

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

REPORT TO THE COMMISSIONERS

DATE: November 28, 2012

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS FOR THE ORDWAY CENTER FOR THE PERFORMING ARTS PROJECT UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1651 AND APPROVING RELATED DOCUMENTS**

**District 17, Ward 2**

## **Requested Board Action**

Public hearing and authorization to issue up to \$11,500,000 in conduit revenue Bonds for the Ordway Center for the Performing Arts, a Minnesota nonprofit corporation (the “Borrower”). The proceeds of the Bonds will be used to finance the construction and equipping of an approximately 1,100-seat concert hall to replace the existing 306-seat McKnight Theatre, and an approximately 15,000 square foot production wing; and the renovation and expansion of approximately 21,000 square feet of office and back of house space located at 345 Washington Street (the “Project”).

## **Background**

The Ordway was founded in 1982 and opened in 1985. The Ordway contains a 1,900 seat Music Theater, the 306 seat McKnight Theatre and two large rehearsal halls. The Ordway has joined with the Minnesota Opera, The Schubert Club and the Saint Paul Chamber Orchestra to form the Arts Partnership. The Arts Partnership has instituted a \$75 million Arts Campaign to address the long-standing challenges of producing at the Ordway Center. The Arts Partnership will use proceeds from the \$75 million campaign to fund the construction and operations of the Project. The total cost of the construction project is estimated at \$39.8 million (this excludes interest costs). In 2008, the Arts Partnership was awarded a \$3,000,000 forgivable loan from the Cultural STAR program (to be received over a ten-year period – 2008 through 2017). Additionally, the Ordway was awarded \$16 million in State Bonding for the Project. Other sources include \$3.1 million in New Markets Tax Credit equity through U.S. Bank Community Development Corporation with an allocation from the Midwest Minnesota Community Development Corporation (MMCDC).

The Ordway and the Arts Partnership have collectively received over \$15.2 million in campaign pledges, excluding NMTC, State Bond and STAR funds, for construction of the Project and continue to actively fundraise. They have received \$2.6 million of verbal pledges that they are working to convert to signed pledges, and \$2.3 million of unrestricted signed pledges available for the Project. Because most of the pledges will not be received until after construction has commenced (including \$2.4 million of the Cultural STAR funds) the proposed bond issue will provide the bridge funds needed to construct the Project.

The Project is located in a B-4 zoning district and the expansion requires the City to vacate a right of way easement of air-rights precipitated by the 2<sup>nd</sup> and 3<sup>rd</sup> story structure extending out above the sidewalk right of way. The City Council will take action on this vacation in the future. See Attachment C for a Map/Address of Property. See Attachment D for a demographic profile of District 17, the Saint Paul Planning District in which the Property is located. No existing businesses will be displaced or relocated as a result of this project, and there was no land acquisition that took place as a result of eminent domain.

### **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 will be required. The bond closing needs to occur by the end of December.

## **Financing Structure**

The total estimated cost of \$39.8 million will be paid for with the Bond proceeds, \$16 million from the State, \$3.1 million in New Markets Tax Credit equity, plus a minimum \$9.2 million of Borrower funds. The Bonds will not be rated and will be structured with fixed interest rates. The final maturity is 7/1/2018 with a projected average interest rate of 2.12%.

The Ordway has requested a waiver of the PED policy regarding unrated conduit bonds. The PED policy requires that unrated bonds be issued in minimum denominations of \$100,000. The Borrower has requested that the HRA authorize the issuance of the bonds as unrated debt in minimum denominations of \$25,000 to be sold to the public upon receipt of a qualified investor letter from the initial purchasers. The Underwriter, Dougherty & Company, indicated the \$100,000 minimum denominations would result in higher interest rates on the bonds, which would then increase the debt service up to \$57,500 annually.

The security for the bonds will be an assignment of existing and future pledges (including the cultural STAR funds) designated for the Project and a general obligation pledge from the Ordway. See Attachment B for the Conduit Bond Financing Schedules which include a Sources and Uses of Funds and Debt Service Schedules.

The Bonds will need to close by the end of December, with materials ordered in January and physical construction starting in March/April, 2013. The project will be completed in the fall of 2015, but the music theatre will continue performances during their regular September through May season.

## **PED Credit Committee Review**

The PED Credit Committee reviewed the proposal for conduit bonds on November 19, 2012, and recommended granting the requested waiver of minimum denominations.

## **Compliance**

The Ordway expansion project will include the following conduit bond compliance requirements: Vendor Outreach Program, Affirmative Action, and City Labor Standards. The Borrower will execute a Compliance Agreement documenting the requirements.

## **Green/Sustainable Development**

The project will comply with the Saint Paul/HRA Sustainable Building Policy.

## **Environmental Impact Disclosure**

N/A

## **Historic Preservation**

N/A

## **Public Purpose/Comprehensive Plan Conformance**

The Project is consistent with the Downtown Development Strategy (2006) as follows:

- Arts, Culture and Entertainment Vision

Downtown's arts, cultural and entertainment attractions will serve an increasing number of downtown and city residents, as well as visitors from throughout the Twin Cities region. Downtown Saint Paul will continue to be a thriving, diverse cultural center, with a growing residential base, served by a strengthened network of green streets and public spaces that connect internally and to adjacent neighborhoods, as well as to the Capitol. Through the preservation and celebration of the Capital City's unique historic resources, and its geographic relationship to the Mississippi River, the quality of life experienced by residents and visitors will be continually enhanced. An expanded Farmers' Market will serve both downtown residents and regional citizens.

- Strategies

3.1. Support the diversity of cultural offerings downtown by continuing to invest in and strengthen downtown's cultural "nodes," such as Lowertown, the emerging West Seventh entertainment district, and the area around Rice Park.

3.22. Encourage new building design and architecture that demonstrate creative, modern interpretations of traditional architectural principles.

Furthermore, this project will:

- create an estimated 735 construction jobs;
- create two new permanent full-time positions; and
- increase part-time hours by 33,280 or 16 FTEs (these hours might be filled from the current pool of part-timers or hiring additional part-timers).

**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 \$11.5 million in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Ordway Center for the Performing Arts. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 12<sup>th</sup> of November, 2012, and in the Pioneer Press, a newspaper of general circulation in the City on the 10<sup>th</sup> of November, 2012. 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:**

HRA Executive Director recommends approval of the Resolution, included as Attachment A, which gives approval for the issuance of up to \$11,500,000 in conduit revenue bonds, for the Ordway Center for the Performing Arts.

**Sponsored by:**           **Chair Thune**

**Staff:**                    Jenny Wolfe, 266-6680

**Attachments**

- **Attachment A – Resolution**
- **Attachment B – Financing Schedules**
- **Attachment C – Map/Address of Project**
- **Attachment D – Census Facts**