

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

REPORT TO THE COMMISSIONERS

DATE: April 27, 2016

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF CONDUIT
REVENUE BONDS FOR THE GILLETTE CHILDREN'S SPECIALTY
HEALTHCARE PROJECT UNDER MINNESOTA STATUTES,
SECTIONS 469.152 THROUGH 469.1655 AND APPROVING RELATED
DOCUMENTS**

Districts 3, 5 & 17, Wards 2 & 5

Requested Board Action

Final approval for the HRA to issue approximately \$20,000,000 in conduit revenue bonds for Gillette Children's Specialty Healthcare, a nonprofit corporation.

Background

Gillette Children's Specialty Healthcare (the "Borrower") was founded in 1897 and provides specialized health care for people who have short-term or long-term disabilities that began during childhood. They help children, adults, and their families improve their health, achieve greater well-being and enjoy life. The Borrower is an independent, not-for-profit hospital located in Saint Paul, with multiple clinics located throughout the state. In 2015, they treated 2,448 inpatients and performed 2,722 surgeries, an increase of 5% over 2014. Gillette is a Level 1 Pediatric Trauma Center, caring for more than 200 critically injured children each year. Their total revenue in 2015 was \$231 million. Gillette has a total workforce of 1,426, including 1,301 in Saint Paul.

The HRA has previously issued conduit revenue bonds for the Borrower to complete renovations in their facility at Regions hospital. The total outstanding principal of the prior conduit bonds is \$39,650,000.

The HRA has received an application from the Borrower to issue conduit revenue bonds in an approximate principal amount of \$20,000,000 (the "Bonds") to finance the expansion and renovation of approximately 31,125 square feet of existing space in their leased facility within Regions hospital, located at 200 East University Avenue, and to finance equipment in leased

space located at 435 Phalen Boulevard, 455 Phalen Boulevard and 10 River Park Plaza. Major facility improvements include: (i) inpatient rehabilitation unit renovation, including conversion to 17 private inpatient rooms, and adding new nursing stations, conference rooms and classrooms; (ii) creating a new family experience area, with new entry, registration and waiting areas, restrooms, and updated clinical and imaging space; (iii) adult unit renovations, including replacing 13 beds and adding new and remodeled showers; and (iv) acquisition of new advanced imaging equipment, including new 3T magnetic resonance imaging and CT equipment. The Borrower anticipates completion of the improvements by the end of 2016.

The above described facilities are located in B-5, T-3 or I-1 zoning districts, with all of their land uses permitted. See **Attachment B** for a map of their facilities. The Borrower leases over 61,000 square feet in the Phalen Boulevard buildings, located within the Port Authority's Westminster Junction Business Park, and they lease over 36,000 square feet in the River Park Plaza facility. The Borrower has contacted District 17 with regard to the portion of their Project located at Regions hospital and will present their plans to the District 17 development committee. See **Attachment C** for a profile of District 17, the Saint Paul Planning District in which the renovation/expansion portion of their 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 April 13, 2016, with no one present to speak in opposition to the Project, and adopted RES PH #16-115 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 in May.

Financing Structure

Piper Jaffray & Co. is assisting the Borrower as their placement agent. The Bonds will be directly purchased by BMO Harris N.A. (the “Bank”) as tax-exempt non-bank qualified debt. The Bonds will have a fixed interest rate, estimated at 2.40%, with a 15 year term (final maturity is 2/1/2031) and annual debt service is projected to be approximately \$1,585,000. The Bank will execute an Investor Letter. The total estimated cost of the project is \$20,000,000 as shown below:

Sources:	
Bond Proceeds	20,000,000
Total Sources	\$20,000,000
Uses:	
Project Costs	19,600,000
Costs of Issuance	400,000
Total Uses:	\$20,000,000

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on April 4, 2016, 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 allow Gillette to undertake needed expansion and renovation of their facilities to ensure they sustain their commitment to providing a high level of quality healthcare in the City. The Project will create an estimated 36 FTE construction jobs.

The Comprehensive Plan includes Land Use Plan Strategy 2.8 -- Work with health care institutions to assess proposed development projects, including expansion of facilities beyond their existing campuses.

Recommendation:

HRA Executive Director recommends approval of the Resolution which gives final approval for the issuance of approximately \$20,000,000 in conduit revenue bonds and approval of related documents for Gillette Children's Specialty Healthcare.

Sponsored by: Commissioner Noecker

Staff: Jenny Wolfe, 266-6680

Attachments

Attachment B – Map of Project

Attachment C – District 17 Profile