

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 12, 2020

REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE PROPOSED ISSUANCE OF CONDUIT REVENUE BONDS FOR THE HMONG COLLEGE PREP ACADEMY CHARTER SCHOOL PROJECT, 1515 BREWSTER STREET, UNDER MINNESOTA STATUTES, SECTIONS 469.152 TO 469.1655, DISTRICT 10, WARD 4

Requested Board Action

The requested action includes approval for the HRA to issue up to \$36,000,000 in conduit revenue bonds for Hmong Education Reform Company, a Minnesota nonprofit corporation (the “Borrower”) for the operation of the Hmong College Prep Academy Charter School (the “School”). The proceeds of the bonds will be used to refund existing HRA-issued bonds, and to finance the construction of a new three-story building for the School’s middle school that will include approximately 45 classrooms, a new gym, robotics suite, and offices, and to remodel the existing building including the construction of a skyway connecting the new building to the existing building (the “Project”).

Background

The Hmong College Prep Academy is a public charter school authorized by Bethel University and located at 1515 Brewster Street. The School opened in 2004 with grades 9-11 and has since expanded to kindergarten through grade 12. Presently there are 2,350 students enrolled and they are over-capacity within their existing space, thereby necessitating the expansion. The enrollment will not grow from the expansion. The School is open to students of all races and ethnicities; the School’s curriculum is enriched and informed by Hmong culture and language to strengthen student achievement. The School employs 287 full-time teachers and staff members.

In October 2012, the HRA issued \$17,600,000 in conduit lease revenue bonds for the renovation of the existing school building and the acquisition and construction of an approximately 78,000

square foot addition for the high school (the “2012 Bonds”). The principal to be outstanding as of 9/1/2020 for the 2012 Bonds is \$16,785,000.

In December 2016, the HRA issued \$44,580,000 in conduit lease revenue bonds for the expansion and renovation of the existing school building and to refund bonds issued by the HRA in 2006 (the “2016 Bonds”). The principal to be outstanding as of 9/1/2020 for the 2016 Bonds is \$43,845,000.

The School has submitted an application to the HRA to issue up to \$36,000,000 in conduit lease revenue bonds (the “2020 Bonds”) to: 1) refund the 2012 Bonds; 2) construct a new three-story 93,000 s.f. building for the middle school; 3) renovate the existing building; and 4) construct a skyway connecting the two buildings (a preliminary site plan is **attached**). The 2020 Bonds will be special, limited-revenue obligations of the HRA payable solely from the revenues expressly pledged to the payment thereof, and 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 Authority or the City, but will be payable from loan payments made by the Borrower to the HRA pursuant to a Loan Agreement.

Additionally, the Borrower has submitted an application to the Port Authority of the City of Saint Paul (the “Port Authority”) to issue a Bank Qualified conduit revenue note in the principal amount of \$7,000,000 to assist in the financing of the new construction portion of the Project (the “Port Bonds”). The Port Authority approved the financing on July 28 and the City Council will be presented with a resolution authorizing the issuance of the note by the Port Authority on August 12.

The Project is in an I-1 zoning district, which permits all the School’s proposed land uses (a map of the Project is **attached**). The demographic profile of District 10, the Saint Paul planning district in which the Project is located, is **attached**. The Project will be constructed entirely on property the School currently owns.

Budget Action

This is a conduit bond issue. The 2020 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 approval for the issuance of the 2020 Bonds is scheduled for August 26, 2020.

Financing Structure

The 2020 Bonds will be offered through a public offering by Robert W. Baird and Co. (the “Underwriter”), with fixed tax-exempt interest rates and a total 35-year term (final maturity is 9/1/2055). The 2020 Bonds will be offered in minimum denominations consistent with PED’s conduit bond policy for rated bonds, as determined by the credit rating assigned by S&P Global Ratings (“S&P”). The 2012 Bonds and the 2016 Bonds are currently rated BB+ and the Underwriter expects to achieve this level of rating for the 2020 Bonds. This level of rating would require that the 2020 Bonds be sold in minimum denominations of \$25,000. The Port Bonds will be privately placed with North East Bank.

The total cost of the Project is currently estimated to total \$46,459,827 as shown below.

Sources of Funds	Amount
2020 Bonds	\$26,940,000
Port Bonds	7,000,000
Net Premium 2020 Bonds	2,826,027
Equity Contribution (Borrower)	7,351,075
CSFP Deposit to DSRF	1,163,325
Transfer from existing CSFP DSRF	1,179,400
Total Sources	\$46,459,827

Uses of Funds	Amount
Construction Fund	\$25,584,075
2012 Refunding	17,020,809
Capitalized Interest	523,816
Debt Service Reserve Fund	2,398,725
Costs of Issuance/Rounding	932,402
Total Uses	\$46,459,827

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on August 4, 2020 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 School will be working with the Xcel Energy Design Assistance program on this Project to establish bundles for exceeding code on the shell insulation as well as making other systems more energy efficient (lighting, HVAC, etc.). The Project will include underground stormwater management and recycled content when feasible. The remodeled area will include upgraded lighting with LED fixtures.

Environmental Impact Disclosure

Not applicable.

Historic Preservation

Not applicable.

Public Purpose/Comprehensive Plan Conformance

The Project is expected to create an estimated 250 construction jobs and maintain full employment at the School.

The Project is generally consistent with the Saint Paul Comprehensive Plan. Policy 1.55 of the Land Use chapter which calls for the City to “collaborate with public and private schools... in conjunction with construction and major remodeling.”

The Como Community Council (District 10) board voted unanimously on May 19, 2020, to endorse the School’s application for conduit revenue bonds to underwrite construction of the proposed middle school building and related improvements.

Recommendation:

The HRA Executive Director recommends approval of the resolution which provides preliminary approval for the issuance of up to \$36,000,000 in conduit revenue bonds for the Hmong College Prep Academy Charter School Project.

Sponsored by: Commissioner Jalali

Staff: Jenny Wolfe, 266-6680

Attachments

- Preliminary Site Plan
- Map
- District 10 Demographic Profile