



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

**Date:** May 14, 2013

**To:** Council Member Lisa Goodman, Community Development Committee

**Subject:** Authorizing the execution of a Cooperative Agreement and other necessary documents related to a request from the City of Hopkins for Host Approval for the issuance of Housing Facility Refunding Revenue Bonds for the Augustana Chapel View Homes, Inc. Project.

**Recommendation:** **The CPED Director recommends that the City Council adopt the attached Resolution, authorizing the execution of all necessary documents related to a request from the City of Hopkins for Host Approval for the issuance of Housing Facility Refunding Revenue Bonds for the Augustana Chapel View Homes, Inc. Project.**

**Previous Directives:** On May 1, 1997, the City Council adopted Resolution 97R-126 authorizing the issuance of \$10,100,000 in Tax-Exempt Combination Multifamily Housing Development and Health Care Facility Revenue Bonds on behalf of Augustana Chapel View Homes, Inc. to rehabilitate and refinance existing debt with respect to properties located at 1020 E. 17<sup>th</sup> Street, Minneapolis, 105 10<sup>th</sup> Avenue South, Minneapolis, and 1007 East 14<sup>th</sup> Street, Minneapolis. On April 28, 2006, the City Council adopted Resolution 2006R-219 authorizing the issuance of \$7,010,000 in Tax-Exempt Housing Facilities Refunding Revenue Bonds to rehabilitate and refinance existing debt in respect to properties location 1020 E. 17<sup>th</sup> Street, Minneapolis, and 1509 10<sup>th</sup> Avenue South, Minneapolis.

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Approved by: Charles T. Lutz, Deputy Director CPED \_\_\_\_\_

Catherine A. Polasky, Director, Economic Development \_\_\_\_\_

Presenters in Committee: Jessica Green

## Reviews

- Permanent Review Committee (PRC): N.A.

## Financial Impact

- Refinancing the City of Minneapolis Housing Facility Refunding Revenue Bonds by the City of Hopkins will reduce annual bond fee revenues by approximately \$13,225. Revenue Bond administrative fees are calculated based on the declining principal balance of outstanding revenue bonds.

## Community Impact

- Neighborhood Notification: N.A.
- City Goals: Authorization of a Cooperative Agreement with the City of Hopkins is consistent with the City's goal of building strong partnerships with other public entities.
- Sustainability Targets: N.A.
- Comprehensive Plan: In compliance.
- Zoning Code: In compliance.
- Living Wage/Business Subsidy Agreement Yes  No
- Job Linkage Yes  No

## Supporting Information:

Augustana Chapel View Homes, Inc. is a nonprofit corporation that owns and manages a variety of senior living apartments in Minneapolis and the surrounding metro area with over 800 nursing home beds and 1,100 senior housing units. The City has assisted Augustana many times in the past 35 years to issue revenue bonds for various projects in Minneapolis and other facilities located outside of the City. This proposed new issue of up to \$5,290,000 by the City of Hopkins would be used to refinance the outstanding balance of the City of Minneapolis' Augustana Chapel View Homes, Inc. Project Series 2006 Revenue Bonds and cover other costs associated with the refunding. The underwriter for this transaction, Northland Securities, has determined that refinancing will result in a minimum interest savings of approximately \$700,000.

The bonds will be secured by a first mortgage on 1020 East 17<sup>th</sup> Street, Minneapolis and 1509 10<sup>th</sup> Avenue South, Minneapolis. The bonds will be further secured by an assignment of leases and rents as well as a first security interest in all assets including furniture, fixtures and equipment. The bonds are expected to be privately placed with Venture Bank. Kennedy & Graven, Chartered will act as Bond Counsel.

## Type of Financing:

The federal tax code authorizes cities and other recognized municipal entities to issue bank qualified (BQ) debt. Banks are allowed to deduct 80% of their "carrying costs" associated with the purchase of bank qualified tax exempt bonds. Banks get the dual benefit of tax-exemption and deductibility of carrying costs which translates into lower borrowing costs for the nonprofit organizations. Bank qualified revenue bonds are underwritten and collateralized just like any conventional bank loan, but the interest rate to the borrower is lower due to the tax-exempt status.

The Minneapolis Community Development Agency (MCDA) has an annual allocation of up to \$10,000,000 to issue Tax-Exempt Bank Qualified Revenue Bonds for qualified projects. Since 1986, the MCDA has historically helped 4 to 6 projects each year, with the average bond issue ranging from \$1,500,000 to \$2,500,000. Augustana had approached the City in early March with a request to refund the outstanding Series 2006 bonds. Being relatively early in the calendar year, CPED was reluctant to dedicate such a sizable portion of its yearly BQ allocation to one project and offered to consider the request at a later date. Given

the favorable terms currently being offered by Venture Bank, Augustana has elected to approach the City of Hopkins to make use of their BQ allocation. In an effort to remain a good partner to Augustana, CPED recommends allowing the company to work through the City of Hopkins for the issuance of Bank Qualified Revenue Bonds.

**Resolution  
of the  
City of Minneapolis**

**RESOLUTION CONSENTING TO AND APPROVING THE ISSUANCE BY  
THE CITY OF HOPKINS OF A REVENUE OBLIGATION TO REFINANCE A  
HOUSING DEVELOPMENT UNDER MINNESOTA STATUTES, CHAPTER 462C,  
AS AMENDED; APPROVING AND AUTHORIZING THE EXECUTION OF A  
COOPERATIVE AGREEMENT WITH THE CITY OF HOPKINS; AND APPROVING  
AND AUTHORIZING CERTAIN ACTIONS RELATED THERETO**

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

1. STATUTORY AUTHORIZATION. Pursuant to Minnesota Statutes, Chapter 462C, as amended (the "Housing Act"), a municipality is authorized to carry out the public purposes described in the Housing Act by providing for the issuance of revenue bonds to finance or refinance multifamily housing developments located within the municipality.

2. THE PRIOR FINANCINGS. On May 19, 2006, the City of Minneapolis, Minnesota (the "City") issued its (i) Housing Facilities Refunding Revenue Bonds (Augustana Chapel View Homes, Inc. Project), Series 2006A (the "Series 2006A Bonds"), in the original aggregate principal amount of \$7,010,000, which are currently outstanding in the aggregate principal amount of \$5,735,000; and (ii) Taxable Housing Facilities Refunding Revenue Bonds (Augustana Chapel View Homes, Inc. Project), Series 2006B (the "Series 2006B Bonds," and together with the Series 2006A Bonds, the "Series 2006 Bonds"), in the original aggregate principal amount of \$80,000, which are no longer outstanding. The Series 2006 Bonds were issued pursuant to the Housing Act, a Trust Indenture, dated as of May 1, 2006, between the City and U.S. Bank National Association, as trustee, and a resolution adopted by the City Council of the City on April 28, 2006, and approved by the Mayor of the City on May 4, 2006.

Proceeds of the Series 2006 Bonds were loaned to Augustana Chapel View Homes, Inc., a Minnesota nonprofit corporation (the "Borrower"), pursuant to the terms of a Loan Agreement, dated as of May 1, 2006, between the City and the Borrower, and were used to (i) refinance certain of the Borrower's existing senior housing facilities located at 1020 East 17<sup>th</sup> Street and 1509 10<sup>th</sup> Avenue South in the City (together, the "Project") by refunding the Housing and Health Care Facilities Revenue Bonds (Augustana Chapel View Homes, Inc. Project), Series 1997 (the "Series 1997 Bonds"), issued by the City in the original aggregate principal amount of \$10,100,000; and (ii) pay the costs of issuance of the Series 2006 Bonds.

The proceeds of the Series 1997 Bonds were used in part to refinance the Project by refinancing the Mortgage Note, dated October 28, 1982, as amended by the Amendment to Mortgage Note, dated January 25, 1985, and the Second Amendment to Mortgage Note, dated March 15, 1988, from the Borrower to the

Minnesota Housing Finance Agency, originally in the aggregate principal amount of \$6,770,000, which was increased to \$8,405,594 pursuant to the amendments.

3. THE SERIES 2013 BOND. The Borrower has requested that the City of Hopkins, Minnesota (the "City of Hopkins") issue its Housing Facilities Revenue Refunding Bond (Augustana Chapel View Homes, Inc. Project), Series 2013 (the "Series 2013 Bond"), in one or more series, in an aggregate principal amount not to exceed \$5,290,000. The proceeds of the Series 2013 Bond will be loaned to the Borrower pursuant to the terms of a Loan Agreement, to be dated on or after June 1, 2013 (the "Loan Agreement"), between the City of Hopkins and the Borrower, and applied to (i) the refinancing of the Project through the redemption and prepayment of the Series 2006A Bonds issued by the City; and (ii) the payment of costs of issuance of the Series 2013 Bond and other costs related to the refunding of the Series 2006A Bonds. The Series 2013 Bond is proposed to be purchased by Venture Bank, a Minnesota banking corporation (the "Lender").

#### 4. JOINT POWERS AUTHORITY.

(a) Pursuant to Minnesota Statutes, Section 471.656, as amended, a city may issue obligations to finance the acquisition or improvement of property located outside of the corporate boundaries of such city if the obligations are issued under a joint powers agreement in which one or more of the parties to the joint powers agreement issue such obligations and the property is located entirely within the boundaries of one or more of the parties to the joint powers agreement.

(b) Pursuant to Minnesota Statutes, Section 471.59, as amended, by the terms of a joint powers agreement entered into through action of their governing bodies, two or more cities may jointly or cooperatively exercise any power common to the contracting parties or any similar powers, including those which are the same except for the territorial limits within which they may be exercised and the joint powers agreement may provide for the exercise of such powers by one or more of the participating governmental units on behalf of the other participating units.

(c) The City and the City of Hopkins are both authorized by the Housing Act to issue revenue obligations to refinance the Project. The City and the City of Hopkins are proposing to enter into a Cooperative Agreement, to be dated on or after June 1, 2013 (the "Cooperative Agreement"), pursuant to which the City, as host city, will consent to the issuance of revenue obligations and the refinancing of the Project by the City of Hopkins, and pursuant to which the City of Hopkins will agree to issue such revenue obligations to refinance the Project.

#### 5. FINDINGS.

(a) The City hereby approves and authorizes the issuance of the Series 2013 Bond by the City of Hopkins to refinance the Project. The Series 2013 Bond is proposed to be issued under the terms of a resolution to be considered by the City Council of the City of Hopkins on June 4, 2013 following a duly-noticed public hearing. The estimated maximum aggregate principal amount of the Series 2013 Bond is presently estimated not to exceed \$5,290,000.

(b) The proceeds derived from the sale of the Series 2013 Bond are to be loaned by the City of Hopkins to the Borrower pursuant to the terms of the Loan Agreement. Except for certain reserved rights, the interest of the City of Hopkins in the Loan Agreement will be pledged and assigned to the Lender.

(c) The Series 2013 Bond is to be issued pursuant to authority conferred by the Housing Act. The Series 2013 Bond will constitute an obligation secured solely by revenues derived from the operation of the Project and other security provided by the Borrower. The Series 2013 Bond will neither constitute a general or moral obligation of the City or the City of Hopkins nor be secured by any taxing power of the City or the City of Hopkins.

(d) The City has determined that it is desirable, feasible, and consistent with the objectives and purposes of the Housing Act, and it is in the best interest of the City, to approve the issuance of the Series 2013 Bond by the City of Hopkins to provide refinancing for the Project.

6. HOUSING PROGRAM. In conjunction with the issuance of the Series 1997 Bonds, on April 25, 1997, the City Council of the City approved a housing program with respect to the Project which was prepared in accordance with Section 462C.03 of the Housing Act. In conjunction with the issuance of the Series 2013 Bonds, the City of Hopkins will adopt a housing program.

7. COOPERATIVE AGREEMENT. The Finance Officer of the City or his authorized delegate is hereby authorized and directed to execute the Cooperative Agreement, and when executed and delivered as authorized herein, the Cooperative Agreement 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 Cooperative Agreement shall be substantially in the form on file with the City on the date hereof, which is hereby approved, with such necessary variations, omissions, and insertions as are not materially inconsistent with such forms and as the officers of the City, in their discretion, shall determine; provided that the execution thereof by the officers of the City shall be conclusive evidence of such determination.

8. DOCUMENTS FURNISHED TO BOND COUNSEL. The officers, employees, and agents of the City are hereby authorized and directed to prepare and furnish to Kennedy & Graven, Chartered, as Bond Counsel to the City of Hopkins, and the Lender certified copies of all proceedings and records of the City relating to the approval of the issuance of the Series 2013 Bond, including a certification of this resolution. Such officers, employees, and agents are hereby authorized to execute and deliver, on behalf of the City, all other certificates, instruments, and other written documents that may be requested by Bond Counsel, the Lender, or other persons or entities in conjunction with the issuance of the Series 2013 Bond. Without imposing any limitation on the scope of the preceding sentence, such officers, employees, and agents are specifically authorized to execute and deliver a general certificate of the City.

9. COSTS. The Borrower will, upon demand, reimburse the City for costs paid or incurred by the City in connection with this resolution and the Cooperative Agreement.

10. 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.