



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

Date: June 23, 2015

TO: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee

Subject: A Public Hearing, adoption of attached resolution and Authorizing the execution of a Cooperative Agreement and other necessary documents related to the request from the City of St. Louis Park for Host Approval for the issuance of 501(c)(3) Health Care Facilities Refunding Revenue Bonds for Jones-Harrison Residence.

Recommendation: Adopt the attached resolution and authorize the execution of a Cooperative Agreement authorizing Host Approval for the issuance of 501(c)(3) tax-exempt health care revenue bonds for Jones-Harrison Residence through the City of St. Louis Park.

Previous Directives: The Jones-Harrison Residence has made use of the tax-exempt revenue bonds in the past. In 2005, the City of Minneapolis issued up to \$14.5 million in tax-exempt revenue bonds for the Jones-Harrison.

Prepared by: Becky Shaw, Sr. Economic Development Specialist 673-5066

Approved by: D. Craig Taylor, Executive Director CPED _____

Charles T. Lutz, Deputy Director CPED _____

Presenters in Committee: Becky Shaw

Financial Impact

- Action is within the business plan.
- Other financial impact: The City of Minneapolis currently receives administrative fees of approximately \$27,482 annually on the outstanding Jones Harrison Series 2005 bonds. As a result of this financing, there will be no remaining outstanding City of Minneapolis bonds and these fees will be eliminated.

Community Impact

Neighborhood Notification: The Cedar-Isles-Dean neighborhood has been notified.

City Goals: The City's participation in this project complies with the city's goal of A City that works where City government runs well and connects to the community it serves.

Comprehensive Plan: This proposed refunding complies with the City's comprehensive plan.

Zoning Code: The project is in compliance with the zoning code.

Supporting Information

Jones-Harrison Residence is a Minnesota non-profit corporation providing quality care for the elderly since 1888. Jones-Harrison owns and operates a 163-bed skilled care facility and 54 unit assisted living facility on a 5.3 acre site adjacent to Cedar Lake in Minneapolis, Minnesota.

Representatives of the Jones-Harrison Residence approached the City of Minneapolis in Spring of 2015 to inquire about a refunding project. They requested that the City issue up to \$13 million in 501(c)(3) tax-exempt health care revenue bonds to refund outstanding debt and fund a reserve account associated with the financing. The bonds would be unrated and issued in \$5000 denominations. Because this violates Minneapolis' current agreed upon denomination policy, we were unable to fulfill this request by Jones-Harrison.

The current policy states:

Conduit bonds that have been given an investment-grade rating from one of the three national rating agencies (Standard & Poor's Rating Service, Moody's Investors Service, and Fitch Ratings) may be used in minimum denominations of \$5000. An investment-grade rating is a rating of BBB- or higher by S&P and Fitch or a rating of Baa3 or higher by Moody's.

Conduit bonds that have not been assigned an investment-grade rating by S&P, Moody's or Fitch shall be subject to the following restrictions shall be made in minimum denominations of \$25,000. It is a requirement that all sales of non-investment grade bonds be sold to qualified institutional investors or accredited buyers.

The City of St. Louis Park has a minimum denomination of \$5000 for unrated bonds, which fits with the proposed financing structure of these bonds. They will be issuing up to \$13 million in revenue bonds to refund the City of Minneapolis Series 2005 bonds at a lower interest rate.

RESOLUTION NO. 2015R-_____

Consenting to and approving the issuance by the City of St. Louis Park, Minnesota of revenue obligations to refinance certain facilities located in the City for the benefit of Jones-Harrison Residence.

Whereas, Jones-Harrison Residence, a Minnesota nonprofit corporation (the "Corporation"), has proposed that the City of St. Louis Park, Minnesota (the "City of St. Louis Park") issue its revenue obligations, in or more series, as taxable or tax-exempt obligations (the "Bonds"), in an aggregate principal amount not to exceed \$13,000,000, and apply the proceeds thereof to (i) refund the outstanding Health Care Facilities Revenue Bonds (Jones-Harrison Residence Project), Series 2005 (the "Prior Bonds"), issued by the City of Minneapolis (the "City") in the original aggregate principal amount of \$14,030,000; (ii) fund a debt service reserve fund; and (iii) pay certain costs of issuance of the Bonds; and

Whereas, the Corporation applied the proceeds of the Prior Bonds to (i) refinance the Corporation's 163-bed skilled nursing facility and 57-unit assisted living facility located at 3700 Cedar Lake Avenue in the City (the "Facilities") through the redemption and prepayment of revenue obligations issued by the City in 1998; (ii) finance various capital improvements to the assisted living facility; (iii) fund a debt service reserve fund; and (iv) pay costs of issuance of the Prior Bonds; and

Whereas, pursuant to Minnesota Statutes, Section 471.656, as amended, a city may issue obligations to finance and refinance the acquisition or improvement of property located outside of the corporate boundaries of such city if the obligations are issued under a joint powers agreement in which one or more of the parties to the joint powers agreement issue such obligations and the property is located entirely within the boundaries of one or more of the parties to the joint powers agreement; and

Whereas, pursuant to Minnesota Statutes, Section 471.59, as amended, by the terms of a joint powers agreement entered into through action of their governing bodies, two municipalities may jointly or cooperatively exercise any power common to the contracting parties or any similar powers, including those which are the same except for the territorial limits within which they may be exercised and the joint powers agreement may provide for the exercise of such powers by one or more of the participating municipalities on behalf of the other participating municipalities; and

Whereas, there has been presented before the City Council a form of Cooperative Agreement, to be dated on or after July 1, 2015 (the "Cooperative Agreement"), proposed to be entered into between the City of St. Louis Park and the City, pursuant to which the City, as host city, will consent to the issuance of the Bonds and the refinancing of the Facilities (the "Project") by the City of St. Louis Park and the City of St. Louis Park will agree to issue the Bonds; and

Whereas, a notice of public hearing (the "Public Notice") was published at least fifteen (15) days before the regularly scheduled meeting of the Community Development & Regulatory Services Committee of the Minneapolis City Council in *Finance and Commerce*, the official newspaper, and the *Star Tribune*, a newspaper circulating generally in the City, with respect to the required public hearing under Section 147(f) of the Code; and

Whereas, on June 23, 2015, the Community Development and Regulatory Services Committee of the City Council conducted a duly noticed public hearing on the issuance of the Bonds and the Project; and

Now, therefore, be it resolved by the City Council of the City of Minneapolis:

That the City Council hereby consents to the issuance of the Bonds by the City of St. Louis Park for the purposes of (i) refinancing the Facilities through the redemption and prepayment of the Prior Bonds; (ii) funding a debt service reserve fund; and (iii) paying costs of issuance of the Bonds.

That the Bonds will not constitute a general or moral obligation of the City nor be secured by any taxing power of the City.

That the City has determined that it is in the best interest of the City to approve the issuance of the Bonds by the City of St. Louis Park for the purposes of refinancing the Facilities.

That the Finance Officer of the City or his authorized delegate is hereby authorized and directed to execute the Cooperative Agreement, and when executed and delivered as authorized herein, the Cooperative Agreement 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 Cooperative Agreement shall be substantially in the form on file with the City on the date hereof, which is hereby approved, with such necessary variations, omissions, and insertions as are not materially inconsistent with such forms and as the officers of the City, in their discretion, shall determine; provided that the execution thereof by the officers of the City shall be conclusive evidence of such determination.

That officers, employees, and agents of the City are hereby authorized and directed to prepare and furnish to Kennedy & Graven, Chartered, as Bond Counsel, and to the purchasers of the Bonds certified copies of all proceedings and records of the City relating to the approval of the Bonds, including a certification of this resolution. Such officers, employees, and agents are hereby authorized to execute and deliver, on behalf of the City, all other certificates, instruments, and other written documents that may be requested by Bond Counsel, the purchasers of the Bonds, or other persons or entities in conjunction with the issuance of the Bonds.

That the Corporation will pay and upon demand, reimburse the City for payment of, any and all costs incurred by the City in connection with this resolution and the execution of the Cooperative Agreement whether or not the Bonds are issued.

That this resolution shall take effect and be in force from and after its approval and publication. Pursuant to Chapter 4, Section 9, of the Charter of the City, only the title of this resolution and a summary of this resolution conforming to Minnesota Statutes, Section 331A.01, subdivision 10, shall be published in the official paper of the City.