

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

Date: April 20, 2010

To: Council Member Lisa Goodman, Community Development Committee

Subject: A Public Hearing and Request for Preliminary and Final Approval of up to \$7,800,000 in 501(c)(3) Tax-exempt Refunding Revenue Bonds for The Blake School 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 \$7,800,000 in 501(c)(3) Tax-exempt Refunding Revenue Bonds for The Blake School Project.

Previous Directives: In 2001 the City of Minneapolis issued \$10 million in Tax-exempt Revenue Bonds for the Minneapolis campus of The Blake School. At this time the request is to refinance the outstanding bonds.

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 Blake School will generate revenue bond administrative fees of approximately \$21,000 a year that are used to support the small business assistance programs of the City of Minneapolis.

Community Impact

- Neighborhood Notification: The Lowry Hill Neighborhood Association has been notified of this refunding request.
- City Goals: This refunding request enhances the City's efforts to provide lifelong learning second to none.
- Sustainability Targets: N.A.
- Comprehensive Plan: The original renovations in 2001 were in compliance with the policies of the Minneapolis Plan.
- Zoning Code: The project continues to be in compliance.
- Living Wage/Business Subsidy Agreement Yes ____ No X

All conduit revenue bonds allocated under State Statute Chapter 474A, 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

The Blake School is an independent college preparatory school with campuses in Minneapolis, Hopkins and Wayzata. The school serves approximately 1,400 students in pre-K through twelfth grade. The school was formed through the merger of Northrop Collegiate School for Girls (which was organized in 1900), Blake School for Boys (organized in 1907) and Highcroft Country Day School (organized in 1958). The three schools merged to become The Blake School(s) in 1974. The school is a Minnesota 501(c)(3) nonprofit corporation.

The Blake School (Northrop campus) located at 511 Kenwood Parkway in Minneapolis underwent major improvements back in 2001 that were financed with the issuance of a \$10 million revenue bond. The 2001 renovations included new instrumental and vocal music rooms, a black box theatre, enhanced spaces for studio arts and photography in the new Arts Wing, redesigned and restored classrooms, new roofs, more safety features, air conditioning and improved access for the disabled.

At this time it is requested that the outstanding revenue bonds with an outstanding balance of about \$7,800,000 would be refinanced with the issuance of the Series 2010 Refunding Bonds. The Series 2010 Refunding Bonds will be structured as long-term, fixed rate bonds with a final maturity date of September 1, 2021. It is expected that the Refunding Bonds will be rated A2 by Moody's. The average debt service savings as a result of the refunding will be about \$40,000 a year.

CITY IRB POLICIES:

Job Component	Minimum standard of one (1) job per 1,000 square feet of building area. Blake School: 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. Blake School: In compliance.
Development Standards	Compliance with the Land Use Plan of the City's Comprehensive Plan. Blake School: 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.

Blake School: N.A.

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.

Blake School: 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.

Blake School: 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

The issuance of refunding bonds will not require an allocation from the State's volume cap in that refundings are exempt from the volume cap.

BOND COUNSEL:

Faegre & Benson

UNDERWRITER:

Piper Jaffray & Co.

Resolution
of the
City of Minneapolis

Authorizing the issuance and sale of refunding revenue bonds on behalf of The Blake School.

WHEREAS, the City of Minneapolis, Minnesota (the "City") has previously issued its \$10,000,000 Revenue Bonds, Series 2001 (The Blake School Project) (the "Refunded Bonds") pursuant to the provisions of Minnesota Statutes, Sections 469.152 to 469.165, as amended (the "Act"), and loaned the proceeds thereof to The Blake School (the "Borrower") in order to finance costs incurred in the restoration and remodeling by the Borrower of its Northrop campus, located at 511 Kenwood Parkway, including new instrumental and vocal music suites, a black box theater, enhanced spaces for studio arts and photography, a new art gallery, redesigned and restored classrooms featuring enhanced technology access, enhanced student and public spaces, and infrastructure improvements including new roofs, more safety features, air conditioning and improved access for the disabled (collectively, the "Project"); and

WHEREAS, the Borrower has requested the City to issue its Refunding Revenue Bonds, Series 2010 (The Blake School Project) (the "Bonds") for the purpose of refunding the outstanding Refunded Bonds in order to reduce debt service costs; and

WHEREAS, the Community Development Committee of the City Council of the City conducted a public hearing on Tuesday, April 20, 2010, on the proposal to issue the Bonds after publication of notice of such hearing in the official newspaper and a newspaper of general circulation in the City; and

WHEREAS, the Bonds will be issued under an Indenture of Trust (the "Indenture"), and the proceeds of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement (the "Loan Agreement"), and the Bonds will be secured by a pledge of all rights and revenues derived by the City from the Loan Agreement (except certain retained rights of the City), and said Bonds and the interest on said Bonds shall be payable solely from the revenues pledged therefor and the Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation nor give rise to a pecuniary liability of the City or a charge against its general credit or assets and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than the City's interest in said Project; and

WHEREAS, forms of the following documents (including the exhibits referred to therein) have been submitted to the City:

a. The Indenture to be made and entered into between the City and the trustee named therein (the "Trustee"), providing for the issuance of the Bonds, prescribing the form thereof, pledging the trust estate described therein for the security of the Bonds, and setting forth proposed recitals, covenants and agreements by the parties with respect thereto;

b. The Loan Agreement to be made and entered into between the City and the Borrower, providing for the loan of the proceeds of the Bonds to the Borrower, and for the repayment of such loan;

c. The Bond Purchase Agreement, to be dated as of the date of execution thereof (the "Bond Purchase Agreement"), by and among the City, the Borrower and Piper Jaffray & Co. (the "Underwriter") providing for the purchase of the Bonds by the Underwriter; and

d. A Preliminary Official Statement (the "Preliminary Official Statement").

The agreements described and referred to in paragraphs a through c above shall hereinafter sometimes be referred to collectively as the "Agreements."

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

That it is hereby found, determined and declared that:

a. The payments required or provided for by the Agreements are intended to produce income and revenues sufficient to provide for the payment when due of principal of and interest on all Bonds issued under the Indenture, and payments are required to be made for such expenses of, among other things, administration of the program, as will be necessary to protect the interests of the City and the Trustee;

b. Pursuant to the provisions of the Act, and as provided in the Agreements, the Bonds shall be retired solely from amounts derived from the Loan Agreement, including the revenues of the Project.

Be It Further Resolved that the Agreements in substantially the forms submitted to the City at this meeting are hereby approved. Such of the documents as require the execution of the City are hereby authorized and directed to be executed or accepted, as the case may be, and delivered in the name and on behalf of the City by its Finance Officer or Assistant Finance Officer upon execution thereof by the parties thereto as appropriate. The Bonds and the Agreements shall be executed and delivered as provided therein. Copies of all the documents necessary for the consummation of the transactions described herein and in the Agreements shall be delivered, filed and recorded as provided herein and in the Agreements.

Be It Further Resolved that the form and terms of the Agreements may be varied prior to execution and delivery by the parties thereto, provided that any such variance shall not be, in the opinion of the City's legal counsel and the Finance Officer or Assistant Finance Officer, materially adverse to the interests of the City. The execution and delivery of the Agreements as provided above shall be conclusive evidence of the determination that any such variance was not materially adverse to the interests of the City.

Be It Further Resolved that in anticipation of the collection of revenues of the Project, there shall be issued forthwith the Bonds, in the aggregate principal amount not to exceed \$7,800,000, which issuance is approved, substantially in the forms and upon the terms set forth in the Indenture, the terms of which are for this purpose incorporated in this resolution and made a part hereof as if fully set forth herein. The Bonds shall be dated as of the date and shall mature on the dates (subject to redemption on such earlier dates as provided in the Indenture), bear interest and be payable at the rates, all determined as set forth in the Indenture, provided that such rates shall result in a true interest cost not greater than 4% per annum.

Be It Further Resolved that all actions of the members, employees and staff of the City heretofore taken in connection with the proposed issuance of the Bonds are hereby approved, ratified and confirmed.

Be It Further Resolved that the sale of said Bonds to the Underwriter is hereby approved, and the Bonds are hereby directed to be sold to the Underwriter, upon the terms and conditions set forth in the Bond Purchase Agreement. The Finance Officer or Assistant Finance Officer of the City is hereby authorized and directed to prepare and execute by manual or facsimile signature the Bonds as described in the Indenture and to deliver them to the Trustee (which is herein designated as the authenticating agent under Minnesota Statutes, Section 475.55) for authentication and delivery to or as directed by the Underwriter, together with a certified copy of this resolution, and the other documents required by the Indenture.

Be It Further Resolved that the City Clerk, Finance Officer and other officers of the City are authorized and directed to prepare and furnish when the Bonds are issued, certified copies of all proceedings and records of the City relating to the Bonds and such other affidavits and certificates (including but not limited to those required by bond counsel) as may be required to show the facts relating to the legality, tax exemption and marketability of the Bonds as such facts appear from the books and records in said 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 truth of all statements made by the City and contained therein. The City Clerk, Finance Officer and said officers are further authorized to execute such additional documents as shall be determined by the Finance Officer or Assistant Finance Officer to be necessary and desirable to provide for the issuance of the Bonds.

Be It Further Resolved that the Issuer has not participated in the preparation of the Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement"), which Preliminary Official Statement is expected to be amended and completed to add certain pricing and other information (as so amended, the "Official Statement") and has made no independent investigation with respect to the information contained therein, including the Appendices thereto, and the Issuer assumes no responsibility for the sufficiency, accuracy or completeness of such information. Subject to the foregoing, the Issuer hereby consents to the distribution and the use by the Underwriter, in connection with the sale of the Bonds of the Preliminary Official Statement and the Official Statement. The Preliminary Official Statement and the Official Statement are the sole materials consented to by the Issuer for use in connection with the offer and sale of the Bonds.

Be It Further Resolved that all covenants, stipulations, obligations and agreements of the City contained in this resolution and the aforementioned documents shall be deemed to be the covenants, stipulations, obligations and agreements of the City to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall be binding upon the City. Except as otherwise provided in this resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the City by the provisions of this resolution or of the aforementioned documents shall be exercised or performed by the City or by such members of the City, or such officers, board, body or agency

thereof as may be required or authorized by law to exercise such powers and to perform such duties.

Be It Further Resolved that no covenant, stipulation, obligation or agreement herein contained or contained in the aforementioned documents shall be deemed to be a covenant, stipulation, obligation or agreement of any member of the City, or any officer, agent or employee of the City in that person's individual capacity, and neither the City Council nor any officer or employee executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Be It Further Resolved that no provision, covenant or agreement contained in the aforementioned documents, the Bonds or in any other document related to the Bonds, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Project or the proceeds of the Bonds which are to be applied to the payment of the Bonds, as provided therein and in the Indenture. The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the City except the revenue 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 of 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 the interest thereon, are payable solely from the revenues 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.

Be It Further Resolved that except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents expressed or implied is intended or shall be construed to confer upon any person or firm or corporation, other than the City or any holder of the Bonds issued under the provisions of this resolution, any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provision hereof, this resolution, the aforementioned documents and all of their provisions being intended to be and being for the sole and exclusive benefit of the City and any holder from time to time of the Bonds issued under the provisions of this resolution.

Be It Further Resolved that in case any one or more of the provisions of this resolution, or of the aforementioned documents, or of the Bonds issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this resolution, or of the aforementioned documents, or of the Bonds, but this resolution, the aforementioned documents, and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

Be It Further Resolved that the Bonds, when executed and delivered, shall contain a recital that they are issued pursuant to the Act, and such recital shall be

conclusive evidence of the validity of the Bonds and the regularity of the issuance thereof, and that all acts, conditions and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Bonds and to the execution of the aforementioned documents to happen, exist and be performed precedent to and in the enactment of this resolution, and precedent to issuance of the Bonds and precedent to the execution of the aforementioned documents have happened, exist and have been performed as so required by law.

Be It Further Resolved that in the event any of the officers of the City authorized to execute documents on behalf of the City under this resolution shall have resigned or shall for any reason be unable to do so, any member of the City Council, or officer of the City, is hereby directed and authorized to do so on behalf of the City, with the same effect as if executed by the officer authorized to do so in this resolution.

Be It Further Resolved that the Bonds are hereby designated "Program Bonds" and are determined to be within the "Economic Development Program" and the "Program," all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.

Be It Further Resolved that this Resolution shall take effect upon publication.