



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

Date: January 31, 2012

To: Council Member Lisa Goodman, Community Development Committee
and MCDA Operating Committee

Referral to: MCDA Board of Commissioners

Subject: Request for Approval Authorizing the Execution of Documents
Related to Amendments to the Series 2007 and 2008 Bonds for the
Catholic Eldercare Project.

Recommendation: City Council Recommendation: Approve the execution of documents related to amendments to the Series 2007 and 2008 Bonds for the Catholic Eldercare Project and Forward this Report to the MCDA Board of Commissioners.

MCDA Board Recommendation: Approve and adopt the attached Resolution authorizing the execution of various documents to amend the Series 2007 and 2008 Bonds issued for the Catholic Eldercare Project.

Previous Directives: In 2007 and 2008 the MCDA issued \$3,312,000 and \$3,988,000 respectively in Tax-exempt Bank Qualified Bank Direct Revenue Bonds for the Catholic Eldercare Project.

Prepared by: Bob Lind, Business Finance, 673-5068	
Approved by: Charles T. Lutz, Deputy Director CPED	_____
Catherine A. Polasky, Director, Economic Development	_____
Presenters in Committee: Bob Lind	
(if applicable) Funding Source and Appropriation	
Language Reviewed by Development Finance:	_____ N.A. _____

Reviews

- Permanent Review Committee (PRC): Approval N.A. Date _____
- Civil Rights Approval Approval Yes Date 12/11/2007
- Policy Review Group (PRG): Approval N.A. Date _____

Financial Impact (delete all lines not applicable to your request)

- Other financial impact: The issuance of revenue bonds in 2007 and 2008 for the Catholic Eldercare Project is generating revenue bond administrative fees of

approximately \$17,500 a year that are used to support the small business assistance programs of the City of Minneapolis.

Community Impact

- **Neighborhood Notification:** At the time of the bond issuance in 2007 and 2008, the St. Anthony West Neighborhood Organization was notified of the bond project.
- **City Goals:** The project was consistent with the City Goal of preserving and enhancing the urban institutions and amenities that define Minneapolis and of providing housing alternatives where residents can live within the communities close to the amenities they desire.
- **Comprehensive Plan:** The project complied with the policies of the Minneapolis Plan.
- **Zoning Code:** The facilities at 817 Main Street N.E. are zoned R5/Multiple Family District and 1101 Main Street N.E. is zoned C2/Neighborhood Corridor Commercial District.
- **Living Wage/Business Subsidy Agreement:** No. All conduit revenue bonds allocated under State Statute 474A, refunding bonds and 501(c)(3) bonds are exempt from the State Act. City bond financing is not subject to the City's local Ordinance if the intent of the bond financing is not to create jobs.

Supporting Information:

In 1980 Catholic Eldercare was established to offer elders of all faiths a high quality of life and compassionate care to address a growing need for elder services in Northeast Minneapolis.

In 1982 the City issued \$5.2 million in Tax-exempt Revenue Bonds for the construction of the original 150-bed skilled care nursing home at 817 Main Street N.E. Since 1982, the City has assisted Catholic Eldercare with an additional four revenue bond issues to provide additional improvements, renovations and refunding financing for the various assisted-living and independent living facilities that are part of the Catholic Eldercare operations.

The Series 2007 and 2008 Bonds financed the following two projects:

1. Refinanced the temporary bank financing for the remodeling and equipping of an existing nursing home facility, Catholic Eldercare on Main, located at 817 Main Street N.E. The nursing home was renovated in 2007 to include new kitchenettes, main dining room remodeling, new lobby and atrium and a number of other upgrades to enhance the living space for the residents.
2. Financed the acquisition of 40 condo units of an existing housing facility at Crescent Trace Condominiums and 56 garage spaces located at 1101 Main Street N.E., as a senior independent living facility all to be operated by the Catholic Eldercare Community Services Corporation.

At the time, the Series 2007 and 2008 Bonds were privately placed with Northeast Bank with an initial interest rate of 5.25% fixed for seven years, with a reset every seven years for the 30-year term on the Bonds. It is now proposed that the Series 2007 and 2008 Bonds be restructured with Northeast Bank agreeing to lower the initial interest rate to 4.2% with all other terms remaining the same.

Bond Counsel: Briggs & Morgan

Participating Bank: Northeast Bank

RESOLUTION

of the

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

RESOLUTION AUTHORIZING THE AMENDMENT OF THE MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY HEALTH CARE AND HOUSING DEVELOPMENT REVENUE NOTES (CATHOLIC ELDERCARE PROJECT), SERIES 2007 AND SERIES 2008

RESOLVED by the Board of Commissioners (the “Board”) of the Minneapolis Community Development Agency (the “Agency”):

Section 1. Findings. The Board does hereby determine, as follows:

1.1. the Agency and Catholic Eldercare Community Services Corporation, a Minnesota nonprofit corporation (the “Borrower”) entered into that certain Loan Agreement, dated as of December 31, 2007 (the “Loan Agreement”) whereby the Agency loaned the Borrower the aggregate amount of \$7,200,000 to (i) refinance the remodeling and equipping of an existing nursing home facility located at 817 Main Street N.E., Minneapolis and (ii) finance the acquisition of approximately 40 units of an existing housing facility located in the City of Minneapolis at 1101 Main Street N.E., #202, 203, 207, 301-305, 307-316, 401-403, 406-411, 413, 415, 416, 501-503, 505, 510, 511, 513-516, as a senior independent living facility (collectively the “Project”), and to enter into a Loan Agreement with the Borrower (the “Loan Agreement”) for the public purposes expressed in the Acts;

1.2. pursuant to a resolution of the Board, adopted on December 7, 2007 (the “Note Resolution”), the Agency issued its \$3,212,000 Health Care and Housing Revenue Note, Series 2007 (Catholic Eldercare Project), dated as of December 31, 2007 (the “2007 Note”) and its \$3,988,000 Health Care and Housing Revenue Note, Series 2008 (Catholic Eldercare Project), dated as of March 31, 2008 (the “2008 Note”, together with the 2007 Note, herein referred to as the “Notes”), to obtain the funds to loan to the Borrower;

1.3. Northeast Bank (the “Lender”) purchased the Notes and, as of the date hereof, is the registered owner of the Notes;

1.4. Minnesota Statutes, Chapter 462C (the "Housing Program Act" and, together with the Industrial Development Act, the "Acts") confers upon cities, the power to issue revenue bonds to finance a program for the purposes of planning, administering, making or purchasing loans with respect to one or more multifamily housing developments within their boundaries;

1.5. as required by the Acts and Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code") and the Acts, the Community Development Committee of the Minneapolis City Council on November 27, 2007, held a public hearing on the issuance of the Notes to finance the Project and the adoption of a Housing Program for the Project;

1.6. pursuant to a Pledge Agreement, dated as of December 31, 2007 (the "Pledge Agreement"), the Agency pledged and assigned all of the Agency's right, title and interest in the Loan Agreement to the Lender to secure the due and punctual payment of all amounts due under the Notes;

1.7. the Borrower has requested the Lender to reduced the interest rate payable on both Notes prior to the First Adjustment Date (as defined in each Note);

1.8. the Lender has agreed to reduce the interest rate on each Note prior to the applicable First Adjustment Date as defined in the Loan Agreement;

1.9. the Lender and the Borrower have requested the Issuer amend the Notes and the Loan Agreement to reflect such change in interest rate and as further set forth in the form of a First Amendment to Loan Agreement and Notes (the "First Amendment") as presented to the Agency;

1.10. it is desirable, feasible and consistent with the objects and purposes of the Acts to amend the Loan Agreement and Notes as requested by the Borrower and the Lender; and

1.11. the Notes and the interest accruing thereon do not constitute an indebtedness of the Agency or the City of Minneapolis (the "City") within the meaning of any constitutional or statutory limitation and do not constitute or give rise to a pecuniary liability or a charge against the general credit or taxing powers of the Agency or the City and neither the full faith and credit nor the taxing powers of the Agency or the City are pledged for the payment of the Notes or interest thereon.

Section 2. The First Amendment; Authorization to Execute Agreements.

The form of the proposed First Amendment is hereby approved in substantially the form heretofore presented to the Board, together with such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by Bond Counsel prior to the execution of the documents, and the Executive Director and Finance Officer are authorized to execute, in the name of and on behalf of the Agency, the First Amendment and such other documents, agreements and certifications as Bond Counsel considers appropriate in connection with the amendment of the Notes and the Loan Agreement including, without limitation, closing documents, tax compliance agreements or certifications, an IRS form 8038, alonges to each Note and such other documents or showings necessary or advisable to maintain the exclusion of

interest on the Note from federal and state income taxes. In the event of the absence or disability of the Executive Director or the Finance Officer, such officer of the Agency as, in the opinion of the City Attorney, may act in their behalf, shall without further act or authorization of the Board do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers. The execution of any instrument by the appropriate officer or officers of the Agency herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof.

Section 3. Designation of Qualified Tax-Exempt Obligations. Each Note was designated as a “qualified tax exempt obligations” within the meaning of Section 265(b)(3) of the Code at the time of issuance for such Note. The Borrower has represented to the Agency that no such designation is required in connection with the amendment of the Notes to continue to be treated as a qualified tax-exempt obligation as the conditions in Section 265(b)(3)(D)(ii) of the Code have been satisfied and the amendment of the Notes will not be taken into account in determining the Agency’s status as a qualified small issuer as the requirements of Section 265(b)(3)(C)(ii) of the Code have been satisfied.

Section 4. Miscellaneous.

4.1. **Severability.** If any provision of this Resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions or in all cases because it conflicts with any provisions of any constitution or statute or rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or paragraphs in this Resolution contained shall not affect the remaining portions of this Resolution or any part thereof.

4.2. **Authentication of Transcript.** The officers of the Agency are directed to furnish to Bond Counsel certified copies of this Resolution and all documents referred to herein, and affidavits or certificates as to all other matters which are reasonably necessary to evidence or effect the amendment of the Notes and the Loan Agreement. All such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute recitals of the Agency as to the correctness of all statements contained therein.