

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

Date: October 12, 2010

To: Council Member Lisa Goodman, Community Development Committee

Subject: A Request for Final Approval of up to \$16,500,000 in Tax-exempt Revenue Bonds Designated as Recovery Zone Facility Bonds for the American Academy of Neurology

Recommendation: The CPED Director recommends that the City Council adopt the attached Resolution giving Final Approval to the issuance of up to \$16,500,000 in Tax-exempt Revenue Bonds Designated as City of Minneapolis Recovery Zone Facility Bonds for the American Academy of Neurology or an affiliate.

Previous Directives: Preliminary approval by the Community Development Committee on September 28, 2010. Full Council review on October 8, 2010.

A City of Minneapolis land sale and redevelopment agreement are being considered for this proposed project.

Prepared by: Charles Curtis 673-5069

Approved by: Charles T. Lutz, Deputy Director CPED _____

Catherine A. Polasky, Director, Economic Development _____

Presenters in Committee: Charles Curtis

Reviews

- Permanent Review Committee (PRC): NA

Financial Impact

- Other financial impact: The issuance of revenue bonds for the American Academy of Neurology will generate revenue bond administrative fees of approximately \$33,125 a year that are used to support the small business assistance programs of the City of Minneapolis.

Community Impact

- Neighborhood Notification: Downtown East has been notified
- City Goals: The proposed project promotes the City's goal to make the City of Minneapolis a Premier Destination by promoting private business investment in the City.
- Sustainability Targets: NA
- Comprehensive Plan: The proposed project is in compliance with the Minneapolis Plan.

- Zoning Code: The proposed project is in compliance.
- Living Wage/Business Subsidy Agreement Yes _____ No X
- Job Linkage Yes _____ No X

Supporting Information

Project Location & Description:

The proposed project consists of the acquisition of vacant City of Minneapolis owned property located at 2nd Street South and Chicago and the construction of a 61,000 square foot 5 story office building.

The American Academy of Neurology was established in 1944 and is a global professional organization to over 22,000 neurologists and neuro-science professionals. Members study and treat over 800 disorders of the brain and central nervous system. The American Academy of Neurology promotes the highest quality patient-centered neurologic care by providing educational opportunities to its members, advocacy training, active advocacy for neurologists and patients to ensure federal funding and works closely with certification organizations to ensure high quality care. The Academy is currently located in St. Paul.

Type of Financing:

The proposed project calls for the issuance of up to \$16,500,000 in Tax-exempt Revenue Bonds.

As part of the American Recovery and Reinvestment Act of 2009, the Federal Government provided political entities with the ability to issue special Recovery Zone Facility Revenue Bonds. These bonds expand the uses of tax-exempt revenue bonds and reduce certain restrictions on the borrowers. The City of Minneapolis received issuance authority for \$19.42 million and in April 2009 established its specific Recovery Zone. The ability to issue Recovery Zone Facility Bonds expires on December 31, 2010. The proposed project is within the Recovery Zone and designation of the proposed bonds allows the American Academy of Neurology to use tax-exempt financing to house its affiliates within one facility to better carry out its mission.

Sources:

Bonds	\$16,500,000
Equity	<u>5,500,000</u>
Total	\$22,000,000

Uses:

Land & Building	\$16,000,000
-----------------	--------------

Capitalized Interest	1,000,000
Issuance Costs	1,500,000
FFE	2,500,000
Contingency	<u>1,000,000</u>
Total	\$22,000,000

Employment: 125 jobs new to the City of Minneapolis

Construction jobs: 80 to 100 for 18 months

Assessor's Estimate Annual Tax Increase: In review. The entire facility will be subject to real estate taxes at the commercial rate.

Affirmative Action Compliance: Currently in progress. Compliance will be completed prior to the bond closing.

CITY IRB POLICIES:

Job Component

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

American Academy of Neurology:

In compliance

Property Improvements

For private activity IRBs consisting of

industrial/manufacturing projects, 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. This IRB policy does not apply to nonprofit organizations issuing 501(c)(3) tax-exempt revenue bonds.

American Academy of Neurology:

Not applicable.

Development Standards

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

American Academy of Neurology:

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.

American Academy of Neurology:

Not applicable

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.

American Academy of Neurology:

Not applicable

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.

American Academy of Neurology:

Not applicable

IRB CAP:

The project is largely 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.

The project is subject to the City of Minneapolis' Recovery Zone Facility Bond authority limit. Designation as Recovery Zone bonds allows the entire facility to be financed as a tax-exempt facility.

BOND COUNSEL:

Faegre & Benson

UNDERWRITER:

None

BANK PURCHASER:

US Bank

RESOLUTION
of the
CITY OF MINNEAPOLIS

RESOLUTION GIVING FINAL APPROVAL TO FINANCING FOR A PROJECT ON BEHALF OF AMERICAN ACADEMY OF NEUROLOGY, PROVIDING FOR THE ISSUANCE AND SALE OF UP TO \$16,500,000 REVENUE BONDS (AMERICAN ACADEMY OF NEUROLOGY PROJECT), SERIES 2010 AND AUTHORIZING EXECUTION AND DELIVERY OF VARIOUS DOCUMENTS

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

1. Authority. This City is, by the Constitution and Laws of the State of Minnesota, including Sections 469.152 to 469.165, Minnesota Statutes, as amended (the "Act"), authorized to issue and sell its revenue bonds for the purpose of financing the cost of acquisition and construction of authorized projects and to enter into contracts necessary or convenient in the exercise of the powers granted by the Act.

2. Borrower and Project. American Academy of Neurology, a Minnesota nonprofit corporation (the "Borrower") has requested that the City assist in the financing for it or an affiliate of an approximately 61,000 square foot headquarters facility (the "Project"). The Project will be located on Chicago Avenue South between 2nd Street South and Washington Avenue South in Minneapolis, Minnesota. The Project is to be owned and operated by the Borrower or an affiliate. A public hearing on the Project was duly held on Tuesday, September 28, 2010 by the Community Development Committee and this Council gave preliminary approval to the Project and the financing.

3. Authorization of Bonds. The City hereby determines that it is necessary and expedient to authorize, and the City does hereby authorize, the issuance and sale of the City's Revenue Bonds (American Academy of Neurology Project), Series 2010 (the "Bonds") pursuant to the Act to provide money to be loaned to the Borrower in the aggregate principal amount of up to Sixteen Million Five Hundred Thousand Dollars (\$16,500,000) to finance costs of the Project.

4. Documents Presented. Forms of the following documents relating to the Bonds and the Project have been prepared or reviewed by bond counsel, and submitted to the City and are now on file in the office of the City:

(a) Loan Agreement (the "Loan Agreement") between the City and the Borrower, whereby the City agrees to make a loan of the proceeds of the Bonds to the Borrower to finance the Project and the Borrower agrees to pay amounts sufficient to provide for the full and prompt payment of the principal of, premium, if any, and interest on the Bonds;

(b) Trust Indenture (the "Trust Indenture") between the City and a Trustee, setting forth the terms of the Bonds, pledging the revenues to be derived from the Loan Agreement as security for the Bonds, and setting forth proposed recitals, covenants and agreements relating thereto;

(c) Purchase Contract (the "Purchase Agreement") between the Borrower, the City and U.S. Bank National Association (the "Purchaser"), reflecting the terms on which the Purchaser will agree to purchase the Bonds.

5. Findings. It is hereby found, determined and declared that:

(a) The Project furthers the purposes and policies of the Act and constitutes a "project" within the meaning of Section 469.153, subds. 2(b) and 2(d) of the Act.

(b) The City held a public hearing relating to the Project and the application for approval of the Project by the Commissioner of Employment and Economic Development. The Bonds are designated qualified recovery zone facility bonds within the meaning of Section 1400U-3 of the Internal Revenue Code and the City hereby allocates \$16,500,000 of its Recovery Zone Facility Bond Allocation to the Bonds.

(c) The Loan agreement provides for payments by the Borrower to the Trustee for the account of the City of such amounts as will be sufficient to pay the principal of and interest on the Bonds when due. The Loan Agreement obligates the Borrower to provide for the operation and maintenance of the Project, including adequate insurance, taxes and special assessments. The Loan Agreement further provides for the payment of fees to the City as set forth therein.

(d) The Borrower may approve and request the City to accept a proposal of the Purchaser to purchase the Bonds on the terms set forth in the Purchase Agreement.

(e) The Bonds are, and are hereby designated to be, program bonds as defined in Resolution No. 88R of the City Council adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.

(f) Under the provisions of Section 469.162 of the Act and as provided in the Loan Agreement and Indenture, the Bonds are not to be payable from nor charged upon any funds other than amounts payable pursuant to the Loan Agreement and moneys in the funds and accounts held by the Trustee which are pledged to the payment thereof; the City is not subject to any liability thereon; no holders of the Bonds shall ever have the right to compel the exercise of the taxing power of the City to pay any of the Bonds or the interest thereon, nor to enforce payment thereof against any property of the City; the Bonds shall never constitute an indebtedness of the City, within the meaning of any constitutional, statutory or charter limitation and shall not constitute nor give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers; the Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of

the City; and each Bond issued under the Trust Indenture shall recite that the Bond, including interest thereon, shall not constitute nor give rise to a charge against the general credit or taxing powers of the City and does not grant to the owner or holder of any Bond the right to have the City levy taxes or appropriate any funds for the payment of principal thereof or the interest or premium, if any, thereon and the Bond is not a general obligation of the City or individual officers or agents thereof.

6. Approval and Execution of Documents. The forms of Indenture, Loan Agreement and Purchase Agreement referred to in paragraph 4 are approved and shall be executed in the name and on behalf of the City by the Finance Officer or the deputy authorized to act on behalf of the Finance Officer, in substantially the form on file, but with all such changes therein, not inconsistent with the Act or other law, as may be approved by the officers executing the same, which approval shall be conclusively evidenced by the execution thereof. The Bonds shall be executed as provided by the Indenture. The Bonds shall contain a recital that they are issued pursuant to the Act and such recital shall be conclusive evidence of their validity and the regularity of their issuance. The Finance Officer or such authorized deputy are also authorized to enter into such related agreements and provide such certifications and make such elections under the Internal Revenue Code as are contemplated by the Loan Agreement and Indenture.

7. Certifications. The officers of the City are authorized and directed to prepare and furnish to bond counsel, to the Borrower, to the Purchaser and to counsel for the Borrower and the Purchaser, certified copies of all proceedings and records of the City relating to the Project and the Bonds, and such other affidavits and certificates as may be required to show the facts appearing 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 City as to the trust of all statements contained therein.