

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

REPORT TO THE COMMISSIONERS

DATE: March 27, 2013

**REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL FOR THE
ISSUANCE OF REVENUE BONDS FOR THE TWIN CITIES GERMAN
IMMERSION SCHOOL PROJECT UNDER MINNESOTA STATUTES,
SECTIONS 469.152 THROUGH 469.1651**

District 6, Ward 5

Requested Board Action

Public hearing and preliminary authorization to issue up to \$10,000,000 in conduit lease revenue bonds, (the “Bonds”) for Educational Properties TCGIS, LLC, a nonprofit corporation (the “Borrower”).

Background

The Twin Cities German Immersion Charter School, a Minnesota Charter School, (the “School”) was founded in 2005 with Kindergarten and Grade 1 and expanded to 8th grade during the current year; they will graduate the first 8th grade class in June. The current enrollment is 322 students; they anticipate 366 students in the fall of 2013, growing to over 500 by the 2017-2018 school year.

The School currently leases space in the three-story building at 1745 University Avenue; their lease expires on June 30, 2013, and they plan to move to a new location and expand. The proceeds of the Bonds will finance the acquisition, renovation, construction and equipping of their new facility (the “School Facility”), which is an existing school building located at 1028-1030 Van Slyke Avenue, an existing church building located at 1031 Como Avenue. They plan to construct an addition to the existing buildings as well. The School Facility will be owned by the Borrower and leased to and operated by the School. The three-story existing school building of approximately 29,400 sf will be used for classroom and administrative space; the two-story rectory be demolished for parking; and the former 11,000 sf church sanctuary will be redeveloped as a cafeteria, gym, auditorium, and ancillary classroom space. The new addition of approximately 20,180 sf will connect the two existing buildings, and house additional classrooms and administrative space.

Renovation and new construction will begin as soon as possible in May. The existing school building and church will be ready for occupancy this fall, and the new addition will be completed by late November, 2013.

District 6 has been involved in community meetings with School Board members, and supports the project.

The School Facility is in an area zoned R-4 (one-family residential), and K-12 schools are a permitted use. An application has been made for vacation of the alley between the two parcels. The construction of the proposed addition and new parking lot would be required to go through the City's Site Plan Review process, and may require application for variances. See **Attachment B** for a Map/Address of the Property, and **Attachment C** for a demographic profile of District 6, the Saint Paul Planning District in which the School Facility is located. No businesses will be displaced, and no land acquisition 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 April 10, 2013; the closing is expected to occur by the end of April or first week in May, 2013.

Financing Structure

Piper Jaffray & Company will underwrite the bond financing. An application for a credit rating has been made to Standard & Poor's and is anticipated to be received by early April. The Bonds will be sold as fixed rate, tax-exempt and taxable bonds and will mature as follows:

- \$7,890,000 - Series 2013A (Tax-Exempt), Final Maturity: July 1, 2044
 - Average Interest Rate: 4.44%
- \$220,000 - Series 2013B (Taxable), Final Maturity: July 1, 2017
 - Average Interest Rate: 5.00%

Annual debt service of \$524,000 is projected based on the estimated rates assuming a BBB- rating. A copy of projected debt service schedule is included as **Attachment D**.

The Bonds will be sold on a negotiated sale basis to the institutional and accredited investor marketplace in minimum bond denominations consistent with PED's conduit bond policy which will depend on the rating (minimum bond denominations of \$5,000 for a bond rating in the BBB category and \$25,000 for a bond rating in the BB category). The total estimated cost of the project is \$8,365,352 as shown below:

Uses:

Acquisition	\$2,297,600
Construction/Sitework	2,323,422
Reconstruction/rehabilitation	2,000,000
SAC/WAC	30,000
Equipment	15,000
Architect's Fee	241,740
Engineer's Fee	67,100
Miscellaneous Soft Costs	121,624
Development Consultant Fees	189,441
Debt Service Reserve	528,000
Underwriter Discount	141,925
Cost of Issuance	215,000
Capitalized Interest	194,500
Total Uses:	\$8,365,352

Sources:

Series 2013A Bonds	7,890,000
Series 2013B Bonds	220,000
Premium	255,352
Total Sources	\$8,365,352

The financing team includes Piper Jaffray & Company as underwriter, Kennedy & Graven as bond counsel, and Wells Fargo as Trustee.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on March 18, 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 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 and School are committed to implementing sustainable design policies and practices to the greatest extent possible. The School has commissioned a Sustainability Committee that is working with the design team. They are completing energy modeling with the Weidt Group through Xcel Energy's Energy Design Assistance Program and have separated the renovation and new construction components to address sustainable design. They have a grant application into the Capitol Region Watershed District Stewardship Program. They are working toward Sustainable Building 2030/Architecture 2030 goals for energy; and LEED criteria for water conservation, material and resource flow, and zero-waste goals focused on recycling and composting stations. The building design will follow Healthy Schools design standards for daylight, ventilation, and radon testing.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The North End-South Como District 6 Plan vision calls for residents to have “improved access to services and to parks, schools, jobs, and institutions they value” (pg3). Maintaining this site as an educational facility will help assure that residents have good access to schools.

Saint Paul Comprehensive Plan strategy LU 1.55: Collaborate with public and private elementary and secondary schools in conjunction with construction or major remodeling.

Saint Paul Comprehensive Plan strategy LU 1.58: Collaborate with school organizations to promote neighborhood improvement in conjunction with school construction or major remodeling.

Furthermore, this project will create construction jobs and provide opportunities for an additional 25 new full-time jobs due to increasing student enrollment (added to the existing 30 jobs resulting in total full-time employment of 55).

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 \$10 million in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Twin Cities German Immersion Charter School Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 11th of March, 2013, and in the Pioneer Press, a newspaper of general circulation in the City on the 9th of March, 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 \$10,000,000 in conduit lease revenue bonds, for the Twin Cities German Immersion Charter School Project.

Sponsored by: Commissioner Brendmoen

Staff: Jenny Wolfe, 266-6680

Attachments

Attachment A – Resolution

Attachment B – Map/Address of Project

Attachment C – Census Facts

Attachment D – Projected Debt Service Schedules