



City of Grand Island

Tuesday, September 27, 2022

Council Session

Item G-17

#2022-274 - Approving Designating Revenue Bonds (Tabitha Grand Island Project), Series 2021B, as Qualified Tax-Exempt Obligations Under Section 265 of The Internal Revenue Code

Staff Contact: Jerry Janulewicz

Council Agenda Memo

From: Jerry Janulewicz, City Administrator

Meeting: September 27, 2022

Subject: Designate Revenue Bonds (Tabitha Grand Island Project), Series 2021B, in an Aggregate Principal Amount Not To Exceed \$3,950,000 As Qualified Tax-Exempt Obligations Under Section 265 of The Internal Revenue Code.

Presenter(s): Jerry Janulewicz, City Administrator

Background

Tabitha Grand Island, Inc., a nonprofit corporation duly organized and validly existing under the laws of the State of Nebraska (the “Borrower”), requested the City of Grand Island (the “City”) to, and the City issued, its Revenue Bonds (Tabitha Grand Island Project), in an aggregate principal amount not to exceed \$13,950,000, (the “Bonds”) pursuant to Sections 13-1101 to 13-1110, inclusive, Reissue Revised Statutes of Nebraska, as amended on May 11, 2021, the Grand Island City Council adopted Resolution 2021-112 authorizing issuance of the Bonds, the proceeds of which, when advanced, will be loaned to the Borrower pursuant to a Loan Agreement among the City, Pinnacle Bank, as lender, and the Borrower, for the purpose of financing or reimbursing a portion of the costs of constructing and equipping a new senior living campus (expected to consist of 157 units providing a 200,000 square foot, full-continuum of senior housing and services) and associated site improvements in the City of Grand Island, Nebraska.

On May 11, 2021, bond counsel informed the City Council that Borrower would later seek the City’s consent to designate the Bonds as Qualified Tax Exempt Obligations under the Internal Revenue Code to the extent that the City had not issued Qualified Tax Exempt Obligations in 2021. Qualified Tax Exempt Obligations, also known as bank-qualified debt, carries lower interest costs, as this designation allows banks and other financial institutions to avoid certain adverse tax consequences that would otherwise be imposed on holders for carrying tax-exempt debt.

Discussion

The City has not designated nor does it anticipate designating any bonds issued or debt incurred in 2022 as Qualified Tax Exempt Obligations. The City may designate

\$3,950,000 of the \$13,950,000 Bond Issue as Qualified Tax Exempt Obligations without impeding or impairing any bond or other debt financing arrangement of the City. If not designated for this purpose, the City's 2022 tax exempt/bank qualified debt authority will be unused and will expire at the end of the calendar year.

Conclusion

City Administration recommends the City designate \$3,950,000 of the Tabitha Grand Island Project Bonds as the City's 2022 "qualified tax-exempt obligations" under Section 265(b)(3)(B)(i)(III) of the Internal Revenue Code of 1986, as amended.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

Sample Motion

Move to approve the resolution.

**CITY OF GRAND ISLAND, IN THE STATE OF NEBRASKA
A RESOLUTION DELEGATING AND DESIGNATING THE ISSUER'S
REVENUE BONDS (TABITHA GRAND ISLAND PROJECT), SERIES
2021B, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED
\$3,950,000 AS ITS QUALIFIED TAX-EXEMPT OBLIGATIONS UNDER
SECTION 265 OF THE INTERNAL REVENUE CODE AND RELATED
MATTERS.**

WHEREAS, the City of Grand Island, Nebraska (the “**Issuer**”) is a city and political subdivision of the State of Nebraska (the “**State**”); and

WHEREAS, Tabitha Grand Island, Inc., a nonprofit corporation duly organized and validly existing under the laws of the State (the “**Borrower**”), requested the Issuer to, and the Issuer issued, its Revenue Bonds (Tabitha Grand Island Project), in an aggregate principal amount not to exceed \$13,950,000, (the “**Bonds**”) pursuant to Sections 13-1101 to 13-1110, inclusive, Reissue Revised Statutes of Nebraska, as amended, and a Resolution of the Issuer adopted May 11, 2021 (the “**Authorizing Resolution**”), the proceeds of which, when advanced, will be loaned to the Borrower pursuant to a Loan Agreement (the “**Loan Agreement**”) among the Issuer, Pinnacle Bank, as lender, (the “**Lender**”) and the Borrower, for the purpose of financing or reimbursing a portion of the costs of constructing and equipping a new senior living campus (expected to consist of 157 units providing a 200,000 square foot, full-continuum of senior housing and services) and associated site improvements in the City of Grand Island, Nebraska; and

WHEREAS, the Bonds were issued as taxable bonds and may be converted to tax-exempt, bank-qualified bonds pursuant to the provisions of the Loan Agreement; and

WHEREAS, on November 23, 2021, the City designated \$10,000,000 of the Bonds as its tax-exempt, bank qualified obligations, which were designated as its Series 2021A Bonds, and the City contemporaneously delivered a replacement certificate representing the balance of the Bonds as its \$3,950,000 Series 2021B Bonds (the “**2021 Bonds**”) and as of September 1, 2022, no amount has been drawn on the 2021 Bonds; and

WHEREAS, certain conversion documents will be prepared or updated in connection with the conversion of the 2021 Bonds from Taxable Bonds to Tax-Exempt Bonds (as such terms are defined in the Loan Agreement).

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA AS FOLLOWS:

Section 1. Bank Qualification. The Issuer hereby designates \$3,950,000 of the Bonds constituting the 2021 Bonds as its qualified tax-exempt obligations” under Section 265(b)(3)(B)(i)(III) of the Internal Revenue Code of 1986, as amended (the “**Code**”). The Issuer further covenants and warrants that it does not reasonably anticipate issuance of tax-exempt obligations by it during calendar year 2022 in an amount in excess of \$10,000,000, including the 2021 Bonds and all other bonds issued by the Issuer, but excluding current refunding issues as provided in Section 265(b)(3) of the Code.

Conversion Resolution

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Approved as to Form	□ _____
September 23, 2022	□ City Attorney

Section 2. Approval of Conversion Documents. The preparation of the proposed conversion documents is, in all respects, hereby approved, authorized, ratified, and confirmed, and the Mayor, City Administrator, City Clerk, or Finance Director of the Issuer (each, an “**Authorized Officer**”) are each separately and individually hereby authorized and directed to finalize, execute, acknowledge, and deliver the such documents, including counterparts thereof, in the name and on behalf of the Issuer. From and after the execution and delivery of the conversion documents by the Issuer, the officers, agents and employees of the Issuer are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents, certificates, and instruments as may be necessary to carry out and comply with the provisions of the conversion documents, including but not limited to any documentation related to the conversion of the tax status of interest on Bonds from taxable to tax-exempt. To avoid confusion, the Bonds converted pursuant to this Resolution shall be designated as the Series 2022A series of the Bonds upon conversion.

Section 3. Prior Resolutions. To the extent that the provisions of this Resolution conflict with provisions of prior resolutions, or parts thereof, the provisions of this Resolution shall control, to the extent of such conflicts.

Section 4. Captions. The captions or headings in this Resolution are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Resolution.

Section 5. Validity of Bonds. Each Bond shall contain a recital that such Bond is issued pursuant to and under the Act, and such recital shall be conclusive evidence of its validity and of the regularity of its issuance.

Section 6. Electronic Transactions. The transactions described herein may be conducted and this Resolution and related documents may be sent, received and stored by electronic means. All closing documents, certificates, and related instruments may be executed by electronic transmission. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents (or documents executed by electronic transmission) shall be deemed to be authentic and valid counterparts of such documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 7. Effective Date. This Resolution shall be in full force and effect immediately upon its passage and approval by the Mayor and City Council of the Issuer.

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Adopted by the City Council of the City of Grand Island, Nebraska, September 27, 2022.

Roger G. Steele, Mayor

Attest:

RaNae Edwards, City Clerk