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Title: Resolution Giving Preliminary Approval to the Proposed Issuance of Revenue Bonds for the Twin Cities German Immersion School Project under Minnesota Statutes, Sections 469.152 through 469.1651, District 6, Ward 5

Sponsors: Amy Brendmoen

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Attachments: 1. Conduit Bonds-GermanImmersion-Staff Report, 2. AttachmentB-Map, 3. AttachmentC-District 6 Profile, 4. AttachmentD-DebtServiceSchedules, 5. District 10 Letter of Support - German Immersion School

Date	Ver.	Action By	Action	Result
3/27/2013	1	Housing & Redevelopment Authority	Adopted	Pass

Resolution Giving Preliminary Approval to the Proposed Issuance of Revenue Bonds for the Twin Cities German Immersion School Project under Minnesota Statutes, Sections 469.152 through 469.1651, District 6, Ward 5

WHEREAS, the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "Authority") is duly organized and existing under the Constitution and laws of the State of Minnesota; and

WHEREAS, under the Minnesota Municipal Industrial Development Act, Minnesota Statutes, Sections 469.152-469.1651, as amended (the "Act"), each housing and redevelopment authority of the State of Minnesota, including the Authority, is authorized to issue revenue bonds to finance, in whole or in part, the costs of the acquisition, construction, improvement, or extension of revenue producing enterprises, whether or not operated for profit; and

WHEREAS, Educational Properties TCGIS, LLC, a Minnesota limited liability company (the "Borrower"), the sole member of which is Educational Properties, Inc., a Delaware nonprofit corporation, has requested that the Authority issue one or more series of revenue bonds (the "Bonds") and loan the proceeds derived from the sale of the Bonds to the Borrower, pursuant to the terms of a Loan Agreement between the Authority and the Borrower (the "Loan Agreement") to finance costs related to: (i) the acquisition, renovation, construction and equipping of an existing approximately 29,400 square foot school building located at 1028-1030 Van Slyke Avenue in the City of Saint Paul, Minnesota (the "City"), an existing approximately 11,000 square foot church building located at 1031 Como Avenue in the City and the acquisition, construction and equipping of an approximately 20,180 square foot addition to the existing buildings all for use as a public charter schoolhouse for kindergarten through grade eight (the "School Facility") (ii) the funding of a debt service reserve fund; (iii) the payment of a portion of the interest on the Bonds; and (iv) the payment of a portion of the costs of issuing the Bonds (the "Project"); and

WHEREAS, the Project will be owned by the Borrower and will be leased to and operated by the Twin Cities German Immersion School, a Minnesota nonprofit corporation and an operating public charter school

(the "School"); and

WHEREAS, the Bonds proposed to be issued by the Authority to finance the Project will constitute revenue bonds secured solely by: (i) the revenues derived from the Loan Agreement; (ii) a pledge and assignment of all School revenues, including money due to the School from the State of Minnesota Lease Aid Payment Program (the "Program"); (iii) an agreement to pay all money due to the School from the Program to a dedicated account subject to a monthly sweep to the trustee accounts for the benefit of the holders of the Bonds; (iv) other revenues pledged to or otherwise received by the Borrower, except for those revenues necessary for ordinary operational expenses and required under Minnesota law; (v) a debt service reserve fund to be held by a trustee for the benefit of the holders of the Bonds; (vi) a mortgage and security agreement granted by the Borrower with respect to the Project; and (vi) other security provided or arranged by the Borrower or the School; and

WHEREAS, pursuant to Section 469.154, subdivision 4, of the Act, prior to submitting an application to the Minnesota Department of Employment and Economic Development ("DEED") for approval of the Project, the Board of Commissioners of the Authority must conduct a public hearing on the proposal to undertake and finance the Project; and

WHEREAS, a notice of such public hearing must be published at least once not less than 14 days, nor more than 30 days, prior to the date fixed for the public hearing in the official newspaper of the Authority and in a newspaper of general circulation in the City and such notice must state the time and place of the public hearing, the general nature of the Project, and an estimate of the principal amount of the Bonds to be issued to finance the Project; and

WHEREAS, such notice must state that a draft copy of the proposed application to DEED, together with all attachments and exhibits, will be available for public inspection following the publication of the notice and must specify the place and times where and when it will be so available; and

WHEREAS, Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder, requires that prior to the issuance of the Bonds, this Board of Commissioners approve the bonds after conducting a public hearing thereon preceded by publication of a notice of public hearing (in the form required by Section 147(f) of the Code and applicable regulations) in a newspaper of general circulation at least 14 days prior to the public hearing date; and

WHEREAS, pursuant to the Act and the Code, a notice of public hearing in the form required by the Act and Section 147(f) of the Code was published in the *Legal Ledger*, the official newspaper of the Authority on March 11, 2013, and in the *Pioneer Press*, a newspaper of general circulation in the City on March 9, 2013;

WHEREAS, the Board of Commissioners conducted a public hearing this same date with respect to the proposal to undertake and finance the Project and the issuance of the Bonds, as requested by the Borrower.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Authority hereby grants preliminary approval for the issuance of the Bonds for the purposes referenced in this resolution and in an aggregate principal amount not to exceed \$10,000,000, subject to the approval of the Project by DEED, as required by the Act, and subject to the mutual agreement of the Authority, the Borrower, the School, and the initial purchaser(s) of the Bonds as to the details of the Bonds and provisions for their payment. In all events, it is understood, however, that the Bonds shall not constitute a pecuniary liability or charge, lien or encumbrance, legal or equitable, upon any funds, assets, taxing powers, or any other property of the Authority or of the City except the Authority's interest in the Loan Agreement; and the Bonds, when, as, and if issued, shall recite in substance that the Bonds, including interest thereon, are payable solely from the revenues received from the Loan Agreement and other property pledged to the payment thereof, and shall not constitute general or moral obligations of the Authority or of the City. The

Bonds shall not constitute a debt of the Authority or the City within the meaning of any constitutional or statutory limitation. The holder(s) of the Bonds shall never have the right to compel any exercise of the taxing power of the Authority or the City to pay the outstanding principal of the Bonds, or the interest thereon or to enforce payment thereof against any property of the Authority or the City.

2. It is hereby found and determined that the Project furthers the purposes set forth in the Act and the Project constitutes a "project" within the meaning of Section 469.153, subdivision 2(b) of the Act.

3. In accordance with Section 469.154 of the Act, the Authority may cooperate with the Borrower in submitting the proposal for the financing of the Project to DEED, including the execution of necessary documentation by Authority officials. The Borrower has agreed to pay all costs incurred by the Authority in connection with the financing of the Project. The Executive Director of the Authority is hereby authorized to execute a Memorandum of Understanding with the Borrower regarding the issuance of the Bonds, the payment of costs, and related matters.

4. In accordance with Section 469.154, subdivision 7, of the Act, the officers, employees, and agents of the City are hereby authorized and directed to encourage the Borrower and School to provide employment opportunities to economically disadvantaged or unemployed individuals. Such individuals may be identified by such mechanisms as are available to the Borrower and School, such as a first source agreement in which the School agrees to use a designated State employment office as a first source for employment recruitment, referral, and placement.

5. The Borrower shall pay to the Authority any and all costs incurred by the Authority in connection with the Bonds or the financing of the Project, whether or not the financing of the Project is approved by DEED, whether or not the financing is carried to completion, and whether or not the Bonds or operative instruments are executed and delivered. The Borrower shall also comply with the Authority's deposit and fee policies respecting such revenue bond issues.

6. The adoption of this resolution does not constitute a guaranty or firm commitment that the Authority will issue the Bonds as requested by the Borrower. The Authority retains the right in its sole discretion to withdraw from participation and accordingly not to issue the Bonds, or issue the Bonds in an amount less than the amount referred to herein, should the Authority at any time prior to issuance thereof determine not to issue the Bonds, or to issue the Bonds in an amount less than the amount referred to in paragraph 2 hereof, or should the parties to the transaction be unable to reach agreement as to the terms and conditions of any of the documents required for the transaction.

7. (a) The United States Department of the Treasury has promulgated final regulations governing the use of the proceeds of tax-exempt bonds, all or a portion of which are to be used to reimburse the Authority or a borrower from the Authority for project expenditures paid prior to the date of issuance of such bonds. Those regulations, Treasury Regulations, Section 1.150-2 (the "Regulations"), require that the Authority adopt a statement of official intent to reimburse an original expenditure not later than 60 days after payment of the original expenditure. The Regulations also generally require that the bonds be issued and the reimbursement allocation made from the proceeds of the bonds occur within 18 months after the later of: (i) the date the expenditure is paid; or (ii) the date the project is placed in service or abandoned, but in no event more than 3 years after the date the expenditure is paid. The Regulations generally permit reimbursement of capital expenditures and costs of issuance of the bonds.

(b) The Authority reasonably expects to reimburse the Borrower and the School for the expenditures made for costs of the Project from the proceeds of the Bonds in an estimated maximum aggregate principal amount of \$10,000,000 after the date of payment of all or a portion of the costs of the Project. All reimbursed expenditures shall be capital expenditures, a cost of issuance of the Bonds, or other expenditures eligible for reimbursement under Section 1.150-2(d)(3) of the Regulations and also qualifying expenditures under the Act.

(c) Based on representations by the Borrower, no expenditures for the Project have been made by the Borrower or the School more than 60 days before the date of adoption of this resolution other than: (i) expenditures to be paid or reimbursed from sources other than the Bonds; (ii) expenditures permitted to be reimbursed under prior regulations pursuant to the transitional provision contained in Section 1.150-2(j)(2)(i) (B) of the Regulations; (iii) expenditures constituting preliminary expenditures within the meaning of Section 1.150-2(f)(2) of the Regulations; or (iv) expenditures in a “de minimus” amount (as defined in Section 1.150-2(f)(1) of the Regulations).

(d) Based on representations by the Borrower, as of the date hereof, there are no funds of the Borrower reserved, allocated on a long term-basis or otherwise set aside (or reasonably expected to be reserved, allocated on a long-term basis or otherwise set aside) to provide permanent financing for the expenditures related to the Project to be financed from proceeds of the Bonds, other than pursuant to the issuance of the Bonds. This resolution, therefore, is determined to be consistent with the budgetary and financial circumstances of the Borrower as they exist or are reasonably foreseeable on the date hereof.

8. This Resolution shall be in full force and effect from and after its passage.