

HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 8, 2023

REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE PROPOSED ISSUANCE OF CONDUIT REVENUE BONDS FOR THE COMMUNITY SCHOOL OF EXCELLENCE PROJECT, 270 LARPENTEUR AVENUE WEST, UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655, AS AMENDED, DISTRICT 6, WARD 5

Requested Board Action

Public hearing and preliminary approval to issue up to \$59,000,000 in conduit revenue bonds for CSE Building Company, a nonprofit corporation (the “Borrower”) for the benefit of the Community School of Excellence Charter School (the “School”).

Background

The Community School of Excellence Charter School (the “School”) is a Pre-K through Grade 12 Minnesota public charter school currently operating at 270 Larpenteur Avenue West and 240 Plato Boulevard. They have been operating since 2007 serving grades pre-K through 8 and expanded to high school grades 9 through 12 in 2019 and will be graduating their first class this June. The School’s current enrollment is 1,499.

The School and their building company are proposing to construct a 3-story approximately 68,000 SF addition to the school building at 270 Larpenteur Avenue West (the “Project”). The High School has been operating out of leased space at 240 Plato Boulevard and will move to the main campus once the addition is completed in the fall of 2024. The CSE Building Company will be the Borrower and lease the facility to the School.

The School completed a Facility Needs Analysis and determined the addition to their existing campus was the best and most feasible option. The new addition will consist of classrooms, cafeteria, storm shelter/gymnasium, kitchen, media center and administration offices for the high school program. The addition will be constructed on vacant and underutilized land on their campus. The authorizer for the School is the Minnesota Guild of Public Charter Schools.

In 2016, the HRA issued \$30,395,000 in conduit revenue bonds to finance the acquisition and construction of the existing facility at 270 Larpenteur Avenue West (the “2016 Bonds”). The current outstanding balance of the 2016 Bonds is \$29,725,000.

The HRA has received an application on behalf of the School to issue up to \$59 million in conduit revenue bonds to refund/refinance the 2016 Bonds and to finance the new addition to the School (the “2023 Bonds”). The School’s enrollment is expected to increase to about 1,735 over the next five years.

The Project property is zoned a mixed of RM1 and R2 in District 6. The Project requires a variance from the provisions of Section 63.110 of the Saint Paul Legislative Code pertaining to the minimum percentage of window and door openings required facing the public street or sidewalk. The North End Neighborhood Organization District Council submitted a letter of support for the requested variance. The BZA adopted a resolution approving the variance on January 9, 2023. The North End Neighborhood Organization District Council also submitted a letter of support for the Project which is **attached**.

Budget Action

This is a conduit bond issue. The 2023 Bonds shall not constitute an indebtedness, liability, general or moral obligation, or pledge of the faith or credit or taxing power of the HRA, City of Saint Paul, or any agency or political subdivision thereof, and shall not constitute indebtedness of any of the foregoing within the meaning of any constitutional, statutory, or charter provision, nor be a charge against their respective general assets, credit or taxing powers, and do not grant the owners or holders of the bonds any right to have the HRA, City of Saint Paul or any agency or political subdivision thereof to levy any taxes or appropriate any funds for the payment of the principal thereof or interest thereon. Principal and interest on the 2023 Bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

Future Action

Final HRA approval will be sought on February 22, 2023, with a planned closing by the end of March.

Financing Structure

Robert W. Baird & Co. Incorporated ('Baird') is underwriting the bond financing. The Bonds will be rated and offered with estimated tax-exempt interest rates ranging from 4.0% to 5.25%, with a final maturity of 6/15/2058 (an additional 11 years from 7/1/2047 maturity date of the 2016 Bonds). Baird is working with the rating agency and anticipates achieving a rating in the BB category. The 2016 Bonds are not rated.

The Bonds will be publicly offered in minimum bond denominations consistent with PED’s conduit bond policy dependent on the achieved rating. Our policy requires \$25,000 minimum bond denominations for a rating in the BB category. The total estimated cost of the project is \$53,865,808 as shown below:

<u>Sources of Funds</u>	<u>Amount</u>
Proceeds from 2023 Bonds	51,190,000
Net Original Issue Discount (OID)	(550,099)
2016 Bonds Debt Service Fund	754,055
2016 Bonds Debt Service Reserve Fund	2,294,775
Owner’s Equity	177,077
Total Sources	\$53,865,808

<u>Uses of Funds</u>	<u>Amount</u>
Deposit to Refund 2016 Bonds	\$30,674,138
Deposit to Construction Fund	18,750,000
Debt Service Reserve Fund (DSRF)	3,246,963
Underwriter’s Discount	511,900
Costs of Issuance/Rounding	682,807
Total Uses	\$53,865,808

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on January 31, 2023, and found it to be consistent with PED’s conduit bond policy.

Compliance

The Borrower has acknowledged receiving City/HRA compliance documents specifying that the following compliance requirements are applicable to this project:

- Vendor Outreach Program, Chapter 84.01.
- Affirmative Action, Chapter 183.04 applies to both the contractor and the borrower.
- Little Davis-Bacon Labor Standards applies to the construction work.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will result in continued educational opportunities for over 1,700 students in grades K through 12. This Project will create an estimated 150 construction jobs. The School currently employs 160 persons and anticipates adding 30 new FTE jobs with the added space and as the School's enrollment grows.

The School's proposal conforms to the 2040 Comprehensive Plan. The Future Land Use Plan provides for the existence and expansion of schools as consistent with the urban neighborhood designation. The urban neighborhood designation / land use classification allows for schools. Further, the school is existing - expansion is logical and reasonable given the total land area of the parcels owned and plans proposed. The following policies in the Land Use (LU) and Housing (H) chapters apply:

- Policy LU-5 encourages flexible building design to ensure ongoing functionality and viability, and to respond to new market conditions.
- Policy LU-8 ensure that zoning and infrastructure support environmentally and economically efficient, resilient land use development.
- Policy H-52 encourages collaboration with educational partners to ensure that school choice and location further housing investment and neighborhood stability.

Statement of Chairman

“Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. This is a Public Hearing called for the purpose of preliminarily approving the issuance of approximately \$59 million in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Community School of Excellence Project. Notice of time, place, and purpose of this hearing was published in the Pioneer Press, a newspaper of general circulation in the City on 24th day of January 2023. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings. Is there anyone who wishes to be heard on this matter? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

The HRA Executive Director recommends approval of the resolution which provides preliminary approval for the issuance of up to \$59,000,000 in conduit revenue bonds for the Community School of Excellence Project.

Sponsored by: Commissioner Amy Brendmoen

Staff: Jenny Wolfe, 266-6680

Attachments

- D6 Letter of Support
- Map
- D6 North End Neighborhood Profile