

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 9, 2016

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF AND SALE OF CONDUIT SENIOR HOUSING AND HEALTH CARE REVENUE REFUNDING BONDS AND SUBORDINATE SENIOR HOUSING AND HEALTH CARE REVENUE REFUNDING BONDS FOR THE CARONDELET VILLAGE PROJECT, 525 FAIRVIEW AVENUE SOUTH, AND APPROVING RELATED DOCUMENTS, DISTRICT 15, WARD 3

Requested Board Action

The requested action includes a public hearing and authorization to issue up to \$50,000,000 in conduit revenue refunding bonds for CV Senior Housing LLC (the “Borrower”) and execution of related documents. The proceeds of the bonds will be used to refund existing HRA-issued bonds for the benefit of the Carondelet Village Project.

Background

On August 12, 2010, the HRA issued 2010 Bonds to finance the acquisition and construction of the Carondelet Village senior housing and healthcare project. The 2010 Bonds included three series of bonds as follows: i) Senior Housing and Health Care Revenue Bond, Series 2010A in the original principal amount of \$30,000,000; ii) Subordinate Senior Housing and Health Care Revenue Refunding Bond, Series 2010B in the original principal amount of \$15,000,000; and iii) Subordinate Senior Housing and Health Care Revenue Refunding Bond, Series 2010C in the original principal amount of \$5,250,000.

Carondelet Village is a 259-unit senior living community that provides a full continuum of senior housing options, located at 525 Fairview Avenue South (the “Project”). The 259 units consist of i) 149 independent-living units in three neighborhoods known as Woodland Terrace, Prairie Terrace, and Garden Terrace; ii) 46 assisted-living units known as Bethany Commons; iii) 19 memory-care units known as Pine Arbor (“Arbor”); iv) 45 skilled nursing beds in Oak Gables Care Center; and v) a 56,800 square foot town center for the use of all residents.

The Project is zoned RM2 and 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 Borrower is a Minnesota limited liability company that was formed in 2010, and whose sole member is Carondelet Village, Inc., a Minnesota nonprofit corporation formed in 2009. The sole members of Carondelet Village, Inc. are Presbyterian Homes and Services, a Minnesota nonprofit corporation, and the Sisters of St. Joseph of Carondelet, St. Paul Province, a Minnesota nonprofit corporation.

The Borrower has submitted an application to the HRA to issue up to \$50,000,000 in conduit refunding bonds (the “2016 Bonds”) to advance refund the Series 2010A bonds, and refund the Series 2010B and Series 2010C bonds. The 2016 Bonds will be special, limited-revenue obligations of the HRA payable solely from the revenues expressly pledged to the payment thereof, will not constitute a general or moral obligation of the HRA or the City, and will not be secured by the taxing powers of the HRA or the City or any assets or property of the HRA or the City, but will be payable from loan payments made by the Borrower to the HRA pursuant to loan agreements. The principal outstanding as of 8/1/2016 is as follows: Series 2010A Bonds - \$28,280,000; Series 2010B - \$14,180,000; and Series 2010C - \$5,250,000.

Additionally, the HRA established the Carondelet Village TIF district to assist in the construction of the Project. The TIF district began generating increment in 2013. The HRA executed a Development Agreement and issued a Tax Increment Revenue Note in the principal amount of \$3,104,000 (the “TIF Note”), bearing interest at 6% annually, pledging 90% of the tax increments collected during the first three years (2013-2015), and 62.55% of the tax increments collected in 2016 and beyond. Through September, 2016, \$756,604 has been paid under the terms of the TIF Note, all as interest, and the full principal remains outstanding.

The principal amount of the TIF Note is subject to reduction in accordance with the Development Agreement as follows: if net revenues of the Project available for debt service has exceeded 1.20x debt service coverage for any fiscal year, any net revenues available for debt service in excess of 1.10x debt service coverage will be used to reduce the principal amount of the TIF Note. No principal reduction has occurred through September, 2016. The Borrower has indicated that with the projected net revenues of the Project and the new debt service in place following the refunding, principal reductions will begin in September, 2017. They further project that the full principal amount will be retired by late 2020 or early 2021. Additional tax

increments generated from the TIF District are set aside for qualified affordable rental housing projects anywhere in the City.

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 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

N/A

Financing Structure

Piper Jaffray is the underwriter for the bond financing. The 2016 Bonds are non-rated, tax-exempt, fixed-rate, and will be sold in two series as follows:

- Series 2016A, publicly-offered in an estimated principal amount of \$36,520,000, with a final maturity date of 11/1/2047 (31 years), and estimated average interest rate of 4.98%. The Series 2016A bonds will be sold on a negotiated-sale basis to the institutional and accredited investor marketplace.
- Series 2016B, privately-placed in an estimated principal amount of \$10,520,000, with a final maturity date of 11/1/2041 (25 years), and an estimated interest rate of 4.50%. The Series 2016B bonds are subordinate bonds to be purchased by the Sisters of St. Joseph of Carondelet.

The 2016 Bonds will be sold in minimum denominations of \$100,000, consistent with PED's conduit bond policy for non-rated bonds.

The total cost of the financing is currently estimated to total \$51,533,110 as shown below:

Sources of Funds	Amount
Proceeds from Series 2016A	36,520,000
Proceeds from Series 2016B	10,500,000
Premium Series 2016A	1,681,143
Transfer from 2010 Bonds DS Fund	707,917
Transfer from 2010 Bonds DSR Fund	2,124,050
Total Sources	\$51,533,110

Uses of Funds	Amount
Series 2010 Refunding Escrow	\$49,638,170
Debt Service Reserve Fund	1,151,040
Costs of Issuance	743,900
Total Uses	\$51,533,110

As a result of the refunding, the annual debt service will be reduced by approximately \$450,000, and the final maturity will be extended five years to 11/1/2047 for the senior-lien bonds.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on October 31, 2016, and found it to be consistent with PED's conduit bond policy.

Compliance

The Borrower 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 the Borrower.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose

The public purpose is providing necessary housing opportunities for seniors in a variety of care levels, and to improve the health and safety of the residents through an integrated services center. The proposed refunding will reduce debt service for the Borrower and enable the housing opportunities to continue long-term.

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 \$50 million in conduit senior housing and healthcare revenue refunding bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Carondelet Village 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 the 22nd of October, 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 authorizes the issuance of up to \$50,000,000 in conduit revenue refunding bonds for CV Senior Housing LLC and execution of related documents.

Sponsored by: Commissioner Tolbert

Staff: Jenny Wolfe, 266-6680

Attachments

- **Attachment** – Map of Project
- **Attachment** – District 15 Demographic Profile