

MEMORANDUM

TO: Brenda Angelstad, Finance Director
City of Northfield, Minnesota

FROM: Jenny Boulton and Gina Fiorini, Bond Counsel

DATE: April 24, 2025

RE: Reissuance of Senior Housing Revenue Refunding Note (Northfield Retirement Community Project), Series 2013B

On June 27, 2013, the Housing and Redevelopment Authority in and for the City of Northfield (the “HRA”) issued its Senior Housing Revenue Refunding Note (Northfield Retirement Community Project), Series 2013B, in the original aggregate principal amount of \$10,000,000 (the “Series 2013B Note”), pursuant to Minnesota Statutes, Chapter 462C, as amended, and a resolution adopted by the Board on June 13, 2013 (the “Note Resolution”). The HRA loaned the proceeds of the Series 2013B Note (the “Loan”) to Northfield Care Center, Inc. and Northfield ParkView, Inc., both Minnesota nonprofit corporations (collectively, the “Original Borrowers”), pursuant to the terms of a Loan Agreement, dated as of June 27, 2013 (the “Loan Agreement”), between the HRA and the Original Borrowers. The HRA assigned its rights to the basic payments and certain other rights under the Loan Agreement to Choice Financial Group dba Choice Bank (formerly known as Venture Bank) (the “Lender”), pursuant to a Pledge Agreement, dated as of June 27, 2013 (the “Pledge Agreement”), between the HRA and the Lender.

The Original Borrowers used the proceeds of the Series 2013B Note to refund the HRA’s Housing Revenue Bonds, Series 2006A and Housing Revenue Bonds, Series 2006B (Northfield Retirement Center Project) which previously financed the expansion and remodeling of existing multifamily senior rental housing facilities known as Northfield ParkView located at 910 Cannon Valley Drive and financed construction of the memory care facility known as Evergreen Lodge located at 912 Cannon Valley Drive West in the City (collectively, the “Housing Facilities”) and the existing skilled nursing facility known as Northfield Care Center located at 900 Cannon Valley Drive (the “Northfield Care Center” and, together with the Housing Facilities, the “Project”).

Vivie Senior Living of Northfield LLC, the sole member of which is Vivie (formerly known as KNWM), a Minnesota nonprofit corporation (the “Borrower”) is acquiring the Project from the Original Borrowers. The Borrower will assume all of the Original Borrower’s obligations under the Loan Agreement, Pledge Agreement, and the Series 2013B Note pursuant to a Master Assignment and Assumption Agreement and other documents required by the Lender and the Borrower (collectively, the “Amendments”). The Amendments will cause a reissuance of the Series 2013B Note for tax purposes pursuant to Section 1.1001-3 of the Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended (the “Code”). While this is not a new bond issuance, for tax purposes, the Series 2013B Note will be treated as if it will be refunded on the effective date of the Amendments.

As required by the Section 147(f) of the Code, the City Council will hold a public hearing on May 6, 2025 and thereafter consider a resolution approving the Amendments. In addition, the Board of Commissioners of the HRA will consider a resolution approving the Amendments on May 1, 2025.

The Series 2013B Note is a conduit revenue bond and will continue to be secured solely by the revenues derived from the Loan Agreement and from other security provided by the Borrower in connection with the Series 2013B Notes. The Series 2013B Note as reissued will not constitute a general or moral

obligation of the City or the HRA and will not be secured by or payable from any property or assets of the City or the HRA (other than the interests of the HRA in the Loan Agreement) and will not be secured by any taxing power of the City or the HRA. The Series 2013B Note as reissued will not be subject to any debt limitation imposed on the City or the HRA and will not impact the City or the HRA's credit rating.

The Series 2013B Note is proposed to be reissued as a tax-exempt obligation, the interest on which is not includable in gross income for federal income tax purposes. Tax-exempt obligations are usually not eligible for purchase by banks and other financial institutions, but Section 265(b)(3) of the Code permits each issuer of tax-exempt obligations to designate up to \$10,000,000 of tax-exempt bonds as "qualified tax-exempt obligations" (sometimes referred to as "bank-qualified bonds") that are eligible for purchase by banks and other financial institutions. Based on representations of the Borrower, it is expected that the HRA will deem designate the Series 2013B Note as bank qualified under 265(b)(3)(D)(2) of the Code. As such, it is not expected that the reissuance of the Series 2013B Note will count towards the \$10,000,000 limit of bank qualified bonds that the HRA may issue in 2025.

Under the terms of the Loan Agreement, the Borrower will pay all of the City and the HRA's fees and expenses.