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Economic Development Revenue Bond Program

What is the Common Bond Fund Revenue Bond Program?

The Common Bond Fund Revenue Bond Program (CBF) is a loan fund for growing manufacturing companies. Most of the major manufacturing projects completed in Minneapolis since 1982 have been financed with tax-exempt or taxable revenue bonds issued through the CBF. In 2004 the CBF was expanded throughout all of Hennepin County through a joint partnership between the City of Minneapolis and the Hennepin County Housing and Redevelopment Authority (HRA).

Local government agencies may issue tax-exempt or taxable revenue bonds on behalf of private borrowers to provide lower interest rates on long-term financing. Revenue bonds issued for industrial/manufacturing projects are generally tax-exempt; those for commercial projects are taxable.

Projects can include land acquisition, new-facility construction, additions to existing facilities, purchase and renovation of existing structures and production equipment purchase.

What are the benefits of the CBF Revenue Bond Program?

- ▲ Long-term fixed-rate financing to businesses at below-market interest rates.
- ▲ Issuance of CBF revenue bonds on either a tax-exempt or taxable basis that can be used to

finance industrial, commercial and medical facilities and some nonprofit activities.

- ▲ Bonds issued through the CBF are investment-grade instruments with an “A+” bond rating from Standard & Poor’s based on the security provided by the CBF.
- ▲ Lenders find that the CBF bonds help avoid credit concentrations while still allowing the lender to handle all the other short-term, working capital and other banking needs.

Who is eligible for CBF revenue bonds?

- ▲ Any owner-occupied manufacturing business in Hennepin County.
- ▲ The CBF is designed for established owner-occupied manufacturing facilities with a history of profitability, whose owners provide personal guaranties.
- ▲ The CBF can finance up to 90 percent of value, with the borrower providing a minimum requirement of 10-percent equity.
- ▲ The CBF can also provide financing for 501(c)(3) nonprofit organizations on a tax-exempt basis, and taxable bonds for commercial projects that would not qualify for tax-exempt bonds.
- ▲ Bars, restaurants, entertainment facilities and start-up firms are not eligible.

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What are the rates, terms and fees?

- ▲ CBF revenue bond financing is fixed-rate, with terms of 20 to 30 years, often at interest rates below market-interest rate.
- ▲ The CBF offers competitive rates and terms on taxable revenue bonds.
- ▲ Tax-exempt CBF revenue bonds can be issued below commercial-market interest rates because interest earnings to the purchaser are generally exempt from federal, state and local income taxes.
- ▲ CBF revenue bond issuance expenses include bond counsel, underwriting, financial advisor, corporate counsel, inspecting architect, title insurance and other fees. These fees may be financed through the revenue bond up to certain limits.

How does the CBF Revenue Bond Program work?

- ▲ Bonds issued through the CBF are investment-grade instruments with an “A+” Standard & Poor’s bond rating based on the security provided by the CBF, resulting in lower interest rates.
- ▲ CBF revenue bonds are marketed to either institutional investors – insurance companies, banks and pension funds – or sold to the general public through a public offering. This results in interest cost savings to borrowers.
- ▲ Bond underwriting firms prepare an official statement to market the bonds.

What is the CBF revenue bond process?

- ▲ A City of Minneapolis and Hennepin County HRA staff person will handle your revenue bond request from initial inquiry through post-closing monitoring.
- ▲ The complete public approval process takes about 90 days.
- ▲ The City of Minneapolis and Hennepin County HRA approve CBF revenue bond projects based on financial strength; credit worthiness; public purpose served, such as preserving and creating jobs; and increasing the real estate tax base.

What information do you need to provide?

- ▲ Narrative on the company and owner(s).
- ▲ Financial statements for the past three years and any interim statements.
- ▲ Personal financial statements of anyone owning more than 20 percent of the company.
- ▲ General description of the proposed project, plans and estimates of project costs.
- ▲ Appraisals and environmental reports about the proposed project.

Information

For more information, call:

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(City of Minneapolis)

or

Patrick Connoy at (612) 348-2215

(Hennepin County).



All programs and guidelines are subject to change without notice. This brochure is available in alternate formats.