



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

Date: June 23, 2015

TO: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee

Subject: A Public Hearing and Host Approval for the issuance of Bank Qualified Bank Direct Financing for Minnehaha Academy project through the cities of Lilydale and Mendota.

Recommendation: Adopt the attached resolution, authorizing Host Approval for the issuance of Bank Qualified Bank Direct Financing for Minnehaha Academy through the cities of Lilydale and Mendota.

Previous Directives: Minnehaha Academy has made use of the tax-exempt revenue bonds in the past. In 2007, the City of Minneapolis issued up to \$11 million in tax-exempt revenue bonds for the Minnehaha Academy South Campus Project. In 2001 the City of Minneapolis issued \$10 million in tax-exempt revenue bonds for their North Campus redevelopment project. All outstanding bonds will be refunded as a result of this financing.

Prepared by: Becky Shaw, Sr. Economic Development Specialist 673-5066

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 financing impact: The City of Minneapolis currently receives administrative fees of approximately \$29,000 annually on the outstanding Minnehaha Academy Series 2001 and Series 2007 bonds. As a result of this financing, there will be no remaining outstanding City of Minneapolis bonds and the fees will be eliminated.

Community Impact

Neighborhood Notification: The Longfellow neighborhood has been notified.

City Goals: The City's participation in this project complies with the city's goal of A City that works where City government runs well and connects to the community it serves.

Comprehensive Plan: This proposed refunding complies with the City's comprehensive plan.

Zoning Code: The project is in compliance with the zoning code.

Supporting Information

Minnehaha Academy is a Christian private school in Minneapolis, Minnesota for students in preschool through 12th grade. The non-profit Minnesota educational facility was established in 1913. There are two campuses, the South Campus for preschool through 8th grades, and the North Campus for 9th-12th grades. Minnehaha is located in the Cooper and Longfellow neighborhoods on the West River Parkway. The student body is drawn from Minneapolis, St. Paul and throughout the Minneapolis-St. Paul metropolitan area as well as international students. In 2007, the City of Minneapolis issued \$11,000,000 in tax-exempt 501(c)(3) revenue bonds for the renovation and addition to the South Campus facility. The 2007 project included an addition to the existing hockey arena, reorganization and addition to the student pick up and drop off area, and the expansion of classroom sizes and the addition of new classroom space.

Type of Financing:

Minnehaha Academy approached the City of Minneapolis to issue MCDA Bank Qualified Bank Direct revenue notes early in 2015 to secure lower interest rates. The MCDA has an annual allocation of \$10 million that can be issued per calendar year. There has been an increased demand for MCDA Bank Qualified notes in 2015. The allocation has been promised to other projects that submitted complete applications earlier based on the long-standing City practice of first come, first served for ready, viable projects. Because of that reason, Minnehaha sought out allocation from other municipalities close enough to consider Minnehaha Academy as an educational alternative for their children. The cities of Lilydale and Mendota will each issue \$6,750,000 to refund the outstanding City of Minneapolis Series 2001 and Series 2007 bonds. It is anticipated that the refunding will lower interest rates on the note and decrease annual debt service payments for the school.

Resolution
Of the
City of Minneapolis

Giving host approval to the issuance of obligations by the Cities of Lilydale and Mendota, Minnesota to finance a project by Minnehaha Academy.

Whereas, Minnehaha Academy (the “Borrower”) located at 4015 Inglewood Avenue South, Minneapolis, Minnesota, has represented to the City (i) that it is a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) (ii) that it desires to refinance the following obligations issued by the City of Minneapolis, Minnesota (the “City”): \$10,000,000 Variable Rate Demand Revenue Bond (Minnehaha Academy Project), Series 2001, dated May 25, 2001, and \$10,200,000 Revenue Bond (Minnehaha Academy Project), Series 2007, dated March 13, 2007 (collectively, the “Prior Obligations”), and (iii) that the Prior Obligations were incurred for the activities described below:

(a) refinancing a project which consisted of (i) a new approximately 38,000 square foot gymnasium building, (ii) approximately 32,000 square feet of renovations comprised of new performance, rehearsal and storage space for drama productions, choir, band and orchestra concerts and other performing and visual arts events, as well as community gatherings, an art room, a photography darkroom, four classrooms, student commons and locker areas and an approximately 2,800 square foot enclosed pedestrian walkway connecting the auditorium and gymnasium, (iii) office space for the Admissions and Development offices of the Borrower, (iv) various site improvements and enhancements of existing 9th through 12th grade school facilities located at 3107 – 47th Avenue South in the City, and (v) expansion, renovation, remodeling, equipping and various site improvements and enhancements of the pre-kindergarten through 8th grade school facilities located at 4200 West River Parkway in the City; (b) refinancing a debt obligation incurred by the Borrower with respect to the Prior Obligations; and (c) paying costs associated with the proposed revenue obligations (the “Project”); and

Whereas, it is anticipated by the Borrower that the refinancing will be pursuant to an issue of tax-exempt obligations to be purchased by a lending institution which will require that such obligations be designated by the issuer thereof as “qualified tax exempt obligations” under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended; and

Whereas, each issuer of “qualified tax exempt obligations” is limited to issuance of not more than \$10,000,000 of such obligations during each calendar year, whether designated or not; and

Whereas, it is anticipated that the City will issue obligations in calendar year 2015 in an amount in excess of \$10,000,000; and

Whereas, the Borrower has represented that the Cities of Lilydale and Mendota, Minnesota (together, the “Issuers”) have agreed to issue tax-exempt bank qualified revenue

obligations, in one or more series, whether taxable or tax exempt in an amount not to exceed \$13,500,000 (the "Obligations") to finance the Project and payment of the issuance costs of the Obligations; and

Whereas, the Borrower has represented that the Obligations are expected to be issued pursuant to Minnesota Statutes, Sections 469.152 through 469.165 as amended, relating to municipal industrial development (the "Act"); and

Whereas, Minnesota Statutes, Section 471.656 provides that a municipality may not issue obligations to finance the acquisition or improvement of real property located outside of the corporate boundaries of the issuer unless the municipality in which the real property to be improved is located consents to the issuance of such obligations; and

Whereas, the tax-exempt bond provisions of the Internal Revenue Code of 1986, as amended, require that each jurisdiction containing a project to be financed with tax-exempt obligations hold a public hearing on the issuance; and

Whereas, a Notice of Public Hearing was published in the *Star Tribune*, the City's official newspaper and a newspaper of general circulation, calling a public hearing on the proposed issuance of the Obligations by the Issuers and the proposal by the Issuers to undertake and finance the Project; and

Whereas, the Community Development Committee of the City Council has, on June 23, 2015, held a public hearing on the proposal to undertake and finance, through the issuance of the Obligations by the Issuers, the portion of the Project located within the jurisdictional limits of the City, at which all those appearing who desired to speak were heard and written comments were accepted.

Now, Therefore, Be it Resolved by the City Council of the City of Minneapolis:

That the City Council consents to the issuance by the Issuers of the Obligations.

That the Finance Officer, or the authorized designee of the Finance Officer, is authorized and directed to execute and deliver such documents or certificates needed by the Issuers from the City for the sale of the Obligations.

That the Obligations, when and if issued for the Project, shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City, and will not be a charge against the general credit or taxing power of the City. (There will, however, be a charge, lien or encumbrance on the Project, which is not an asset of the City.) The Obligations, when and if issued, shall recite in substance that the Obligations and the interest thereon shall not constitute a debt of the City.