

Minneapolis Community Development Agency

Request for City Council Action

Date: December 2, 2003

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

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Approved by Lee Sheehy, CPED Director
Chuck Lutz, CPED Deputy Director _____

Subject: Request for Authorization of Actions by CPED Staff Relating to the Issuance of Tax-exempt Revenue Bonds in 2004.

Previous Directives: Since 1986, the MCDA Board on an annual basis had authorized the Executive Director of the MCDA to take certain actions in regards to obtaining tax-exempt allocations from the State of Minnesota for Minneapolis revenue bond projects. Starting in 2004, this authority would be granted to the Director of CPED.

Ward: Not applicable.

Neighborhood Group Notification: Not applicable.

Consistency with Building a City that Works: The revenue bond programs are consistent with Goals 1 and 3, of increasing the City's economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents, and supporting strong and diverse neighborhoods where people choose to live.

Comprehensive Plan Compliance: Not applicable.

Zoning Code Compliance: Not applicable.

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

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X Other financial impact (Explain): Funds necessary to make the reservation deposits with the State for an allocation of tax-exempt bonding authority are paid by the company on whose behalf the bonds are issued. At no time are City funds at risk, the risk of not closing on the revenue bonds and thereby losing the reservation deposit is borne by the company. If the project does go forward and the bonds are issued, the City receives an annual administrative fee for the term of the bonds that is used to support the small business programs of the City.

Living Wage/Business Subsidy: Revenue bond projects where applicable, will be in compliance with the City's policy.

Job Linkage: Job Linkage agreements are generally a part of each revenue bond project based on a review of the development objective and the project being proposed.

Affirmative Action Compliance: Each revenue bond project is required to be in compliance with affirmative action requirements.

RECOMMENDATION: THAT THE MINNEAPOLIS CITY COUNCIL AUTHORIZE THE DIRECTOR OF CPED TO TAKE CERTAIN ACTIONS THROUGHOUT 2004 IN ORDER TO UTILIZE TAX-EXEMPT REVENUE BOND FINANCING FOR VARIOUS CITY INDUSTRIAL/MANUFACTURING PROJECTS.

In 1993, Congress passed the 1993 Tax Bill which included a permanent extension of the authority to issue tax-exempt revenue bonds for industrial/manufacturing projects. This was the first time since the early 1980's that the use of tax-exempt financing for industrial/manufacturing projects was on more than a temporary year-to-year extension. Even with the permanent extension, the State volume cap and other restrictions on the use of tax-exempt bonds are still in place. The annual authorization put in place by this report is in response to the volume cap as imposed by the 1986 Tax Bill.

In order to maintain the issuance authority of the City of Minneapolis, CPED staff must perform several actions during the year. The two general areas of action are to inform the State, by certain deadlines, of intended actions on the issuance of bonds, and to pay various Allocation Deposits to the State.

The payment of the various Allocation Deposits by the City of Minneapolis may involve the receipt and payout of funds with several potential entities, including the State, other entitlement issues and bond applicants.

All necessary actions of the City will be based on actual bond applications under consideration, and on the requirement that City funds not be subject to any non-refund conditions without specific City Council authorization.

RECOMMENDATION:

It is recommended that, the Minneapolis City Council authorize:

1. The establishment of an Accounts Receivable - Bond Commitment Fees - to allow CPED staff to perform all necessary transactions regarding State-required Allocation Deposit payments on behalf of the City of Minneapolis.

At no time will City funds be at risk in relation to these payments; net cost to the City of these transactions: zero. (However, any interest earnings on such deposits will be kept by the State.)

Said Accounts Receivable - Bond Commitment Fees - is to be established in Fund SED or such fund as is determined by the CPED Director. The maximum payments are to be sufficient to secure necessary issuance authority. Authorized payment/reimbursement may involve the City, the State, bond applicants and other entitlement issues.

2. The CPED Director is to inform the State of the City of Minneapolis' intent to issue bonds, to use Joint Power Agreements, to pay or refund Allocation Deposits and all other notices necessary to ensure the ability of the City of Minneapolis to issue bonds throughout the year.
3. That full reimbursement to the City, of all Allocation Deposits, be required of bond applicants and of other entitlement issuers under Joint Power Agreements.
4. Staff is to charge bond applicants a pro rata share of legal and other expenses associated with the City's execution of Joint Powers Agreements, if such bond is issued under bond issuance authority gained by the City with a Joint Powers Agreement.
5. The CPED Director is to negotiate and enter into Joint Powers Agreements with other entitlement issuers, for the exchange of bond issuance authority to benefit the City of Minneapolis by increasing/decreasing bond issuance authority. Such Joint Powers Agreements will allow for proper payment/receipt of fees and expenses required for the exchange of issuance authority. Payments will be made from such fund as may be determined by the CPED Director.
6. The CPED Director is to approve City of Minneapolis applications to State bond issuance authority pools and payments of any additional Allocation Deposits required.