ROSEVILLE

# REQUEST FOR COUNCIL ACTION

Date: 11/15/10
Item No.: 11.a

Department Approval

City Manager Approval

Item Description: Public Hearing to Consider Adopting a Resolution to Acknowledge the Expenditure of Tax-exempt Funds by Presbyterian Homes.

## BACKGROUND

Under Federal and State Statutes, municipalities are authorized to pledge their bond issuance authority to non-profit groups for the benefit of multi-family and assisted-living housing facilities, including corporate offices of said groups. If a municipality expects to issue or receive tax-exempt bond proceeds, either directly or indirectly through separate establishments, it is required by federal law to hold a public hearing.

The City of Bloomington is proceeding with the issuance of tax-exempt bonds for the benefit of Presbyterian Homes' facilities in Bloomington, Arden Hills, and at their Roseville facility located at 1910 County Road D. Presbyterian Homes is proposing to refinance $8,525,000 of outstanding debt related to the Roseville facility.

The purpose of the public hearing is to allow for public comment on the proceeds to be expended. No special action is required by Council at the hearing. The process entails opening a public hearing, allowing for public comment (if any), and closing the public hearing.

## POLICY OBJECTIVE

Generally speaking, the public policy reason for City participation in these financings is to promote greater investment in the City's multi-family and assisted-living facilities than would otherwise occur by market factors alone. Allowing the bonds to be issued tax-exempt makes the bonds more attractive to investors and results in lower borrowing costs compared to traditional financing methods. This in turn, provides more available dollars for the proposed project

## FINANCIAL IMPACTS

Not applicable.

## STAFF RECOMMENDATION

Staff recommends the Council hold a public hearing and subsequently adopt the attached resolution to acknowledge the expenditure of tax-exempt funds by Presbyterian Homes.

## REQUESTED COUNCIL ACTION

Motion to adopt the attached resolution to acknowledge the expenditure of tax-exempt funds by Presbyterian Homes.

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| Prepared by: | Chris Miller, Finance Director | |
| Attachments: | A: | Resolution acknowledging the expenditure of tax-exempt funds by Presbyterian Homes. |

**CITY OF ROSEVILLE, MINNESOTA**

**RESOLUTION NO. _____**

**RESOLUTION APPROVING THE ISSUANCE OF ONE OR MORE SERIES OF REVENUE REFUNDING BONDS BY THE CITY OF BLOOMINGTON, MINNESOTA UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1651, AS AMENDED, TO REFINANCE A SENIOR HOUSING FACILITY LOCATED IN THE CITY OF ROSEVILLE, MINNESOTA**

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

WHEREAS, Minnesota Statutes, Sections 469.152 through 469.1651, as amended (the “Act”), authorizes municipalities to issue revenue obligations to finance, in whole or in part, the costs of the acquisition, construction, reconstruction, improvement, betterment, or extension of a project and any related public improvements. A “project” includes 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 hospitals, nursing homes, and related medical facilities; and

WHEREAS, at the request of Presbyterian Homes Care Centers, Inc., a Minnesota nonprofit corporation, the City previously issued its Variable Rate Demand Health Care Revenue Refunding Bonds (Presbyterian Homes Care Centers, Inc. Project), Series 2002, on September 26, 2002, in the original aggregate principal amount of $8,950,000 (the “Series 2002 Bonds”); and

WHEREAS, the proceeds of the Series 2002 Bonds were used to: (i) refund the outstanding principal balance of the Housing and Health Care Facilities Revenue Refunding Bonds (Presbyterian Homes Care Centers, Inc. Project), Series 1997, issued by the City in the original aggregate principal amount of $8,525,000, the proceeds of which were used to pay for renovations to a 143-bed skilled nursing facility located at 1910 County Road D in Roseville, Minnesota; and (ii) make capital improvements to the 143-bed skilled nursing facility (collectively, the “Roseville Project”); and

WHEREAS, Gideon Pond Commons, LLC, a Minnesota nonprofit limited liability company, the sole member of which is Presbyterian Homes Bloomington Care Center, Inc. (the “Borrower”) has requested that the City of Bloomington, Minnesota (the “City of Bloomington”), issue its Senior Housing Refunding Revenue Bonds (Gideon Pond Commons, LLC Project), Series 2010 (the “Bonds”), in one or more series, in the original aggregate principal amount of up to $19,950,000; and

WHEREAS, the proceeds of the Bonds are proposed to be used to refund various bond issues, including: (i) the Series 2002 Bonds issued by the City and described above; and (ii) the Health Care and Housing Revenue Refunding Bonds, Series 1999A, issued by the City of Arden Hills, Minnesota on September 30, 1999, in the original aggregate principal amount of $18,605,000, the proceeds of which were used to refinance The Gardens, also known as Bloomington Commons, an 86-unit assisted living project located at 10030 Newton Avenue South in Bloomington, Minnesota (the “Bloomington Commons Project”); and

WHEREAS, pursuant to Section 469.155, subd. 12 of the Act, a municipality may issue revenue bonds to refund, in whole or in part, bonds previously issued by any other municipality on behalf of an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"), but only with the consent of the original issuer of such bonds; and

WHEREAS, since a portion of the facilities proposed to be refinanced by the Bonds are located in the City, Section 147(f) of the Code and regulations promulgated thereunder require that, prior to the issuance of the Bonds, this Council approve the issuance of the Bonds by the City of Bloomington, after conducting a public hearing thereon; and

WHEREAS, on the date hereof, the City conducted a public hearing on the issuance of the Bonds for the purposes of refinancing the Roseville Project, at which a reasonable opportunity was provided for interested individuals to express their views, both orally and in writing, on the refinancing of the Roseville Project and the proposed issuance of the Bonds by the City of Bloomington, notice of which was published as required by Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), in the *Roseville Review*, the official newspaper of the City and a newspaper circulating generally in the City; and

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

1. The issuance of the Bonds by the City of Bloomington pursuant to the Act for the purpose of redeeming and prepaying the Series 2002 Bonds issued by the City and refinancing the Roseville Project is hereby approved.

2. The Bonds will constitute a revenue obligation secured solely by the security pledged by the Borrower, including a mortgage on one of the projects refinanced with the proceeds of the Bonds, revenues derived from the operation of another project owned by the Borrower, and other security provided by the Borrower. The Bonds will not constitute a general or moral obligation of the City of Bloomington or the City, or be secured by any taxing power of the City of Bloomington or the City.

3. The Borrower will, upon demand, reimburse the City for costs paid or incurred by the City in connection with this resolution.

Adopted by the City Council of the City of Roseville on this 15th day of November, 2010.

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Craig D. Klausing, Mayor

Attest: ___________________________________

William J. Malinen, City Manager

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