

Request for City Council Committee Action from the Finance Department

Date: February 17, 2009	
To: Ways & Means/Budget Committ Referral to:	ee
Subject: Remedial Action for sale of	of Park Board 201 Building and Land
Recommendation: Approve resolution authorizing the Chief Financial Officer to take appropriate actions to complete remedial actions required by IRS Regulations to defease bonds associated with the sale of the Park Board's 201 Building and land sold on November 26, 2008 and a future land sale financed with tax-exempt bonds. (See attached resolution).	
Previous Directives: None Department Information	
Prepared by: Michael Abeln, Director of Capital & Debt Management	
Approved by: Patrick Born, Chief Financial Officer	
Approved by: Steven Bosacker, City Coordinator	
Presenters in Committee: Michael Abeln	
 Reviews Permanent Review Committee (PRC): Civil Rights Approval Policy Review Group (PRG): 	Approval Date Approval Date Approval Date
 Financial Impact (delete all lines not applicable to your request) Request provided to the Finance Department by Park Board 	

Other financial impact: Defeasance of bonds associated with prior land acquisition will result in long-term savings for the Park Board through lower debt service payments.

Community Impact

- Neighborhood Notification
- City Goals
- Comprehensive Plan
- Zoning Code
- Other

Supporting Information

The Minneapolis Park and Recreation Board sold a portion of the property known as the "201 Building" at Fort Snelling on November 26, 2008 to the Boy Scouts of America. The 201 Building was acquired in 2000 and it was anticipated the building could be a field house to compliment the other athletic field venues being developed by the Park Board at Fort Snelling. The funding for the field house project never occurred and the property was declared surplus to the Minneapolis Park and Recreation Board.

The City of Minneapolis issued the bonds for the project at Fort Snelling, including the acquisition cost of the 210 building and adjacent property. The Minneapolis Park and Recreation Board is repaying the bonds from profits generated in our enterprise area. The 201 Building was acquired for \$780,000 and the adjacent property was acquired for approximately \$1.1 million dollars. The Minneapolis Park and Recreation Board approved the sale for all of the property to the Boy Scouts of America for \$4.2 million dollars. The next closing for the remaining property will likely be in March of 2009.

The Minneapolis Park and Recreation Board retained the City's Bond Counsel – Kennedy & Graven to outline the options related to the disposition of the property to assure that the bonds will remain tax exempt. Since the City of Minneapolis issued the bonds, the City needs to take the actions required to preserve the tax exempt status of the bonds, the Minneapolis Park and Recreation Board has no legal position in the transaction. Based on the legal opinion and discussions with the Finance Officer, the remedial action that needs to occur is to establish a defeasance escrow to retire the bond principal from the proceeds of the 201 Building sale.

Attached is a resolution prepared by the City's bond counsel documenting the specifics required to ensure compliance with IRS remedial action regulations to ensure the bonds remaining after this defeasance continue to qualify for ongoing tax exempt status. The Finance Department recommends approval of the resolution.