

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

**REPORT TO THE COMMISSIONERS**

**DATE: August 9, 2017**

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF  
CONDUIT HEALTH CARE REVENUE REFUNDING BONDS FOR  
THE GILLETTE CHILDREN'S SPECIALTY HEALTHCARE  
PROJECT, WITH FACILITIES LOCATED AT 205 UNIVERSITY  
AVENUE EAST, UNDER MINNESOTA STATUTES, SECTIONS  
469.152 THROUGH 469.1655 AND APPROVING RELATED  
DOCUMENTS**  
**District 7, Ward 1**

## **Requested Board Action**

Public hearing and authorization to issue conduit health care revenue refunding bonds for Gillette Children's Specialty Healthcare, a nonprofit corporation (the "Borrower"), in an amount not to exceed \$30,000,000 and authorization to execute required documents.

## **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. They operate a 60-licensed-bed specialty hospital in Saint Paul and multiple clinics located throughout the state. The Borrower treats more than 25,000 patients each year throughout Minnesota, the United States and from countries across the world. A large and geographically diverse network of referring physicians has fueled this growth, with approximately 2,500 physicians referring patients to the Borrower in 2016 alone. Their total revenue in 2016 was \$244 million. Gillette has a total workforce of 1,435, including 1,309 in Saint Paul.

In 2009, the HRA issued \$36,000,000 in conduit revenue bonds for the Borrower for Phase I of their new building and renovation project to accommodate growth, enhance clinical effectiveness, help strengthen Gillette's position in the marketplace, and create an environment that is welcoming for patients, families, and staff (the "Series 2009 Bonds"). The proceeds from the Series 2009 Bonds were used to finance the construction and equipping of an approximately

52,000 square-foot, three-story building at 205 University Avenue East, across from Regions Hospital; a skyway to connect to Regions Hospital; and the remodeling of approximately 14,540 square feet in the space currently leased by the Borrower in Regions Hospital (the “Project”). The Project is located in a B-5 zoning district, with all of their land uses permitted. A map of the Project is attached.

The HRA has received a request from the Borrower to issue conduit revenue refunding bonds to refund the Series 2009 Bonds currently outstanding in the principal amount of \$30,500,000.

Additionally, in February, 2015, the HRA issued \$9,160,000 in refunding bonds for the Borrower and the current balance is \$5,655,000; and in May, 2016, the HRA issued \$20,000,000 in bonds for capital improvements to the Borrower’s facilities in Regions Hospital and the current balance is \$18,875,000. The total outstanding balance for the Series 2015 and Series 2016 bonds is \$24,530,000.

### **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 is needed. The closing is anticipated to occur early in September.

## **Financing Structure**

Piper Jaffray is acting as the placement agent for the Series 2017 Bonds. The Series 2017 Bonds will be structured as a private placement/direct purchase with BMO Harris Bank N.A. (the “Bank”). The Series 2017 Bonds will have a fixed interest rate, estimated at 1.985%, with a final maturity of 2/1/2028, one year earlier than the bonds to be refunded. The Bank will execute an Investor Letter.

Piper Jaffray projects debt service savings in excess of \$380,000 per year with the proposed refunding structure, producing total net PV savings of \$3,756,000. The Series 2009 Bonds will be advance refunded since they are currently not callable, which requires the HRA to hold a public hearing prior to adopting the Resolution.

The total estimated cost of the refunding is \$32,535,537 as shown below:

### **Sources of Funds**

Principal amount of Series 2017 Bonds	\$29,165,000
Transfer from Series 2009 Bonds DSRF	3,370,537
<b>Total Sources</b>	<b>\$32,535,537</b>

### **Uses of Funds**

Deposit to Refunding Escrow	\$32,130,749
Costs of Issuance/Rounding	404,788
<b>Total Uses</b>	<b>\$32,535,537</b>

## **PED Credit Committee Review**

The PED Credit Committee reviewed the proposal for conduit bonds on July 31, 2017, and found it to be consistent with PED’s conduit bond policy.

## **Compliance**

The Borrower 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 Gillette Children’s Specialty Healthcare (the Borrower).

**Public Purpose/Comprehensive Plan Conformance**

The statutory authority requires that the refunding furthers the purposes stated in MN Statutes, 469.152 and that the effect of the refunding, if undertaken, will be to help assure that adequate health care services will be made available to the residents of the state and the City at reasonable costs and will otherwise further those other purposes set forth in MN Statutes, 469.152. The Borrower will reduce their financing expenses as a result of the proposed refunding.

**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 \$30,000,000 in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Gillette Children’s Specialty Healthcare Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 24<sup>th</sup> of July, 2017, and in the Pioneer Press, a newspaper of general circulation in the City on the 22<sup>nd</sup> of July, 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:**

HRA Executive Director recommends approval of the Resolution, which provides final approval for the issuance of up to \$30,000,000 in conduit revenue refunding bonds for the Gillette Children’s Specialty Project and authorizes execution of related documents.

**Sponsored by: Commissioner Thao**

**Staff:** Jenny Wolfe, 266-6680

**Attachments**

**Attachment** – Map of Project