

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of July 22, 2014) **DATE:** July 17, 2014

FROM: Peter M. Klein 

SUBJECT: Open Cities Health Center
Authorization of the Issuance of Conduit, Bank-Qualified, Tax-Exempt
Notes in the Approximate Amount of \$4,350,000

Action Requested:

Provide approval for the Port Authority to issue approximately \$4,350,000 of bank-qualified conduit tax-exempt notes to be used to refinance a current mortgage on the Open Cities facility located at 409 North Dunlap Street in Saint Paul.

Public Purpose:

The financing will allow Open Cities to more efficiently provide medical programs and services benefitting its patients in Saint Paul.

Business Subsidy:

The proposed issuance of notes is for a not-for-profit organization and is exempt from treatment as a business subsidy.

Background:

Open Cities Health Center is a nonprofit community health care clinic that has been providing all-encompassing health care to Twin Cities' residents since 1967. It provides medical, dental, behavioral health, chiropractic, optometry, podiatry and social services all in one setting.

Proposal:

Type of Notes:	The tax-exempt notes will be "bank qualified" under Section 265 of the Code. This will allow the bank to hold these notes without a reduction in their effective yield which would otherwise impact a "non-bank qualified" tax-exempt holding.
Rate:	Approximately 3.00% fixed for five years
Security:	First secured interest and mortgage on the Project in favor of the lender, including the land, building and personal property associated with the Project.
Term:	Five years – Fifteen-year amortization
Issuer:	Saint Paul Port Authority

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Lender: Sunrise Banks

Lender's Counsel: TBD

Bond Counsel: Stinson, Leonard, Street

Borrower: Open Cities Health Center

Borrower's Counsel: TBD

Conduit Financing:

The notes will be a conduit financing of the Authority and will not constitute or give rise to a liability of the Authority, the City of Saint Paul or the State of Minnesota or a charge against their general credit or taxing powers. The lender will not have the right to demand payment on the notes out of any funds to be raised from taxation or from any revenue sources other than those expressly pledged to payment of the notes pursuant to the funding agreement. The Port Authority's role in this loan is that of Issuer only. The lender will complete its own credit analysis and loan approval.

The Port Authority will receive fees in the amount of 1/8th of a point (\$5,437.50) at closing and 1/8th of a point on the outstanding balance, annually, for the life of the notes.

The Port Authority was asked to issue these notes because the City of Saint Paul did not have any "Bank Qualification" authority remaining for 2014. With this financing, the Port Authority will have used all of its \$10,000,000 of authority (which may be used only for governmental and nonprofit financings) for 2014.

Workforce Implications:

N/A

Policy Exceptions:

None.

Disclosure:

The Port Authority Commissioners by SEC rules are obligated to disclose any risks or facts you may be aware of that would affect the probability of repayment on these notes.

Recommendation:

We recommend authorization to issue approximately \$4,350,000 of conduit, bank-qualified tax-exempt notes for the Open Cities Health Center.

PMK:ca

Attach.