

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

REPORT TO THE COMMISSIONERS

DATE: MARCH 11, 2020

**REGARDING: RESOLUTION APPROVING THE ISSUANCE AND SALE OF A
CONDUIT REVENUE NOTE (SCIENCE MUSEUM OF
MINNESOTA PROJECT) SERIES 2020 AND AUTHORIZING THE
EXECUTION OF DOCUMENTS RELATING THERETO, DISTRICT
17, WARD 2**

Requested Board Action

The requested action includes approval for the HRA to issue up to \$15,000,000 in a conduit revenue note for the Science Museum of Minnesota, a Minnesota nonprofit corporation (the “Borrower”). The proceeds of the note will be used to refund an existing HRA-issued note, and finance certain capital equipment, improvements, and upgrades to the Science Museum facility.

Background

The Science Museum of Minnesota (the “Museum”) is one of the state's oldest and best-known cultural institutions, with a history dating back to 1907. The Museum envisions a world in which everyone has the power to use science to make lives better. The Museum serves hundreds of thousands of people each year with a combination of high-quality STEM learning experiences, highly-regarded science and research programs that span the globe, and a world-class collection of nearly two million fossils, artifacts, and cultural objects that span billions of years of Earth’s history. Its facility is a cornerstone of Saint Paul's riverfront. The Museum employs 516 in Minnesota with 502 in Saint Paul.

In 1997, the HRA issued a total of \$45,300,000 in adjustable rate revenue bonds and loaned the proceeds to the Science Museum (\$22,700,000 in Series 1997A and \$22,600,000 in Series 1997B (the “1997 Bonds”). The proceeds from the Series 1997 Bonds were used to construct the 300,000 square foot Science Museum’s facility and parking ramp, located at 120 East Kellogg Boulevard. Additional sources included State GO grant proceeds and City funds. A map of the Project is **attached**. In 2015, the HRA issued a conduit revenue note in the amount of \$16,600,000 to refund

the 1997 Bonds (the “2015 Note”). The current principal balance of the 2015 Note is \$11,900,000 and it matures May 1, 2027.

The HRA has received an application from the Museum to issue a conduit revenue note to refund the 2015 Note and to finance certain capital equipment, improvements, and upgrades to the Science Museum facility (the “2020 Note”).

Additional public debt held by the Museum includes a City loan with an outstanding balance of \$462,967 that matures on 12/1/2021.

Budget Action

This is a conduit bond issue. The 2020 Note 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 is needed; the closing is expected to occur in April.

Financing Structure

The 2015 Note was purchased by US Bank and they have proposed new terms to the Museum to generate \$13,900,000 of proceeds to refund the 2015 Note and provide funds to make improvements to the facility, and to extend the final maturity.

The 2020 Note will be structured as a direct placement with US Bank National Association (the “Bank”). The 2020 Note will have a variable interest rate indexed to the one-month LIBOR and the final maturity will be extended to June 1, 2031. The Bank will execute an investor letter.

The total estimated cost of the Project is \$14,001,000 as shown below:

Sources of Funds

Principal amount of Series 2020 Note	\$13,900,000
Museum Equity	101,000
Total Sources	\$14,001,000

Uses of Funds

Redemption of 2015 Note	\$11,900,000
Deposit to Project Fund	2,000,000
Costs of Issuance	101,000
Total Uses	\$14,001,000

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on March 3, 2020 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

Not applicable.

Environmental Impact Disclosure

Not applicable.

Historic Preservation

Not applicable.

Public Purpose/Comprehensive Plan Conformance

The HRA desires to facilitate the selective development of the community, retain and improve the tax base, and help to provide the range of services and employment opportunities required by the population, including Science Museum facilities. The proposed Project, including the refunding and added improvements will achieve these objectives and will enhance the image and reputation of the community.

The Museum is specifically addressed in the City's Downtown Development Strategy (2006) under the Arts, Culture and Entertainment section with the vision to serve an increasing number of visitors and the strategy to support diversity of cultural offerings downtown. The proposed Project will enable the Museum to continue fulfilling their mission and attracting visitors to downtown Saint Paul.

Recommendation:

The HRA Executive Director recommends approval of the resolution which authorizes the issuance of a conduit revenue note in a principal amount of up to \$15,000,000 and authorizes execution of related documents.

Sponsored by: Commissioner Noecker

Staff: Jenny Wolfe, 266-6680

Attachments

- Map