

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

Date: September 28, 2010

To: Council Member Lisa Goodman, Community Development Committee

**Subject:** A Public Hearing and Request for Preliminary and Final Approval of up to \$11,000,000 in Tax-exempt Revenue Bonds Designated as Recovery Zone Facility Bonds for the Mozaic Partners, LLC

**Recommendation:** The CPED Director recommends that the City Council adopt the attached Resolution giving Preliminary and Final Approval to the issuance of up to \$11,000,000 in Tax-exempt Revenue Bonds Designated as City of Minneapolis Recovery Zone Facility Bonds for the Mozaic Partners, LLC.

**Previous Directives:** None

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 Mozaic Partners, LLC 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: Lowry Hill 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 complied with the Minneapolis Plan as of 2008. An updated Planning review is currently underway.
- 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 includes approximately 11,000 square feet of first floor retail space, using private financing, with a six story parking ramp to be constructed above the retail space, using Recovery Zone Facility Bonds. A later phase will add three stories of office space. The project is located at 1320 Lagoon Avenue.

**Type of Financing:**

The proposed project calls for the issuance of up to \$11,000,000 in Tax-exempt Revenue Bonds designated as City of Minneapolis Recovery Zone Facility 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 authority to issue Recovery Zone Facility Bonds expires on December 31, 2010. Staff had recommended that \$16.5 million of the City of Minneapolis authorization be allocated to another proposed project. Upon receipt of the Mozaic Partners, LLC request, City staff requested and the State of Minnesota awarded the City of Minneapolis in excess of \$14 million in additional issuance authority for Recovery Zone Facility Bonds that can be used for the Mozaic Partners, LLC project. The Mozaic Partners, LLC proposed project is within the Recovery Zone and designation of the proposed bonds would allow the Mozaic Partners, LLC the ability to use tax-exempt financing to construct the ramp.

Sources:

Recovery Zone Facility Bonds	\$11,000,000
Equity	<u>5,600,000</u>
Total	\$16,600,000

Uses:

Construction	\$14,000,000
Issuance Costs	1,500,000

Contingency	<u>1,100,000</u>
Total	\$16,600,000

**Jobs Retained: 7**

**New Employment:** Construction jobs: 57 FTE's for one year

Parking ramp jobs: 2

Retail jobs: 50 to 100

**Assessor's Estimate Annual Tax Increase:** Not yet established.

**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.

Mozaic Partners, LLC:

The proposed parking ramp is the first phase of planned additions on top of the ramp for commercial space and restaurant space.

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.

Mozaic Partners, LLC:

Not applicable.

Development Standards

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

Mozaic Partners, LLC:

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.

Mozaic Partners, LLC:

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.

Mozaic Partners, LLC:

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.

Mozaic Partners, LLC:

Not applicable

IRB CAP:

The Recovery Zone Facility Bonds are subject to the limits granted to the City of Minneapolis and the State of Minnesota and other political entities. On September 10, 2010 the State of Minnesota awarded the City of Minneapolis in excess of \$14 million in Recovery Zone Facility Bond authorization that can be used for this proposed project.

BOND COUNSEL:

Kennedy, Graven, Chartered

UNDERWRITER:

Dougherty & Company, LLC