



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

**Date:** August 10, 2004

**To:** Council Member Lisa Goodman, Community Development Committee

**Prepared by:** Greg L. Davidson, Business Finance, 673-5070

**Presenter in  
Committee:** Greg L. Davidson, Business Finance

**Approved by:** Chuck Lutz, Deputy CPED Director \_\_\_\_\_

**Subject:** A Public Hearing and Request for Preliminary and Final Approval of up to \$1.5 million in Bank Qualified Bank Direct 501(c)(3) MCDA Revenue Bonds for the Minnesota AIDS Project (MAP).

**RECOMMENDATION: City Council Recommendation: Adopt the attached resolution, following a Public Hearing held on August 10, 2004 notice of which was published in Finance & Commerce on July 24, 2004, giving Preliminary and Final Approval to the issuance of up to \$1.5 million in Bank Qualified Bank Direct 501(c)(3) MCDA Revenue Bonds Series 2004 for the Minnesota AIDS Project (MAP).**

**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 \$1,500,000 Bank Qualified Bank Direct 501(c)(3) MCDA Revenue Bonds Series 2004 for the Minnesota AIDS Project (MAP).**

**Previous Directives:**

None. At this time the project is requesting both preliminary and final approval on the issuance of these revenue bonds.

**Financial Impact** (Check those that apply)

- No financial impact - or - Action is within current department budget.  
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): The issuance of these taxable and tax-exempt revenue bonds will generate revenue bond administrative fees of approximately \$3,750 annually for Minneapolis that are used to support the

**Financial Impact, continued:**

small business assistance programs of the City of Minneapolis.  
\_\_ Request provided to the Budget Office when provided to the Committee Coordinator.

### Community Impact

**Ward:** MAP is in Ward 7.

**Location:** 1400 Park Ave. South, Minneapolis.

**Neighborhood Notification:** The Downtown neighborhood association has been notified of this funding request.

**City Goals:** The proposed refunding is consistent with the *Goal #7* to promote public and community partnerships to address disparities in health and to support health advocacy of our residents.

**Comprehensive Plan:** The MAP headquarters is located on the southern area of downtown in Elliot Park. It is easily accessible by public transportation, has a large free parking lot; and is nearby HCMC, Abbot Northwestern, and Clinic 42. Given the numerous client service and educational activities that occur at MAP, the “scatter-gram-map” across the Twin Cities of their clients, and the fact they have been located at this locale for ten years, remaining at this locale is important.

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

**Living Wage/Job Linkage:** This project is a 501(c)(3) conduit financing and is not subject to Living Wage/Business Subsidy. Presently MAP employees 65 staff, with approximately 400 core-volunteers

### Background/Supporting Information:

MAP is a Minnesota nonprofit corporation that provides a broad range of health and educational services to residents of Minneapolis, the state of Minnesota, and the upper mid-west. MAP started in 1983 by a handful of gay men.

MAP works towards three primary purposes: direct services, prevention through education and outreach, and public policy advocacy. Direct services help stabilize day-to-day living via MAP’s programs of “*Quick to Connect*”, Case Management, Basic Needs Services, Benefits Counseling, and Legal Services. Education/Outreach occur through: the state-wide *AIDS-Line*, *MainLine*, *PrideAlive*, *Positive Link* and *Wise@Work*.

In 2003 MAP provided:

|                                  |        |                                                  |
|----------------------------------|--------|--------------------------------------------------|
| - Case Management                | 298    | clients, an ongoing service to clients           |
| - Legal Assistance               | 635    | cases                                            |
| - Transportation                 | 13,436 | rides for 298 clients (11% increase in one year) |
| - Transitional housing           | 95     | clients and family members                       |
| - Emergency Financial Assistance | 1,190  | clients                                          |
| - AIDS Line calls                | 4,649  | calls (33% increase in one year)                 |

There were over 9,000 volunteer hours.

In 2003 MAP reached 1,500 businesses and 30 educational sessions were provided. These programs reach many whose lives are touched by this epidemic such as the families, friends, and co-workers of people infected with HIV. Recently more emphasis is on helping people to learn to live meaningful lives with this chronic condition that still, sadly, carries a continued stigma and discrimination. MAP saw an overall 13% increase of new HIV cases in 2003 and a dramatic increase in the number of new cases by communities of color, including the African-born communities. In 2003, 88% of the newly reported female cases of HIV were women of color. These women live in poverty and need stable housing. Most are parents and as a result, MAP's housing program needs have increased dramatically.

MAP partners with many other nonprofits and governmental entities to develop prevention strategies and services. Examples included: The Centers for Disease Control & Prevention, The US Department of Health & Human Services' HRSA (Health Resource Services Administration), the Minnesota Department of Health, Hennepin County and the Hennepin County Medical Center (HCMC), Open Arms of Minnesota, and District 202 for Youth. *Every Penny Counts Emergency Assistance Fund* is part of MAP.

These bonds will save MAP \$84,000 annually.

MAP is in decent financial health for a nonprofit and is preparing for even tougher financial times ahead given recent economic, philanthropic and political events. Over the last three years its revenues from government contracts and grants has increased 37%, yet that increased slowed to only a 3% increase between 2002 to 2003. Over the last three years revenues from private contributors has increased 16.5% to a total of \$873,000 in 2003.

Total revenues last year were \$4,842,000 versus \$3,997,200 in 2000.

They have the following reserves:

- \$ 258,000 dedicated reserves
- \$ 508,000 dedicated equipment replacement reserves
- \$ 918,000 general reserve fund. Currently they have no "endowment" yet this is considered an equivalent.

Annual MAP receives contributions from several hundred individuals and many local companies. They will continue to receive \$60,000 annually for the next three years from the Minneapolis United Way.

In 2003 their expenses for management, fundraising and special events were only 17% of revenues; leaving 83% for services and programming.

It has been proposed that the City of Minneapolis (The City) issue revenue bonds in the principal amount of up to \$1,500,000 (the "Bonds") and loan the proceeds thereof to permit them to buy their headquarters building they've rented for ten years.

**TYPE OF FINANCING:**

It is anticipated that these Bank Qualified Bank Direct 501(c)(3) MCDA Revenue Bonds Series 2004 will be placed with Wells Fargo Bank, for a term of 20 years, with the initial interest rate not to exceed 5.5% per annum.

Sources: Principal amount of Tax-exempt Series 2004 Bonds                      \$ 1,500,000

**TOTAL SOURCES**                      \$1,500,000

|              |                                                                                                   |                    |
|--------------|---------------------------------------------------------------------------------------------------|--------------------|
| <u>Uses:</u> | Project costs:                                                                                    | 1,470,000          |
|              | Costs of issuance including Underwriter's discount, Bond Insurance Policy premium, and attorneys. | <u>30,000</u>      |
|              | <b>TOTAL USES</b>                                                                                 | <b>\$1,500,000</b> |

PRESENT EMPLOYMENT:

Currently there are 65 Full Time Equivalent (FTEs) employees at their Minneapolis headquarters. MAP will participate in the Minneapolis Job Linkage (job creation tracking) program.

NEW EMPLOYMENT:

This is a non-profit and no new jobs are anticipated due to this funding.

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE:

As a tax-exempt 501(c)(3) facility there is no tax impact as a result of this funding.

AFFIRMATIVE ACTION COMPLIANCE:

MAP currently has an affirmative action plan on file with the City.

CPED IRB POLICIES:

Job Component

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

MAP: Project complies.

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.

MAP: Project complies.

Development Standards

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

MAP: 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.

MAP: N.A.

Restaurant/Bank

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

MAP: N/A

Tax-exempt Institution

Refinancing is permitted when new jobs are created or when jobs are preserved..

MAP: 65 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:

Gray, Plant & Mooty, P.A.

UNDERWRITER:

Wells Fargo, N.A.