



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

Date: February 11, 2014

To: Council Member Lisa Goodman, Community Development and
Regulatory Services Committee
Council Member John Quincy, Ways and Means Committee

Subject: Request for Authorization of Actions by City Staff Relating to the
Issuance of Tax-exempt Revenue Bonds in 2014

Recommendation: The CPED Director recommends that the City Council authorize
the City staff to take certain actions throughout 2014 in order
to utilize tax-exempt revenue bond financing for various City
industrial/manufacturing projects.

Previous Directives: Since 1986, the City Council, on an annual basis, has authorized the
appropriate City staff to take certain actions in regards to obtaining tax-exempt allocations
from the State of Minnesota for Minneapolis revenue bond projects.

Prepared by: Charles Curtis, CPED, 673-5069

Approved by: Charles T. Lutz, Deputy Director CPED _____

Catherine A. Polasky, Director, Economic Development _____

Presenters in Committee: Charles Curtis

Funding Source and Appropriation Language

Reviewed by Development Finance: _____

N/A.

Reviews

Permanent Review Committee (PRC): Approval N.A. Date _____

Financial Impact

Other financial impact: Funds necessary to make the reservation deposits with the
State of Minnesota for an allocation of tax-exempt bonding authority are paid by the
company on whose behalf the bonds are issued. At no time are City funds at risk, the
risk of not closing on the revenue bonds and thereby losing the reservation deposit is

borne by the company. If the project does go forward and the bonds are issued, the City receives an annual administrative fee for the term of the bonds.

Community Impact

Neighborhood Notification: N.A.

City Goals: The revenue bond programs are consistent with the City goal of creating an environment that maximizes economic development opportunities.

Sustainability Targets: N.A.

Comprehensive Plan: N.A.

Zoning Code: N.A.

Living Wage/Business Subsidy Agreement Yes _____ No X

All conduit revenue bonds allocated under State Statute Chapter 474A, refunding bonds and 501(c)(3) nonprofit bonds are exempt from the State Act. City revenue bond financing is only subject to the City's local Ordinance if the intent of the bond financing is to create jobs.

Job Linkage Yes X No _____

Supporting Information

In 1993 Congress passed the 1993 Tax Bill which included a permanent extension of the authority to issue tax-exempt revenue bonds for industrial/manufacturing projects. This was the first time since the early 1980's that the use of tax-exempt financing for industrial/manufacturing projects was on more than a temporary year-to-year extension. Even with the permanent extension, a State volume cap and other restrictions on the use of tax-exempt bonds are still in place.

In order to maintain the issuance authority of the City of Minneapolis, CPED staff must perform several actions during the year. The two general areas of action are to inform the State, by certain deadlines, of intended actions on the issuance of revenue bonds, and to pay various Allocation Deposits to the State.

The payment of the various Allocation Deposits by the City of Minneapolis may involve the receipt and payout of funds with several potential entities, including the State, other entitlement issuers and bond applicants.

All necessary actions of the City will be based on actual bond applications under consideration, and on the requirement that City funds not be subject to any non-refund conditions without specific City Council authorization.

It is recommended that the Minneapolis City Council authorize:

1. The establishment of an Accounts Receivable – Bond Commitment Fees Account – to allow CPED staff to perform all necessary transactions regarding State-required Allocation Deposit payments on behalf of the City of Minneapolis.

At no time will City funds be at risk in relation to these payments; net cost to the City of these transactions is zero. Any interest earnings on such deposits will be kept by the State.

The Accounts Receivable – Bond Commitment Fees Account – is to be established in Fund 001000 8900320. The maximum payments are to be sufficient to secure necessary issuance authority. Authorized payment/reimbursement may involve the City, the State, bond applicants and other entitlement issuers.

2. The CPED Director is to inform the State of the City of Minneapolis' intent to issue bonds, to use Joint Power Agreements, to pay or refund Allocation Deposits, and all other notices necessary to ensure the ability of the City of Minneapolis to issue bonds throughout the year.
3. That full reimbursement to the City, of all Allocation Deposits, be required of bond applicants and of other entitlement issuers under Joint Power Agreements.
4. Staff is to charge bond applicants a pro rata share of legal and other expenses associated with the City's execution of Joint Power Agreements, if such bond is issued under bond issuance authority gained by the City with a Joint Powers Agreement.
5. The CPED Director is to approve City of Minneapolis applications to State bond issuance authority pools and payments of any additional Allocation Deposits required.