

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

Date: December 8, 2009

To: Council Member Lisa Goodman, Community Development Committee

**Subject:** A Public Hearing and Request for Final Approval of up to \$17,000,000 In Taxable and Tax-exempt City of Minneapolis, Limited Tax-Supported Development Revenue Bonds, in two Series 2010, for Open Systems International, Inc. (OSI) to be issued through the Minneapolis Common Bond Fund under a Joint Partnership with Hennepin County.

**Recommendation:** **The CPED Director recommends that the City Council adopt the attached Resolution giving Final Approval to the issuance of up to \$17,000,000 in Taxable and Tax-exempt Limited Tax Supported Development Revenue Bonds, Common Bond Fund, in two Series 2010, for Open Systems International, Inc. to be issued under a joint partnership with Hennepin County through the Common Bond Fund and designating the bonds as bonds entitled to the security provided by Ordinance No. 87-OR-084, Chapter 424, Tax Reserve and Pledge Ordinance.**

**Previous Directives:** Preliminary Approval Granted on December 4, 2009

Prepared by: Charles Curtis 612-673-5069

Approved by: Charles T. Lutz, Deputy Director CPED \_\_\_\_\_

Catherine A. Polasky, Director, Economic Development \_\_\_\_\_

Presenters in Committee: Charles Curtis

## Reviews

- Permanent Review Committee (PRC): Not Applicable

## Financial Impact

- Other financial impact: The issuance of revenue bonds for the Open Systems International, Inc. (OSI) will generate revenue bond administrative fees of approximately \$63,750 a year that are used to support the small business assistance programs of the City of Minneapolis.

## Community Impact

- Neighborhood Notification: NA

- City Goals: NA
- Sustainability Targets: NA
- Comprehensive Plan: NA
- Zoning Code: NA
- Living Wage/Business Subsidy Agreement Yes \_\_\_\_\_ No X
- Job Linkage Yes \_\_\_\_\_ No X

**Supporting Information**

On May 28, 2004 the City Council authorized the execution of documents that would create a joint partnership with Hennepin County and the Hennepin County Housing and Redevelopment Authority to allow the use of Common Bond Fund financing throughout the entire area of Hennepin County.

The City and County will execute a Joint Powers Agreement for the Open Systems International, Inc. project upon Final Approval, under which the County will reimburse the City for any deficiencies caused by any default of the borrower.

In addition, the City Council clarified that projects outside of the City of Minneapolis will not have to comply with various City of Minneapolis policies and programs, but will be subject to any requirements placed on the projects by the municipality in which the facility is located, in this case, the City of Medina.

**Project Location & Description:**

OSI is a privately held company currently located in leased space in Plymouth, Minnesota. The company has been in business for over fifteen years. The company provides advanced power automation systems, which includes specialized computer software, software development, training and support, as well as supplying computer hardware, to customer in the electric, water, oil and gas utility industry. OSI's customers are located throughout the world, with the majority in North America. Bahman Hoveida and Ron Ingram are the owners of the company.

OSI is proposing the purchase of vacant land located at the intersection of Highway 55 and Arrowhead Road in Medina, Minnesota. The company plans to build a facility of approximately 100,000 square feet that will incorporate technology labs, warehouse, training areas and general meeting/cafe/tertia space.

Sources of Funds:

Bonds	\$17,000,000
Equity	<u>1,500,000</u>
Total	\$18,500,000

Uses of Funds	Land and Building	\$15,500,000
	Equipment &	
	Improvements	2,500,000
	Financing Costs	<u>500,000</u>
	Total	\$18,500,000

**Present Employment:** 187

**New Employment:** 58

**IRB REQUIREMENTS:**

On May 28, 2004, the City Council clarified that projects outside of the City of Minneapolis will not have to comply with various City policies and programs, but will be subject to any requirements placed on the projects by the municipality in which the facility is located.

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.

OSI: 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.

OSI: In compliance

Restaurant/Bank

IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in a 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.

OSI: NA

Tax-exempt Institution

OSI: NA

The tax-exempt portion of the project is subject

IRB CAP:

to the State's limit on tax-exempt bond financing. An allocation for tax-exempt bonding authority will be requested from the State following Final Approval.

The taxable portion of the project is not subject to the volume cap in that there is no volume limit for taxable revenue bonds.

FINANCIAL ADVISOR:

Dougherty & Company, LLC

BOND COUNSEL:

Gray, Plant & Mooty

UNDERWRITER:

Piper Jaffray

RBC Capital Markets

REVIEW BY CBF COORDINATING

COMMITTEE:

OSI: Approved