



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

Date: July 10, 2012

To: Council Member Lisa Goodman, Community Development Committee

Subject: A Public Hearing and Request for Preliminary and Final Approval of up to \$21,500,000 in Tax-exempt Refunding Revenue Bonds for Walker Methodist Health Center, Inc.

Recommendation: The CPED Director recommends that the City Council adopt the attached Resolution giving Preliminary and Final Approval to the issuance of up to \$21,500,000 in Tax-exempt Refunding Revenue Bonds for Walker Methodist Health Center, Inc.

Previous Directives: The City of Minneapolis has issued nursing home and assisted living tax-exempt revenue bonds in the past for various Walker Methodist projects. In October 1998 the City Council gave approval of the issuance of \$69,835,000 in Tax-exempt Revenue Bonds to refund prior Revenue Bond issues that had previously been issued for Walker Methodist Health Center for facilities in Minneapolis, Edina, West St. Paul and the City of Anoka under Joint Powers Agreements with the other municipalities. In addition, the 1998 Revenue Bonds included \$12,000,000 for facility repairs, renovations and improvements at the various metropolitan locations. The current refunding request is related to the outstanding balance of the 1998 issue and relates to the Minneapolis facilities only.

Prepared by: Charles Curtis, 612-673-5069

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

Catherine A. Polasky, Director, Economic Development _____

Presenters in Committee: Charles Curtis

Reviews

- Permanent Review Committee (PRC): NA

Affirmative Action Compliance: The existing Affirmative Action Plan will be updated prior to a closing on the bonds

CITY IRB POLICIES:

Job Component	Minimum standard of one (1) job per 1,000 square feet of building area. Walker Methodist Health Center - NA
Property Improvements	For private activity IRBs consisting of industrial/manufacturing projects, no more than 25% of the bond proceeds may be used for land and acquisition. If purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures. This IRB policy does not apply to nonprofit organizations issuing 501(c)(3) tax-exempt revenue bonds. Walker Methodist Health Center- 501 (c)(3)
Development Standards	Compliance with the Land Use Plan of the City's Comprehensive Plan. Walker Methodist Health Center – in compliance
Equipment Financing	Limited to companies that create or preserve a significant number of jobs, and the equipment financed must be sufficiently secured. No more than 10% of the bond proceeds may be used to finance movable equipment not constituting a fixture. Walker Methodist Health Center - NA
Restaurant/Bank	IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in an CPED Redevelopment Area. No more than 25% of the bond proceeds can be used to finance retail food and beverage establishments, automobile dealerships or recreation or entertainment facilities.

Walker Methodist Health Center - NA

Tax-exempt Institution

Refinancing is permitted when new jobs are created or when a significant number of jobs are preserved; any interest cost savings must directly reduce patient costs.

Walker Methodist Health Center – savings on the refunding bonds will be passed on to clients of the facilities.

IRB CAP:

The project is not subject to the volume cap, in that the project is exempt from income tax under Internal Revenue Code Section 501(c)(3) for its exempt purposes and is classified thereunder as a non-profit organization.

BOND COUNSEL:

Kennedy & Graven, Chartered

UNDERWRITER:

Dougherty & Company LLC

RESOLUTION NO. _____

AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF REFUNDING REVENUE BONDS (WALKER MINNEAPOLIS CAMPUS PROJECT), SERIES 2012; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF THE BONDS AND RELATED DOCUMENTS; PROVIDING FOR THE SECURITY, RIGHTS, AND REMEDIES WITH RESPECT TO THE BONDS; AND GRANTING APPROVAL FOR CERTAIN OTHER ACTIONS WITH RESPECT THERETO

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

1. STATUTORY AUTHORIZATION. The City of Minneapolis, Minnesota (the "City"), is a home rule city and political subdivision duly organized and existing under its Charter and the Constitution and laws of the State of Minnesota. The City is authorized by Minnesota Statutes, Sections 469.152 — 469.1651, as amended (the "Development Act"), to issue revenue bonds to finance, in whole or in part, the costs of the acquisition, construction, reconstruction, improvement, betterment, or extension of projects, including any properties, real or personal, used or useful in connection with a revenue producing enterprise, whether or not operated for profit, engaged in providing health care services, including nursing homes and related medical facilities, and of any related public improvements. In addition, the City is authorized by the provisions of the Development Act to issue revenue bonds to refund, in whole or in part, bonds previously issued by the City under the Development Act and interest on such bonds. The City is further authorized by Minnesota Statutes, Chapter 462C, as amended (the "Housing Act"), to issue and sell revenue bonds or obligations to finance multifamily rental housing developments and, in the issuance of revenue bonds and in making loans to finance multifamily rental housing developments, the City may exercise within its corporate limits any of the powers of the Minnesota Housing Finance Agency under Minnesota Statutes, Chapter 462A, as amended (the "MHFA Act"), without limitation under the provisions of Minnesota Statutes, Chapter 475, as amended. In addition, pursuant to Section 462A.08, subdivision 2, of the MHFA Act, the City is authorized to issue revenue bonds to refund bonds previously issued by the City to make loans for multifamily housing developments, including any interest accrued or to accrue to the redemption date.

2. PRIOR BONDS. On November 15, 1998, the City issued the following obligations pursuant to the terms of a Bond Trust Indenture, dated as of November 15, 1998 (the "Prior Indenture"), between the City and U.S. Bank National Association (formerly known as U.S. Bank Trust National Association), as trustee (the "Bond Trustee"): (i) Revenue Bonds, Series 1998A (Walker Methodist Senior Services Obligated Group) (the "Series 1998A Bonds"), issued by the City in the original aggregate principal amount of \$56,615,000; (ii) Revenue Bonds, Series 1998B (Walker Methodist Senior Services Obligated Group) (the "Series 1998B Bonds"), issued by the City in the original aggregate principal amount of \$2,295,000; and (iii) Revenue Bonds, Series 1998C (Walker Methodist Senior Services Obligated Group) (the "Series 1998C Bonds"), issued by the City in the original aggregate principal amount of \$10,925,000. The Series 1998A Bonds, Series 1998B Bonds, and Series 1998C Bonds are hereinafter referred to collectively as the "Series

1998 Bonds." The proceeds derived from the sale of the Series 1998A Bonds and the Series 1998B Bonds were loaned to the AB Borrowers (as hereinafter defined) pursuant to the terms of a Series AB Loan Agreement, dated as of November 15, 1998 (the "Series AB Loan Agreement"), between the City and the following related nonprofit corporations: (i) Walker Methodist Health Center, Inc.; (ii) Walker Care Corporation I; (iii) Walker Assisted Living Corporation I; (iv) Walker Senior Housing Corporation III; (v) Walker Senior Housing Corporation V; (vi) Walker Senior Housing Corporation IX; and (vii) Walker Senior Services, Inc. (the "AB Borrowers"). The proceeds of the loan (the "Series AB Loan") were applied to refund certain outstanding bonds issued for the benefit of the AB Borrowers and to make improvements in certain facilities of the AB Borrowers. The proceeds derived from the sale of the Series 1998C Bonds were loaned to Walker Residence, Inc., a Minnesota nonprofit corporation ("Walker Residence, Inc."), pursuant to the terms of a Series C Loan Agreement, dated as of November 15, 1998 (the "Series C Loan Agreement"), between the City and Walker Residence, Inc. The proceeds of the loan (the "Series C Loan") were applied to refund certain outstanding bonds issued for the benefit of Walker Residence, Inc. and to make improvements in the facilities of Walker Residence, Inc.

The obligation of the AB Borrowers to repay the Series AB Loan pursuant to the terms of the Series AB Loan Agreement is secured by a Promissory Note, Series 1998AB (the "Series AB Note"), issued pursuant to the terms of a Master Trust Indenture, dated as of November 15, 1998 (the "Master Indenture"), between the AB Borrowers and Walker Residence, Inc. (collectively, the "Initial Members") and U.S. Bank National Association (formerly known as U.S. Bank Trust National Association), as trustee (the "Master Trustee"), as amended by a First Supplemental Master Trust Indenture, dated as of November 15, 1998 (the "First Supplemental Indenture"), between the Initial Members and the Master Trustee. The obligation of Walker Residence, Inc. to repay the Series C Loan pursuant to the terms of the Series C Loan Agreement is secured by a Promissory Note, Series 1998C (the "Series C Note"), issued pursuant to the terms of the Master Indenture, as amended by the First Supplemental Indenture. The obligations of the Initial Members under the Series AB Note and the Series C Note are secured by mortgage liens granted by the Initial Members (whose facilities are financed or refinanced with the proceeds of the Series 1998 Bonds) to the Master Trustee pursuant to various Mortgage, Security Agreement and Fixture Financing Statements, each dated November 15, 1998 (the "Prior Mortgages").

During the nearly fourteen-year period since the date of issuance of the Series 1998 Bonds, the portion of the proceeds of the Series 1998 Bonds that financed or refinanced several of the facilities have been refunded with other bond issues and the owners of such facilities have withdrawn as Initial Members of the Obligated Group established under the terms of the Master Indenture (the "Obligated Group"). On the date hereof, there are only three remaining members of the Obligated Group: (i) Walker Methodist Health Center, Inc. ("WMHC"), the owner of Walker Methodist Health Center, a licensed nursing facility located at 3737 Bryant Avenue South in the City (the "Health Center"); (ii) Walker Residence, Inc. ("WRI"), the owner of Walker Place, a senior rental apartment facility located at 3701 Bryant Avenue South in the City ("Walker Place"); and (iii) Walker Senior Services, Inc. ("WSSI"), the manager of the Health Center and Walker Place. The Series 1998B Bonds have been paid in full. Only \$20,310,000 in aggregate principal amount of the Series 1998A Bonds and the Series 1998C Bonds remain outstanding on the date hereof (the "Outstanding Prior Bonds").

3. BONDS. WMHC is a Minnesota nonprofit corporation and is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as a result of the application of Section 501(c)(3) of the Code. WRI is a Minnesota nonprofit corporation and is exempt from federal income taxation under Section 501(a) of the Code as a result of the application of Section 501(c)(3) of the Code. WMHC and WRI (collectively, the "Borrower") have requested that the City issue its Refunding Revenue Bonds (Walker Minneapolis Campus Project), Series 2012 (the "Bonds"), in one or more series, as tax-exempt bonds, in a principal amount of approximately \$21,500,000. The Bonds will be issued under the terms and conditions of this resolution and an Indenture of Trust, dated on or after August 1, 2012 (the "Indenture"), between the City and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be loaned to the Borrower pursuant to the terms of a Loan Agreement, dated on or after August 1, 2012 (the "Loan Agreement"), between the City and the Borrower, and the proceeds of the loan will be applied to the redemption and prepayment of the Outstanding Prior Bonds. The repayment of the loan under the terms of the Loan Agreement and the payment of the principal of, premium, if any, and interest on the Bonds will be secured by an Amended and Restated Mortgage, Security Agreement and Fixture Financing Statement, dated on or after August 1, 2012 (the "Mortgage"), from the Borrower to the Trustee, to provide security for the payment of the Bonds and for the performance of the Borrower's obligations under the Loan Agreement. The Bonds will be special, limited obligations of the City that: (i) shall be payable solely from the revenues pledged therefor under the Loan Agreement; (ii) shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation; (iii) shall not constitute nor give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers; (iv) shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than the City's interest in the Loan Agreement; and (v) shall not constitute a general or moral obligation of the City.

4. PUBLIC HEARINGS. Following a public hearing held on September 22, 1998, notice of which was published in the Star Tribune and in Finance and Commerce on September 5, 1998, the City Council of the City adopted a resolution on October 2, 1998 (Resolution 98R-374) which gave preliminary approval to the issuance of the Series 1998 Bonds to be applied to the financing and refinancing of the Health Center and authorized the submission of an application to the Minnesota Department of Trade and Economic Development ("DEED") for approval of the financing for the Health Center, all in accordance with the requirements of the Development Act. An application was submitted by the City to DEED on October 21, 1998, and was approved by DEED on November 6, 1998. Following a second public hearing held on October 5, 1998, notice of which was published in the Star Tribune and in Finance and Commerce on September 19, 1998, the City Council of the City adopted a resolution on October 16, 1998 (Resolution 98R-387) which approved a housing program with respect to Walker Place (the "Housing Program"), all in accordance with the requirements of the Housing Act. The Housing Program was submitted to the Metropolitan Council for its review on September 19, 1998, and the City received a written response from the Metropolitan Council dated September 30, 1998.

Pursuant to Section 147(f) of the Code, if the average maturity date of the issue of which a refunding bond is a part is later than the average maturity date of the bonds to be refunded by such issue, a public hearing must be conducted as a condition to the issuance of such refunding bonds as obligations the interest on which is excludable from gross income for federal income tax purposes. In order to permit the Bonds to be issued with an average maturity date greater than the average maturity date of the Outstanding Prior Bonds, a public hearing was conducted before the Community Development Committee of

the City Council of the City. A notice of the public hearing was published in the Star Tribune and in Finance and Commerce at least fourteen (14) days prior to the date of the public hearing.

5. OBLIGATIONS OF THE CITY. The City acknowledges, finds, determines, and declares that the issuance of the Bonds is authorized by the Development Act and the Housing Act and is consistent with the purposes of the Development Act and the Housing Act and that the issuance of the Bonds, and the other actions of the City under this resolution, the Indenture, and the Loan Agreement constitute a public purpose and are in the interests of the City.

6. THE BONDS. For the purposes set forth above, there is hereby authorized the issuance, sale, and delivery of the Bonds in the maximum aggregate principal amount of \$21,500,000. The Bonds are hereby authorized to be issued as tax-exempt bonds the interest on which is not includable in gross income for federal and State of Minnesota income tax purposes. The Bonds, substantially in the forms set forth in the Indenture now on file with the City, are hereby approved with the amendments referenced herein. All of the provisions of the Bonds, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Bonds shall bear interest at the rates, shall be designated, shall be numbered, shall be dated, shall mature, shall be in the aggregate principal amount, shall be subject to redemption prior to maturity, shall be in such forms, and shall have such other terms, details, and provisions as are prescribed in the Indenture, in the form now on file with the City, which form is hereby approved, with such necessary and appropriate variations, omissions, and insertions (including changes to the aggregate principal amount of the Bonds, the stated maturities of the Bonds, the interest rates on the Bonds, and the terms of redemption of the Bonds) as the Finance Officer, in his discretion, shall determine. The execution of the Bonds with the manual or facsimile signature of the Finance Officer and the delivery of the Bonds by the City shall be conclusive evidence of such determination.

The Bonds shall be special limited obligations of the City payable solely from the revenues provided by the Borrower pursuant to the terms of the Loan Agreement and from the revenues and security pledged, assigned, and granted pursuant to the Indenture and pursuant to the Mortgage and any other security documents provided by the Borrower to the Trustee. As provided in the Loan Agreement, the Bonds shall not be payable from nor charged upon any funds other than the revenue pledged to their payment, nor shall the City be subject to any liability thereon, except as otherwise provided in this paragraph. No holder of the Bonds shall ever have the right to compel any exercise by the City of any taxing powers of the City to pay the Bonds or the interest or premium thereon, or to enforce payment thereof against any property of the City except the interests of the City in the Loan Agreement and the revenues and assets thereunder, which will be assigned to the Trustee under the terms of the Indenture. The Bonds shall recite that the Bonds are issued pursuant to the Development Act and the Housing Act, and that the Bonds, including interest and premium, if any, thereon, are payable solely from the revenues and assets pledged to the payment thereof, and the Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitations.

7. THE INDENTURE. The Indenture is hereby approved and the Finance Officer is hereby authorized to execute and deliver the Indenture on behalf of the City. All of the provisions of the Indenture, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Indenture shall be substantially in the form now on file with the City with such necessary and appropriate variations, omissions, and insertions as do not materially change the substance thereof, or as the Finance Officer, in his discretion, shall determine, and the execution and delivery thereof by the Finance Officer shall be conclusive evidence of such determination.

8. THE LOAN AGREEMENT. The Loan Agreement is hereby approved and the Finance Officer is hereby authorized to execute and deliver the Loan Agreement on behalf of the City. All of the provisions of the Loan Agreement, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Loan Agreement shall be substantially in the form now on file with the City, with such necessary and appropriate variations, omissions, and insertions as do not materially change the substance thereof, or as the Finance Officer, in his discretion, shall determine, and the execution and delivery thereof by the Finance Officer shall be conclusive evidence of such determinations. Except for certain reserved rights, the interests of the City in the Loan Agreement will be assigned to the owners of the Bonds pursuant to the terms of the Indenture.

The loan repayments to be made by the Borrower under the Loan Agreement are fixed to produce revenues sufficient to provide for the prompt payment of the principal of, premium, if any, and interest on the Bonds when due, and the Loan Agreement also provides that the Borrower is required to pay all expenses of the operation and maintenance of the Health Center and Walker Place, including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property arising from the operation thereof, and all lawfully imposed taxes and special assessments levied upon or with respect to the Health Center and Walker Place and payable during the term of the Loan Agreement.

9. OTHER CITY DOCUMENTS. The Finance Officer is hereby authorized to execute and deliver, on behalf of the City, such other documents and certificates as are necessary or appropriate in connection with the issuance, sale, and delivery of the Bonds, including a Bond Purchase Agreement, dated on or after the pricing date of the Bonds (the "Purchase Agreement"), between the City, the Borrower, and Dougherty & Company LLC, as original purchaser of the Bonds, various certificates of the City, an Information Return for Tax-Exempt Private Activity Bond Issues, Form 8038, with respect to the Bonds, an endorsement to the Borrower's certificate as to arbitrage and rebate, and similar documents, appropriate amendments to the Housing Program, and all other documents and certificates as shall be necessary and appropriate in connection with the issuance, sale, and delivery of the Bonds. All of the provisions of such documents and certificates, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The City hereby authorizes Kennedy & Graven, Chartered, as bond counsel, to prepare, execute, and deliver its approving legal opinions with respect to the Bonds.

10. DISCLOSURE DOCUMENTS. The City will not participate in the preparation of an official statement or other disclosure document relating to the offer and sale of the Bonds (the "Disclosure Document"), and will make no independent investigation with respect to the information contained in the Disclosure Document, including the appendices thereto, and the City assumes no responsibility for the sufficiency, accuracy, or completeness of such information (except for such information that is specifically provided by the City for inclusion in the Disclosure Document such as information regarding the authority of the City to issue the Bonds and any material pending litigation against the City).

11. SUBSEQUENT AMENDMENTS. On any date subsequent to the date of issuance of the Bonds, the Finance Officer is hereby authorized to execute and deliver any amendments or supplements to any of the documents referred to in this resolution or other documents executed and delivered in connection with the issuance of the Bonds if, after review by bond counsel, the Finance Officer determines that the execution and delivery of such amendment or supplement is in the interests of the City. The Finance Officer may impose any terms or conditions on the execution and delivery of any such amendment or supplement as the Finance Officer deems appropriate.

12. LIMITATIONS OF LIABILITY. No covenant, stipulation, obligation, or agreement herein contained or contained in the aforementioned documents shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the City Council of the City, or any officer, agent, or employee of the City in that person's individual capacity, and neither the City Council of the City nor any officer or employee executing the Bonds shall be personally liable on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No provision, covenant, or agreement contained in the aforementioned documents, the Bonds, or in any other document relating to the Bonds, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to a general or moral obligation of the City or any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants, and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Loan Agreement which are to be applied to the payment of the Bonds, as provided therein.

Except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents expressed or implied, is intended or shall be construed to confer upon any person or firm or corporation, other than the City, and any holders of the Bonds issued under the provisions of this resolution, any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provisions hereof, this resolution, the aforementioned documents, and all of their provisions being intended to be and being for the sole and exclusive benefit of the City, and any holders from time to time of the Bonds issued under the provisions of this resolution.

13. SEVERABILITY. In case any one or more of the provisions of this resolution, other than the provisions limiting the liability of the City, or of the aforementioned documents, or of the Bonds issued hereunder shall for any reason be held to be illegal or

invalid, such illegality or invalidity shall not affect any other provision of this resolution, or of the aforementioned documents, or of the Bonds, but this resolution, the aforementioned documents, and the Bonds shall be construed and endorsed as if such illegal or invalid provisions had not been contained therein.

14. VALIDITY OF THE BONDS. The Bonds, when executed and delivered, shall contain a recital that they are issued pursuant to the Development Act and the Housing Act, and such recital shall be conclusive evidence of the validity of the Bonds and the regularity of the issuance thereof, and that all acts, conditions, and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Bonds, and to the execution of the aforementioned documents to happen, exist, and be performed precedent to the execution of the aforementioned documents have happened, exist, and have been performed as so required by law.

15. ADDITIONAL ACTIONS. The officers of the City, bond counsel, other attorneys, and other agents or employees of the City are hereby authorized to do all acts and things required of them by or in connection with this resolution, the aforementioned documents, and the Bonds, for the full, punctual, and complete performance of all the terms, covenants, and agreements contained in the Bonds, the aforementioned documents, and this resolution. The Borrower has agreed and it is hereby determined that any and all costs incurred by the City in connection with the refunding of the Outstanding Prior Bonds and the refinancing of the Health Center and Walker Place and the issuance of the Bonds will be paid by the Borrower. It is understood and agreed that the Borrower shall indemnify the City against all liabilities, losses, damages, costs, and expenses (including attorney's fees and expenses incurred by the City) arising with respect to the refinancing of the Health Center and Walker Place or the issuance of the Bonds, as provided for and agreed to by and between the Borrower and the City in the Loan Agreement.

16. DESIGNATION AS PROGRAM BONDS. The Bonds are hereby designated "Program Bonds" and are determined to be within the "Economic Development Program" and the "Program," all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 1997R-402 of the City adopted December 12, 1997.

17. EFFECTIVE DATE. This resolution shall take effect and be in force from and after its approval and publication. Pursuant to Chapter 4, Section 9, of the Charter of the City, only the title of this resolution and a summary of this resolution conforming to Minnesota Statutes, Section 331A.01, subdivision 10, shall be published in the official paper of the City.