

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

Date: May 18, 2010

To: Council Member Lisa Goodman, Community Development Committee

Subject: A Public Hearing and Request for Preliminary and Final Approval of up to \$80,000,000 in 501(c)(3) Tax-exempt and Taxable Revenue Bonds for the National Marrow Donor Program Project.

Recommendation: The CPED Director recommends that the City Council adopt the attached Resolution giving Preliminary and Final Approval to the issuance of up to \$80,000,000 in 501(c)(3) Tax-exempt and Taxable Revenue Bonds for the National Marrow Donor Program Project.

Previous Directives: None. At this time the request is for a new money bond issue to finance technology improvements.

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. _____

Financial Impact

- Other financial impact: The issuance of revenue bonds for the National Marrow Donor Program Project will generate revenue bond administrative fees of approximately \$50,000 a year that are used to support the small business assistance programs of the City of Minneapolis.

Community Impact

- Neighborhood Notification: The Southeast Como Improvement Association has been notified of the project.
- City Goals: The investments in technology will enhance the City's efforts to retain and grow businesses in life sciences and the creative economy.
- Sustainability Targets: N.A.
- Comprehensive Plan: Project is in compliance.
- Zoning Code: The project is in compliance.
- Living Wage/Business Subsidy Agreement Yes ___ No X

All conduit revenue bonds allocated under State Statute Chapter 474, refunding bonds and 501(c)(3) bonds are exempt from the State Act. City bond financing is not subject to the City's local Ordinance if the intent of the bond financing is not to create jobs.

- Job Linkage Yes _____ No X

Supporting Information

A request from the National Marrow Donor Program and their Be the Match Foundation, two national non-profit organizations located in Minneapolis at 3001 Broadway Street N.E., on the proposal for the City to issue up to \$80 million in Tax-exempt and Taxable 501(c)(3) Health Care Revenue Bonds.

The mission of the National Marrow Donor Program and the Be the Match Foundation is to create the opportunity for all patients to receive the bone marrow or umbilical cord blood transplant they need, when they need it. Since they began operations in 1987, they have facilitated more than 40,000 transplants. Today they are facilitating 5,000 transplants a year, with a goal of over 10,000 a year by 2015. The proposed revenue bond financing will be a big part of reaching this goal.

The issuance of up to \$80 million in one or more series of Tax-exempt and Taxable Revenue Bonds, the proceeds from which will be used for financing the costs of transplant support systems, including: computer hardware and software licensing and development and related maintenance and professional services, training, and the costs of issuance and funding of a debt service reserve fund for the Bonds. The project, called the "Phoenix Initiative", is to modernize the manual processes by which the National Marrow Donor Program and the Be the Match Foundation operate in order to more effectively and efficiently serve their mission and reach their goals of expanding the level of services and transplants.

Type of Financing: The Bonds are being underwritten, structured and sold by Oppenheimer & Co., Inc. It is anticipated that the Bonds will be sold to institutional and accredited retail investors. The term on the Bonds is presently expected to be 15 years (2025) with the debt service payments to be the obligation of National Marrow Donor Program and payable from the proceeds of certain donations received by Be the Match Foundation. The Bonds are expected to have a fixed rate of interest. Subject to market conditions, it is estimated at this time that the average coupon interest rate would be about 4.55%.

Present Employment: The NMDP currently has 562 full-time employees, with approximately 700 total employees, inclusive of part-time workers and contractors. Of the total employees, 103 live in the City of Minneapolis. The majority of the employees are classified as professional in nature across the following major departments: Search & Transplant, Donor Resources, Repository, Quality Systems, Facilities, Information Technology, Finance, Legal, Human Resources and Marketing. The average employee salary is \$60,000.

New Employment: By March, 2011, at the completion of the project, it is expected that NMDP will add an additional 95 employees, of which 83 will be full time employees and 12 are anticipated to be contractors.

Assessor's Estimate Annual Tax Increase: The NMDP is a tenant in the building located at 3001 Broadway Street N.E. and as a tenant they pay real estate taxes through their lease agreement.

Affirmative Action Compliance: Applicant has an Affirmative Action Plan on file with the Federal Government and is working with the Minneapolis Civil Rights Department on filing an Affirmative Action Plan.

CITY IRB POLICIES:

Job Component	Minimum standard of one (1) job per 1,000 square feet of building area. National Marrow Donor Program: 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. National Marrow Donor Program: In compliance, 501(c)(3) nonprofit.
Development Standards	Compliance with the Land Use Plan of the City's Comprehensive Plan. National Marrow Donor Program: Project is in compliance with the City's Comprehensive Plan.
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. National Marrow Donor Program: Equipment financed will provide technological upgrades to all systems in the operation of the business in serving their mission. Will preserve jobs in Minneapolis as headquarters for their operations.
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.

National Marrow Donor Program: N.A.

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.

National Marrow Donor Program: N.A.

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; and

Parts of the financing would not be subject to the volume cap in that there is no volume limitation for Taxable Revenue Bonds.

BOND COUNSEL:

Faegre & Benson

UNDERWRITER:

Oppenheimer & Co., Inc.

Resolution

of the

City of Minneapolis

RESOLUTION GIVING PRELIMINARY AND FINAL APPROVAL TO FINANCING FOR A PROJECT ON BEHALF OF NATIONAL MARROW DONOR PROGRAM, PROVIDING FOR THE ISSUANCE AND SALE OF UP TO \$80,000,000 HEALTH CARE REVENUE BONDS (NATIONAL MARROW DONOR PROGRAM 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. National Marrow Donor Program, a Colorado nonprofit corporation (the "Borrower") has requested that the City assist in the financing of the Borrower's Phoenix Project (the "Project") which consists of the acquisition, development and implementation of a system for matching donors and providing other transplant support systems for the Borrower, including computer hardware and software, licensing and development and related maintenance, and professional services. The Project also includes costs of issuance and funding a debt service reserve fund. The Project will be located at 3001 Broadway Street N.E. in Minneapolis, Minnesota. The Project is to be owned or leased and operated by the Borrower or an affiliate of the Borrower. A public hearing on the Project was duly held on Tuesday, May 18, 2010 by the Community Development Committee.

3. Authorization of Bonds. The City hereby approves the Project and determines that it is necessary and expedient to authorize, and the City does hereby authorize, the issuance and sale of the City's Health Care Revenue Bonds (National Marrow Donor Program 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 Eighty Million Dollars (\$80,000,000) 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) Indenture of Trust (the "Trust Indenture") between the City and _____ (the "Trustee"), 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) Bond Purchase Agreement (the "Bond Purchase Agreement") among the City, the Borrower and Oppenheimer & Co. Inc. (the "Underwriter");

(d) Preliminary Official Statement (the "Preliminary Official Statement"), from which an Official Statement pertaining to the Bonds will be generated (this document and the Official Statement not to be executed by the City).

(e) Application for Approval of the Project (the "Application") to be submitted to the Commissioner of the Minnesota Department of Employment and Economic Development.

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, subd. 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 and, in the opinion of bond counsel based on representations of the Borrower, the Bonds will be qualified Section 501(c)(3) bonds within the meaning of Section 145 of the Code.

(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 Underwriter to purchase the Bonds on the terms set forth in the Bond Purchase Agreement; provided that the true interest cost for the Bonds does not exceed _____% per annum and the principal amount of Bonds does not exceed \$80,000,000.

(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. Application. The Application is hereby approved and shall be submitted to the Department of Employment and Economic Development for approval.

7. Approval and Execution of Documents. The forms of Indenture, Loan Agreement and Bond Purchase Agreement referred to in paragraph 3 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 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.

8. Disclosure Documents. The City consents to the distribution of a Preliminary Official Statement and an Official Statement (collectively, the "Disclosure Documents") prepared with respect to the issuance of the Bonds. The Disclosure Documents shall recite that the City has not participated in the preparation of the Disclosure Documents nor made any independent investigation of the information contained in the Disclosure Documents, and the City takes no responsibility for the sufficiency, accuracy, or completeness of such information.

9. Certifications. The officers of the City are authorized and directed to prepare and furnish to bond counsel, to the Borrower, to the Underwriter and to counsel for the Borrower and the Underwriter, 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.