

**CITY COUNCIL
COMMUNICATION:**

03-562

AGENDA:

DECEMBER 8, 2003

SUBJECT:

LUTHER PARK
APARTMENTS
SENIOR HOUSING
REVENUE (IRB)
BOND REQUEST

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

MERRILL R. STANLEY
FINANCE DIRECTOR

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

SYNOPSIS —

Luther Care Services and Luther Park Apartments have requested that the City issue Senior Housing Revenue Bonds in an amount not to exceed \$5.5 million. Luther Park—not the City—will be legally responsible for paying debt service.

The City Council is being asked to conduct a public hearing and to approve all resolutions and documents relating to the issuance of the bonds, as well as the issue's financing structure and bond terms. This will be the Council's final action regarding this bond issue.

FISCAL IMPACT —

The City does not incur any costs upon the issuance of Senior Housing Revenue Bonds, and the debt does not count against the City's general obligation debt limit. With the issuance under the City's Industrial Revenue Bond (IRB) policy, Luther Park will pay the City 1/1000th of the issue amount, up to \$5,500, as well as all fees charged by non-City parties for work done in conjunction with the review process. Luther Park will pay the debt service on the bonds.

RECOMMENDATION —

Approval.

BACKGROUND —

Luther Park Apartments has requested that the City issue Senior Housing Revenue Bonds in an amount not to exceed \$5.5 million. Bond proceeds will be used by Luther Park to construct and equip 47 independent senior living units for a wide range of income levels. The existing apartment complex provides 100 units and has an 89-person waiting list.

During the past two weeks City staff, in conjunction with Public Financial Management (PFM), the City's financial advisor, has reviewed all documents to ensure legal compliance and to assess the possibility of any future default on the bonds, which could harm the capital market's perception of the City's own bonds. Even though the City will have no legal responsibility and Luther Park will pay the debt service, the City's name will be on the bonds. PFM has provided a written report (attached) indicating that future operations

**CITY COUNCIL
COMMUNICATION**

03-562

DECEMBER 8, 2003

PAGE TWO

of Luther Park Apartments will be adequate to meet its projected financial requirements. PFM's report is based on a \$4,735,000 bond issue, which is the latest estimate of total project costs.

Luther Park has requested that the City Council approve the bond issuance on December 8 following the public hearing. This will provide them with more time to issue bonds before the end of the calendar year.

Multifamily Housing Revenue Bonds in the amount of \$2.75 million and \$4,500,000 in Health Care Facility Revenue Bonds were authorized for Luther Park in December 1999 to refinance short-term notes and a HUD loan, which were used to construct and expand Alzheimer patient care facilities. Debt service payments are current for all outstanding bonds issued for the benefit of Luther Park.

Attachment

