



City of Rockville
Mayor and Council
Agenda Item

For the meeting on:	December 12, 2011
Agenda Item Type:	Public Hearing
Department:	Finance
Responsible staff:	Brenda Bean, Deputy City Clerk phone: (240) 314 - 8281 email: bbean@rockvillemd.gov

Subject

Public Hearing - Economic Development Revenue Bond Financing for National Lutheran Home and Village at 9701 Veirs Drive, Rockville.

Recommendation

Staff recommends that the Mayor and Council hold a public hearing on the Economic Development Revenue Bond Financing for National Lutheran Home and Village at Rockville, Inc. to finance the construction of their facility at 9701 Veirs Drive, Rockville.

Discussion

In September this year, National Lutheran approached City staff with a proposal to work with them to help finance their senior living facilities improvement project on Veirs Drive in Rockville. The purpose of the project is to facilitate the addition of assisted living units to the facility and to reconfigure the existing skilled nursing beds to eliminate semi-private rooms. The project will be built in phases and is expected to be completed in October 2014.

The Maryland Economic Development Revenue Bond Act authorizes this type of transaction in an effort to promote:

- creating and sustaining jobs and employment, thereby relieving conditions of unemployment in the City, County and State,
- encouraging the increase of industry and commerce and a balanced economy in the City, County and State,
- assisting in the retention of existing industry and commerce in the City, County and State,
- promoting economic development,
- generally promoting the health, welfare and safety of the residents of the City, County and State.

According to the letter requesting the City to issue the bonds, National Lutheran Home and Villages believes that the project will generally promote these purposes of the Act.

There are minor risks to the City as described below:

- The proposed bonds would count against the City's \$10 million available for "bank qualified" bond issues in calendar year 2012. If the City does not plan to issue tax exempt bonds in 2012, this point is not a factor in the decision process.
- It publicly associates the City with the project. If any controversy were to surround the project, the City could then be affiliated with the project any controversial issues.
- A more remote risk is the possibility that the borrower defaults on the bonds. The City could incur litigation expenses if the borrower defaults and a bondholder decides to sue everyone involved. However, the borrower's indemnification of the City would cover such litigation expenses.

The benefits to the City are the assisting a corporate citizen to build a project for the benefit of the community and small administrative revenue that would accrue to the City.

Mayor and Council History

This item was discussed for the first time at the Mayor and Council meeting held on November 28th, 2011 under future agenda's. The Mayor and Council voted to accept a letter of intent to proceed with this transaction at the meeting held on December 5th, 2011.

Public Notification and Engagement

Two public hearings have been advertised. The first before the Mayor and Council to be held the evening of December 12th. The second on Friday December 23rd, that will be conducted by staff so that the legal notice period can be met. The time for the public hearing on December 23rd will be determined at the Mayor and Council meeting on December 12. Residents can comment at either of the public hearings. Recognizing the potential difficulty of the December 23rd date, staff has encouraged the community to attend tonight's public hearing or to comment in writing.

Fiscal Impact

There is no cost impact to the City, other than staff time, associated with this agenda item. There is an administrative fee that the City will receive for each year that the bonds are outstanding. The fee will approximate \$31,000 and gets reduced as the bonds get paid off.

Next Steps

The next steps include:

1. Hold a second internal public hearing on December 23rd, 2011.
2. Share the comments from the December 23rd hearing and any additional written comments with Mayor Marcuccio to confirm approval to proceed.
3. Execute relevant agreements with National Lutheran.

Attachments



Attach A - Lutheran Home Bond Legal Notice.pdf

Department Head



Department Head: Gavin Cohen, Chief Financial Officer

City Manager

City Manager: Jenny Kimball, Acting City Manager
Approval Date:

MAYOR AND COUNCIL OF ROCKVILLE
CITY HALL
111 MARYLAND AVENUE
ROCKVILLE, MARYLAND 20850
(240) 314-5000

PUBLIC NOTICE

Notice is hereby given that two public hearings, pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended, will be held by the Mayor and Council of Rockville, Maryland (the "City") to permit any resident of the City of Rockville, Maryland to appear and testify concerning the plan of finance (the "Plan of Finance") pursuant to which the City would issue up to \$25,000,000 of its Economic Development Revenue Bonds (the "Bonds") for the benefit of the National Lutheran Home & Village at Rockville, Inc., a District of Columbia non-profit corporation (the "Borrower"). The first hearing will be held on Monday, December 12, 2011, at 7:00 p.m., or soon thereafter, in the first floor meeting room, City Hall, 111 Maryland Avenue, Rockville, Maryland 20850. The second hearing will be held on Friday, December 23, 2011, at 10:00 a.m., or soon thereafter, in the first floor meeting room, City Hall, 111 Maryland Avenue, Rockville, Maryland 20850.

FACILITY:

The proceeds from the sale of the Bonds will be loaned to the Borrower to be used by the Borrower to finance or refinance (or reimburse for prior capital expenditures in connection with) the improvement, acquisition, construction, renovation, equipping and development of a portion of the costs of improvements to the Borrower's existing senior living facilities located at 9701 Veirs Drive, Rockville, Maryland 20850, including renovations to existing apartment units and the reconfiguration of certain skilled nursing units to add an additional level of care (collectively, the "Facility"). The Facility may also include land or interests in land, buildings, landscaping, structures, machinery, equipment, furnishings or other real or personal property located on the same site as the Facility. The proceeds from the sale of the Bonds may also be used by the Borrower to fund a debt service reserve fund and capitalized interest for the Bonds, and to pay certain costs of issuance and other related costs.

LOCATION:

The Facility is located at 9701 Veirs Drive, Rockville, Maryland 20850.

INITIAL OWNER AND OPERATOR OF FACILITY:

The National Lutheran Home & Village at Rockville, Inc., a District of Columbia non-profit corporation.

PROPOSED USE OF FACILITY:

The Facility has been and shall be used by the Borrower as a senior living facility.

The Bonds are and will be limited obligations of the City, the principal of, premium (if any) upon, and interest on which are payable solely from revenues to be received in connection with the

financing of the Facility here described and from other moneys available to the City for such purposes. Neither the Bonds nor the interest thereon shall ever constitute an indebtedness or charge against the general credit or taxing powers of the City within the meaning of any constitutional or charter provision or statutory limitation and neither shall ever constitute or give rise to any pecuniary liability of the City.

Individuals will be given an opportunity to be heard at this hearing regarding the Plan of Finance and the proposed Bonds and the location and nature of the Facility. Comments will be limited to five (5) minutes per speaker.

Written comments on the proposed transaction with respect to the Bonds may be sent to the Mayor and Council of Rockville, City Hall, 111 Maryland Avenue, Rockville, Maryland 20850, (240) 314-5000, Attention: Acting City Manager.

MAYOR AND COUNCIL OF ROCKVILLE

Phyllis Marcuccio, Mayor