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CITY OF SAINT PAUL

INTRODUCTION TO CONDUIT REVENUE BONDS FOR EPISCOPAL HOMES PROJECT

January 28, 2026



CONDUIT REVENUE BONDS - REVISIT

- Conduit revenue bonds are special, limited revenue obligations of the governmental issuer (i.e., the HRA or City) and generally provide tax-exempt interest rates for the borrower
 - Tax-exempt interest rates reduce the cost of the debt for the borrower
- The bonds are repayable solely from the revenues of the borrower and not of the governmental issuer
- The bonds do not include a general or moral obligation of the governmental issuer and are not secured by any taxing powers of the governmental issuer
- **The HRA and City undertake no risk by issuing the bonds**



CONDUIT REVENUE BONDS FOR NONPROFIT - REVISIT

- The conduit borrower secures the loan funds either through a private lender **or a bond underwriter**
- The HRA serves only as a conduit for project financing, therefore due diligence into the project and the entities involved is completed by the private lender **or bond underwriter**
- The HRA issues conduit revenue bonds for organizations who are tax exempt under Section 501(c)(3) of the Internal Revenue Code (nonprofit entities)
- There is no limit on the amount of bonds the HRA can issue for qualified 501c3 organizations (nonprofit entities)
- In the absence of this type of financing, conventional financing (i.e., taxable interest rates) could be sought for the project.
 - increased cost of the debt to the borrower compared to tax-exempt rates



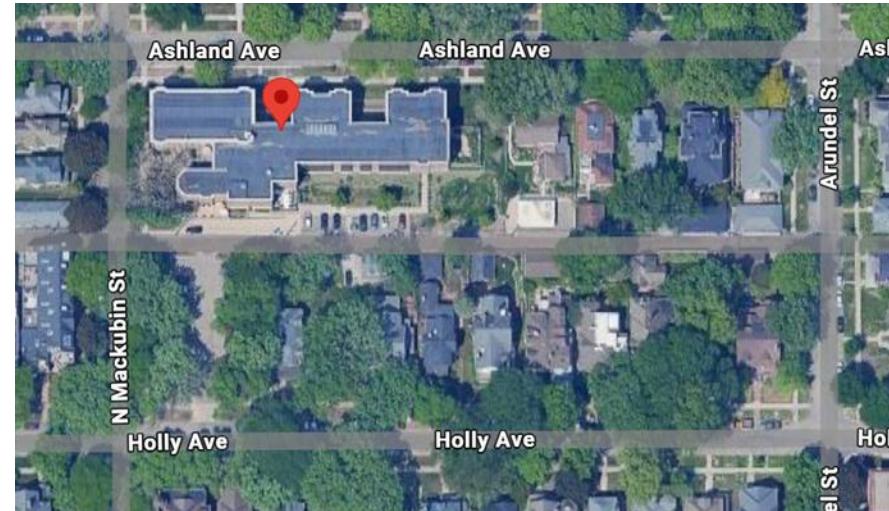
EPISCOPAL HOMES - BACKGROUND

- Episcopal Homes is a Saint Paul based not-for-profit Senior Housing and Care Provider with roots dating back to 1894.
- Episcopal Homes offers a variety of services including memory care, assisted living, senior living, end of life care, and transitional care.
- Episcopal Homes of Minnesota and their affiliates own and operate multiple senior housing facilities at a consolidated campus located at the corner of University and Fairview Avenues
- Over the years, the HRA has issued multiple conduit revenue bonds involving Episcopal Homes of Minnesota, the following two issuances remain outstanding:
 - **Series 2021**, \$14,800,000 issued to refund prior HRA issued bonds relating to the two projects, **\$12,800,000 remains outstanding**
 - **Series 2013**, \$26,860,000 issued to finance two projects listed, **\$23,060,000 remains outstanding**



EPISCOPAL HOMES PROJECT

- Episcopal Homes of Minnesota has applied to the HRA to issue conduit revenue bonds to finance the acquisition of an existing 58-unit facility located at 80 Mackubin Street, in Ward 1, a map and picture are shown below.





EPISCOPAL HOMES PROJECT

- The Project known as The Willows of Ramsey Hill is a 58-unit Assisted Living and Memory Care facility that serves seniors with dementia, Alzheimer's, and other memory loss
 - The facility was constructed in 1896 and operated formerly as a nursing home with an adjacent hotel
 - Both were completely renovated in 2014 and received a certificate of occupancy in April 2015
 - Residents of the Willows require a physician's order to receive memory care and reside at the Willows Facility
- Episcopal Homes desired to acquire this facility to expand their presence in the city and add memory care units to their continuum of care.
 - The current Episcopal Homes waitlist for memory care services is approximately 100 individuals, with 45 of those ready to move within the next year.



EPISCOPAL HOMES PROJECT

- The 2026 Bonds will be issued in an amount not to exceed \$18,000,000 and will be sold as a Public Offering with Colliers serving as the **bond underwriter**
- The 2026 Bonds will not be rated
- The bond underwriter has requested a waiver to PED's conduit bond policy allowing the bonds to be sold in minimum bond denominations of \$25,000 instead of the \$100,000 required
 - Waiver enables existing supporters of Episcopal Homes to continue to invest in Episcopal Homes bonds, and lowers the cost of the debt, strengthening the organization
 - Each initial purchaser will be required to execute an Investor Letter
- Minimum denominations are set by the PED Credit Committee, to ensure that only sophisticated investors hold any conduit revenue bond issued by the HRA and understand that neither the City nor HRA is backing the repayment



EPISCOPAL HOMES PROJECT

Sources and Uses Proposed 2026 Bonds

The total estimated cost of the Project is \$16,930,000 and includes \$1,500,000 of equity from Episcopal Homes.

Sources of Funds	Amount
Proceeds of Series 2026 Bonds	\$15,430,000
Borrower Equity	\$1,500,000
Total Sources of Funds	\$16,930,000

Uses of Funds	Amount
Purchase Price	\$15,000,000
Bond Costs of Issuance & Real Estate Costs	\$567,525
Working Capital Fund	\$250,000
Debt Service Reserve Fund	\$1,110,400
Miscellaneous	2,075
Total Uses of Funds	\$16,930,000



EPISCOPAL HOMES PROJECT – WAIVER REQUEST

- The PED Credit Committee reviewed the proposal on January 20 including the requested waiver of our bond policies pertaining to minimum bond denominations
 - Waivers have been approved for past HRA bonds for Episcopal Homes
 - Waivers have been approved for other non-profit housing developers
 - The requested waiver was approved by the Credit Committee
 - The waiver will enable lower interest cost, strengthening the organization and their commitment to serving seniors in our community
- Additionally, the HRA will collect all required fees for the proposed transaction
 - Required closing fee is $\frac{1}{4}$ of 1% of the principal amount issued (\$38,575 estimated)



GOVERNMENTAL APPROVALS

- The HRA Board is required to authorize the issuance of the bonds and to hold a public hearing
- The City Council is also required to authorize the issuance of the bonds by the HRA
- Resolutions will be considered by both the HRA Board and City Council on February 4
- Episcopal Homes anticipates closing on the acquisition in early March



COMPLIANCE REQUIRED FOR CONDUIT REVENUE BONDS

- The following compliance will be required for the proposed project:
 - Affirmative Action/Equal Employment Opportunity (AA/EEO) – Requiring Episcopal Homes of Minnesota or an affiliate to file an affirmative action program registration to diversify and implement fair employment practices with its workforce
- This is acquisition financing only and no construction is included which would have required additional compliance



EPISCOPAL HOMES CONTACT

- Mr. Tom Henry, the Chief Executive Officer (CEO) of Episcopal Homes is present to answer any questions
 - Tom Henry, thenry@episcopalhomes.org
 - 651-632-8841 x1141



Questions?

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