

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 8, 2017

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
CONDUIT HEALTH CARE REVENUE NOTES FOR THE CERENITY –
MARIAN OF ST. PAUL PROJECT, LOCATED AT 200 EARL STREET,
AND APPROVING RELATED DOCUMENTS, DISTRICT 4, WARD 7**

Requested Board Action

Approval for the HRA to issue up to \$18,000,000 in conduit health care revenue notes (“Bonds”) for the Cerenity – Marian of St. Paul LLC, a nonprofit corporation (“Borrower”).

Background

The Borrower is currently operating the Care Center at Cerenity Marian, located at 200 Earl Street, which includes a combined 90-bed skilled nursing facility and 60-unit assisted living facility (the “Care Center”). Within the Care Center, the Borrower provides skilled nursing, transitional care, assisted living and memory care assisted living. The Borrower is comprised of the Benedictine Health System, HealthEast Care System and Clement Manor, Inc. The Care Center was originally constructed in the 1960’s as Mounds Park Hospital and was converted to a skilled nursing facility in 1987. The Borrower also operates additional senior care centers in Saint Paul and White Bear Lake, with a total of 285 skilled nursing beds and 160 assisted living units. The other location in Saint Paul is the Cerenity Care Center and Residence on Humboldt, located at 512 and 514 Humboldt, with 147 skilled nursing beds and 117 assisted living units.

The HRA has received a revised application from the Borrower to issue conduit revenue bonds in the approximate amount of \$17,550,000 to assist in financing extensive interior renovations of the Care Center in order to modernize the facility and create more private skilled nursing rooms and reduce the number of assisted living units (the “Project”). The renovations will increase the number of private nursing beds by 61, while maintaining a total of 90 beds, resulting in 74 beds in private rooms and 16 beds in shared rooms, and the renovations will reduce the number of assisted living units from 60 to 30. The total unit count in the Care Center will reduce from 150 to 120 (90 nursing beds and 30 assisted living units).

The Borrower plans to start construction in December 2017. The construction would be completed in three phases over a 26-month period, with completion in February 2020. During construction the skilled nursing will remain in operation and the assisted living/memory care units will be closed.

The Project is located in an RM2/RC-4 zoning district, which permits the Borrower's current land uses (a map of the Project is attached). The demographic profile of District 4, the Saint Paul Planning District in which the Project is located, is attached. No existing businesses will be displaced or relocated as a result of this project, and no land acquisition took place as a result of eminent domain. The Borrower has communicated with the Executive Director of District 4 Dayton's Bluff Community Council about their proposed Project. The Executive Director was in support of the Project and invited the Borrower to a future board meeting to discuss further. The Borrower will also work to prepare a communication plan for the neighborhood

The Care Center is connected to a 127-unit independent and assisted living facility known as Cerenity Residence – Marian which was constructed in 2002. The HRA issued bonds for this facility when it was constructed in 2002, and issued refunding bonds in 2007, of which \$15,300,000 principal is outstanding.

The HRA held a public hearing on October 11, 2017 and adopted a resolution providing preliminary approval of the Project and issuance of the bonds in an approximate amount of \$16,500,000. The requested approval today increases the total bond principal to approximately \$18,000,000 which requires a new public hearing.

Budget Action

This is a conduit bond issue. The 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 Bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

Future Action

No future action by the HRA is needed; the closing is expected to occur in November.

Financing Structure

Piper Jaffray is acting as placement agent with regard to the financing. The Bonds will be structured as a private placement/direct purchase with Premier Bank (the “Bank”), and the HRA will receive an Investor Letter from the Bank and any other qualifying institutions participating in the purchase. The Bonds will have a variable interest rate, with five year resets, and an initial rate estimated at 2.90%. The final maturity is estimated to be November 1, 2032. Annual debt service is projected to be approximately \$988,000 after construction is complete.

The total cost of the project is currently estimated to total \$20,700,000 as shown below:

Uses:	
Renovation Costs	\$14,537,700
FF&E/Fees	2,928,000
Working Capital/Marketing	1,250,000
Contingency	<u>707,000</u>
Subtotal Project Fund	\$19,422,700
Placement Agent Fee	263,250
Capitalized Interest	607,386
Cost of Issuance/Rounding	<u>406,664</u>
Total Uses:	\$20,700,000
Sources:	
HRA Bond Principal	17,550,000
Borrower Equity	<u>3,150,000</u>
Total Sources	\$20,700,000

The financing team includes Piper Jaffray & Co. as placement agent and Kennedy & Graven as bond counsel.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on October 2, 2017, 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

The Saint Paul Sustainable Building Policy does not apply to a project when the only HRA financing is through conduit revenue bonds for a qualifying non-profit entity. However, there are a number of sustainable (green) initiatives found in the Project, including LED fixtures and new energy efficient FCU's.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The public purpose is providing upgraded housing opportunities for seniors in a variety of care levels. An estimated 200 to 300 construction jobs will be created.

This project meets the following citywide Comprehensive Plan (2010) goals:

- 1.1. Increase housing choices across the city to support economically diverse neighborhoods
- 2.18. Support the expansion of housing choices for seniors, particularly in neighborhoods that are underserved

Statement of Chairman (for Public Hearing)

“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 approving the issuance of approximately \$18,000,000 in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Cerenity – Marian of St. Paul Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 23rd of October, 2017, and in the Pioneer Press, a newspaper of general circulation in the City on the 21st of October, 2017. The Affidavits of Publication of each 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 approving the resolution which provides final approval for the issuance of up to \$18,000,000 in conduit health care revenue notes for the Cerenity – Marian of St. Paul Project and execution of related documents.

Sponsored by: Commissioner Prince

Staff: Jenny Wolfe, 266-6680

Attachments

- **Map**
- **District 4 Profile**