



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

Date: August 10, 2004

To: Council Member Lisa Goodman, Community Development Committee

Prepared by: Greg L. Davidson, Business Finance, 673-5070

**Presenter in
Committee:** Greg L. Davidson, Business Finance

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: A Public Hearing and Request for Preliminary and Final Approval of up to \$1.5 million in Bank Qualified Bank Direct 501(c)(3) MCDA Revenue Bonds for the Minnesota AIDS Project (MAP).

RECOMMENDATION: City Council Recommendation: Adopt the attached resolution, following a Public Hearing held on August 10, 2004 notice of which was published in Finance & Commerce on July 24, 2004, giving Preliminary and Final Approval to the issuance of up to \$1.5 million in Bank Qualified Bank Direct 501(c)(3) MCDA Revenue Bonds Series 2004 for the Minnesota AIDS Project (MAP).

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 \$1,500,000 Bank Qualified Bank Direct 501(c)(3) MCDA Revenue Bonds Series 2004 for the Minnesota AIDS Project (MAP).

Previous Directives:

None. At this time the project is requesting both preliminary and final approval on the issuance of these revenue bonds.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): The issuance of these taxable and tax-exempt revenue bonds will generate revenue bond administrative fees of approximately \$3,750 annually for Minneapolis that are used to support the

Financial Impact, continued:

small business assistance programs of the City of Minneapolis.
__ Request provided to the Budget Office when provided to the Committee Coordinator.

Community Impact

Ward: MAP is in Ward 7.

Location: 1400 Park Ave. South, Minneapolis.

Neighborhood Notification: The Downtown neighborhood association has been notified of this funding request.

City Goals: The proposed refunding is consistent with the *Goal #7* to promote public and community partnerships to address disparities in health and to support health advocacy of our residents.

Comprehensive Plan: The MAP headquarters is located on the southern area of downtown in Elliot Park. It is easily accessible by public transportation, has a large free parking lot; and is nearby HCMC, Abbot Northwestern, and Clinic 42. Given the numerous client service and educational activities that occur at MAP, the “scatter-gram-map” across the Twin Cities of their clients, and the fact they have been located at this locale for ten years, remaining at this locale is important.

Zoning Code: The project is in compliance.

Living Wage/Job Linkage: This project is a 501(c)(3) conduit financing and is not subject to Living Wage/Business Subsidy. Presently MAP employees 65 staff, with approximately 400 core-volunteers

Background/Supporting Information:

MAP is a Minnesota nonprofit corporation that provides a broad range of health and educational services to residents of Minneapolis, the state of Minnesota, and the upper mid-west. MAP started in 1983 by a handful of gay men.

MAP works towards three primary purposes: direct services, prevention through education and outreach, and public policy advocacy. Direct services help stabilize day-to-day living via MAP’s programs of “*Quick to Connect*”, Case Management, Basic Needs Services, Benefits Counseling, and Legal Services. Education/Outreach occur through: the state-wide *AIDS-Line*, *MainLine*, *PrideAlive*, *Positive Link* and *Wise@Work*.

In 2003 MAP provided:

- Case Management	298	clients, an ongoing service to clients
- Legal Assistance	635	cases
- Transportation	13,436	rides for 298 clients (11% increase in one year)
- Transitional housing	95	clients and family members
- Emergency Financial Assistance	1,190	clients
- AIDS Line calls	4,649	calls (33% increase in one year)

There were over 9,000 volunteer hours.

In 2003 MAP reached 1,500 businesses and 30 educational sessions were provided. These programs reach many whose lives are touched by this epidemic such as the families, friends, and co-workers of people infected with HIV. Recently more emphasis is on helping people to learn to live meaningful lives with this chronic condition that still, sadly, carries a continued stigma and discrimination. MAP saw an overall 13% increase of new HIV cases in 2003 and a dramatic increase in the number of new cases by communities of color, including the African-born communities. In 2003, 88% of the newly reported female cases of HIV were women of color. These women live in poverty and need stable housing. Most are parents and as a result, MAP's housing program needs have increased dramatically.

MAP partners with many other nonprofits and governmental entities to develop prevention strategies and services. Examples included: The Centers for Disease Control & Prevention, The US Department of Health & Human Services' HRSA (Health Resource Services Administration), the Minnesota Department of Health, Hennepin County and the Hennepin County Medical Center (HCMC), Open Arms of Minnesota, and District 202 for Youth. *Every Penny Counts Emergency Assistance Fund* is part of MAP.

These bonds will save MAP \$84,000 annually.

MAP is in decent financial health for a nonprofit and is preparing for even tougher financial times ahead given recent economic, philanthropic and political events. Over the last three years its revenues from government contracts and grants has increased 37%, yet that increased slowed to only a 3% increase between 2002 to 2003. Over the last three years revenues from private contributors has increased 16.5% to a total of \$873,000 in 2003.

Total revenues last year were \$4,842,000 versus \$3,997,200 in 2000.

They have the following reserves:

- \$ 258,000 dedicated reserves
- \$ 508,000 dedicated equipment replacement reserves
- \$ 918,000 general reserve fund. Currently they have no "endowment" yet this is considered an equivalent.

Annual MAP receives contributions from several hundred individuals and many local companies. They will continue to receive \$60,000 annually for the next three years from the Minneapolis United Way.

In 2003 their expenses for management, fundraising and special events were only 17% of revenues; leaving 83% for services and programming.

It has been proposed that the City of Minneapolis (The City) issue revenue bonds in the principal amount of up to \$1,500,000 (the "Bonds") and loan the proceeds thereof to permit them to buy their headquarters building they've rented for ten years.

TYPE OF FINANCING:

It is anticipated that these Bank Qualified Bank Direct 501(c)(3) MCDA Revenue Bonds Series 2004 will be placed with Wells Fargo Bank, for a term of 20 years, with the initial interest rate not to exceed 5.5% per annum.

Sources: Principal amount of Tax-exempt Series 2004 Bonds \$ 1,500,000

TOTAL SOURCES \$1,500,000

<u>Uses:</u>	Project costs:	1,470,000
	Costs of issuance including Underwriter's discount, Bond Insurance Policy premium, and attorneys.	<u>30,000</u>
	TOTAL USES	\$1,500,000

PRESENT EMPLOYMENT: Currently there are 65 Full Time Equivalent (FTEs) employees at their Minneapolis headquarters. MAP will participate in the Minneapolis Job Linkage (job creation tracking) program.

NEW EMPLOYMENT: This is a non-profit and no new jobs are anticipated due to this funding.

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE: As a tax-exempt 501(c)(3) facility there is no tax impact as a result of this funding.

AFFIRMATIVE ACTION COMPLIANCE: MAP currently has an affirmative action plan on file with the City.

CPED IRB POLICIES:

- Job Component Minimum standard of one (1) job per 1,000 square feet of building area.

MAP: Project complies.
- 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.

MAP: Project complies.
- Development Standards Compliance with the Land Use Plan of the City's Comprehensive Plan.

MAP: Project complies.
- 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.

MAP: N.A.

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.

MAP: N/A

Tax-exempt Institution

Refinancing is permitted when new jobs are created or when jobs are preserved..

MAP: 65 jobs will be preserved.

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, P.A.

UNDERWRITER:

Wells Fargo, N.A.

Relating to the Minneapolis Community Development Agency Revenue Bond (Minnesota AIDS Project) Series 2004; 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 (Minnesota AIDS Project), Series 2004 to be issued by the Agency pursuant to this Resolution in the principal amount of up to \$1,500,000;

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

"Borrower" means Minnesota AIDS Project, 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 the building located at 1400 Park Avenue South in the City, to be acquired by the Borrower for use as its headquarters;

"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 social service facilities;

(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;

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(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 acquisition, construction and installation of facilities constituting a “project” as defined in the Act, and to refinance obligations previously incurred for such purpose, 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 initial interest rate on the Bond shall not exceed an annual rate of 5.50%. The Bond shall mature on or before December 1, 2024.

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 2004 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 2004 have been designated as qualified tax-exempt obligations for purposed of Section 265(b)(3) of the Code.