

Minneapolis Community Development Agency

## Request for City Council Action

Date: December 2, 2003

To: Council Member Lisa Goodman, Community Development Committee

Prepared by Bob Lind, Manager, Business Finance, Phone 612-673-5068

Approved by Lee Sheehy, CPED Director  
Chuck Lutz, CPED Deputy Director \_\_\_\_\_

**Subject:** A Public Hearing and Request for Preliminary and Final Approval of up to \$10,000,000 in Taxable and Tax-exempt 501(c)(3) Housing Facilities Revenue Bonds for the Augustana Chapel View Homes, Inc. Project.

**Previous Directives:** The City of Minneapolis has issued revenue bonds for seven Augustana Homes projects over the years with the first dating back to 1977 and the latest being the May 2003 \$1.6 million in Bank Qualified Bank Direct Tax-exempt Revenue Bonds for the energy efficiency upgrades to the various Augustana facilities. At this time, Augustana is requesting both preliminary and final approval on the issuance of up to \$10 million to refinance the outstanding balances on the Series 1992 and Series 1993 Bonds, and to finance a variety of renovations and remodeling of the facilities.

**Ward:** 7<sup>th</sup>

**Neighborhood Group Notification:** On November 12, 2003 the Elliot Park Neighborhood, Inc. was notified of the proposed refunding revenue bond project for Augustana.

**Consistency with *Building a City That Works*:** The project is consistent with Goal 2 of ensuring that an array of housing choices exist to meet the needs of our current residents and to support the development of affordable and mixed-income senior rental housing.

**Comprehensive Plan Compliance:** The proposed project complies with the policies of the Minneapolis Plan.

**Zoning Code Compliance:** The proposed project is in compliance.

**Impact on the MCDA Budget:**

No financial impact

Action requires an appropriation increase to the MCDA Budget

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Action provides increased revenue for appropriation increase  
 Action requires use of contingency or reserves  
 Other financial impact (Explain): The issuance of housing revenue bonds will generate annual administrative fees of about \$25,000 a year.

**Living Wage/Business Subsidy:** N.A.

**Job Linkage:** N.A.

**Affirmative Action Compliance:** Each revenue bond project is required to be in compliance with affirmative action requirements prior to the bond closing.

**RECOMMENDATION:**

**City Council Recommendation:** The Executive Director recommends that the City Council adopt the attached Resolution following a Public Hearing held on December 2, 2003 notice of which was published in Finance and Commerce on November 15, 2003, giving Preliminary and Final Approval to the issuance of up to \$10,000,000 in Taxable and Tax-exempt 501(c)(3) Housing Facilities Revenue Bonds for the Augustana Chapel View Homes, Inc. Project.

Background/Supporting Information

PROJECT LOCATION & DESCRIPTION:

Augustana Chapel View Homes, Inc. is a Minnesota nonprofit corporation in business to provide senior housing and nursing home facilities. Augustana has approached the City on the proposed issuance of revenue bonds in 2004 to refinance the Series 1992 and 1993 bonds; and to finance various renovations and improvements to the following addresses all within the 7<sup>th</sup> Ward in the Elliot Park neighborhood:

<u>Project</u>	<u># of One Bedroom Units / Rent</u>	<u># of Two Bedroom Units / Rent</u>
Park Center Apartments		
• 1509 10 <sup>th</sup> Ave. S.	56 \$817	15 \$1,100
• 1020 East 17 <sup>th</sup> Street	121 \$817	27 \$1,100
1510 Apartments		
• 1510 11 <sup>th</sup> Ave. S.	83 \$688	13 \$848
Park Center North		
• 1425 10 <sup>th</sup> Ave. S.	38 \$915	19 Efficiencies \$430

In addition to the above Minneapolis facilities that cover three city blocks in the Elliot Park neighborhood, Augustana Chapel View Homes, Inc. also owns a facility in Hopkins, Minnesota. In 1990, the corporation acquired the Chapel View Care Center and the Chapel View Residences in Hopkins, which consists of 128 nursing home beds and 56 apartments for seniors, all situated on a common campus. There are no plans for renovations at the Hopkins facility and therefore no part of this revenue bond request is being used to finance improvements at the Hopkins facility.

In 1992 the City of Minneapolis issued \$2,260,000 for Augustana Home of Minneapolis (now known as Augustana Chapel View Homes, Inc.) for the 1510 11<sup>th</sup> Ave. S. senior housing apartment project. In 1993 the City issued \$6,265,000 for Augustana Chapel View Homes for the Park Center North senior housing apartment project at 1425 10<sup>th</sup> Ave. S.

In addition to refinancing the existing outstanding debt of the the Series 1992 and Series 1993 Bonds, the project also includes new money to finance various improvements and renovations to the four properties including roof improvements, renovation and remodeling of common areas and provision of an enhanced security system, and the installation of related equipment, furnishings and site improvements.

TYPE OF FINANCING:

It is anticipated that Northland Securities, Inc. as the underwriter for the revenue bonds will issue approximately \$9 million in tax-exempt housing revenue bonds and about \$500,000 in taxable housing revenue bonds for the project. It is expected that the revenue bonds will be sold to institutional investors as well as some retail offering of the bonds, with a fully amortized term of 20 years on the bonds.

The nursing home and senior housing facilities of Augustana Chapel View Homes, Inc. derive their revenue principally from rentals and charges collected from users of the nursing home facilities and apartment units, including revenues from third-party payor programs as Medicaid and Medicare.

Sources:

Tax-exempt Revenue Bonds	\$ 9,500,000
Taxable Revenue Bonds	500,000
TOTAL	\$10,000,000

Uses:

Refinancing of the Series 1992 and 1993 Bonds	\$ 6,600,000
Debt Service Reserve on the Series 2004 Bonds	900,000
Renovations and Improvements	2,200,000
Professional and Issuance Costs	300,000
TOTAL	\$10,000,000

HRB ENTITLEMENT:

As 501(c)(3) tax-exempt housing revenue bonds, the bonds are outside the cap and do not count against the City's HRB entitlement cap.

CITY'S HOUSING POLICY:

All City financially assisted rental housing projects of 10 or more units shall have at least 20% of the units affordable at or below 50% of area median income. The Augustana Chapel View Homes, Inc. project is in compliance with the City's Affordable Housing Policy.

BOND COUNSEL:

Dorsey & Whitney

UNDERWRITER:

Northland Securities, Inc.

NOTIFICATION TO THE  
METROPOLITAN COUNCIL ON THE  
HOUSING PROGRAM:

November 14, 2003

TRUSTEE:

U.S. Bank National Association

AUTHORIZING AND PROVIDING FOR THE  
ISSUANCE AND SALE OF HOUSING FACILITIES  
REVENUE BONDS PURSUANT TO MINNESOTA STATUTES, SECTIONS CHAPTER  
462C, AS AMENDED, AT THE REQUEST OF AUGUSTANA CHAPEL VIEW HOMES,  
INC., AND APPROVING THE FORMS OF DOCUMENTS REQUIRED IN CONNECTION  
THEREWITH

BE IT RESOLVED by the City Council of the City of Minneapolis, Minnesota (the “City” or the “Issuer”), as follows:

1. Authority. Pursuant to Minnesota Statutes, Sections Chapter 462C, as amended (the “Act”), the Issuer is authorized to issue revenue bonds and refunding revenue bonds and sell such bonds at public or private sale as may be determined by the governing body to be most advantageous; and to loan the proceeds of such bonds to provide financing and refinancing for multifamily housing developments for elderly persons, all as further provided in the Act, and to refund bonds previously issued therefor under the Act. Such bonds are authorized to be secured by a pledge of the revenues to be derived from a loan agreement with the borrower of such proceeds, and by such other security devices as may be deemed advantageous. Under the provisions of the Act, such bonds shall be special, limited obligations, and shall not constitute an indebtedness of the issuer thereof, within the meaning of any state constitutional provision or statutory limitation, nor give rise to a pecuniary liability of the issuer or a charge against its general credit or taxing powers.

2. The Bonds and the Project. Augustana Chapel View Homes, Inc., a Minnesota nonprofit corporation (the “Borrower”) has proposed to undertake a project consisting of the acquisition and construction of improvements to its existing elderly housing facilities located at 1510 Eleventh Avenue South, 1425 Tenth Avenue South, 1509 Tenth Avenue South, and 1020 East Seventeenth Street in the City of Minneapolis, each of which facilities constitutes a multifamily housing development for elderly persons, within the meaning of the Act (such facilities collectively referred to as the “Project Facilities”), together with the acquisition and installation of equipment and furnishings therein (such improvements sometimes collectively referred to as the “2004 Project” or the “Project”), and has further proposed that the Issuer cause to be refunded in full certain outstanding revenue bonds previously issued by the Issuer with respect to the Project Facilities (such outstanding revenue bonds collectively referred to as the “Refunded Bonds”), which Refunded Bonds consist of the outstanding Housing Facilities Refunding Revenue Bonds (The Augustana Home of Minneapolis 1510 Apartments Project), Series 1992 (the “Series 1992 Bonds”), and the outstanding Housing Facilities Refunding Revenue Bonds (Augustana Chapel View Homes, Inc. Park Center North Project), Series 1993 (the “Series 1993 Bonds”). The Borrower has further proposed that the issuer issue and sell its Housing Facilities Revenue Bonds (Augustana Chapel View Homes, Inc. Project), Series 2004, in one or more series, in an aggregate principal amount of not to exceed \$10,000,000,

substantially in such forms and subject to the terms and conditions as are set forth in the Indenture referred to below (the “Bonds”), pursuant to the Act, and loan the proceeds thereof to the Borrower, to provide for the refunding in full of the Refunded Bonds and to provide financing for the Project.

3. Housing Program. There has been prepared and filed with the City Clerk a Housing Program describing the Project, the refunding of the Refunded Bonds and the issuance of the Bonds to provide financing and refinancing therefor, all as required by and within the meaning of the Act (the “Housing Program”). A copy of the Housing Program was furnished to the Metropolitan Council on or before the date of publication of the notice of the public hearing held with respect thereto, as described in paragraph 4 below, all as required by and within the meaning of the Act.

4. Public Hearing. Following not fewer than 15 days’ published notice in a newspaper of general circulation in the City, the Community Development Committee of the City Council conducted a public hearing on December 2, 2003, with respect to the Housing Program and the issuance of the Bonds. All persons present had an opportunity to express their views with respect to the Housing Program and the issuance of the Bonds. Based on the information presented, the Issuer hereby finds and determines that the Housing Program, the undertaking of the Project and the issuance of the Bonds are in the public interest and will promote the purposes of the Act.

5. Documents Presented. Forms of the following documents relating to the Bonds and the Project have been submitted to the Issuer and are now on file in the offices of the Issuer:

a. Loan Agreement (the “Loan Agreement”) between the Issuer and the Borrower; and

b. Trust Indenture (the “Indenture”) of even date with the Loan Agreement, between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”); and

c. Combination Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents (the “Mortgage”) of even date with the Loan Agreement, from the Borrower to the Trustee; and

d. Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) of even date with the Loan Agreement, between the Borrower and the Trustee;

e. Bond Purchase Agreement (the “Bond Purchase Agreement”), by and between Northland Securities, Inc. (the “Underwriter”), the Borrower and the Issuer; and

f. Preliminary Official Statement and form of final Official Statement, the form of the Preliminary Official Statement, together with the insertion of the final underwriting details of the Bonds, including the interest rates thereon, and any other changes deemed necessary or desirable, intended to constitute the form of the final Official Statement, and including all Appendices thereto (together the “Official Statement”), describing the offering of the Bonds, and certain terms and provisions of the foregoing documents.

6. Findings. It is hereby found, determined and declared that:

a. The Project will further the purposes contemplated by and described in the Act and will result in the enhanced provision of safe and sanitary housing to elderly members of the community.

b. There is no litigation pending or, to the knowledge of the Issuer, without investigation or inquiry, threatened against the Issuer relating to the Housing Program, the Project or the Bonds, or to the Loan Agreement, the Indenture, the Bond Purchase Agreement, the Continuing Disclosure Agreement, or the Mortgage (collectively referred to as the "Bond Documents") or questioning the organization, powers or authority of the Issuer to issue the Bonds or to execute or deliver any such documents.

c. To the knowledge of the Issuer, without investigation or inquiry, the execution and delivery of and the performance of the Issuer's obligations under the Bonds and the Bond Documents do not and will not violate any order of any court or any agency of government of which the Issuer is aware or in any proceeding to which the Issuer is a party, or any indenture, agreement or other instrument to which the Issuer is a party or by which it or any of its property is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument.

d. The Loan Agreement provides for payments by the Borrower to the Issuer of such amounts as will be sufficient to pay the principal of, premium, if any, and interest on the Bonds when due.

e. Under the provisions of the Act and as provided in the Loan Agreement, the Bonds are not and shall not be payable from or charged upon any funds other than amounts payable pursuant to the Loan Agreement and related documents; the Issuer is not subject to any liability thereon; no owner of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon, nor to enforce payment thereof against any property of the Issuer; neither the Bonds nor any document executed or approved in connection with the issuance thereof shall constitute a pecuniary liability, general or moral obligation, charge, lien or encumbrance, legal or equitable, upon any property of the Issuer; and the Bonds shall not constitute or give rise to a charge against the general credit or taxing powers of the Issuer.

7. Approval and Execution of Documents. The forms of Loan Agreement, Indenture, Bond Purchase Agreement, Continuing Disclosure Agreement, and Mortgage, referred to in paragraph 5, are approved. The Loan Agreement, Indenture, and Bond Purchase Agreement shall be executed in the name and on behalf of the Issuer by the officers identified in paragraph 11, in substantially the forms on file, but with all such changes therein as may be approved by the officers executing the same, which approval shall be conclusively evidenced by the execution thereof.

8. Approval, Execution and Delivery of the Bonds. The officers of the Issuer are hereby authorized and directed to execute and issue the Bonds, and the Bonds shall be issued in such

series and shall be substantially in such forms, mature, bear interest, and be payable according to such terms and shall otherwise contain such terms and provisions as are set forth in the Indenture, which terms are for this purpose incorporated in this resolution and made a part hereof; provided, however, that the aggregate principal amount of each series of the Bonds, the interest rates thereon, the amount and dates of the principal payments required to be made with respect thereto, and the rights of optional and mandatory redemption with respect thereto shall all be set forth in the Indenture as executed and shall all be subject to the final approval of the officers of the Issuer who execute and deliver the Indenture in accordance with the provisions of this resolution, such approval to be conclusively evidenced by the execution thereof; provided further, however, that, in no event shall the aggregate principal amount of the Bonds exceed \$10,000,000, shall the final maturity of the Bonds be in excess of 25 years from the date of issuance thereof, or shall the net interest cost with respect to the Bonds exceed 6.75% per annum. The Bonds shall recite that they are issued pursuant to the Act and such recital shall, to the fullest extent permitted by law, conclusively establish the legality and validity thereof.

The Bonds shall be sold to the Underwriter in accordance with and upon the terms and conditions set forth in the Bond Purchase Agreement. The proposal of the Underwriter to purchase the Bonds as provided in the Bond Purchase Agreement at the purchase price set forth therein is hereby accepted.

9. Certificates, etc. The officers of the Issuer are authorized to prepare and furnish to Dorsey & Whitney LLP, Minneapolis, Minnesota, as Bond Counsel to the Underwriter, and to the Underwriter, certified copies of all proceedings and records of the Issuer relating to the Bonds, and such other affidavits and certificates as may be required to show the facts appearing from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Issuer as to the truth of all statements of fact contained therein.

10. Official Statement. The Issuer hereby consents to the circulation by the Underwriter of the Official Statement in offering the Bonds for sale; provided, however, that the Issuer has not participated in the preparation of the Official Statement or independently verified the information in the Official Statement and takes no responsibility for, and makes no representations or warranties as to, the accuracy or completeness of such information.

11. Nature of Issuer's Obligations. All covenants, stipulations, obligations, representations, and agreements of the Issuer contained in this Resolution or contained in the aforementioned documents shall be deemed to be the covenants, stipulations, obligations, representations, and agreements of the Issuer to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations, representations, and agreements shall be binding upon the Issuer. Except as otherwise provided in this Resolution, all rights, powers, and privileges conferred, and duties and liabilities imposed upon the Issuer by the provisions of this Resolution or of the aforementioned documents shall be exercised or performed by such officers or agents as may be required or authorized by law to exercise such powers and to perform such duties. No covenant, stipulation, obligation, representation, or agreement herein contained or contained in the documents referred to above shall be deemed to be a covenant, stipulation, obligation, representation, or agreement of any member of the City Council, or any officer, agent, or employee of the Issuer in that person's individual capacity, and neither shall any

member of the City Council nor any officer or employee executing the Bonds or such documents be liable personally on the Bonds or be subject to any representation, personal liability or accountability by reason of the issuance thereof. No provision, representation, covenant or agreement contained in the Bonds, this Resolution or in any other document related to the Bonds, and no obligation therein or herein imposed upon the Issuer or the breach thereof, shall constitute or give rise to a general or moral obligation, or indebtedness or pecuniary liability of the Issuer or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in the Bonds or in any other document related to the Bonds, the Issuer has not obligated to pay or remit any funds or revenues, except for revenues derived from the Loan Agreement that are pledged to the payment of the Bonds.

12. Authorized Officers. The Bonds and the documents referred to herein are authorized to be executed on behalf of the Issuer by its Mayor, Finance Director and City Clerk; provided, however, that in the event that any of those officers shall be unavailable or for any reason be unable to execute the Bonds or any other document to be entered into by the Issuer in connection therewith, any other officer of the Issuer, acting alone or with one or more other officers, is hereby directed and authorized to do so on behalf of the Issuer.

13. Governmental Program Bonds. The Bonds are hereby designated "Program Bonds" and are determined to be within the "Housing Program" and the "Program", all as defined in Resolution 88R-021 of the Issuer adopted January 29, 1988, and as amended by Resolution 97R-402 of the Issuer adopted December 12, 1997.

14. Definitions and Interpretation. Terms not otherwise defined in this Resolution but defined in the Loan Agreement or the Indenture shall have the same meanings in this Resolution and shall be interpreted herein as provided therein. Notices may be given as provided in the Loan Agreement. In case any provision of this Resolution is for any reason illegal or invalid or inoperable, such illegality or invalidity or inoperability shall not affect the remaining provisions of this Resolution, which shall be construed or enforced as if such illegal or invalid or inoperable provision were not contained herein.