



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

Date: May 15, 2007

To: Council Member Lisa Goodman, Community Development Committee

Subject: Request for Final Approval of up to \$24 million in 501(c)(3) Tax-exempt Advance Refunding Revenue Bonds, Series 2007, on behalf of Senior Care Communities, Inc. (dba: Providence Place, formerly named Nile Nursing Home.)

Recommendation: The CPED Director recommends that the City Council adopt the attached Resolution giving Final Approval to the issuance of up to \$24 million in 501(c)(3) Tax-exempt Advance Refunding Revenue Bonds, Series 2007, on behalf of Senior Care Communities, (dba: Providence Place, formerly known as Nile Nursing Home.)

Previous Directives: In 1994 the City issued \$13,225,000 in taxable and tax-exempt bonds to Care First, Inc. (aka: Cedar Pines Nursing Home) to finance new construction and expand their facilities to 23rd. Ave. In 1999 the City issued \$23.4 million in tax-exempt bonds for the purchase of the business and facilities by Shelter Care Corp (dba: Nile Nursing home.) At this time Senior Care Communities is requesting final approval on the issuance of \$24 million in tax-exempt and taxable bonds to refund the 1999 bonds and make limited capital improvements.

Prepared by:	Greg Davidson, 612-673-5070
Approved by:	Charles T. Lutz, Deputy Director CPED _____
Presenters in Committee:	Greg Davidson

Reviews

Permanent Review Committee (PRC): Approval N/A Date _____

Financial Impact

Other financial impact: The issuance of revenue bonds for this project will generate annually revenue bond administrative fees of approximately \$42,500 that are used to support the small business assistance programs of the City of Minneapolis. In addition, Senior Care Communities has been subject to a P.I.L.O.T agreement, dated April 30, 1999, that provides payments of \$43,3000 a year for payments for provision of police, fire and road maintenance. Senior Care will renew that P.I.L.O.T agreement.

Community Impact

Neighborhood Notification - Standish-Ericsson has been notified. (Ward 9)
City Goals - Promotes public/private partnerships that support healthy communities.
Sustainability Targets - N/A
Comprehensive Plan - in compliance
Zoning Code - complies, R4, Multiple Family District
Living Wage/Business Subsidy Agreement Yes ____ No X
Job Linkage Yes X No ____

Supporting Information The applicant owns and operates a 256 bed skilled nursing facility at 3720-23 Ave So. Formerly it was named "The Nile Nursing Home" and is being renamed to "Providence Place". The facility is owned and managed by Shelter Care Foundation and the bonds are issued on behalf of Senior Care Communities, Inc.

They desire to make use of the lower interest rates. This advance refunding will save them interest costs of approximately \$225,000 on the extended maturity of these new bonds. Senior Care Communities plans to make improvements of approximately \$500,000 of interior improvements to freshen up patient rooms, common areas, and upgrade patient related equipment and beds.

Financial information: Annual revenues exceed \$15 million. Fifty-Five percent of the revenue is from Medicaid and 16% from Medicare. The average bed vacancy rate in 2006 was 5%. The new debt service coverage ratio is 1.45 times.

Project Location: 3720-23 Ave. So. and the adjacent parking lot at 3717-23rd Ave. So.

Type of Financing: It is anticipated that Piper Jaffray will issue:

2007 Series A	Tax-exempt senior bonds; estimated average fixed rate not to exceed 6.00%
2007 Series A-T	Taxable senior lien bonds; estimated average fixed rate not to exceed 7.50%,
2007 Series B	Tax-exempt subordinate lien bonds; estimated average tax-exempt rate not to exceed 6.50%.

Sources: \$24,000,000 Bond proceeds
1,300,000 prior Bond proceeds

Uses: 22,000,000 Refund outstanding bonds
500,000 Estimated remodeling and equipment
1,900,000 Debt Service reserve
900,000 Issuance costs

Present Employment: 133 Full-time, and 28 part-time, plus contract workers.

New Employment: No new hires are anticipated.

Assessor's Estimate Annual Tax:

This project will re-enter into a P.I.L.O.T agreement [payment in lieu of taxes] under which they pay \$42,000 annually.

Affirmative Action Compliance:

Plan is approved by the City's Civil Rights department.

CITY IRB POLICIES:

Job Component	Complies - Minimum standard of one (1) job per 1,000 square feet of building area.
Property Improvements	Complies - 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.
Development Standards	Complies with the Land Use Plan of the City's Comprehensive Plan.
Equipment Financing	Complies - 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.
Restaurant/Bank	N/A - 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.
Tax-exempt Institution	Complies - Refinancing is permitted when new jobs are created or when a significant number of jobs are preserved; and any interest cost savings must reduce patient costs.

IRB CAP:

N/A - 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:

Faegre & Benson, Minneapolis

UNDERWRITER:

Paper Jaffray, Minneapolis

COUNCIL MEMBER INFORMED:

Gary Schiff

CITY COUNCIL PRELIMINARY APPROVAL:

April 27, 2007

MINNESOTA DEPARTMENT OF
EMPLOYMENT AND ECONOMIC
DEVELOPMENT:

Application "A" is in process.

RESOLUTION
of the
City of Minneapolis

Authorizing the issuance, sale, and delivery of revenue bonds for the benefit of Senior Care Communities, Inc., which bonds are payable solely from revenues pledged pursuant to the indenture; approving the form of and authorizing the execution and delivery of the revenue bonds and related documents; and providing for the security, rights, and remedies with respect to the revenue bonds

WHEREAS, pursuant to Minnesota Statutes, Sections 469.152 through 469.165 (as the same may from time to time be amended or supplemented, the "Act"), a city is authorized and empowered to issue revenue bonds to finance or refinance, in whole or in part, the cost of acquisition, construction, reconstruction, improvement, betterment, or extension of 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, without limitation, hospitals and related medical facilities, to refund revenue bonds previously issued under the Act, and to enter into a revenue agreement with any public or private corporation in such manner that payments required thereby to be made by such corporation shall be fixed, and revised from time to time as necessary, so as to produce income and revenue sufficient to provide for the prompt payment of principal of and interest on such revenue bonds when due.; and

WHEREAS, the City of Minneapolis (the "City") has previously issued its Health Care Facilities Revenue Bonds (Shelter Care Foundation Project), Series 1999 (the "Prior Bonds") for the purpose of financing the acquisition by Senior Care Communities, Inc. (fka Shelter Care Foundation), a District of Columbia nonprofit corporation ("Shelter"), of a skilled care nursing facility located at 3720-23rd Avenue South in the City (the "Project"), including funding reserves and paying costs of issuance ; and

WHEREAS, Shelter has requested that the City issue its revenue refunding bonds for the purpose of refunding the outstanding Prior Bonds resulting in debt service savings; and

WHEREAS, the City on April 17, 2007 did conduct a public hearing on the issuance of the refunding revenue bonds, following publication of notice as required by the Act and the provisions of the Internal Revenue Code of 1986, as amended; and

WHEREAS, by Resolution No. 2007R-192, adopted April 27, 2007, the City Council of the City gave preliminary approval to the issuance of its refunding revenue bonds; and

WHEREAS, the proposed revenue bonds are to be designated as Health Care Facilities Revenue Bonds (Senior Care Communities, Inc.), Series 2007 (the "Series 2007 Bonds"), are to be issued under an Indenture of Trust (the "Indenture"), between the

City and the trustee designated therein (the "Trustee"), and the proceeds derived from the sale of such Series 2007 Bonds are to be loaned to a limited liability company to be formed of which Shelter will be the sole member (the "Corporation") pursuant to the terms of a Loan Agreement (the "Loan Agreement"), between the City and the Corporation; and

WHEREAS, the loan repayments required to be made by the Corporation under the terms of the Loan Agreement will be assigned to the Trustee under the terms of the Indenture; and

WHEREAS, the obligation of the Corporation to make loan repayments under the terms of the Loan Agreement will be secured by a mortgage lien on the Project; and

WHEREAS, the Series 2007 Bonds and the interest and any premium on the Series 2007 Bonds: (i) shall be payable solely from the revenues pledged therefor; (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; and (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 the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS, MINNESOTA, AS FOLLOWS:

That the City acknowledges, finds, determines, and declares that: (i) the issuance of the Series 2007 Bonds is authorized by the Act; (ii) the application of the proceeds of the Series 2007 Bonds to the refunding of the Prior Bonds and costs of various capital improvements at the Project, the funding of one or more reserve funds to secure the Bonds if determined to be necessary to market the Bonds, and the payment of certain expenses incurred in connection with the issuance of the Bonds is consistent with and furthers the purposes of the Act; and (ii) the facilities financed with the proceeds of the Series 2007 Bonds constitute a "project" within the meaning of Section 469.153, subdivision 2(b) and (d), of the Act.

Be It Further Resolved that, for the purposes set forth above, there is hereby authorized the issuance, sale and delivery of the Series 2007 Bonds in the approximate aggregate principal amount not to exceed \$24,000,000. The Series 2007 Bonds shall be issued in three series comprising tax-exempt senior lien bonds (Series A), taxable senior lien bonds (Series A-T) and tax-exempt subordinate lien bonds (Series B), the principal amount of each such series to be determined as required by law and as deemed appropriate in the marketing of the Bonds so as to provide the most beneficial debt service costs to the Corporation. The Series A Bonds shall bear interest at fixed rates not to exceed an average interest rate of 6.00%, the Series A-T Bonds shall bear interest at fixed rates not to exceed an average interest rate of 7.50% and the Series B Bonds shall bear interest at fixed rates not to exceed an average interest rate of 6.50%. The Series 2007 Bonds shall be designated, shall be numbered, shall be dated, shall mature, shall be subject to redemption prior to maturity, shall be in such form, and shall have such other terms, details, and provisions as are prescribed in the Indenture, in the form now on file with the City, with the amendments referenced herein.

Be It Further Resolved that all of the provisions of the Series 2007 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 Series 2007 Bonds shall be substantially in the form or forms set forth in the Indenture, which form or forms are hereby approved, with such necessary and appropriate variations, omissions and insertions (including changes to the name of the Series 2007 Bonds, the aggregate principal amount of the Series 2007 Bonds, the stated maturities of the Series 2007 Bonds and the maturity dates of the Series 2007 Bonds, the interest rates on the Series 2007 Bonds, and the terms of optional and mandatory redemption of the Series 2007 Bonds) as the Finance Officer of the City (the "Finance Officer"), in his discretion, shall determine. The execution of the Series 2007 Bonds with the manual or facsimile signatures of the Finance Officer and the delivery of the Series 2007 Bonds by the City shall be conclusive evidence of such determination.

Be It Further Resolved that the Series 2007 Bonds shall be special limited obligations of the City the proceeds of which shall be disbursed pursuant to the terms of the Indenture and the Loan Agreement, and the principal, premium, and interest on the Series 2007 Bonds shall be payable solely from the proceeds of the Series 2007 Bonds, the revenues derived from the Corporation pursuant to the terms of the Loan Agreement and other funds pledged pursuant to the Indenture.

Be It Further Resolved that the City Council of the City hereby authorizes and directs the Finance Officer to execute and deliver the Indenture, and hereby authorizes and directs the execution of the Series 2007 Bonds in accordance with the terms of the Indenture, and hereby provides that the Indenture shall provide the terms and conditions, covenants, rights, obligations, duties and agreements of the owners of the Series 2007 Bonds, the City and the Trustee as set forth therein.

Be It Further Resolved that all of the provisions of the Indenture, 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 Indenture shall be substantially in the form on file with the City, which is hereby approved, 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.

Be It Further Resolved that the Finance Officer is hereby authorized and directed to execute and deliver the Loan Agreement and the Bond Purchase Agreement (the "Purchase Contract"), between Piper Jaffray & Co. (the "Underwriter"), the Corporation and the City. All of the provisions of the Loan Agreement and the Purchase Contract, 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 and the Purchase Contract shall be substantially in the forms on file with the City which are hereby approved, with such omissions and insertions as do not materially change the substance thereof, or as the Finance Officer, in his discretion, shall

determine, and the execution thereof by the Finance Officer shall be conclusive evidence of such determination.

Be It Further Resolved that the Trustee is hereby appointed as the initial Bond Registrar with respect to the Series 2007 Bonds.

Be It Further Resolved that the proceeds of the Series 2007 Bonds shall be disbursed for the payment of the costs of refunding the Prior Bonds and certain capital improvements to the Project and to fund required reserves and pay related costs in accordance with the terms of the Indenture and the Loan Agreement.

Be It Further Resolved that the Finance Officer of the City and other officers are hereby authorized to execute and deliver, on behalf of the City, such other documents as are necessary or appropriate in connection with the issuance, sale, and delivery of the Series 2007 Bonds, including a Tax Certificate, a Tax Exemption Agreement, an Information Return for Tax-Exempt Private Activity Bond Issues, Form 8038, and all other documents and certificates as shall be necessary and appropriate in connection with the issuance, sale, and delivery of the Series 2007 Bonds. The City hereby approves the execution and delivery by the Trustee of the Indenture and all other instruments, certificates, and documents prepared in conjunction with the issuance of the Series 2007 Bonds that require execution by the Trustee. The City hereby authorizes Faegre & Benson LLP, as bond counsel of the City, to prepare, execute, and deliver its approving legal opinion with respect to the Series 2007 Bonds.

Be It Further Resolved that the City has not participated in the preparation of the Preliminary Official Statement or the Official Statement relating to the offer and sale of the Series 2007 Bonds (collectively, the "Official Statement"), and has made no independent investigation with respect to the information contained therein, including the appendices thereto, and the City assumes no responsibility for the sufficiency, accuracy, or completeness of such information. Subject to the foregoing, the City hereby consents to the distribution and the use by the Underwriter in connection with the sale of the Series 2007 Bonds of the Official Statement. The Official Statement is the sole material consented to by the City for use in connection with the offer and sale of the Series 2007 Bonds. The City hereby approves the execution and delivery by the Corporation of a Continuing Disclosure Agreement.

Be It Further Resolved that, except as otherwise provided in this resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the City or the City Council by the provisions of this resolution or of the aforementioned documents shall be exercised or performed by the City or by such members of the City Council, or such officers, board, body or agency thereof as may be required or authorized by law to exercise such powers and to perform such duties.

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 Series 2007 Bonds shall be liable personally on the Series 2007 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 Series 2007 Bonds or in any other document relating to the Series 2007 Bonds, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to 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 and the Series 2007A Note which are to be applied to the payment of the Series 2007 Bonds, as provided therein and in the Indenture.

Be It Further Resolved that, 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 or any holder of the Series 2007 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 holder from time to time of the Series 2007 Bonds issued under the provisions of this resolution.

Be It Further Resolved that, in case any one or more of the provisions of this resolution, other than the provisions contained in the first sentence of Section 3 hereof, or of the aforementioned documents, or of the Series 2007 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 Series 2007 Bonds, but this resolution, the aforementioned documents, and the Series 2007 Bonds shall be construed and endorsed as if such illegal or invalid provisions had not been contained therein.

Be It Further Resolved that the Series 2007 Bonds, when executed and delivered, shall contain a recital that they are issued pursuant to the Act, and such recital shall be conclusive evidence of the validity of the Series 2007 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 Series 2007 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.

Be It Further Resolved that the officers of the City, bond counsel, other attorneys, engineers, 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 Series 2007 Bonds for the full, punctual and complete performance of all the terms, covenants and agreements contained in the Series 2007 Bonds, the aforementioned documents and this resolution. In the event that for any reason the Finance Officer of the City is unable to carry out the execution of any of the documents or other acts provided herein, any persons delegated the duties of the Finance Officer shall be authorized to act in the capacity of the Finance Officer and undertake such execution or acts on behalf of the City with full force and effect, which execution or acts shall be valid and binding on the City.

Be It Further Resolved that the City understands that the Corporation will pay directly or through the City any and all costs paid or incurred by the City in connection with the transactions authorized by this resolution, whether or not the Series 2007 Bonds are issued.

Be It Further Resolved that 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 97R-402 of the City adopted December 12, 1997.

Be It Further Resolved that this resolution shall be in full force and effect from and after its publication.