

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

REPORT TO THE COMMISSIONERS

DATE: MAY 23, 2012

REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE PROPOSED
ISSUANCE OF REVENUE BONDS FOR THE HMONG COLLEGE PREP
ACADEMY PROJECT UNDER MINNESOTA STATUTES, SECTIONS 469.152
TO 469.1651, WARD 4, DISTRICT 10

Requested Board Action

Public hearing and preliminary authorization to issue up to \$18,500,000 in conduit lease revenue bonds for Hmong Education Reform Company, a Minnesota nonprofit corporation (the “Borrower”). The proceeds of the bonds will be used to finance the renovation of the Borrower’s school, Hmong College Prep Academy, located at 1515 Brewster Street, acquisition of land, the construction and equipping of a 78,000 square foot addition to the school, and financing costs.

Background

The Hmong College Prep Academy (the “Academy”) is an operating public charter school sponsored by Concordia University. The school opened in 2004 with grades 9 – 11, and has since expanded to kindergarten through grade 12. The Academy is a public school, open to students of all races and ethnicities; the Academy’s curriculum is enriched and informed by Hmong culture and language to strengthen student achievement.

In September, 2006, the HRA issued \$9,045,000 in conduit lease revenue bonds for the acquisition, renovation, and furnishing of the school’s facility located at 1515 Brewster Street in Saint Paul, Minnesota, for use by the Academy as they relocated from Minneapolis.

The Academy has been expanding each year at the present location and currently utilizes four modular classrooms adjacent to the main building. The major reasons for the proposed construction include a lack of open space, lack of sufficient classroom space, lack of sufficient lunch room space, and inadequate access to the gymnasium in the existing school building. The expansion includes 18 classrooms, an auditorium for literary presentations, a media

center/library, two music rooms, a lunchroom, a 500-seat auditorium, and a conference room. Upon completion, the existing building will primarily serve grades K-8, with the expansion primarily serving the high school grades. Construction will be completed for the 2013/14 school year. The expansion will increase student capacity from current enrollment of 676 students to 1,300 in the 2011/12 school year, accommodating some families on the waiting list. The Academy will construct the addition on the east side of their building, an area currently used for parking. While they currently lease parking from the adjacent property owner to the west and have extended their lease through the term of the bonds, they are negotiating to purchase the entire property.

The Project is located in an I-1 zoning district with all of the Academy's proposed land uses permitted. See Attachment C for a Map/Address of Property. See Attachment D for a demographic profile of District 10, the Saint Paul planning district in which the Property is located. No existing businesses will be displaced or relocated as a result of this project, and there was no land acquisition that took place as a result of eminent domain.

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 June 27, 2012; the closing is expected to occur at the end of July.

Financing Structure

The 2012 Bonds will be fixed-rate and are expected to receive a “BBB-” rating from Standard and Poors. See Attachment B for the Financing Schedules which include a Sources and Uses of Funds and Debt Service Schedules. The final maturity is 9/1/2043 with an average interest rate of 5.69%. The issuance of the 2012 Bonds requires bondholder consent and amendments to the 2006 bond documents to allow additional parity debt. Piper Jaffray, the underwriter for the Bonds, has begun negotiations with the majority holders of the 2006 Bonds.

PED Credit Committee Review

Credit Committee reviewed this project on May 14, 2012 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 project will comply with the Saint Paul/HRA Sustainability Initiative. The Academy will pursue LEED certification for the addition to the school. Furthermore, the design focuses on several categories of green design, including energy efficiency, water conservation, indoor environmental quality, site restoration, and materials and resources. They are currently participating in the Energy Design Assistance program in partnership with Xcel Energy and The Weidt Group to inform the overall energy efficiency strategy and provide multiple energy saving design options.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

This project is consistent with the *District 10 / Como Area Plan Summary* and their vision: "...Citizens will have improved connections and access to services and information and to the parks, schools, jobs and institutional uses."

Furthermore, this project will:

- create construction jobs;
- create in excess of 25 FTE jobs in the education sector; and
- increase opportunities for education to an additional 600 students, by expanding potential enrollment from 700 to 1,300

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 \$18.5 million in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for Hmong College Prep Academy. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 7th of May, 2012, and in the Pioneer Press, a newspaper of general circulation in the City on the 7th of May, 2012. 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 approximately \$18,500,000 in conduit revenue bonds for Hmong College Prep Academy.

Sponsored by: Commissioner Stark

Staff: Jenny Wolfe, 266-6680

Attachments

- **Attachment A – Resolution**
- **Attachment B – Financing Schedules (Sources and Uses / Debt Service Schedule)**
- **Attachment C – Map/Address of Project**
- **Attachment D – Census Facts**