

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

**REPORT TO THE COMMISSIONERS**

**DATE: NOVEMBER 14, 2018**

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CONDUIT CHARTER SCHOOL LEASE REVENUE BONDS, UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655, FOR THE HIGHER GROUND ACADEMY PROJECT, 1471 BREWSTER STREET AND APPROVING RELATED DOCUMENTS, DISTRICT 10, WARD 4**

## **Requested Board Action**

Public hearing and authorization to issue up to \$15,000,000 in conduit lease revenue bonds for Higher Ground Building Company (HGBC), a nonprofit corporation (the “Borrower”) and approval of related documents.

## **Background**

Higher Ground Academy is a K-12 public charter school (“School”) which has operated since 1999 in a facility at 1381 Marshall Avenue. The School has operated in this facility since inception and currently enrolls approximately 785 students. The facility was originally financed with bonds issued by the HRA in 1999, with additional improvements financed through HRA issued bonds in 2004 and 2009.

In 2013, the HRA issued \$13,480,000 in bonds for the School that refunded all prior bonds and financed equipment purchases for STEM labs to enhance academic programs (the “2013 Bonds”). The current outstanding balance of the 2013 bonds is \$12,125,000.

The School is at full enrollment in their facility with 785 students, and a waiting list of 276. Their authorizer is Audubon Center of the Northwoods under a five-year charter contract to June 30, 2019. The School has had a consistent and high achievement level, in terms of both academic and financial performance.

The HRA has received an application on behalf of the School to issue up to \$15 million in conduit revenue bonds. The School is proposing to purchase the existing school building located at 1471 Brewster Street (former Metro Deaf location), and to move their middle and high school

programs to this new location (see **attached** map). The building is 40,000 sq. ft. and sits on a 1.75 acre site near Como and Snelling avenues. The existing building was built in two sections, with an original one-story structure in 1973 and a two-story addition in 2009. The School is proposing to add a second story and renovate the 1973 portion of the structure. The newly renovated and expanded building will include 20 classrooms, 5 labs, administration and nurse's suite, group rooms, specialist offices, commons areas, restroom, a forum space, and a new kitchen and dining space. When completed the building will be 60,000 sq. ft. with a new service entry and expanded parking area. A copy of a site drawing is **attached**.

This new school site will support students in grades 7 to 12, and increase enrollment in grades 7 to 12 from approximately 300 to 450. The new site is just 2.8 miles from the Marshall Avenue site and easily accessible via main thoroughfares from all directions. The school also provides its own bus transportation service for all students.

The Project property is zoned I-1 in District 10 (the profile of the planning district is **attached**); the I-1 zoning permits the School's proposed land uses. The School presented their plans to the District 10 Land Use Committee in October with the item advancing to their full board. A letter of support from the District 10 Como Community Council was submitted to the HRA.

### **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 by the HRA is needed; the closing is expected to occur by the end of December.

## **Financing Structure**

Dougherty & Company LLC is underwriting the bond financing. The Bonds will be rated and offered with estimated tax-exempt interest rates ranging from 5.125% to 5.375%, with a final maturity of 12/1/2049. An application has been submitted to Standard & Poor's for a rating and Dougherty anticipates achieving a BBB- rating (the same rating as on the 2013 Bonds). The Bonds will be publicly offered in minimum bond denominations consistent with PED's conduit bond policy dependent on the achieved rating. Our policy requires \$5,000 minimum bond denominations for a rating in the BBB category. Annual debt service is projected to be approximately \$1,660,000 based on the estimated rates.

The total estimated cost of the project is \$14,185,000 as shown below:

<b>Sources of Funds</b>	<b>Amount</b>
Proceeds from 2018 Bonds	13,905,000
Owner's Equity	280,000
<b>Total Sources</b>	<b>\$14,185,000</b>
<b>Uses of Funds</b>	<b>Amount</b>
Deposit to Project Fund	\$11,550,000
Debt Service Reserve Fund	1,341,495
Capitalized Interest Fund	733,431
Underwriter's Discount	278,100
Costs of Issuance/Rounding	281,974
<b>Total Uses</b>	<b>\$14,185,000</b>

The financing team includes Dougherty & Company as underwriter, Kennedy & Graven as bond counsel, and Wells Fargo as Trustee.

## **PED Credit Committee Review**

The PED Credit Committee reviewed the proposal for conduit bonds on October 30, 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 Project has been developed utilizing LEED accredited professionals and will incorporate sustainable design practices, features, materials and equipment whenever possible.

## **Environmental Impact Disclosure**

N/A

## **Historic Preservation**

N/A

## **Public Purpose/Comprehensive Plan Conformance**

The Project will result in educational opportunities for over 1,100 students in grades K through 12. This Project will create an estimated 100 construction jobs. The School projects to increase their full-time employment by 6 employees to 134.

This Project is generally consistent with the Saint Paul Comprehensive Plan. The Land Use Chapter of the Comprehensive Plan states that the City should “[c]ollaborate with public and private schools elementary and secondary schools in conjunction with construction or major remodeling” (LU Policy 1.55). The Land Use Chapter also states that the City should “[p]repare regulations for conditional use review of specified uses (to be identified in a study of principal uses permitted in industrial districts) for the purposes of ensuring compatibility of non-industrial uses with the primary industrial function of the district and of protecting the employment base” (LU Policy 2.21).

In 2013, the Planning Commission recommended as an outcome of the zoning study called for by LU Policy 2.21 that elementary, middle, and high schools continue to be an allowed use in industrial zoning districts. The City Council subsequently adopted zoning amendments consistent with this recommendation. On this basis, the proposed continued use of the property at 1471 Brewster should be considered consistent with both the intent of the industrial zoning district in which the property is located and with the intent of LU Policy 2.21.

### **Statement of Chairman**

“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 \$15 million in conduit lease revenue charter school bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Higher Ground Academy Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 29<sup>th</sup> of October, 2018, and in the Pioneer Press, a newspaper of general circulation in the City on the 27<sup>th</sup> of October, 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 \$15,000,000 in conduit charter school lease revenue bonds for the Higher Ground Academy Project, and authorizes execution of related documents.

**Sponsored by: Commissioner Jalali Nelson**

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

### **Attachments**

- Map
- Site Drawing
- District 10 Profile