City of San Antonio

Legislation Details (With Text)

File #:	19-8040
Type:	Miscellaneous Item
In control:	City Council A Session
On agenda:	11/14/2019
Title:	Ordinance approving a financing by the New Hope Cultural Education Finance Corporation to finance and refinance certain health facilities located within the City of San Antonio, Texas for Morningside Ministries for purposes of Section 147(f) of the Internal Revenue Code. An administrative fee of $2,500.00, payable by the New Hope Cultural Education Finance Corporation, will be deposited into the General Fund in accordance with the FY 2020 Adopted Budget. [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer].
Sponsors:	
Indexes:	
Code sections:	
Attachments:	1. Draft Ordinance, 2. Ordinance 2019-11-14-0967

Date	Ver.	Action By	Action	Result
11/14/2019	1	City Council A Session	adopted	Pass

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

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

SUMMARY:

This Ordinance approves a financing by the New Hope Cultural Education Finance Corporation to finance and refinance certain health facilities located within the City of San Antonio, Texas for Morningside Ministries for purposes of Section 147(f) of the Internal Revenue Code.

BACKGROUND INFORMATION:

Section 147(f) of the Internal Revenue Code (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.

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The City was contacted regarding Morningside Ministries (the "Borrower"), a Texas nonprofit corporation and 501(c)(3) organization that is financing and refinancing through the New Hope Cultural Education Finance Corporation (the "Issuer") certain health care facilities for the Borrower located in Cities of San Antonio and Boerne. Specifically with respect to the City of San Antonio, the Borrower will use proceeds of bonds to be issued by the Issuer (the "Bonds") in order to refinance approximately $35 million of outstanding obligations originally issued in 2013 and 2014 to finance certain improvements at the Borrower's facilities known as *Morningside Ministries at the Meadows* (located at the 600 and 700 blocks of Babcock Road in District 7) and *Morningside Ministries at the Chandler Estate* (located at 1502 and 1510 Howard Street and 135 and 137 West French Place in District 1). Approximately $10 million of the proceeds of the Bonds also will be used to finance improvements to the Borrower's *Meadows* facilities. A public hearing with respect to the San Antonio projects and the issuance of the Bonds was held in Morningside Ministries' offices located in the City of San Antonio on October 9, 2019 in compliance with Section 147(f) of the Code.

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 $130 million, a portion of which (approximately $45 million) will be used to finance and refinance certain of the Borrower's San Antonio facilities. 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 $130 million, a portion of which (approximately $45 million) will be used to finance and refinance certain of the Borrower's San Antonio facilities. 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 an Ordinance confirming public approval of the Bonds by the Issuer, the financing and refinancing for the Borrower's facilities located in San Antonio cannot be effectuated.

FISCAL IMPACT:

The Ordinance does not obligate the City to pay 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. Upon the adoption of this ordinance, the Borrower will pay the City an administrative fee of $2,500.00, which will be deposited in accordance with the FY 2020 Adopted General Fund Budget.

RECOMMENDATION:

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Staff recommends approval of the Ordinance which approves financing and refinancing by the New Hope Cultural Education Finance Corporation of health care facilities located within the City of San Antonio, Texas for Morningside Ministries for purposes of Section 147(f) of the Internal Revenue Code.