

# City of Hastings

## City Council Memorandum

**To:** Mayor Hicks & City Councilmembers  
**From:** Charlene Stark, Finance Director  
**Date:** 11/26/2013  
**Item:** Resolution-Public Hearing of The City of St. Paul Park on behalf of Regina Senior Living-City of Hastings Host City.

**Council Action Requested:**

Hold Public Hearing-City of Hastings Host City for the City of St. Paul Park Conduit Debt Issuance on behalf of Regina Senior Living.

**Background Information:**

The City of Hastings set a public hearing date on November 4<sup>th</sup> for the City of St. Paul Park. The City of Hastings is the Host City as the entity resides within the City of Hastings. Under Minnesota Statutes, Section 471.59, the two cities may enter into a joint powers agreement pursuant to which the City, as host city, will consent to the issuance of the Bonds, by the Issuer, as issuer city, and the financing of the Project by the Issuer, and the Issuer will agree to issue the Bonds to finance the Project.

**Financial Impact:**

The Borrower will pay the City's costs incurred in connection with the Bonds or the financing of the Project.

**Advisory Commission Discussion:**

NA

**Council Committee Discussion:**

NA

**Attachments:**

- Resolution-Public Hearing for the Purpose of providing Host approval for the Issuance of the Revenue Obligations by the City of St. Paul Park to finance the acquisition of Healthcare and Housing Facilities by Regina Senior Living.

**CITY OF HASTINGS, MINNESOTA****RESOLUTION NO. \_\_\_\_\_****CONSENTING TO AND APPROVING THE ISSUANCE, SALE, AND DELIVERY BY THE CITY OF ST. PAUL PARK OF ITS HEALTHCARE FACILITIES REVENUE BONDS (REGINA SENIOR LIVING PROJECT), SERIES 2013, TO FINANCE CERTAIN FACILITIES LOCATED IN THE CITY UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655, AS AMENDED; APPROVING AND AUTHORIZING THE EXECUTION OF A COOPERATIVE AGREEMENT WITH THE CITY OF ST. PAUL PARK; AND TAKING OTHER ACTIONS WITH RESPECT THERETO**

WHEREAS, the City of Hastings, Minnesota (the "City") is a home rule charter city and political subdivision duly organized and existing under its charter and the Constitution and laws of the State of Minnesota; and

WHEREAS, pursuant to the Constitution and laws of the State of Minnesota, particularly Minnesota Statutes, Sections 469.152 through 469.1655, as amended (the "Act"), a municipality is authorized to issue revenue bonds to finance, in whole or in part, the cost of the acquisition, construction, reconstruction, improvement, betterment or extension of a project, defined in the Act as 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, Minnesota Statutes, Section 471.656, as amended, authorizes a municipality to issue obligations to finance the acquisition or improvement of property located outside of the corporate boundaries of such municipality if the obligations are issued under a joint powers agreement between the municipality issuing the obligations and the municipality in which the property to be acquired or improved is located; 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 governmental units on behalf of the other participating units; and

WHEREAS, Regina Senior Living, a Minnesota nonprofit corporation (the "Borrower"), whose sole member is Benedictine Health System, a Minnesota nonprofit corporation ("BHS"), has requested that the City of St. Paul Park, Minnesota (the "City of St. Paul Park") issue its Healthcare Facilities Revenue Bonds (Regina Senior Living Project), Series 2013 (the "Bonds"), in the aggregate principal amount not to exceed \$5,000,000, and loan the proceeds thereof to the Borrower pursuant to a Loan Agreement, to be dated on or after December 1, 2013 (the "Loan Agreement"), in order to (i) finance the acquisition of a 61-bed skilled nursing facility and a 127-unit assisted living and memory care facility located at 1175 Nininger Road in the City, which will be operated by the Borrower (the "Project"); (ii) fund required reserves; and (iii) pay the costs of issuance of the Bonds; and

WHEREAS, the City and the City of St. Paul Park are proposing to enter into a Cooperative Agreement, to be dated on or after December 1, 2013 (the "Cooperative Agreement"), pursuant to which the City will consent to the issuance of the Bonds by the City of St. Paul Park to finance the Project, and the City of St. Paul Park will agree to issue the Bonds to finance the Project; and

WHEREAS, prior to the issuance of the Bonds by the City of St. Paul Park, the City Council of the City must conduct a public hearing on (i) the issuance of the Bonds by the City of St. Paul Park pursuant to the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (the "Code"); and (ii) approval of the Project pursuant to Section 469.154, subdivision 4 of the Act; and

WHEREAS, a notice of public hearing (the "Public Notice") was published at least fourteen (14) days before the regularly scheduled meeting of the City Council of the City in the *Hastings Star-Gazette*, the official newspaper and a newspaper of general circulation in the City, with respect to the required public hearing under Section 147(f) of the Code and the Act; and

WHEREAS, on the date hereof, the City Council conducted a public hearing at which a reasonable opportunity was provided for interested individuals to express their views, both orally and in writing on the following: (i) approval of the issuance of the Bonds pursuant to the requirements of Section 147(f) of the Code and the regulations promulgated thereunder; and (ii) approval of the Project pursuant to the requirements of the Act; and

WHEREAS, the Bonds are to be issued by the City of St. Paul Park pursuant to the Act and an Indenture of Trust, to be dated on or after December 1, 2013 (the "Indenture"), between the City of St. Paul Park and U.S. Bank National Association, as trustee (the "Trustee"), and the principal, premium (if any), and interest on the Bonds: (i) shall be payable solely from the revenue pledged therefor; (ii) shall not constitute a debt of the City or the City of St. Paul Park within the meaning of any constitutional or statutory limitation; (iii) shall not constitute nor give rise to a pecuniary liability of the City or the City of St. Paul Park or a charge against its general credit or taxing powers; and (iv) shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City or the City of St. Paul Park other than the interest of the City of St. Paul Park in the Loan Agreement; and

WHEREAS, the Loan Agreement requires the Borrower to make payments thereunder in amounts and at times sufficient to pay the principal of, premium (if any), and interest on the Bonds when due, and the loan repayments required to be made by the Borrower to the City of St. Paul Park under the terms of the Loan Agreement will be assigned by the City of St. Paul Park to the Trustee to secure the payment of the principal of, premium (if any), and interest on the Bonds; and

WHEREAS, the Borrower proposes to execute a Combination Mortgage, Security Agreement and Fixture Financing Statement, to be dated on or after December 1, 2013 (the "Mortgage"), between the Borrower and the Trustee, to secure the payment of the principal of, premium (if any), and interest on the Bonds and the Borrower's obligations under the Loan Agreement; and

WHEREAS, the Bonds will be further secured by a Support Agreement, to be dated on or after December 1, 2013, executed by Allina Health System, which provides financial assistance to the Project for three years in an aggregate amount of up to \$1,500,000 if the Project's operating margins fall below two percent (2%); and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HASTINGS, MINNESOTA, AS FOLLOWS:

1. The City finds that the Project furthers the economic development purposes stated in Section 469.152 of the Act and constitutes a revenue producing "project," as defined in Section 469.153, subdivision 2(d) of the Act, and it is in the best interest of the City to approve the issuance of the Bonds by the City of St. Paul Park to provide financing for the Project. The City hereby consents to the issuance of the Bonds by the City of St. Paul Park for the purposes set forth above in an amount not to exceed \$5,000,000.

2. The Bonds shall be issued pursuant to the Act, and the proceeds derived from the sale of the Bonds shall be loaned to the Borrower pursuant to the Loan Agreement. The Bonds shall be special obligations of the City of St. Paul Park payable solely from the revenues provided by the Borrower pursuant to the Loan Agreement and other funds pledged pursuant to the Indenture.

3. The Mayor and the City Administrator are hereby authorized and directed to execute and deliver the Cooperative Agreement. All of the provisions of the Cooperative Agreement, when executed and delivered as authorized herein, 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 which is hereby approved, with such omissions and insertions as do not materially change the substance thereof, or as the Mayor and the City Administrator, in their discretion, shall determine, and the execution thereof by the Mayor and the City Administrator shall be conclusive evidence of such determination.

4. The Mayor and City Administrator and other officers, employees, and agents of the City are hereby authorized and directed to prepare and furnish to bond counsel, the trustee, and the original purchaser of the Bonds certified copies of all proceedings and records of the City relating to the approval of the issuance 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 Trustee, the original purchaser of the Bonds, or other persons or entities in conjunction with the issuance of the Bonds. Without imposing any limitation on the scope of the preceding sentence, such officers, employees, and agents are specifically authorized to execute and deliver a general certificate of the City.

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

6. This resolution shall be in full force and effect from and after its passage.

Approved by the City Council of the City of Hastings, Minnesota this 2<sup>nd</sup> day of December, 2013.

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Mayor

ATTEST:

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Assistant City Administrator/City Clerk