

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

Date: August 12, 2008

To: Council Member Lisa Goodman, Community Development Committee

Subject: A Public Hearing and Request for Giving Host Approval to the Issuance of Tax-exempt Revenue Bonds by the City of Hinckley for the Community Involvement Programs.

Recommendation: The CPED Director recommends that the City Council adopt the attached Resolution giving host approval to the issuance of tax-exempt revenue bonds by the City of Hinckley for projects located in ten cities, including one project located in Minneapolis.

Previous Directives: None.

Prepared by: Bob Lind, CPED, Business Finance
Approved by: Charles T. Lutz, Deputy Director CPED _____
Catherine A. Polasky, Director, Economic Development _____
Presenters in Committee: Bob Lind

Reviews

- Permanent Review Committee (PRC): Approval N.A.____ Date _____

Financial Impact

- Other financial impact: No financial impact. The City of Minneapolis is being asked to give host approval to the City of Hinckley, MN to be the issuer of revenue bonds for projects located in ten cities, including one project located in Minneapolis.

Community Impact

- Neighborhood Notification: N.A. Minneapolis project is located in the Mid-City Industrial area.
- City Goals: The City of Minneapolis granting host approval to the City of Hinckley is in line with City Goals of providing partnerships and cooperation with other governmental entities.
- Sustainability Targets: N.A.
- Comprehensive Plan: Existing land use as Industrial is in compliance with the pending Minneapolis Plan.
- Zoning Code: Property at 1600 Broadway Street N.E. is zoned I1 (light Industrial District) and is in compliance.
- Living Wage/Business Subsidy Agreement Yes _____ No X The revenue bonds are being issued by the City of Hinckley. All conduit revenue bonds allocated under

State Statute 474A, refunding bonds and 501(c)(3) bonds are exempt from the State Act. The City's local Ordinance does not apply in that the revenue bonds are being issued by the City of Hinckley.

- Job Linkage Yes _____ No X

Supporting Information:

We received this request from Community Involvement Programs, a nonprofit organization (www.cipmn.org) and the City of Hinckley. Founded in 1971, Community Involvement Programs (CIP) operates a broad array of services and supports for those with developmental disabilities and their families and to individuals with mental illness. Most of the programs are provided in the metro area, with the CIP corporate headquarters located in Minneapolis at 1600 Broadway Street N.E.

CIP is working with their banker to refinance the outstanding debt on twelve of their residential group homes located in the following cities: Crystal, Sandstone, Hinckley, Golden Valley, St. Louis Park, Hopkins, New Hope, Richfield and Minnetonka. In addition, CIP would like to finance some renovations to facilities in Minnetonka and Sandstone, and to their corporate headquarters in Minneapolis at 1600 Broadway Street N.E.

CIP would like to make use of tax-exempt revenue bonds issued through the City of Hinckley to finance the renovation costs and the refinancing of the outstanding debt on the various projects located in the ten cities. In order to do this, each of the nine other cities, including Minneapolis, must hold a public hearing and adopt a resolution giving host approval to the City of Hinckley as the issuer of the revenue bonds. Usually it is the other way around, with the City of Minneapolis as the issuer of the bonds and the other cities giving host approval to Minneapolis being the issuer of the bonds. However, in this case, it makes sense for the City of Minneapolis and the other cities to grant host approval to the City of Hinckley to be the issuer of the tax-exempt revenue bonds.

Project Location and Description: Projects are located in ten cities, with one project located in Minneapolis at CIP's corporate headquarters at 1600 Broadway Street N.E. The Minneapolis project involves leasehold improvements of about \$200,000 to the corporate headquarters that will be financed as part of the \$2.5 million tax-exempt revenue bond.

Type of Financing:

The City of Hinckley will be the issuer of up to \$2.5 million in bank qualified tax-exempt revenue bonds to be purchased by a local lender to be used to finance the refinancing of outstanding debt on twelve residential group homes located in nine cities and the financing of renovations to facilities located in three cities, including the one project located in Minneapolis at 1600 Broadway Street N.E.

BOND COUNSEL:

Briggs & Morgan

RESOLUTION
of the
City of Minneapolis

GIVING HOST APPROVAL TO THE ISSUANCE OF A HOUSING AND CARE FACILITY REVENUE NOTE FOR A PROJECT BY COMMUNITY INVOLVEMENT PROGRAMS LOCATED IN MINNEAPOLIS, MINNESOTA UNDER MINNESOTA STATUTES, CHAPTER 462C AND MINNESOTA STATUTES SECTIONS 469.152 THROUGH 469.1651.

BE IT RESOLVED, by the City Council (the “Council”) of the City of Minneapolis, Hennepin County, Minnesota (the “City”) as follows:

Section 1. General Recitals.

(a) The purpose of Minnesota Statutes, Chapter 462C (the “Housing Program Act”), is, among other things, to confer upon cities the power to issue revenue bonds to finance multifamily housing developments; and

(b) The purpose of Minnesota Statutes, Sections 469.152 through 469.1651 as amended, (the “Industrial Development Act”), is, among other things, to promote the welfare of the State of Minnesota (the “State”) by the active attraction and encouragement and development of economically sound industry and commerce to prevent so far as possible the emergence of blighted and marginal lands and areas of chronic unemployment and by providing necessary care facilities so that adequate care services are available to residents of the State at reasonable cost.

Section 2. Description of the Project.

(a) Community Involvement Programs (the “Borrower”), a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) has proposed the issuance of a revenue note under the Housing Program Act and the Industrial Development Act, in one or more series, in an amount not to exceed \$2,500,000 (the “Note”) by the City of Hinckley, Minnesota (the “Issuer”) to finance the costs of a project (the “Project”) consisting of (i) refinancing the acquisition of an approximately 8 unit housing facility for the developmentally disabled known as the North Court Apartments which is located at 403 North Court Avenue, Sandstone, MN, (ii) refinancing the acquisition of group residential facilities for the developmentally disabled which are located at 4303 North Colorado Street, Crystal, MN; 6427 Westchester Circle, Golden Valley, MN; 501 First Street SW, Hinckley, MN; 300 18th Avenue North, Hopkins, MN; 4731 Clear Spring Road and 4725 Clear Spring Road, Minnetonka, MN; 7600 48th Circle North, New Hope, MN; 7044 Columbus Avenue, Richfield, MN; 9011 34th Street West, St. Louis Park, MN; and 618 South Pine Street and 112 Division Street, Sandstone, MN, (iii) financing renovations to the group residential facilities located at 4725 Clear Spring Road in Minnetonka and at 112 Division Street in

Sandstone, and (iv) financing renovations to the corporate headquarters of the Borrower located at 1600 Broadway Street NE in the City (the “Minneapolis Facility”).

(b) The facility located at 403 North Court Avenue in Sandstone will be owned by North Court Apartments, the facility located at 4731 Clear Spring Road in Minnetonka will be owned by Clear Spring Road Residences, Inc., all of the remaining facilities comprising the Project will be owned by the Borrower and the entire Project will be operated by the Borrower.

(c) As more fully described above, portions of the Project are located in the City, Hinckley and the Cities of Crystal, Golden Valley, Hopkins, Minnetonka, New Hope, Richfield, St. Louis Park and Sandstone (collectively, the “Host Cities”).

(d) The total amount of the obligations to be issued is presently estimated to not exceed \$2,500,000, approximately \$200,000 of which will be used for refinancing the Minneapolis Facility.

(e) The City has been advised that the Note or other obligations, as and when issued, will not constitute a charge, lien or encumbrance upon any property of the City, the Host Cities or the Issuer, except the Project and the revenues to be derived from the Project. Such Note or obligations will not be a charge against the general credit or taxing powers of the City, the Host Cities or the Issuer, but is payable from sums to be paid by the Borrower pursuant to a revenue agreement.

Section 3. Recital of Representations Made by the Borrower.

(a) The Borrower has agreed to pay any and all costs incurred by the City in connection with the issuance of the Note, whether or not such issuance is carried to completion.

(b) The Borrower has represented to the City that no public official of the City has either a direct or indirect financial interest in the Project nor will any public official either directly or indirectly benefit financially from the Project.

Section 4. Public Hearing.

(a) As required by Section 147(f) of the Code a Notice of Public Hearing was published in the Finance and Commerce and Minneapolis Star Tribune, the City’s official newspaper and a newspaper of general circulation, respectively, for a public hearing on the proposed issuance of the Note and the proposal to undertake and finance the Project.

(b) As required by Section 147(f) of the Code a public hearing was conducted on Tuesday, August 12, 2008 by the Community Development Committee of the Minneapolis City Council on the issuance of the Note and the proposal to undertake and finance the portion of the Project located within the jurisdictional limits of the City, at which all those appearing who desired to speak were heard and written comments were accepted.

Section 5. Host Approval. The City hereby gives the host approval required under the Internal Revenue Code to the issuance of the Note and, pursuant to Minnesota Statutes, Section 471.656, Subd. 2(2), the City Council hereby consents to the issuance of the Note.

