



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

Date: July 23, 2013

To: Council Member Lisa Goodman, Community Development Committee

Subject: A Request for approval of a Resolution consenting to and approving the issuance by the City of Shakopee of Health Care and Housing Facilities Revenue Refunding Bonds to refund Series 2004 City of Minneapolis Revenue Bonds for a facility located in the City of Minneapolis and approving the execution of a Cooperative Agreement and other necessary documents related to a request from the City of Shakopee for Host Approval.

Recommendation: The CPED Director recommends that the City Council adopt the attached Resolution, consenting to and approving the issuance by the City of Shakopee of Health Care and Housing Facilities Revenue Refunding Bonds to refund bonds for a facility in the City of Minneapolis and authorizing the execution of a Cooperative Agreement and all necessary documents related to a request from the City of Shakopee for Host Approval for the issuance of Tax-exempt Health Care and Housing Facilities Revenue Refunding Bonds to refund Series 2004 City of Minneapolis Revenue Bonds for City of Lakes Care Center Project.

Previous Directives: In 2004 the City Council approved the issuance of \$4,735,000 in Tax-exempt 501 (c)(3) Revenue Bonds for the City of Lakes Care Center Project located at 618 East 17th Street.

Prepared by: Charles Curtis, CPED - Business Development (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): N.A.

Financial Impact

- The refinancing of the outstanding City of Minneapolis 2004 Bonds will reduce annual administrative fees by \$8,700. By not being selected as the Issuer City for the 2013 Bonds, annual administrative fees of \$37,500 will not be earned.

Community Impact

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

Supporting Information

The City of Lakes Care Center, a Minnesota nonprofit corporation, whose parent company is the Benedictine Health System located in Duluth, MN is a skilled nursing home facility located at 618 East 17th Street. The Care Center has 120 beds.

The original 2004 City of Minneapolis Tax-exempt 501 (c)(3) Revenue Bonds were issued in the amount of \$4,735,000 and were used for the acquisition and renovation of the facility.

The proposed 2013 Tax-exempt Revenue Bonds, to be issued by the City of Shakopee, are currently estimated not to exceed \$22,000,000. In addition to the City of Minneapolis project, proceeds of the 2013 Tax-exempt Revenue Bonds will be used to refinance a Series 1997 Issue by the City of Osseo which was used for the construction of multifamily townhomes and other related facilities, to refinance a Series 2000 Issue by the City of Shakopee for a skilled nursing home and to refinance a Series 2010 Issue by the City of Shakopee for a skilled nursing home.

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

RESOLUTION CONSENTING TO AND APPROVING THE ISSUANCE BY THE CITY OF SHAKOPEE, MINNESOTA OF HEALTH CARE AND HOUSING FACILITIES REVENUE REFUNDING BONDS TO REFINANCE CERTAIN FACILITIES LOCATED IN THE CITY UNDER MINNESOTA STATUTES, CHAPTER 462C, AS AMENDED, AND MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655, AS AMENDED; APPROVING AND AUTHORIZING THE EXECUTION OF A COOPERATIVE AGREEMENT WITH THE CITY OF SHAKOPEE, MINNESOTA AND THE CITY OF OSSEO, MINNESOTA; AND TAKING CERTAIN OTHER ACTIONS WITH RESPECT THERETO

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

1. **STATUTORY AUTHORIZATION.** Minnesota Statutes, Chapter 462C, as amended (the "Housing Act"), authorizes a city to carry out the public purposes described in the Housing Act by providing for the issuance of revenue bonds to provide funds to finance or refinance multifamily housing developments (including nursing and assisted living facilities) located within the municipality. Minnesota Statutes, Sections 469.152 through 469.1655, as amended (the "Industrial Development Act"), authorizes a city to issue revenue obligations to finance, in whole or in part, the cost of the acquisition, construction, reconstruction, improvement, betterment, or extension of a "project," defined in the Industrial Development Act, in part, as 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 hospitals, nursing homes, and related medical facilities.

2. **THE SERIES 2013 BOND.** St. Gertrude's Health Center, a Minnesota nonprofit corporation, Benedictine Health Center of Minneapolis, a Minnesota nonprofit corporation formerly known as City of Lakes Care Center, and Steeple Pointe Senior Living Community, a Minnesota nonprofit corporation (collectively, the "Obligated Group"), have proposed that the City of Shakopee, Minnesota (the "City of Shakopee") issue its Healthcare and Housing Facilities Revenue Refunding Bonds (Benedictine Health System Obligated Group), Series 2013 (the "Series 2013 Bonds"), in one or more series, in an aggregate principal amount not to exceed \$22,000,000. Benedictine Health System, a Minnesota nonprofit corporation

("BHS"), has been authorized by the Obligated Group to act on its behalf as the agent of the Obligated Group.

The proceeds of the Series 2013 Bonds will be applied to (i) the redemption and prepayment of (a) the Tax Exempt Loan Participation Note (St. Gertrude's/Steeple Pointe Project), Series 2003 (the "Series 2003 Osseo Note"), issued in accordance with the Housing Act and the Industrial Development Act by the City of Osseo, Minnesota (the "City of Osseo"), on September 26, 2003, in the original aggregate principal amount of \$9,995,000, (b) the Tax Exempt Loan Participation Note (St. Gertrude's Health Center Project), Series 2004 (the "Series 2004 Osseo Note"), issued in accordance with the Housing Act by the City of Osseo on September 28, 2004, in the original aggregate principal amount of \$3,900,000, (c) the Health Care Revenue Bonds, Series 2004A (City of Lakes Care Center Project) (the "Series 2004 Minneapolis Bonds"), issued in accordance with the Industrial Development Act by the City on October 27, 2004, in the original aggregate principal amount of \$4,735,000, and (d) the Tax Exempt Loan Participation Note (St. Gertrude's Health & Rehabilitation Center Project), Series 2010 (the "Series 2010 Shakopee Note"), issued in accordance with the Industrial Development Act by the City of Shakopee on September 30, 2010, in the original aggregate principal amount of \$5,675,000; (ii) the funding of a debt service reserve fund; and (iii) the payment of costs of issuance of the Series 2013 Bonds. The Series 2003 Osseo Note, the Series 2004 Osseo Note, the Series 2004 Minneapolis Bonds, and the Series 2010 Shakopee Note are referred to herein collectively as the "Prior Bonds."

3. THE PRIOR BONDS. Proceeds of the Series 2003 Osseo Note (i) refunded the Multi-Family Housing Revenue Bonds, Series 1997 (Steeple Pointe Project) (the "Series 1997 Osseo Bonds"), issued by the City of Osseo in the original aggregate principal amount of \$4,850,000, the proceeds of which financed the acquisition of land, site improvements, and construction of multifamily townhomes and other multifamily housing facilities designated as senior rental housing located at 625 Central Avenue in the City of Osseo; and (ii) refunded the Health Care Facilities Refunding Revenue Bonds (St. Gertrude's Health Center Project), Series 2000 (the "Series 2000 Shakopee Bonds"), issued by the City of Shakopee in the original aggregate principal amount of \$6,065,000, the proceeds of which refinanced certain indebtedness relating to a 75-bed skilled nursing facility located at 1850 Sarazin Street in the City of Shakopee. Proceeds of the Series 2004 Osseo Note financed the construction and equipping of a 40-unit assisted living facility, connected entryway, and related meeting and office facilities to be connected to St. Gertrude's Health and Rehabilitation Center located at 1850 Sarazin Street in the City of Shakopee. Proceeds of the Series 2004 Minneapolis Bonds financed the acquisition, equipping, and renovation of a former 160-bed skilled nursing facility located at 618 East 17th Street in the City of Minneapolis into a 120-bed long-term care facility. Proceeds of the Series 2010 Shakopee Note financed the acquisition, construction, and equipping of an approximately 40,500

square foot three-level building expansion with 30 new licensed skilled nursing facility beds, expanded therapy space, a large educational area, a staff lounge, laundry, housekeeping, central supply areas and storage space, and private patient rooms at St. Gertrude's Health and Rehabilitation Center located at 1850 Sarazin Street in the City of Shakopee. The facilities being refinanced with the proceeds of the Series 2013 Bonds are referred to herein as the "Facilities," and those Facilities located in the City are referred to herein as the "Minneapolis Facilities."

4. JOINT POWERS AUTHORITY.

(a) Pursuant to Minnesota Statutes, Section 471.656, as amended, a city may issue obligations to finance and refinance 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 cities on behalf of the other participating cities.

(c) The City, the City of Osseo, and the City of Shakopee are all authorized by the Housing Act and the Industrial Development Act to issue revenue obligations to refinance the Facilities. The City, the City of Osseo, and the City of Shakopee are proposing to enter into a Cooperative Agreement, to be dated on or after August 1, 2013 (the "Cooperative Agreement"), pursuant to which the City, as a host city, and the City of Osseo, as a host city, will consent to the Series 2013 Bonds and the refinancing of the Facilities by the City of Shakopee, and pursuant to which the City of Shakopee will agree to issue the Series 2013 Bonds to refinance the Facilities.

5. FINDINGS.

(a) The City hereby approves and authorizes the issuance of the Series 2013 Bonds by the City of Shakopee to refinance the Facilities, including the Minneapolis Facilities. The Series 2013 Bonds are proposed to be issued under the terms of the Housing Act and the Industrial Development Act, an Indenture of Trust, to be dated on or after August 1, 2013 (the "Indenture"), between the City of Shakopee and U.S. Bank National Association, as trustee (the "Trustee"), and a resolution to be considered by the City Council of the City of Shakopee on August 20, 2013, following a duly noticed public hearing. The estimated maximum aggregate principal amount of the Series 2013 Bonds is presently estimated not to exceed \$22,000,000.

(b) The proceeds derived from the sale of the Series 2013 Bonds are to be loaned by the City of Shakopee to the Obligated Group pursuant to the terms of a Loan Agreement, to be dated on or after August 1, 2013 (the "Loan Agreement"), between the City of Shakopee and BHS, acting for the Obligated Group.

(c) The Series 2013 Bonds are to be issued pursuant to authority conferred by the Housing Act and the Industrial Development Act. The Series 2013 Bonds will constitute an obligation secured solely by revenues derived from the operation of the Facilities and other security provided by the Obligated Group. The Series 2013 Bonds will neither constitute a general or moral obligation of the City, the City of Osseo, or the City of Shakopee, nor be secured by any taxing power of the City, the City of Osseo, or the City of Shakopee.

(d) The City has determined that it is desirable, feasible, and consistent with the objectives and purposes of the Housing Act and the Industrial Development Act, and it is in the best interest of the City to approve the issuance of the Series 2013 Bonds by the City of Shakopee to refinance the Facilities, including the Minneapolis Facilities.

6. 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.

7. 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 Shakopee, and to the purchaser of the Series 2013 Bonds certified copies of all proceedings and records of the City relating to the approval and issuance of the Series 2013 Bonds, 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 purchaser of the Series 2013 Bonds, or other persons or entities in conjunction with the issuance of the Series 2013 Bonds. 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.

8. COSTS. The Obligated Group will pay and upon demand, reimburse the City for payment of, any and all costs incurred by the City in connection with this resolution and the execution of the Cooperative Agreement whether or not the Series 2013 Bonds are issued.

9. 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.