

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 18, 2020

REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE PROPOSED ISSUANCE OF CONDUIT REVENUE BONDS FOR THE HOPE COMMUNITY ACADEMY CHARTER SCHOOL PROJECT, 720 PAYNE AVENUE, UNDER MINNESOTA STATUTES, SECTIONS 469.152 TO 469.1655, DISTRICT 5, WARD 7

Requested Board Action

The requested action includes approval for the HRA to issue up to \$23,000,000 in conduit revenue bonds for HCA Building Company, a Minnesota nonprofit corporation (the “Borrower”) for the operation of the HOPE Community Academy Charter School (the “School”). The proceeds of the bonds will be used to finance the acquisition of properties adjacent to the School, construction of a 60,000 square foot three-story addition, and renovation of the existing building (the “Project”).

Background

HOPE Community Academy and HCA Building Company are an approved public charter school and an affiliated non-profit building company. The School has operated as a pre-K through grade 8 public school at 720 Payne Avenue in Saint Paul since 2000, with a current reported enrollment of 585 students. The School’s authorizer is the University of St. Thomas.

In 2015, the HRA issued \$10,705,000 in conduit revenue bonds for the School to refund prior bonds issued by the HRA in 2004 and 2005, which proceeds were used to acquire, construct and renovate the existing building for use as the School’s facility, including a 22,000 square foot addition (the “Series 2015”). The building had previously served as office space for the Hamm’s Brewery, which ceased operations in the late 1990’s. The current balance of the Series 2015 bonds is \$9,885,000.

The School submitted an application to the HRA to issue up to \$23,000,000 in conduit revenue bonds (“Series 2020”) to finance the Project, including:

- The 60,000 square foot expansion designed to accommodate:

- Approximately 20 classrooms that will include rooms for standard course education, band, choir, the arts, and supportive functions.
- A cultural center and classroom.
- A regulation high school gymnasium.
- Renovations at the existing facility to include:
 - Modifications to some existing classrooms for reprogramming.
 - Expansion to the cafeteria and kitchen.
 - Relocation and expansion of administrative offices to one centralized location adjacent to the proposed main entrance.
- Acquisition of three adjacent residential properties to provide parking and green space as follows (since the expansion will remove parking for the school):
 - 622 Beaumont Street (PID: 32.29.22.12.0089) which is a duplex, and 0 Beaumont Street (PID: 32.29.22.12.0090) which is a vacant lot, both owned by a single individual, who resides in one of the duplex units;
 - 680 Preble Street (PID: 32.29.22.12.0091) which is a non-homestead residential property

The School will also be expanding to grades 9-12 upon completion of the expansion. They have provided the following information about their growth: “Starting with the move-in year (SY 21-22), HOPE is projecting a growth of between 90-100 students per year for the next five years reaching a full enrollment in SY 25-26 with a total of 1,061 students from grades PK-12th. HOPE currently has three sections of 8th graders that will move into 9th grade. These three sections of 8th graders represent between 70-75 students. This will allow HOPE to accept between 15-20 new students on an annual basis. The slow growth model will allow for the growth to be organic and controlled so that there is no undue pressure to engage in heavy recruitment of new students. This is a model that HOPE has practiced for over 20 years since its inception in 2000.”

A preliminary site plan is **attached**. Construction is expected to start in January 2021 and be completed by December 2021. The Project is in an area with a mix of RM-2 and B-2 zoning and a map is **attached**. The demographic profile of District 5, the Saint Paul planning district in which

the Project is located, is **attached**. The School's Project is adjacent to Swede Hollow Park and the School's team has had and will continue to have conversations with the Parks department.

Budget Action

This is a conduit bond issue. The Series 2020 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

Final approval for the issuance of the Series 2020 bonds is proposed for December 9, 2020, with a bond closing by the end of the year.

Financing Structure

The Series 2020 bonds will be offered through a limited public offering by Colliers International (the "Underwriter"), with fixed tax-exempt interest rates and a total 35-year term (final maturity is 12/1/2055). The Series 2020 bonds will be offered in minimum denominations consistent with PED's conduit bond policy for rated bonds, as determined by the credit rating assigned by S&P Global Ratings. The Series 2015 bonds are currently rated BB and the Underwriter expects to achieve this level of rating for the Series 2020 bonds. This level of rating would require that the Series 2020 bonds be sold in minimum denominations of \$25,000

The total cost of the Project is currently estimated to total \$21,276,019 as shown on the following page.

Sources of Funds	Amount
Series 2020 Bonds	\$20,510,000
Reoffering Premium	425,810
Equity Contribution (Borrower)	340,209
Total Sources	\$21,276,019

Uses of Funds	Amount
Construction Fund	\$17,115,000
Capitalized Interest	1,637,444
Debt Service Reserve Fund	1,764,225
Costs of Issuance/Rounding	759,350
Total Uses	\$21,276,019

The HRA is expected to collect the following fees for this transaction based on the current schedules:

- Application fee of \$5,000 (already paid);
- Closing fee of 0.25% of principal amount issued (\$20,510,000 current estimate): \$51,275
- Annual fees equal to 0.25% of the first \$10 million of bonds outstanding plus 0.125% of the balance outstanding: this results in annual fees starting at \$38,138 declining over the bond term of 35 years with an average annual amount paid of \$32,546. [The total projected fees are \$1,139,000.]

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on November 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

The School's design team continues to refine the Project, and there are several aspects they are exploring to achieve sustainability while maintaining the project budget. Some examples of the design include:

- Re-use and repurposing of existing building stock.
- Energy Efficient, low-E, insulated window systems.
- Finish flooring and ceiling materials using recycled content.
- Locally produced precast concrete wall and floor panels.
- Continuous exterior insulation.
- LED Lighting with dimming capacity.
- Daylight harvesting and borrowed light for interior spaces.
- Occupancy lighting sensors.
- Electronic monitoring of minimum ventilation flows.
- High efficiency (up to 97%) condensing-type domestic and service water heating.
- Underground storm / rainwater management system.
- Reduced exterior water use.
- Increased access for and encouragement of bicycle traffic; reduction of vehicular traffic.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project is expected to create an estimated 120 construction jobs and employment at the School is expected to grow from 81 FTE's to approximately 130 FTE's.

The site is designated for "Mixed Use" by the 2040 Comprehensive Plan, which allows consideration of the proposed use. Zoning approvals such as variances or a conditional use permit may be necessary to allow the use. Generally, the Comprehensive Plan calls for (in Policy LU-6)

growing the tax base, but the small loss in residential tax base to support the educational use is not necessarily in conflict with the Plan. The amount of surface parking should be limited in order to conform to Policy LU-14 (“Reduce the amount of land devoted to off-street parking...”).

The Payne-Phalen District 5 Planning Council will discuss the project at their meeting on November 24, 2020. The outcome of this meeting will be included in the report to the HRA Board requesting final approval, planned for December 9, 2020.

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 \$23 million in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the HOPE Community Academy Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 2nd of November 2020. 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 \$23,000,000 in conduit revenue bonds for the HOPE Community Academy Charter School Project.

Sponsored by: Commissioner Prince

Staff: Jenny Wolfe, 266-6680

Attachments

- Preliminary Site Plan
- Map
- District 5 Profile