



**Request for City Council Committee Action
From the Finance Department**

Date: August 10, 2009
To: Ways and Means/Budget Committee
Referral to:

Subject: Refunding of General Obligation Tax Increment Bonds, Series 2000E

Recommendation: The City Council adopt a resolution authorizing the Finance Officer to issue and sell General Obligation Tax Increment Refunding Bonds, Series 2009B in compliance with applicable Minnesota Statutes.

Previous Directives:
Previous details and financing actions are detailed in the letter below.

Prepared or Submitted by Michael Abeln, Director, Capital & Debt Management, 612-673-3496

Approved by: Patrick Born, City Finance Officer _____

Steven Bosacker, City Coordinator _____

Presenters in Committee: Patrick Born, City Finance Officer, 612-673-3375

Financial Impact (Check those that apply)

Other financial impact (Explain): Approval of Current Refunding for interest savings

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

Background/Supporting Information (See Resolution attached also)

The Development District and Tax Increment Districts. The Minneapolis Community Development Agency (the "Agency") and the City of Minneapolis (the "City") established the South Nicollet Mall Development District, Development District No. 57 (the "Development District"), and developed the South Nicollet Mall Development Program to provide for the development and redevelopment of the Development District pursuant to Minnesota Statutes, Sections 469.124 - 469.134, as amended (the "Development District Act"). The Agency and the City also established Tax Increment Financing District No. 62 ("TIF District 62") and Tax Increment Financing District No. 63 ("TIF District 63," and collectively with TIF District 62, the "TIF Districts") pursuant to the provisions of Minnesota Statutes, Section 469.174-469.1799, as amended (the "TIF Act").

Planned Development. In order to provide for the redevelopment of the Development District and the TIF Districts, the Agency entered into a Contract for Private Redevelopment, dated April 24, 1997 with Ryan Properties (the "Developer"). The Agency entered into an Amended and Restated Contract for Private Redevelopment, dated December 28, 1998 (the "Redevelopment Contract") with the Developer, which was subsequently amended by the First Amendment to the Amended and Restated Contract for Private Redevelopment, dated November 18, 1999. The Redevelopment Contract provided a phased redevelopment of the Development District. The first phase included a two-level retail center, additional retail shops along the Nicollet Mall frontage and skyway corridor, a below-grade municipal parking garage and related skyway connections and streetscape improvements. The second phase included an office building constructed above the public parking garage and retail center.

The Finance Plan. The initial finance plan, with respect to the estimated capital and administration costs and public redevelopment costs for the development and redevelopment of Block 34 in the Development District, also known as the "900 Block," provided for the issuance by the City of the following obligations: (i) the Limited Revenue Tax Increment Note, Series 1999 (the "Note"), in the original aggregate principal amount of \$20,000,000, dated December 28, 1998; and (ii) the General Obligation Tax Increment Bonds, Series 1999A (the "Series 1999A Bonds"), in the original aggregate principal amount of \$27,000,000, issued on February 25, 1999. An amended finance plan provided for the issuance by the City of its Taxable General Obligation Tax increment Bonds, Series 2000D in the amount of \$15,000,000 (the "Series 2000D Bonds") and its General Obligation Tax Increment Bonds, Series 2000E in the amount of \$46,225,000 (the "Series 2000E Bonds"). The proceeds derived from the sale of the Series 2000D Bonds and the Series 2000E Bonds were applied to: (i) the redemption and prepayment of a substantial portion of the Variable Rate Bonds; (ii) the redemption and prepayment of the Revenue Note; (iii) the payment of accrued and unpaid interest on the Variable Rate Bonds and the Revenue Note; (iv) the payment of remaining capital and administration costs and public redevelopment costs for the development and redevelopment of Block 34 in the Development District; and (v) the payment of the costs of issuing the Series 2000D Bonds and the Series 2000E Bonds.

Transfer of Control to City. Pursuant to Resolution No. 2003R-625, adopted by the City Council of the City on December 29, 2003, and Resolution No. 2003-2863M, adopted by the Board of Commissioners of the Agency on December 29, 2003, the duties of administering all programs, projects, and districts administered by the Agency, including the Development District and the TIF Districts were transferred to the City, effective January 1, 2004.

Redemption of Series 2000E Bonds. In 2005, the 2012 thru 2021 maturities were advanced refunded for savings. The remaining General Obligation Tax Increment Bonds, Series 2000E are tax exempt fixed rate bond maturities carrying interest rates above the current market conditions and therefore present an opportunity to capture debt service savings by performing a current refunding of the bonds.

The remaining Series 2000E tax exempt bonds (callable after March 1, 2009) total \$13,675,000 as indicated below;

2010	\$ 4,500,000
2011	\$ 4,800,000
2022	\$ 700,000
2023	\$ 800,000
2024	\$ 875,000
2025	\$ 950,000
2026	\$ 1,050,000 All bonds are at 5%

In addition to the Series 2000E bonds, the Taxable General Obligation Tax Increment Bonds, Series 2000D, with \$4,200,000 still outstanding are also callable after March 1, 2009 and have remaining maturities and rates as follows;

2010	\$ 1,400,000 at 6.80%,
2011	\$ 1,400,000 at 6.85%,
2012	\$ 1,400,000 at 7.00%,

The Finance department recommends the City Council adopt the attached resolution requesting the Finance Officer to issue and sell City of Minneapolis General Obligation Tax Increment Refunding Bonds, Series 2009B to refund the remaining Series 2000E bonds detailed above. The structuring of the refunding issue will be done in a manner to allow for the early redemption of the Taxable Series 2000D bonds shown above also. The Finance officer will report the results back to the Council after the completion of the refunding issuance.