



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

Date: May 18, 2004

To: Council Member Lisa Goodman, Community Development Committee

Prepared by: Bob Lind, Manager, Business Finance, Phone 612-673-5068
Presenter in Committee: Bob Lind

Approved by: Chuck Lutz, CPED Deputy Director _____

Subject: Authorizing the Execution and Delivery of Various Documents Relating to the Transitioning to the City of Minneapolis the Minneapolis Common Bond Fund and Entering into the Joint Partnership with Hennepin County.

RECOMMENDATION: Authorize the execution and delivery of documents that will transition the Common Bond Fund program to the City of Minneapolis and authorize the execution and delivery of the documents that will create the joint partnership with Hennepin County and the Hennepin County HRA for Common Bond Fund projects throughout Hennepin County and clarifying that Common Bond Fund projects located outside of the City do not need to comply with various City policies and programs.

Previous Directives: City Council actions: On April 18, 2003 (Document No 2003-067M) the MCDA Board of Commissioners authorized negotiation of a joint powers agreement with Hennepin County. On December 29, 2003 the City Council adopted resolutions 2003R-624 and 2003R-626 authorizing execution of the Joint Powers Agreement with Hennepin County HRA and the Reimbursement Agreement by Hennepin County; and approving the agreements related to the transitioning of the Common Bond Fund to the City of Minneapolis; and authorizing a six-month extension of the bond counsel contract with Gray, Plant & Mooty. On December 29, 2003 MCDA Board of Commissioners adopted resolution 2003-2864M approving the Assignment and Assumption Agreement transitioning the Common Bond Fund program to the City of Minneapolis. On January 16, 2004 the City Council adopted amendment to Ordinance, Chapter 424, Minneapolis Code of Ordinances, relating to the tax levy to secure Common Bond Fund revenue bonds.

Hennepin County actions: On March April 13, 2004 the Hennepin County HRA adopted action 04-HCHRA-10 authorizing the Joint Powers Agreement and Reimbursement Agreement. On April 20, 2004 the Hennepin County Board adopted resolution No. 04-4-192 authorizing the Joint Powers Agreement with the City of Minneapolis and the Reimbursement Agreement by the County.

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

Other financial impact (Explain): The issuance of Common Bond Fund revenue bonds will generate annual administrative fees that are used to support the small business assistance programs of the City. For projects that are financed outside the City but within Hennepin County and thus are supported by Hennepin County through the Reimbursement Agreement, the City and the County will split 50/50 the administrative fees.

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

Community Impact

Ward: The Common Bond Fund program is currently city-wide. The agreements with Hennepin County will expand the program throughout all of Hennepin County.

Neighborhood Notification: N.A.

City Goals: The CBF program is consistent with Goal 4 of creating an environment that maximizes economic development opportunities and the partnership with Hennepin County is consistent with Goal 7 of promoting public and private partnerships to support strong communities.

Comprehensive Plan: N.A.

Zoning Code: N.A.

Living Wage/Job Linkage: Conduit revenue bond financing is generally exempt from Living Wage/Business Subsidy. Our history with financing projects with revenue bonds has been that the projects are generally industrial/manufacturing projects with some of the higher paying jobs with benefits to the workers.

Background/Supporting Information

The Minneapolis Common Bond Fund (CBF) program was created in 1982 to provide financing for industrial, manufacturing and other users. The CBF has issued over \$250 million in revenue bonds for over 70 projects. Most of the major manufacturing and industrial projects completed in Minneapolis over the past twenty years have been financed with tax-exempt or taxable revenue bonds issued through the CBF. Over this twenty year history, the CBF has grown and matured into one of only six pooled bond programs in the country with an "A-" or better bond rating by Standard & Poor's. The CBF is designed for established owner-occupied manufacturing facilities with a history of profitability and whose owners provide personal guaranties.

A working group of the CBF Coordinating Committee consisting of City staff, attorneys from Gray, Plant & Mooty and Faegre & Benson, financial advisors from Dougherty & Company, underwriters from Piper Jaffray and RBC Dain Rauscher, participating bank representatives from Wells Fargo and U.S. Bank, have identified the specific public actions necessary to transfer the assets, obligations and operations of the CBF from the MCDA to the City of Minneapolis effective January 1, 2004. The five documents are:

1. **Assignment and Assumption Agreement:** Between the City of Minneapolis and the MCDA. Agreement assigns to the City all the assets, rights and obligations of all the CBF projects and the CBF program.
2. **Bill of Sale:** That the MCDA for the consideration of \$1.00 does sell to the City all the property, fixtures and equipment owned by the MCDA pursuant to the CBF projects and program.
3. **Quit Claim Deed:** That the MCDA quit claim deeds to the City all the property of the CBF projects.
4. **Third Amendment to Reimbursement Agreement** between the City of Minneapolis and U.S. Bank for the CBF Letter of Credit: U.S. Bank has provided a \$10 million letter of credit as one part of the various layers of reserve behind the CBF financings. This Third Amendment tracks with the transitioning of the CBF from the MCDA to the City of Minneapolis.
5. **Second Amendment to Debt Service Reserve Put Agreement:** Between the City of Minneapolis, Wells Fargo Bank and JP Morgan Chase Bank. The Put Agreement relates to the investment of certain debt service reserve funds that are also one of the many layers of reserve behind the CBF. The Second Amendment tracks with the transitioning of the CBF from the MCDA to the City of Minneapolis.

Staff is attempting to complete the transitioning of the CBF program and all its projects to the City of Minneapolis. Staff is currently working with a number of companies on pending revenue bond financings that will be finalized under the new City of Minneapolis CBF program. The Infinite Graphics project at 4611 East Lake Street and the Container Logix project at 215 27th Ave. N.E. are just two of the CBF financings that have pending closings related to the transitioning of the CBF to the City of Minneapolis.

In addition to the transitioning of the CBF to the City, staff is also the putting in place the partnership that has been forged with Hennepin County and the Hennepin County HRA on the joint issuance of CBF revenue bonds for projects throughout Hennepin County. In order to finalize this partnership, the following two documents will need to be executed:

1. **Joint Powers Agreement:** Between the City of Minneapolis, Hennepin County and the Hennepin County HRA. The Joint Powers Agreement puts in place the mechanism for the issuance by the City of CBF revenue bonds with respect to projects that are located outside Minneapolis but within Hennepin County.
2. **Reimbursement Agreement:** Between the City of Minneapolis and Hennepin County. The Reimbursement Agreement spells out the terms under which Hennepin County would be required to make whole the City under a defaulted CBF financing that was issued for a Hennepin County project.

Over the past couple of months in meetings with various Hennepin County communities, TwinWest Chambers of Commerce and Business Councils and City Managers and Mayors, staff has found a significant interest in long-term, low-interest financing for capital investment by manufacturing companies. We are now in a position to actively work with our neighboring cities to selectively provide long-term, low-interest financing for owner operated manufacturing companies.

As we work with Hennepin County staff to identify manufacturing companies, each municipality in which the CBF project takes place is required to adopt a resolution in support of the project. We would like the City Council to clarify that it is not the intent of the City of Minneapolis to impose City requirements on the individual projects outside the City of Minneapolis. In particular, the City will not impose its own affirmative action, job linkage, small and underutilized business enterprise, local prevailing wage, living wage, equal benefits or other non-financial policies or programs on borrowers located outside the City that are approved as beneficiaries of Common Bond Fund financing. Rather, individual municipalities or Hennepin County may impose their requirements and policies on the borrowers, and the City will at the request of the County or the municipality, incorporate such requirements and policies into the financing documents. Our objective is to provide CBF financing for manufacturing projects that will help to stabilize the manufacturing workforce within Hennepin County and slow the loss of good manufacturing jobs to areas beyond Hennepin County and the State of Minnesota.

NOTE: Copies of the following documents are on file with the City of Minneapolis Department of Community Planning & Economic Development and can be reviewed by contacting Bob Lind at 612-673-5068.

1. Assignment and Assumption Agreement
2. Quit Claim Deed
3. Bill of Sale
4. Third Amendment to Reimbursement Agreement between the City of Minneapolis and U.S. Bank for Common Bond Fund Letter of Credit
5. Second Amendment to Debt Service Reserve Put Agreement
6. Joint Powers Agreement between the City of Minneapolis and Hennepin County HRA
7. Reimbursement Agreement between the City of Minneapolis and Hennepin County