



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 9

Agenda Date: February 2, 2023

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Approval of financing for purposes of the Internal Revenue Code.

SUMMARY:

This Ordinance approves the issuance by the Arizona Industrial Development Authority of its tax-exempt and/or taxable revenue bonds (the “Bonds”) allocable to the San Antonio Hospital Acquisition Project for purposes of Section 147 (f) of the Internal Revenue Code. The Borrower will pay the City an administrative fee of \$280,000.00 upon the adoption of the requested Ordinance which will be deposited into the General Fund.

BACKGROUND INFORMATION:

Section 147(f) of the Internal Revenue Code (the “Code”) requires that the issuance of any private activity bond obligations be approved by the 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 regarding the issuance by the Arizona Industrial Development Authority (the “Issuer”) of Bonds, and the proceeds of which would be loaned to QCF Behavioral Hospitals, I LLC (the “Borrower”), the sole member of which is QCF/I, Inc., a 501(c)(3) nonprofit healthcare organization (“QCF”), in order to finance the costs of acquiring, constructing, expanding,

rehabilitating, renovating and equipping two behavioral health hospitals, including facilities that are functionally related and subordinate to the main hospital facilities, one in the State of Nevada and one in the City, and for related purposes. The Issuer is an Arizona nonprofit corporation designated as a political subdivision of the State of Arizona, and is incorporated with the approval of the Arizona Finance Authority pursuant to the provisions of the Constitution and laws of the State of Arizona. One of the hospitals to be acquired for the benefit of the Borrower, the San Antonio Behavioral Healthcare Hospital, is located within the City at 8550 Heubner Road, San Antonio, Texas (the “San Antonio Hospital Acquisition Project”). An amount not exceeding \$280,000,000.00 of the Bonds is allocable to the San Antonio Acquisition Hospital Project.

The City had previously approved the issuance of bonds with respect to the San Antonio Hospital Acquisition Project on January 13, 2022 following a public hearing held by the Issuer in compliance with Section 147(f) of the Code (the “Prior City Council Approval”).

The COVID-19 pandemic caused delays in licensing of two hospitals in California involved in an interconnected transaction with the Bonds to be issued by the Issuer and the marketing and selling of the Bonds could not prudently commence until that licensing occurred and those two hospitals commenced operations. The two hospitals have received their licenses and commenced operations, and the process to issue the Bonds is now proceeding, but the issuance will not occur prior to the one year expiration of the Prior City Council Approval.

The Issuer hereby requests that the City Council re-approve the issuance of the Bonds by the Issuer in order to satisfy the public approval requirement of Section 147(f) of the Code. In connection with the public approval requirement, the Issuer will hold a new public hearing pursuant to Section 147(f) of the Code regarding the issuance of the Bonds.

ISSUE:

To meet the requirements of the Code, the Borrower has requested that City Council adopt a Resolution confirming public approval of the financing plan and issuance by the Issuer of the portion of the Bonds allocable to the San Antonio Hospital Acquisition Project, in one or more series of Bonds, up to a maximum aggregate amount of \$280,000,000.00. 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 qualified institutions obtaining tax-exempt financing for capital improvement projects through conduit issuers.

ALTERNATIVES:

If the City does not adopt a Resolution confirming public approval of the bond issuance by the Issuer, this financing cannot be effectuated.

FISCAL IMPACT:

The Resolution does not obligate the City to pay the debt or Bonds, 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 will pay the City an administrative fee of \$280,000.00 upon the adoption of the requested Ordinance which will be deposited into the General Fund.

RECOMMENDATION:

Staff recommends approval of the Ordinance approving the issuance by the Arizona Industrial Development Authority of the portion of the Bonds which are allocable to the San Antonio Hospital Acquisition Project for purposes of Section 147(f) of the Internal Revenue Code.