

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

REPORT TO THE COMMISSIONERS

DATE: January 28, 2015

**REGARDING: RESOLUTION APPROVING THE ISSUANCE AND SALE OF A CONDUIT
REVENUE NOTE (THE SCIENCE MUSEUM OF MINNESOTA PROJECT)
SERIES 2105 AND AUTHORIZING THE EXECUTION OF DOCUMENTS
RELATING THERETO**

District 17, Ward 2

Requested Board Action

Approval for the HRA to issue a conduit revenue refunding note for the Science Museum of Minnesota, a nonprofit corporation, in an amount not to exceed \$16,600,000 (the “Series 2015 Note”).

Background

The Science Museum of Minnesota (“Science Museum”) is one of the state's oldest and best-known cultural institutions, with a history dating back to 1907. The Science Museum's mission statement is "Turn on the Science: Inspire Learning. Inform Policy. Improve Lives." Its facility is a cornerstone of Saint Paul's riverfront revitalization project and serves more than one million people each year with a unique combination of cutting-edge technology, high-tech entertainment, engaging temporary exhibitions, and a world-class collection of fossils and artifacts spanning billions of years of the earth's history. The Science Museum employs 747 in Minnesota with 317 in Saint Paul.

In 1997, the HRA issued a total of \$45,300,000 in adjustable rate revenue bonds and loaned the proceeds to the Science Museum (\$22,700,000 in Series 1997A and \$22,600,000 in Series 1997B (the “1997 Bonds”). The proceeds from the Series 1997 Bonds were used to construct the 300,000 square foot Science Museum’s facility and parking ramp, located at 120 East Kellogg Boulevard. Additional sources included State GO grant proceeds and City funds. See Attachment B for a map of the facility.

The HRA has received a request from the Science Museum to issue a conduit revenue refunding note to refund the 1997 Bonds currently outstanding in the principal amount of \$16,600,000 (Series 1997A).

Additional public debt held by the Science Museum includes a City loan with an outstanding balance of \$1,500,542 that matures on 12/1/2021 and a Port Authority loan with an outstanding balance of \$544,577 that matures on 1/1/2018.

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 is needed. The closing is anticipated to occur on March 4, 2015.

Financing Structure

The Series 1997A Bonds are adjustable rate bonds secured by a letter of credit (“LOC”) from US Bank. The LOC expires on March 31, 2015. Due to the new requirements of liquidity related to the treatment of contingent liabilities for the banking industry under BASEL III, letters of credit have become far more costly in comparison to a direct bank purchase obligation. US Bank informed the Borrower that the cost for a replacement LOC could increase dramatically from the current 1.3% to an estimated 2% or greater. Additionally, the Science Museum has existing swap agreements with US Bank that needed to stay in place.

The Series 2015 Note will be structured as a direct placement with US Bank National Association (the “Bank”). The Series 2015 Note will have a variable interest rate indexed to the one month LIBOR. The final maturity of 5/1/2027 remains the same as the Series 1997 Bonds.

The total estimated cost of the refunding is \$16,600,000 as shown below:

Sources of Funds

Principal amount of Series 2015 Note	\$16,600,000
Total Sources	\$16,600,000

Uses of Funds

Deposit to Redemption Account	\$16,465,000
Costs of Issuance	135,000
Total Uses	\$16,600,000

The Science Museum is completing the refunding solely to prevent the increased costs that would have resulted in the continued use of the adjustable rate bonds secured by a letter of credit.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on January 21, 2015, 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. The only compliance required is Affirmative Action, Chapter 183.04 for the Science Museum, which has a certified Affirmative Action Program (AAP) on file with the City.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The statutory authority requires that the refunding (the Project) furthers the purposes stated in Minnesota Statutes, Section 469.152. The HRA desires to facilitate the selective development of the community, retain and improve the tax base and help to provide the range of services and employment opportunities required by the population, including science museum facilities. The proposed refunding will achieve these objectives and will enhance the image and reputation of the community. Conventional, commercial financing to refinance the Series 1997A Bonds is available only on a limited basis and at such high costs of borrowing that the economic feasibility of operating the Science Museum's facilities would be significantly reduced.

Furthermore, the Museum is specifically addressed in the City's Downtown Development Strategy (2006) under the Arts, Culture and Entertainment section with the vision to serve an increasing number of visitors and the strategy to support diversity of cultural offerings downtown. The proposed refunding will enable the Science Museum to continue its mission to "Turn on the Science: Inspire Learning. Inform Policy. Improve Lives" for many more years.

Recommendation:

HRA Executive Director recommends approval of the Resolution, included as Attachment A, which provides authorization for the sale and issuance of up to \$16,600,000 in a conduit revenue refunding note for the Science Museum of Minnesota and authorizes execution of documents related thereto.

Sponsored by: Commissioner Thune

Staff: Jenny Wolfe, 266-6680

Attachments

Attachment A – Resolution

Attachment B – Map/Addresses of Project