


MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** July 28, 2020

From: Peter M. Klein 

Subject: **PUBLIC HEARING - HMONG EDUCATION REFORM COMPANY AND HMONG COLLEGE PREP ACADEMY AUTHORIZATION FOR THE ISSUANCE OF BANK-QUALIFIED TAX-EXEMPT CONDUIT REVENUE BONDS IN THE APPROXIMATE AMOUNT OF \$7,000,000 RESOLUTION NO. 4679**

Action Requested:

Provide approval for the Port Authority to issue approximately \$7,000,000 of bank-qualified conduit tax-exempt revenue bonds to be used to partially finance the acquisition, construction and equipping of a new approximately 93,000 square foot middle school with approximately 45 classrooms, a new gym, robotics suit, offices, and other support areas on three floors and remodeling of an approximately 13,500 square foot portion of the existing school facility and an approximately 3,000 square foot addition thereto to connect the existing building and the new building via skyway all located at 1515 Brewster Street, Saint Paul, Minnesota.

Public Purpose:

The financing will allow Hmong College Prep Academy to expand its educational options and more efficiently provide educational services benefitting its students in Saint Paul.

Business Subsidy:

The proposed issuance of bonds is for a not-for-profit organization and is exempt from treatment as a business subsidy.

Background:

Hmong Education Reform Company is a Minnesota nonprofit that will own the facility and lease the facility to Hmong College Prep Academy (HCPA) which is also a Minnesota nonprofit. HCPA currently has an enrolment of 2,350 students. Bethel University is the sponsor of HCPA and recently extended its sponsorship through June 30, 2025.

The Housing and Redevelopment Authority of the City of Saint Paul has issued bonds in the past for HCPA and intends to approve the issuance of new bonds in an amount in excess of \$30,000,000 next month. The proceeds of those bonds will be used to construct this project and refund some of the previously issued bonds. The approval of the City will be required for the issuance of the Port Authority's \$7,000,000 of bonds to proceed.

Proposal:

Type of Bonds:	The tax-exempt revenue bonds will be “bank-qualified” under Section 265 of the Code. This will allow a bank to hold the tax-exempt bonds without a reduction in their effective yield which would otherwise impact a “non-bank qualified” tax-exempt holding.
Rate:	Approximately 3.50%.
Security:	First secured interest and mortgage on the project in favor of the bondholders, including the land, building and personal property associated with the project, in paratee with the HRA issued bonds
Term:	Fifteen years fully amortizing
Issuer:	Saint Paul Port Authority
Issuer Counsel:	Office of City Attorney – Eric Larson
Borrower:	Hmong Educational Reform Company
School:	Hmong College Prep Academy
Borrower’s Counsel:	Rupp, Anderson, Squires & Waldspurger, P.A.
Bank:	Northeast Bank
Bank’s Counsel:	Barna, Guzy, & Steffen, Ltd.
Placement Agent:	Robert W. Baird & Co.
Underwriter’s Counsel	Ballard Spahr LLP
Bond Counsel:	Kennedy & Graven, Chartered
Credit Enhancement:	Community Reinvestment Fund, USA
Builder/Contractor:	Mortenson
Project Consultant:	Kodet Architectual Group, Ltd.
Trustee:	US Bank

Conduit Financing:

The bonds will be a conduit financing of the Port Authority and will not constitute or give rise to a liability of the Port Authority, the City of Saint Paul or the State of Minnesota or a charge against their general credit or taxing powers. The bondholders will not have the right to demand payment on the bonds out of any funds to be raised from taxation or from any revenue sources other than those expressly pledged to payment of the bonds pursuant to the funding agreement. The Port Authority's role in this loan is that of Issuer only.

The Port Authority will receive fees in the amount of 1/8th of one percent (approximately \$8,750.00) at closing and 1/8th of one percent on the outstanding balance, annually, for the life of the bonds.

Workforce Implications:

Hmong College Prep Academy currently employs approximately 287 individuals. Approximately 300 construction jobs will also be created.

Policy Exceptions:

None.

Disclosure:

The Port Authority Commissioners by SEC rules are obligated to disclose any risks or facts you may be aware of that would affect the probability of repayment on these bonds.

Recommendation:

We recommend approval for the Port Authority to issue approximately \$7,000,000 of bank-qualified conduit tax-exempt revenue bonds to be used to partially finance the acquisition, construction and equipping of a new approximately 93,000 square foot middle school, the remodeling of approximately 13,500 of the existing school facility and an approximately 3,000 square foot addition to connect the existing building and the new building via skyway ay 1515 Brewster Street in Saint Paul.

Attachment: Resolution