woodlands National Bank in Cloquet, MN. The Bonds will be refunding 2 outstanding loans. The first is a mortgage note originally written in 1992 for \$600,000 by National City Bank. City Council also awarded \$200,000 in NRP Transition funds in 1992 at 3% interest rate. Payments on that loan are set to commence "30 days after the 11th anniversary of the Date of Closing (8/16/96). Payments, therefore, begin on 9/16/07." In 2001 after paying down approximately \$400,000 of that note, Migizi refinanced their Mortgage with National City Bank for \$775,000 to support a build out of Minnesota Transitions Charter School. The 2002 Mortgage (assumed by M&I Bank after the closing of National City Bank) is set to balloon on March 27, 2008 and payments on the outstanding \$187,500 balance of the NRP loan starts on September 16, 2007.

At this time Migizi would like to refinance both loans with Woodland Bank at a 5.3% interest rate. Doing so will pay off the City of Minneapolis in full and provide a significant cost savings to the organization.

Sources:	MCDA Bonds	<u>\$1,000,000</u>
	Total Sources:	\$1,000,000
Uses:	M&I Bank	\$ 775,000
	NRP Loan	187,500
	Issuance Costs	<u>37,500</u>
	Total Uses:	\$1,000,000

Present Employment: Migizi employs 15 full time staff.

New Employment: Migizi will retain all positions.

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

Affirmative Action Compliance: Migizi is currently working with the City on updating their affirmative action plan.

CITY IRB POLICIES:

Job Component	<p>Minimum standard of one (1) job per 1,000 square feet of building area.</p> <p>Migizi: In compliance.</p>
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>Migizi: In compliance.</p>
Development Standards	<p>Compliance with the Land Use Plan of the City's Comprehensive Plan.</p> <p>Migizi: 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>Migizi: In compliance.</p>
Restaurant/Bank	<p>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.</p> <p>Migizi: N.A.</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>Migizi: All jobs will be retained.</p>
<u>IRB CAP:</u>	<p>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.</p> <p>Fryberger, Buchanan, Smith & Frederick</p>
<u>BOND COUNSEL:</u>	
<u>UNDERWRITER:</u>	Woodlands National Bank

RESOLUTION

of the

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

By _____

RESOLUTION GIVING PRELIMINARY AND FINAL APPROVAL TO THE ISSUANCE AND SALE OF A REVENUE NOTE (MIGIZI COMMUNICATIONS, INC. PROJECT), SERIES 2007 IN THE AGGREGATE AMOUNT OF NOT TO EXCEED \$1,000,000 AND AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO

BE IT RESOLVED, by the governing body (the "Board of Commissioners") of the Minneapolis Community Development Agency, Hennepin County, Minnesota (the "Issuer"), as follows:

- Section 1. Definitions. The terms used herein, unless the context hereof requires otherwise, have the following meanings, and any other terms defined in the Loan Agreement (hereinafter defined) have the same meanings when used herein as assigned to them in the Loan Agreement unless the context or use thereof indicates another or differing meaning or intent:
- a. Act: Minnesota Statutes, Sections 469.152 through 469.165, as amended.
 - b. Borrower: Migizi Communications, Inc. being (as represented to the Issuer), a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Code, the corporate offices of which are located at 3123 East Lake Street, Minneapolis, MN 55406.
 - c. Bond Counsel: the law firm of Fryberger, Buchanan, Smith & Frederick, P.A. or any other firm of nationally-recognized bond counsel.
 - d. City: the City of Minneapolis, Minnesota, a municipal corporation and political subdivision.
 - e. Code: the Internal Revenue Code of 1986, as amended.
 - f. Board of Commissioners: the governing body of the Issuer.
 - g. County: Hennepin County, Minnesota.
 - h. Documents: the Loan Agreement, the Mortgage, the Pledge Agreement and other documents required for the issuance of the Note.
 - i. DEED: the Minnesota Department of Employment and Economic Development.

- j. Issuer: the Minneapolis Community Development Agency, Hennepin County, an independent development and redevelopment agency, corporate and politic, and governmental subdivision organized and existing under the laws of the State.
- k. Issuer Documents: collectively, the Loan Agreement and the Pledge Agreement.
- l. Lender: Woodlands National Bank, a national banking association, with an office located in Cloquet, Minnesota.
- m. Loan Agreement: the Loan Agreement to be entered into between the Issuer and the Borrower, pursuant to which the Borrower agrees to repay the loan made thereunder in specified amounts and at specified times sufficient to pay in full when due the principal of, premium, if any, and interest on the Note.
- n. Mortgage: the combination Mortgage, Security Agreement, Fixture Financing Statement and Assignment of Leases and Rents from the Borrower to the Lender, pursuant to which the Borrower will secure its obligations with respect to the Note under the Loan Agreement, including the payment of amounts due under the Loan Agreement, by granting to the Lender a first mortgage interest in the property described therein.
- o. Note: the Issuer's Revenue Note (Migizi Communications, Inc. Project), Series 2007
- p. Pledge Agreement: the Pledge Agreement to be entered into among the Issuer, the Borrower and the Lender, pursuant to which the Issuer pledges and grants a security interest in all of its rights, title, and interest in the Loan Agreement (except for the Unassigned Issuer's Rights) to the Lender.
- q. Project: the approximately 28,000 square foot office building located at 3123 East Lake Street in Minneapolis, Minnesota.
- r. Registrar: the bond registrar and transfer agent for the Note.
- s. State: the State of Minnesota.

Section 2. Recitals.

- a. the Borrower has proposed issuance of revenue obligations, in one or more series, in an amount not to exceed \$1,000,000 (the "Note") refinance outstanding commercial indebtedness incurred to purchase and improve the Project owned and operated by the Borrower as its corporate headquarters, portions of which are rented to Minnesota Transitions Charter School, Heart of the Earth Survival School, Inc., Honor Our Neighbors Origins and Rights, Inc., all organizations described in Section 501(c)(3) of the Code and paying costs associated with the financing.
- b. The Issuer has been advised by representatives of the Borrower that: (i) conventional financing to pay the capital cost of the Project is available only on a limited basis and at such high costs of borrowing that the economic feasibility of operating the Project would be significantly reduced; (ii) on the basis of information submitted to the Borrower and their discussions with representatives of area financial institutions and potential buyers of tax-exempt bonds, the Note

could be issued and sold upon favorable rates and terms to finance the Project; and (iii) the Project would not be undertaken in their present form but for the availability of financing under Minnesota Statutes, Sections 469.152 through 469.165 as amended, relating to municipal industrial development (the "Act").

- c. A notice of public hearing was published in *Finance & Commerce* and the *Star Tribune*, the Issuer's official newspapers and newspapers of general circulation, calling a public hearing on the proposed issuance of the Note and the proposal to undertake and finance the Project.
- d. The Issuer has, after due notice and publication thereof, on June 19, 2007, held a public hearing on the Project and the financing thereof, and persons in attendance wishing to speak on the Project and financing thereof were given an opportunity to do so at the hearing.
- e. Drafts of the following documents have been submitted to this Board of Commissioners and are on file in the office of the Clerk:
 - i. the Loan Agreement;
 - ii. the Pledge Agreement;
 - iii. the Mortgage; and
 - iv. the form of the Note.

Section 3. Findings. It is hereby found, determined, and declared as follows:

- a. The welfare of the State and the Issuer requires the provision of necessary educational support services so that adequate services are available to residents of the State, including the American Indian community, and other residents of the Issuer at reasonable cost.
- b. The Issuer desires to facilitate the selective development of the community and help to provide the range of services and employment opportunities required by the population. The Project will assist the Issuer in achieving those objectives; help to stabilize market valuation of the Issuer; and enhance the image and reputation of the community.
- c. On the basis of information made available to the Board of Commissioners by the Borrower it appears, and the Board of Commissioners hereby finds, that: (1) the Project constitutes properties, real and personal, used or useful in connection with a revenue producing enterprise; (2) the Project furthers the legislative purposes of the Act; (3) the Project would not be undertaken but for the availability of financing under the Act and the willingness of the Issuer to furnish such financing; and (4) the effect of the Project, if undertaken, will be to: (i) encourage the development of economically sound industry and commerce, (ii) assist in the prevention of the emergence of blighted and marginal land, (iii) help prevent chronic unemployment, provide the range of service and employment opportunities required by the population, (v) help prevent the movement of talented and educated persons out of the State and to areas within the State where their services may not be as effectively used, and (vi) promote more

intensive development and appropriate use of land within the Issuer, eventually to increase the tax base of the community.

Section 4. The Note.

- a. In order to provide for the financing of the Project, the Issuer determines, based on representations of the Borrower, that the offer of the Lender to purchase the Note in an original principal amount of not to exceed \$1,000,000, at an initial interest rate of not to exceed 5.50% per annum, subject to adjustment as provided in the Note, and upon the terms and conditions hereafter specified and specified in the Note is reasonable and is accepted. The Issuer will loan the proceeds of the Note to the Borrower in order to finance the Project.
- b. The Loan Repayments to be made by the Borrower under the Loan Agreement are fixed to produce revenue sufficient to provide for the prompt payment of principal of, premium, if any, and interest on the Note when due, and the Loan Agreement also provides that the Borrower is required to pay all expenses of the operation and maintenance of the Project, including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property arising from the operation thereof, and all lawfully imposed taxes and special assessments levied upon or with respect to the Project and payable during the term of the Loan Agreement.
- c. The Note is approved in substantially the form submitted to the Board of Commissioners, with such appropriate variations, omissions and insertions as are permitted or required by this Resolution, and in accordance with the further provisions hereof as may be necessary and appropriate and approved by bond counsel and the Borrower prior to the execution thereof; and shall mature in the years and amounts, be subject to redemption, and bear interest at the rate as therein specified, subject to adjustment as therein specified.

Section 5. Approval of Issuer Documents. The Issuer Documents are approved in substantially the form submitted to the Board of Commissioners, with such appropriate variations, omissions and insertions as are permitted or required by this Resolution, and in accordance with the further provisions hereof as may be necessary and appropriate and approved by bond counsel and the Borrower prior to the execution thereof.

Section 6. Execution of Note and Documents.

- a. The Deputy Executive Director and Finance Officer (the "Authorized Officers") are authorized and directed to execute, acknowledge, and deliver the Issuer Documents and the Note on behalf of the Issuer with such changes, insertions, and omissions therein as the Issuer's attorney may hereafter deem appropriate, such execution by the Authorized Officers to be conclusive evidence of approval of such documents in accordance with the terms hereof.
- b. The Authorized Officers and other officer of the Issuer are authorized and directed to execute and deliver all other documents which may be required under the terms of the Issuer Documents or the Note or by bond counsel, and to take such other action as may be required or deemed appropriate for the performance of the duties imposed thereby to carry out the purposes thereof.

- c. The Authorized Officers and other officers of the Issuer are authorized to furnish certified copies of this Resolution and all proceedings and records of the Issuer relating to the Note and the Issuer Documents, and such other affidavits and certificates as may be required to show the facts relating to the Issuer respecting the Note and the Issuer Documents, as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates, and affidavits, including any heretofore furnished, shall constitute representations of the Issuer as to the truth of all statements contained therein.

Section 7. Absent or Disabled Officers.

- a. If for any reason the Authorized Officers or any other officers, employees, or agents of the Issuer authorized to execute certificates, instruments, or other written documents on behalf of the Issuer shall for any reason cease to be an officer, employee, or agent of the Issuer after the execution by such person of any certificate, instrument, or other written document, such fact shall not affect the validity or enforceability of such certificate, instrument, or other written document.
- b. If for any reason the Authorized Officers or any other officers, employees, or agents of the Issuer authorized to execute certificates, instruments, or other written documents on behalf of the Issuer shall be unavailable to execute such certificates, instruments, or other written documents for any reason, such certificates, instruments, or other written documents may be executed by a deputy or assistant to such officer, or by such other officer of the Issuer as in the opinion of the Issuer's attorney is authorized to sign such document and do all things and execute all instruments and documents required to be done or executed by such officers, with full force and effect, which executions or acts shall be valid and binding on the Issuer.

Section 8. Registration.

- a. *Registered Form.* The Note shall be issued only in fully registered form. The Note shall be numbered R-1 in a denomination equal to the principal amount thereof.
- b. *Registration, Transfer and Exchange.* The Issuer appoints the Clerk as Registrar. The effect of registration and the rights and duties of the Issuer with respect thereto are as follows:
 - i. *Register.* The Registrar must keep a bond register for the Note in which the Registrar provides for the registration of ownership of the Note and the registration of transfers and exchanges of the Note.
 - ii. *Transfer of Note.* Subject to the provisions of clause x of this subsection, upon surrender for transfer of the Note duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar will authenticate and deliver, in the name of the designated transferee, one new note in an aggregate principal amount equal to the then outstanding principal amount of the Note so surrendered

and of like maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the 15th day of the month preceding each interest payment date and until such interest payment date.

- iii. *Issuance of a New Note.* Subject to the provisions of clause x of this subsection, the Issuer shall, at the request and expense of the Lender, issue a new note in the aggregate outstanding principal amount equal to that of the Note surrendered, and of like tenor except as to number and principal amount and registered in the name of the Lender or such transferee as may be designated by the Lender.
- iv. *Exchange of Note.* When the Note is surrendered by the registered owner for exchange, the Registrar will authenticate and deliver one new note in an aggregate principal amount equal to the then outstanding principal amount of the Note surrendered and of like maturity, as requested in writing by the registered owner or the owner's attorney.
- v. *Cancellation.* The Note surrendered upon any transfer or exchange will be promptly canceled by the Registrar and thereafter disposed of as directed by the Issuer.
- vi. *Improper or Unauthorized Transfer.* When the Note is presented to the Registrar for transfer, the Registrar may refuse to transfer the Note so presented until the Registrar is satisfied that the endorsement on the Note or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar will incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.
- vii. *Persons Deemed Owners.* The Issuer and the Registrar may treat the person in whose name the Note is registered in the bond register as the absolute owner of the Note, whether the Note is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on the Note and for all other purposes, and payment so made to a registered owner or upon the owner's order will be valid and effectual to satisfy and discharge the liability upon the Note to the extent of the sum or sums so paid.
- viii. *Taxes, Fees and Charges.* For a transfer or exchange of the Note, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to the transfer or exchange.
- ix. *Mutilated, Lost, Stolen or Destroyed Note.* If the Note becomes mutilated or is destroyed, stolen or lost, the Registrar will deliver a new Note of like amount, number, maturity date, redemption privilege and tenor in exchange and in substitution for and upon cancellation of the mutilated Note or in lieu of or in substitution for the Note destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar and Issuer in connection therewith; and, in the case of the Note destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to the Registrar that the Note was destroyed, stolen or lost,

and of the ownership thereof, and upon furnishing to the Registrar and Issuer of an appropriate bond or indemnity in form, substance and amount satisfactory to it and as provided by law, in which both the Issuer and the Registrar must be named as obligees. The Note so surrendered to the Registrar will be canceled by the Registrar. If the mutilated, destroyed, stolen or lost Note has already matured or been called for redemption in accordance with its terms it is not necessary to issue a new Note prior to payment.

- x. *Limitation on Transfers.* The Note has been issued without registration under state or other securities laws, pursuant to an exemption for such issuance; and accordingly the Note may not be assigned or transferred in whole or part, nor may a participation interest in the Note be given pursuant to any participation agreement, except in accordance with an applicable exemption from such registration requirements. In no event may any participation interest in the Note be in an initial principal amount of less than \$100,000.

Section 9. General Covenants.

- a. *Payment of Principal and Interest.* The principal of and interest on the Note are payable solely from and secured by revenues and proceeds derived from the Note and the Documents, which revenues and proceeds are specifically pledged to the payment thereof in the manner and to the extent specified herein and in the Note and the Documents; and nothing in the Note or in this Resolution shall be considered as assigning, pledging or otherwise encumbering any other funds or assets of the Issuer.
- b. *Agreements Binding.* All agreements, covenants, and obligations of the Issuer contained in this Resolution and in the above-referenced documents shall be deemed to be the agreements, covenants, and obligations of the Issuer to the full extent authorized or permitted by law, and all such agreements, covenants, and obligations shall be binding on the Issuer and enforceable in accordance with their terms. No agreement, covenant, or obligation contained in this Resolution or in the above-referenced documents shall be deemed to be an agreement, covenant, or obligation of any member of the Board of Commissioners, or of any officer, employee, or agent of the Issuer in that person's individual capacity. Neither the members of the Board of Commissioners, nor any officer executing the Note, shall be liable personally on the Note or be subject to any personal liability or accountability by reason of the issuance of the Note.
- c. *Rights Conferred.* Nothing in this Resolution or in the above-referenced documents is intended or shall be construed to confer upon any person (other than as provided in the Note, the Documents and the other agreements, instruments, and documents hereby approved) any right, remedy, or claim, legal or equitable, under and by reason of this Resolution or any provision of this Resolution.
- d. *Nature of Security.*
 - i. The Note will be a special limited obligation of the Issuer.

- ii. Notwithstanding anything contained in the Note or the Documents or any other document referred to herein to the contrary, under the provisions of the Act the Note may not be payable from or be a charge upon any funds of the Issuer other than the revenues and proceeds pledged to the payment thereof, nor shall the Issuer be subject to any liability thereon, nor shall the Note otherwise contribute or give rise to a pecuniary liability of the Issuer or any of the Issuer's officers, employees and agents. Accordingly, the Note shall not be payable from or charged upon any funds other than the revenues pledged to the payment thereof, nor shall the Issuer be subject to any liability thereon.
- iii. No holder of the Note shall ever have the right to compel any exercise of the taxing power of the Issuer to pay the Note or the interest thereon, or to enforce payment thereof against any property of the Issuer other than the revenues pledged under the Pledge Agreement; and the Note shall not constitute a charge, lien or encumbrance, legal or equitable, upon any funds, assets or property of the Issuer, other than revenues under the Loan Agreement; and the Note shall not constitute a debt of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness. The Note will not constitute an indebtedness, a pecuniary liability, a moral or general obligation or a loan of the credit of the Issuer or a charge, lien or encumbrance, legal or equitable, against the Issuer's property (other than revenues under the Loan Agreement, general credit or taxing powers).

Section 10. Offering and Disclosure Materials. The Issuer has not participated in the preparation of or reviewed any offering or disclosure materials with respect to the offer and sale of the Note and the Issuer makes no representations or warranties regarding the necessity, sufficiency, accuracy, fairness, completeness or adequacy of any disclosure with respect to such offer and sale.

Section 11. Bank Qualified. In order to qualify the Note as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, the Issuer makes the following factual statements and representations:

- a. based entirely upon representations of the Borrower and Bond Counsel, the Note, when issued, will be "qualified 501(c)(3) bonds" under Section 145 of the Code;
- b. the Issuer designates the Note as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code;
- c. 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 have been or will be issued by the Issuer (and all entities whose obligations will be aggregated with those of the Issuer) during the calendar year in which the Note is issued is not expected to exceed \$10,000,000; and
- d. not more than \$10,000,000 of obligations issued by the Issuer during the calendar year in which the Note is issued have been designated for purposes of Section 265(b)(3) of the Code.

Section 12. Conditions Precedent.

- a. Notwithstanding anything in this Resolution to the contrary, the approvals and authorizations given herein are specifically subject to and contingent upon the following:
 - i. receipt of approval of the Project by DEED; and
 - ii. approval of the issuance of the Note by the governing body of the City.
- b. The officers and employees of the Issuer or their designees are authorized and directed to submit the proposal for the Project to DEED requesting approval, and other officers, employees and agents of the Issuer are hereby authorized to provide DEED with such information as it may require.

Section 13. 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.

Section 14. Effective Date. This Resolution shall take effect and be in force from and after its approval and publication.

Adopted: June 29, 2007.

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 _____ . _____
 APPROVED _____ . _____
 NOT APPROVED _____ . _____
 VETOED _____ . _____
Chairperson
Mayor

RESOLUTION
of the
CITY OF MINNEAPOLIS

By _____

Giving preliminary and final approval to and authorizing the financing of a project on behalf of Migizi Communications, Inc. (the "Company"), and authorizing the issuance of a revenue note 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 note in the amount of not to exceed \$1,000,000 (the "Note") to refinance outstanding commercial indebtedness incurred to purchase and improve the approximately 28,000 square foot office building located at 3123 East Lake Street in Minneapolis, Minnesota owned and operated by Migizi Communications, Inc. as its corporate headquarters (the "Project"), portions of which are rented to Minnesota Transitions Charter School, Heart of the Earth Survival School, Inc., Honor Our Neighbors Origins and Rights, Inc., all organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, in the City; and

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

Whereas, the Note shall bear interest at a fixed interest rate expected to not exceed 5.50% per annum, shall have a final maturity date not later than 30 years from the date of its issuance and delivery to the purchaser thereof, 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 Note in a principal amount of not to exceed \$1,000,000 for the purpose of financing the Project described above.

That the Note 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						
Ostrow							Glidden						
Gordon							Schiff						
Hofstede							Remington						
Samuels							Benson						
Lilligren							Colvin Roy						
							Hodges						

PASSED _____
 VETOED _____

DATE

APPROVED NOT APPROVED

ATTEST _____
 CITY CLERK

 MAYOR

 DATE

MINNEAPOLIS CPED, PLANNING DIVISION REPORT
REVENUE BONDS

DATE: June 6, 2007

PROJECT NAME: Migizi Communications

ADDRESS: 3123 East Lake Street

SUBMITTED BY: CPED Business Finance

CONTACT PERSON and PHONE: Becky Shaw, 673-5066

WARD: 9 NEIGHBORHOOD ORGANIZATION: Longfellow

PROJECT DESCRIPTION: Request for up to \$1 million in Bank Qualified Bank Direct 501(c)(3) Revenue Bonds to purchase and improve the office building located at 3123 East Lake Street.

COMPREHENSIVE PLAN:

1. Community Building

1.4 Minneapolis will encourage activities that rely on coordinated programming and facilities use with community partners in the volunteer, nonprofit and private sectors.

4. Marketplaces: Neighborhoods

4.3 Minneapolis will support development in Commercial Corridors where it enhances the street's character, improves its ability to accommodate automobile traffic and foster pedestrian movement, and expands the range of goods and services offered.

Implementation Steps

Support a mix of uses on Commercial Corridors--such as retail sales, office, institutional, higher density residential (including Major Housing Sites where designated), and clean low-impact light industrial--where compatible with the existing and desired character of the street.

Develop economic development incentives for the rehabilitation, re-use and revitalization of older or historic commercial buildings and districts.

5. Learning

5.2 Minneapolis will invest human and financial resources in nurturing healthy children and providing them with a safe school environment.

FUTURE RELATED ACTIONS: None anticipated as improvements will be internal to the existing building.

COMMENTS AND FINDINGS:

East Lake Street is designated as a Commercial Corridor in The Minneapolis Plan. Commercial Corridor policy supports a mix of uses, including office uses, as well as the rehabilitation of existing buildings. The office building is home to a number of nonprofit and

educational organizations, support for which is outlined in the Community Building and Learning policies highlighted above.

RECOMMENDATION:

The CPED Planning Division finds that the purpose for Migizi Communications' request for revenue bond financing is consistent with the City's comprehensive plan.