



## Legislation Text

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**File #:** EDA Res. 2018-001, **Version:** 1

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**DATE:** March 22, 2018

**TO:** Members of the Economic Development Authority

**FROM:** Chris Heineman, Community Planning & Development Director  
Nate Carlson, Economic Development Coordinator

Consideration of EDA Resolution 2018-01 Approving Conduit Debt Re-funding Bonds for Prairie Creek, Inc.

**SUMMARY AND ACTION REQUESTED:**

EDA Board shall approve Resolution 2018-01 authorizing execution of amendment No. 1 to school lease revenue note, series 2008 (Prairie Creek Community School Project)

**BACKGROUND:**

In December of 2008, the Northfield EDA approved conduit debt financing for the project development of the Prairie Creek Community School, which at the time was a \$2.2 million remodel project. Prairie Creek Community School is a charter school in Castle Rock (see attached map) and chartered through the Northfield Public School system. The request for the EDA to approve conduit debt financing was prompted by the desire for tax-exempt borrowing when soliciting bond sales for construction costs. Bond Counsel from Briggs and Morgan assured the EDA that they carried no fiduciary responsibility on behalf of the Prairie Creek Community School and would in no way be held liable in case of default.

According to Minnesota State Statute 469.152 - 469.1651 Ch. 462C, conduit bonds are initiated by and issued for the benefit of private entities by a City or statutory authority, such as an EDA. The proceeds are directed to the private entity, and the private entity repays the principal and interest payments on the bonds. The EDA does not pay any debt service or any costs related to the transaction. (See attached statutory language)

At this time, the current lender of the revenue bond note has agreed to reduce the interest rate, reduce the interest floor, reduce the interest ceiling and make repayment adjustments to the note with the borrower (i.e. Prairie Creek School). In order for this to occur, the EDA must approve an amendment to the original contract. Finance Director Brenda Angelstad and staff have been working with Jenny Boulton (City of Northfield Bond Counsel) to provide background information and determine how to respond to this request. A letter from Jenny Boulton (Kennedy and Graven) is attached for reference.

**ANALYSIS:**

The EDA has no general or moral obligation attached to this note and will not be secured by or payable from any property or assets of the EDA.

**OPTIONS:**

The EDA has the following options:

- 1.) Approve Resolution 2018-01.
- 2.) Take no action. This would prevent Prairie Creek School from being able to reduce the interest rate, reduce the interest floor, reduce the interest ceiling and make repayment adjustments to the existing note.

**RECOMMENDATION:**

Staff recommends that the EDA approve Resolution 2018-01.