

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

REPORT TO THE COMMISSIONERS

DATE: June 14, 2017

**REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE
PROPOSED ISSUANCE OF CONDUIT REVENUE BONDS FOR
THE GREAT RIVER CHARTER SCHOOL PROJECT, 1326 AND
1336 ENERGY PARK DRIVE, UNDER MINNESOTA STATUTES,
SECTIONS 469.152 THROUGH 469.1655**

District 10, Ward 4

Requested Board Action

Public hearing and preliminary authorization to issue up to \$18,500,000 in conduit charter school lease revenue bonds (“Bonds”) for the Great River Affiliated Building Company, a nonprofit corporation (“Borrower”).

Background

The Great River School (the “School”) is currently operating a Minnesota public charter school located at 1326 and 1336 Energy Park Drive through leased space. The School was established in 2003 and provides a Montessori education, serving students in grades 1 through 12. Their current enrollment is 428 students and they plan to expand to 690 by the year 2022. Novation Education Opportunities is the authorizer for the School and they oversee over twenty other charter schools in Minnesota.

The School and their building company are proposing to finance the acquisition and renovation of the two buildings at 1326 and 1336 Energy Park Drive, and to construct a 19,000 square foot two-story addition connecting the existing buildings (the “Project”). The Project will result in 36 classrooms, including rooms for science, music, arts and shops. It will also create a new commercial kitchen, gym/multi-purpose rooms, and administration and academic support areas. The Borrower will lease the facility to the School.

The School has executed purchase agreements for the two buildings: the Charter School Development Corporation owns the east building at 1326 Energy Park Drive (the School occupies this entire building); and Energy Park LLC/Wellington owns the west building at 1336

Energy Park Drive (the School occupies half of this building, with the other half leased by another charter school whose lease expires at the end of November). The purchase agreements require closings no later than the end of September 2017.

The parking requirement for the site is 72 stalls, which takes into account a reduction for bike parking. The School is seeking a variance to reduce the set-back requirements for the parking lot in the northeast corner to add 19 additional stalls for a total of 91 parking stalls. The preliminary landscape plan is attached, indicating the parking locations and a large green space for recreational activities and natural obstacles for playground purposes. The School plans to start construction in August of 2017, and be complete prior to the commencement of the 2018-2019 school year.

The Project is located in an I-1 zoning district, which permits all of the School's proposed land uses. The Borrower has spoken to the Executive Director of District 10 Como Community Council about their proposed Project. The Executive Director does not have any concerns or objections to the School's plans and will communicate back to the School if they would like a presentation to their Board. The charter school located in one-half of the west building, 1336 Energy Park Drive, will vacate the building when their lease expires at the end of November. No land acquisition will take place as a result of eminent domain. A map of the property and profile of District 10, the Saint Paul Planning District in which the Project is located, are attached.

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 likely be sought on June 28, 2017 and a closing is expected to occur by the end of July.

Financing Structure

Piper Jaffray will underwrite the bond financing. The Bonds will be sold as unrated, fixed-rate, tax-exempt and taxable bonds, and will mature as follows:

- \$15,250,000 - Series 2017A (Tax-Exempt), Final Maturity: July 1, 2052
 - Estimated Average Interest Rate: 5.74%
- \$305,000 - Series 2017B (Taxable), Final Maturity: July 1, 2020
 - Estimated Average Interest Rate: 6.00%

Annual debt service is projected to be approximately \$1,065,000 based on the estimated rates upon full enrollment.

The Bonds will be sold on a negotiated sale basis to the institutional and accredited investor marketplace in minimum bond denominations of \$100,000, consistent with PED's conduit bond policy for unrated bonds. The HRA will require the initial purchasers to execute an Investor Letter. The total cost of the project is currently estimated to total \$15,555,000 as shown below:

Uses:	
Acquisition	\$6,200,000
Construction/Contingency	6,476,425
Architect/Engineering	355,000
Contingency	668,575
Subtotal Project Fund	<u>\$13,700,000</u>
Debt Service Reserve	1,090,512
Underwriter Discount	252,769
Capitalized Interest	307,500
Cost of Issuance	<u>204,219</u>
Total Uses:	\$15,555,000
Sources:	
Series 2017A Bonds	15,250,000
Series 2017B Bonds	<u>305,000</u>
Total Sources	\$15,555,000

The financing team includes Piper Jaffray & Co. as underwriter and Kennedy & Graven as bond counsel.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on June 5, 2017, 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 Borrower will not be seeking LEED certification and will integrate sustainable designs and components as the budget will allow while working with the Weidt group. They will incorporate the following on the new addition and areas of renovation with material changes:

- Use of low VOC paints, coatings and adhesives;
- Use of recycled materials; and
- Utilization of LED light sources and occupancy sensors.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will result in education opportunities for up to 690 students by providing increased classrooms, a commercial kitchen and gym/multi-purpose rooms. This Project will create an estimated 150 construction jobs. The School projects to increase their full-time employment by 20 employees which will result in total full-time employment of 67 by year 2022.

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. Although the proposed acquisition will require the displacement of existing jobs, the Project will facilitate the expansion of the School increasing the enrollment and employment 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.

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 \$18,500,000 in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Great River Charter 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 gives preliminary approval for the issuance of up to \$18,500,000 in conduit lease revenue bonds, for the Great River Charter School Project.

Sponsored by: Commissioner Stark

Staff: Jenny Wolfe, 266-6680

Attachments

Attachment – Preliminary Site Landscape Plan

Attachment – Map of Project

Attachment – District 10 Profile