

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 25, 2021

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CONDUIT SENIOR HOUSING AND HEALTH CARE REVENUE REFUNDING BONDS UNDER MINNESOTA STATUTES, CHAPTER 462C AND SECTIONS 469.152 THROUGH 469.1655, FOR THE EPISCOPAL HOMES OBLIGATED GROUP PROJECT, 1879 FERONIA AVENUE, 490 E LYNNHURST AVENUE, 502 E LYNNHURST AVENUE, 1850 UNIVERSITY AVENUE AND 1860 UNIVERSITY AVENUE AND APPROVING RELATED DOCUMENTS; DISTRICT 13, WARD 4

Requested Board Action

The requested action includes a public hearing and approval for the HRA to issue up to \$16,100,000 in conduit revenue refunding bonds for Episcopal Homes Obligated Group, which includes Episcopal Church Home of Minnesota and Iris Park Commons, nonprofit corporations (the “Borrowers”). Episcopal Homes of Minnesota, a Minnesota nonprofit corporation, is the sole member and parent corporation of the Borrowers. The proceeds of the “Series 2021” bonds will be used to refund outstanding bonds issued by the HRA in 2006 and 2012.

Background

Episcopal Homes of Minnesota owns and operates a senior housing campus located on the at the corner of University and Fairview Avenues. There are currently seven separately financed housing developments with various levels of care, services, and income qualifications. These seven developments include: **1) Episcopal Church Homes located at 1879 Feronia, an 131-unit skilled nursing facility and short-term transitional rehabilitative care; 2) Iris Park Commons, located at 490 E Lynnhurst and 1850 University, a 59-unit facility with assisted living units, which includes 10 subsidized affordable homes with services; 3) The Gardens, located at 1860 University, a 60-unit skilled nursing and memory care facility; 4) The Terrace at Iris Park, located at 502 E Lynnhurst, a 58-unit facility offering market rate senior housing; 5) Cornelia House, a 47-unit independent living facility blending market rate and subsidized homes; 6) Seabury, a 50-unit affordable independent living project financed with HUD**

202 funding; and 7) Midway Pointe, a 59-unit affordable independent living facility financed with HUD 202 funding. Each of the seven buildings are owned, managed, and operated by Obligated Group members of Episcopal Homes of Minnesota, including the Borrowers.

The Borrowers have applied to the HRA to issue conduit revenue refunding bonds to refund prior bonds issued by the HRA: Series 2006 and Series 2012A. The refunding pertains to the first four projects: Episcopal Church Homes, Iris Park Commons, The Gardens and The Terrace at Iris Park. This refinancing is solely to refund the existing debt. The Series 2006 bonds were issued in the principal amount of \$8,425,000 with \$5,565,000 outstanding, with proceeds used to refinance prior debt that remodeled and expanded the Episcopal Church Home. The Series 2012A were issued in the amount of \$10,500,000 with \$8,950,000 outstanding, with proceeds used to refund prior debt and finance improvements to the Episcopal Church Home and Iris Park Commons, and to finance a portion of costs for two new projects, namely The Gardens and The Terrace at Iris Park (the HRA issued additional debt for these two projects, listed in the following paragraph). The total outstanding balance to be refunded is \$14,515,000.

As mentioned above, the HRA also issued \$26.86 million in conduit revenue bonds for the Borrower in 2013 to fully finance The Gardens and The Terrace at Iris Park (the “Series 2013”). The outstanding balance of the Series 2013 bonds is \$25.335 million.

Budget Action

This is a conduit bond issue. The Series 2021 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 Series 2021 bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

Future Action

N/A

Financing Structure

The Series 2021 bonds will be underwritten by Colliers Securities LLC (formerly Dougherty and Company), will be unrated, fixed rate obligations, publicly offered by the underwriter. The final maturity of the bonds will match the Series 2012A of 11/1/2042, which extends the maturity date for the Series 2006 by 9 years.

The underwriter, on behalf of the Borrower, has requested a waiver of our PED/HRA policy to only sell unrated bonds in minimum denominations of \$100,000. They are requesting that the HRA Board authorize the Series 2021 bonds to be sold in minimum denominations of \$25,000 and that each initial purchaser execute an investor letter. This request is consistent with past waiver approvals for senior housing bonds for refunding purposes. The Series 2012A bonds to be refunded were issued with \$25,000 minimum denominations, as they were also a majority refunding issuance.

The minimum denominations are set by the PED Credit Committee, based on input from the HRA debt manager in consultation with the City's Office of Financial Services, to ensure that only sophisticated investors hold any conduit revenue bond issued by the HRA and that they understand that neither the City nor HRA is backing the repayment. The initial purchasers of the Series 2021 bonds will be required to provide "Investor Letters" confirming their qualifying status as accredited/sophisticated investors, among other things. The underwriter has represented to the HRA that the ability to sell the bonds with the lower denominations will result in lower interest rates and additional savings to the Borrowers. Staff recommends approval of the \$25,000 minimum denominations due to the following factors: the bond issue is exclusively a refunding and the Borrowers will achieve a lower cost resulting in maximizing the impact of the requested refunding to ensure continued operation of senior housing along a major transit corridor long into the future.

The expectation is that there will be tax-exempt and taxable series and the projected sources and uses are detailed on the following page.

	2006 Refunding	2012A Refunding	Totals
Sources			
Par Amount	\$6,120,000	\$9,065,000	\$15,185,000
Transfer from DSR	0	668,330	668,330
Transfer from DS	259,712	334,610	594,322
Reoffering Premium	39,245	58,081	97,326
Total Sources	\$6,418,957	\$10,126,021	\$16,544,978
Uses			
Refunding Deposits	\$5,721,655	\$9,170,665	\$14,892,320
Deposit to DSRF	413,831	612,969	1,026,800
Costs of Issuance/Rounding	137,814	206,412	344,226
Underwriter Disc (1.5%)	91,800	135,975	227,775
2006 Termination Fee	53,857	0	53,857
Total Uses	\$6,423,957	\$10,126,021	\$16,544,978

As a result of the refunding, the annual debt service will reduce by approximately \$270,000/year in the years 2022-2033, with total savings of \$151,187 over the full term, which represents a net present value benefit of over \$1 million, which is 6.985% of the refunded principal.

PED Credit Committee Review

The PED Credit Committee reviewed and approved the proposal for conduit bonds on August 10, 2021 including the requested waiver of the minimum bond denominations for unrated bonds.

Compliance

Episcopal Homes of Minnesota, on behalf of the Borrowers has acknowledged receiving notice of the City/HRA compliance requirements that may be applicable to the proposed refunding. There is no construction associated with the refunding and therefore the only compliance required is Affirmative Action, Chapter 183.04 for the Borrowers.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

The public purpose is providing necessary housing opportunities for seniors in a variety of care levels. The proposed refunding will reduce debt service for the Borrowers and enable the housing opportunities to continue long-term. Episcopal Homes of Minnesota employs 486 persons in their Saint Paul facilities.

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 \$16,100,000 in conduit revenue refunding bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Episcopal Homes Obligated Group Projects. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 16th of August 2021. 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 authorizes the issuance of up to \$16,100,000 in conduit revenue refunding bonds for the Episcopal Homes Obligated Group Project and the execution of related documents.

Sponsored by: Commissioner Jalali

Staff: Diane Nordquist, 266-6640 and Jenny Wolfe, 266-6680

Attachment

- **Map**