

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

REPORT TO THE COMMISSIONERS

DATE: September 23, 2015

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF CONDUIT
LEASE REVENUE REFUNDING BONDS FOR COMMUNITY OF
PEACE ACADEMY UNDER MINNESOTA STATUTES,
SECTIONS 469.152 THROUGH 469.1655 AND APPROVING
RELATED DOCUMENTS**

District 5, Ward 5

Requested Board Action

For a Public Hearing and authorization to issue up to \$15,500,000 in conduit revenue refunding bonds for Community of Peace Academy Charter School to refund prior bonds issued by the HRA in 2006.

Background

In November, 2006, the HRA issued \$17.245 million of Series 2006 Lease Revenue Bonds (the “2006 Bonds”) to provide new money for capital improvements to the Community of Peace Academy (the “School”) and to advance refund \$10.55 million of Series 2001 Bonds. The School improvements included renovation and the construction of additional space with a green roof that included a gymnasium. The School has operated as a pre-K through grade 12 public school at 471 Magnolia Avenue since 1995, with projected enrollment for the current school year of 745 students and an additional 122 on a waiting list. The School’s authorizer is the University of St. Thomas.

The School has submitted an application to the HRA to issue up to \$15,500,000 in conduit lease revenue refunding bonds (“2015 Bonds”) to refund the 2006 Bonds in order to extend the maturity and achieve debt service savings. The current outstanding balance is \$14,885,000. The 2015 Bonds will be special, limited revenue obligations of the Authority payable solely from the revenues expressly pledged to the payment thereof, and will not constitute a general or moral obligation of the Authority or the City, and will not be secured by the taxing powers of the

Authority or the City or any assets or property of the Authority or the City, but will be payable from loan payments made by the Borrower to the Authority pursuant to a Loan Agreement.

The School is in an area zoned R-4 and a map is included in **Attachment B**.

Budget Action

This is a conduit bond issue. The 2015 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 2015 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 2015 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 further action is required; the closing is expected to occur later in October, 2015.

Financing Structure

Dougherty & Company LLC is underwriting the bond financing. The 2015 Bonds will be fixed rate with a final maturity of 12/1/2050. They have applied for a bond rating from Standard & Poor's ("S&P") and expect to achieve a rating grade in the BBB category (the 2006 Bonds carry a BBB- rating from S&P).

The Bonds will be publicly offered in minimum bond denominations consistent with PED's conduit bond policy which will depend on the rating. The resolution authorizes the issuance of the Bonds in minimum denominations of \$25,000 subject to obtaining a rating in at least the BB category or in minimum denominations of \$5,000 subject to obtaining a rating in the BBB category or higher, otherwise the Bonds will be issued in minimum denominations of \$100,000.

The total estimated cost of the financing is \$16,731,167 as shown below:

Sources of Funds	Amount
Proceeds from Series 2015A	14,750,000
Proceeds from Series 2015B Taxable	245,000
Transfer from 2006 Bonds DS Funds	1,154,750
Transfer from 2006 Bonds DSR Funds	581,417
Total Sources	\$16,731,167

Uses of Funds	Amount
Deposit to Current Refunding	\$15,257,125
Debt Service Reserve Fund	950,845
Costs of Issuance/Rounding	523,197
Total Uses	\$16,731,167

As a result of this refunding, the School will extend the final maturity 14 years from 2036 to 2050 and achieve debt service savings of an estimated \$200,000 per year for the next 15 years. The School will apply the savings to a Capital Improvement Fund.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on September 14, 2015, and found it to be consistent with PED's conduit bond policy.

Compliance

Community of Peace Academy 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 and therefore the only compliance required is Affirmative Action, Chapter 183.04 for the Community of Peace Academy Building Company (the borrower).

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

This bond issuance will reduce debt service for the School through 2030 while they continue their mission to serve a culturally and linguistically diverse group of students in grades Pre-K through 12 on the East Side of Saint Paul. Students at Community of Peace Academy receive an academically rigorous, college preparatory education within a school environment that prioritizes character and moral development.

The Comprehensive Plan does not specifically address the scope of this financing.

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 \$15,500,000 in conduit lease revenue refunding bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Community of Peace Academy Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 8th of September, 2015, and in the Pioneer Press, a newspaper of general circulation in the City on the 5th of September, 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 approval for the issuance of up to \$15,500,000 in conduit lease revenue refunding bonds for the Community of Peace Academy Project.

Sponsored by: Commissioner Brendmoen

Staff: Jenny Wolfe, 266-6680

Attachments:

- **Attachment B** – Map of Project