



Request for MCDA Board of Commissioners Action from the Department of Community Planning & Economic Development - CPED

Date: November 6, 2007

To: Council Member Lisa Goodman, Community Development Committee

Referral to: MCDA Board of Commissioners

Subject: A Public Hearing and Request for Preliminary and Final Approval of up to \$1 million in 501(c)(3) Bank Qualified Bank Direct Tax-exempt Minneapolis Community Development Agency Revenue Bonds, Series 2007 for Courage Center.

Recommendation: City Council Recommendation: Adopt the attached Resolution, giving Preliminary and Final Approval to the issuance of up to \$1 million in Tax-exempt 501(c)(3) Bank Qualified Bank Direct Minneapolis Community Development Agency Revenue Bonds, Series 2007 for Courage Center.

MCDA Board Recommendation: Forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the attached Resolution giving Preliminary and Final Approval of up to \$ 1 million in Tax-exempt 501(c)(3) Bank Qualified Bank Direct Revenue Bonds, Series 2007, for Courage Center.

Previous Directives: On June 6, 2006 the MCDA closed on a \$950,000 Bank Qualified Tax-exempt Revenue Bond. The proceeds were used to make improvement to their facilities and camps.

Prepared by: Greg Davidson, Business Finance 673-5070
Approved by: Charles T. Lutz, Deputy Director CPED _____
Presenters in Committee: Greg Davidson

Reviews
Permanent Review Committee N/A

• Financial Impact

Other financial impact: The issuance of revenue bonds for Courage Center will generate revenue bond administrative fees of approximately \$5,000 a year that are used to support the small business assistance programs of the City of Minneapolis.

Community Impact

- Neighborhood Notification N/A Courage Center is located in Golden Valley, MN and the issuance of the bonds is through a Joint Powers Agreement between the two Cities.
- City Goals Yes Helps promote public/private and community partnerships to help support healthier families.
- Sustainability Targets N/A
- Comprehensive Plan N/A
- Zoning Code N/A In compliance with the zoning of the City of Golden Valley, MN.
- Living Wage/Business & Subsidy Agreement Yes No
- Minneapolis Job Linkage Yes No Courage has agreed to participate in this on a voluntary basis. This is not a condition to issue these bonds.

Supporting Information

Courage Center (aka: Courage) started 80 years ago. It is headquartered in Golden Valley, MN (www.courage.org/ phone 763-520-0520.) They are nationally recognized for their services, including rehabilitation therapy and classes, vocational and community based services, home and community rehab, courses to learn computers, fitness, use of public transportation; camps, sports and recreational programs. Its mission is to empower people with physical disabilities to reach for their full potential in every aspect of life. Courage is guided by the vision that one day all people will live, work, learn and play in a community based on abilities, not disabilities. Courage Center is accredited by over 50 associations. Annually they serve over 16,000 clients.

Courage Center's leading programs are: medical rehabilitation, Muskoloskeletal, Arthritis, Cerebral Palsy, Vision impairments, neurological; and others for: amputee, cancer survivors, chronic pain, post-polio and voice disorders. Twenty-four percent of their clients are under 24 years of age; 21% are over 65.

Courage Center and it's foundation are in good financial condition. Total combined revenues for fiscal year ending September 2006 were almost \$37 million and net income after expenses were \$187,811. Annually they receive more than \$7.8 million in contributions from individuals, corporations and foundations; plus over a million annually from sales of greeting cards. Over the last three years total expenses have not increased more than 3%.

Project Location & Description: All bond proceeds will be used at the Golden Valley, MN location.

Type of Financing:

Sources

- \$ 1,000,000 bond
- \$ 168,900 bank revolving line of credit

\$1,168,900

Uses

- \$ 30,000 environmental controls/security cameras
- 150,000 parking lot reconfiguration
- 300,000 remodel of MRS
- 338,900 client/patient equipment, beds, point of care system
- 350,000 administrative equipment, furniture, IT/website upgrades

\$1,168,900

The bank will provide a credit line for the first six months, until purchases of equipment have ceased. The Bond shall bear an initial interest rate that does not exceed 6.00% per annum. The Bond shall mature on or before December 31, 2017. The debt service coverage (Courage Center and Foundation combined) was 2.93 times based upon 2006 Year-end.

Present Employment: 630 across all their facilities and camps. Eighty-two are Minneapolis residents. They have agreed to participate in the City of Minneapolis' Job Linkage, on a voluntary basis.

New Employment: None anticipated.

Assessor's Estimate Annual Tax Increase: N/A

Affirmative Action Compliance: Courage has a state approved Affirmative Action plan.

CITY IRB POLICIES:

Job Component	Minimum standard of one (1) job per 1,000 square feet of building area. <u>N/A.</u> As a non-profit they are exempt.
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.

Courage is in compliance.

Development Standards

N/A. Compliance with the Land Use Plan of the City's Comprehensive Plan. According to the City of Golden Valley, Courage is properly zoned.

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.

Courage is 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.

Courage is in compliance.

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.

Courage is in compliance.

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:

Gray Plant Mooty, LLP

UNDERWRITER:

Wells Fargo, Minneapolis, MN

**Resolution
of the
City of Minneapolis**

By Goodman

Giving preliminary and final approval to and authorizing the financing of a project on behalf of Courage Center (the "Company"), and authorizing the issuance of a revenue bond of the Minneapolis Community Development Agency therefor.

Whereas, pursuant to Laws of Minnesota 1980, Chapter 595, as amended ("Chapter 595"), the City Council of the City of Minneapolis, Minnesota (the "City") established the Minneapolis Community Development Agency (the "Agency") and granted certain powers and duties to the Agency; and

Whereas, pursuant to such granted powers, the Agency has been authorized to issue revenue obligations for various purposes; and

Whereas, it has been proposed that the Agency issue a revenue bond in an amount not to exceed \$1,000,000 (the "Bond") to finance the improvement and equipping of the Company's headquarters facility located at 3915 Golden Valley Road in the City of Golden Valley, Minnesota, as well as the Company's Camp Courage facilities located at 8046 83rd Street NW, Maple Lake, Minnesota (collectively, the "Project"); and

Whereas, the property included in the Project will be owned by the Company, which is a Minnesota nonprofit corporation;

Whereas, the Agency expects to give final approval to the issuance of the Bond by a resolution to be adopted on the date hereof; and

Whereas, the Bond shall bear interest at an initial interest rate expected to not exceed 5.50% per annum, shall have a final maturity date not later than December 1, 2016, and shall have such other terms as required or permitted by the Agency's resolution, which terms are to be incorporated herein by reference;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the City Council hereby gives preliminary and final approval to the issuance by the Agency of the Bond in a principal amount not to exceed \$1,000,000 for the purpose of financing the Project.

That the Bond is hereby designated as a "Program Bond" and is 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.

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Resolution
of the
Minneapolis Community Development Agency

By Goodman

Relating to the Minneapolis Community Development Agency Revenue Bond (Courage Center Project) Series 2006; authorizing the issuance thereof pursuant to Minnesota Statutes, Sections 469.152 to 469.1651, as amended.

Be It Resolved by the Board of Commissioners (the "Board") of the Minneapolis Community Development Agency (the "Agency"), as follows:

Section 1. Definitions.

1.01. In this Resolution the following terms have the following respective meanings unless the context hereof or use herein clearly requires otherwise:

"Act" means Minnesota Statutes, Sections 469.152 to 469.1651, as amended;

"Agreement" means the Loan Agreement to be entered into between the Agency and the Borrower relating to the Bond;

"Bond" means the Revenue Bond (Courage Center Project), Series 2006 to be issued by the Agency pursuant to this Resolution in the principal amount of up to \$1,000,000;

"Bond Documents" means the Agreement, the Pledge Agreement and the Bond;

"Borrower" means Courage Center, a Minnesota nonprofit corporation, its successors and assigns;

"City" means the City of Minneapolis, Minnesota;

"Holder" means the registered holder of the Bond;

"Pledge Agreement" means the Pledge Agreement to be entered into between the Agency and the Holder relating to the Agreement and the Bond;

"Project" means various capital improvement and equipment costs incurred or to be incurred by the Borrower with respect to its headquarters facility located at 3915 Golden Valley Road in the City of Golden Valley, Minnesota, as well as its Camp Courage facilities located at 8046 83rd Street NW, Maple Lake, Minnesota;

"Resolution" means this resolution of the Agency.

Section 2. Findings.

2.01. It is hereby found and declared that:

(a) based upon representations made to the Agency by representatives of the Borrower as to the nature of the Project as described in the Agreement, the Project constitutes a project authorized by the Act;

(b) the purpose of the Project is and the effect thereof is to promote the provision of facilities for people with disabilities;

(c) the financing of the Project, the issuance and sale of the Bond, the execution and delivery of the Bond Documents and the performance of all covenants and agreements of the Agency contained in the Bond Documents and of all other acts and things required under the Constitution and laws of the State of Minnesota to make the Bond Documents valid and binding obligations of the Agency in accordance with their terms are authorized by the Act;

(d) it is desirable that the Bond be issued by the Agency upon the terms set forth herein and that the Agency pledge its interest in the Agreement and grant a security interest therein to the Holder as security for the payment of the principal of, premium, if any, and interest on the Bond;

(e) the loan payments contained in the Agreement are fixed and are required to be revised from time to time as necessary, so as to produce income and revenue sufficient to provide for prompt payment of the principal of, premium, if any, and interest on the Bond when due, and the Agreement also provides that the Borrower is required to pay all expenses of the operation and maintenance of the Project, including, but not limited to, adequate insurance thereon and all taxes and special assessments levied upon or with respect to the Project and payable during the term of the Agreement;

(f) under the provisions of the Act, the Bond is not to be payable from nor charged upon any funds of the Agency or City other than the revenue pledged to the payment thereof; the Agency and City are not subject to any liability thereon; no Holder of the Bond shall ever have the right to compel any exercise of the taxing power of the Agency or City to pay the Bond or the interest thereon nor to enforce payment thereof against any property of the Agency or City; the Bond, premium, if any, and interest thereon shall not constitute an indebtedness of the Agency or City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the Agency

or City or a charge against their general credit or taxing powers and shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Agency or City;

(g) the execution and delivery of the Bond Documents shall not conflict with or constitute, on the part of the Agency, a breach of or a default under any existing agreement, indenture, mortgage, lease or other instrument to which the Agency is subject or is a party or by which it is bound; provided that this finding is made solely for the purpose of estopping the Agency from denying the validity of the Bond Documents by reason of the existence of any facts contrary to this finding;

(h) no litigation is pending or, to the best knowledge of the members of this Board, threatened against the Agency questioning the organization of the Agency or the right of any officer of the Agency to hold his or her office or in any manner questioning the right and power of the Agency to execute and deliver the Bond or otherwise questioning the validity of the Bond or the execution, delivery or validity of the Bond Documents or questioning the pledge of revenues to payment of the Bond or the right of the Agency to loan the proceeds of the Bond to the Borrower;

(i) all acts and things required under the Constitution and the laws of the State of Minnesota to make the Bond Documents the valid and binding limited obligations of the Agency in accordance with their terms shall have been done upon adoption of this Resolution and execution of the Bond Documents; provided that this finding is made solely for the purpose of estopping the Agency from denying the validity of the Bond Documents by reason of the existence of any facts contrary to this finding; and

(j) the Agency is duly organized and existing under the Constitution and the laws of the State of Minnesota and is authorized to issue the Bond in accordance with the Act.

Section 3. Authorization and Approval of Documents.

3.01. Authorization. The Agency is authorized by the Act to issue revenue bonds and loan the proceeds thereof to finance the improvement and equipping of facilities constituting a "project" as defined in the Act, and to make all contracts, execute all instruments and do all things necessary or convenient in the exercise of such authority.

3.02. Approval of Documents. Pursuant to the foregoing, there have been prepared copies of the following documents, all of which are now or shall be placed on file in the office of the Agency:

- (a) the Agreement;
- (b) the Pledge Agreement; and
- (c) the Bond.

The forms of the documents listed above are approved, with such variations, insertions and additions as are deemed appropriate by the parties and approved by the Agency.

Section 4. Execution of Bond Documents.

4.01. Upon the completion of the Bond Documents approved in Section 3.02 hereof and the execution thereof by the other parties thereto, the Executive Director (or Deputy Executive Director) and the Finance Officer (or Assistant Finance Officer) shall execute the same on behalf of the Agency, and the foregoing persons and other officers of the Agency shall execute such other certifications, documents or instruments as bond counsel shall require, subject to the approval of the Agency, and all certifications, recitals and representations therein shall constitute the certificates, recitals and representations of the Agency. Execution of any instrument or document by one or more appropriate officers of the Agency shall constitute and shall be deemed the conclusive evidence of the approval and authorization by the Agency and the Board of the instrument or document so executed.

Section 5. The Bond.

5.01. Form and Authorized Amount. The Bond shall be issued substantially in the form on file with the Agency on the date hereof with such appropriate variations, omissions and insertions as are permitted or required by this Resolution. The terms of the Bond are set forth therein, and such terms, including, but not limited to, provisions as to interest rate, dates and amount of payment of principal and interest and prepayment privileges, are incorporated by reference herein. The Bond shall bear an initial interest rate that does not exceed 5.50% per annum. The Bond shall mature on or before December 1, 2016.

5.02. Execution. The Bond shall be executed on behalf of the Agency by the persons described in Section 4.01 hereof. In case any officer whose signature shall appear on the Bond shall cease to be such officer before the delivery thereof, such signature shall, nevertheless, be valid and sufficient for all purposes.

5.03. Delivery and Use of Proceeds. Prior to delivery of the Bond, the documents referred to in Section 3.02 hereof shall be completed and executed in form and substance as approved by the Agency. The Agency shall thereupon deliver to the Holder the Bond together with a certified copy of this Resolution and such closing certificates as are required by bond counsel.

Section 6. Limitations of the Agency's and City's Obligations.

6.01. Notwithstanding anything contained in the Bond Documents, the Bond and any premium and interest thereon shall not constitute an indebtedness of the Agency or City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the Agency or City or a charge against their general credit or taxing powers and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the Agency or City, and no Holder of the Bond shall ever have the right to compel any exercise of the taxing power of the Agency or City to pay the Bond or the interest thereon or to enforce payment thereof against any property of the Agency or City. The agreement of the Agency to perform the covenants and other

provisions contained in this Resolution or the Bond Documents shall be subject at all times to the availability of revenues furnished by the Borrower sufficient to pay all costs of such performance or the enforcement thereof, and neither the Agency or City nor any of their officers, employees or agents shall be subject to any personal or pecuniary liability thereon.

Section 7. Agency Representative.

7.01. The Finance Officer or Assistant Finance Officer of the Agency is hereby designated and authorized to act on behalf of the Agency for purposes of the Bond Documents.

Section 8. Governmental Program.

8.01. The Bond is hereby designated as a "Program Bond" and is 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.

Section 9. Bank Qualification.

9.01. In order to qualify the Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Agency makes the following representations:

(a) The Agency hereby designates the Bond as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code;

(b) The reasonably anticipated amount of tax-exempt obligations (other than obligations described in clause (ii) of Section 265(b)(3)(C) of the Code) which will be issued by the Agency (and all subordinate entities whose obligations will be aggregated with those of the Agency) during this calendar year 2006 will not exceed \$10,000,000; and

(c) Not more than \$10,000,000 of tax-exempt obligations issued by the Agency during this calendar year 2006 have been designated as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.