

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

**REPORT TO THE COMMISSIONERS**

**DATE: January 28, 2015**

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF CONDUIT  
REVENUE BONDS FOR THE ACADEMIA CESAR CHAVEZ SCHOOL  
PROJECT UNDER MINNESOTA STATUTES, SECTIONS 469.152  
THROUGH 469.1655 AND APPROVING RELATED DOCUMENTS  
District 2, Ward 6**

## **Requested Board Action**

Approval for the HRA to issue conduit revenue bonds for the Academia Cesar Chavez, a nonprofit corporation (the “Borrower”), in an amount not to exceed \$13,500,000.

## **Background**

Academia Cesar Chavez charter school (“School”) has been in existence since 2001 and is currently serving 400 students in grades Pre-K through 6. The School’s authorizer is the University of St. Thomas. The School is located at 1800 Ames Avenue in a leased school building owned by the Church of the Blessed Sacrament.

Since its founding the School has experienced gradual growth in enrollment. They added a four-unit portable classroom structure in 2011 to handle the enrollment growth. The School’s lease expires on June 30, 2015, and this, combined with the enrollment growth and potential for expansion to grade 7 and 8, has caused the School to study alternative sites to meet its facility needs. The decision has been made to remain at their current location, and they have negotiated a purchase agreement with the Church of the Blessed Sacrament to purchase the entire block which includes the school facility, church and rectory. They will renovate the school and church buildings, demolish the rectory, and construct an additional 35,000 square foot addition to meet their current and future space needs (the “Project”).

District 2 has been consulted and is very supportive of the Project. The School is in an area zoned R-4 (one-family residential), and K-12 schools are a permitted use. With the construction of the proposed addition, the School will be required to go through the City’s site plan review process. See **Attachment B** for a Map/Address of the Property, and **Attachment C** for a

demographic profile of District 2, 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.

The HRA held a public hearing on December 10, 2014 and adopted a resolution providing preliminary approval of the Project and issuance of the bonds.

### **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**

No future action needed.

### **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 the end of January. The Bonds will be sold as fixed rate, tax-exempt and taxable bonds, and will mature as follows:

- \$11,900,000 - Series 2015A (Tax-Exempt), Final Maturity: July 1, 2050
  - Estimated Average Interest Rate: 5.25%
- \$285,000 - Series 2015B (Taxable), Final Maturity: July 1, 2019
  - Estimated Average Interest Rate: 6.00%

Annual debt service is projected to be approximately \$785,000 based on the estimated rates assuming a BB+ rating.

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 \$12,185,000 as shown below:

**Uses:**

Acquisition	\$2,500,000
Construction/Sitework	5,200,000
Reconstruction/rehabilitation	2,700,000
Architect's Fee	478,000
Debt Service Reserve	806,081
Underwriter Discount	243,700
Cost of Issuance	257,219
<b>Total Uses:</b>	<b>\$12,185,000</b>

**Sources:**

Series 2015A Bonds	11,900,000
Series 2015B Bonds	285,000
<b>Total Sources</b>	<b>\$12,185,000</b>

### **PED Credit Committee Review**

The PED Credit Committee reviewed the proposal for conduit bonds on December 1, 2014, 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**

Sustainable components included in the construction of the buildings and site improvements are not known at this time. The Borrower will not be seeking LEED certification. However, the design selected for this project will be led by LEED certified architects who are skilled and knowledgeable about sustainable concepts that can be considered throughout the design process.

The general approach will be to incorporate sustainable methods within the scope of the project when appropriate. Sustainable design goals will include:

- a) Extensive use of natural daylight in learning environments
- b) Incorporation of daylight harvesting concepts
- c) The use of occupancy sensors to ease lighting consumption
- d) Use of low VOC paints
- e) Use of renewable resource materials - such as Bio Based tile or recycled carpets

As the design team considers various design concepts and associated systems equipment, environmentally friendly and energy efficient options will be carefully considered. This investigation will allow the School to carefully consider and evaluate options that include sustainable design concepts and those that have minimum lifecycle costs. The environmental impact of building products and components will be carefully considered during the design process.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

The Church and Rectory have been surveyed and determined to have local historic significance.

### **Public Purpose/Comprehensive Plan Conformance**

The School's proposal needs modification to become consistent with the Comprehensive Plan's Heritage Preservation Chapter.

- Policy HP-1.12 calls for prioritizing “the retention of designated historic resources (or those determined eligible for historic designation) over demolition when evaluating planning and development projects that require or request City action, involvement, or funding.”
- Policy HP-4.3 calls for “protect[ing] undesignated historic resources.”

The proposed demolition of the rectory, which has been determined to have local historic significance, is not consistent with either of these policies. The proposed addition and

renovation would require further information and review to determine its consistency with Policy HP-4.3, which will occur through the City's normal construction review processes. It appears plausible that the proposal's general intent could be maintained, even with modifications to achieve Comp Plan consistency.

The proposal is consistent with other Comp Plan and adopted area plan provisions, including the site's Comp Plan Land Use designation of "Residential Corridor," and the District 2 Greater East Side Plan's call for increased transportation options for students participating in after-school activities (the site is adjacent to a stop for Metro Transit's #80 bus).

Furthermore, this project will create an estimated 190 construction jobs and provide opportunities for an additional 3 new full-time jobs due to increasing student enrollment (added to the existing 76 jobs resulting in total full-time employment of 79).

**Recommendation:**

HRA Executive Director recommends approval of the Resolution, included as Attachment A, which provides final authorization for the issuance of up to \$13,500,000 in conduit lease revenue bonds for the Academia Cesar Chavez Charter School Project and authorizes execution of related documents.

**Sponsored by: Commissioner Bostrom**

**Staff:** Jenny Wolfe, 266-6680

**Attachments**

**Attachment A** – Resolution

**Attachment B** – Map/Address of Project

**Attachment C** – Census Facts