

Minneapolis Community Development Agency

Request for City Council Action

Date: November 10, 2003

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

Refer to: MCDA Board of Commissioners

Prepared by Charles Curtis, Phone 612-673-5069

Approved by Lee Sheehy, MCDA Executive Director
Chuck Lutz, MCDA Deputy Executive Director _____

Subject: A Public Hearing and Request for Preliminary Approval of up to \$6,000,000 in Tax-exempt Minneapolis Community Development Agency, Limited Tax-Supported Development Revenue Bonds, Series 2004, for The New French Bakery, Inc. to be issued through the Minneapolis Common Bond Fund.

Previous Directives: None for the proposed project.

Ward: 9

Neighborhood Group Notification: Seward Neighborhood has been notified.

Consistency with *Building a City That Works*: The proposed project is consistent With Goal 1 to increase the City's economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents.

Comprehensive Plan Compliance: The proposed project is in an existing facility that is located within an Industrial Park developed by the City. The proposed use is consistent with the area.

Zoning Code Compliance: Existing facility. The proposed project is in compliance.

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Impact on the MCDA Budget:

- No financial impact
- Action requires an appropriation increase to the MCDA Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): The issuance of revenue bonds will generate annual administrative fees that are used to support the small business assistance programs of the City.

Living Wage/Business Subsidy: Does not apply.

Job Linkage: The New French Bakery, Inc. will execute a job linkage agreement.

Affirmative Action Compliance: The New French Bakery, Inc. will provide an updated Affirmative Action Plan prior to Closing.

RECOMMENDATION:

City Council Recommendation: The Executive Director recommends that the City Council pursuant to MCDA Resolution No. 87-171M adopted by the Board of Commissioners of the Minneapolis Community Development Agency on July 16, 1987, that these Common Fund Bonds be designated, if and when issued, as bonds entitled to the Security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

The Executive Director recommends that the City Council adopt the attached Resolution following a public hearing held on November 10, 2003 notice of which was published in the FINANCE AND COMMERCE on October 25, 2003 giving Preliminary Approval of up to \$6,000,000 in Tax-exempt Minneapolis Community Development Agency, Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2004, for The New French Bakery, Inc. to be issued through the MINNEAPOLIS COMMON BOND FUND and designating the bonds as bonds entitled to the security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

MCDA Board Recommendation: The Executive Director further recommends that the City Council forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the attached resolution; giving Preliminary Approval of up to \$6,000,000 in Tax-exempt Limited Tax Supported Development Revenue Bonds, Common Bond Fund, Series 2004, for The New French Bakery, Inc. to be issued through the MINNEAPOLIS COMMON BOND FUND.

Background/Supporting Information

PROJECT LOCATION & DESCRIPTION:

The proposed project consists of the acquisition of an existing 43,500 square foot building located at 2600 26th Avenue South. The facility will be extensively remodeled to allow the installation of state of the art baking, refrigerating and freezing equipment to produce a large bakery.

The New French Bakery, Inc. is currently located across 26th Avenue South from the proposed new facility. The company provides wholesale baking products to various restaurants and grocers.

Both facilities will be in operation when the proposed project is completed.

TYPE OF FINANCING:

<u>Sources:</u>	
Revenue Bonds	\$5,400,000
Equity	600,000
Total	<u>\$6,000,000</u>

<u>Uses:</u>	
Purchase Building	\$2,000,000
Remodeling	1,400,000
Equipment	2,200,000
Issuance Costs	400,000
Total	<u>\$6,000,000</u>

PRESENT EMPLOYMENT: 150

NEW EMPLOYMENT: 20

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE: Minimal. Investment in remodeling is mainly personal property in support of equipment.

AFFIRMATIVE ACTION COMPLIANCE: An updated Affirmative Action Plan will be completed prior to closing.

MCDA IRB POLICIES:
Job Component Minimum standard of one (1) job per 1,000 square feet of building area.
The New French Bakery, Inc: Projected jobs in year 3 will meet policy

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.
	<u>The New French Bakery, Inc:</u> In compliance
Development Standards	Compliance with the Land Use Plan of the City's Comprehensive Plan.
	<u>The New French Bakery, Inc.:</u> 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.
	<u>The New French Bakery, Inc:</u> Projected jobs in Year 3 will be significant.
Restaurant/Bank	IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in an MCDA 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.
	<u>The New French Bakery, Inc.:</u> NA
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.
	<u>The New French Bakery, Inc:</u> NA

IRB CAP:

The project is subject to the State's limit on tax-exempt bond financing. An Allocation for tax-exempt bonding authority will be requested from the State following Preliminary Approval.

BOND COUNSEL:

Gray, Plant & Mooty

FINANCIAL ADVISOR:

Dougherty & Company, LLC

REVIEW BY THE COMMON BOND
FUND COORDINATING COMMITTEE:

An initial review of the project has been completed.

Giving preliminary approval to and authorizing a project on behalf of New French Bakery, Inc., and authorizing the issuance of revenue bonds or notes of the Minneapolis Community Development Agency therefor, payable primarily from revenues derived pursuant to a revenue agreement.

WHEREAS, the City Council, by Ordinance No. 81-Or-017, as amended by Ordinance No. 82-Or-076, reorganized and renamed the Housing and Redevelopment Authority in and for the City of Minneapolis as the Minneapolis Community Development Agency (the “Former Agency”), and granted additional powers and duties pursuant to Minnesota Laws of 1980, Chapter 595; and

WHEREAS, the City Council, by Ordinance No. 86-Or-035, renamed the Former Agency as the Minneapolis Public Housing Authority in and for the City of Minneapolis and created a new public corporation named the Minneapolis Community Development Agency (the “Agency”) to which it granted the development powers of the Former Agency and to which it extended the development obligations of the Former Agency; and

WHEREAS, pursuant to Minnesota Laws of 1980, Chapter 595, Ordinance No. 81-Or-017, as amended, and Ordinance No. 86-Or-035, as amended, of the City Council and Minnesota Statutes, Sections 469.152 through 469.1651 (collectively, the “Act”), the Agency is authorized to issue revenue bonds or notes for the purpose of providing financing for the acquisition, construction, rehabilitation and installation of projects consisting of real and personal properties used or useful in connection with a revenue producing enterprise engaged in any business; and

WHEREAS, by Resolution No. 82-512, adopted by the Former Agency on December 15, 1982, as amended, the Former Agency established a certain common bond fund and provided for the issuance from time to time by the Agency of economic development revenue bonds to be secured thereby (“Common Fund Bonds”); and

WHEREAS, pursuant to Ordinance No. 86-Or-035, as amended by the Minneapolis City Council on June 27, 1986, the Agency has authority to issue Common Fund Bonds and is the successor to the Former Agency for purposes of Common Fund Bonds; and

WHEREAS, New French Bakery, Inc., a Minnesota corporation (the “Company”), has proposed to acquire, improve and equip a manufacturing building located at 2600 – 26th Avenue South in the City (hereinafter, the “Project”), and the Project will be used in the operation of the Company’s baking business; and

WHEREAS, the Company has proposed that the Agency finance the Project by the issuance of its Common Fund Bonds under the Act in one or more series, in the approximate aggregate amount of \$6,000,000 (the “Bonds”); and

WHEREAS, the City Council has been advised that in accordance with the Act, a public hearing on the proposal to finance the Project has been conducted by the Community Development Committee of the City Council on behalf of the Agency, preceded by notice thereof as required by the Act, and at such public hearing all parties were given an opportunity to express their views with respect to the proposed undertaking and financing of the Project;

WHEREAS, the City Council has been further advised that the proposed bond issue has been submitted to the Mayor and the Planning Commission of the City of Minneapolis at least fourteen (14) days prior to consideration hereof; and

WHEREAS, the Agency, by resolution adopted or to be adopted on the date hereof, has or will give preliminary approval to the Project in accordance with the Act;

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

That the City Council hereby gives preliminary approval to the Project and the issuance by the Agency of its Bonds pursuant to the Act for the purpose of financing the Project in the aggregate sum of \$6,000,000 or such other amount approved by the Agency not exceeding such sum by more than ten percent (10%);

Be It Further Resolved that this approval by Ordinance No. 86-Or-035, as amended, of the City Council is hereby given as required.