

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

REPORT TO THE COMMISSIONERS

DATE: May 25, 2016

**REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE
PROPOSED ISSUANCE OF CONDUIT REVENUE BONDS FOR THE
COMMUNITY SCHOOL OF EXCELLENCE CHARTER SCHOOL
PROJECT UNDER MINNESOTA STATUTES, SECTIONS 469.152
THROUGH 469.1655, AS AMENDED**

District 6, Ward 5

Requested Board Action

Public hearing and preliminary authorization to issue up to \$33,000,000 in conduit charter school lease revenue bonds (“Bonds”) for the Community School of Excellence Building Company (CSEBC), a nonprofit corporation (“Borrower”).

Background

The Community School of Excellence Charter School (the “School”) is currently operating a Minnesota public charter school located at 170 Rose Avenue West (leased from the Church of St. Bernard). They have been operating since 2007 and serve students in grades K through 8 with a current enrollment of 1,000 students.

The School and their building company are proposing to purchase land and construct an approximately 127,000 square foot three-story building to be used as a permanent school facility. The building will be located at 270 West Larpenteur Avenue on land to be acquired from the Linders Garden Center, which closed their business in late 2013. The Borrower will lease the facility to the School.

The School began examining their facility needs due to projected enrollment increases, and determined their current facility could not offer the needed capacity. The School concluded that the construction of a new school was their best and most feasible option to prepare for projected enrollment numbers of up to 1,300 students by the 2020-2021 school year. The proposed three-story school structure, with a lower level, will be comprised of approximately 127,000 square feet on a campus of about 11.86 acres situated less than 1.5 miles from the existing School

campus. The building will be designed to include 61 classrooms including music rooms, science labs, arts rooms, and computer labs. There will be separate self-contained specialist rooms for both the elementary and middle schools, including rooms for special education, gifted and talented program, and English and foreign language instruction, in full compliance with the School's space requirements (the "Project"). The proposed site plan includes 240 parking spaces, playgrounds, playing fields, storm water management, and will require street improvements and a new sidewalk (preliminary building drawings are attached). The School plans to start construction in August in order to be ready to open the new school for the 2017-2018 school year.

A new authorizer for the School, the Minnesota Guild of Public Charter Schools (the "Guild"), was recently approved by the Minnesota Department of Education. The Guild is a single-purpose authorizer of non-districted public schools in Minnesota.

The Land Use Task Force of District 6 has provided a letter in support of the Project and the relocation of the School. The Project site has a mix of residential zoning, for which an elementary school is a permitted use. The School will be required to go through the City's site plan review process. A map of the property and profile of District 6, the Saint Paul Planning District in which the Project is located, are attached. No businesses will be displaced, and no land acquisition took place as a result of eminent domain.

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

Final HRA approval will likely be sought on June 8, 2016 and a closing is expected to occur by the end of June.

Financing Structure

Piper Jaffray will underwrite the bond financing. The Bonds will be sold as unrated, fixed-rate, tax-exempt and taxable bonds, and will mature as follows:

- \$27,910,000 - Series 2016A (Tax-Exempt), Final Maturity: July 1, 2047
 - Estimated Average Interest Rate: 4.85%
- \$410,000 - Series 2016B (Taxable), Final Maturity: July 1, 2019
 - Estimated Average Interest Rate: 5.50%

Annual debt service is projected to be approximately \$1,850,000 based on the estimated rates upon full enrollment.

The Bonds will be sold on a negotiated sale basis to the institutional and accredited investor marketplace, 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 total cost of the project is currently estimated to total \$28,320,000 as shown below:

Uses:

Acquisition	\$2,775,000
Construction/equipping	19,072,116
Architect/Engineering	900,000
Contingency/Other	1,000,000
Subtotal Project Fund	<u>\$23,747,116</u>

Debt Service Reserve	1,895,250
Underwriter Discount	495,600
Capitalized Interest	1,435,550
Cost of Issuance	746,484
Total Uses:	<u>\$28,320,000</u>

Sources:

Series 2015A Bonds	27,910,000
Series 2015B Bonds	410,000
Total Sources	<u>\$28,320,000</u>

The financing team includes Piper Jaffray & Co. as underwriter and Dorsey & Whitney as bond counsel.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on May 16, 2016, 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

Sustainable components included in the construction of the buildings and site improvements are not known at this time. The Borrower will not be seeking LEED certification. However, the design selected for this project will be in accordance with state requirements. The architect will incorporate best practice low to no cost sustainable strategies, including the following:

- Solar orientation to best utilize daylighting;
- Incorporation of a cool roof utilizing a white TPO membrane;
- Use of low VOC paints, coatings and adhesives;
- Use of recycled materials; and
- Utilization of LED light sources and occupancy sensors.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will result in increased education opportunities for up to 1,300 students by providing a sufficiently-sized, up to date facility, including necessary and appropriate green space. This Project will create an estimated 175 construction jobs. The School projects to increase their full-time employment by 20 to a total of 161 by 2021.

The development of a school use on the former Linder's site is generally consistent with the future land use guidance for this property. This site is guided for both "established neighborhood" and "industrial." Established neighborhood is defined as "predominantly residential areas with a range of housing types...also includes neighborhood-serving commercial, service, and institutional uses at the junction of arterial and collector streets." Industrial is defined as "predominantly manufacturing and/or the processing of products; could include light or heavy industrial land uses, large warehouse facilities, and/or utilities." While a school is not listed as a "predominant" use in either category, the zoning code is one of the regulatory tools that support the implementation of the Comprehensive Plan. Schools (K-12) are a permitted or conditional use in all the zoning districts with the exception of I-3. Therefore, it is concluded that the intention of the Comprehensive Plan is to allow schools to be developed in both these future land use designations.

The site plan itself also must be consistent with the Comprehensive Plan. The school has agreed to the changes that staff identified during site plan review to make it consistent with the Comprehensive Plan, including improvement of Galtier Street to residential street standards with a re-aligned intersection to align with Galtier Street on the northside of Larpenteur Avenue, and the construction of a sidewalk adjacent to Larpenteur Avenue.

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 \$33,000,000 million in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Community School of Excellence Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 9th of May, 2016, and in the

Pioneer Press, a newspaper of general circulation in the City on the 7th of May, 2016. 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 which gives preliminary approval for the issuance of up to \$33,000,000 in conduit lease revenue bonds, for the Community School of Excellence Charter School Project.

Sponsored by: Chair Brendmoen

Staff: Jenny Wolfe, 266-6680

Attachments

Attachment – Preliminary Building Drawings

Attachment – Map of Project

Attachment – District 6 Profile