

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

REPORT TO THE COMMISSIONERS

DATE: JULY 24, 2019

**REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE
PROPOSED ISSUANCE OF CONDUIT REVENUE BONDS FOR
THE TWIN CITIES GERMAN IMMERSION SCHOOL PROJECT,
1031 COMO AVENUE, UNDER MINNESOTA STATUTES,
SECTIONS 469.152 THROUGH 469.1655**

DISTRICT 10, WARD 5

Requested Board Action

Public Hearing and preliminary authorization to issue up to \$9,000,000 in conduit lease revenue bonds (“2019 Bonds”) for the Twin Cities German Immersion School Building Company, a nonprofit corporation (“Borrower”) for the benefit of the Twin Cities German Immersion School (“School”).

Background

The School is a Minnesota Charter School founded in 2005 with Kindergarten and Grade 1. It added grades each year and now currently serves grade K through 8 with projected enrollment for fall 2019 of 593. In 2013, they acquired their current site at 1031 Como Avenue (a map is **attached**). The School is in an area zoned R-4 (one-family residential), and K-12 schools are a permitted use. The School’s authorizer is St. Thomas University.

The School submitted an application to the HRA to issue up to \$9,000,000 in conduit lease revenue bonds to assist in financing the construction of a 3-story, 23,500 square foot addition for classrooms, special education instructional spaces, administrative offices, a gymnasium and cafeteria (“Project”). The site plan also includes an expanded play area and underground infrastructure to manage storm water run-off from the building addition (site renderings are **attached**). The site plan is predicated on the removal of the existing church (St. Andrews) and east surface parking lot. The project is estimated to cost \$7.41 million, and the current estimated bond principal amount is \$6.455 million (see Financing Structure). Construction of the Project will commence immediately following the closing on the financing and will be completed late summer of 2020.

The School presented their plans, including requested variances for height, lot coverage, and parking, to the Land Use Committee of the District 10 Community Council (“D10”) on December 5, 2018. Meeting attendees voted in favor of the three variances. On Dec. 18, 2018 the Board of Directors of D10 also voted and approved each of the three separate variances. However, D10 did not support the site plan that the Planning Commission advanced, and appealed to the City Council. On June 5, 2019, the City Council approved a site plan with variances, conditions and commitments that were supported by D10. D10 withdrew their appeal.

In 2013, the HRA issued bonds for the School in the amount of \$8.545 million (“2013 Bonds”), with \$8.135 million still outstanding. The 2013 Bonds were issued to finance the acquisition and construction/renovation of the School’s current facility. Prior to 2013 the School was located at 1745 University Avenue.

Budget Action

This is a conduit bond issue. The 2019 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 2019 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 2019 Bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

Future Action

The HRA will be asked to consider a resolution for final approval to issue the 2019 Bonds on August 14, with a closing expected to occur in September.

Financing Structure

Piper Jaffray & Company (“Piper”) will underwrite the bond financing. An application for a credit rating has been made to Standard & Poor’s. The 2013 Bonds are currently rated BB+ and

Piper anticipates securing a similar rating. The 2019 Bonds will be sold as fixed-rate, tax-exempt bonds with a proposed final maturity of July 1, 2054 and an estimated interest rate of 5.0%. The 2019 Bonds will be issued on parity with the 2013 Bonds, with principal payments scheduled to begin July 1, 2045 following the final maturity of the 2013 Bonds. With the current proposed rating and interest rate the combined total annual debt service is projected to total approximately \$915,000.

The 2019 Bonds will be sold on a negotiated sale basis to the institutional and accredited investor marketplace in minimum bond denominations consistent with PED's conduit bond policy which will depend on the rating (minimum bond denominations of \$25,000 for a bond rating in the BB category). The total estimated cost of the project is \$7,241,304 as shown below:

Sources of Funds	Amount
Par Amount of 2019 Bonds	6,455,000
Premium	538,690
Owner's Equity Contribution	247,614
Total Sources	\$7,241,304
Uses of Funds	Amount
Deposit to Project Fund	\$6,492,115
Deposit to Reserve Fund	322,750
Deposit to Bond Fund/Cap Int	35,000
Costs of Issuance/UD	391,439
Total Uses	\$7,241,304

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on July 16, 2019, 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 is considering the use of white TPO reflective roofing materials, high insulative solar tinted windows, polished concrete floors, LED lighting, rain gardens and improvements to manage storm water, and additional bike racks. The Project is not seeking LEED certification.

Environmental Impact Disclosure

N/A

Historic Preservation

Save Historic Saint Andrews, LLC submitted a form to Heritage Preservation Commission (“HPC”) staff for the designation of St. Andrew’s Church as a Saint Paul Heritage Preservation Site. Following a public hearing on November 5, 2018, the HPC determined pursuant to Leg. Code § 73.05(e), the former St. Andrew’s Church to be eligible for local designation as a Saint Paul Heritage Preservation Site. On December 14, 2018 the Planning Commission (“PC”) adopted a resolution against recommending the designation. On January 14, 2019 the HPC held a public hearing on the proposed preservation plan for the former St. Andrew’s Church and forwarded their recommendation for local designation to the City Council. On June 5, 2019 the City Council held a public hearing on the proposed local designation and Ordinance 19-1, amending Chapter 74 of the Leg. Code by enacting a new section designating St. Andrew’s Church as a Saint Paul Heritage Preservation Site, was not approved.

Public Purpose/Comprehensive Plan Conformance

The Project will result in educational opportunities for 630 students in grade K through 8. This Project will create an estimated 200 construction jobs. The School projects to increase their full-time employment by 3, to a total employment of 90.

The District 10 Community Council has not taken a position in regard to the request for conduit revenue bonding. However, the proposed project is generally consistent with the Neighborhood Vision stated in the District 10 Como Community Plan (2016): The Como Park neighborhood seeks to be a stable, livable, and connected community where residents, businesses, and public and private institutions can thrive.

Saint Paul Comprehensive Plan strategy LU 1.55: Collaborate with public and private elementary and secondary schools in conjunction with construction or major remodeling.

Saint Paul Comprehensive Plan strategy LU 1.58: Collaborate with school organizations to promote neighborhood improvement in conjunction with school construction or major remodeling.

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 \$9,000,000 in conduit lease revenue bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Twin Cities German Immersion School (TCGIS) Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 8th of July, 2019, and in the Pioneer Press, a newspaper of general circulation in the City on the 6th of July, 2019. 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 preliminary approval for the issuance of up to \$9,000,000 in conduit lease revenue bonds for Twin Cities German Immersion School Project.

Sponsored by: Commissioner Brendmoen

Staff: Jenny Wolfe, 266-6680

Attachments:

- Map
- Site Renderings
- District 10 Profile