



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 24

Agenda Date: January 13, 2022

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Approval of tax-exempt financing for purposes of the Internal Revenue Code

SUMMARY:

This Ordinance consents to the issuance of revenue bonds by the New Hope Cultural Education Finance Corporation (the "Issuer") to finance and refinance retirement facilities on behalf of the Borrower (as defined below), including Morningside at The Meadows located at the 600 and 700 blocks of Babcock Road, San Antonio, Texas 78201 and Morningside at The Chandler Estate located at 1502 and 1510 Howard Street and 135 and 137 West French Place, San Antonio, Texas 78202 (collectively, the "San Antonio Project"), for purposes of complying with Section 147(f) of the Code.

BACKGROUND INFORMATION:

Section 147(f) of the Code requires that the issuance of any tax-exempt "qualified 501(c)(3) obligations" be approved by an applicable elected representative of the governmental unit in which the project is located after a public hearing following reasonable public notice.

The City was contacted by representatives of Morningside Ministries, a Texas nonprofit corporation and a 501(c)(3) organization under the Code (the "Borrower"), regarding the issuance

by the Issuer of its Retirement Facility Revenue Bonds (Morningside Ministries Project) (the "Bonds") to finance and refinance costs of the Borrower's retirement facilities, including the San Antonio Project. A public hearing with respect to the San Antonio Project and the issuance of the Bonds was held on November 29, 2021, via teleconference, after publication of notice thereof in the San Antonio Express-News on November 21, 2021, all in compliance with Section 147(f) of the Code.

To meet the requirements of the Code, the Borrower has requested the City Council adopt an Ordinance confirming public approval of the issuance of the Bonds by the Issuer up to a maximum principal amount of \$68,000,000, of which a maximum of \$35,500,000 is allocated to be used in connection with the San Antonio Project. The consideration and approval of this action is consistent with the City's practice of providing consent for projects located in San Antonio that involve non-profit institutions obtaining tax-exempt financing for capital improvement projects through conduit issuers.

ISSUE:

To meet the requirements of the Code, the Borrower has requested that City Council adopt an Ordinance confirming public approval of the issuance of the Bonds by the Issuer up to a maximum principal amount of \$68,000,000 to finance of the Project. The consideration and approval of this action is consistent with the City's practice of providing consent for projects located in San Antonio that involve non-profit institutions obtaining tax-exempt financing for capital improvement projects through conduit issuers.

ALTERNATIVES:

If the City does not adopt the Ordinance confirming public approval of the Bonds by the Issuer, the tax-exempt financing for the San Antonio Project cannot be effectuated.

FISCAL IMPACT:

The Ordinance does not obligate the City to pay the Bonds or the interest thereon and does not obligate or create any expectations of, or liabilities for, the City. The Borrower is solely responsible for paying all debt service and other costs associated with the Bonds. The Borrower has paid the City a consent fee of \$20,000.

RECOMMENDATION:

Staff recommends approval of the Ordinance which approves the issuance of the Bonds by the Issuer, a portion of the proceeds of which will be used to finance and refinance the costs of the San

Antonio Project, for purposes of satisfying Section 147(f) of the Code.