# SAINT PAUL PORT AUTHORITY

# *MEMORANDUM*

TO:

**BOARD OF COMMISSIONERS** 

DATE:

Nov. 14, 2013

FROM:

Peter M. Klein

SUBTECT:

Achieve Language Academy Building Company (ALABC)

Authorization of the Issuance of Conduit Tax-Exempt Notes in the

Approximate Amount of \$5,560,000

## **Action Requested:**

Provide approval for the Port Authority to issue approximately \$5,560,000 of bank-qualified conduit tax-exempt notes to be used for the improving the ALABC facilities at 2169 Stillwater Avenue and to refinance a current mortgage.

#### Public Purpose:

The financing will allow the Achieve Language Academy (ALA) to more efficiently provide education programs and services benefitting its students in Saint Paul.

#### **Business Subsidy:**

The proposed issuance of notes is for a not-for-profit organization and is exempt from treatment as a business subsidy.

## Background:

ALABC is a 501(c)(3). Its sole purpose is to own and operate the facilities leased to Achieve Language Academy. ALA is a charter school, whose Authorizer is Novation Education Opportunities. Opened in the fall of 1996, the school is K-8 serving 417 students. They have been in their current location since opening and purchased the property in 1999.

#### Proposal:

Type of Notes:

The tax-exempt notes will be "bank qualified' under Section 265 of the Code. This will allow the bank to hold these notes without a reduction in their effective yield which would otherwise impact

a "non-bank qualified" tax-exempt holding.

Rate:

Approximately 3.75%

Security:

First secured interest and mortgage on the Project in favor of

the lender, including the land, building and personal property

associated with the Project.

Term:

15 years – Two 5-year re-price dates

Issuer:

Saint Paul Port Authority

Lender:

Western Bank

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Lender's Counsels:

Gray, Plant, Moody

Bond Counsel:

Leonard, Street and Deinard

Borrower:

Achieve Language Academy Building Company

Borrower's Counsel:

Borenstein and McVeigh Law Office, LLC

## Conduit Financing:

The notes will be a conduit financing of the Authority and will not constitute or give rise to a liability of the Authority, the City of Saint Paul or the State of Minnesota or a charge against their general credit or taxing powers. The lender will not have the right to demand payment on the notes out of any funds to be raised from taxation or from any revenue sources other than those expressly pledged to payment of the notes pursuant to the funding agreement. The Port Authority's role in this loan is that of Issuer only. The lender will complete its own credit analysis and loan approval.

The Port Authority will receive fees in the amount of 1/8th of a point (\$6,950.00) at closing and 1/8th of a point on the outstanding balance, annually, for the life of the notes.

The Port Authority was asked to issue these notes because the City of Saint Paul did not have any "Bank Qualification" authority remaining for 2013. The Port Authority has not used its \$10,000,000 of authority (which may be used only for governmental and nonprofit financings).

#### Workforce Implications:

N/A

#### **Policy Exceptions:**

None.

#### Disclosure:

The Port Authority Commissioners by SEC rules are obligated to disclose any risks or facts you may be aware of that would affect the probability of repayment on these notes.

#### Recommendation:

We recommend authorization to issue approximately \$5,560,000 of conduit, bank-qualified tax-exempt notes for the Achieve Language Academy Building Company.

PMK:ca

Attach.