

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

REPORT TO THE COMMISSIONERS

DATE: June 8, 2016

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF CONDUIT LEASE REVENUE REFUNDING BONDS FOR THE ST. PAUL CITY SCHOOL PROJECT UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655, AND APPROVING RELATED DOCUMENTS

District 7, Ward 1

Requested Board Action

For the HRA Board to hold a public hearing and approve a resolution authorizing the issuance of up to \$6,200,000 in conduit revenue refunding bonds for the St. Paul City School Project to refund prior bonds issued by the HRA in 2002.

Background

The St. Paul City School is a non-profit public charter school serving grades pre-K through eight (the “School,” formerly known as New Spirit Academy). The School began as a K through grade five charter school at 643 Virginia Street in the fall of 1998. In the fall of 2000 they expanded to include a middle school program by acquiring and renovating a 17,000 sq. ft. school building located at 260 Edmund Avenue and constructing an 18,000 sq. ft. addition. The Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the “Authority”) issued bonds in 2000 to finance their expansion. In November 2002 the Authority issued \$6,895,000 of Series 2002 Lease Revenue Refunding Bonds (the “2002 Bonds”) to refund the prior bonds. The proceeds of the Series 2002 Bonds were loaned to Charter School Property, Inc. (the “Borrower”) who leases the school facilities to the School. The current principal outstanding of the Series 2002 bonds is \$5,570,000.

The School currently enrolls a total of 469 students, with 342 in grades pre-K through five located at the Edmund location, and 127 in grades six through eight located at the Virginia location. The School’s authorizer is Project for Pride in Living. The School exists to teach and serve disadvantaged students by offering a strong literacy program and English Language

Learning program within a multicultural education curriculum. Their curriculum is standards-based, with measurable data points to keep progress and momentum going forward. Their ability to reach each student at their level of learning creates student enthusiasm, evidenced at the School with returning students in a mobile community. The School uses the SIOP (Shelter Instruction Observation Protocol) model of instruction, which has been proven to impact English language learners.

The School has submitted an application to the Authority to issue up to \$6,200,000 in conduit lease revenue refunding bonds (“2016 Bonds”) to refund the 2002 Bonds to reduce their interest expense and extend the final maturity. The 2016 Bonds will be special, limited revenue obligations of the Authority payable solely from the revenues expressly pledged to the payment thereof, and will not constitute a general or moral obligation of the Authority or the City, and will not be secured by the taxing powers of the Authority or the City or any assets or property of the Authority or the City, but will be payable from loan payments made by the Borrower to the Authority pursuant to a Loan Agreement.

The school facilities are located in areas zoned RT-1 and are shown on the attached map.

Budget Action

This is a conduit bond issue. The 2016 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 2016 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 2016 Bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

Future Action

No further action is required; the closing is expected to occur later in June.

Financing Structure

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

- \$5,220,000 - Series 2016A (Tax-Exempt), Final Maturity: July 1, 2036
 - Estimated Average Interest Rate: 4.21%
- \$250,000 - Series 2016B (Taxable), Final Maturity: July 1, 2018
 - Estimated Average Interest Rate: 5.00%

Annual debt service is projected to be approximately \$430,000 based on the estimated rates.

The Bonds will be sold on a negotiated sale basis to the institutional and accredited investor marketplace, in minimum bond denominations of \$100,000, consistent with PED's conduit bond policy for unrated bonds. The HRA will require the initial purchasers to execute an Investor Letter. The total cost of the project is currently estimated to total \$6,384,625 as shown below:

Sources of Funds	Amount
Proceeds from Series 2016A	5,220,000
Proceeds from Series 2016B Taxable	250,000
Premium Series 2016A	177,460
Transfer from 2002 Bonds DSR Fund	606,125
Transfer from 2002 Bonds DS Fund	130,571
Total Sources	6,384,156

Uses of Funds	Amount
Series 2002 Refunding	\$5,611,185
Debt Service Reserve Fund	441,000
Costs of Issuance/Rounding	331,971
Total Uses	\$6,384,156

As a result of this refunding, the School will extend the final maturity 5 years from 2031 to 2036 and achieve debt service savings of an estimated \$150,000 per year for the next 15 years.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on June 1, 2016, and found it to be consistent with PED's conduit bond policy.

Compliance

The St. Paul City School has acknowledged receiving notice of the City/HRA compliance requirements that may be applicable to the proposed refunding. There is no construction associated with the refunding and therefore the only compliance required is Affirmative Action, Chapter 183.04 for Charter School Property, Inc. (the Borrower).

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

This bond issuance will reduce debt service for the School through 2031, enabling them to continue their mission to prepare students to embrace their full potential and pursue higher education within the Frogtown neighborhood.

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

Statement of Chairman (for Public Hearing)

“Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. This is a Public Hearing called for the purpose of approving the issuance of approximately \$6,200,000 in conduit lease revenue refunding bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the St. Paul City

School Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 23rd of May, 2016, and in the Pioneer Press, a newspaper of general circulation in the City on the 21st of May, 2016. The Affidavits of Publication of each of the Notice of Public Hearing will be made a part of these proceedings. Is there anyone who wishes to be heard on this matter? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

HRA Executive Director recommends approval of the Resolution which provides authorization for the issuance of up to \$6,200,000 in conduit lease revenue refunding bonds for the St. Paul City School Project.

Sponsored by: Commissioner Thao

Staff: Jenny Wolfe, 266-6680

Attachments:

- **Attachment** – Map of School Facility