

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

REPORT TO THE COMMISSIONERS

DATE: May 27, 2015

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF CONDUIT
REVENUE BONDS FOR THE TWIN CITIES ACADEMY PROJECT
UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH
469.1655 AND APPROVING RELATED DOCUMENTS**

District 1, Ward 7

Requested Board Action

Approval for the HRA to issue up to \$17,250,000 in conduit charter school lease revenue bonds, (“Bonds”) for the Twin Cities Academy Affiliated Building Company (TCAABC), a nonprofit corporation (“Borrower”).

Background

The Twin Cities Academy (TCA), and the Twin Cities Academy High School (TCAHS) (collectively the “Schools”), are currently operating Minnesota public charter schools located at 835 East Fifth Street (leased from Sacred Heart Parish). They collectively serve students in grades 6 through 12 with a current enrollment of 450 students. TCA has been operating since 1999, and TCAHS has been operating since 2006. Both schools are authorized by the University of St. Thomas and are strong academic performers, including being identified by the Minnesota Department of Education (MDE) as “Reward” schools in previous years, and as the number one high school in closing the achievement gap in the state, and 42nd in the nation, by Newsweek and the MDE in previous years.

The Schools and their affiliated building company are proposing to purchase land and construct an approximate 60,000 square foot facility to be used as a permanent school facility. The building will be located at 1520 East Minnehaha on 9.2 acres of land to be acquired from Twin City Concrete Products, Inc. (Cemstone). Cemstone has not occupied the site since 2010.

During 2014, the Schools began examining their facility needs with their projected growth. The combined enrollment is expected to grow to 500 next year and to nearly 600 by 2018. The Schools determined that their current facility did not offer the needed capacity, nor did the

facility offer secondary students with the desired amenities for proper programming. The project includes the demolition of existing buildings on the site, construction of a two-story 60,000 square foot building with separate floors for the middle school (grades 6-8) and high school (grades 9-12) students, parking, and sports and play fields (the “Project”). The building will include classrooms, administration, music, art, special services, physical education, food services, and media center spaces. The site will include 88 parking spaces, baseball and soccer fields, and a storm water holding pond with rain gardens.

District 1 has provided a letter in support of the Project and the re-use of the Cemstone site. The Project site has a mix of zoning, including residential, industrial and vehicular parking. An application to rezone the site for the Project has been submitted, and if approved will rezone the industrial and vehicular parking parcels to T1 Traditional Neighborhood, and the residential land from R4 One Family to RT1 Two Family. The rezoning was approved by the Zoning Committee on May 14 and will be considered by the Planning Commission on Friday, May 22. The School will be required to go through the City’s site plan review process. See **Attachment B** for a Map of the Property, and **Attachment C** for a profile of District 1, the Saint Paul Planning District in which the Project 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 May 13, 2015 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 by the HRA is needed; the closing is expected to occur by the end of July, 2015.

Financing Structure

Dougherty & Company, LLC 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 June. The Bonds will be sold as fixed rate, tax-exempt and taxable bonds, and will mature as follows:

- \$15,515,000 - Series 2015A (Tax-Exempt), Final Maturity: July 1, 2050
 - Estimated Average Interest Rate: 5.25%
- \$290,000 - Series 2015B (Taxable), Final Maturity: July 1, 2018
 - Estimated Average Interest Rate: 4.50%

Annual debt service is projected to be approximately \$996,000 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 \$15,805,000 as shown below:

Uses:	
Acquisition	\$1,125,000
Site Preparation	842,000
Construction	9,920,000
Equipment	220,000
Architect/Engineering	699,000
Contingency/Other	694,000
Subtotal Project Fund	<u>\$13,500,000</u>
Debt Service Reserve	995,000
Underwriter Discount	316,100
Capitalized Interest	743,900
Cost of Issuance	<u>250,000</u>
Total Uses:	<u>\$15,805,000</u>

Sources:

Series 2015A Bonds	15,515,000
Series 2015B Bonds	290,000
Total Sources	<u>\$15,805,000</u>

The financing team includes Dougherty & Company, LLC as underwriter, and Kennedy & Graven as bond counsel.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on May 4, 2015, 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 design team will be led by LEED accredited architects, and all aspects of green building design will be considered through the design and construction process. The "sustainability" of each green component will be evaluated based on the LEED rating system. The project will be developed to be LEED "certifiable," although actual LEED certification will not be implemented.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will result in increased opportunities for education to at least 600 students, and will provide all students with both an up to date facility, and the necessary and appropriate green space.

The Comprehensive Plan's Land Use Chapter designates the Project site as Industrial and as an Opportunity Site. The Project will comply with the Comprehensive Plan as a required finding of the application to rezone the site that has been submitted for review by the Planning Commission and City Council.

This project will create an estimated 33 construction jobs, and provide opportunities for an additional five new full-time jobs due to increasing student enrollment (added to the existing 51 jobs resulting in total full-time employment of 56).

Recommendation:

HRA Executive Director recommends approval of the Resolution which provides final approval for the issuance of up to \$17,250,000 in conduit lease revenue bonds, for the Twin Cities Academy Schools Project and authorizes execution of related documents.

Sponsored by: Commissioner Finney

Staff: Jenny Wolfe, 266-6680

Attachments

Attachment B – Map of Project

Attachment C – District 1 Profile