

Carondelet Village - Background Information

On August 12, 2010, the HRA issued 2010 Bonds to finance the acquisition and construction of the Carondelet Village senior housing and healthcare project. The 2010 Bonds included three series of bonds as follows: i) Senior Housing and Health Care Revenue Bond, Series 2010A in the original principal amount of \$30,000,000; ii) Subordinate Senior Housing and Health Care Revenue Refunding Bond, Series 2010B in the original principal amount of \$15,000,000; and iii) Subordinate Senior Housing and Health Care Revenue Refunding Bond, Series 2010C in the original principal amount of \$5,250,000.

Carondelet Village is a 259-unit senior living community that provides a full continuum of senior housing options, located at 525 Fairview Avenue South (the "Project"). The 259 units consist of i) 149 independent-living units in three neighborhoods known as Woodland Terrace, Prairie Terrace, and Garden Terrace; ii) 46 assisted-living units known as Bethany Commons; iii) 19 memory-care units known as Pine Arbor ("Arbor"); iv) 45 skilled nursing beds in Oak Gables Care Center; and v) a 56,800 square foot town center for the use of all residents.

The Borrower is a Minnesota limited liability company that was formed in 2010, and whose sole member is Carondelet Village, Inc., a Minnesota nonprofit corporation formed in 2009. The sole members of Carondelet Village, Inc. are Presbyterian Homes and Services, a Minnesota nonprofit corporation, and the Sisters of St. Joseph of Carondelet, St. Paul Province, a Minnesota nonprofit corporation.

The Borrower submitted an application to the HRA to issue up to \$50,000,000 in conduit refunding bonds (the "2016 Bonds") to advance refund the Series 2010A bonds, and refund the Series 2010B and Series 2010C bonds. The 2016 Bonds will be special, limited-revenue obligations of the HRA payable solely from the revenues expressly pledged to the payment thereof, will not constitute a general or moral obligation of the HRA or the City, and will not be secured by the taxing powers of the HRA or the City or any assets or property of the HRA or the City, but will be payable from loan payments made by the Borrower to the HRA pursuant to loan agreements. The principal outstanding as of 8/1/2016 is as follows: Series 2010A Bonds - \$28,280,000; Series 2010B - \$14,180,000; and Series 2010C - \$5,250,000.

Additionally, the HRA established the Carondelet Village TIF district to assist in the construction of the Project. The HRA executed a Development Agreement and issued a Tax Increment Revenue Note in the principal amount of \$3,104,000 (the "TIF Note"), bearing interest at 6% annually, pledging 90% of the tax increments collected during the first three years (2013-2015), and 62.55% of the tax increments collected in 2016 and beyond. The principal amount of the TIF Note is subject to reduction in accordance with the Development Agreement. The Borrower has indicated that with the projected net revenues of the Project and the reduced debt service following the refunding, principal reductions will begin in September, 2017. They further project that the full principal amount will be retired by late 2020 or early 2021.

On November 9, 2016, the HRA Board approved Resolution RES PH #16-419 authorizing the issuance of up to \$50M in refunding bonds for the Carondelet Village housing project.