

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 14, 2019

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
CONDUIT LEASE REVENUE BONDS UNDER MINNESOTA
STATUTES, SECTIONS 469.152 THROUGH 469.1655, FOR
COMMUNITY OF PEACE ACADEMY, 471 MAGNOLIA AVENUE
EAST AND APPROVING RELATED DOCUMENTS
DISTRICT 5, WARD 5**

Requested Board Action

Final approval to issue up to \$7,500,000 in conduit lease revenue bonds (“2019 Bonds”) for the Community of Peace Building Company, a nonprofit corporation (“Borrower”) for the benefit of the Community of Peace Academy Charter School (“School”).

Background

The School has operated as a pre-K through grade 12 public school at 471 Magnolia Avenue East since 1995, with an enrollment for the current school year of 804 students (a map is **attached**). The School’s authorizer is the University of St. Thomas.

The School submitted an application to the HRA to issue up to \$7,500,000 in conduit lease revenue bonds to assist in financing the construction of a 30,000 square foot addition that will add 16 classrooms, including rooms for science, music and arts, and to improve their cafeteria and gymnasium. They also plan to renovate select classrooms and other areas to improve their flow and functionality. The project is estimated to cost \$10.37 million, with the current estimated bond principal amount of \$7.15 million, and the balance of the costs covered by the School’s equity and capital improvement fund. A copy of the site plan is **attached**.

In 2015 the HRA issued refunding bonds for the School in the amount of \$14.685 million (“2015 Bonds”), with \$14.165 million still outstanding. The 2015 Bonds refunded HRA bonds issued in 2006 that financed renovations to the School including the construction of a new gymnasium and auditorium.

The Project property is zoned R-4 in District 5 (the profile of the planning district is **attached**). The R-4 zoning permits the School's proposed land uses, however they are seeking variances for lot coverage, building height and parking. The School presented their plans to the Board of Directors of the Payne-Phalen Community Council ("D5") on July 23, 2019. The Executive Director of D5 submitted a letter to the city on behalf of the D5 board in support of the variance requests, including a larger parking variance. Construction would begin in September with completion by the end of August 2020 in time for the new school year. The expansion is expected to result in an increase in student enrollment by an estimated 172, reaching a total enrollment of 976.

On July 10, 2019, the HRA held a public hearing and adopted a resolution providing preliminary approval of the Project and issuance of the 2019 Bonds.

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

No further action is required. The closing is expected to occur in September.

Financing Structure

Baird is underwriting the bond financing. The 2019 Bonds will be rated and offered with estimated fixed tax-exempt interest rates ranging from 2.20% to 5.00%, with a final maturity of 12/1/2049. They have applied for a bond rating from Standard & Poor's ("S&P") and expect to

achieve a rating grade in the BBB category (the 2015 Bonds carry a BBB- rating from S&P).

The 2019 Bonds will be publicly offered in minimum bond denominations consistent with PED's conduit bond policy which will depend on the rating. Our policy requires minimum denominations of \$5,000 subject to obtaining a rating in the BBB category or higher.

Annual debt service is projected to be approximately \$484,000 based on the estimated rates. The total estimated cost of the financing is \$10,367,152 as shown below:

Sources of Funds	Amount
Par Amount of 2019 Bonds	7,150,000
Premium	667,152
Owner's Equity Contribution	2,550,000
Total Sources	\$10,367,152

Uses of Funds	Amount
Deposit to Project Fund	\$9,250,000
Deposit to Reserve Fund	485,375
Deposit to Bond Fund/Cap Interest	309,068
Costs of Issuance/UD	322,709
Total Uses	\$10,367,152

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on June 25, 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 not seeking LEED certification, however the Borrower will integrate sustainable designs and components as the budget will allow.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will result in educational opportunities for 976 students in grades pre-K through 12. This Project will create an estimated 175 construction jobs. The School projects to increase their full-time employment by 50, to a total employment of 150.

The proposal conforms to the Comprehensive Plan. The 2040 Comprehensive Plan, in Policy LU-3, calls for prioritizing public investments in areas of concentrated poverty, such as the area containing the subject site.

Recommendation:

HRA Executive Director recommends approval of the resolution which provides final approval for the issuance and sale of up to \$7,500,000 in conduit lease revenue bonds for the Community of Peace Academy Project.

Sponsored by: Commissioner Brendmoen

Staff: Jenny Wolfe, 266-6680

Attachments:

- Map
- Site Drawing
- District 5 Profile