



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

Date: June 6, 2006

To: Council Member Lisa Goodman, Community Development Committee
Council Member Paul Ostrow, Ways & Means Budget/Committee

Subject: A Public Hearing and Request for Preliminary Approval of up to \$9.0 Million in Tax-exempt and Taxable City of Minneapolis, Limited Tax-Supported Development Revenue Bonds, Series 2006, for the New French Bakery Project to be issued through the Minneapolis Common Bond Fund.

Recommendation: Recommendation: The CPED Director recommends that the City Council adopt the attached Resolution giving Preliminary Approval of up to \$9.0 million in Tax-exempt and Taxable Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2006, for the New French Bakery Project to be issued through the 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.

Previous Directives: In November of 2003, the City Council had given preliminary approval to a project by the New French Bakery to purchase a different building in south Minneapolis for an expansion. The purchase of the building fell through and the expansion plans were put on hold until another suitable building was located.

Prepared by: Charles Curtis, Business Finance **Phone:** 612-673-5069

Approved by: Chuck Lutz, Deputy Director CPED _____

Permanent Review Committee (PRC) Approval Not Applicable

Note: To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

Presenter in Committee: Charles Curtis, Business Finance

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the Capital Budget or Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan: Action is within the plan. Action requires a change to plan.

Other financial impact (Explain): The issuance of revenue bonds will generate annual administrative fees of \$32,000 a year that are used to support the small business assistance programs of the City.

Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification: On May 10, 2006 the Southeast Como Improvement Association was notified of the proposal by the New French Bakery to purchase and renovate the building at 828 Kasota Avenue.

City Goals: The proposed expansion of the New French Bakery operations is consistent with City goal of increasing the City's economic competitiveness and extending the benefits of the growing economy to Minneapolis residents.

Comprehensive Plan: Project is in compliance with the Minneapolis Plan.

Zoning Code: In compliance.

Other: None.

Background/Supporting Information:

The New French Bakery is a wholesale bakery with a current facility at 2609 26th Ave. S. in the 2nd Ward. The company has outgrown their capacity to produce bakery products for their customers, both locally and nationally. Peter Kelsey, the owner of the company, has identified a building at 828 Kasota Avenue, also located in the 2nd Ward, as being suitable for a second plant operation. The 828 Kasota Avenue building was constructed in 1976 for a cardboard box manufacturer and contains 42,000 sq. ft.

The existing plant at 2609 26th Ave. S. will continue to produce various frozen bread products for the local and national sales operation. The new facility at 828 Kasota Avenue will permit the expansion into a number of new product lines including the extended shelf-life packaging of bakery goods.

Type of Financing:

The issuance of both tax-exempt and taxable revenue bonds through the Minneapolis Common Bond Fund system that is currently rated "A+" by Standard & Poor's. The determination of the exact bond sizing and the amount, if any, of taxable bonds, will be made in the next few weeks as staff reviews the scope and costs of the renovation and equipment purchases. Staff will then return to the City Council for final approval on the project and the authorization on the issuance of the revenue bonds.

It is anticipated that the CBF Bonds will be publicly issued with sales to both the institutional and retail markets. The bonds will be offered with a "A+" bond rating, secured by the property and equipment, one year's debt service reserve and the corporate and personal guaranty of New French Bakery and Peter Kelsey.

Sources:

Revenue Bonds	\$9,000,000
Equity from company	<u>700,000</u>
Total:	\$9,700,000

Uses:

Purchase and Renovations to Building	\$5,200,000
Production equipment purchases	3,900,000
Costs of issuance	<u>600,000</u>
Total	\$9,700,000

Present Employment: 150

New Employment: 25

Assessor's Estimate Annual Tax Increase: Minimal. Investment is mainly personal property in support of the new equipment that is a part of this proposed financing.

Affirmative Action Compliance: An updated Affirmative Action Plan will be completed prior to a closing for the proposed bonds.

CITY IRB POLICIES:

Job Component	Minimum standard of one (1) job per 1,000 square feet of building area. New French Bakery: Projected jobs in the third year at the new facility 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. New French Bakery: Project is 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. New French Bakery: Project 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.

New French Bakery: N.A.

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.

New French Bakery: N.A.

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 the Preliminary Approval.

BOND COUNSEL:

Gray, Plant & Mooty

UNDERWRITERS:

Piper Jaffray, Inc.

RBC Dain Rauscher, Inc.

FINANCIAL ADVISOR:

Dougherty & Company

REVIEW BY THE COMMON BOND FUND
COORDINATING COMMITTEE:

The initial 2003 review of the project has been updated and will be reviewed again prior to a final approval request.