

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 13, 2018

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF CONDUIT REFUNDING REVENUE BONDS FOR THE ROSSY AND RICHARD SHALLER FAMILY SHOLOM EAST CAMPUS PROJECT, 730 KAY AVENUE AND 740 KAY AVENUE, UNDER MINNESOTA STATUTES, CHAPTER 462C AND APPROVING RELATED DOCUMENTS, DISTRICT 9, WARD 2

Requested Board Action

The requested action includes a public hearing and authorization to issue up to \$24,500,000 in conduit refunding revenue bonds for Sholom Home East, Inc. (the “Company”) and execution of related documents. The proceeds of the bonds will be used to refund existing HRA-issued bonds for the benefit of the Sholom Home East Project, located at 730 and 740 Kay Avenue.

Background

On May 9, 2007, the HRA issued \$39,560,000 in bonds to finance the acquisition and construction of the nursing home and assisted living components of the Rossy and Richard Shaller Family Sholom East Campus Project (the “2007 Bonds”).

The Shaller Family Sholom East Campus Project currently comprises an 118-bed skilled nursing home facility (the Shirley Chapman Sholom Home East) and a 66-unit assisted living/memory care facility (the Bentson Family Assisted Living Residence), financed by the 2007 Bonds; as well as a 45-unit independent living facility (the Harry and Jeanette Weinberg Apartments) financed through HUD. The 2007 Bonds included two series of bonds as follows: i) long-term revenue bonds in the original principal amount of \$26,560,000 (Series 2007A); and ii) short-term variable rate revenue bonds in the original principal amount of \$13,000,000 (Series 2007B). The Series 2007B bonds were repaid in February, 2011 and the outstanding principal balance for the Series 2007A bonds is \$23,635,000.

The Company’s parent is Sholom Community Alliance (the “Alliance”), a non-profit organization that offers a broad continuum of residential, health care and social services primarily for the elderly, within a Jewish environment. The Alliance’s history in Saint Paul dates

back to 1908, when the Jewish Home for the Aged of St. Paul opened at 75 Wilkin Street and for many years operated under the name Sholom Home East. Sholom Home East is one of six senior care facilities operated by the Alliance, with others located in St. Louis Park. The Company is a Minnesota nonprofit corporation and owns and operates the nursing home and assisted living facilities financed with the 2007 Bonds. The 45-unit independent living facility is owned by a non-profit affiliate of the Company.

The Project is zoned T3 and a map of the Project is attached. The demographic profile of District 9, the Saint Paul planning district in which the Project is located, is attached.

The Company has submitted an application to the HRA to issue up to \$24,500,000 in conduit revenue bonds (the “2018 Bonds”) to refund the Series 2007A bonds to reduce their annual debt service through 2042 and extend the final maturity six years to 2048. The 2018 Bonds will be special, limited-revenue obligations of the HRA payable solely from the revenues expressly pledged to the payment thereof, 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 HRA or the City, but will be payable from loan payments made by the Company to the HRA pursuant to loan agreements.

Budget Action

This is a conduit bond issue. The 2018 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 2016 Bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

Future Action

N/A

Financing Structure

Dougherty & Company LLC is underwriting the bond financing. The 2018 Bonds will be non-rated fixed-rate bonds with a final maturity of 10/1/2048. The Bonds will be publicly offered in minimum bond denominations authorized by the HRA. The Company and the Underwriter are requesting that the non-rated bonds be sold in minimum denominations of \$25,000 instead of \$100,000, as required by PED's conduit bond policy for non-rated bonds. The Series 2007A bonds to be refunded were sold with \$25,000 minimum denominations to individual investors wishing to support the Company and the Alliance, through a waiver of our policy, and many of these same investors wish to purchase the 2018 Bonds. Staff supports the request to sell the 2018 Bonds in \$25,000 minimum denominations to retail and institutional investors that qualify as institutional or accredited investors and who execute an Investor Letter.

The total cost of the financing is currently estimated to total \$25,034,124 as shown below:

Sources of Funds	Amount
Proceeds from Series 2018 Bonds	22,840,000
Transfer from 2007 Bonds DS Fund	503,746
Transfer from 2007 Bonds DSR Fund	1,690,378
Total Sources	\$25,034,124
Uses of Funds	Amount
Deposit to Current Refunding	\$23,838,746
Debt Service Reserve Fund	697,230
Costs of Issuance/Rounding	498,148
Total Uses	\$25,034,124

As a result of the refunding, the annual net debt service will be reduced by approximately \$280,000, and the final maturity will be extended six years to 10/1/2048.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on June 5, 2018, and recommended approval for the waiver request for the issuance of the bonds in \$25,000 minimum denominations with Investor Letters and found the request, in all other areas, to be consistent with PED's conduit bond policy.

Compliance

The Company 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 the Company.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The public purpose is providing necessary housing opportunities for seniors in a variety of care levels; and the proposed refunding will reduce debt service for the Company enabling the housing opportunities to continue long-term. The Company employs 410 persons in St. Paul.

The Comprehensive Plan does not specifically address the scope of this financing.

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 \$24,500,000 in conduit revenue refunding bonds by the Housing and

Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Sholom East Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 24th of May, 2018, and in the Pioneer Press, a newspaper of general circulation in the City on the 26th of May, 2018. 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 authorizes the issuance of up to \$24,500,000 in conduit revenue refunding bonds for the Sholom Home East Project, including the waiver to allow the sale of the bonds in \$25,000 minimum denominations, and execution of related documents.

Sponsored by: Commissioner Noecker

Staff: Jenny Wolfe, 266-6680

Attachments

- Map
- District 9 Profile