



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

Date: August 8, 2006

To: Council Member Lisa Goodman, Community Development

Subject: Authorizing the Execution of Necessary Documents Related to a Request for Host Approval on the Issuance of Tax-exempt Revenue Bonds by the Colorado Health Facilities Authority for a Minneapolis Project for the Evangelical Lutheran Good Samaritan Society.

Recommendation: Recommendation: The CPED Director recommends that the City Council adopt the attached Resolution, authorizing the execution of all necessary documents related to the request by the Colorado Health Facilities Authority for Host Approval of the issuance of tax-exempt revenue bonds for the University Good Samaritan Center at 22 27th Ave. S.E. for the Evangelical Lutheran Good Samaritan Society.

Previous Directives: On April 24, 1998, the City Council adopted Resolution 98R-116 authorizing the issuance of tax-exempt refunding bonds for the Evangelical Lutheran Good Samaritan Society Project. The original project was financed with revenue bonds back in 1990 and consisted of the purchase of the existing nursing home at 22 27th Ave. S.E. in the 2nd Ward. In 1998, the original 1990 Bonds were refunded to take advantage of lower interest rates. In 2004, the City Council authorized the execution of necessary documents to put in place a common Master Trust Indenture for all of the Good Samaritan Society outstanding revenue bond debt across the country, with the intent by the Good Samaritan Society to make use of the bonding authority of the Colorado Health Facilities Authority and the economy of scale that goes along with a joint issuance.

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

Approved by:

Chuck Lutz, Deputy Director CPED

Permanent Review Committee (PRC) Approval _____ Not Applicable X

Note: To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

Presenter in Committee: Bob Lind, Business Finance

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the _____ Capital Budget or _____ Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan: _____ Action is within the plan. _____ Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification: N.A.

City Goals: Consistent with City's goal of encouraging public partnerships.

Comprehensive Plan: The existing facility is consistent with the City's Comprehensive Plan.

Zoning Code: In compliance.

Other: N.A.

Background/Supporting Information:

In 1990 the City issued revenue bond financing for the purchase and renovation of an existing nursing home located at 22 27th Avenue S.E. in Minneapolis. The Good Neighbor Nursing Home as it was then called, was operated by the Evangelical Lutheran Good Samaritan Society. The 368-bed nursing home included a number of specialty care areas for Alzheimer patients, disabled young adults and beds for transitional care. In 1998 the outstanding revenue bonds were refunded to take advantage of lower interest rates to reduce the debt service payments.

In 2004 the City Council approved a Master Trust Indenture for all the outstanding debt across the country for the various nursing homes owned by the Evangelical Lutheran Good Samaritan Society. The use of a common Master Trust Indenture is a common practice that permits all bonds issued under it to benefit from uniform covenants and common corporate guarantees.

At this time, the City of Minneapolis is being asked for reasons of economy of scale and to take advantage of beneficial Colorado legislation which gives the Colorado Health Facilities Authority the power to issue revenue bonds to finance projects located outside of Colorado, to consent to the host approval of having the Colorado Health Facilities Authority issue revenue bonds for one project that is located in Minneapolis. The financing is the issuance of revenue bonds by the Colorado Health Facilities Authority for a number of projects across the country, includes the refinancing of the outstanding debt of approximately \$1.15 million on the Minneapolis project located at 22 27th Avenue S.E.

It is staff's recommendation to grant the host approval and to authorize the execution of the necessary documents to permit the issuance of revenue bonds by the Colorado Health Facilities Authority. As part of the closing, the City of Minneapolis will receive a final payment of approximately \$8,000.00 as part of the annual administrative fee payments received on all outstanding revenue bond projects that are used to support the small business assistance programs of the City of Minneapolis.

Bond Counsel: Leonard, Street & Deinard

RESOLUTION
of the
CITY OF MINNEAPOLIS

By _____

RESOLUTION CONSENTING TO THE ISSUANCE OF REVENUE BONDS
BY THE COLORADO HEALTH FACILITIES AUTHORITY ON BEHALF OF
THE EVANGELICAL LUTHERAN GOOD SAMARITAN SOCIETY

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

SECTION 1

Recitals

1.1 The Evangelical Lutheran Good Samaritan Society (the “Society”) has advised this Council of its desire that the Council approve the issuance of revenue bonds by the Colorado Health Facilities Authority which will be used, in part, to provide funds to enable the Society to (i) refinance debt previously incurred by the Society in connection with the purchase and improvement of the University Good Samaritan Center, located at 22 27th Avenue SE in the City (the “Project”), and (ii) pay a portion of the costs of issuing such bonds.

1.2 The Society has represented to the City that the Project benefits the residents of the City and surrounding area; that the refinancing of the outstanding debt is essential to the successful operation of the Project; and that the Colorado Health Facilities Authority has evidenced a willingness to issue tax-exempt revenue bonds and loan the proceeds thereof to the Society to provide such refinancing.

1.3 In order to facilitate the refinancing of the Project by the Society, together with other Society facilities throughout the United States, on a cost effective basis, the Society has advised the City that it would like the Colorado Health Facilities Authority to issue its Health Facilities Revenue Bonds (The Evangelical Lutheran Good Samaritan Society Project) to refinance the Project, among other things.

1.4 A notice of public hearing was published on July 22, 2006 in the *Star Tribune* and *Finance and Commerce*, and pursuant to such notice a public hearing has been held before the

City Council on the proposal of the Society to refinance the Project through the issuance of revenue bonds by the Colorado Health Facilities Authority, at which hearing all those who desired to speak were heard, and in connection with which written comments were taken in advance.

SECTION 2

Consent to Issuance

- 2.1 On the basis of the information given to the City to date, the City hereby consents to the issuance by the Colorado Health Facilities Authority of approximately \$1,150,000 of its revenue bonds, and the loan of the proceeds thereof to the Society to refinance the Project. The adoption of this resolution shall not be deemed, however, to establish a legal obligation on the part of the City, its Council or the Colorado Health Facilities Authority to issue or to cause the issuance of such bonds. The bonds, if issued by the Colorado Health Facilities Authority, shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City or the Colorado Health Facilities Authority. The bonds shall be payable solely from said revenues and property of the Society specifically pledged to the payment thereof, and shall not constitute a debt or pecuniary liability of the City or the Colorado Health Facilities Authority within the meaning of any constitutional or statutory limitation.