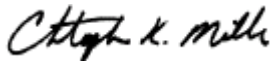


REQUEST FOR COUNCIL ACTION

Date: 06/29/09
Item No.: 13.a

Department Approval

City Manager Approval



Item Description: Discussion on Policy and Procedures related to the Issuance of Conduit Debt

BACKGROUND

State Statute provides for the issuance of tax-exempt bonds by municipalities for the benefit of housing or long-term care facilities. The bonds are considered conduit debt and do not constitute a financial obligation in any part by the City. The City has actively participated in bond issues of this type for several decades and has historically accommodated those requests whenever possible.

Recently, members of the City Council expressed an interest in having a more formal policy and procedure process in place to guide the Council in determining whether to participate in these types of financings. It was recognized that a more comprehensive review process could ensure a greater understanding of the proposed project being financed and how it might benefit the City.

Based on input from other municipalities, City Staff has developed a draft policy and procedure manual (in the form of an application for financial assistance). The manual is included as an attachment to this memo and is consistent with the policy reasons used in the past. There are however more up-front disclosure requirements on the part of the applicant.

Staff will be available at the meeting to present an overview of the draft and to answer any Council inquiries.

POLICY OBJECTIVE

Generally speaking, the public policy reason for City participation in these financings is to promote greater investment in the City's housing or long-term care facilities than would otherwise occur by market factors alone. Allowing the bonds to be issued tax-exempt (where applicable) makes the bonds more attractive to investors and results in lower borrowing costs compared to traditional financing methods. This in turn, provides more available dollars for the proposed project.

FINANCIAL IMPACTS

Not applicable.

STAFF RECOMMENDATION

Not applicable.

29 **REQUESTED COUNCIL ACTION**

30 Staff is seeking Council comments and direction on the draft conduit debt policy and procedure manual.

31

Prepared by: Chris Miller, Finance Director

Attachments: A: Draft Conduit Debt Policy and Procedure Manual.

32

PROCEDURE
FOR
APPLICATION TO
CITY OF ROSEVILLE, MINNESOTA
FOR
PRIVATE ACTIVITY REVENUE BOND FINANCING

Effective as of June 29, 2009

Finance Director
City of Roseville
2660 Civic Center Drive
Roseville, MN 55113

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PART I

GENERAL

Under the Minnesota Municipal Industrial Development Act, Minnesota Statutes, Sections 469.152 to 469.1651 (the “Industrial Development Act”), the City of Roseville has authority to issue industrial, commercial, and health care revenue bonds or notes to attract or promote economically sound industry and commerce to the City.

Under Minnesota Statutes, Chapter 462C (the “Housing Act”) the City is authorized to issue housing revenue bonds to finance multi-family residential housing projects for low and moderate income persons and elderly persons. Projects must be consistent with a Housing Program as these terms are defined in the Housing Act.

The Council is aware that such financing for certain private activities may be of benefit to the City and will consider requests for tax exempt financing subject to these Guidelines. The Council considers tax exempt financing to be a privilege, not a right.

It is the judgment of the Council that tax exempt financing is to be used on a selective basis to encourage certain development that offers a benefit to the City as a whole, including significant employment and housing opportunities. It is the applicant's responsibility to demonstrate the benefit to the City, both in writing and at the required public hearing. The applicant should understand that although approval may have been granted by the City for the issuance of financing for a similar project or a similar debt structure, that is not a basis upon which approval will be granted. Each application will be judged on the merits of the project as it relates to the public purposes of the Housing Act or the Industrial Development Act and the benefit to the City at the time the request for financing is being considered.

PART II

GUIDELINES

1. The Council will consider tax exempt financing for commercial, industrial and health care projects under the Industrial Development Act and housing projects under the Housing Act. An applicant for tax exempt financing pursuant to the Industrial Development Act must submit to the City the application contained in Part IV of these Guidelines. An applicant for tax exempt financing, pursuant to the Housing Act, must submit to the City the application contained in Part V of these Guidelines.
2. Projects must be compatible with the overall development plans and objectives of the City and comply with the zoning and land use regulations of the City.
3. An application will not be considered by the Council until City Staff has reviewed City Codes with respect to zoning, building plans, platting, streets, and utility services. The application must be accompanied by the addendum contained in Part VI of these Guidelines and must provide information as to the project's need for municipal services including, but not limited to, street improvements, water and sewer services, and police and fire protection.
4. The project must be a positive benefit to the City. The project must be of a nature that the City wishes to attract, or an existing business which the City wishes to retain or have expand within the City, considering employment opportunities, incentive for further development, impact on City services, and support for the industrial, commercial or health care operations currently located in the City. A housing project must provide significant housing opportunities for low and moderate income persons or the elderly.
5. The applicant must select a qualified financial adviser or underwriter to assist the applicant in preparing all necessary application documents and materials. The financial adviser will submit a letter that establishes the financial feasibility of the project. Applications may, in the alternative, include a signed letter from a financial institution indicating that the project is economically feasible and viable and stating that bonds can be successfully sold for the project or that an individual or institution intends to purchase all of the bonds.

The City will appoint bond counsel for the bond issue, which will normally be the City's regularly retained bond counsel.

6. Pursuant to the Industrial Development Act and the Housing Act, consideration of an application for tax exempt financing must be done at a public hearing held by the Council. Modifications to the project after the public hearing and preliminary approval must be consistent with the scope of the project as proposed at the time of preliminary approval.

The applicant must receive approval from the appropriate state agencies, secure financing and commence construction, if applicable, within one year of the date of the public hearing on the project or the housing program.

7. The City is to be reimbursed and held harmless for and from any out-of-pocket expenses related to the tax exempt financing including, but not limited to, legal fees, financial analyst fees, bond counsel fees, the City staff's expenses in connection with the application, and any deposits or application fees required under state law in order to secure allocation of bonding authority. The applicant must execute a letter to the City undertaking to pay all such expenses. A form of the required letter is set forth as Part VII of these Guidelines. A non-refundable application fee in the amount of \$2,500 must be included with the submission of the application.
8. Prior to closing and delivery of the bonds for the project, the applicant must pay an administrative fee in an amount equal to the greater of \$10,000 or 1% of the principal amount of the bonds actually issued. The administrative fees required by this paragraph will be adjusted at or paid prior to delivery of the bonds if necessary to ensure compliance with the Internal Revenue Code and regulations.
9. Applications for financing must be made on the forms attached to these Guidelines. In addition, the applicant must furnish a description of the project, a site plan, elevation of proposed buildings, landscape, lighting, and site preparation, if applicable, together with a brief description of applicant and the proposed financing in such form as required at the time of application.
10. The Council may, in its sole discretion, impose conditions exceeding those required under the City building code in respect to exterior building materials, landscaping, signage lighting, and such other aspects as the Council may consider appropriate on a case-by-case basis.
11. The Council may, in its sole discretion, withdraw its preliminary approval of a project any time if in its judgment the purposes of the Act will not be served by going forward with the project and its financing.

PART III

MISCELLANEOUS MATTERS

1. Refundings. In the case of refundings of bonds for which the administrative fee listed in paragraph 8 of Part II have been paid in full, no new administrative fees are required; but the non-refundable application fee must be paid together with all City expenses in excess of that fee. If the administrative fees for the refunded bonds are not paid in full upon closing on the refunding bonds, such fees must continue to be paid for the refunding bonds.

In the case of refundings of bonds where no administrative fee has been paid, the administrative fees listed in paragraph 8 of Part II must be paid. The application form is to be appropriately modified.

2. Subsequent Proceedings. Where changes to the underlying documents or credit facilities of outstanding bond issues are to be made and require Council action (including changes that are a “deemed reissuance” under Internal Revenue Service regulations), no administrative fee is charged but a non-refundable fee of \$1,500 must be deposited with the City to cover administrative costs. No formal application form is required.
3. Issue by Another Political Subdivision. The City will consider requests for tax exempt financing of projects in the City by other political subdivisions. In these cases the non-refundable application fee must be paid and all procedures through the approval of the preliminary resolution followed. No administrative fee is charged.
4. City Contact. Initial contacts about tax-exempt financing are made by contacting:

Finance Director
City of Roseville
2660 Civic Center Drive
Roseville, MN 55113

5. Request for additional information or requirements. The City of Roseville has the right to request additional information that may be deemed necessary to consider requests for tax exempt financing of any project in the City of Roseville.
6. Upon issuance of the Bonds. The City of Roseville will want to be copied in on all annual certifications of documents that are sent to the Treasury Department, the Internal Revenue Service, the State of Minnesota, Minnesota Housing Finance Agency and/or other governmental body for compliance purposes, as provided in the documents relating to the bonds.

PART IV

APPLICATION FOR TAX-EXEMPT FINANCING

(Commercial, Industrial or Health Care)

1. APPLICANT

- a. Business Name:
- b. Business Address:
- c. Business Form (corporation, partnership, sole proprietorship, etc.):
- d. Authorized Representative:
- e. Principal contact person and telephone number:

2. PURPOSE OF REQUESTED FINANCING:

- a. New Facility (describe):
- b. Expansion (describe):
- c. Refunding (describe):

3. GIVE BRIEF DESCRIPTION OF NATURE OF BUSINESS, PRINCIPAL PRODUCTS, ETC.:

4. ESTIMATED PROJECT COSTS: (Not required for refunding)

Land	\$_____
Building	_____
Equipment	_____
Architectural, Engineering	_____
Costs of Issuance	_____
Capitalized Interest,	
including discount	_____
Other	_____

Total Financing Requested	\$_____
---------------------------	---------

5. AMOUNT OF FINANCING REQUESTED: \$_____ (____% of project costs)

6. TYPE OF FINANCING PROPOSED:

Bonds _____ Tax Exempt Mortgage Note _____

Expected Term of Financing _____ Years

Security:

Mortgage _____

Letter of Credit _____

Guaranty (third party) _____

Guaranty (personal) _____

Unsecured _____

Other (specify) _____

7. BUSINESS PROFILE: (Not required for refunding)

a. Is the business located in the City of Roseville now?

b. Number of employees in City:

1) Before this project:

2) After this project:

c. Approximate annual sales:

d. Length of time in business:

Length of time in business in City:

e. Do you have facilities in other locations? If so, where?

8. NAMES OF:

a. Underwriter or Lender (name and contact person):

b. Corporate Counsel:

c. Underwriter's or Lender's Counsel:

9. WHAT IS YOUR TARGET DATE FOR: (Not required for refunding)

- a. Construction start:
- b. Construction completion:

10. Attachments:

- a. Project description:
- b. Initial application fee
- c. Indemnification Letter of Agreement

I certify that the information provided above contains no misrepresentations, omissions or concealments of material facts and that the information given is true and complete to the best of my knowledge. I have been furnished a copy of the Procedure for Application to the City of Roseville for Private Activity Revenue Bond Financing and is aware of its content and agree to be bound by its terms and the terms of the indemnification letter.

Signature

Date

Title

PART V

APPLICATION FOR TAX-EXEMPT FINANCING

(Multi-Family Housing)

1. APPLICANT

- a. Business Name:
- b. Business Address:
- c. Business Form (corporation, partnership, sole proprietorship, etc.):
- d. Authorized Representative:
- e. Principal contact person and telephone number:

2. NAMES OF:

- a. Underwriter or Lender (name and contact person):
- b. Corporate Counsel:
- c. Underwriter's or Lender's Counsel:
- d. Property Management:

3. PURPOSE OF REQUESTED FINANCING:

- a. New Facility (describe):
- b. Redevelopment (describe):
- c. Refunding (describe):

4. PROJECT NAME:

5. PROJECT LOCATION:

6. PROJECT INFORMATION

	UNIT	<u>CURRENT RENTS</u>	<u>RENTSAFTER</u>	<u>AMI%*</u>
Efficiency	_____	\$ _____	_____	_____
One Bedroom	_____	\$ _____	_____	_____
Two Bedroom	_____	\$ _____	_____	_____
Three Bedroom	_____	\$ _____	_____	_____

Parking (included in rent/
not included in rent) _____ \$ _____

Laundry _____ \$ _____

Utilities included in monthly rent: _____

*Please provide detail information regarding how many units are currently income/rent restricted and what the new number will be once the development is completed.

OPERATING EXPENSES (Not required for 501(c)(3) financings)

_____ % of Gross (Annual)

TOTAL PROJECT COST: \$ _____ DEVELOPER EQUITY: \$ _____

DEBT SERVICE: \$ _____ *HARD COSTS: \$ _____

LAND VALUE: \$ _____ SOFT COSTS: \$ _____

*(Hard Costs are all project costs the IRS has determined to be eligible items for depreciation.)

ANTICIPATED INTEREST RATES:

AMORTIZATION SCHEDULE:

_____ %

_____ -Year Amortization Schedule

If the project were conventionally financed, what interest rate would you expect to pay?
_____ %

SALES ASSUMPTION:
(Not required for 501(c)(3) financings)

DEPRECIATION METHOD:
(Not required for 501(c)(3) financings)

How many years do you plan to
hold the property before you
sell? _____

Years: _____

Type: _____

a. At what percent do you

feel the value of the project
will appreciate? _____

Amount of Total Basis: \$ _____

EQUIPMENT:

\$ _____ of project cost is for equipment (e.g., washers/dryers)

ANTICIPATED INCREASES:
(Not required for 501(c)(3) financings)

ANTICIPATED VACANCY RATE:
(Not required for 501(c)(3) financings)

Revenue: _____% per year

First Year: _____%

Expenses: _____% per year

After First Year: _____%

CONSTRUCTION SCHEDULE: (Not required for refunding)

Anticipated construction commencement date: _____

Anticipated construction completion date: _____

7. RELOCATION PLAN (Not required for 501(c)(3) financings)

A relocation plan will be required if any of the residents are dislocated due to the renovations or financing that is being utilized.

8. ADDITIONAL INFORMATION:

I certify that the information provided above contains no misrepresentations, omissions or concealments of material facts and that the information given is true and complete to the best of my knowledge. I have been furnished a copy of the Procedure for Application to the City of Roseville for Private Activity Revenue Bond Financing and is aware of its content and agree to be bound by its terms and the terms of the indemnification letter.

Signature

Date

Title

PART VI

ADDENDUM TO APPLICATIONS

The following items must be attached to each application:

APPENDIX A

A brief description of the organizational structure of Applicant, including parent subsidiary and affiliate organizations (if applicant is other than an individual).

APPENDIX B

Statement of Applicant's business history (for applications under Part V, including any other multi-family rental projects of the Applicant).

APPENDIX C

The name, address, and telephone number of:

1. The Applicant's legal counsel
2. The Applicant's accountant
3. The architect of the proposed Project (Not required for refunding)
4. The engineer of the proposed Project (Not required for refunding)
5. The general contractor of the proposed Project (Not required for refunding)

APPENDIX D

6. Present ownership of the proposed Project site and Applicant's interest therein.
7. Present zoning of the Project site and a description of what city land use approvals are needed for this project.
8. The projected number of new employees to be added to the Applicant's permanent work force because of the Project (for Commercial, Industrial or Health Care only).
9. Other financing attempted or available to the Project including any interim financing.
10. Statement regarding whether or not this project has all required city approvals. If the project does not have all of the required approvals, list the approvals still needed and a tentative time schedule.

APPENDIX E

Indemnification Letter of Agreement.

APPENDIX F (Not required for 501(c)(3) financings)

Proforma Analysis of the Project

PART VII

INDEMNIFICATION LETTER OF AGREEMENT

The Mayor of the City of Roseville
and Members of the City Council
City of Roseville
2660 Civic Center Drive
Roseville, MN 55113

RE: Application of _____ for Tax Exempt Revenue Bond Financing by the City of Roseville

Dear Mayor and Members of the City Council:

This letter of agreement is given by _____, a _____ under the laws of Minnesota ("Applicant") as required by the City of Roseville, Minnesota in connection with its consideration of an application for tax exempt revenue bond financing for the project described in the application.

Applicant agrees as follows:

1. Applicant agrees to pay or reimburse the City for any and all costs and expenses which the City may incur in connection with its consideration of the project and the granting of tax exempt revenue bond financing therefor, whether or not the project is preliminarily approved by the City, whether or not the project is approved by the State of Minnesota, whether or not revenue bond financing is finally approved by the City, whether or not the bonds are issued and sold, and whether or not the project is carried to completion.
2. Applicant agrees to indemnify and hold the City, its officers, employees and agents harmless against any and all losses, claims, damages, expenses or liabilities, including attorneys fees incurred in their defense, to which the City, its officers, employees and agents may become subject in connection with the City's consideration, issuance or sale of the bonds for Applicant's project and the carrying out of the transactions contemplated by this agreement and any resolutions adopted, or agreements executed by the City in connection with the issuance of its bonds for this project.
3. Applicant hereby releases the City, its officers, agents and employees from any claims, causes of action, losses, damages, or liabilities which it may have against the City, its officers, agents, and employees or which it may incur in connection with: the City's consideration of the application for industrial development revenue bond financing for Applicant's project; the failure of the City, in its discretion, to issue tax-exempt revenue bonds for Applicant's project; the issuance and sale of the bonds; the construction of the project; or any other matter or thing of any type or nature whatsoever which may arise in connection with the foregoing.

4. Applicant is aware of the City's application and administrative fee structure for tax exempt financing and agrees and covenants that all such fees will be paid in the amount and at the times required.

Dated: _____

(Applicant)

By _____

Its _____