

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

**REPORT TO THE COMMISSIONERS**

**DATE: MAY 8, 2019**

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND AMENDMENT OF CONDUIT REVENUE NOTES UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655 FOR THE CRETIN-DERHAM HALL PROJECT LOCATED AT 550 SOUTH ALBERT STREET AND APPROVING RELATED DOCUMENTS, DISTRICT 15, WARD 3**

**Requested Board Action**

Final approval for the HRA to issue up to \$19,500,000 in conduit revenue bonds (“Bonds”) for Cretin-Derham Hall, a nonprofit corporation (“Borrower”).

**Background**

The Borrower, Cretin-Derham Hall (CDH), is a Catholic, co-educational, college preparatory high school with 1,030 students in grades 9-12 during the 2018-19 academic year. Founded in 1871, CDH is co-sponsored by the Christian Brothers and the Sisters of St. Joseph of Carondelet and is governed by a 19-member Board. CDH offers a deep slate of Honors and Advanced Placement classes, as well as concurrent college credit courses from the U of MN and St. Mary’s University, plus PSEO. Annual revenues from their latest fiscal year ending 6/30/2018 was \$20.7 million, and the School employs 135 regular employees with total employment of 335 when including coaches and summer workers.

The HRA issued bonds for the Borrower in 2001 to finance the construction of a project that included renovation, expansion and a new addition to their facilities. These bonds have been refinanced over the years with the last refinancing completed in 2013, with a current outstanding balance of \$10,880,000.

The HRA has received an application from the Borrower to issue conduit revenue bonds in the approximate amount of \$19,500,000 (the “2019 Bonds”) to finance the Project, which includes:

1. Refinance existing HRA bonds originally issued in 2013; and

2. Assist in financing the construction of a new approximate 6,000 square foot entry/gathering space addition on the Albert Street side of the school plus fund some infrastructure updates on their campus. The addition will provide a place for students to gather before and after school, and a better front door to welcome the community. The infrastructure updates will improve campus safety and security, and update or replace aging campus systems which are near or past life expectancy.

The Borrower plans to start construction immediately upon the bond closing in mid-May and complete the new entrance for the start of the school year, with the infrastructure updates completed by November 2019. Photos of the proposed addition are **Attached**.

The School is located within an R4 zoning district, which permits the Borrower's current and proposed land uses (a map of the Project is **Attached**). The demographic profile of District 15, the Saint Paul Planning District in which the Project is located, is **Attached**. The Project will be located wholly within the School's current property. The Community Development Committee of the Highland District Council 15 adopted a resolution supporting the Borrower's project and their request for HRA bonds at their meeting on March 19.

The HRA held a public hearing on April 24, 2019, and adopted a resolution providing preliminary approval of the Project and issuance of the bonds.

### **Budget Action**

**This is a conduit bond issue.** The 2019 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**

No future action by the HRA is needed; the closing is expected to occur by the end of May.

### **Financing Structure**

The 2019 Bonds will be structured with two notes directly purchased by two entities within Bank of America (Banc of America Public Capital Corp & Bank of America, N.A., collectively the “Banks”), and the Banks will execute Investor Letters.

The 2019 Bonds will be divided into two notes with the 2013 refinancing portion purchased by Banc of America Public Capital Corp in the amount of \$10,880,000 with a variable interest rate and a final maturity date of February 1, 2031. The rate structure will adjust every five years, with an estimated initial rate of 2.641%. The new construction portion will be purchased by Bank of America, N.A., in the approximate amount of \$8,100,000 with a fixed interest rate and a final maturity of February 1, 2044. The rate will reset every five years, with an estimated current rate of 2.69%. The annual debt service is projected to average approximately \$740,000 over the next five years.

The total cost of the Project is currently estimated to total \$21,040,000 as shown below:

<b>Uses:</b>	
Infrastructure Improvements	\$5,000,000
New Entry & Gathering Space	5,000,000
Refinancing of Series 2013	10,880,000
Est. Cost of Issuance	160,000
<b>Total Uses:</b>	<b>\$21,040,000</b>
<b>Sources:</b>	
Series 2019 Bonds	19,040,000
Borrower Contribution	2,000,000
<b>Total Sources</b>	<b>\$21,040,000</b>

Kennedy & Graven is serving as bond counsel.

### **PED Credit Committee Review**

The PED Credit Committee reviewed the proposal for conduit bonds on April 9, 2019, 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**

The Borrower will be including LED fixtures in the new addition and energy efficient mechanicals with the building updates.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

N/A

### **Public Purpose/Comprehensive Plan Conformance**

The public purpose is providing continued educational opportunities for 1,030 students and enhanced gathering space for welcoming the community. The Project will create an estimated 60 construction jobs.

The school use is consistent with the comprehensive plan which identifies the site as an established neighborhood located along a mixed-use corridor. Policy 1.55 of the land-use plan calls for the city to "collaborate with public and private elementary and secondary schools in conjunction with construction and major remodeling."

**Recommendation:**

The HRA Executive Director recommends approving the resolution which provides final approval for the issuance of up to \$19,500,000 in conduit revenue bonds for the Cretin-Derham Hall School Project and authorizes execution of related documents.

**Sponsored by: Chair Tolbert**

**Staff: Jenny Wolfe, 266-6680**

**Attachments**

- **Photos of Addition**
- **Map**
- **District 15 Profile**