Request for City Council Committee Action
From the Department of Community Planning & Economic Development

Date:	August 23, 2005
To:	Council Member Lisa Goodman, Community Development Committee
Prepared by:	Becky Shaw, Business Finance, Phone 612-673-5066
Presenter in Committee:	Becky Shaw, Business Finance, CPED
Approved by:	Chuck Lutz, Deputy CPED Director _____
Subject:	Request for Preliminary Approval of up to $7,000,000 in Revenue Bonds for City Minneapolis Series 2005 for Seed Academy Harvest Preparatory School Project

RECOMMENDATION: The CPED Director recommends that the City Council Adopt the attached Resolution, giving Preliminary Approval to the issuance of up to $7,000,000 in 501(c)(3) Tax-exempt Revenue Bonds for Seed Academy Harvest Preparatory School Project.

Previous Directives: The City of Minneapolis has issued revenue bonds for Seed Academy in 1998 for the construction of classrooms, a gymnasium and an auditorium. At this time Seed Academy is requesting both preliminary and final approval on the issuance of up to $7 million to refinance the outstanding balance on the Minneapolis Series 1998 Bonds, and the funding of capital improvements.

Financial Impact (Check those that apply)

___ No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)

___ Action requires an appropriation increase to the Capital Budget

___ Action requires an appropriation increase to the Operating Budget

___ Action provides increased revenue for appropriation increase

___ Action requires use of contingency or reserves

_X_ Other financial impact (Explain): The issuance of tax-exempt revenue bonds will generate administrative fees of $16,200 per year that are used to support the small business assistance programs in the city.

___Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: Seed Academy and Harvest Preparatory School is located at 1300 Olson Memorial Highway in the 5th Ward, within the Near North Neighborhood.

Neighborhood Notification: The Near North Neighborhood has been notified of this request.

City Goals: The proposed project is consistent with the City's goals of providing educational facilities and opportunities that help to make neighborhoods that are livable and safe.

Comprehensive Plan: The proposed project complies with the policies of the Minneapolis plan.

Zoning Code: The proposed project is in compliance.

Living Wage/Job Linkage: The proposed project is a 501(c)(3) conduit financing that is not subject to Living Wage/Business Subsidy.

Background/Supporting Information

Seed Academy and Harvest Preparatory School is a non-profit 501(c)(3) corporation. The school was founded in 1988 to provide childcare, educational programs and cultural enrichment to children under twelve years of age. In 1998 Harvest Preparatory School was approved by the State Department of Family and Children Services as a Charter School. With the Charter School designation, Harvest Preparatory School is sponsored by the Minneapolis Public Schools (Special School District #1), serving Kindergarten through Sixth Grade students.

PROJECT LOCATION & DESCRIPTION: 1300 Olson Memorial Highway

The project consists of refunding the outstanding Series 1998 Revenue Bonds, for the repayment of certain other indebtedness and for capital costs related to the project. Proceeds from the bonds will be used to refinance the Borrower's existing debt on the building that currently serves as the academic facility for the School, to provide capital improvements to that same building and to fund operating reserves. The building is approximately 106,872 square feet (including the basement) and was constructed in 1970. It is appraised at this time to be in sound physical condition with no major improvements necessary. Its remaining economic life is approximately 35 years.

TYPE OF FINANCING:
It is proposed that the City of Minneapolis issue up to $7,000,000 in tax-exempt revenue Bonds, secured by a bank letter of credit.

Sources:	
Series 2005A Bonds	$5,535,000
Series 2005B Bonds	940,000
Total Sources	$6,475,000

Uses:	
Refinance 1998 Bonds	$4,263,000
Other Indebtedness	667,000
Renovations	700,000
Debt Service Reserve Fund	251,000
Letter of Credit Fees	240,000
Cost of Issuance	354,000
Total Uses	$6,475,000

PRESENT EMPLOYMENT: Seed Academy currently employs 65 full time employees. The 1998 Bonds reflected only 27 fulltime employees.

NEW EMPLOYMENT: Seed Academy estimates 20 new full time employment opportunities will be created over the next year.

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE: Tax-exempt facility

AFFIRMATIVE ACTION COMPLIANCE: Seed Academy is working with the City to update their current affirmative action plan.

CITY IRB POLICIES:

Job Component: Minimum standard of one (1) job per 1,000 square feet of building area.

Seed Academy will have .80 jobs per 1000 square feet of building space. This is an educational facility where the utilization of space by people will be much greater than one per thousand square feet of space.

Property Improvements: 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.

Seed Academy: Refunding of outstanding bonds and improvements to existing facility.

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

	Seed Academy: Existing facility is 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.
	Seed Academy: In compliance
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.
	Seed Academy: N.A.
Tax-exempt Institution	Refinancing is permitted when new jobs are created or when a significant number of jobs is preserved; any interest cost savings must directly reduce patient costs.
	Seed Academy: This is an educational facility. All jobs will be preserved and 20 new jobs added as a result of the refinancing and renovations to the building.
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.
BOND COUNSEL:	Best & Flanagan LLP
UNDERWRITER:	Miller Johnson Steichen Kinnard, Inc
COUNCIL MEMBER INFORMED:	Natalie Johnson Lee
MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT APPROVAL:	Application will be made following approval of this attached resolution.

City Council Report Bond Final Approval

REFERED TO (NAME OF) COMMITTEE:
DATE:

RESOLUTION of the CITY OF MINNEAPOLIS

By _____

RESOLUTION RECITING A PROPOSAL FOR
A PUBLIC (CHARTER) SCHOOL PROJECT
GIVING PRELIMINARY APPROVAL TO THE PROJECT
PURSUANT TO THE MINNESOTA
MUNICIPAL INDUSTRIAL DEVELOPMENT ACT
AUTHORIZING THE SUBMISSION OF AN APPLICATION
FOR APPROVAL OF SAID PROJECT TO THE
MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT
AND AUTHORIZING THE PREPARATION OF
NECESSARY DOCUMENTS AND MATERIALS IN
CONNECTION WITH SAID PROJECT

(SEED ACADEMY HARVEST PREPERATORY PROJECT)

WHEREAS, pursuant to Minnesota Statues, Sections 469 152 through 469.165, as amended (the "Act"), the City of Minneapolis, Minnesota (the "City") is authorized to issue revenue bonds for the purpose of financing real and personal property, whether or not now in existence, which property is used or useful in connection with a revenue producing enterprise, whether or not operated for profit; and

WHEREAS, in enacting the Act, the Legislature found that the welfare of the State of Minnesota requires the active promotion, attraction, encouragement and development of economically sound industry and commerce to prevent, as far as possible, the emergence of blight and areas of chronic unemployment and to prevent economic deterioration;

WHEREAS, Seed Daycare, a Minnesota nonprofit corporation (the "Company"), has proposed that the City issue its lease revenue bonds, to be issued in one or more series, in the approximate total principal amount estimated not to exceed $7,000,000 (the "Bonds") to finance a project consisting of renovation to the existing public (charter) schoolhouse that is located at 1300 Olson Memorial Highway, Minneapolis, Minnesota, for use as a public charter school (the "Project"). The Project is owned by the Company and leased to and operated by Harvest Preperatory Charter School, Inc. and Hmong Academy, both Minnesota nonprofit corporations (the "Schools") Proceeds of the Bonds shall also be applied to refunding the City's outstanding $4,600,000 Revenue Bonds (Seed Academy Harvest Preperatory Project) Series 1998 and the

payment of certain other indebtedness of the Company, the proceeds of which were used for capital costs related to the Project; and

WHEREAS, the full faith and credit of the City will not be pledged to the Project or for the payment of the principal of, premium, if any, and interest on the Bonds; and

WHEREAS, the Company's proposal calls for the City to loan the proceeds realized upon the sale of the Bonds to the Company pursuant to a revenue agreement wherein the Company will be obligated to make payments at the times and in the amounts sufficient to provide for the prompt payment of principal of, premium, if any, and interest on the Bonds and all costs and expenses of the City incident to the issuance and sale of the Bonds; and

WHEREAS, the undertaking of the proposed Project and the issuance of the Bonds to finance the cost thereof will further promote the public purposes and legislative objectives of the Act by the expansion of public charter school facilities in the City; and

WHEREAS, a public hearing on the Project was held on August 23, 2005 following duly published notice. The general nature of the Project and an estimate of the aggregate principal amount of bonds to be issued to finance the Project were described in the notice of public hearing; and

WHEREAS, 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;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Minneapolis, Minnesota (the "Council"), as follows:

1. The Council hereby gives preliminary approval to the proposal of the Company that the City undertake the Project pursuant to the Act and to a revenue agreement between the City and Company, upon such terms and conditions with provisions for revision from time to time as necessary, so as to produce income and revenues sufficient to pay, when due, the principal of and interest on the Bonds in the total principal amount estimated not to exceed $7,000,000 to be issued pursuant to the Act to finance the purposes described above.

2. On the basis of information available to this Council it appears, and the Council hereby finds, that the Project constitutes properties, real and personal, used or useful in connection with one or more revenue producing enterprises within the meaning of Subdivision 2(b) of Section 469.153 of the Act; that the Project furthers the purposes stated in Section 469.152 of the Act; that the availability of financing under the Act and the willingness of the City to furnish such financing will be a substantial inducement to the Company to undertake the Project, and that the effect of the Project, if undertaken, will be to encourage the development of economically sound industry and commerce, to assist in the prevention of the emergence of blighted and marginal land, to help provide charter school facilities, to help prevent chronic unemployment, to help retain and improve the tax base and to provide the range of service and

employment opportunities required by the population, to help prevent the movement of talented and educated persons out of the State and to areas within the State where their services may not be as effectively used, to promote more intensive development and use of land within the City and eventually to increase the tax base of the community.

3. Best & Flanagan LLP, acting as bond counsel, is authorized to assist in the preparation and review of the necessary documents relating to the Project, to consult with the City, the Company, the original purchaser or purchasers of the Bonds, and their respective attorneys, as to the maturities, interest rates and other terms and provisions of the Bonds and as to the covenants and other provisions of the revenue agreement and other necessary documents and to submit such documents to the Council for final approval.

4. In accordance with Subdivision 3 of Section 469.154 of the Act, the Finance Officer of the City is hereby authorized and directed to submit the proposal for the Project to the Minnesota Department of Employment and Economic Development ("DEED") and to request its approval, and the other officers, employees and agents of the City are hereby authorized to provide DEED with such preliminary information as it may require.

5. The Company has agreed and it is hereby determined that any and all costs incurred by the City in connection with the financing of the Project whether or not the Project is carried to completion and whether or not the Project is approved by DEED will be paid by the Company.

6. Nothing in this resolution or in the documents prepared pursuant hereto shall authorize the expenditure of any municipal funds on the Project other than the revenues derived from the Project or otherwise granted to the City for this purpose. The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the City, except the revenues and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the Bonds shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal on the Bonds or the interest thereon, or to enforce payment thereof against any property of the City. The Bonds shall recite in substance that the Bonds, including interest thereon, are payable solely from the revenue and proceeds pledged to the payment thereof. The Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

7. The adoption of this resolution by the City does not constitute a guarantee or a firm commitment that the City will issue the Bonds as requested by the Company. The City reserves the right, in its sole discretion, to withdraw from participation and accordingly not issue any Bonds to finance the Project at any time prior to the adoption of the final resolution authorizing the issuance of such Bonds should the City so determine.

Adopted by the City Council of the City of Minneapolis, Minnesota this 2nd day of September, 2005.

Certified as an official action of the City Council:

RECORD OF COUNCIL VOTE (X INDICATES VOTE)													
COUNCIL MEMBER	AYE	NAY	NOT VOTING	ABSENT	VOTE TO OVERRIDE	VOTE TO SUSTAIN	COUNCIL MEMBER	AYE	NAY	NOT VOTING	ABSENT	VOTE TO OVERRIDE	VOTE TO SUSTAIN
President Ostrow							Goodman						
							Lilligren						
Zerby							Schiff						
Samuels							Niziolek						
Johnson							Benson						
Johnson Lee							Colvin Roy						
Zimmermann							Lane						

PASSED _____ ☐ **APPROVED** ☐ **NOT APPROVED** ☐ **VETOED**

DATE

ATTEST _____ _____

CITY CLERK MAYOR DATE

Comments on Proposal to Issue
TAX EXEMPT REVENUE BONDS

DATE: July 18, 2005

PROJECT NAME: Seed Academy

ADDRESS: 1300 Olson Memorial Highway

CPED BUSINESS FINANCE STAFF: Becky Shaw, 673-5066

PLANNING DIVISION STAFF: Thomas Leighton, 673-3853

WARD: 5 **NEIGHBORHOOD ORGANIZATION:** Northside Residents Redevelopment Council

PROJECT DESCRIPTION: Tax exempt revenue bonds of up to $7 million

COMPREHENSIVE PLAN:

Olson Memorial Highway is not a corridor that has a formal designation in The Minneapolis Plan as a commercial or community corridor. The subject property is near Heritage Park, which is designated as a Major Housing Site. Seed Academy school is on multiple parcels that are zoned R4 and R5 Schools are allowed as conditional uses in the R4 and R5 zoning districts.

COMMENTS AND FINDINGS:
The location and scale of Seed Academy is not inconsistent with city policy as represented by the policies in The Minneapolis Plan and the city's zoning code I see no concerns from a planning perspective with the issuance of revenue bonds.