

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

REPORT TO THE COMMISSIONERS

DATE: May 22, 2013

REGARDING: RESOLUTION AUTHORIZING THE SALE OF LEASE REVENUE REFUNDING BONDS FOR THE HIGHER GROUND ACADEMY PROJECT UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1651 AND APPROVING RELATED DOCUMENTS

District 13, Ward 1

## Requested Board Action

Approval for the HRA to issue conduit lease revenue refunding bonds for Higher Ground Building Company (HGBC), a nonprofit corporation (the “Borrower”), in an amount not to exceed \$14,000,000. The specific actions being requested of the HRA Board are as follows:

- Authorization of the issuance, sale, and delivery of one or more series of revenue bonds to be designated Lease Revenue Refunding Bonds (Higher Ground Academy Project), Series 2013 (the “Bonds”);
- Approval of documents, including Bond Purchase Agreement, Indenture of Trust, and Loan Agreement all in substantially final form and on file with the HRA;
- Appoint Wells Fargo as Trustee and Paying Agent;
- Authorize Kennedy & Graven, Chartered as bond counsel; and
- Consent to distribution of Official Statement.

## Background

Higher Ground Academy is a K-12 public charter school (“School”) which has operated since 1999 in a facility at 1381 Marshall Avenue. The School has operated in this facility since inception and currently enrolls approximately 730 students. The facility was financed with bonds issued by the HRA in 1999. The HRA issued bonds for the School in 2004 in the amount of \$8,135,000, the proceeds of which refunded the 1999 bonds and completed additional improvements. The current outstanding balance of the 2004 bonds is \$7,175,000. In 2009, the HRA issued \$4,300,000 in bonds to finance renovations to the school, including an addition.

The proceeds from the 2013 bonds will be used to refund the 2004 and 2009 bonds, plus provide new money in an estimated amount of \$605,000 to purchase equipment, including STEM labs to enhance academic programs. The equipment will be fully operational by the fall of 2013.

The School is at full enrollment in their facility, has had their Charter contract renewed multiple times with their Sponsor/Authorizer (Concordia University), and has had a consistent and high achievement level, in terms of both academic and financial performance. The Executive Director of the school is William Wilson, a former member of the Saint Paul City Council.

The School is located at 1381 Marshall Avenue in District 13. Attachment B includes a map of the school and Attachment C includes census facts for the area.

The HRA held a public hearing on May 8, 2013 and adopted a resolution providing preliminary approval of the Project and issuance of the bonds.

### **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 is needed.

## Financing Structure

Dougherty & Company LLC is underwriting the bond financing. The bonds will be fixed rate with a final maturity of 12/1/2038. They have applied for a bond rating from Standard & Poor's and expect to achieve a BBB rating.

The Bonds will be publicly offered in minimum bond denominations consistent with PED's conduit bond policy which will depend on the rating. The resolution authorizes the issuance of the Bonds in minimum denominations of \$25,000 subject to obtaining a rating in at least the BB category or in minimum denominations of \$5,000 subject to obtaining a rating in the BBB category or higher, otherwise the Bonds will be issued in minimum denominations of \$100,000.

The total estimated cost of the project is \$14,600,503 as shown below:

<b>Sources of Funds</b>	<b>Amount</b>
Proceeds from Series 2013A	13,170,000
Proceeds from Series 2013B Taxable	275,000
Transfer from Prior Issues	1,155,503
<b>Total Sources</b>	<b>\$14,600,503</b>

  

<b>Uses of Funds</b>	<b>Amount</b>
Deposit to Refunding Escrow	\$12,540,138
Debt Service Reserve Fund	908,463
Equipment Purchase	590,000
Costs of Issuance/Rounding	561,902
<b>Total Uses</b>	<b>\$14,600,503</b>

As a result of this refunding, the School will reduce their annual debt service by an estimated average of \$125,000.

The financing team includes Dougherty & Company as underwriter, Kennedy & Graven as bond counsel, and Wells Fargo as Trustee.

## PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on April 29, 2013, and found it to be consistent with PED's conduit bond policy.

**Compliance**

The proceeds from the 2013 Bonds will not be used for construction, therefore vendor outreach and labor standards will not apply. The Borrower is required to file an Affirmative Action Plan with the City.

**Green/Sustainable Development**

N/A

**Environmental Impact Disclosure**

N/A

**Historic Preservation**

N/A

**Public Purpose/Comprehensive Plan Conformance**

This bond issuance will provide continued high quality, community-oriented educational opportunities for children in an under-served community of Saint Paul.

The Comprehensive Plan does not specifically address the scope of this financing.

**Recommendation:**

HRA Executive Director recommends approval of the Resolution, included as Attachment A, which provides final authorization for the issuance of up to \$14,000,000 in conduit lease revenue refunding bonds for Higher Ground Academy and authorizes execution of related documents.

**Sponsored by: Commissioner Carter**

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

**Attachments**

**Attachment A** – Resolution

**Attachment B** – Map/Address of Project

**Attachment C** – Census Facts