

Request for City Council Action

Date: February 21, 2002

To: Council Member Lisa Goodman, Community Development
Committee,

Refer to: MCDA Board of Commissioners

Prepared by Willie Adams, Financial Analyst II, Phone 612-673-5066

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: Request for Final Approval of up to \$2,750,000 in Taxable
Mnneapolis Community Development Agency, Limited Tax-Supported
Development Revenue Bonds, Series 2002, for Bridgerail Properties, LLC
(Allweather Roof, Inc.) to be issued through the Minneapolis Common Bond
Fund.

Previous Directives: The project received Preliminary Approval at the
December 29, 2000 City Council Meeting.

Ward: 9

Neighborhood Group Notification: Seward Neighborhood Association has
approved the project.

Consistency with *Building a City That Works*: The project is consistent with the
principal of pursuing long-term strategic economic development linking living wage
jobs. Principal 3 of increasing investor confidence in Minneapolis, Goal 1,
Strategy 1a and 1b.

Comprehensive Plan Compliance: This project is in compliance with the
Comprehensive Plan.

Zoning Code Compliance: The project will comply. The project area is zoned M-1.

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 project will contribute \$9,375.00
annually in MCDA Administrative Fees.

Living Wage/Business Subsidy: The project pays unskilled beginning wages of \$13.00/hr. Business Subsidy does not apply to projects that receive funds from bonds allocated under Minnesota Statutes, Chapter 474A, refunding bonds and 501(c)(3) bonds.

Job Linkage: Bridgerail Properties, LLC has committed to sign a job linkage agreement.

Affirmative Action Compliance: An affirmative action plan was approved on April 9, 2001.

RECOMMENDATION:

City Council Recommendation: The Executive Director recommends that the City Council pursuant to MCDA Resolution No. 87-171M adopted by the Board of Commissioners of the Minneapolis Community Development Agency on July 16, 1987, that these Common Fund Bonds be designated, if and when issued, as bonds entitled to the Security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

The Executive Director recommends that the City Council adopt the attached Resolution, a summary of which will be published, giving Final Approval to the issuance of \$2,750,000 in Taxable Minneapolis Community Development Agency, Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2002, for Bridgerail Properties, LLC. (Allweather Roof, Inc.), to be issued through the MINNEAPOLIS COMMON BOND FUND and designating the bonds as bonds entitled to the security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

MCDA Board Recommendation: The Executive Director recommends that the City Council forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the resolution on file; giving Final Approval to the issuance of \$2,750,000 in Taxable Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2002, for Bridgerail Properties, LLC (Allweather Roof, Inc.), to be issued through the Minneapolis Common Bond Fund and designating the bonds as bonds entitled to the security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

Background/Supporting Information

PROJECT LOCATION & DESCRIPTION:

The project is located on the south side of East 26th Street on the block just west of Minnehaha Avenue, adjacent to the railroad. The site lies within the Empowerment Zone. However, empowerment zone bonds can not be utilized because the company does not

generate a minimum of fifty-percent of its revenues within the zone, as the legislation mandates.

Bridgerail Properties, LLC is a limited liability company created to own the real estate to be leased to Allweather Roof, Inc. (AWR). The ownership of Bridgerail Properties has common ownership to that of Allweather Roof, Inc. Allweather Roof will lease the new 43,000 square foot building from Bridgerail and possibly sublease a portion to another manufacturer. AWR is a commercial roofing contractor providing new roofing maintenance, repair and reroofing of commercial and industrial buildings throughout the Twin Cities Metropolitan Area.

TYPE OF FINANCING:

| | |
|-----------------|--------------------|
| <u>Sources:</u> | |
| Revenue Bonds | \$2,750,000 |
| Equity | 275,000 |
| Total | <u>\$3,025,000</u> |

| | |
|-----------------------|--------------------|
| <u>Uses:</u> | |
| Land Purchase | \$ 318,320 |
| Building Construction | 2,140,300 |
| Equipment | 178,680 |
| Debt Service Reserve | 270,000 |
| Issuance Costs | 117,700 |
| Total | <u>\$3,025,000</u> |

PRESENT EMPLOYMENT:

Allweather Roof, Inc.: The company employs 59 people in Minneapolis of which 11 reside in Minneapolis.

NEW EMPLOYMENT:

Allweather Roof, Inc.: The company estimates it will create thirty-two employment opportunities in the next three to four years.

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE:

Allweather Roof, Inc.: The Assessor's Office estimates the annual tax increase will be \$37,450.

AFFIRMATIVE ACTION COMPLIANCE:

Allweather Roof, Inc.: The company's affirmative action plan was approved on April 9, 2001.

MCDA IRB POLICIES:

Job Component

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

Allweather Roof, Inc.: The company currently has 1.4 jobs per 1,000 square feet of building area. With the new employment, the company will have 2.1

jobs per 1000 square feet of building area.

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.

Allweather Roof, Inc.: Bond proceeds used for land acquisition in this project represents twelve-percent.

Development Standards

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

Allweather Roof, Inc.: The project lies within a designated industrial park and is in compliance with the comprehensive plan.

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.

Allweather Roof, Inc.: This project retains fifty-nine jobs and creates thirty-two new employment opportunities. Equipment being financed is only seven-percent of bond proceeds and will be a part of the security agreement.

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.

IRB CAP:

The taxable portion of the project is not subject to the volume cap in that there is no volume limitation for Taxable Revenue

BOND COUNSEL:

Bonds.

FINANCIAL ADVISOR:

Gray, Plant & Mooty

UNDERWRITER:

Dougherty & Company, LLC

CITY COUNCIL PRELIMINARY
APPROVAL:

U.S. Bancorp Piper Jaffray

December 29, 2000

MCDA PRELIMINARY APPROVAL:

December 29, 2000

MINNESOTA DEPARTMENT OF
TRADE AND ECONOMIC
DEVELOPMENT APPROVAL:

Currently awaiting project approval.

Giving final approval to and authorizing a project on behalf of Bridgerail Properties, LLC (the "Company"), authorizing the issuance of revenue bonds of the Minneapolis Community Development Agency therefor, and designating the bonds under Minneapolis Code of Ordinances, Title 16, Chapter 424, as amended.

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 bonds for the purpose of providing financing for the acquisition, construction and installation of projects consisting of properties, real or personal, used or useful in connection with a revenue-producing enterprise, whether or not operated for profit; and

Whereas, by Resolution No. 82-512, as amended, of the Agency, the Agency established a common bond fund and authorized the issuance from time to time by the Agency of bonds to be secured by such common bond fund (the "Common Fund Bonds"); and

Whereas, under the terms of Minneapolis Code of Ordinances, Title 16, Chapter 422, as amended ("Chapter 422"), adopted pursuant to Chapter 595, the City Council of the City authorized the Agency to issue Common Fund Bonds; and

Whereas, it has been proposed that the Agency issue revenue bonds in the amount of not to exceed \$2,750,000 (the "Bonds") to finance the acquisition, construction and equipping of an office and warehouse facility to be used in the operations of the Company (the "Project"); and

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

Whereas, the Bonds shall bear interest at an average weighted interest rate not to exceed eight percent (8.00%) per annum, shall have a final maturity date not later than December 1, 2027, and shall have such other terms as required or permitted by the Agency's resolution, which terms are to be incorporated herein by reference; and

Whereas, pursuant to Minneapolis Code of Ordinances, Chapter 424, as amended ("Chapter 424"), the City may from time to time designate a series of Common Fund Bonds to be secured by the limited pledge of tax revenues authorized by Chapter 424;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the City Council hereby gives final approval to the issuance by the Agency of the Bonds in the aggregate principal amount of not to exceed \$2,750,000 for the purpose of financing the Project.

That the Bonds are hereby designated "Program Bonds" and are 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-042 of the City adopted December 12, 1997.

That the City Council hereby designates the Bonds under Chapter 424 as bonds which are and shall be entitled to the benefit of the pledge, agreements and provisions of Chapter 424.

That the Finance Officer of the City shall execute and deliver such certificates as may be necessary on the date of delivery of the Bonds in order to acknowledge the application of Chapter 424 to the Bonds and the designation of the Bonds thereunder.

That this approval of the City Council of the City is hereby given as required by Chapter 422.