

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

REPORT TO THE COMMISSIONERS

DATE: SEPTEMBER 28, 2016

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF CONDUIT LEASE REVENUE REFUNDING BONDS FOR THE NOVA CLASSICAL ACADEMY PROJECT, 1455 VICTORIA WAY, UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655, AND APPROVAL RELATED DOCUMENTS DISTRICT 9, WARD 2

Requested Board Action

The requested action includes approval for the HRA to issue up to \$26,500,000 in conduit lease revenue refunding bonds for the Friends of Nova Classical Academy, a nonprofit corporation (the “Borrower”). The proceeds of the Bonds will be used to refund existing HRA-issued bonds, acquire adjacent land, and complete site improvements.

Background

Nova Classical Academy (the “School”) is an operating public charter school authorized by Friends of Education and located at 1455 Victoria Way. The School offers a rigorous, challenging, K– 12 college-preparatory education in the classical tradition. The School opened in 2003 with grades K – 6, and has since expanded to grades K – 12. Presently there are 949 students enrolled for the 2016-17 school year, and enrollment is anticipated to grow to 995 by the 2019-20 school year. The HRA issued \$17.54 million in conduit lease revenue bonds for the School in 2011 for the acquisition and construction of their current facility (the “2011 Bonds”).

The School has submitted an application to the HRA to issue up to \$26,500,000 in conduit lease revenue refunding bonds to advance refund the 2011 Bonds (the “2016 Bonds”), acquire adjacent property, and partially fund site improvements on vacant School property. The improvements planned for the existing School property include the construction of a new athletic field. The School has identified the future use of the acquired land as playground and physical education space; these future improvements will not be financed with proceeds from the 2016 Bonds. The 2016 Bonds will be special, limited-revenue obligations of the HRA payable solely from the revenues expressly pledged to the payment thereof, 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. The principal outstanding as of 9/1/2016 for the 2011 Bonds is \$16,740,000.

The Project is zoned T3-M, which permits all of the School's proposed land uses (a map of the School is attached). The demographic profile of District 9, the Saint Paul planning district in which the Property is located, is attached. No existing businesses will be displaced or relocated as a result of this project, and no land acquisition took place as a result of eminent domain.

The HRA held a public hearing on September 14, 2016 and adopted a resolution providing preliminary approval for the Project and issuance of the 2016 Bonds.

Budget Action

This is a conduit bond issue. The 2016 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 2016 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 future action by the HRA is needed; the closing is expected to occur by the end of October, 2016.

Financing Structure

Piper Jaffray will underwrite the bond financing. The 2016 Bonds will be sold as rated, fixed-rate, tax-exempt and taxable bonds, and will mature as follows:

- \$23,335,000 - Series 2016A (Tax-Exempt), Final Maturity: September 1, 2047
 - Estimated Average Interest Rate: 4.00%
- \$280,000 - Series 2016B (Taxable), Final Maturity: September 1, 2017
 - Estimated Average Interest Rate: 4.25%

The Bonds will be sold on a negotiated-sale basis to the institutional and accredited investor marketplace, in minimum bond denominations consistent with PED’s conduit bond policy. The School has applied for a rating from Standard & Poor’s (S&P) and expects to receive an investment grade rating in the BBB category (the rating category for the 2011 Bonds). This rating level requires \$5,000 minimum denominations. The total cost of the project is currently estimated to total \$26,526,418 as shown below:

Sources of Funds	Amount
Proceeds from Series 2016A	23,335,000
Proceeds from Series 2016B Taxable	280,000
Premium Series 2016A	1,067,072
Transfer from 2011 Bonds DS Fund	226,288
Transfer from 2011 Bonds DSR Fund	1,358,606
Transfer from 2011 Bonds R&R Fund	259,452
Total Sources	\$26,526,418

Uses of Funds	Amount
Series 2011 Refunding Escrow	\$20,983,970
Project Fund	3,204,479
Capital Improvement Fund	259,452
Debt Service Reserve Fund	1,351,800
Costs of Issuance	726,717
Total Uses	\$26,526,418

As a result of the refunding, the final maturity for their bonds will be extended five years to 9/1/2047.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on September 7, 2016, 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

Not applicable. The project does not include any new building construction.

Environmental Impact Disclosure

Not applicable.

Historic Preservation

Not applicable.

Public Purpose/Comprehensive Plan Conformance

The Project will enhance educational opportunities for nearly 1,000 students with structured green space, and retain 95 full-time job opportunities.

The proposed soccer field on existing School property will require a minor modification of the *Victoria Park Master Plan*. The site is designated for “mixed residential” use in the *Victoria Park Master Plan*, with a condominium building shown as the proposed future use. A minor modification can be granted by the Planning Administrator upon application by Nova.

The Project being proposed for the acquired land will require a major modification of the *Victoria Park Master Plan* before it can proceed. The block is designated for “mixed residential” use in the *Victoria Park Master Plan*, with a variety of mansion homes and single-family detached homes being located on the block at full build-out. A major modification requires a public hearing by the Planning Commission and final approval by the City Council. Nova has not initiated the modification process as of this date.

Recommendation:

The HRA Executive Director recommends approval of the Resolution which provides final approval for the issuance of up to \$26,500,000 in conduit lease revenue refunding bonds for the Nova Classical Academy Charter School Project and authorizes execution of related documents.

Sponsored by: Commissioner Noecker

Staff: Jenny Wolfe, 266-6680

Attachments

- **Attachment** – Map of School
- **Attachment** – District 9 Demographic Profile