

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 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 Preliminary 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: None

A City of Minneapolis land sale and redevelopment agreement are being negotiated 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 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

Present Employment: 125

New Employment: None

Assessor's Estimated Annual Tax Increase: In review. The entire facility will be subject to normal real estate taxes.

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 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 \$19.42 million limit of Recovery Zone Facility Bonds originally allocated to the City of Minneapolis. On September 10, 2010, additional allocation was secured from the State of Minnesota.

BOND COUNSEL:

Faegre & Benson

UNDERWRITER:

None

BANK PURCHASER:

US Bank

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

RESOLUTION GIVING PRELIMINARY APPROVAL TO FINANCING FOR A PROJECT ON BEHALF OF AMERICAN ACADEMY OF NEUROLOGY OR AN AFFILIATE, INVOLVING THE ISSUANCE AND SALE OF UP TO \$16,500,000 REVENUE BONDS (AMERICAN ACADEMY OF NEUROLOGY PROJECT), SERIES 2010 AND DESIGNATION OF THE BONDS AS RECOVERY ZONE FACILITY BONDS

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 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.
3. Public Approval of Project. The City hereby gives preliminary approval to the Project and 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 or an affiliate in the aggregate principal amount of up to Sixteen Million Five Hundred Thousand Dollars (\$16,500,000) to finance costs of the Project.
4. 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, subd. 2(d) and subd. 2(b) of the Act.
 - (b) The Project will be located within a recovery zone designated by the City pursuant to Section 1400U-1(b) of the Internal Revenue Code.
 - (c) 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 and, in the opinion of bond counsel based on representations of the Borrower, the Bonds will be qualified recovery zone facility bonds within the meaning of Section 1400U-3 of the Code.
5. Application. There has been presented to this Council an Application for Approval of the Project (the "Application") to be submitted to the Commissioner of the Minnesota Department of Employment and Economic Development. The Application is hereby approved and shall be submitted to the Department of Employment and Economic Development for approval.
6. Recovery Zone Facility Bond Designation. The City hereby allocates \$16,500,000 of its Recovery Zone Facility Bond Allocation to the Bonds and designates the Bonds as recovery zone facility bonds for purposes of Section 1400U-3 of the Code.