

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 14, 2017

REGARDING: RESOLUTION CONSENTING TO THE ISSUANCE BY THE CITY OF MENDOTA, MINNESOTA OF A CAPITAL CAMPAIGN BRIDGE FINANCING NOTE AND BY THE CITIES OF LITTLE CANADA, MINNESOTA AND FALCON HEIGHTS, MINNESOTA OF EDUCATIONAL FACILITIES REVENUE REFUNDING NOTES ON BEHALF OF SAINT PAUL ACADEMY AND SUMMIT SCHOOL, 1712 RANDOLPH AVENUE, DISTRICT 15, WARD 3

Requested Board Action

Public hearing and authorization providing consent to the issuance of bank qualified debt by the cities of Mendota, Little Canada, and Falcon Heights on behalf of Saint Paul Academy and Summit School for their project located at 1712 Randolph Avenue.

Background

Saint Paul Academy and Summit School (SPA) is a non-profit 501(c)3 educational institution which was founded in 1900. SPA is an independent college preparatory school serving students in kindergarten through grade 12, with a current enrollment of 929 students and a total employment of 430. SPA operates an elementary school campus for grades K through 5 at 1150 Goodrich Avenue, and an upper school campus for grades 6 through 12 at 1712 Randolph Avenue.

In 2007, the HRA issued \$14,750,000 of publicly-offered bonds for SPA (the “2007 Bonds”). The 2007 Bonds were rated A3 by Moody’s and were issued with a 17-year term with all principal due at maturity. The 2007 Bonds are callable for optional redemption on 10/1/2017. The proceeds from the 2007 Bonds were used to advance refund bonds issued by the HRA in 1999, which originally financed improvements to the both the lower and upper school facilities. The 2007 Bonds can be refunded as tax-exempt obligations on or after July 1, 2017.

SPA is proposing to add a 38,000 sf addition to their upper school facility for the Hugh K. Schilling Math and Science Center, and to refund the 2007 Bonds (the “Project”). The Math and Science Center will house math classrooms and laboratory facilities for teaching of biology,

chemistry, computer science, physics, robotics and individual advanced science research. A map of the Project location is attached.

Bremer Bank (the “Bank”) has agreed to finance the Project through the purchase of tax exempt notes in the approximate aggregate principal amount of \$25,000,000 (the “Notes”), but their commitment to finance the Project is conditioned upon each of the Notes being designated by the issuer as a “qualified tax-exempt obligation” (“Bank Qualified”) under Section 265(b) of the Internal Revenue Code. In order to be designated as BQ, each individual city can issue no more than \$10,000,000 in qualifying obligations; therefore, each note issued by the applicable city will be \$10,000,000 or less. SPA has indicated in their application the following: the City of Little Canada will issue a BQ tax-exempt note of approximately \$7,375,000 to refund the 2007 Bonds; the City of Falcon Heights will issue a BQ tax-exempt note of approximately \$7,375,000 to refund the 2007 Bonds; and the City of Mendota will issue a BQ tax-exempt note in the amount of \$10,000,000 for capital campaign bridge financing for construction of the Math and Science Center.

The HRA is not able to issue BQ obligations in any calendar year because we expect to issue more than \$10,000,000 in obligations for use by other nonprofit organizations or for our own corporate use.

With the BQ designation, the Bank is able to offer a lower interest rate on the obligations to the Borrower due to the federal taxation of certain carrying costs of the obligations. They have indicated that without the BQ designation, the interest rate would be 25% higher (for example, from 3.02% to 3.78% on the refunding notes).

The Port Authority would generally be able to issue BQ obligations, however in this case they indicated they have or will exceed the \$10,000,000 threshold this year.

Since the Project is located within Saint Paul, Section 147(f) of the Internal Revenue Code requires that the HRA approve the issuance of the Notes following a public hearing (i.e. Host Approval), and that the HRA consent to the refunding of the 2007 Bonds.

The Project is located in an R-4 zoning district, which permits all of SPA's proposed land uses. SPA has presented their plans to the Highland District Development Committee and the Macalester Groveland Community Council Land Use Committee. The profile of District 15, the Saint Paul Planning District in which the Project is located, is attached.

Budget Action

N/A

Future Action

N/A

Financing Structure

The costs are estimated to total \$39,750,000: \$14,750,000 for the refunding and \$25,000,000 for the construction of the math and science center, which will be financed with \$10,000,000 in bonds and \$15,000,000 in equity and private donations. The bond closing is scheduled to occur on or after July 1, 2017.

PED Credit Committee Review

The PED Credit Committee reviewed the request to provide consent on June 5, 2017, and found it to be consistent with PED's conduit bond policy with regard to Host Approval for Bank Qualified Bonds.

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 enhanced educational opportunities for 939 students. This Project will create an estimated 150 construction jobs.

The current use of the property as a junior and senior high school, and proposed expansion of the school, is permitted under its current R4 zoning. The school use is consistent with the comprehensive plan which identifies the site as an established neighborhood located along a mixed-use corridor. Policy 1.55 of the land-use plan calls for the city to “collaborate with public and private elementary and secondary schools in conjunction with construction and major remodeling.

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 consenting to the issuance of an aggregate \$25,000,000 in conduit revenue obligations by the cities of Mendota, Little Canada, and Falcon Heights, all in Minnesota, for the Saint Paul Academy and Summit 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 29th of May, 2017, and in the Pioneer Press, a newspaper of general circulation in the City on the 27th of May, 2017. 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:

The HRA Executive Director recommends approval of the Resolution which provides consent to the issuance of conduit revenue obligations in an aggregate amount of up to \$25,000,000 by the cities of Mendota, Little Canada and Falcon Heights, for the Saint Paul Academy and Summit School Project.

Sponsored by: Commissioner Tolbert

Staff: Jenny Wolfe (266-6680)

Attachments

- **Attachment – Map**
- **Attachment – District 15 Profile**