

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 9, 2022

REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE PROPOSED ISSUANCE OF CONDUIT REVENUE BONDS FOR THE HIGHER GROUND ACADEMY PROJECT, 1381 MARSHALL AVENUE, UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655, DISTRICT 13, WARD 1

Requested Board Action

Public hearing and preliminary approval to issue up to \$13,500,000 in conduit revenue bonds for Higher Ground Building Company (HGBC), a nonprofit corporation (the “Borrower”) for the benefit of the Higher Ground Academy Charter School (the “School”).

Background

Higher Ground Academy is a K-12 public charter school which has operated since 1999 in a facility at 1381 Marshall Avenue and expanded to a second facility located at 1471 Brewster Street in 2018 and currently enrolls approximately 1,080 students at both facilities. The School’s authorizer is Osprey Wilds.

The HRA issued bonds in 1999 to finance the original facility, with additional improvements financed through HRA issued bonds in 2004 and 2009. In 2013, the HRA issued \$13,480,000 in bonds for the School that refunded all prior bonds and financed equipment purchases for STEM labs to enhance academic programs (the “2013 Bonds”). The current outstanding balance of the 2013 bonds is \$10,065,000.

In 2018, the HRA issued \$14,330,000 in bonds for the School to expand to 1471 Brewster (the “2018 Bonds”). This second site is their upper school facility and includes grades 7 through 12.

The HRA has received an application on behalf of the School to issue up to \$13.5 million in conduit revenue bonds to refund the 2013 Bonds and to finance interior renovations to the school facility located at 1381 Marshall Avenue (see **attached** map). The planned improvements include: remodeling the school building to increase safety and create more space for school functions,

including adding to and centralizing office space, enhanced security at the building entrance, and relocating the cafeteria and then converting the space for physical and recreational activities (the students currently travel to the Jimmy Lee Rec Center for recreation). The School's enrollment is expected to increase modestly from the current 1,080 to 1,175 within the next five years.

The Project property is zoned I-1 in District 13 (the profile of the planning district is **attached**); the I-1 zoning permits the School's current uses.

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 December 14, 2022, with a planned closing by the end of year.

Financing Structure

Colliers Securities LLC is underwriting the bond financing. The Bonds will be rated and offered with estimated tax-exempt interest rates ranging from 5.50% to 6.50%, with a final maturity of 12/1/2057 (an additional 19 years from 12/1/2038 maturity date of 2013 Bonds). Colliers is working with the rating agency and anticipates achieving a BB+ rating, which is the same rating as the 2018 Bonds. The Bonds will be publicly offered in minimum bond denominations consistent with PED's conduit bond policy dependent on the achieved rating. Our policy requires \$25,000 minimum bond denominations for a rating in the BB category. The total estimated cost of the project is \$13,776,358 as shown below:

Sources of Funds	Amount
Proceeds from 2022 Bonds	12,110,000
Transfer from Series 2013 DSRF	977,000
Funds in Series 2013 Cap Improvement	419,447
Owner's Equity	269,911
Total Sources	\$13,776,358

Uses of Funds	Amount
Deposit to Refund Series 2013 Bonds	\$10,083,213
Deposit to Project Construction Fund	2,419,447
Debt Service Reserve Fund (DSRF)	700,000
Underwriter's Discount	211,925
Costs of Issuance/Rounding	361,773
Total Uses	\$13,776,358

The financing team includes Colliers Securities, LLC 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 November 1, 2022, and found it to be consistent with PED's conduit bond policy.

Compliance

The Borrower has acknowledged receiving City/HRA compliance documents specifying that the following compliance requirements are applicable to this project:

- Vendor Outreach Program, Chapter 84.01.
- Affirmative Action, Chapter 183.04 applies to both the contractor and the borrower.
- Little Davis-Bacon Labor Standards applies to the construction work.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will result in continued educational opportunities for approximately 1,100 students in grades K through 12. This Project will create an estimated 15 construction jobs. The School currently employs 142 persons and would expect modest increases as the School's enrollment grows.

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 preliminarily approving the issuance of approximately \$13.5 million in conduit revenue 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 Pioneer Press, a newspaper of general circulation in the City on 25th day of October 2022. The Affidavit of Publication 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:

The HRA Executive Director recommends approval of the resolution which provides preliminary approval for the issuance of up to \$13,500,000 in conduit revenue bonds for the Higher Ground Academy Project.

Sponsored by: Commissioner Russel Balenger

Staff: Jenny Wolfe, 266-6680

Attachments

- Map
- D13 Union Park Neighborhood Profile