

MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** April 24, 2017

From: Peter M. Klein

Subject: **LYNGBLOMSTEN CARE CENTER, INC. - AUTHORIZATION FOR THE ISSUANCE OF BANK-QUALIFIED, TAX-EXEMPT AND TAXABLE CONDUIT REVENUE BONDS IN THE APPROXIMATE AMOUNT OF \$10,000,000 RESOLUTION NO. 4627**

Action Requested:

Provide approval for the Port Authority to issue approximately \$10,000,000 of bank-qualified conduit tax-exempt and taxable revenue bonds to be used to finance construction and equipping of improvements to an existing 277,000 square-foot, 237-bed skilled nursing facility located at 1415 Almond Avenue in the City of Saint Paul, and pay a portion of the costs of issuing the bonds.

Public Purpose:

The financing will allow Lyngblomsten to more efficiently provide senior care services benefitting its patients in Saint Paul.

Business Subsidy:

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

Background:

Lyngblomsten is a nonprofit senior care facility that has been providing multiple levels of housing and healthcare services to Twin Cities' residents since 1906. It provides a continuum of care services from independent housing to long-term general care and memory care.

The financing is structured as health care facility revenue bonds pursuant to public sale.

Proposal:

Type of Bonds: The health care facility tax-exempt revenue bonds will be "bank-qualified" under Section 265 of the Code. This will allow a bank to hold the tax-exempt bonds without a reduction in their effective yield which would otherwise impact a "non-bank qualified" tax-exempt holding. The taxable bonds will cover part of the cost of issuance.

Rate: Approximately 4.50%

Security: First secured interest and mortgage on the project in favor of the bondholders, including the land, building and personal property associated with the project.

Term: Twenty-five year fully amortizing

Issue: Saint Paul Port Authority

Borrower: Lyngblomsten Care Center, Inc.

Borrower's Counsel: Faegre Baker Daniels

Borrower's Consultant: Grand Real Estate Advisors

Underwriter: Northland Securities, Inc.

Underwriter's Counsel: Gray Plant Mooty

Bond Counsel: Briggs and Morgan

Trustee: US Bank Corporate Trust

Conduit Financing:

The bonds 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 bondholders will not have the right to demand payment on the bonds out of any funds to be raised from taxation or from any revenue sources other than those expressly pledged to payment of the bonds pursuant to the funding agreement. The Port Authority's role in this loan is that of Issuer only.

The Port Authority will receive fees in the amount of 1/8th of a point (approximately \$12,500.00) at closing and 1/8th of a point on the outstanding balance, annually, for the life of the bonds.

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 bonds.

Recommendation:

We recommend authorization to issue approximately \$10,000,000 of bank-qualified, conduit tax-exempt and taxable revenue bonds for Lyngblomsten Care Center, Inc.