

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

REPORT TO THE COMMISSIONERS

DATE: July 8, 2015

**REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE
PROPOSED ISSUANCE OF CONDUIT REVENUE BONDS FOR THE
HIGH SCHOOL FOR RECORDING ARTS PROJECT UNDER
MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655
District 13, Ward 1**

Requested Board Action

Public hearing and preliminary authorization to issue up to \$8,500,000 in conduit charter school lease revenue bonds, (“Bonds”) for the HSRA Building Company (High School for Recording Arts), a nonprofit corporation (“Borrower”).

Background

The High School for Recording Arts (the “School”), has been operating a Minnesota public charter school since 1998 and is currently located at 1166 University Avenue. They have a current enrollment of 230 students. The School’s authorizer is Pillsbury United Communities (PUC). The School moved to their current location in the summer of 2013 from 550 Vandalia Street. The School projects their enrollment to increase to 325 by 2020.

The HSRA Building Company, on behalf of the School, is proposing to acquire the property they currently lease and construct an approximate 8,000 square foot addition for a new gymnasium; and to renovate their existing space into more classrooms, movement studios, and students spaces. They plan to close on the financing in early September and start construction in October on the new addition, with completion by next March; they will complete the renovation of their existing space next summer.

The property is zoned T4 and K-12 schools are permitted in this zoning district. The T4 zoning district has a number of design standards, which would be addressed during site plan review with the Department of Safety and Inspections. The Borrower has contacted District 13 with regard to their Project. The District Council will notify the Borrower if they desire a formal presentation. See **Attachment B** for a Map of the Property, and **Attachment C** for a profile of District 13, 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.

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 required and is tentatively scheduled for July 22, 2015; the closing is expected to occur by early September.

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 July. The Bonds will be sold as fixed rate, tax-exempt and taxable bonds, with a planned final maturity of September 1, 2045, as follows:

- \$7,625,000 - Series 2015A (Tax-Exempt)
- \$335,000 - Series 2015B (Taxable)

Annual debt service is projected to be approximately \$575,000 based on 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 \$7,960,000 as shown below:

Uses:	
Site Acquisition	\$3,953,999
Construction Costs	2,581,926
Architect Fees	164,075
Subtotal Project Fund	<u>\$6,700,000</u>
Debt Service Reserve	578,169
Underwriter Discount	171,140
Capitalized Interest	226,134
Cost of Issuance	284,557
Total Uses:	<u>\$7,960,000</u>
Sources:	
Series 2015A Bonds	7,625,000
Series 2015B Bonds	335,000
Total Sources	<u>\$7,960,000</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 June 29, 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

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will result in increased opportunities for education for up to 325 students and provide students with improved facilities.

The Project is consistent with the Saint Paul Comprehensive Plan. Land Use Strategy 1.55 directs the City to “Collaborate with public and private elementary and secondary schools in conjunction with construction or major remodeling.” The conduit revenue bonds will make possible a renovation to create additional classrooms, movement studios, student spaces and locker rooms, and the construction of a new gymnasium. Furthermore, the following development standard is in place for K-12 schools: *The school shall offer courses in general education, and shall not be operated for profit.*

The Project will create an estimated 75 construction jobs, and provide opportunities for an additional two (2) new full-time jobs at the School; the School currently employs 42.

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 \$8,500,000 million in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the High School for Recording Arts 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 22nd of June, 2015, and in the Pioneer Press, a newspaper of general circulation in the City on the 20th of June, 2015. 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 which gives preliminary approval for the issuance of up to \$8,500,000 in conduit lease revenue bonds, for the High School for Recording Arts Project.

Sponsored by: Commissioner Thao

Staff: Jenny Wolfe, 266-6680

Attachments

Attachment B – Map of Project

Attachment C – District 13 Profile