



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

Date: January 4, 2005

To: Council Member Lisa Goodman, Community Development Committee

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

Presenter in Bob Lind

Committee:

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: A Public Hearing and Request for Preliminary and Final Approval of up to \$26,000,000 in Tax-exempt 501(c)(3) Revenue Bonds for the Augustana Chapel View Homes, Inc. Project.

RECOMMENDATION: City Council Recommendation: The CPED Director recommends that the City Council adopt the attached resolution giving Preliminary and Final Approval to the issuance of up to \$26,000,000 in Tax-exempt 501(c)(3) Revenue Bonds for the Augustana Chapel View Homes, Inc. Project.

Previous Directives: The City of Minneapolis has issued revenue bonds for eight Augustana Homes projects over the years with the first dating back to 1977 and the latest being the 2004 \$8,810,000 project that refinanced some prior revenue bonds and provided financing for some renovations to their facilities. At this time, Augustana is requesting both preliminary and final approval on the issuance of up to \$26 million to refinance the outstanding balances on the Minneapolis Series 1997 and 2003, refinancing of the Hopkins Series 1995 and 1999, and the financing of major renovation and construction projects at the nursing home facilities.

Financial Impact (Check those that apply)

No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)

Action requires an appropriation increase to the Capital Budget

Action requires an appropriation increase to the Operating Budget

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Other financial impact (Explain): The issuance of these tax-exempt revenue bonds will generate revenue bond administrative fees of approximately \$45,000 annually for Minneapolis that are used to support the small business assistance programs of the City of Minneapolis.

___ Request provided to the Budget Office when provided to the Committee
Coordinator

Community Impact

Ward: The Minneapolis facilities are located at 1007 East 14th Street (Augustana Health Care Center) in the 7th Ward, within the Elliot Park neighborhood.

Neighborhood Notification: The Elliot Park Neighborhood, Inc. has been notified.

City Goals: The proposed project meets the City's goal of developing and supporting housing choices citywide for all income levels.

Comprehensive Plan: The proposed project is in compliance with the policies of the Minneapolis Plan.

Zoning Code: The existing facilities are in compliance.

Living Wage/Job Linkage: The project is a 501(c)(3) conduit financing and is not subject to Living Wage/Business Subsidy.

Background/Supporting Information

Augustana Chapel View Homes, Inc. is a Minnesota nonprofit corporation that is requesting approval of 501(c)(3) tax-exempt revenue bonds to provide financing for the construction projects to be undertaken at Augustana's existing skilled-care nursing facilities in both Minneapolis and Hopkins. In addition to the construction projects, the revenue bonds will also refinance existing outstanding revenue bonds in both Minneapolis and Hopkins.

Project Location and Description: The Minneapolis portions of the project consist of:

1. The refinancing of the Series 2003 Bonds in the original principal amount of \$1,600,000 issued to provide financing for the purchase of an upgrading backup generator and other energy efficiencies at the Augustana Health Care Center facility located at 1007 East 14th Street in Minneapolis (Elliot Park neighborhood in Ward – 7), and at the Hopkins nursing home facility located at 615 Minnetonka Mills Road; and
2. The refinancing of a portion of the Series 1997 Bonds in the original principal amount of \$10,100,000 issued to provide financing for the Park Center North project at 1425 10th Ave. S., an existing 63-unit senior housing apartment project, and a small portion for the nursing home facilities. The partial refinancing consists of taking out one series of bonds for \$425,000 callable on June 1, 2005 that were used to finance improvements to the nursing home, that will in turn free up any security interest against the nursing home. The remaining balance of \$7,235,000 on the Series 1997 Bonds will remain outstanding; and

3. The financing of about \$7.5 million in major renovations to the nursing home facilities, including new elevators, sprinkler systems, new bathrooms and other major upgrades.

The Hopkins, MN portions of the project consists of:

- The refinancing of the Series 1995 Bonds issued by Hopkins in the original principal amount of \$3,550,000 for a project located at 615 Minnetonka Mills Road;
- The refinancing of the Series 1999 Bonds issued by Hopkins in the original principal amount of \$665,000 for a project located at 615 Minnetonka Mills Road; and
- The financing of about \$5 million for the construction of a 22,000 sq. ft. addition to the Hopkins facility at 615 Minnetonka Mills Road to house approximately 28 new resident rooms.

TYPE OF FINANCING:

It is anticipated that in order to finance the various improvements, construction of the addition to the Hopkin's facility and to refinance the existing outstanding bonds, that up to \$26 million in tax-exempt revenue bonds would be issued by the City of Minneapolis pursuant to a Joint Powers Agreement to be entered into between the City of Minneapolis and the City of Hopkins. It is expected that Northland Securities, Inc. as the underwriter for the revenue bonds, will sell the bonds to institutional investors as well as some retail offering of the bonds, with a fully amortized term of 20 years on the bonds.

<u>Sources:</u>	
Bond Proceeds	\$26,000,000
<u>Uses:</u>	
Refinancing of Prior Bonds	\$10,120,000
Renovation Costs	7,500,000
New Construction Costs	5,000,000
Debt Service Reserve	2,600,000
Issuance Costs	<u>780,000</u>
Total	<u>\$26,000,000</u>

The revenue bond financing is being structured by Northland Securities, Inc. as an institutional and retail placement of the bonds. The revenue bonds will be secured by a first mortgage on the properties, furnishings and equipment, a debt service reserve fund and an assignment of the project revenues.

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:

Dorsey & Whitney

UNDERWRITER:

Northland Securities, Inc.

**Community Planning & Economic Development
Planning Division**
350 South 5th Street, Room 210
Minneapolis, MN 55415-1385



MEMORANDUM

TO: Bob Lind
Manager, Business Finance Group

FROM: Jack Byers
CPED - Planning

SUBJECT: Request for approval of 501(c)(3) tax-exempt revenue bond financing for Augustana Chapel View Homes, Inc.

DATE: December 16, 2004

CC: Pamela Miner, Community Planning Supervisor

Bob, Per your request, I am writing to indicate that CPED activities related to the Request for approval of 501(c)(3) tax-exempt revenue bond financing for Augustana Chapel View Homes, Inc. for is in keeping with the City's comprehensive plan.

As you know, *The Minneapolis Plan* is the City's comprehensive plan. Specifically, this request speaks to the City's goal to "Develop and support housing choices Citywide..." Also, *Minneapolis Downtown 2010* is the portion of the City's comprehensive plan that governs Downtown Minneapolis. Specifically, the "Downtown Living" chapter in this plan supports 'the expansion of housing opportunities for all income levels.'

If you have further questions, please do not hesitate to call me at 673-2634.

AUTHORIZING AND PROVIDING FOR
THE ISSUANCE AND SALE OF HEALTH CARE FACILITIES REVENUE BONDS,
IN MULTIPLE SERIES, IN AN AGGREGATE AMOUNT UP TO \$26,000,000,
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 169.152 to 469.1651, as amended, Minnesota Statutes, Sections Chapter 462C, as amended, and Minnesota Statutes, Section 471.59, as amended (all collectively referred to as 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 projects and multifamily housing developments, 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, the Projects and the Refunding  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 skilled nursing facility located at 1007 East Fourteenth Street in the City of Minneapolis, and the acquisition and construction of improvements to its existing skilled nursing facility located at 615 Minnetonka Mills Road in the City of Hopkins (the “Host City”), including the construction of an approximately 22,000 square foot addition thereto to house approximately 28 new resident rooms (referred to together as the “Projects”), and has further proposed that certain outstanding revenue bonds or notes, previously issued by the Issuer and the Host City with respect to the

Borrower's existing facilities in the Cities of Minneapolis and Hopkins (such outstanding revenue bonds or notes collectively referred to as the "Refunded Bonds"), be refunded, either in whole or in part (the "Refunding"). The Refunded Bonds consist of the outstanding Housing Facilities Refunding Revenue Bonds (Augustana Chapel View Homes, Inc. Chapel View Project), Series 1995, issued by the City of Hopkins in the original principal amount of \$3,550,000, the outstanding Housing and Health Care Facilities Revenue Bonds (Augustana Chapel View Homes, Inc. Project), Series 1997, issued by the City of Minneapolis in the original principal amount of \$10,100,000, the outstanding Health Care Facility Revenue Bonds (Augustana Chapel View Homes, Inc. Chapel View Project), Series 1999, issued by the City of Hopkins in the original principal amount of \$665,000, and the Revenue Bonds (Augustana Chapel View Homes, Inc. Project), Series 2003, issued by the Minneapolis Community Development Agency in the original principal amount of \$1,600,000.

The Borrower has further proposed that, in order to provide financing for the Projects and to provide for the refunding in full of the Refunded Bonds, the Issuer issue and sell its Health Care Facilities Revenue Bonds (Augustana Chapel View Homes, Inc. Project), in one or more series, in an aggregate principal amount of not to exceed \$26,000,000 (the "Bonds"), pursuant to the Act, and loan the proceeds thereof to the Borrower pursuant to one or more loan agreements under terms and conditions requiring the Borrower to undertake and complete the Projects and the Refunding and to make loan repayments at times and in amounts sufficient to provide for payment of the Bonds in full, when due.

3. Public Hearing Following not fewer than 14 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 January 4, 2005, with respect to the Projects and the issuance of the Bonds. All persons present had an opportunity to express their views with respect to the Projects and the issuance of the Bonds. Based on the information presented, the Issuer hereby finds and determines that the undertaking of the Projects and the issuance of the Bonds are in the public interest and will promote the purposes of the Act.

4. Applications to Department of Employment and Economic Development; Approval of Project. The Projects are each hereby approved by the Issuer, subject only to the approval thereof by the Department of Employment and Economic Development of the State of Minnesota, as required by the Act. The Mayor the Finance Officer, the Clerk and other officers and employees of the Issuer are authorized to take such action as may be required to obtain the approval of the Projects by the Department of Employment and Economic Development, as required by the Act. All costs of the Issuer relating to the issuance of the revenue bonds, whether or not successfully issued, shall be paid or reimbursed by the Borrower.

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

Joint Powers Agreement (the "Joint Powers Agreement") between the Issuer and the City of Hopkins, Minnesota (the "Host City"); and

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

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

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

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

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

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.

Forthwith upon the adoption hereof, the Joint Powers Agreement shall be entered into between the Issuer and the Host City. Thereafter, from time to time, in connection with the issuance of any series of the Bonds, as a condition to the issuance thereof, there shall be entered into a Loan Agreement (or Amendatory Loan Agreement, for any subsequent parity series of Bonds), an Indenture (or Supplemental Indenture, for any subsequent parity series of Bonds), a Mortgage (or Amendatory Mortgage, for any subsequent parity series of Bonds), a Continuing Disclosure Agreement and a Bond Purchase Agreement, in each case in form and substance substantially identical to the forms now on file, but with such appropriate modifications, insertion or deletions therein or therefrom as are necessary or desirable to reflect the particular characteristics of such series of the Bonds.

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

The Projects will each further the purposes contemplated and described in Section 469.152 of the Act and, based upon information supplied by the Borrower, will result in the encouragement and development of economically sound industry and commerce through governmental action for the purpose of preventing the emergence of blighted and marginal lands and  areas of chronic unemployment, and would enhance the provision of health care services and facilities to members of the community.

There is no litigation pending or, to the knowledge of the Issuer, without investigation or inquiry, threatened against the Issuer relating to the Projects or the Refunding, the Bonds, the Joint Powers Agreement, or any Indenture (or Supplemental

Indenture), Loan Agreement (or Amendatory Loan Agreement), Bond Purchase Agreement or Continuing Disclosure Agreement to be entered into with respect to any series of the Bonds (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 of the Bond Documents.

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.

The Loan Agreements shall provide 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.

Under the provisions of the Act, the Bonds are not and shall not be payable from or charged upon any funds other than amounts payable pursuant to the Loan Agreements 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 Joint Powers Agreement, Indenture, Loan Agreement, Mortgage, Continuing Disclosure Agreement and Bond Purchase Agreement, referred to in paragraph 5, are approved. In connection with the issuance of each series of the Bonds, an Indenture (or Supplemental Indenture) a Loan Agreement (or Amendatory Loan Agreement), and a Bond Purchase Agreement, substantially in 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, shall be executed and delivered in the name and on behalf of the Issuer by the officers identified in paragraph 12.

8. Approval, Execution and Delivery of the Bonds. The officers of the Issuer are hereby authorized and directed to execute and issue the Bonds, in multiple series, 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 (or Supplemental Indenture) corresponding to such series, 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 of all series exceed \$26,000,000, shall the final maturity of the Bonds be in excess of 30 years from the date of issuance thereof, or shall the net interest cost with respect to any series of the Bonds exceed 7.00% per annum. Each of the Bonds shall recite that it is 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 of each series shall be sold to the Underwriter in accordance with and upon the terms and conditions set forth in the Bond Purchase Agreement for such series. The proposal of the Underwriter to purchase all of the Bonds, as further provided in the Bond Purchase Agreements, at the purchase prices set forth therein, is hereby accepted.

9. Certificates, etc. The officers and employees 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 an Official Statement, substantially in the form now on file, in offering for sale any series of the Bonds (subject to such appropriate modifications, insertion or deletions therein or therefrom as are necessary or desirable to reflect the particular characteristics of such series of the Bonds and related disclosures); 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 the City Finance Officer; provided, however, that in the event that the City Finance Officer 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, as in the opinion of the Issuer's attorney, are authorized to act in that capacity and undertake such execution or acts on behalf of the Issuer.

13. Governmental Program Bonds. The Bonds are hereby designated "Program Bonds" and are determined to be within the "Program", 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 form of Loan Agreement or Indenture now on file 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.

