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# Attachment A

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Thursday, April 27, 2023

Dave Perrault  
 City Administrator  
 City of Arden Hills  
 1245 West Highway 96  
 Arden Hills, Minnesota 55112

*VIA EMAIL*

Re: Resolution relating to the approval of an amendment to the City’s Series 2015 Note, Series 2011A Note, and Series 2012A Note, issued for the benefit of Presbyterian Homes of Arden Hills, Inc.

Dear Mr. Perrault:

I write regarding certain outstanding tax-exempt conduit revenue obligations issued by the City of Arden Hills, Minnesota (the “City”), including the Series 2011A Note, Series 2012A Note, and Series 2015 Note (each, as defined below), the interest rates on which are proposed to be modified. Such modifications require the City’s approval.

On September 9, 2011, the City issued its Senior Housing Revenue Note (Presbyterian Homes of Arden Hills, Inc. Project), Series 2011A (the “Original 2011A Note”), in the original aggregate principal amount of \$10,000,000. The City loaned the proceeds of the Original 2011A Note to Presbyterian Homes of Arden Hills, Inc., a Minnesota nonprofit corporation (the “Borrower”), pursuant to a Loan Agreement, dated as of September 1, 2011 (the “2011A Loan Agreement”), between the City and the Borrower, for the purposes of financing the acquisition, construction, and equipping of an approximately 166-unit multifamily housing development consisting of a senior rental housing facility comprised of independent living units, assisted living units, and memory-care units (the “Phase I Project”) located at 3120 and 3220 Lake Johanna Boulevard in the City of Arden Hills, Minnesota (“Arden Hills”) and paying certain financing and issuance costs related thereto.

On January 3, 2012, the City issued its Senior Housing Revenue Note (Presbyterian Homes of Arden Hills, Inc. Project), Series 2012A (the “Original 2012A Note”), in the original aggregate principal amount of \$10,000,000. The City loaned the proceeds of the Original 2012A Note to the Borrower, pursuant to a Loan Agreement, dated as of January 1, 2012 (the “2012A Loan Agreement”), between the City and the Borrower, for the purposes of financing the costs of the acquisition, construction, and equipping of the Phase I Project and paying certain financing and issuance costs related thereto.

The Original 2011A Note and the Original 2012A Note were purchased by Bremer Bank, National Association, a national banking association (the “Lender”).

On July 17, 2015, the City issued its Senior Housing Revenue Note (Presbyterian Homes of Arden Hills, Inc. Project), Series 2015 (the “Series 2015 Note”), in the original aggregate principal amount of \$10,000,000. The City loaned the proceeds of the Series 2015 Note to the Borrower pursuant to a Loan Agreement, dated July 17, 2015 (the “2015 Loan Agreement”), between the City and the Borrower, for the purposes of financing the development of an approximately 40-unit senior housing facility comprised of independent-living, rental apartments within two buildings, together with necessary common areas and community space (the “Phase II Project”) located at 3200 Lake Johanna Boulevard in Arden Hills and paying certain financing and issuance costs related thereto. The Series 2015 Note was purchased by the Lender.

On August 3, 2015, the City amended, restated, and reissued the Original 2011A Note, in the original aggregate principal amount of \$9,503,938.05, re-designated as the Amended and Restated Senior Housing Revenue Note (Presbyterian Homes of Arden Hills, Inc. Project), Series 2011A (together with the Original 2011A Note, the “Series 2011A Note”).

On September 2, 2015, the City amended, restated, and reissued the Original 2012A Note, in the original aggregate principal amount of \$9,481,981.98, re-designated as the Amended and Restated Senior Housing Revenue Note (Presbyterian Homes of Arden Hills, Inc. Project), Series 2012A (together with the Original 2012A Note, the “Series 2012A Note”).

Pursuant to the terms of the 2011A Note, the 2012A Note, and the 2015 Note (collectively, the “Notes”), the interest rate on each of the Notes is adjustable on the fifteenth day of each calendar month (each, a “Reset Date”) at rates determined by the Lender using the one-month London Interbank Offered Rate (“LIBOR”). The use of LIBOR, however, is currently being phased out and will no longer be available after June 30, 2023. As a result, the Lender has informed the City and the Borrower that for each Reset Date occurring on or after July 1, 2023, interest on the Notes will be calculated using a waterfall of fallback rates that initially references the one-month Secured Overnight Financing Rate (SOFR), and such change (the “Amendment”) must be reflected in the Notes.

The Borrower would like the City to consider the enclosed resolution at an upcoming City Council meeting, which would approve the Amendment to each of the Notes. To memorialize the Amendment, the City will be asked to execute an Allonge to each of the three Notes.

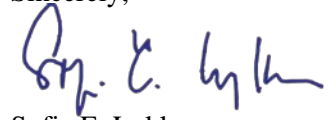
Kennedy & Graven, Chartered, as bond counsel to the City with respect to the issuance of the Notes, has determined that such Amendment to the Notes will not be considered a significant modification of the Notes and will not result in a reissuance of the Notes for tax purposes pursuant to Section 1.1001-3 of the Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended, as the rate has been replaced with a fallback waterfall rate that is a qualified rate described in Section 1.1001-6(h)(3)(ii) of the Treasury Regulations.

The Notes will continue to constitute special, limited obligations of the City, will continue to be payable and secured solely by the revenues derived from the 2011A Loan Agreement, 2012A Loan Agreement, and the 2015 Loan Agreements (collectively, the “Loan Agreements”), respectively, including the Phase I Project and Phase II Project, and from other security provided by the Borrower. The Notes will not constitute a general or moral obligation of the City and will not be secured by or payable from any property or assets of the City (other than the interests of the City in the Loan Agreements) and will not be secured by any taxing power of the City. The Notes will not be subject to any debt limitation imposed on the City. The 2015 Note was designated upon issuance, and the Series 2011A and 2012A Notes were each deemed designated upon reissuance, as “bank-qualified” obligations, and each of the Notes will continue to be treated as “bank qualified” after the Amendment to the Notes. The Amendment to the Notes will not impact the City’s ability to issue “bank-qualified” bonds in calendar year 2023.

The Amendment to the Notes will not be considered a new issuance of debt by the City. Under the terms of the Loan Agreements, the City collected an administrative fee on the respective closing dates for each of the Notes. While the City will not collect an additional administrative fee in connection with the Amendment to the Notes, any actual costs incurred by the City, including legal fees, will be paid by the Borrower or Lender.

Please contact me with any questions on the foregoing.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sofia E. Lykke". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Sofia E. Lykke