

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

REPORT TO THE COMMISSIONERS

DATE: February 25, 2015

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF CONDUIT LEASE
REVENUE REFUNDING BONDS FOR HOPE COMMUNITY ACADEMY
UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH
469.1655 AND APPROVING RELATED DOCUMENTS**

District 4, Ward 7

Requested Board Action

The purpose of this report is to request approval by the HRA Board of the attached resolution, providing consent to the issuance of up to \$12,000,000 in conduit revenue refunding bonds for HOPE Community Academy Charter School to refund prior bonds issued by the HRA in 2004 and 2005.

Background

HOPE Community Academy and HCA Building Company are an approved public charter school and an affiliated non-profit building company. HOPE Community Academy (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 472 students. The School’s authorizer is the University of St. Thomas.

In 2004, the HRA issued \$6,600,000 in conduit revenue bonds for the School to acquire the approximately 40,000 square foot two-story building at 720 Payne, which before 2000 had served as an office building for the Hamm’s Brewery. In 2005, the HRA issued \$5,730,000 in conduit revenue bonds for the School to renovate and expand the facility. The School added a 22,000 square foot addition to include additional classroom space, a science lab, gymnasium, kitchen/cafeteria, and Media/Hmong Culture Center.

The School has submitted an application to the HRA to issue up to \$12,000,000 in conduit lease revenue refunding bonds (“Series 2015”) to refund the prior HRA Bonds to extend the maturity and achieve interest rate savings. The current outstanding balance is \$10,540,000 (Series 2004 of \$5,600,000 and Series 2005 of \$4,940,000). The Bonds will be special, limited revenue

obligations of the Authority payable solely from the revenues expressly pledged to the payment thereof, and will not constitute a general or moral obligation of the Authority or the City, and will not be secured by the taxing powers of the Authority or the City or any assets or property of the Authority or the City, but will be payable from loan payments made by the Borrower to the Authority pursuant to a Loan Agreement.

The Project is in an area zoned B-2 and a map is included in **Attachment B**.

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 further action is required; the closing is expected to occur later in March, 2015.

Financing Structure

Dougherty & Company LLC is underwriting the bond financing. The bonds will be fixed rate with a final maturity of December 1, 2043. They have applied for a bond rating from Standard & Poor's and expect to achieve a rating grade of BB to BBB- (the bonds to be refunded are unrated).

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 \$12,132,737 as shown below:

Sources of Funds	Amount
Proceeds from Series 2015A	10,725,000
Proceeds from Series 2015B Taxable	280,000
Transfer from Prior Issues	1,127,737
Total Sources	\$12,132,737

Uses of Funds	Amount
Deposit to Current Refunding	\$10,921,150
Debt Service Reserve Fund	739,625
Costs of Issuance/Rounding	471,962
Total Uses	\$12,132,737

As a result of this refunding, the School will extend the final maturity ten years from 2033 to 2043, and reduce their average interest rate from 6.50% to 5.36%. They expect to save an estimated \$220,000 in years 2016 through 2033 (the original term), and achieve a net present value benefit of approximately \$500,000.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on February 18, 2015, and found it to be consistent with PED’s conduit bond policy.

Compliance

HOPE Community Academy 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 HOPE Community Academy Building Company (the borrower).

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

This bond issuance will reduce debt service for the School through 2033 while they continue their mission to serve urban students in grades Pre-K through 8 with a rigorous academic foundation, focusing on the mastery of fundamental and higher-order thinking skills that prepare students for life-long learning, while instilling in the students the finest Hmong and American values.

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

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 \$12 million in conduit lease revenue refunding 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 7th of February, 2015, and in the Pioneer Press, a newspaper of general circulation in the City on the 9th of February, 2015. The Affidavits of Publication of each 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:

HRA Executive Director recommends approval of the Resolution, included as Attachment A, which gives approval for the issuance of up to \$12,000,000 in conduit lease revenue refunding bonds for the HOPE Community Academy Project.

Sponsored by: Commissioner Lantry

Staff: Jenny Wolfe, 266-6680

Attachments:

- **Attachment A** – Resolution
- **Attachment B** – Map of Project