MEETING NOTICE AND AGENDA
MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY
BOARD OF COMMISSIONERS

July 24, 2015
Following 9:30 a.m. City Council Meeting
Room 317, City Hall
350 South 5th Street, Minneapolis, Minnesota

Commission Members: Council Members Lisa Goodman (Chair), Jacob Frey (Vice-Chair), John Quincy (Secretary), Kevin Reich, Cam Gordon, Barbara Johnson, Blong Yang, Abdi Warsame, Elizabeth Glidden, Alondra Cano, Lisa Bender, Andrew Johnson and Linea Palmisano (quorum 7)

1. Accept Minutes of the Regular Meeting of January 30, 2015.

2. Approve and adopt the Agency Resolution authorizing the issuance of an up to $3,920,000 Tax-exempt 501(c)(3) Bank Qualified Bank Direct Revenue Bond for the DeLaSalle High School project.

Notice*: A portion of this meeting may be closed to the public pursuant to Minnesota Statutes Section 13D.03 or 13D.05.*

Attention: If you need this material in an alternative format please call Ahmed Muhumud at (612) 673-2162 or email Ahmed.Muhumud@minneapolismn.gov. Deaf and hard-of-hearing persons may use a relay service to call 311 agents at (612) 673-3000. TTY users may call (612) 673-2157 or (612) 673-2626. If you have any questions regarding this material please call 311 or (612) 673-2046; Hmong - Ceeb toom. Yog koj xav tau kev pab txhais cov xov no rau koj dawb, hu (612) 673-2800; Spanish - Atención. Si desea recibir asistencia gratuita para traducir esta información, llama (612) 673-2700; Somali - Ogow. Haddii aad dooneyso in lagaa kaalmeeyo tarjamadda macluumaadkani oo lacag la' aan wac (612) 673-3500. If you need a disability related accommodation, please contact CouncilCommitteeCoordinators@minneapolismn.gov.
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Minutes
Regular Meeting
Minneapolis Community Development Agency Board of Commissioners

January 30, 2015

Commission Members Present: Council Members Lisa Goodman (Chair), Jacob Frey (Vice-Chair), John Quincy (Secretary), Cam Gordon, Blong Yang, Abdi Warsame, Elizabeth Glidden, Alondra Cano, Lisa Bender, Andrew Johnson and Linea Palmisano
Commission Members Absent: Council Members Kevin Reich, Barbara Johnson

Chair Goodman called the meeting to order at 10:16 a.m., in Room 317 City Hall, Minneapolis, Minnesota, immediately following the Minneapolis City Council Meeting, a quorum being present.

1. Accept Minutes of the Regular Meeting of December 5, 2014.

2. Adopt the Resolution giving Preliminary and Final Approval of issuance of up to $6,600,000 in Minneapolis Community Development Agency – Educational Facilities Revenue Notes, Series 2015, 501(c)(3) Bank Qualified Bank Direct Revenue Bonds for Charter Schools Development Corp/Hiawatha Academy.

   Frey moved approval of Items 1 and 2. Seconded.
   Adopted. Yeas – 11; Nays – 0; Absent – 2

Yeas - Lisa Bender, Alondra Cano, Jacob Frey, Elizabeth Glidden, Cam Gordon, Andrew Johnson, Linea Palmisano, John Quincy, Abdi Warsame, Blong Yang, and Lisa Goodman (Chair).
Absent – Reich, B. Johnson

The action taken on Item 2 was approved by Mayor Betsy Hodges on February 5, 2015.

The meeting adjourned at 10:17 a.m.

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John Quincy, Secretary Date Minutes Accepted

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

Date: July 14, 2015

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee and MCDA Operating Committee

Referral to: MCDA Board of Commissioners

Subject: A Public Hearing and Request for Preliminary and Final Approval

of an up to $3,920,000 Tax-exempt 501(c)(3) Bank Qualified Bank Direct Minneapolis Community Development Agency Revenue Bond and host approval for the DeLaSalle High School project.

City Council Recommendation: Adopt the attached City Resolution giving preliminary and final approval to the issuance of an up to $3,920,000 Tax-exempt 501(c)(3) Bank Qualified Bank Direct Minneapolis Community Development Agency Revenue Bond for the DeLaSalle High School project and granting host approval to the City of Falcon Heights to issue an additional $2,380,000 Bank Qualified Bank Direct Revenue Bond for the project.

MCDA Board Recommendation: Forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the attached Agency Resolution authorizing the issuance of an up to $3,920,000 Tax-exempt 501(c)(3) Bank Qualified Bank Direct Revenue Bond for the DeLaSalle High School project.

Previous Directives: On March 10, 2006 the Minneapolis City Council and MCDA Board of Commissioners approved issuance of up to $1.8 million in Bank Qualified Bank Direct Revenue Bonds for the refunding of outstanding debt. In June 2011, the Minneapolis City Council and MCDA Board of Commissioners approved up to $475,000 in Bank Qualified Bank Direct Revenue Bonds to finance the acquisition of computer equipment.

Prepared by: Becky Shaw, Sr. Economic Development Specialist

Approved by: D. Craig Taylor, Executive Director CPED ________________

Charles T. Lutz, Deputy Director CPED ________________

Presenters in Committee: Becky Shaw

Financial impact:

- Action is within the business plan.
- Other financial impact: The City of Minneapolis currently receives administrative fees from DeLaSalle High School on other bond issues.

Community Impact

- Neighborhood Notification: The Nicollet Island Neighborhood representatives have been notified of this project.
- City Goals: The City's participation with this project complies with the city goal of a City that Works.
- Comprehensive Plan: This proposed financing is in compliance with the Minneapolis Plan for sustainable growth.
- Zoning Code: Project will comply.

Supporting Information

Project Location & Description:

DeLaSalle High School is a 501(c)3 non-profit educational institution founded in 1900. DeLaSalle High School takes pride in serving students in the heart of Minneapolis, with more than half of its students being Minneapolis residents, and the remaining students coming from several surrounding communities. DeLaSalle currently serves 760 students, employs 75 full time and over 80 part time and seasonal employees. At this time, they are requesting financing to build the Center for Innovative Learning. The Center for Innovative Learning is a campus renovation project which will replace outdated co-curricular space in the middle of the campus with modern and multi–functional instructional spaces. The Center will build upon DeLaSalle's enterprise and cloud technology initiatives, providing learning spaces that prepare students and staff to be global, critical and adaptable thinkers. The goal of the center is to ensure that the facility remains relevant in the changing educational environment. Enrollment is expected to increase over the next two years to 800 students.

In addition to the new learning spaces, the project will also address safety and traffic issues and improve the appearance of the facility from Grove Street and the neighborhood.

Type of Financing:

Industrial Development Bonds (commonly known as IDBs or tax-exempt revenue bonds) have been used by the City of Minneapolis since 1972 to finance the capital needs of many small companies and organizations. Tax-exempt revenue bonds were often not a practical financing option for small organizations due to the high cost of borrowing. In 2002, the City and MCDA developed a financing program to provide cost-effective tax-exempt financing for small nonprofit organizations. The program provides a streamlined application and documentation process, which lowers borrowing costs for non-profit agencies.

The federal tax code authorizes issuers to issue up to $10 million per year in this bank qualified debt. The MCDA has issued $6,080,000 in Bank Qualified Bank Direct bonds in 2015. This leaves a remaining $3,920,000 for the DeLaSalle High School project. DeLaSalle High School will request an additional $2,380,000 in Bank Qualified Bank Direct Bonds from the City of Falcon Heights for this project. The City of Minneapolis must grant host approval to allow for the issuance of the additional $2,380,000 in debt through another municipality.

Banks are allowed to deduct 80% of their “carrying costs” associated with the purchase of bank qualified, tax exempt revenue bonds. Banks get the dual benefit of tax-exemption and deductibility of carrying costs which essentially provides lower borrowing costs to non-profit organizations. Bank qualified bonds are underwritten and collateralized just like any conventional bank loan, but the interest rate to the borrower is lower due to the tax-exempt status. The proposed MCDA Revenue Bonds as well as the proposed City of Falcon Heights Bonds for the DeLaSalle High School project will be underwritten and purchased by Northeast Bank. The bonds will be fully amortized over a 15 year term with an interest rate not to exceed 3.4%.

Sources of Funds:			
	MCDA Bank Qualified Bonds		$3,920,000
	City of Falcon Heights Bonds		2,380,000
	DeLaSalle High School equity	2,498,548	
Total		**$8,798,548**	

Uses of Funds:			
	Design		$ 760,593
	Construction	6,835,740	
	Technology/furniture		612,620
	Testing	127,992	
	Insurance	102,162	
	Closing Fees		359,441
Total		**$8,798,548**	

Present Employment: DeLaSalle High School currently employs 75 full time and more than 80 part time/seasonal employees.

New Employment: DeLaSalle High School will probably hire 2 additional full time staff as a result of this expansion.

Assessor's Estimate Annual Tax Increase: Tax-exempt facility.

Affirmative Action Compliance: DeLaSalle currently has an affirmative action plan on file with the City.

CITY IRB POLICIES:

Job Component	Minimum standard of one (1) job per 1,000 square feet of building area. DLS: In compliance.
Property Improvements	For private activity IRBs consisting of industrial/manufacturing projects, 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. This IRB policy does not apply to nonprofit organizations issuing 501 (c)(3) tax-exempt revenue bonds. DLS: In compliance.
Development Standards	Compliance with the Land Use Plan of the City's Comprehensive Plan. DLS: 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. DLS: 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. DLS 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. DLS: N.A.
<u>IRB CAP:</u>	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.
<u>BOND COUNSEL:</u>	Gray Plant Mooty
<u>UNDERWRITER:</u>	Northeast Bank

RESOLUTION
of the
MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

By Goodman

Relating to the Minneapolis Community Development Agency Revenue Bond (De La Salle High School Project) Series 2015; authorizing the issuance thereof pursuant to Minnesota Statutes, Sections 469.152 to 469.1655, 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 469.1655, 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 (De La Salle High School Project), Series 2015 to be issued by the Agency pursuant to this Resolution in the principal amount of up to $3,920,000;

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

"Borrower" means De La Salle High School, a Minnesota nonprofit corporation, its successors and assigns;

"City" means the City of Minneapolis, Minnesota;

"Holder" means Northeast Bank or other 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 building improvements, including entrance and facade improvements, as well as improvements to learning, library and technology center spaces, for the Borrower's educational facilities located at One De La Salle Drive in the City;

"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 nonprofit educational facilities;

(c) 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;

(d) 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 its facilities, including, but not limited to, adequate insurance thereon and all taxes and special assessments levied upon or with respect to its facilities and payable during the term of the Agreement;

(e) 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;

(f) 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;

(g) no litigation is pending or, to the actual 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; and

(h) 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.

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, installation 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) of the Agency and the Finance Officer (or Assistant Finance Officer) of the City 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 interest rate that is expected to not exceed 4.00% per annum. The Bond shall mature on or before December 1, 2030.

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 City 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 2015 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 2015 have been designated as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.