

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

REPORT TO THE COMMISSIONERS

DATE: May 8, 2013

**REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE PROPOSED
ISSUANCE OF LEASE REVENUE REFUNDING BONDS FOR THE HIGHER
GROUND ACADEMY PROJECT UNDER MINNESOTA STATUTES,
SECTIONS 469.152 THROUGH 469.1651**

District 13, Ward 1

Requested Board Action

Public hearing and preliminary authorization to issue up to \$14,000,000 in conduit lease revenue refunding bonds for Higher Ground Building Company (HGBC), a nonprofit corporation (the “Borrower”).

Background

Higher Ground Academy is a K-12 public charter school (“School”) which has operated since 1999 in a facility at 1381 Marshall Avenue. The School has operated in this facility since inception and currently enrolls approximately 730 students. The facility was financed with bonds issued by the HRA in 1999. The HRA issued bonds for the School in 2004 in the amount of \$8,135,000, the proceeds of which refunded the 1999 bonds and completed additional improvements. The current outstanding balance of the 2004 bonds is \$7,175,000. In 2009, the HRA issued \$4,300,000 in bonds to finance renovations to the school, including an addition.

The proceeds from the 2013 bonds will be used to refund the 2004 and 2009 bonds, plus provide new money in an estimated amount of \$770,000 to purchase equipment, including STEM labs to enhance academic programs. The equipment will be fully operational by the fall of 2013.

Approximately \$250,000 of the new money will be used for a STEM lab in the City of Bloomington, at a satellite facility leased by the School. The City of Bloomington is scheduled to provide host approval on May 20, 2013.

The School is at full enrollment in their facility, has had their Charter contract renewed multiple times with their Sponsor/Authorizer (Concordia University), and has had a consistent and high

achievement level, in terms of both academic and financial performance. The Executive Director of the school is William Wilson, a former member of the Saint Paul City Council.

The School is located at 1381 Marshall Avenue in District 13. Attachment B includes a map of the school and Attachment C includes census facts for the area.

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 be sought on May 22, 2013; the closing is expected to occur in June, 2013.

Financing Structure

Dougherty & Company LLC is underwriting the bond financing. The bonds will be fixed rate with a final maturity of 12/1/2038. They have applied for a bond rating from Standard & Poor's and expect to achieve a BBB rating.

The Bonds will be publicly offered in minimum bond denominations consistent with PED's conduit bond policy which will depend on the rating: minimum bond denominations of \$5,000 for a bond rating in the BBB category and \$25,000 for a bond rating in the BB category.

The total estimated cost of the project is \$14,771,913 as shown below:

Sources of Funds	Amount
Proceeds from Series 2013A	13,410,000
Proceeds from Series 2013B Taxable	280,000
Transfer from Prior Issues	1,081,913
Total Sources	\$14,771,913

Uses of Funds	Amount
Deposit to Refunding Escrow	\$12,536,637
Debt Service Reserve Fund	935,825
Equipment Purchase	750,000
Costs of Issuance	549,451
Total Uses	\$14,771,913

As a result of this refunding, the School will reduce their annual debt service by an estimated average of \$110,000.

The financing team includes Dougherty & Company as underwriter, Kennedy & Graven as bond counsel, and Wells Fargo as Trustee.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on April 29, 2013, and found it to be consistent with PED's conduit bond policy.

Compliance

The proceeds from the 2013 Bonds will not be used for construction, therefore vendor outreach and labor standards will not apply. The Borrower is required to file an Affirmative Action Plan with the City.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

This bond issuance will provide continued high quality, community-oriented educational opportunities for children in an under-served community of Saint Paul.

The Comprehensive Plan does not specifically address the scope of this financing.

Statement of Chairman

“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 \$14 million in conduit lease revenue refunding bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Higher Ground Academy Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 22nd of April, 2013, and in the Pioneer Press, a newspaper of general circulation in the City on the 20th of April, 2013. 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, included as Attachment A, which gives preliminary approval for the issuance of up to \$14,000,000 in conduit lease revenue refunding bonds, for Higher Ground Academy.

Sponsored by: Commissioner Carter

Staff: Jenny Wolfe, 266-6680

Attachments

- Attachment A** – Resolution
- Attachment B** – Map/Address of Project
- Attachment C** – Census Facts