

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

REPORT TO THE COMMISSIONERS

DATE: MAY 26, 2021

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CONDUIT CHARTER SCHOOL LEASE REVENUE BONDS, UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655, FOR THE MINNESOTA MATH AND SCIENCE ACADEMY CHARTER SCHOOL PROJECT, 169 JENKS AVENUE, AND AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO, DISTRICT 6, WARD 5

Requested Board Action

The requested action includes approval for the HRA to issue up to \$15,000,000 in conduit charter school revenue bonds (the “Series 2021”) for the Minnesota Math and Science Academy Building Company, a nonprofit corporation (“Borrower”). The proceeds of the bonds will be used to finance the acquisition of the Borrower’s facility and complete minor renovations (the “Project”).

Background

Minnesota Math and Science Academy (the “School”) is a K-12 public charter school located at 169 Jenks Avenue that currently serves 560 students in Saint Paul. The School received its initial charter in August of 2014. Over the past six years it has grown from a K-6 school with 200+ students to a K-12 school with 500+ students. The School is authorized by Pillsbury United Communities, one of the larger authorizers in Minnesota, in a renewed charter contract running to June 30, 2022.

The School is drawing students predominantly from the cities of Saint Paul and Minneapolis, with 98% students of color, 97% qualifying for free and reduced lunch, and 69% English Language Learners. The School leases their facility from 169 Jenks LLC, which is a subsidiary of New Plan Learning, a not-for-profit corporation. The building was a former warehouse that was renovated by the owner for the School’s use.

The Borrower submitted an application to the HRA to issue up to \$15,000,000 in conduit revenue bonds (“Series 2021”) to finance the acquisition of the School’s facility and to complete a minor

renovation. The facility includes 60,525 square feet with classrooms, office/small group spaces, a cafeteria, and a gym. There is also an outdoor playground and soccer field. The planned renovations will include a large multi-purpose hall/secondary cafeteria, college guidance wing, and additional offices. The renovation project only includes the interior space modification.

The School projects increasing their total enrollment by 60 students over the next two years, with 75% of the growth in the upper grades. This would result in a total enrollment of 620 by the 2022-23 school year.

The property is zoned T1 allowing full use by the school (a map is **attached**). The property is in the Northend Neighborhood/District 6 Planning District and the District Profile is **attached**.

The HRA held a public hearing on November 18, 2020 and public testimony was taken during the hearing. Following the public hearing, the HRA adopted a resolution providing preliminary approval for the issuance of conduit revenue bonds.

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 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 unrated and sold through a limited public offering by Colliers International (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 2021 bonds will be sold as fixed-rate, tax-exempt and taxable bonds, with proposed maturities and rates as follows:

- \$13,890,000 - Series 2021A (Tax-Exempt), Final Maturity: June 1, 2056
 - Estimated Coupon Rates: 4.00% to 5.00%
- \$270,000 - Series 2021B (Taxable), Final Maturity: June 1, 2023
 - Estimated Coupon Rate: 4.00%

The total cost of the Project is currently estimated to total \$14,481,065 as shown below.

Sources

Tax-Exempt Series 2021A	\$13,890,000
Taxable Series 2021B	270,000
Reoffering Premium	<u>321,065</u>
Total Sources	\$14,481,065

Uses

Project Fund – Acquisition	\$11,682,604
Project Fund – Capital Expenditures	1,000,000
Debt Service Reserve Fund	851,750
Reimbursement to School	393,150
Costs of Issuance/Rounding	<u>553,561</u>
Total Uses	\$14,481,065

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 (\$14,160,000 current estimate): \$35,400.
- Annual fees equal to 0.25% of the first \$10 million of bonds outstanding plus 0.125% of the balance outstanding: this results in annual fees starting at \$30,200 declining over the bond term of 35 years, projected to total \$771,875.

PED Credit Committee Review

The PED Credit Committee reviewed this proposal for conduit bonds on November 4, 2020 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 up to 620 students by providing increased classrooms, additional multi-purpose/cafeteria space, and space dedicated to college guidance. The Project will create an estimated ten construction jobs. The School projects to increase their full-time employment by nine employees which will result in total full-time employment of 76 by 2023.

This Project is in the Urban Neighborhood of the 2040 Saint Paul Comprehensive Plan which encourages schools as a land use. The Project is also generally consistent with the 2040 Saint Paul Comprehensive Plan: Land Use Goal #3 which calls for equitably distributed community amenities, access to employment, and housing choice.

The School attended the board meeting of the Northend Neighborhood Planning District 6 (NENO) on November 2, 2020 to present their Project. The board unanimously approved a resolution in support of the Project. Additionally, in January 2021, the NENO Board was asked by a resident to rescind their approval for the project. The School's Executive Director attended the meeting and responded to the resident's objection which resulted in no action taken by the NENO Board (therefore, maintaining their support for the Project from the prior meeting).

Recommendation:

The HRA Executive Director recommends approval of the resolution which gives final approval for the issuance of up to \$15,000,000 in conduit revenue bonds for the Minnesota Math and Science Academy Charter School Project and execution of related documents.

Sponsored by: Commissioner Brendmoen

Staff: Jenny Wolfe, 266-6680

Attachments

- Map
- District 6 Profile