# SAINT PAUL
# PORT AUTHORITY

## *MEMORANDUM*

**TO:** BOARD OF COMMISSIONERS
(Regular Meeting November 27, 2012)

**DATE:** Nov. 9, 2012

**FROM:** Peter M. Klein

**SUBJECT:** **THE ARC GREATER TWIN CITIES**
**1) Authorization of The Issuance of Conduit Tax-Exempt Notes in the Approximate Amount of $2,000,000**
**2) Approval of the Joint Powers Agreement with the City of Burnsville**
**RESOLUTION NO. 4446**

**Action Requested:**
Provide approval for the Port Authority to issue approximately $2,000,000 of bank-qualified conduit tax-exempt notes to be used for the purchase of land and building located at 14232 Burnhaven Drive, in Burnsville, Minnesota. Additionally, approve the Joint Powers Agreement with the City of Burnsville.

**Public Purpose:**
The financing will allow The Arc Greater Twin Cities to operate a Value Village thrift store that will provide revenues and financial support for programs and services benefitting people with intellectual and developmental disabilities in the Twin Cities area and the State of Minnesota, including a significant number located in Saint Paul, Minnesota.

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

**Background:**
The Arc Greater Twin Cities is the product of what once were seven independent chapters metro-wide, known by many different names. Since The Arc's first meeting in 1946, the structure and name has changed, but the commitment to improving the lives of people with intellectual and developmental disabilities and their families has not.

Arc's mission is to secure for all people with intellectual and developmental disabilities and their families the opportunity to realize their goals of where and how they live, learn, work, and play.

**Current Status:**
Arc currently operates four Value Village stores in the Twin Cities, including one on White Bear Avenue in Saint Paul. These stores provide just over half of Arc's operating revenue.

**Proposal:**

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| 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 having to make the same set off that they have to do with respect to other tax-exempt holdings. |
| Rate: | Approximately 3.60% |
| Security: | First secured interest and mortgage on the Project, including the land, building and personal property associated with the Project. |
| Term: | 15 years |
| Issuer: | Saint Paul Port Authority |
| Lender: | Bremer Bank |
| Lender's Counsels: | TK Law, PLC |
| Bond Counsel: | Leonard, Street and Deinard |
| Borrower: | The Arc Greater Twin Cities |
| Borrower's Counsel: | Leonard, Street and Deinard |

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 Burnsville, 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 will receive fees in the amount of 1/8th of a point ($2,500.00) at inception and 1/8th of a point on the outstanding balance, annually, for the life of the notes.

**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 the approval of the Joint Powers Agreement with the City of Burnsville and the authorization to issue approximately $2,000,000 of conduit, bank-qualified tax-exempt notes.

PMK:ca

Attach.