

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 22, 2018

REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE PROPOSED ISSUANCE OF CONDUIT REVENUE BONDS FOR THE REGIONS HOSPITAL PROJECT, 640 JACKSON STREET, UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655, DISTRICT 17, WARD 2

Requested Board Action

Public hearing and preliminary authorization to issue approximately \$50,000,000 in conduit revenue bonds for Regions Hospital, a nonprofit corporation, to finance the construction of a new birth center on Region's existing campus.

Background

Regions Hospital (the "Borrower") is an affiliate of HealthPartners, Inc. (the parent company). The majority of Regions' main campus is owned by Ramsey County and leased to Regions. The lease agreement grants Regions use of the property through December 2100 and requires Regions to provide care to the indigent of Ramsey County, with a required minimum dollar amount of "charity care" to Ramsey County residents or a capital infusion in the facility equivalent to rent. Regions provides care in neuroscience, heart surgery, cardiology, oncology, emergency care, burn care, orthopedic care, mental illness, and more; they are one of only three hospitals in Minnesota that is verified as a Level 1 Trauma Center for both adults and children with the expertise and technology to treat the most serious injuries 24/7. Regions' has 454 beds and was granted 55 new bed licenses in the 2018 legislative session. HealthPartners, Inc. employs 24,369 persons in Minnesota with 7,545 persons in Saint Paul; and of these employees, 5,477 are at Regions.

The Borrower reports the following outcomes for 2017: total revenue of \$777 million; over 27,000 inpatient admissions; over 4,000 observation admissions and over 135,000 patient days; nearly 22,000 surgical cases; and over 87,000 emergency room visits.

HealthPartners, Inc. has established an “Obligated Group” that includes the Borrower for debt issues whereby Obligated Group members are jointly and severally obligated for the repayment of the debt. The HRA has previously issued conduit revenue bonds for the HealthPartners Obligated Group with the most recent transaction completed in 2015 (a refunding). The 2015 bonds are currently outstanding in the amount of \$450,685,000. The HRA also issued two series of bonds in 2014, one jointly with Minneapolis, which bonds are currently outstanding in the amount of \$38,995,000. Portions of the 2014 and 2015 bonds refunded prior HRA bonds that financed renovations and expansions at Regions. The total outstanding principal of the prior conduit bonds is \$489,680,000. In addition, lease revenue bonds issued in 2006 by the Port Authority to fund a parking ramp near the Regions campus are currently outstanding in the amount of \$16,595,000.

The HRA has received an application from the Borrower to issue conduit revenue bonds in an approximate principal amount of \$50,000,000 (the “Bonds”) to finance the construction of a new birth center on the southern edge of the campus along 12th Street. The four-story building will be 159,253 square feet with 50 parking stalls for moms and visitors. The building is designed for future growth and will be constructed with the capability to expand to 11 stories (the “Project”). A site plan is **attached**. Additionally, the new facility will introduce couplet care into the market. Couplet care allows a mother and her baby to stay together while one or both of them are receiving a higher level of postpartum care. Construction is anticipated to start this fall and be completed in June of 2020.

Regions Hospital is located at 640 Jackson Street, within a B-5 zoning district, and all of their proposed land uses are permitted. A map of their facilities is **attached**. The Borrower has contacted District 17 with regard to their Project and will present their plans to their development committee on August 14. A profile of the District 17 Planning District is **attached**. No businesses will be displaced, and no land acquisition took place as a result of eminent domain.

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 be required and is tentatively scheduled for September 12, 2018. The closing is expected to occur by the end of September.

Financing Structure

Piper Jaffray & Co. is assisting the Borrower as their placement agent. The Bonds will be directly purchased by Siemens Financial Services, Inc. (the “Bank”) as tax-exempt non-bank qualified debt. The Bonds will have a fixed interest rate, estimated at 3.5%, with a 15-year term (final maturity is 7/1/2033). Annual debt service is projected to be approximately \$4.3 million. The Bank will execute an Investor Letter. The total estimated cost of the project is \$75,525,000 as shown below:

Sources:	
Bond Proceeds	\$50,000,000
Borrower Equity	25,525,000
Total Sources	\$75,525,000
Uses:	
Site Preparation	\$ 4,500,000
Construction	55,500,000
Architect/Engineering	3,000,000
Equipment	7,000,000
Contingency	5,000,000
Placement Agent Fee	250,000
Costs of Issuance	275,000
Total Uses:	\$75,525,000

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on August 14, 2018 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 uses a sustainability checklist to inform the design process. They have included the following elements, to name a few: low VOC paints; exterior glass with bird safe frit; LED lighting and lighting control systems; district energy heating; and multiple air quality components. They will not pursue LEED certification.

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will allow Regions to expand their number of hospital beds and backfill the existing facility with additional medical and surgical capacity. The Project will create an estimated 250 construction jobs and 250 new FTE jobs with average wages around \$70,000.

The proposed project is consistent with the Comprehensive Plan. The property is identified as a major institutional site in the land use plan, across the street from the Capitol Area. Policy 2.8 states, "Work with health care institutions to assess proposed development projects including expansion of facilities beyond their existing campuses."

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 \$50 million in conduit revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Regions Hospital Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 6th of August, 2018, and in the Pioneer Press, a newspaper of general circulation in the City on the 4th of August, 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:

HRA Executive Director recommends approval of the resolution authorizing the issuance of approximately \$50,000,000 in conduit revenue bonds for Regions Hospital.

Sponsored by: Chair Tolbert

Staff: Jenny Wolfe, 266-6680

Attachments

- Site Plan
- Map of Project
- District 17 Profile