

MEMORANDUM

TO: City of Maple Grove, Minnesota

FROM: Catherine Courtney; Dan Andersen

DATE: March 20, 2023

RE: **Resolution Approving Modification of Conduit Bonds**

Enclosed is a resolution for consideration by the City Council at its upcoming meeting on March 20, 2023. As more fully set forth below, the resolution approves the amendment of certain interest rate mechanisms set forth in conduit bonds issued by the City of Maple Grove (the “City”) for the benefit of Riley Family Eagle Lake, LLLP, f/k/a Eagle Lake Associates Limited Partnership, a Minnesota limited liability limited partnership (the “Borrower”). The proposed amendments do not affect the City’s obligations under the bonds—the City will continue to have no duty to make any payments or pledge any security to the repayment of the bonds, which each remains the responsibility of the Borrower.

Background

Acting as an issuer of conduit bonds, the City issued its Multifamily Housing Revenue Refunding Bonds, Series 2013 (Eagle Ridge Apartments Project) (the “Bonds”) to Wells Fargo Bank, National Association (the “Sole Bondholder”), on August 1, 2013. The Bonds were issued in accordance with an Indenture of Trust dated as of August 1, 2013 (the “Original Indenture”), between the City and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The proceeds of the Bonds were loaned by the City to the Borrower for the purpose of refinancing the acquisition, construction, and equipping of a 245-unit multifamily housing development located at 7020 Magda Drive in the City of Maple Grove, Minnesota. The Borrower agreed to repay and secure the Bonds to the Sole Bondholder. The City did not pledge any payment or security in connection with the Bonds.

With the consent of the Borrower and the Sole Bondholder, the City and the Trustee subsequently entered into a First Supplemental Indenture of Trust, dated as of September 1, 2018 (the “First Supplemental Indenture”) and a Second Supplemental Indenture of Trust, dated as of December 20, 2019 (the “Second Supplemental Indenture,” with the Original Indenture and the First Supplemental Indenture, the “Current Indenture”).

The First Supplemental Indenture and the Second Supplemental Indenture each modified how the interest rate on the Bonds is calculated.

At present, the interest rate on the Bonds is a variable rate based on the London Interbank Offered Rate (“LIBOR”)—a key benchmark rate for setting the interest rates on adjustable rate loans around the world. On June 30, 2023, LIBOR is being phased out and will no longer be available. This necessitates a change to the benchmark rate used to set interest rates on the Bonds.

Proposed Council Action

The Sole Bondholder, the Trustee, and the Borrower have selected a benchmark rate to replace LIBOR upon its unavailability. In order to document this change, they have asked the City and the Trustee to enter into a Third Supplement Indenture of Trust (the “Third Supplemental Indenture”) to amend how the interest rate is calculated for the Bonds. A substantially final version of the Third Supplemental Indenture is enclosed with this memorandum.

The City is being asked to approve the execution of the Third Supplemental Indenture evidencing the new rates for the Bonds. Enclosed with this memorandum is a draft resolution for your consideration that approves the form of the Third Supplemental Indenture and authorizes its execution.

Effect

The Third Supplemental Indenture does not affect the City’s obligations under the Bonds or create any new liabilities for the City. The City will not be responsible for paying any bank or legal fees in connection with the execution of the Third Supplemental Indenture or for making any payments or pledging any security to the repayment of the Bonds. The Sole Bondholder is coordinating the drafting and execution of the documents, and Bond Counsel will be issuing an opinion that the revisions do not adversely affect the tax-exempt status of the Bonds.

If you have any questions, please call Dan Andersen at 612.977.8290.