
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: November 9, 2006

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

AFFECTED COUNCIL DISTRICTS: District 6

STAFF REPORT BY: Gary Mumford

ADMINISTRATIVE DEPT. AND CONTACT PERSON: Economic Development – Mayor’s Office
Ed Butterfield

NOTICE REQUIREMENTS: Newspaper advertisement 14 days prior to the Public Hearing

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

KEY ELEMENTS:

AlloSource is a non-profit company headquartered Colorado that is a provider of bone and soft tissue transplants for use in medical treatments. AlloSource is in the process of seeking \$15 million of tax-exempt financing including approximately \$1.3 million for equipment to be located at AlloSource’s Salt Lake City facility in Research Park. The Colorado Health Facilities Authority will be the conduit borrower. Because a portion of the equipment will be located in Salt Lake City, AlloSource’s bond counsel is requesting that the City hold a Tax Equality and Fiscal Responsibility Act (TEFRA) hearing and adopt a resolution of support. AlloSource is requesting that the Council hold the hearing in December. The TEFRA hearing requires 14-day newspaper notice. The City has no liability or involvement in issuing the bonds. A representative of the non-profit company or its bond counsel will be present at the TEFRA hearing in case there are questions.

MATTERS AT ISSUE:

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. 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 is asking for Salt Lake City’s help in completing the TEFRA notice and hearing at a regular City Council meeting on December 5 or December 12. The bond counsel for the financing will draft and coordinate all of the necessary documents, and AlloSource will pay costs associated with the notice and publication. A representative will be present at the City Council meeting when the hearing takes place to answer any questions that may come up.

Council staff recalls one other instance where the Council held a TEFRA hearing relating to bonds that were issued by another government entity. In this instance several nursing homes were to be remodeled and upgraded including one nursing home located in Salt Lake City. In this case, Salt Lake City was also not involved in issuing the bonds and had no potential liability.

OPTIONS:

The Council may wish to consider setting the date for a public hearing under the Tax Equality and Fiscal Responsibility Act (TEFRA) and, following the public hearing, consider adopting a related resolution approving the issuance of the bonds by the Colorado Health Facilities Authority for the AlloSource project. The resolution states: "The City of Salt Lake does not bear any responsibility for the tax-exempt status of the bonds, the debt service on the bonds or any other matter related to the bonds.

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 donor. 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.