Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: January 16, 2007

To: Council Member Lisa Goodman, Community Development Committee

Subject: A Public Hearing and Request for Preliminary and Final Approval of up to $11 million in 501(c)(3) Tax-exempt Revenue Bonds for the Minnehaha Academy South Campus Project.

Recommendation: The CPED Director recommends that the City Council adopt the attached Resolution giving Preliminary and Final Approval to the issuance of up to $11 million in 501(c)(3) Tax-exempt Revenue Bonds for the Minnehaha Academy South Campus Project.

Previous Directives: Minnehaha Academy has made use of the tax-exempt revenue bonds in the past. In 2001 the City of Minneapolis issued $10,000,000 in tax-exempt revenue bonds for their North Campus redevelopment project.

Prepared by: Becky Shaw, Business Finance
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 Minnehaha Academy project will generate revenue bond administrative fees of approximately $27,500 a year that are used to support the small business assistance programs of the City of Minneapolis.

Community Impact

- Neighborhood Notification: Hiawatha and Longfellow Neighborhood groups have been notified.
- City Goals: This project promotes the city's 5 year goal to make lifelong learning second to none. It enhances the City of Minneapolis s goal to provide superior education for all students and to make education resources a top priority.
- 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:

Minnehaha Academy is a non-profit Minnesota educational facility that operates a preschool through 12th grade coeducational program on two campuses in Minneapolis and one in Bloomington. The North Campus facility is located at 3100 West River Parkway and houses the school's 9th through 12th grade students. The South Campus facility is located at 4200 West River Parkway and houses Pre-Kindergarten through 8th grade students. Since 1913 Minnehaha has been located on the west bank of the Mississippi River in Minneapolis. The school was a high school serving grades 9-12 until 1972 when grades 7 and 8 were added. In 1981 South Campus was purchased and the Middle School established with the addition of grade 6. The Lower School, grades 1-5, started in 1982. Kindergarten was added in 1985 and preschool in 1995. In 1996, Minnehaha expanded to another campus in Bloomington for kindergarten through grade 5. The new Athletic Center at North Campus was dedicated in 2002, and the new Chapel and Fine Arts Center in 2003.

The proposal is for the issuance of up to $11,000,000 in tax-exempt 501(c)(3) revenue bonds. The project primarily involves the renovation and addition to the existing facility, addition to the existing hockey arena, and reorganization and addition to the student pick up and drop off area. The existing South Campus facility houses approximately 600 students in Pre-kindergarten through 8th grade in 129,627 square feet of space. Additions of approximately 27,000 square feet are planned for the North and East sides of the building. Classroom size will be expanded as well as new classrooms added. The architecture is planned to complement the North Campus facility which was renovated in 2001. The existing hockey arena is approximately 31,000 square feet. The proposed project would add an additional 6,600 square feet of space to the arena to accommodate spectators. A new entry adjacent to the drop-off and pick up area and a reorganization of the area is planned. Additional parking spaces will be added.

Type of Financing:

It is proposed that the City of Minneapolis issue up to $11 million in privately placed tax-exempt revenue bonds at a 20 year term at 4.55%. The proceeds of the bonds will be used to make above mentioned improvements to the South Campus Facility.

Sources:

Series A Bonds	$ 5,000,000
Series B Bonds	5,000,000
Other Sources	1,000,000
Total Sources:	$11,000,000

Uses:

Addition/Renovation	6,500,000
Hockey Arena	2,150,000
Parking Area	1,725,000
Issuance Fees/Expenses	625,000
Total Uses:	$11,000,000

Present Employment: Minnehaha Academy employs over 200 employees.

New Employment: Minnehaha Academy expects to retain all positions.

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

Affirmative Action Compliance: Minnehaha Academy is working with the City of Minneapolis at this time to update their current affirmative action plan.

CITY IRB POLICIES:

Job Component	Minimum standard of one (1) job per 1,000 square feet of building area. Minnehaha Academy: 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. Minnehaha Academy: Improvements to the existing facility only.

Development Standards	Compliance with the Land Use Plan of the City's Comprehensive Plan. Minnehaha Academy: Existing facility is in compliance.
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. Minnehaha Academy: N.A.
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. Minnehaha Academy: N.A.
Tax-exempt Institution	Refinancing is permitted when new jobs are created or when a significant number of jobs are preserved; any interest cost savings must directly reduce patient costs. Minnehaha Academy: This is an educational facility. All jobs will be preserved as a result of the renovations and additions to the building.
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
UNDERWRITER:	GE Capital

PROPOSED RESOLUTION
of the
CITY OF MINNEAPOLIS

By Goodman

Authorizing the Issuance and Sale of Revenue Bonds of the City for the Minnehaha Academy Project and the Execution of Documents.

Whereas, this Council has received a proposal from Minnehaha Academy, a Minnesota nonprofit corporation ("the Borrower"), that the City of Minneapolis (the "City") finance all or a portion of the cost of a proposed project under Minnesota Statutes, Sections 469.152 through 469.165 (the "Act"), consisting of the expansion, renovation, remodeling and equipping of the Borrower's south campus lower and middle school facility located at 4200 West River Parkway in the City, including related site improvements (collectively, the "Project"); and

Whereas, at a public hearing, duly noticed and held on January 16, 2007, in accordance with the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended, 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; and

Whereas, this Council hereby finds that the issuance and sale of up to $11,000,000 aggregate principal amount of the City's Revenue Bonds (Minnehaha Academy Project), in one or more series (the "Bonds"), to finance all or a portion of the cost of the Project is in the best interest of the City and the City hereby determines to issue and sell such Bonds; and

Whereas, the Bonds will be issued by the City under the authority contained in the Act; and

Whereas, the proceeds of the Bonds will be loaned (the "Loan") by the City to the Borrower, in order to finance all or a portion of the cost of the Project and pay certain costs of issuance of the Bonds; and

Whereas, pursuant to a Loan Agreement (the “Loan Agreement”), to be entered into among the City, the Borrower and GE Capital Public Finance, Inc. (the “Lender”), a copy of which has been presented to the Council at this meeting and which has been reviewed to the extent deemed necessary, the City will lend the proceeds of the Bonds to the Borrower. The Borrower will unconditionally agree to repay the Loan made by the City under the Loan Agreement in specified amounts and at specified times sufficient to make the necessary payments of principal of, premium, if any, and interest on the Bonds, when due. In addition, the Loan Agreement contains provisions relating to the payment by the Borrower of the fee of the City related to the Bonds and of administrative costs, indemnification, insurance and other agreements and covenants which are required by the Act or which are permitted by the Act and which the City, the Borrower and the Lender deem necessary or desirable in connection with the sale of the Bonds. Under the Loan Agreement, the City will assign and pledge all of its right, title and interest in the Loan Agreement (other than the right of the City to indemnification and payment of administrative fees and expenses), to the Lender, and the City will appoint the Lender as its lawful attorney for the purpose of collecting payments under the Loan Agreement, and will grant a security interest in certain revenues and payments to be received by the City under the Loan Agreement to the Lender. The Loan Agreement also, among other things, sets the interest rates, maturity dates and redemption provisions for the Bonds and contains other provisions which are required by the Act or which are permitted by the Act and which the City, the Borrower and the Lender deem necessary or desirable in connection with the sale of the Bonds; and

Whereas, certain proceeds of the Bonds will be deposited into an Escrow Fund to be held, invested and disbursed by Lender pursuant to the Escrow Agreement (the “Escrow Agreement”), a copy of which has been presented to the Council at this meeting and which has been reviewed to the extent deemed necessary; and

Whereas, the Bonds will be special, limited obligations of the City payable solely from Loan Payments (as defined in the Loan Agreement) payable by the Borrower under the Loan Agreement, and certain funds held by the Lender under the Loan Agreement and the Escrow Agreement. The Bonds shall not be payable from or charged upon any funds of the City other than the revenues pledged to the payment thereof, nor shall the City be subject to any liability thereon. No holder or holders of any Bond shall ever have the right to compel any exercise of the taxing power of the City to pay any such Bond or the interest thereon, nor to enforce payment thereof against any property of the City other than such revenues specifically pledged under the Loan Agreement. The Bonds shall not constitute a debt of the City within the meaning of any charter, constitutional or statutory limitation;

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

That in order to provide for the financing of all or a portion of the costs of the Project, the City hereby authorizes the issuance of the Bonds as fixed rate revenue bonds under the Act, in an aggregate principal amount not to exceed $11,000,000. It is acknowledged that the purchase price of the Bonds, the principal amount of the Bonds, the maturity schedule of the Bonds and the interest rates on the Bonds have not been determined as of this date and are not reflected in the forms of the Loan Agreement or the Escrow Agreement. The City Finance Officer is hereby authorized to approve: (1) the purchase price of such Bonds; (2) the principal amount of such Bonds; provided that the principal amount of the Bonds does not exceed $11,000,000; (3) the maturity schedule of such Bonds; provided that such Bonds mature at any time or times in such amount or amounts no later than 30 years after the date of issue thereof; (4) the provisions for redemption of such Bonds; and (5) the interest rates on such Bonds; provided that the initial interest rate shall be a fixed rate not to exceed five percent (5.0%) per annum. Such approval shall be conclusively evidenced by the execution of the Loan Agreement and the Bonds as provided herein.

Be It Further Resolved that each Bond shall be executed on behalf of the City by the manual or facsimile signature of the City Finance Officer. If the City Finance Officer who shall have signed any of the Bonds shall cease to be such officer of the City before the Bonds so signed shall have been delivered by the City, such Bonds nevertheless may be authenticated, issued and delivered with the same force and effect as though the person who signed such Bonds had not ceased to be such officer of the City.

Be It Further Resolved that the Loan Agreement and the Escrow Agreement are hereby made a part of this Resolution as fully as though set forth in full herein and are hereby approved in the forms submitted to this meeting, and the City Finance Officer is hereby authorized and directed to execute, acknowledge and deliver the Loan Agreement and the Escrow Agreement on behalf of the City with such changes, insertions and omissions therein as are within the limitations as provided in the second preceding paragraph and do not change the substance of the Loan Agreement and the Escrow Agreement and as may be approved by the City Finance Officer, such approval to be evidenced conclusively by the execution of the Loan Agreement and the Escrow Agreement.

Be It Further Resolved that the City Finance Officer is hereby authorized and directed to execute and deliver all other documents which may be required under the terms of the Loan Agreement and the Escrow Agreement and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

Be It Further Resolved that in the absence or disability of the City Finance Officer, any Assistant or Deputy Finance Officer may execute any instrument necessary in connection with the issuance of the Bonds. The execution of any instrument by an authorized officer of the City shall be conclusive evidence of its approval.

Be It Further Resolved that the City Finance Officer is hereby designated for all purposes of the Loan Agreement, the Escrow Agreement and any related documents as the City official authorized to execute on behalf of the City certificates, requests or consents as provided in the Loan Agreement, the Escrow Agreement or any related documents.

Be It Further Resolved that each Bond is hereby designated as a “Program Bond” and is determined to be within the “Program” 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.