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

REPORT TO THE COMMISSIONERS **DATE: APRIL 27, 2022**

REGARDING: **RESOLUTION GIVING PRELIMINARY APPROVAL TO THE PROPOSED ISSUANCE OF CONDUIT REVENUE BONDS FOR CAREER PATHWAYS CHARTER SCHOOL PROJECT, 1355 WEST PIERCE BUTLER ROUTE, UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655, DISTRICT 11, WARD 4**

Requested Board Action

The requested action includes approval for the HRA to issue up to $6,000,000 in conduit charter school revenue bonds (the "Series 2022") for CPATH Community Building Group, a nonprofit corporation (the "Borrower"), for the benefit of the Career Pathways Charter School (the "School"). The proceeds of the Series 2022 bonds will be used to finance the acquisition of the Borrower's current facility and complete interior renovations (the "Project").

Background

Career Pathways (CPATH) is a grade 6-12 public charter school, located at 1355 West Pierce Butler Route, that opened in July 2015 and currently serves 107 students in Saint Paul. CPATH is authorized by the Minnesota Guild of Public Charter Schools and has been since they opened. The goal of CPATH is to prepare students for future career and work readiness through facilitating internships as well as dual credit and college coursework utilizing personalized programs to keep students focused and learning. Enrollment has been consistent for the last several years, increasing to as many as 128, and CPATH plans to maintain enrollment of around 120 students for the foreseeable future.

CPATH Mission states: "Career Pathways works to include underserved and disenfranchised students who don't achieve well in traditional settings, but who flourish in this unique multi-age/multi-graded environment which promotes application of learning. Research shows that all students learn better when they experience the real-life responsibilities of the job." CPATH's student enrollment as of October 2021 included more than 83% students of color, 86% students qualifying for free/reduced price lunch, 31.8% English learners and 25.4% special education.

CPATH is proposing to finance the acquisition of the facility they currently lease, and to complete interior renovations. The facility is 16,740 square feet, and renovations will be made to common areas, classrooms, and restrooms, as well as to repair/replace the mechanical systems. Construction will commence immediately following financial closing (anticipated by the end of June) and will be completed partially this summer and fully by August of 2023.

The school property is zoned I-1, which allows for use by the School (a map is **attached**). The property is in the Hamline-Midway Neighborhood/District 11 Planning District and the District Profile is **attached**. Once the property is acquired it will become exempt from property taxes in the year following. The total property taxes payable in 2022 is $42,522 and the City's share is approximately $11,230.

Budget Action

This is a conduit bond issue. The Series 2022 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 Series 2022 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 2022 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 HRA approval will likely be sought on May 11, 2022, and a closing is expected to occur by the end of June.

Financing Structure

The Series 2022 bonds will be unrated and sold through a limited offering by Piper Sandler (the "Underwriter") in minimum bond denominations of $100,000, consistent with PED's conduit bond policy for unrated bonds. The HRA will require the initial purchasers to execute an Investor Letter.

The Series 2022 bonds will be sold as fixed-rate, tax-exempt and taxable bonds, with proposed maturities and rates as follows:

- $4,440,000 - Series 2022A (Tax-Exempt), Final Maturity: June 15, 2057
    - Estimated Average Interest Rate: 5.00%* (current markets subject to change)
- $315,000 - Series 2022B (Taxable), Final Maturity: June 15, 2028
    - Estimated Average Interest Rate: 5.50%* (current markets subject to change)

The total cost of the Project is currently estimated to total $4,755,000 as shown below.

Sources	
Tax-Exempt Series 2022A	$4,440,000
Taxable Series 2022B	315,000
Total Sources	**$4,755,000**
Uses	
Project Fund – Acquisition	$1,900,000
Project Fund – Facility Improvements	2,169,180
Debt Service Reserve Fund	301,300
Costs of Issuance/Rounding	384,520
Total Uses	**$4,755,000**

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 ($4,755,000 current estimate): $11,887.50.
- Annual fees equal to 0.25% of bonds outstanding (amount issued is less than $10 million) are due on the anniversary of the closing date. This results in annual fees starting at $11,887.50 and declining over the bond term of 35 years, projected to total $269,400. The average annual fee is $11,585 over the next five years.

PED Credit Committee Review

The PED Credit Committee reviewed this proposal for conduit bonds on April 19, 2022 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

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will result in education opportunities for 120 students, with improved facilities and fixed occupancy expenditures. The School currently employees 17 persons and expects to maintain this level. The Project will result in the creation of an estimated 50 construction jobs. This Project is located in an I-1 industrial zone. The property is also designated for continued Industrial by the 2040 Saint Paul Comprehensive Plan (the "Plan"). However, since the Project doesn't involve a change of land use, or exterior improvements, it should be considered not inconsistent with/neutral with regard to the Plan.

The School has contacted the Hamline Midway District Council (the "District Council") for a tour of their facility. Any comments or feedback from the District Council's visit will be communicated to the HRA Board.

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 $6,000,000 in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Career Pathways Charter School Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 11th of April 2022. 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 gives preliminary approval for the issuance of up to $6,000,000 in conduit revenue bonds for the Career Pathways Charter School Project.

Sponsored by: Chair Tolbert

Staff: Jenny Wolfe, 266-6680

Attachments

- Map
- District 11 Profile