

# Saint Paul Housing and Redevelopment Authority

## CONDUIT REVENUE BOND STUDY

SUBMITTED TO THE HRA BOARD OF COMMISSIONERS

MARCH 10, 2021

PREPARED BY:  
THE DEPARTMENT OF PLANNING AND ECONOMIC DEVELOPMENT

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## Executive Summary

The Department of Planning and Economic Development (PED) prepared this Conduit Revenue Bond Study at the request of the Housing and Redevelopment Authority (HRA) Board, with input from multiple city departments including DSI, Public Works, Parks and Recreation, and Finance. The HRA Board requested information on certain conduit revenue bonds issued by the HRA, and information and data regarding the growth of charter schools in Saint Paul.

The report details 24 conduit revenue bond transactions for qualified 501(c)(3) organizations from 1/1/2010 through 2/28/2021, with a 25th transaction in process.

### **The transactions include:**

- **19** school transactions for **15** different schools, **14** of which are charter schools (one transaction pending) and **1** private school
- **4** healthcare transactions for **3** different organizations
- **2** transactions for large nonprofit arts/entertainment entities

### **The transactions represent:**

- **\$553,825,000** total project cost (plus \$13.775M pending transaction)
- **\$466,420,000** total principal issued (plus \$13.775M for pending transaction)
- **3,457** construction jobs created (plus 10 from pending transaction)
- **663** new FT jobs created (plus 9 from pending transaction)
- **\$16,026,000** in total HRA fees are anticipated from these transactions, from closing to maturity (including pending transaction)

### **Net impact to Property Tax Revenue**

While tax base shifts occurred with transactions involving changes in classification from taxable to tax-exempt property, due to Minnesota's levy-based property tax system there was no net decrease in the overall property tax revenue received by the taxing jurisdictions as a result of these transactions.

Of the 25 transactions, only 9 transactions reclassified properties from taxable to tax-exempt, resulting in roughly \$900,000 of taxes shifted from these properties to the overall tax base upon exemption. For context, this shift, which occurred over a period of more than 10 years, would represent roughly 0.18% of taxes paid to the three major taxing jurisdictions - the City, Ramsey County and Saint Paul Public Schools - when comparing to 2021 tax levies and rates.

**Net impact to public facilities and services including streets, infrastructure and parks:** As with construction projects of any kind, site plan review is the process by which necessary infrastructure improvements (additional sidewalks, traffic signals, etc.) are identified. For improvements identified as necessary during the site plan review process, the project bears the cost of these improvements, for which ownership is transferred to the City upon completion.

In the event there would be potential impact on the parks system due to anticipated use of a park facility by a school for recess or extra-curricular activities, the Parks and Recreation Department could initiate a discussion about the appropriateness and terms of a use agreement for that individual project. Such an agreement would be similar in intent to the current agreement with Saint Paul Public Schools and the group use structure, which requires a fee to cover costs of mitigating the effects of increased wear and tear on park assets.

**General data on charter school growth in Saint Paul:** According to information from the Minnesota Department of Education (MDE), from 2010-2020:

- The total number of charter schools in Saint Paul has grown from **26** to **38**
- The total number of students in charter schools has grown from **9,762** to **16,763**
- **Less than 40%** of the charter schools in the city, and only **1** of the **12** schools that have opened since 2010, have utilized conduit revenue bond financing through the HRA.

**Options available for possible limitations with zoning, conditional use permits:**

K-12 schools are a defined land use in the Zoning Code, and therefore any zoning standards or use definition changes or conditions would apply to all K-12 schools, including charter schools. The Planning Team is currently working on an industrial zoning study which will include consideration of changes to permitted uses in industrial zoning districts. The scope could be amended to study the addition of standards or conditions to K-12 school uses regarding traffic/safety considerations, required lot areas and green space.

**The industrial zoning study process currently in progress will take many months to complete, requiring public hearings at the Planning Commission and approval by the City Council of any eventual zoning text amendments. Estimated completion date is Winter 2021-22.**

**Bond Policies and Applications:** Staff reviewed conduit revenue bond policies/applications from other cities including Brooklyn Center, Mahtomedi, Minneapolis, Red Wing and Rochester. These policies/applications were generally similar to those of the HRA. Some cities include in their policies the explicit requirement that an application will not be accepted until the project has received preliminary zoning and building approvals, which would be similar to Saint Paul's conditional site plan approval process.

## Purpose/Background

On August 26, 2020, the Saint Paul Housing and Redevelopment Authority (HRA) Board discussed a proposal from a charter school for the issuance of conduit revenue bonds. During this discussion, HRA Board members made various requests for information from City staff before another charter school proposal for the issuance of conduit revenue bonds would be brought forward. Commissioners expressed a number of concerns about charter schools and HRA bond issuance supporting charter schools including, but not limited to, impacts to the City tax base and impacts to public services such as infrastructure and parks.

On September 9, 2020, a resolution was presented for consideration by the HRA Board to temporarily halt consideration of proposals for charter school conduit revenue bonds. This resolution was laid over to October 14, 2020 and was discussed with a proposed scope of study with the Commissioners. The HRA Board finalized the scope of the study and laid over until March 10, 2021 the resolution to temporarily halt consideration of charter school conduit revenue bond requests.

## Scope of Study

The scope of the study includes the following:

- **Analysis of all conduit revenue bond transactions since 1/1/2010 (excluding housing bonds and refunding bonds)**
  - Type of entity (charter school, private school, hospital/health care, etc.)
  - Total project cost/investment
  - Amount of conduit revenue bond financing
  - Net impact to property tax revenue (including loss of industrial or other tax producing uses and/or tax value gains)
  - Construction jobs expected to be created (based on application)
  - Permanent jobs expected to be created (based on application)
  - Revenue generated in fees to the HRA
  - Net impact to public facilities and services including streets, infrastructure and parks (if data is available, in partnership with Public Works and Parks staff)
- **Supplemental data on charter schools only:**
  - General data on charter school growth in Saint Paul since 1/1/2010 (number of schools, student population, etc.)
  - Options available for possible limitations with zoning, conditional use permits, etc.
  - Explore other cities' policies and/or guidelines on conduit bond financing decisions

## General Information on Conduit Revenue Bond Financing

Qualified 501(c)(3) bonds are tax-exempt qualified private activity bonds issued by a state or local government, the proceeds of which are used by a 501(c)(3) charitable organization in furtherance of its exempt purpose. An organization must be organized and operated exclusively for educational, religious, or charitable purposes, and no part of the organization's net earnings may inure to the benefit of any private shareholders or individuals.

Under the Minnesota Municipal Industrial Development Act, Minnesota Statutes, Sections 469.152-469.1655, each housing and redevelopment authority in the State of Minnesota is authorized to issue revenue bonds to finance or refinance, in whole or in part, the costs of the acquisition, construction, improvement, or extension of revenue producing enterprises.

Conduit revenue bonds are special, limited revenue obligations of the HRA, payable solely from the revenues expressly pledged to the payment thereof. They do not constitute a general or moral obligation of the HRA or the City and are not secured by the taxing powers of the HRA or the City or any assets or property of the HRA or the City. They are payable solely from loan payments made by, and revenues and collateral pledged by, the borrower to the HRA pursuant to a Loan Agreement.

In the event there were a default on a conduit revenue bond issue financing, this would not adversely affect the taxing of city residents and would not affect the credit rating of the City or the HRA. The City and the HRA undertake no risk by issuing the bonds, and the HRA receives bond administration fees for facilitating the financing. These fees are used for staffing services provided to the HRA by the Department of Planning and Economic Development. The HRA budget for 2021 includes \$2.25 million in fees generated from the issuance of conduit revenue bonds.

The HRA serves only as a conduit for project financing. Due diligence into the project and the entities involved is completed by the bond underwriter. This includes, but is not limited to, an analysis of compliance with state and federal laws, including federal securities laws.

When the HRA issues conduit revenue bonds for a charter school or any other qualifying non-profit entity, certain compliance requirements are triggered including Affirmative Action/Equal Employment Opportunity, Labor Standards (prevailing wages), Vendor Outreach to certified Small, Women-Owned and Minority-Owned businesses, and Sustainable Building requirements (for housing revenue bonds only).

If the project were to be financed in another way besides through the issuance of conduit revenue bonds through the HRA, we would not have the same opportunity to require this compliance. The City's Department of Human Rights and Equal Economic Opportunity monitors the first three compliance areas listed above, and PED monitors the Sustainable Building requirements. A compliance matrix is included as part of the conduit revenue bond financing application.

A conduit borrower cannot access tax-exempt financing without a conduit issuer. The conduit issuer must either have jurisdiction over the area in which the project to be financed with the bonds is located or receive “Host Approval” from such an entity. For projects located in Saint Paul, the HRA, the City and the Port Authority are qualifying conduit issuers (the City has limitations), as well as Ramsey County and the State of Minnesota. Any of these entities could hold a public hearing approving the issuance of the bonds. If the conduit issuer is not one of these entities listed, Host Approval would need to be granted by one, with a public hearing, before the conduit bond issuance could proceed. In the absence of this type of financing, conventional financing could be sought for the project.

## Analysis of Conduit Revenue Bond Transactions

The HRA has completed 24 transactions for qualified 501(c)(3) organizations since 1/1/2010 through the issuance of conduit revenue bonds, with a 25<sup>th</sup> transaction in process. Per the defined scope of this analysis, these 25 transactions do not include bonds issued solely to refund prior bonds or bonds issued for housing projects. The transactions include:

- **19** School transactions for **15** different schools, of which **14** are charter schools (one transaction is pending) and **1** private school
- **4** healthcare transactions for **3** different organizations
- **2** transactions for large nonprofit arts/entertainment entities.

The transactions, in order of date of issue, are outlined below:

- 1) **Children’s Healthcare (2010):** Children’s Healthcare owns and operates two major hospitals, Children’s Minneapolis and Children’s Saint Paul. In 2010, the Saint Paul HRA issued \$50 million in bonds jointly with the City of Minneapolis to finance a portion of the remaining costs of a project commenced in 2007, which included a remodel of Children’s Saint Paul, located at 345 North Smith Avenue in Saint Paul. The project included a remodel of the entrance and operating rooms, an expansion of the emergency department, relocation of the pediatric epilepsy unit, and provision of private patient rooms with private baths. The Saint Paul HRA and the City of Minneapolis have also previously issued bonds for Children’s.
- 2) **Gillette Children’s Healthcare (2010):** Gillette Children’s Healthcare operates Gillette Children’s Hospital, located in Regions Hospital, at 200 University Avenue East. In 2010, the HRA issued \$26.25 million in bonds to finance an expansion and renovation of their facility to add new surgery and inpatient rooms. The HRA had previously issued bonds for Gillette in 2009 for their facility located on the north side of University, connected via skyway.
- 3) **Nova Classical Academy Charter School (2011):** The Nova Classical Academy Charter School opened in 2003. In 2011 the HRA issued \$17.54 million in bonds to finance the acquisition of land owned by the HRA on the Koch/Mobil site at 1455 Victoria Way, and for construction of an 86,000 square foot school building to consolidate two campuses in

the Highland/West 7<sup>th</sup> neighborhood. The development agreement required the HRA to construct a new street to provide access to their facility and the new Victoria Park. The agreement also required the school to build a parking lot to be shared with the city park, allowing public use during non-school hours, and to utilize residual HRA land to manage stormwater.

- 4) **Hmong College Prep Academy Charter School (2012):** Hmong College Prep Academy Charter School opened in 2004. In 2012 the HRA issued \$17.6 million in bonds to finance the acquisition of a parking lot and to construct a 78,000 square foot addition to their existing facility. The HRA had previously issued bonds for the school in 2006 to acquire and renovate their current facility at 1515 Brewster Street, when they relocated from Minneapolis.
- 5) **Ordway Center (2012):** The Ordway Center opened in 1985 at 345 Washington Street with two theatres and rehearsal halls. In 2012, the HRA issued \$10.65 million in bonds to finance a portion of the construction of a new 1,100 seat concert hall, a 15,000 square foot production wing and to renovate and expand approximately 21,000 square foot of office and back of house space (the total cost was approximately \$40 million and included Cultural STAR and State GO bond funds, along with other private sources). The HRA bonds were issued to bridge future capital pledges and the Cultural STAR funds. The project required the City to vacate a portion of right of way extending over the sidewalk.
- 6) **St. Paul Conservatory for Performing Artists Charter School (2013):** The St. Paul Conservatory for Performing Artists opened in 2005. In 2013 the HRA issued \$9 million in bonds to finance the acquisition and renovation of approximately 60,000 square feet within the Lowry building located at 350 St. Peter Street. The School had been leasing approximately 23,000 square feet in the building and acquired this space, plus an additional 34,915 square feet.
- 7) **Twin Cities German Immersion Charter School (2013):** The Twin Cities German Immersion School opened in 2005 in leased office space on University Avenue. In 2013, the HRA issued \$8.545 million in bonds to finance the acquisition of, and renovation/addition to an existing vacant School/Church/Rectory facility located at 1028/1030 Van Slyke and 1031 Como Avenue. The original school facility is approximately 29,400 square feet and the addition is 20,180 square feet.
- 8) **Academia Cesar Chavez Charter School (2015):** The Academia Cesar Chavez School opened in 2001. In 2015, the HRA issued \$12.63 million in bonds to finance the acquisition and renovation of a leased space formerly used by the Church of Blessed Sacrament, located at 1800 Ames Avenue, which included a school building, church and rectory (with the rectory to be demolished) and construction of a 35,000 square foot addition.
- 9) **Twin Cities Academy Charter School (2015):** The Twin Cities Academy opened a middle school in 1999 and high school in 2005 in space leased from the Sacred Heart Parish. In 2015, the HRA issued \$15.895 million in bonds for the school to acquire and construct a new 60,000 square foot facility at 1520 East Minnehaha. The property, previously owned by Cemstone, had been vacant since 2010.



- 10) **High School for Recording Arts Charter School (2015):** The High School for Recording Arts opened in 1998. In 2015, the HRA issued \$7.88 million in bonds for the school to acquire and renovate the facility at 1166 University Avenue that they had been leasing, and to construct an 8,000 square foot addition.
- 11) **Gillette Children’s Healthcare (2016):** See #2 above. In 2016, the HRA issued \$20 million in bonds to finance an expansion and renovation of Gillette’s facility to improve patient rooms and waiting areas, and to purchase equipment.
- 12) **Community School of Excellence Charter School (2016):** The Community School of Excellence opened in 2007 in space leased from the Church of St. Bernard. In 2016 the HRA issued \$30.965 million in bonds for the school to acquire and construct a new 127,000 square foot facility at 270 West Larpenteur Avenue. The property was owned by Linders Garden Center, which had closed in 2013. The property had been vacant since then.
- 13) **Nova Classical Academy Charter School (2016):** See #3 above. In 2016, the HRA issued \$17.06 million in bonds with the primary purpose to refund the 2011 bonds issued by the HRA for Nova’s facility (approximately \$13 million), and also to provide approximately \$4 million to finance the acquisition of land owned by Brighton on the Koch/Mobil site, and to construct an athletic field on existing school property and property owned by the HRA, and pay associated financing costs.
- 14) **Hmong College Prep Academy Charter School (2016):** See #4 above. In 2016, the HRA issued \$44.58 million in bonds to refund 2006 bonds issued by the HRA for the school and to finance the acquisition of ten acres of adjacent land, to construct parking and athletic facilities on the acquired land, to renovate their existing facility and to construct a 98,500 square foot addition. Approximately \$7.9 million of the 2016 bond issuance was used to refund the 2006 bonds and the remaining approximately \$36.6 million was a new bond issuance.
- 15) **Great River Charter School (2017):** The Great River School opened in 2003. In 2017, the HRA issued \$16.08 million in bonds for the school to acquire and renovate space they were leasing at 1326/1336 Energy Park Drive and to construct a 19,000 square foot addition thereto. Prior to the acquisition, the school leased only half of the building at 1336 Energy Park Drive, with the other half occupied by another charter school.
- 16) **Metro Deaf Charter School (2018):** The Metro Deaf Charter School opened in 1993. In 2018, the HRA issued \$14.975 million in bonds for the school to acquire and renovate an office/warehouse building located at 1125 Energy Park Drive. When acquired, the building was 90% vacant. The school has continued to lease a portion of the building to a commercial tenant. The school moved from their prior facility located at 1471 Brewster Street (east of the existing Hmong College Prep facility).
- 17) **HealthPartners - Regions Hospital (2018):** Regions Hospital is an affiliate of HealthPartners and leases the hospital from Ramsey County at 640 Jackson Street, which grants them use of the property through the year 2100, provided they meet certain care and/or investment metrics. In 2018, the HRA issued \$50 million in bonds for HealthPartners to construct an approximately 160,000 square foot birth center on the

southern edge of the campus along 12<sup>th</sup> Street. The HRA has issued bonds in the past for HealthPartners, with refunding activity in 2014 and 2015.

- 18) **Higher Ground Academy Charter School (2018):** Higher Ground Academy opened in 1999 in a facility at 1381 Marshall Avenue. The HRA issued \$14.33 million in bonds for the school to acquire and renovate/expand the former Metro Deaf Charter School building located at 1471 Brewster Street (#16 above) for operation of their upper school, while maintaining their lower school at the current Marshall Avenue facility. The HRA had previously issued bonds for the school in 2013 to refund prior bonds issued by the HRA in 1999/2004/2009. The proceeds from the prior bonds were used to acquire and improve the Marshall Avenue facility, including a building addition.
- 19) **Cretin-Derham Hall (2019):** Cretin-Derham Hall is a Catholic, co-educational, college preparatory high school that was founded in 1871. In 2019, the HRA issued \$8.15 million in bonds to construct an approximately 6,000 square foot entry/gathering space to the school's main entrance at 550 South Albert. The HRA also issued bonds in 2019 to refund bonds originally issued by the HRA in 2001 to renovate and expand their school facilities.
- 20) **Twin Cities German Immersion Charter School (2019):** See #7 above. In 2019, the HRA issued \$7.155 million in bonds to finance the demolition of St. Andrew's Church and construction of a 23,500 square foot addition to their existing school building.
- 21) **Community of Peace Academy Charter School (2019):** The Community of Peace Academy opened in 1995 at 471 Magnolia Avenue. In 2019, the HRA issued \$7.5 million in bonds for the school to renovate their facility and to construct a 30,000 square foot building addition. The HRA had previously issued bonds for the school in 2015 to refund prior bonds issued by the HRA in 2001/2006. The proceeds from the prior bonds were used to acquire and improve the facility.
- 22) **Science Museum of Minnesota (2020):** The Science Museum of MN opened a new facility at 120 East Kellogg Boulevard in 1997. In 2020, the HRA issued \$13.9 million in bonds to refund prior HRA issued bonds which partially financed the 300,000 square foot facility and parking ramp (\$11.9 million); and to finance \$2 million of capital improvements to the facility.
- 23) **Hmong College Prep Academy Charter School (2020):** See #4 and #14 above. In 2020, the HRA issued \$26.06 million in bonds to refund bonds issued by the HRA in 2012 (approximately \$15 million) and to finance new improvements (approximately \$11 million) including the construction of a 93,000 square foot building for the school's middle school and renovation of their existing building.
- 24) **HOPE Community Academy Charter School (2020):** The HOPE Community Academy opened in 2000 at 720 Payne Avenue. In 2020, the HRA issued \$16.675 million in bonds for the school to renovate their facility and to construct a 60,000 square foot building addition. The HRA had previously issued bonds for the school in 2015 to refund prior bonds issued by the HRA in 2004/2005. The proceeds from the prior bonds were used to acquire and renovate the facility.

25) **Minnesota Math and Science Academy Charter School (2021 pending):** The Minnesota Math and Science Academy opened in 2014 at 169 Jenks Avenue. On November 18, 2020, the HRA provided preliminary approval to issue up to \$15 million in bonds to finance the acquisition of the school’s leased space and to complete an estimated \$1 million in interior improvements.

Following is a table of requested data for each of the transactions (TABLE 1: CONDUIT BOND TRANSACTION DATA), and a map indicating the location of each transaction (MAP 1: MAP OF CONDUIT BOND TRANSACTIONS) .

## TABLE 1 CONDUIT BOND TRANSACTION DATA

Saint Paul HRA Conduit Bond Transactions Since 1/1/2010 through 02/28/2021 (excluding housing transactions and transactions that only refunded prior bonds)

Type of Entity	Issue Date	Borrower	Total Project Cost	Principal Amount of Bonds Issued	Taxes Paid in Year Prior to Transaction	Prior Use of Property (if acquisition)**	Jobs Reported in Bond Application		Total Projected Fees Paid to the HRA
							Est. Construction Jobs	Est. New Permanent Jobs	
Hospital/HealthCare	3/25/2010	Children's Healthcare	\$50,000,000	\$50,000,000	0	N/A	175	18	\$237,500
Hospital/HealthCare	11/1/2010	Gillette Children's Healthcare	\$26,250,000	\$26,250,000	0	N/A	197	16	\$180,955
Hospital/HealthCare	5/11/2016	Gillette Children's Healthcare	\$20,000,000	\$20,000,000	0	N/A	36	0	\$413,131
Hospital/HealthCare	9/26/2018	HealthPartners/Regions Birth Center	\$78,255,000	\$50,000,000	0	N/A	250	250	\$780,513
<b>SUBTOTALS</b>			<b>\$174,505,000</b>	<b>\$146,250,000</b>	<b>0</b>		<b>658</b>	<b>284</b>	<b>\$1,612,099</b>
Private School	5/16/2019	Cretin Derham-Hall	\$10,150,000	\$8,150,000	0	N/A	60	0	\$611,781
Other Non-Profit	12/28/2012	Ordway Center	\$39,800,000	\$10,650,000	0	N/A	735	16	\$39,762
Other Non-Profit	4/1/2020	Science Museum of MN	\$13,900,000	\$13,900,000	0	N/A	15	0	\$191,000
<b>SUBTOTALS</b>			<b>\$53,700,000</b>	<b>\$24,550,000</b>	<b>0</b>		<b>750</b>	<b>16</b>	<b>\$230,762</b>
Charter School	10/18/2011	Nova Classical Academy	\$17,540,000	\$17,540,000	0	HRA owned/Tank Farm	108	25	\$127,469
Charter School	10/11/2012	Hmong College Prep Academy	\$17,600,000	\$17,600,000	21,224	Surface Parking	113	18	\$194,174
Charter School	3/7/2013	St. Paul Conservatory for Performing Arts	\$9,000,000	\$9,000,000	171,672	Comm/office suites	40	0	\$218,494
Charter School	5/21/2013	Twin Cities German Immersion School	\$8,545,000	\$8,545,000	0	TE School/Church	40	25	\$228,706
Charter School	3/31/2015	Academia Cesar Chavez Charter School	\$12,630,000	\$12,630,000	0	TE School/Church	190	3	\$748,244
Charter School	7/30/2015	Twin Cities Academy Charter School	\$15,895,000	\$15,895,000	80,398	Abandoned Cemstone	33	5	\$887,031
Charter School	10/9/2015	High School for Recording Arts	\$7,880,000	\$7,880,000	146,224	Closed fitness cntr	75	2	\$411,763
Charter School	8/29/2016	Community School of Excellence	\$30,965,000	\$30,965,000	43,992	Vacant Linders Site	175	20	\$1,208,644
Charter School	10/26/2016	Nova Classical Academy	\$17,060,000	\$17,060,000	4,294	Vacant Residential Lot	5	0	\$929,000
Charter School	12/16/2016	Hmong College Prep Academy	\$46,542,700	\$44,580,000	147,284	Indust/wrhs/bus storge	150	45	\$1,880,119
Charter School	8/4/2017	Great River School	\$16,080,000	\$16,080,000	72,620	Industrial bldgs	150	20	\$854,013
Charter School	8/14/2018	Metro Deaf Charter School	\$14,975,000	\$14,975,000	224,306	indust/warehouse	65	10	\$792,350
Charter School	12/19/2018	Higher Ground Academy	\$14,330,000	\$14,330,000	0	TE School	100	6	\$858,763
Charter School	9/11/2019	Twin Cities German Immersion School	\$8,350,955	\$7,155,000	0	N/A	200	3	\$563,163
Charter School	9/12/2019	Community of Peace Academy	\$10,694,223	\$7,500,000	0	N/A	175	50	\$387,338
Charter School	9/28/2020	Hmong College Prep Academy	\$46,586,785	\$26,060,000	0	N/A	250	80	\$1,404,575
Charter School	12/31/2020	HOPE Community Academy	\$20,795,501	\$19,675,000	0	N/A	120	51	\$1,112,525
Charter School	PENDING	MN Math & Science Academy	\$13,775,000	\$13,775,000	0	N/A	10	9	\$765,000
<b>SUBTOTALS</b>			<b>\$329,245,164</b>	<b>\$301,245,000</b>	<b>912,014</b>		<b>2,000</b>	<b>372</b>	<b>\$13,571,367</b>
<b>TOTALS</b>			<b>\$567,600,164</b>	<b>\$480,195,000</b>	<b>912,014</b>		<b>3,467</b>	<b>672</b>	<b>\$16,026,009</b>
<i>Excl Pending Transaction</i>			<i>\$553,825,164</i>	<i>\$466,420,000</i>	<i>912,014</i>		<i>3,457</i>	<i>663</i>	<i>\$15,261,009</i>

\* Total property taxes paid in year prior to transaction; \$0 if property already exempt

\*\* N/A if acquisition not included in project

MAP 1: MAP OF CONDUIT BOND TRANSACTIONS



# Non-profit conduit revenue bond projects, 2010-

excluding housing and refunding bonds • February 27th, 2021



Date: 2/27/2021 11:09 AM Document Path: C:\Users\psawade\OneDrive\Saint Paul\FCD\Research & Mapping\Documents\Requests\2021\2021-10-06\_Conduit Revenue Bonds Study Data for Jerry Wiley V - 02/27/2021 02:09 Non-profit conduit bond projects\_2010-.shp

This document was prepared by the Saint Paul Planning and Economic Development Department and is intended to be used for reference and illustrative purposes only. This drawing is not a legally recorded plan, survey, official tax map or engineering schematic and is not intended to be used as such. Data source: St. Paul Enterprise GIS, PED finance history, 2021.



### **Net Impact to property tax revenue:**

While tax base shifts occurred with transactions involving changes in classification from taxable to tax-exempt property, due to Minnesota's levy-based property tax system there was no net decrease in the overall property tax revenue received by the taxing jurisdictions as a result of these transactions.

Of the 25 transactions, only 9 transactions reclassified properties from taxable to tax-exempt, resulting in roughly \$900,000 of taxes shifted from these properties to the overall tax base upon exemption. For context, this shift, which occurred over a period of more than 10 years, would represent roughly 0.18% of taxes paid to the three major taxing jurisdictions - the City, Ramsey County and Saint Paul Public Schools - when comparing to 2021 tax levies and rates.

To calculate the estimated dollar amount of the changes in tax classification of these properties, PED staff calculated an estimate of the parcel-specific property tax changes for those transactions that resulted in the conversion of taxable property, in part or in total, to tax-exempt. The calculation was completed as follows:

- First, we utilized the parcel dataset with pre-construction parcels, estimated market values, and property taxes payable. The Metropolitan Council maintains an archive of GIS services that provide parcel data as of the year end for most years from 2000 to present; the year 2016 has dropped from their archive so we had to work around that. We utilized the year of the bond issue to look up the earliest building permit tied to the project and chose the year accordingly to define the estimated market value and property taxes payable at project start.
- Prior to construction, some properties were owned by or occupied by for-profit tenants, and thus paid property taxes prior to any project. The dollar amount shown in the table is the difference between the amount of total taxes paid by properties utilized for the project prior to the property converting and the total first year with properties exempt from taxation (in part or in total). This amount does not include any calculation for taxes that may have been paid in subsequent years nor projections into the future.

### **Net Impact to public facilities and services including streets, infrastructure and parks:**

As with construction projects of any kind, site plan review is the process by which necessary infrastructure improvements (additional sidewalks, traffic signals, etc.) are identified. For improvements identified as necessary during the site plan review process, the project bears the cost of these improvements, for which ownership is transferred to the City upon completion.

While park facilities are intended to serve the needs of residents and visitors, every park has a carrying capacity for use and exceeding this capacity can result in damage and premature failure of park amenities. One of the purposes of the city's parkland dedication ordinance is to increase the capacity of nearby parks, either by investing in existing parks or by developing new parkland, to mitigate the impacts of development. The ordinance requires projects to contribute land, or more often a fee-in-lieu of land, to offset heavier use on the area's park and recreation system. However, there is a blanket exemption for institutional uses in the ordinance, so uses such as charter schools are not required to contribute via parkland dedication.

While the Parks and Recreation Department has a broad use agreement with Saint Paul Public Schools (SPPS), such agreements do not exist for individual charter schools. During site plan review, Parks staff request information on how the project will accommodate recess and other outdoor activities on their own site. In the event there would be potential impact on the parks system due to anticipated use of a park facility by a school for recess or extra-curricular activities, the Parks and Recreation Department could initiate a discussion about the appropriateness and terms of a use agreement for that individual project. Such an agreement would be similar in intent to the current agreement with SPPS and the group use structure, which requires a fee to cover costs of mitigating the effects of increased wear and tear on park assets.

**A. General data on charter school growth in Saint Paul since 1/1/2010 (number of schools, student population, etc.)**

According to information from the Minnesota Department of Education (MDE), from 2010-2020:

- The total number of charter schools in Saint Paul has grown from **26** to **38**
- The total number of students in charter schools has grown from **9,762** to **16,763**
- **Less than 40%** of the charter schools in the city, and only **1** of the **12** schools that have opened since 2010, have utilized conduit revenue bond financing through the HRA.

Any construction project of more than \$2,000,000 for public school buildings, including both public school districts and charter schools, must go through the State of Minnesota Department of Education (MDE) review. Prior to bonds being issued, there must be a positive review and comment from MDE, which must be published in the newspaper at least 20 days prior to the acquisition or entering into the construction contract. The bond counsel to the HRA is responsible for working with the charter school to ensure that processes required for the issuance of the bonds are followed.

The following table provides further detail on that growth, indicating which of the schools have received HRA conduit revenue bond financing (TABLE 2: CHARTER SCHOOL DATA). The map indicates the location of all charter schools in Saint Paul, not limited to those that have received HRA conduit revenue bond financing (MAP 2: MAP OF CHARTER SCHOOLS IN SAINT PAUL).

**All data is as reported by the Minnesota Department of Education. Staff did not consult any of the schools for information.**



**TABLE 2: CHARTER SCHOOL DATA**

**Data on Charter Schools Located in Saint Paul**

School Name	1st Year Open	Grades	Authorizer	ENROLLMENT DATA				HRA or Port Bonds?
				2010-11, or 1st year of operation	2020-21	# Change	% Change	
City Academy High School	1992	10-12	Innovative Quality Schools	111	124	13	12%	
Metro Deaf School	1993	PreK-12+	University of St. Thomas	98	113	15	15%	HRA
Community of Peace Academy	1995	PreK-12	University of St. Thomas	689	816	127	18%	HRA
Achieve Language Academy	1996	PreK-8	Novation Education Opportunities	398	450	52	13%	Port
Cyber Village Academy	1998	K-12	Innovative Quality Schools	118	268	150	127%	
High School for Recording Arts	1998	9-12	Pillsbury United Communities	220	323	103	47%	HRA
Jennings Community School	1998	7-12	Pillsbury United Communities	64	65	1	2%	
LIFE Prep	1998	PreK-6	MN Guild of Public Charter Schools	417	233	(184)	-44%	
St. Paul City School/Rivers Edge HS	1998	PreK-12	Innovative Quality Schools	330	515	185	56%	HRA
Face to Face Academy	1999	9-12	University of St. Thomas	68	97	29	43%	
Higher Ground Academy	1999	K-12	Osprey Wilds	662	1,029	367	55%	HRA
Twin Cities Academy	1999	6-12	University of St. Thomas	313	544	231	74%	HRA
HOPE Community Academy	2000	K-8	University of St. Thomas	465	565	100	22%	HRA
Academia Cesar Chavez	2001	PreK-8	University of St. Thomas	337	545	208	62%	HRA
Avalon Charter School	2001	6-12	Novation Education Opportunities	174	247	73	42%	
Nova Classical Academy	2003	K-12	Friends of Education	630	1,010	380	60%	HRA
Urban Academy	2003	PreK-6	Novation Education Opportunities	259	437	178	69%	
Great River School	2004	1-12	Novation Education Opportunities	271	783	512	189%	HRA
Hmong College Prep Academy	2004	K-12	Bethel University	673	2,378	1,705	253%	HRA
Midway Star Academy	2005	K-8	Pillsbury United Communities	289	390	101	35%	
St. Paul Conservatory for Performing Arts	2005	9-12	University of St. Thomas	535	440	(95)	-18%	HRA
Twin Cities German Immersion School	2005	K-8	University of St. Thomas	242	587	345	143%	HRA
Community School of Excellence	2007	PreK-12	MN Guild of Public Charter Schools	635	1,438	803	126%	HRA
Laura Jeffrey Academy	2008	5-8	Osprey Wilds	187	73	(114)	-61%	
College Prep Elementary/Academy	2009	K-6	MN Guild of Public Charter Schools	213	289	76	36%	
Cornerstone Montessori Elementary School	2011	K-6	University of St. Thomas	60	135	75	125%	
STEP Academy	2011	K-12	Innovative Quality Schools	208	643	435	209%	
Upper Mississippi Academy	2013	6-12	Innovative Quality Schools	170	287	117	69%	
Minnesota Math & Science Academy	2014	K-10	Pillsbury United Communities	265	504	239	90%	HRA Pending
Sejong Academy	2014	PreK-8	Novation Education Opportunities	60	257	197	328%	
Career Pathways	2016	6-12	MN Guild of Public Charter Schools	76	107	31	41%	
New Century School	2016	K-7	Volunteers of America - Minnesota	115	377	262	228%	
Minnesota Internship Center (St. Paul Camp)	2019	9-12	Pillsbury United Communities	65	143	78	120%	
Prodeo Academy (St. Paul Campus)	2019	K-3	Innovative Quality Schools	139	180	41	29%	
St. Paul School of Northern Lights	2019	K-7	Innovative Quality Schools	99	206	107	108%	
The Journey School	2019	K-8	Innovative Quality Schools	35	93	58	166%	
Quantum STEAM Academy	2020	K-6	Novation Education Opportunities	67	67	0	0%	
Wildflower Academy (St. Paul Campus)	2020	K	Wildflower Education Networks	5	5	0	0%	
				<b>9,762</b>	<b>16,763</b>	<b>7,001</b>	<b>72%</b>	



## B. Options available for possible limitations with zoning, conditional use permits, etc.

PED and DSI staff, in consultation with the City Attorney's Office, examined possible limitations or restrictions on charter school construction or expansion through conditional use permits, zoning, etc. **Note: K-12 schools are a defined land use in the Zoning Code, and therefore any zoning standards or use definition changes or conditions would apply to all K-12 schools, including charter schools.**

- The Planning Team is currently working on an industrial zoning study which will include consideration of changes to permitted uses in industrial zoning districts. The scope could be amended to study the addition of standards or conditions to K-12 school uses regarding traffic/safety considerations, required lot areas and green space.
  - The City completed a zoning study in 2012/2013 that also examined industrial zoning districts. This study resulted in amendments to the permitted uses in I-3 zoned areas but maintained the permitted uses in IT, I-1 and I-2 zoned areas. This means that K-12 schools are still a permitted use in IT and I-1 areas and allowed subject to a conditional use permit in I-2 areas. Conditions that must be met by K-12 schools locating in I2 zoned areas are those that apply to any Conditional Use, including:
    - a. The extent, location and intensity of the use will be in substantial compliance with the Saint Paul Comprehensive Plan and any applicable subarea plans which were approved by the City Council.
    - b. The use will provide adequate ingress and egress to minimize traffic congestion in the public streets.
    - c. The use will not be detrimental to the existing character of the development in the immediate neighborhood or endanger the public health, safety and general welfare.
    - d. The use will not impede the normal and orderly development and improvement of the surrounding property for uses permitted in the district.
    - e. The use shall, in all other respects, conform to the applicable regulations of the district in which it is located.
- If a zoning text amendment were adopted that eliminated schools as a permitted use in industrial districts, any school currently operating in one would become a legally nonconforming use. As a result, if the school ceased operations and 12 months lapsed before the prior use as a school were re-established, the school use would not be permitted without formal approval in the form of a permit by the Planning Commission. That said, any school that exists within an industrial zoning district prior to a zoning text amendment prohibiting school uses in that district could remain indefinitely, as long as the school continued to use and occupy the property continuously.

Currently, there are eleven (11) K-12 schools operating in I-1 and I-2 zoning areas. A map is shown at the end of this section (MAP 3: MAP OF SCHOOLS LOCATED IN I-1 AND I2 ZONING DISTRICTS).

All new school buildings or expansions currently must complete the Site Plan Review process before a building permit may be issued. Staff of DSI, PED, Public Works, and Parks are involved in this process. In the event additional standards or conditions were added for K-12 schools through a zoning text amendment requiring conditional use permit for schools, these additional standards and conditions would have to be met before a site plan approval and building permit would be issued.

In addition, any applications for a school use of a given size or other characteristic that is defined as a conditional use would require a conditional use permit to be reviewed and approved by the Planning Commission. There may be additional conditions for school use besides the five standards for any conditional use outlined above.

**The industrial zoning study process currently in progress will take many months to complete, requiring public hearings at the Planning Commission and approval by the City Council of any eventual zoning text amendments. Estimated completion date is winter 2021-22.**

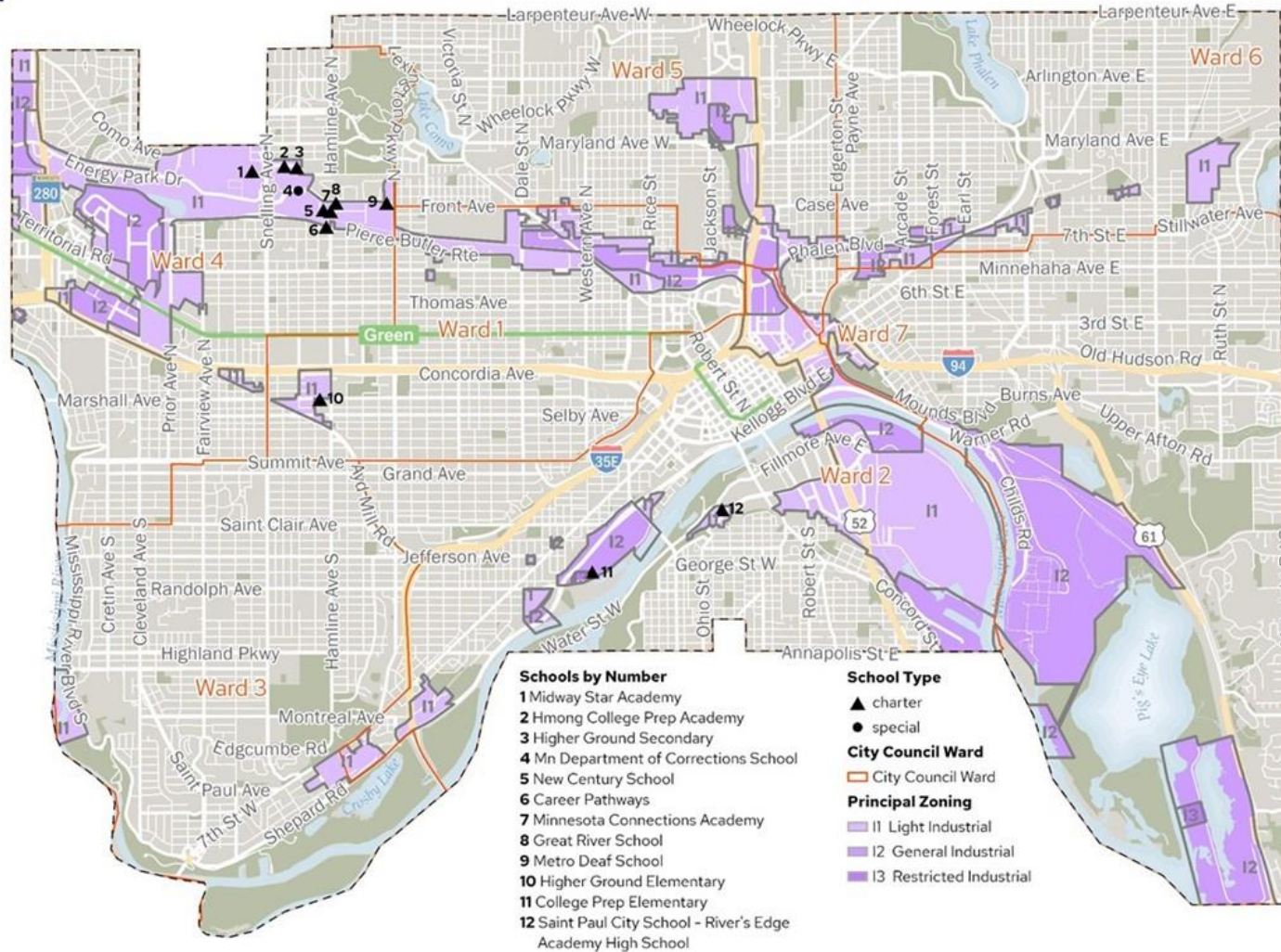


### MAP 3: MAP OF SCHOOLS LOCATED IN I1 AND I2 ZONING DISTRICTS

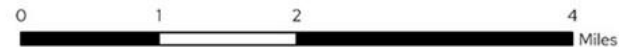


# Schools located in I1 and I2 industrial zoning districts

March 4th, 2021



This document was prepared by the Saint Paul Planning and Economic Development Department and is intended to be used for reference and illustrative purposes only. This drawing is not a legally recorded plan, survey, official tax map or engineering schematic and is not intended to be used as such. Data source: St. Paul Enterprise GIS, MDE, School Address Data Declassified, 2021.



Saint Paul Planning and Economic Development Department | 1500 Grand Avenue, Saint Paul, MN 55108 | 651.224.3100 | www.saintpaul.gov

## Conduit Revenue Bond Policies and Applications

The HRA has an application for the issuance of conduit revenue bonds, which is included as **Exhibit 1**. The application requests information about the applicant, the project, and outlines the HRA's process and procedures for conduit revenue bond requests.

Information requested includes employment information (before and after the project, including estimated construction jobs), property tax information (current property taxes and projected upon project completion), and compliance with city land use regulations (required zoning changes, variances, etc.). Exhibits to the application include architectural drawings, construction cost statement, site plans and scopes of work, and the status of community council review of the project.

All applications are required to include a letter from the Applicant acknowledging requirements related to a request for conduit revenue bonds, including compliance with a number of Saint Paul public financing requirements; an acknowledgement that the acceptance of the application and fee “does not (a) constitute or create an agreement by the City or HRA to approve the project or grant and financing for the project, or (b) constitute any representation by the City or HRA that it will approve the Project or agree to provide financing”; and HRA conduit revenue bond application timelines, fees and bond issuance requirements.

Staff reviewed policies/applications from other cities, including Brooklyn Center, Mahtomedi, Minneapolis, Red Wing, and Rochester. These policies/applications were generally similar to those of the HRA. Primary differences include:

- Some cities included in the application materials a more explicit statement that “we reserve the right to approve or reject projects on a case-by-case basis” and outlined certain criteria for review. The criteria listed do not include any metrics or specific requirements, but rather just information for consideration, such as project location, jobs created and wage levels, tax base impacts, impacts on existing City services or utilities, impacts to future development, and support for existing commercial or industrial facilities.
- Some cities include in their policies the explicit requirement that an application will not be accepted until the project has received preliminary zoning and building approvals, which would be similar to Saint Paul's conditional site plan approval.

**EXHIBIT 1: HRA CONDUIT BOND APPLICATION is attached**

# EXHIBIT 1: HRA CONDUIT BOND APPLICATION

DEPARTMENT OF PLANNING &  
ECONOMIC DEVELOPMENT  
*Nicolle Goodman, Director*



**CITY OF SAINT PAUL**  
*Melvin Carter, Mayor*

25 West Fourth Street, Ste 1300  
Saint Paul, MN 55102

Telephone: 651-266-6565

## **PROCESS FOR PROCESSING PROJECTS REQUESTING THE ISSUANCE OF CONDUIT REVENUE BONDS BY THE SAINT PAUL HOUSING AND REDEVELOPMENT AUTHORITY (HRA)**

*Revised August 2020*

- STEP 1** A written proposal shall be submitted by the applicant to include the following:
- Initial application form (including material requested in Attachment A)
  - Acknowledgement Letter (see Attachment B)
  - Bond Application Fee of \$5,000 (*reduces to \$3,500 if requested principal is less than \$1,000,000*)
- STEP 2** Review process and procedures included in Attachment C
- STEP 3** St. Paul Planning & Economic (PED) staff will review the Application for completeness
- STEP 5** PED staff will make a recommendation to the HRA Board of Commissioners and/or City Council.
- No legal binding commitment until Step 6.
- STEP 6** HRA Board of Commissioners and City Council Actions will include the following:
- Resolution approving Bond Financing Documents

**APPLICATION**

**REQUEST FOR ISSUANCE OF CONDUIT REVENUE BONDS  
BY THE SAINT PAUL HOUSING AND  
REDEVELOPMENT AUTHORITY (HRA)**

Date: \_\_\_\_\_

District Council: \_\_\_\_\_

Zoning: \_\_\_\_\_

Project Name: \_\_\_\_\_

General Overview:

1. Applicant Information

(a) Applicant:

i. Name: \_\_\_\_\_

ii. Address: \_\_\_\_\_  
\_\_\_\_\_

iii. Telephone number:

iv. \_\_\_\_\_ corporation (state of incorporation: \_\_\_\_\_)

\_\_\_\_\_ partnership

\_\_\_\_\_ sole proprietorship

\_\_\_\_\_ other (specify: \_\_\_\_\_)

v. List below the names and offices held for all officers of the Applicant, current as of the date of this application:

\_\_\_\_\_

vi. List below the names of all stockholders (if corporation), partners (if partnership) and owners (if sole proprietorship) of the Applicant, current as of the date of this application

\_\_\_\_\_



(b) Applicant's authorized representative:

i. Name: \_\_\_\_\_

ii. Address: \_\_\_\_\_  
\_\_\_\_\_

iii. Telephone Number: \_\_\_\_\_

iv. Email: \_\_\_\_\_

(c) Applicant's legal counsel:

i. Name: \_\_\_\_\_

ii. Address: \_\_\_\_\_  
\_\_\_\_\_

iii. Telephone Number: \_\_\_\_\_

iv. Email: \_\_\_\_\_

(d) Indicate name and address of financial references:

i. Bank:

ii. Commercial mortgage:

iii. Trustee for other revenue bond issues under which Applicant was borrower:

(e) Has –

Applicant, if an individual,

OR

Any officers or owners or any majority stockholder (20% or more ownership), if a corporation, OR

Any existing or prospective general and limited partner in the Project ever:

Been convicted of a felony?

\_\_\_\_\_ yes \_\_\_\_\_ no

Been in bankruptcy?

\_\_\_\_\_ yes \_\_\_\_\_ no

Defaulted on any loan, bond or mortgage commitment?

\_\_\_\_\_ yes \_\_\_\_\_ no

(f) Attach here a brief description of the type of business engaged in by Applicant, as well as the organizational structure, history, experience and annual sales and income of applicant for the past three years (attach additional pages if necessary):

(g) Applicant's employee data:

- i. Total number of persons employed by Applicant: \_\_\_\_\_
- ii. Total number of persons employed by Applicant in Minnesota: \_\_\_\_\_
- iii. Total number of persons employed by Applicant in Saint Paul: \_\_\_\_\_
- iv. Estimated number of permanent full-time jobs upon completion of Project, at location of Project:  
\_\_\_\_\_ NEW                  \_\_\_\_\_ existing
- v. Expected Annual Wages of NEW Full-Time Jobs: \_\_\_\_\_

(h) Outstanding principal amount of revenue bonds issued by City, Port Authority, or HRA to finance a facility of which Applicant, or any related person to Applicant, is or has been a principal user during previous three years:

(i) List any projects financed through the HRA or Port Authority in which Applicant, if an individual, officers or majority stockholders if a corporation, or any existing or prospective general partner, has participated:

## 2. Project Data

(a) Location of Project:

(b) Description of Project (include building(s) type, use, size of building(s), # of housing units, s.f. of commercial uses, etc.):

(c) Real estate taxes:

i. Total estimated amount of yearly real estate taxes which will be paid upon Project completion: \_\_\_\_\_

ii. Amount of real estate taxes currently paid on site of Project: \_\_\_\_\_

(d) Indicate Project's compliance with City and State codes and regulations. If there is noncompliance, indicate what action must be taken to achieve compliance:

i. Project complies with the following regulations:

- Zoning
- Platting
- Building and Housing (permits obtained)
- Environmental
- Historic Review
- Other (specify: \_\_\_\_\_)

ii. Project requires:

- Rezoning from \_\_\_\_\_ to \_\_\_\_\_
- Conditional use permit/non-conforming use permit
- Zoning variance
- Building permit
- Environmental assessment worksheet
- Historic Review
- Stormwater Management Review
- Other (specify: \_\_\_\_\_)

iii. The proposed site is served by utilities, including streets.

- yes                       no

iv. Detail the sustainable (green) components included in the construction of buildings and site improvements. Indicate whether the building will receive LEED certification and to what level.

(e) Total principal amount of bonds which Applicant is requesting that HRA issue for Project: \_\_\_\_\_ (A) + (B)

(A) New Money Bonds: \_\_\_\_\_

(B) Refunding Bonds (previously HRA issued): \_\_\_\_\_

(f) Proposed bond structure, including underwriter, purchaser, etc.

(g) Bond counsel information (name, firm, address, phone, email):

(h) Project cost breakdown:

land acquisition: \_\_\_\_\_  
site preparation: \_\_\_\_\_  
construction: \_\_\_\_\_  
reconstruction/rehabilitation: \_\_\_\_\_  
equipment: \_\_\_\_\_  
architect's fee: \_\_\_\_\_  
engineer's fee: \_\_\_\_\_  
legal fees: \_\_\_\_\_  
developer fee: \_\_\_\_\_  
organizational expense: \_\_\_\_\_  
contingency: \_\_\_\_\_  
other (specify): \_\_\_\_\_

TOTAL PROJECT COSTS: \_\_\_\_\_

(i) Bond financing cost breakdown:

Underwriter's discount: \_\_\_\_\_  
Capitalized interest: \_\_\_\_\_  
Debt service reserve fund: \_\_\_\_\_  
Other Costs of Issuance: \_\_\_\_\_

TOTAL BOND FINANCING COSTS: \_\_\_\_\_

(j) Timing

i. Proposed bond term: \_\_\_\_\_  
ii. Proposed closing date: \_\_\_\_\_  
iii. Proposed construction start: \_\_\_\_\_  
iv. Proposed construction end: \_\_\_\_\_

(k) Estimated number of Construction Jobs: \_\_\_\_\_

(l) check correct response:

i. Applicant present (does) \_\_\_\_\_ or (does not) \_\_\_\_\_ intend to sell Project upon completion of construction.

ii. Applicant (does) \_\_\_\_\_ or (does not) \_\_\_\_\_ have control of substantially all of the Project site.

iii. Applicant (has) \_\_\_\_\_ or (has not) \_\_\_\_\_ executed any contracts for construction of any portion of any Project.

iv. Project (does) \_\_\_\_\_ or (does not) \_\_\_\_\_ include property to be used as a permanent address.

(m) If housing, what is the total number of units and what percent will be affordable:

Total Number of Units \_\_\_\_\_  
Number of Units @ 60% Metro Area Median Income \_\_\_\_\_  
Number of Units @ 50% Metro Area Median Income \_\_\_\_\_  
Number of Units @ 30% Metro Area Median Income \_\_\_\_\_

(n) Any other outstanding HRA/City loans or Bonds/Notes:

<u>Loan</u> <u>Amount</u>	<u>Date</u> <u>Issued</u>	<u>Outstanding</u> <u>Balance</u>
------------------------------	------------------------------	--------------------------------------

(o) Additional information as required by HRA:

If bond financing includes refinancing, provide the location and description of project or projects originally financed with the bonds related to the financing request; and provide information about current or anticipated capital improvements related to the project or projects.

3. Indemnity and Release.

The Applicant agrees to indemnify, defend and hold the HRA and City of Saint Paul harmless and releases the HRA and City of Saint Paul against any and all losses, claims, damages, expenses, or liabilities including attorney’s fees incurred to which the HRA or City of Saint Paul, their officers, employees, officials and agents they may become subject to in connection with the HRA’s consideration of the financial request of Applicant and the issuance and sale of any bonds.

Submit this form along with Application Fee and Acknowledgement Letter to identified contact person:

City of Saint Paul  
Department of Planning and Economic Development  
25 West Fourth Street, 13<sup>th</sup> Floor  
Saint Paul, MN 55102

All Application and supporting materials and documents shall remain the property of the HRA. All such materials may be subject to disclosure and/or public review under applicable provisions of state law.

By submitting and signing this application form and Acknowledgement Letter, the Applicant certifies that this Application, including the Exhibits detailed in Attachment A and Relocation and Housing Replacement Notification (if applicable), are true, correct, and complete to the best of its knowledge.

Applicant-\_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

## **Attachment A (Addendum to Application)**

### **HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL**

For the proposed financing requested in the Application for Conduit Revenue Bond Financing the following additional data needs to be submitted as part of the application and identified as the following EXHIBITS:

#### **EXHIBITS**

**1. PROJECT DESCRIPTION**

Include a narrative description of the project and surrounding land uses. Include a description of services or amenities proposed for tenants and/or residents. Include photographs of the site and buildings.

**2. DEVELOPMENT AND FINANCING TEAM**

Name and provide resumes/pertinent experience backgrounds of development company including all principal partners, property management company, borrower's legal counsel, bond counsel, underwriter, underwriter's legal counsel, bond trustee, accounting firm, architectural firm, and general construction contractor.

**3. PROJECT SCHEDULE**

**4. PROPOSED FINANCIAL STRUCTURE OF THE BONDS**

**5. FINANCIAL ANALYSIS/UNDERWRITING REPORT**

Describe with supportive documentation and assumptions, your analysis substantiating the feasibility and long term financial viability of the project.

**6. FINANCIAL STATEMENTS**

Submit at least past three years audited statements and current (within 60 days) financial statement of the project, proposed property management company, asset management company, and applicant/development company.

**7. DETAILED PROJECT BUDGET**

**8. SOURCES AND USES OF FUNDS STATEMENT**

**9. TERMS AND CONDITIONS OF SOURCES OF FUNDS**

**10. BOND TERM SHEET**

**11. ARCHITECTURAL DRAWINGS, SWORN CONSTRUCTION COST STATEMENT, BIDS AND SPECIFICATIONS, SITE IMPROVEMENT PLANS, SCOPE OF WORK**

**12. OPERATING EXPENSE PROJECTIONS**

Include a detailed operating expense budget and the amount and purpose of project reserves (eg, replacement and operating) with underlying assumptions or background information.

**13. TEN YEAR PRO FORMA PROJECTIONS**

Submit a ten year proforma operating budget with underlying assumptions.

**14. NEIGHBORHOOD SUPPORT**

Include a statement on the support and roles of the District Community Council or other neighborhood organizations. Indicate whether the proposed project or financing has been reviewed by the neighborhood.

**15. PERSONAL FINANCIAL STATEMENTS OF THE PRINCIPALS/GENERAL PARTNERS OF THE PROJECT (IF REQUESTED BY THE SAINT PAUL HRA)**

**ADDITIONAL REQUIREMENTS FOR PROJECTS THAT INCLUDE HOUSING**

**16. MARKET FEASIBILITY ANALYSIS/PLAN**

Describe the target market and need for the type of housing being proposed; include market studies and/or analysis. Also, include your plan and methods to market the units.

**17. DETAILED HOUSING UNIT BREAKDOWN**

Include unit mix, size of units, and gross and project rent structure.

**18. OCCUPANCY/FILL PROJECTIONS**

Provide a schedule/timeline for lease-up of the units; provide historical occupancy rates.

**19. TENANT DATA**

Provide a breakdown of the current or targeted, whichever is applicable, tenant population by racial/ethnic classification, income, household size, single head of household, and age.

**20. SUPPORT SERVICES**

Include a statement on whether support and human services are planned for or are provided to the residents of the project; indicate the services provided and the related service organizations. Indicate names, addresses and telephone numbers of the service providers.

**21. STATEMENT OF RESIDENT PARTICIPATION; COOPERATIVE HOUSING**

Include a statement on resident participation in the project and whether the project is or will be organized as a cooperative or with a resident association; and indicate the structure of the ownership, cooperative or resident association entities and the role of the residents in the management of the ownership entity and of the project.

**ATTACHMENT B**  
**Bond Application Fee &**  
**Acknowledgement Letter**

[TO BE SUBMITTED ON APPLICANT'S LETTERHEAD]

*(Project Manager's Name)*  
Housing and Redevelopment Authority  
City of Saint Paul  
Department of Planning and Economic Development  
1300 City Hall Annex  
25 West Fourth Street  
Saint Paul, MN 55102

RE: *(Description of Project)* ("Project")

Dear:

Enclosed is our non-refundable Bond Application Fee in the amount of \$5,000.00 (*or \$3,500 if bond principal amount is less than \$1,000,000*) in connection with the Project. We understand that we are not entitled to any refund or rebate of any amount of this Bond Application Fee under any circumstances.

We further acknowledge that the following City/HRA compliance documents ("Compliance Documents") may be applicable for this Project:

- I. Affirmative Action including Workforce Utilization Template
- II. Vendor Outreach Program, including Business Opportunity Template (BOT)
- III. Labor Standards – Federal Davis Bacon and City Davis Bacon
- IV. Sustainable Development (Green)
- V. Bond Compliance Agreement for Conduit Bonds
- VI. Sign Requirements

We understand that we will be notified later in the application process of those compliance areas that will actually apply to us and our Project and that if additional City/HRA sources are requested other than bond financing, further compliance may be required.

We acknowledge receipt of the attached compliance matrix which provides a summary of the above listed Compliance Documents. We can contact the Project Manager if more detail is desired for any specific Compliance Document except any questions relating to Affirmative Action, Vendor Outreach Program, or Labor Standards will be directed to the City's Department of Human Rights and Equal Economic Opportunity, Deputy Director, Division of Contract Compliance and Business Development, which is located in Room 280 of City Hall, 15 West Kellogg Blvd., St. Paul, Mn. The Division's phone number is 651-266-8900 and its email address is: [contractcompliance@stpaul.gov](mailto:contractcompliance@stpaul.gov).



In addition to the foregoing compliance areas that are triggered by the award of public financing for the Project, the undersigned acknowledges and understands that it must also comply with the City of Saint Paul's zoning and land use ordinances and regulations, including without limitation the following: site plan review, park dedication, storm water management, etc.

We agree to pay the HRA any fees required shall the Bonds be issued to finance the Project which fees are further described in Attachment C of the HRA provided "Process For Processing Projects Requesting the Issuance of Conduit Revenue Bonds." We further agree that the Bond Application Fee herein paid is in addition to and shall not be credited toward the aforementioned HRA fees and that the application fees and expenses of bond counsel and others shall remain the separate obligation of the Applicant.

We also understand that the acceptance of the Bond Application Fee and our acknowledgement of the Compliance Documents does not (a) constitute or create an agreement by the City of Saint Paul or the HRA to approve the Project or grant any financing for the Project, or (b) constitute any representation by the City or HRA that it will approve the Project or agree to provide financing, or c) shall not prejudice or reduce the HRA's right to collect or enforce such other fees or reimbursements as may be permitted by law or provided for under applicable procedures, policies, ordinances or rules, or d) create any legal or equitable cause of action against the City and HRA arising from any failure or refusal by the City and HRA to approve the Project or any financing for the Project.

Instead, we acknowledge that a legally binding contract will be formed only upon formal approval of the Project by the HRA Board of Commissioners and execution of a legally binding agreement, the terms of which will be discussed with HRA and City staff. Also, we agree not to make any waiver or estoppel arguments to have the Bond Application Fee returned to us or to impose any agreement or binding legal obligation on the City or HRA; and we agree not to make any waiver or estoppel arguments to impose any agreement or binding legal obligation on the City or HRA by actions taken by us in response to the Compliance Documents.

[Signed by applicant]

Compliance	Thresholds	Requirements	Exemptions
<b>Affirmative Action / Equal Employment Opportunity (AA/EEO)</b>	a) \$50,000, total public subsidy or contract, cumulative over 12 months, OR b) Sales made under HRA Land disposition policy	a. On any project over \$50,000, all contractors, prime and sub, have a goal of 32% for minorities and 20% for women participating on the project. b. In addition, the recipient must file an affirmative action program registration to diversify and implement fair employment practices with its workforce. The registration with the city remains in effect for 2 years.	None
<b>City Labor Standards (Little Davis-Bacon)</b>	\$25,000 (total project cost)	Projects over \$25,000 consisting of new construction work, demolition work, or repair work; onsite workers whose duties are physical or manual are paid weekly minimum prevailing rates including fringe benefits. Weekly certified payroll and compliance documentation submittal required.	<ul style="list-style-type: none"> <li>Housing projects with 7 or fewer units.</li> <li>Demolition without future reuse.</li> <li><i>No exemptions for commercial projects.</i></li> </ul>
<b>Sustainable Building Policy</b>	More than \$200,000. All new construction and certain rehab projects	Must be certified under one of the eligible green building standards, and comply with the Saint Paul Overlay. <b>See Policy.</b>	Conduit bond except for multi-family housing revenue bonds.
<b>PED/HRA Sustainability Initiative</b>	All newly constructed commercial buildings over 15,000 square feet AND	Participate in Xcel Energy Design Assistance	Does not apply if complying with the Sustainable Building Policy
	All new multifamily buildings AND	Participate in Xcel Energy Design Assistance or ENERGY STAR New Homes	
	All rehab of single-family and duplex properties	Participate in Home Performance with ENERGY STAR	
<b>Vendor Outreach Program (VOP)</b>	a) Total project cost in excess of \$50,000 or more, regardless of City contribution (eg: if there is a STAR grant award of \$25,000 and the total project cost is \$60,000, VOP applies). b) Sales made under HRA Land Disposition Policy	Project goals set on a project-by-project basis. Generally, 25% of Business Opportunities should be awarded to CERT certified Small, Women-owned and Minority-owned businesses, with at least 10% awarded to Small businesses, at least 10% awarded to Women-owned businesses, and at least 5% to Minority-owned businesses. B2Gnow reporting required. If at any time the project is not meeting the VOP goals, then Good Faith Efforts are required	None

## **Attachment C**

### **Saint Paul Housing and Redevelopment Authority (HRA) Conduit Revenue Bond Application Process and Procedures**

#### **TIMING OF APPLICATION SUBMISSION**

Applicants for Conduit Revenue Bond financing should coordinate the submission of documents through the Project Manager assigned to the Project. Applications are accepted throughout the year as follows:

- Requests for Housing Revenue Bonds requiring volume cap – contact Kayla Schuchman, the PED Housing Director by phone at 651-266-6560 or email at [kayla.schuchman@ci.stpaul.mn.us](mailto:kayla.schuchman@ci.stpaul.mn.us);
- For all other requests, i.e., a Qualified 501(c)3 entity – contact Jenny Wolfe, the HRA Debt Manager by phone at 651-266-6680 or email at [jenny.wolfe@ci.stpaul.mn.us](mailto:jenny.wolfe@ci.stpaul.mn.us);

An initial meeting between HRA staff and the borrower is held to discuss the Project and Proposed Financing Plan, Public Purpose, Financing Team including Bond Counsel and Underwriter. The HRA reserves the right to approve or reject any member of the proposed Financing Team.

The Applicant shall submit the Application with all requested exhibits (“Application Materials”) and the Acknowledgement Letter. Incomplete applications will not be considered. Once complete, a bond processing schedule will be established.

The first step in the approval process requires a public hearing and request for preliminary approval of the Project. For housing projects, the City Council is required to conduct the public hearing and provide preliminary approval of the Project. For non-housing projects, the HRA Board of Commissioners must conduct the public hearing and provide preliminary approval of the Project. A public hearing notice must be published in one or more newspapers no less than fifteen (15) days prior to the date of the public hearing.

The City Council holds public hearings on the 1st and 3rd Wednesday of each month; and the HRA Board holds public hearings at their regular monthly meetings on the 2nd and 4th Wednesday of each month. At a minimum the Application Materials shall be submitted to the HRA 30 days prior to the hearing date to be considered.

Additionally, all requests for Conduit Revenue Bonds must be reviewed by the internal PED Credit Committee to ensure adherence to all policies regarding fees and sale requirements. A request shall be reviewed by the Credit Committee a minimum of two weeks prior to the date of the public hearing.

Following City Council or HRA Board preliminary approval, final approval of the bonds and approval of all required documents shall be requested from the HRA Board of Commissioners. The HRA Board will only consider final approval when final sizing is determined including maximum interest rates.

## **REQUIRED FEES**

The HRA charges the following fees for Conduit Revenue Bonds:

1. Application Fee:

- \$5,000 for bond principal amount greater than or equal to \$1 million dollars (\$3,500 if less than \$1 million dollars). This Application fee is paid at the time the application is submitted to the assigned PED Project Manager.

2. Fees due at the Closing:

- For Housing Revenue Bonds requiring volume cap:
  - One percent (1.00%) of total principal issued; and
  - State Bond Application Fee which is equal to \$20 for every \$100,000 of bond principal issued when the principal amount is rounded to the nearest \$100,000;
- For Qualified 501(c)3 Borrowers:
  - One-quarter of one percent (0.25%) of total principal issued;
- A fee of \$1,500.00 for all services rendered by the HRA Attorney with respect to the Project.

3. Ongoing Fees:

- For Housing Revenue Bonds requiring volume cap AND with a final maturity of 5 years or less:
  - On the date which is six months from the closing date, a fee equal to one-quarter of one percent (0.25%) of the bonds outstanding 30 days prior to the due date; and
  - On the date which is twelve months from the closing date, a fee equal to one-quarter of one percent (0.25%) of the bonds outstanding 30 days prior to the due date; and
  - Beginning on the date which is 18 months from the closing date and continuing every six months thereafter, a fee equal to three-quarters of one percent (0.75%) of the bonds outstanding 30 days prior to the due date.
- For Housing Revenue Bonds requiring volume cap AND with a final maturity longer than 5 years:
  - Beginning on the first anniversary of the closing date, and continuing each year thereafter, a fee equal to one-quarter of one percent (0.25%) of the bonds outstanding 30 days prior to the due date.
- For Qualified 501(c)3 Borrowers:
  - Beginning on the first anniversary of the closing date, and continuing each year thereafter, a fee equal to one-quarter of one percent (0.25%) of the first \$10,000,000 of bonds outstanding plus one-eighth of one percent (0.125%) of the balance of bonds outstanding greater than \$10,000,000, the bonds outstanding is determined 30 days prior to the due date.

4. A document will be prepared by the Underwriter to be submitted to the HRA which will set forth all fees to be paid by the Applicant during the term of the Bonds.

5. The payments of all Closing Fees are due at Closing and are not credited to the Borrower for the Application Fee or any other PED/HRA fees previously paid.

#### ADDITIONAL BOND REQUIREMENTS

1. The HRA shall approve the firm to serve as Bond Counsel. The fees and expenses for Bond Counsel are the full responsibility of the Applicant/Borrower.
2. The HRA requires Bonds for Public Sale to be sold with the following Minimum Denominations:
  - Investment Grade debt – BBB+/- or Higher (Fitch and S&P) or Baa 1, 2, 3 or Higher (Moody's) – may be sold with minimum denominations of \$5,000.
  - High Non-Investment Grade debt – BB+/- (Fitch and S&P) or Ba 1, 2, 3 (Moody's) – may be sold with minimum denominations of \$25,000.
  - Non-Investment Grade debt – B+/- or lower (Fitch and S&P) or B 1, 2, 3 or lower (Moody's) may only be sold with minimum denominations of \$100,000.
  - Non-Rated Debt – If the Underwriter/Placement Agent requests non-rated debt for public sale, the bonds may only be sold with minimum denominations of \$100,000. The Underwriter/ Placement Agent on behalf of the Applicant must submit a written request for such approval that provides a rationale on why the proposed Bonds cannot receive a rating and any additional information as the HRA and Director of OFS will request in order to evaluate the request. The written request should be addressed to the HRA Executive Director and Director of the OFS, with a copy to the City and PED Debt Managers.
  - Exceptions – Non-rated debt for 1) Hospitals, 2) Large nonprofits (defined as an entity that is backing the bonds without limitations and generates annual revenues in excess of \$100 million per year) and 3) Large for-profits (defined as an entity that is backing the bonds without limitations and generates annual revenues in excess of \$200 million per year) may be sold with minimum denominations of \$25,000.
3. Investor Letter – The HRA at its sole discretion may require each initial purchaser of the Bonds to execute an Investor Letter as an “accredited investor” as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933 (the “1933 Act”) or a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act. The form of the Investor Letter will be provided by the HRA.
4. Closing, Execution of Documents – The Bond Counsel will notify the HRA of the closing date with as much advance notice as possible. All documents for City/HRA signature need to be sent to the Project Manager at least ten (10) days prior to the closing date.