
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: December 1, 2006

SUBJECT: **Public Hearing Relating to Tax-Exempt Financing for AlloSource**

AFFECTED COUNCIL DISTRICTS: District 6

STAFF REPORT BY: Gary Mumford

ADMINISTRATIVE DEPT. Mayor's Office & Treasurer's Office
AND CONTACT PERSON: Ed Butterfield, Dan Mulé

NOTICE REQUIREMENTS: Newspaper advertisement 14 days prior to the Public Hearing
Published November 20, 2006

CC: Sam Guevara, Alison McFarland, Ed Butterfield, Steve Fawcett, Dan Mulé

On November 14, 2006, the Salt Lake City Council set the date for a public hearing relating to the issuance by Colorado Health Facilities Authority of revenue bonds for AlloSource, a nonprofit corporation. The Colorado Health Facilities Authority will be the conduit borrower. Because a portion of the equipment will be located in Salt Lake City, AlloSource is requesting that the City hold a Tax Equality and Fiscal Responsibility Act (TEFRA) hearing and adopt a resolution of support. Salt Lake City has no liability and no other involvement in issuing the bonds besides holding the public hearing and adopting a resolution approving the issuance of bonds. The president and CFO of AlloSource, Elizabeth Hearty, will be present at the Council's work session and at the TEFRA hearing in case there are questions.

AlloSource is a 501c3 non-profit company headquartered in Colorado with a branch facility located in Salt Lake City at 675 Arapeen Drive #102 in Research Park. Approximately \$1.3 million of bond proceeds will be for equipment to be located at AlloSource's Salt Lake City facility in Research Park. The Colorado Health Facilities Authority is serving as the financing conduit for the entire financing, as this Colorado entity has the ability to complete financings for multi state jurisdictions. The financing process requires that local notice be provided to the general public and the opportunity for public comment (TEFRA hearing). AlloSource's bond counsel drafted and coordinated the necessary resolution with the Salt Lake City Attorney's Office. AlloSource paid the costs associated with the notice and publication.

POTENTIAL MOTION:

If the Council desires to approve the issuance of bonds by the Colorado Health Facilities Authority for the AlloSource project, the following motion would be appropriate:

1. ["I move that the Council"] **Adopt a resolution approving the issuance of Colorado Health Facilities Authority revenue bonds in a maximum amount of \$16,000,000 for the purposes of financing and refinancing the costs of acquisition, construction, improvement, renovation, remodeling, furnishing and equipping of certain health facilities and certain other matters relating thereto.**

BACKGROUND:

AlloSource was founded in Colorado in 1994 as a provider of bone and soft tissue allografts for use in medical treatments. Allografts are tissues transplanted from one person to another. The tissue comes from deceased donors. Literature from AlloSource states that allograft transplantation is a fairly common procedure used to treat individuals with trauma, sports and age-related injuries. AlloSource's main facility and its facility in Salt Lake City are both accredited by the American Association of Tissue Banks according to the Association's web site.



ROSS C. "ROCKY" ANDERSON
MAYOR

SALT LAKE CITY CORPORATION

OFFICE OF THE MAYOR

CITY COUNCIL TRANSMITTAL

TO: Rocky Fluhart, Chief Administrative Officer *Sam* **DATE:** November 7, 2006

FROM: Alison McFarlane, Senior Advisor for Economic Development *AM*

SUBJECT: AlloSource TEFRA (Tax Equality and Fiscal Responsibility Act) Hearing

STAFF CONTACTS: Edward Butterfield, Small Business/Economic Development Manager

ACTION REQUIRED: Request that City Council hold a TEFRA hearing on December 5th or December 12th.

DOCUMENT TYPE: Briefing

BUDGET IMPACT: None

DISCUSSION: The Administration requests a TEFRA (Tax Equality and Fiscal Responsibility Act) hearing at a regular City council meeting on December 5th or December 12th, **as required by the federal tax code** to ensure public review of tax-exempt financing projects through which the federal government will forego the collection of taxes.

AlloSource, a medical company headquartered in Centennial, Colorado is in the process of completing tax-exempt conduit financing through the Colorado Health Facilities Authority. The Colorado Health Facilities Authority is serving as the financing conduit for the entire financing, as they have the ability to complete financings for multi-state jurisdictions. The financing process requires that local notice be provided to the general public, as well as the opportunity for public comment through a TEFRA hearing.

The proceeds of the financing will be used to:

- 1) Refinance outstanding debt for AlloSource's main facility located in Colorado
- 2) Purchase essential operating equipment to be located at the Company's main facility and in a second facility located in Salt Lake City, UT (formerly US Tissue and Cell, 675 Arapen Drive #102, Salt Lake City, UT, 84108).

The total amount of the project is approximately \$15 million, with \$1.3 million in equipment to be located at the Salt Lake City facility.



Founded in 1994, AlloSource, of Centennial, Colorado is one of the nation's largest non-profit providers of bone and soft tissue allografts for use in a host of medical treatments. AlloSource was one of the first national tissue networks to have all facets of bone and tissue recovery, including processing and distribution, entirely accredited by the American Association of Tissue Banks (AATB) and is completely non-profit in nature.