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

Date: April 17, 2007

To: Council Member Lisa Goodman, Community Development Committee

Subject: A Public Hearing and Request for Preliminary Approval of an Advance Refunding of up to $24 million in 501(c)(3) Tax-exempt Revenue Bonds on behalf of Senior Care Communities, Inc., (dba: Providence Place, formerly known as Nile Nursing Home.)

Recommendation:
The CPED Director recommends that the City Council adopt the attached Resolution giving Preliminary Approval to the issuance of up to $24 million in 501(c)(3) Tax-exempt Advance Refunding Revenue Bonds on behalf of Senior Care Communities, Inc., (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).

Prepared by:	Greg Davidson, CPED Business Finance	
Approved by:	Charles T. Lutz, Deputy Director CPED	_____
Presenter in Committee:	Greg Davidson, CPED Business Finance	

Reviews
Permanent Review Committee N/A

Financial Impact

Other financial impact: The issuance of revenue bonds for this project will generate revenue bond administrative fees of approximately $42,500 a year that are used to support the small business assistance programs of the City of Minneapolis. In addition, Senior Care Communities is subject to a P.I.L.O.T agreement, dated April 30, 1999, that provides payments of $43,300 a year based on P.I.L.O.T payments for the provision of police, fire and road maintenance.

Community Impact:

Neighborhood Notification	- Notified
City Goals	- Promotes public/private partnerships that support healthy communities.
Sustainability Targets	- N/A
Comprehensive Plan	- Complies
Zoning Code	- Complies - R4, Multiple Family District

Living Wage/Business Subsidy Agreement Yes ___ No _X_
Job Linkage Yes _X_ No ____ Will renew.

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: "Providence Place". The facility is owned and managed by Senior Care Communities, Inc. (formerly known as Shelter Care Foundation.)

They desire to make use of 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 tentatively has plans to make approximately $500,000 of capital improvements, the exact purpose of which is not yet determined.

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 & Description: 3720-23 Ave. So. and the adjacent parking lot at 3717-23rd Ave. So.

Senior Care Communities wishes to take advantage of interest savings due to lower rates and make some capital improvements, which as of this writing, specifics have not been determined.

Type of Financing: Fixed rate tax-exempt bonds

Sources:	$24,000,000	Bond proceeds
Uses:	20,850,000	Refund outstanding bonds
	2,000,000	Debt Service reserve
	500,000	Estimated capital improvements
650,000	Issuance costs	
		$24,000,000

Present Employment: 133 Full-time, 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 paid $43,300 annually in 2006.

Affirmative Action Compliance: Plan complies

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 - In compliance with the Land Use Plan of the City's Comprehensive Plan.
Equipment Financing	N/A - 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 any 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 directly reduce patient costs.
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:	Faegre & Benson LLP., Minneapolis
UNDERWRITER:	Piper Jaffray & Co., Minneapolis

Proposed Resolution

Giving preliminary approval to the issuance of refunding revenue bonds on behalf of Senior Care Communities, Inc.

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 (the "Borrower"), 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, the Borrower 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;

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

That the issuance of health care facilities revenue refunding bonds pursuant to the Act in one or more series in the approximate aggregate amount presently estimated not to exceed $24,000,000 to refund the Prior Bonds, pay costs of various capital improvements to the Project, and pay costs of issuance of the bonds is hereby given preliminary approval by the City Council subject to final agreement between the City, the Borrower and the purchaser of the bonds as to the detailed terms and conditions on which the bonds will be issued.

Be It Further Resolved that the bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City except the City's interest in the loan agreement with the Borrower and the Project, and the bonds, when, as, and if issued, shall recite in substance that the bonds, including interest thereon, are payable solely from the revenues received from the Project and property pledged to the payment thereof, and shall not constitute a debt of the City.

Be It Further Resolved that the Borrower may incur expenditures on the Project prior to the issuance of the bonds therefore, and such expenditures may be reimbursed from proceeds of the bonds, when issued. This resolution shall constitute an "official intent" to reimburse such expenditures for purposes of Treasury Regulations, Sections 1.103-8T(a)(5) and 1.150-2.

Be It Further Resolved that the Borrower will be responsible for paying directly or through the City any and all cost incurred by the City in connection with the Project, whether or not the Project is carried to completion, and whether or not the bonds or operative instruments are executed.

Be It Further Resolved that the City shall have the right in its sole discretion to withdraw from participation and, accordingly, not to issue the bonds for the Project should the City, at any time prior to the issuance thereof, determine that it is in the interest of the City not to issue the bonds or should the parties to this transaction be unable to reach agreement as to the terms and conditions of any of the documents required for this transaction. The decision of the City with respect to the aforementioned matters shall be uncontestable.

Be It Further Resolved that nothing in this Resolution or the documents prepared pursuant hereto shall authorize the expenditure of any municipal funds other than as specified and authorized by separate actions of the City Council and other than the revenues derived from the Project or otherwise granted to the City for this purpose.

Be It Further Resolved that Piper Jaffray & Co. is hereby appointed as Underwriter, and Faegre & Benson LLP is hereby appointed as Bond Counsel, in connection with the Bonds preliminarily approved hereby.