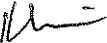


# SAINT PAUL PORT AUTHORITY

## MEMORANDUM

**TO:** CREDIT COMMITTEE  
(Regular Meeting of March 18, 2014) **DATE:** March 13, 2014

**FROM:** Peter M. Klein 

**SUBJECT:** Charter School Development Corporation (CSDC)  
Authorization of the Issuance of Conduit, Bank-Qualified, Tax-Exempt  
Notes in the Approximate Amount of \$4,000,000

### **Action Requested:**

Provide approval for the Port Authority to issue approximately \$4,000,000 of bank-qualified conduit tax-exempt notes to be used for a 6,400 square foot addition to the CSDC facility at 1326 Energy Park Drive in Saint Paul and to refinance a current mortgage.

### **Public Purpose:**

The financing will allow the Great River School, the only occupant of the CSDC facility, to more efficiently provide education programs and services benefitting its students in Saint Paul.

### **Business Subsidy:**

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

### **Background:**

CSDC, formed in 1997 as a 501(c)(3) non-profit corporation and Community Development Financial Institution (CDFI), promotes innovation and excellence in education by financing and developing facilities for public charter schools nationally. As the only CDFI in the country focused exclusively on the facility and financing needs of charter school organizations, CSDC helps charter school entrepreneurs and leaders finance, build and expand their school facilities.

CSDC has a special focus on new schools, schools serving predominately low-income students, and schools in communities with poor performing traditional schools. CSDC provides direct loans, credit enhancement (lease or loan guaranty), a complete turnkey facility, built-to-suit on a fee for development services or lease-to-purchase basis financing options.

The Great River School is a CSDC "Turnkey Development Program" and is a charter school, whose Authorizer is Novation Education Opportunities. Opened in the fall of 2004, the school serves 417 students in grades 1-12. They have been in their current location since opening and fully occupied the property in 2006.

**Proposal:**

Type of Notes:	The tax-exempt notes will be “bank qualified” under Section 265 of the Code. This will allow the bank to hold these notes without a reduction in their effective yield which would otherwise impact a “non-bank qualified” tax-exempt holding.
Rate:	Approximately 3.40% fixed for five years
Security:	First secured interest and mortgage on the Project in favor of the lender, including the land, building and personal property associated with the Project.
Term:	Five years – Twenty-year amortization after a 12-month construction period
Issuer:	Saint Paul Port Authority
Lender:	Sunrise Banks
Lender’s Counsel:	Briggs & Morgan
Bond Counsel:	Stinson, Leonard, Street
Borrower:	Charter School Development Corporation
Borrower’s Counsel:	Macdonald and Macdonald

**Conduit Financing:**

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

The Port Authority will receive fees in the amount of 1/8th of a point (\$5,000.00) at closing and 1/8th of a point on the outstanding balance, annually, for the life of the notes.

The Port Authority was asked to issue these notes because the City of Saint Paul did not have any “Bank Qualification” authority remaining for 2014. The Port Authority has not used its \$10,000,000 of authority (which may be used only for governmental and nonprofit financings).

**Workforce Implications:**

N/A

**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 notes.

**Recommendation:**

We recommend authorization to issue approximately \$4,000,000 of conduit, bank-qualified tax-exempt notes for the Charter School Development Corporation.

PMK:ca

Attach.