

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 12, 2016

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF CONDUIT
LEASE REVENUE REFUNDING BONDS FOR THE HMONG
COLLEGE PREP ACADEMY CHARTER SCHOOL PROJECT,
1515 BREWSTER STREET, UNDER MINNESOTA STATUTES,
SECTIONS 469.152 TO 469.1655 AND APPROVING RELATED
DOCUMENTS, DISTRICT 10, WARD 4**

Requested Board Action

The requested action includes approval for the HRA to issue up to \$80,000,000 in conduit lease revenue refunding bonds for Hmong Education Reform Company, a Minnesota nonprofit corporation (the “Borrower”). The proceeds of the bonds will be used to refund existing HRA-issued bonds, construct an expansion to the existing school for their elementary school, and to acquire and improve adjacent land with parking and athletic facilities.

Background

The Hmong College Prep Academy (the “School”) is a public charter school authorized by Bethel University and located at 1515 Brewster Street. The School opened in 2004 with grades 9 – 11, and has since expanded to kindergarten through grade 12. Presently there are over 1,300 students enrolled and they anticipate enrollment will grow to 2,200 upon completion of the project. The School is open to students of all races and ethnicities; the School’s curriculum is enriched and informed by Hmong culture and language to strengthen student achievement.

In September 2006, the HRA issued \$9,045,000 in conduit lease revenue bonds for the acquisition and renovation of a 72,000 square foot school building located at 1515 Brewster Street, for use by the School as they relocated from Minneapolis (the “2006 Bonds”). The principal outstanding as of 9/1/2016 for the 2006 Bonds is \$7,745,000.

In October, 2012, the HRA issued \$17,600,000 in conduit lease revenue bonds for the renovation of the existing school building and the acquisition and construction of an approximately 78,000

square foot addition for the high school (the “2012 Bonds”). The principal outstanding as of 9/1/2016 for the 2012 Bonds is \$17,050,000.

The School has submitted an application to the HRA to issue up to \$80,000,000 in conduit lease revenue refunding bonds (the “2016 Bonds”) to: 1) refund the 2006 Bonds; 2) advance refund the 2012 Bonds; 3) add a 98,500 s.f. addition to the existing school buildings for the elementary school; 4) renovate the existing buildings; 5) acquire ten acres of adjacent industrial property; and 6) construct a two level parking ramp and athletic facilities on the acquired property, including a sports dome, playground, running track, and a football and soccer field (a preliminary site plan is attached). The advance refunding of the 2012 Bonds may not be included in the transaction if the bond pricing achieves debt service payments allowing the 2016 Bonds to be issued as additional bonds under the Indenture of the 2012 Bonds. The 2016 Bonds will be special, limited-revenue obligations of the HRA payable solely from the revenues expressly pledged to the payment thereof, and will not constitute a general or moral obligation of the HRA or the City, and will not be secured by the taxing powers of the HRA 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 HRA pursuant to a Loan Agreement.

The Project is located in an I-1 zoning district, which permits all of the School’s proposed land uses (a map of the Project is attached). The demographic profile of District 10, the Saint Paul planning district in which the Project is located, is attached. The industrial property to be acquired includes five existing leases (The Box Man, CCR Truck Repair, Minnesota Department of Administration, Plastic Express and Schneider Resources). No land acquisition will take place as a result of eminent domain.

The HRA held a public hearing on September 14, 2016 and adopted a resolution providing preliminary approval for the Project and issuance of the 2016 Bonds.

Budget Action

This is a conduit bond issue. The 2016 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 expected to occur by the end of November, 2016.

Financing Structure

Piper Jaffray will underwrite the bond financing. The 2016 Bonds will be sold as rated, fixed-rate, tax-exempt and taxable bonds, with estimated principal shown below, when excluding the refunding of the 2012 Bonds from the transaction:

- \$43,030,000 - Series 2016A (Tax-Exempt), Final Maturity: September 1, 2051
 - Estimated Average Interest Rate: 4.80%
- \$555,000 - Series 2016B (Taxable), Final Maturity: September 1, 2021
 - Estimated Average Interest Rate: 4.50%

The 2016 Bonds will be sold on a negotiated sale basis to the institutional and accredited investor marketplace, in minimum bond denominations of \$25,000, consistent with PED's conduit bond policy for bonds rated in the BB category (the current category for the 2012 Bonds and the expected rating category for the 2016 Bonds). The total cost of the project is currently estimated to total \$46,858,111 as shown on the following page, when excluding the refunding of the 2012 Bonds.

Sources of Funds	Amount
Series 2016A – Tax-Exempt	\$43,030,000
Series 2016B – Taxable	555,000
Net Premium Series 2016A	2,527,276
Transfer from 2006 Bonds DSR Fund	657,400
Transfer from 2006 Bonds DS Fund	88,435
Total Sources	\$46,858,111

Uses of Funds	Amount
Project Fund	\$34,000,000
2006 Refunding	7,870,758
Capitalized Interest	840,536
Debt Service Reserve Fund	2,721,350
Costs of Issuance	1,425,467
Total Uses	\$46,858,111

The 2016 Bonds will extend debt service out to 2051, which is fifteen years beyond the 2006 Bonds, and eight years beyond the 2012 Bonds (which may not be refunded with this transaction).

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on September 7, 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

The project will comply with the Saint Paul/HRA Sustainability Initiative. The School will pursue LEED certification for the elementary school addition. Furthermore, the design focuses

on several categories of green design, including site restoration and sustainability, water efficiency, energy efficiency, materials and resources, and indoor environmental quality. The School is planning to participate in the Energy Design Assistance program in partnership with Xcel Energy and the Weidt Group to inform the overall energy efficiency strategy and provide multiple energy-saving design options. Consideration will include the location of the parking ramp and sports dome to limit site remediation, and using recycled and locally sourced materials. Each aspect of the building will be reviewed for its impact on the students, the community, and the environment.

Environmental Impact Disclosure

Not applicable.

Historic Preservation

Not applicable.

Public Purpose/Comprehensive Plan Conformance

This Project is generally consistent with the Saint Paul Comprehensive Plan. Policy 1.55 of the Land Use chapter calls for the City to “collaborate with public and private schools... in conjunction with construction and major remodeling.” In addition, one of three overall strategies of the Land Use chapter is to Provide Land for Jobs. The proposed parking ramp and athletic facilities will be located on industrial-zoned land, and while schools are an allowed use in industrial districts, the Project will require the displacement of existing jobs. However, the Project will also facilitate the expansion of the school from over 1,300 students currently to approximately 2,200 students, and the School anticipates 45 new jobs will be created to serve the larger student body.

The District 10 Como Community Plan (adopted 2016) generally supports investment in the neighborhood but does not include policies directly relevant to the proposed project. The District 10 Como Community Council has provided a letter of support for the project.

The Project will also create an estimated 150 construction jobs.

Recommendation:

The HRA Executive Director recommends approval of the Resolution which provides final approval for the issuance of up to \$80,000,000 in conduit lease revenue refunding bonds for the Hmong College Prep Academy Charter School Project and authorizes execution of related documents.

Sponsored by: Commissioner Stark

Staff: Jenny Wolfe, 266-6680

Attachments

- **Attachment** – Preliminary Site Plan
- **Attachment** – Map of Project
- **Attachment** – District 10 Demographic Profile