

July 3, 2008

THE HONORABLE MAYOR
AND
MEMBERS OF CITY COMMISSION

A request has been received from the Oakland County Economic Development Corporation (EDC) to waive jurisdiction and approve the project plan for the National Shrine of the Little Flower Project. Approval of the request would permit the reimbursement of previous expenditures and finance future expenditures related to the construction of the Field House, Performing Arts Renovations and other upgrades at Shrine Catholic High School, utilizing EDC financing of up to \$5,000,000 through Oakland County. The project costs are estimated at \$4,175,000.

The expansion/renovations of the high school, at 3500 W. 13 Mile Road, was approved by the Plan Commission on June 12, 2007.

According to the information provided, other than the construction jobs created by the project, the project will have no immediate effect on employment. It is also the Oakland County EDC's opinion that this project is eligible for assistance as a 501(c)(3) organization. See attached information and EDC Fact Sheet.

Should the City Commission concur with that interpretation, the following resolution is recommended and is appropriate to waive jurisdiction:

WHEREAS, National Shrine of the Little Flower, a Michigan 501(c)(3) entity (the Company), which presently is located in Royal Oak, Michigan, is purposing to construct/expand its high school in the City of Royal Oak for it's use; and

WHEREAS, they are interested in pursuing the issuance of industrial revenue bonds ("IRBs") through the Economic Development Corporation of the County of Oakland ("Oakland County EDC") as a means of financing it's proposed project; and

WHEREAS, the Oakland County EDC is currently active in assisting businesses through the entire process of issuing IRBs; and

WHEREAS, Act 338 of the Michigan Public Acts of 1974, as amended ("EDC Act"), requires a waiver of jurisdiction by the governing body of any municipality in which a project to be financed under the EDC Act is located, if that municipality has an Economic Development Corporation;

NOW, THEREFORE, BE IT RESOLVED, that pursuant to the EDC Act, the Royal Oak City Commission hereby APPROVES the aforementioned waiver of jurisdiction with respect to the Company's project to allow the Oakland County EDC jurisdiction for National Shrine of the Little Flower for issuance of IRBs for the aforementioned project.

The following resolution is recommended and appropriate to approve the project plan:

**CITY COUNCIL
OF THE
CITY OF ROYAL OAK**

(National Shrine of the Little Flower Project)

**RE: RESOLUTION APPROVING PROJECT PLAN
(NATIONAL SHRINE OF THE LITTLE FLOWER PROJECT)**

WHEREAS, there exists in the County of Oakland the need for programs to alleviate and prevent conditions of unemployment, to assist and retain local industrial and commercial enterprises, and to encourage the location and expansion of such enterprises in order to strengthen and revitalize the County's economy and to provide needed services and facilities to the County, the City of Royal Oak, and their residents; and

WHEREAS, the Economic Development Corporations Act, Act No. 338 of the Michigan Public Acts of 1974, as amended (the "Act"), provides a means for the encouragement and assistance of industrial and commercial enterprises in locating, purchasing, constructing, reconstructing, modernizing, improving, maintaining, repairing, furnishing, equipping and expanding in the City and the County; and

WHEREAS, The Economic Development Corporation of the County of Oakland (the "EDC") has commenced proceedings for the assistance, pursuant to the provisions of the Act and through the issuance of its limited obligation economic development revenue bonds, of the National Shrine of the Little Flower Project (the "Project") which is located in this City; and

WHEREAS, the EDC has determined that the Project is reasonable and necessary to effectuate the purposes of the Act, that the Project Plan prepared in connection with the Project satisfies all of the requirements of Section 8 of the Act regarding project plans, that the persons who will be active in the management of the Project for at least one (1) year after the projected date of the County Board of Commissioners' approval of the Project Plan will have sufficient ability and experience to manage the Plan properly, that the proposed method of financing the Project is feasible, and the EDC has approved the Project Plan in the form attached hereto as Exhibit A; and

WHEREAS, before this Project can proceed under the Act, this City Commission must approve the Project Plan; and

WHEREAS, this City Commission has reviewed the subject Project Plan and concurs in the determinations of the EDC with respect thereto;

NOW, THEREFORE, BE IT HEREBY RESOLVED:

1. That in accordance with the Act, this City Commission hereby approves the Project Plan attached to this resolution as Exhibit A.

2. That the Clerk of this City be and hereby is instructed to communicate this approval of the Project Plan to the Board of Directors of the EDC by delivering to said Board of Directors a certified copy of this resolution.

YEAS: Members: _____

NAYS: Members: _____

ABSENT: Members: _____

ABSTENTIONS: Members: _____

RESOLUTION DECLARED ADOPTED:

City Clerk

STATE OF MICHIGAN)
) SS.
COUNTY OF OAKLAND)

I hereby certify that the foregoing is a true and complete copy of a resolution adopted at a meeting of the City Commission of the City of Royal Oak, Michigan, held on _____, 2008, the original of which is on file in my office. Public notice of said meeting was given pursuant to and in compliance with Act No. 267 of the Michigan Public Acts of 1976, as amended.

City Clerk

Dated: _____



Timothy E. Thwing
Director of Planning

Approved,



Thomas R. Hoover
City Manager

cc: Monsignor Easton
The National Shrine of the Little Flower Catholic Church
2123 Roseland Avenue
Royal Oak, MI 48073

Matthew York
Associate Director of Development
National Shrine Parish & Schools
2123 Roseland Avenue
Royal Oak, MI 48073

Mary Langhauser
Economic Development Corporation
of the County of Oakland
Executive Office Building
1200 N. Telegraph Road
Pontiac, MI 48341-0412

Garrett VonEye
Planning & Economic Development Services
Oakland County
2100 Pontiac Lake Road, Building 41 W
Waterford, MI 48328

*The Honorable Mayor and
Members of City Commission
Approval EDC – National Shrine of the Little Flower
July 3, 2008*

**ECONOMIC DEVELOPMENT CORPORATION
OF THE
COUNTY OF OAKLAND**

***QUALIFIED 501(c)(3) BOND
FACT SHEET***

(FOR NONPROFIT ORGANIZATIONS)

THE OAKLAND COUNTY ECONOMIC DEVELOPMENT CORPORATION (“EDC”)

The EDC was established in 1980 under Act No. 338 of the Michigan Public Acts of 1974, as amended, the Economic Development Corporations Act, in order to stimulate business capital investment, contribute to the area’s employment, increase local tax base, and provide needed public services.

In order to achieve these goals and strengthen the County’s economy, the EDC was given the authority to acquire property, develop land, construct buildings and finance equipment and machinery for either commercial (including nonprofit) or manufacturing enterprises. The most important tool available to the EDC to perform these activities is its ability to issue tax-exempt revenue bonds.

WHAT ARE TAX-EXEMPT “QUALIFIED 501(c)(3) BONDS”?

Qualified 501(c)(3) bonds are bonds issued by the EDC to finance the acquisition, construction, installation, improvement, expansion or rehabilitation of real and/or personal property owned or to be owned by a nonprofit organization which has been granted an exemption from paying federal income tax by the Internal Revenue Service because the organization’s purposes or activities are described in Section 501(c)(3) of the Internal Revenue code of 1986, as amended (including religious, charitable, scientific, testing for public safety, literary or educational purposes). Qualified 501(c)(3) bonds have been issued by the EDC to finance such diverse nonprofit facilities as nursing homes, hospital and mental health facilities, substance abuse centers and private K-12 schools. The bonds are limited obligations of the EDC payable solely from revenues or other funds provided by the nonprofit organization. The interest paid on the bonds is tax-exempt because the EDC is a governmental entity (the interest on whose obligations is not taxable under specific provisions of the Internal Revenue Code).

ECONOMIC BENEFIT OF QUALIFIED 501(c)(3) BONDS

The principal benefit of qualified 501(c)(3) bonds is their low rate of interest. Because the interest on the bonds is not taxable, the interest rate will always be lower than the rate on obligations of a comparable credit, which is not tax-exempt. Qualified 501(c)(3) bonds can also be structured in a variety of ways to fit the mentality and economic situation of any borrower. For example, such bonds can be issued as “lower floaters”, the interest rate on which is reset every seven days and which can be prepaid at any time without premium. Alternatively, 501(c)(3) bonds can be issued as fixed rate bonds with maturities as long as the useful life of the assets being financed. Lower floaters invariably bear the lowest rate of interest.

WHAT CAN BE FINANCED WITH QUALIFIED 501(c)(3) BONDS?

- A. Any **capital assets** owned or to be acquired by a Section 501(c)(3) organization which will be used in furtherance of the exempt purposes of the organization, including **land, buildings, site work and equipment**, plus certain **soft costs and fees** related to the financing, can be financed with the proceeds of qualified 501(c)(3) bonds. **New construction and new equipment, renovations of or improvements to existing facilities, and acquisitions of existing buildings and used equipment** can all be financed.
- B. **Existing 501(c)(3) bonds** can be refinanced or “**refunded**” to lower the interest cost or extend maturities (within specified limitations) of existing 501(c)(3) bonds. The refunding also can be combined with a 501(c)(3) bond financing of new construction or equipment under a single bond issue.
- C. **Existing conventional debt** incurred to acquire or construct capital assets can also be refinanced with tax-exempt bonds, depending upon the particular circumstances.
- D. Up to 2% of the principal amount of the bonds can be used to pay **issuance costs**, viz., attorney, underwriter, trustee, EDC and bank fees. In addition, fees payable to a bank for a letter of credit to secure the bonds are also financeable above and beyond the 2% limit.

SELLING QUALIFIED 501(c)(3) BONDS

Today, most 501(c)(3) bonds are sold publicly or privately placed with institutional investors by investment banking firm or placement agent, which is selected by the borrower. Occasionally, financial institutions such as banks or insurance companies will purchase the bonds directly. In the typical case involving a public sale or private placement, the borrower retains an investment banking firm or placement agent to arrange for the sale of the bonds. Because the bonds are usually sold to more than one investor, a trustee must be selected by the borrower to act on behalf of the proposed bond purchasers.

“CREDIT ENHANCEMENT” (LETTERS OF CREDIT)

To enhance the marketability of 501(c)(3) bonds, and thereby lower the interest rate, investment bankers often recommend that the borrower “enhance” the bonds by obtaining a letter of credit from a major financial institution to secure the payment of debt service. The borrower’s ability to obtain such a letter of credit, and the terms upon which the letter is issued, will depend entirely upon the credit of the borrower. Investment banking firms selected to underwrite or place the bonds will often be able to assist in obtaining and negotiating a letter of credit.

FINANCING STRUCTURE

In every case, the borrower will execute a loan agreement with the EDC, pursuant to which the EDC agrees to loan the proceeds of its bonds to the borrower and the borrower agrees to repay the loan in accordance with the payment terms of the bonds. The EDC executes a trust indenture with the trustee for the bondholders, which provides the terms pursuant to which the bonds are to be issued and repaid. Other documents, such as a mortgage or guaranty, may be executed to secure either the bonds themselves or the issuer of a letter of credit or other enhancement.

Upon the sale and delivery of the Bonds, i.e., the closing of the transaction, the bond proceeds are deposited with the trustee for loan to the borrower. The borrower generally requisitions bond proceeds from the trustee as needed to pay project costs. The borrower retains full ownership of the financed facilities, subject only to such liens as already exist or may be imposed as security in connection with the issuance of the bonds.

Although the bonds are issued by the EDC, only the borrower is responsible for their eventual repayment. The full faith and credit of the local municipality or the County of Oakland is not involved in any way.

OAKLAND COUNTY EDC FEE SCHEDULE

The following schedule of fees payable by the applicant to the Economic Development Corporation of Oakland County has been adopted.

<u>Amount</u>	<u>Payable</u>
\$500.00.....	Upon Application
\$500.00.....	Upon Issuance of a Resolution Inducement
\$500.00.....	Upon Approval of the Project Plan
1/8% of the face amount of the bond issue.....	At Bond Closing
All variable processing costs including General counsel review and printing/ Publication charges incurred.....	At Bond Closing

BOND COUNSEL FEE SCHEDULE

The fees of Howard & Howard as Bond Counsel depend upon the size and complexity of the financing. For bond issues in excess of \$1.5 million, which are secured by a letter of credit, the minimum fee is \$15,000 plus actual out-of-pocket expenses (such as photocopying, overnight mail and facsimiles). Factors which may affect the fee are the type of credit enhancement, whether the issue will be rated by a national rating agency, whether the interest rate is fixed or floating (single or multi-mode) and whether the business benefiting from the financing is manufacturing, solid waste disposal or non-profit.

INQUIRIES AND INFORMATION

All inquiries relating to The Economic Development Corporation of the County of Oakland or any additional information on economic development and business assistance can be directed to Mary Langhauser at (248) 858-0879. The registered address of the EDC for all correspondence is:

Economic Development Corporation
of the County of Oakland
Executive Office Building
1200 N Telegraph Road
Pontiac, MI 48341-0412