

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

REPORT TO THE COMMISSIONERS

DATE: June 26, 2013

REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE PROPOSED
ISSUANCE OF CONDUIT REVENUE BONDS FOR THE DISTRICT COOLING
PROJECT UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH
469.1651 District 9, Ward 2

Requested Board Action

The specific actions being requested of the HRA Board are as follows:

- Public hearing and preliminary authorization to issue up to \$67,000,000 in conduit revenue bonds for District Cooling St. Paul, Inc., a nonprofit corporation (the “Borrower”)

Background

The Borrower provides chilled water district cooling services to over 100 buildings, totaling over 19 million square feet of building area in downtown Saint Paul; over 60 percent of the available heating. In 1991 and continuing throughout the 1990’s, the HRA issued over \$33 million in conduit revenue bonds to help finance District Cooling’s commencement of operations. The Port Authority became the issuer in the 2000’s, which included refunding the bonds previously issued by the HRA. The proposed bond issuance will refund all outstanding Port Authority bonds and provide approximately \$6,700,000 to finance plant and distribution costs. The Borrower has initiated a request to the Office of Financial Services to extend the Franchise. City Council action is likely to occur sometime this summer. Additionally, the Port Authority Board will be asked to consent to the refunding of their bonds at their July meeting as required under State law.

District Cooling’s plant is located at 76 West Kellogg Boulevard in District 9. **Attachment B** includes a map of the plant and **Attachment C** includes census facts for the area. No existing businesses will be displaced or relocated and no acquisition will take place via 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

The HRA will also need to adopt a final resolution tentatively scheduled for July 10, 2013.

Financing Structure

Piper Jaffray & Co. is underwriting the bond financing. The bonds will be sold on a negotiated basis to the public in \$5,000 denominations, based on an expected investment grade bond rating. The bonds will be sold as fixed rate and/or variable rate, tax-exempt, AMT and taxable bonds. The anticipated final maturity is 10/1/2033. The Borrower has submitted an application to Standard & Poor's for a credit rating on the fixed rate bonds; variable rate bonds will carry the rating of the Letter of Credit (LOC) bank.

The bond offering will be consistent with PED's conduit bond policy with regard to minimum denominations with rated bonds for public sale.

The total estimated cost of the project is \$63,883,486 as shown in the table on the following page.

Sources and Uses of Funds

Sources of Funds	Amount
Net Proceeds from Series 2013 Bonds	\$60,468,586
Transfer from Prior Issues	3,414,900
Total Sources	\$63,883,486

Uses of Funds	Amount
Deposit to Refunding Escrow	\$50,906,169
Deposit to Project Fund	6,700,000
Debt Service Reserve Fund	4,365,087
Capitalized Interest	125,000
Operating Reserve	933,831
Costs of Issuance	853,399
Total Uses	\$63,883,486

The financing team includes Piper Jaffray & Co. as underwriter, Kennedy & Graven as bond counsel, and US Bank as Trustee.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on June 17, 2013, 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 the construction portion of this project:

- Vendor Outreach Program, Chapter 84.01
- Affirmative Action, Chapter 183.04
- Little Davis-Bacon Labor Standards

Green/Sustainable Development

The Borrower provides cooling to customers with an increasing focus on sustainability. The district cooling system was designed to integrate the use of thermal storage and absorption chillers to enable the system to shift a significant portion of the cooling load to off-peak hours. The system includes two chilled water storage tanks with a total capacity of 6.5-million gallons.

The integration of district cooling has also significantly reduced the use of chlorofluorocarbon (CFC) refrigerants in customer buildings. The use of two thermal storage tanks, absorption chillers as well as advanced maintenance and operational techniques enables District Cooling St. Paul to shift up to 9 MW of electric demand to off-peak hours. This has benefited its customers and the electrical grid. The Borrower plans to increase the sustainability with this financing by adding additional “free cooling” to the system by providing winter cooling through the use of heat exchanger equipment.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The primary public purpose of the proposed bond issue is to refund existing bonds to fix annual debt service expenses at historically low interest rates. Additional public purpose goals include: Generate Private Investment and Support Commercial Activity.

Also, an estimated 30 to 35 construction jobs will be created.

Comprehensive Plan Conformance: Sustainability, the overarching theme of the Saint Paul Comprehensive Plan, has three inter-related parts, which the second listed is “Environmental Sustainability”. The accompanying vision is –

- Buildings, open spaces, and infrastructure are designed with attention to ecological systems and a light environmental footprint. Buildings are rehabilitated and constructed with reused and renewable materials and utilize technologies that are energy efficient and promote conservation.

Statement of Chairman

“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 \$67 million in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the District Cooling Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 10th of June, 2013, and in the Pioneer Press, a newspaper of general circulation in the City on the 8th of June, 2013. 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 \$67,000,000 in conduit revenue refunding bonds for District Cooling.

Sponsored by: Commissioner Thune

Staff: Jenny Wolfe (2660-6680)

Attachments

- **Attachment A -- Resolution**
- **Attachment B – Map/Address of Project**
- **Attachment C—Census Facts**