

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

REPORT TO THE COMMISSIONERS

DATE: JULY 28, 2021

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

Requested Board Action

The requested action includes a public hearing and approval for the HRA to issue up to \$6,250,000 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 outstanding bonds issued by the HRA in 2011.

Background

Nova Classical Academy (the “School”) is an operating public charter school authorized by Friends of Education 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 1,010 students enrolled for the 2020-21 school year. The HRA issued \$17.54 million in conduit lease revenue bonds for the School in 2011 to finance the construction of their current facility, including the acquisition of HRA owned property (the “2011 Bonds”), and in 2016, the HRA issued \$17.06 million in conduit lease revenue refunding bonds to refund a portion of the 2011 Bonds and to finance the acquisition of property and complete site improvements (the “2016 Bonds”). The current balances, as of 9/1/2020, are as follows: 2011 Bonds: \$5.18 million; 2016 Bonds: \$16.93 million.

The School has submitted an application to the HRA to issue up to \$6,250,000 in conduit lease revenue refunding bonds (the “2021 Bonds”) to refund the outstanding 2011 Bonds. The purpose of the refunding is to reduce interest expense and overall annual debt service without extending the original final bond maturity date of 9/1/2031.

Budget Action

This is a conduit bond issue. The 2021 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 2021 Bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

Future Action

N/A

Financing Structure

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

- \$4,795,000 - Series 2021A (Tax-Exempt), Final Maturity: September 1, 2031
 - Estimated Interest Rate Ranges: 2.25% to 4.00%
- \$230,000 - Series 2021B (Taxable), Final Maturity: September 1, 2022
 - Estimated Interest Rate: 3.00%

The Bonds will be sold through a public offering in minimum bond denominations consistent with PED's conduit bond policy for rated bonds. The current rating on the outstanding bonds is BB+ and is the expected rating for the 2021 Bonds. This rating level would require the bonds to be sold in minimum denominations of \$25,000.

The total cost of the project is currently estimated to total \$5,673,291 as shown below:

Sources of Funds	Amount
Par Amount of Series 2021A	4,795,000
Par Amount of Series 2021B Taxable	230,000
Net Premium Series 2021A	199,987
Transfer from 2021 Bond DS Fund	448,304
Total Sources	\$5,673,291

Uses of Funds	Amount
Series 2021 Refunding Escrow	\$5,343,965
Underwriter's Discount	78,375
Costs of Issuance/Rounding	250,951
Total Uses	\$5,673,291

The 2011 Bonds were issued with rates of up to 6.375%, and the projected savings from the refunding will average \$59,430 annually, generating total net present value savings of \$593,000 (11.45% of the refunded bonds). The final maturity date will not be extended.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on June 29, 2021 and found it to be consistent with PED's conduit bond policy.

Compliance

The Borrower has acknowledged receiving notice of the City/HRA compliance requirements that may be applicable to the proposed refunding. There is no construction associated with the refunding and therefore the only compliance required is Affirmative Action, Chapter 183.04 for the Borrower, Friends of Nova Classical Academy.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

Nova Classical Academy provides educational opportunities to over 1,000 students in grades K through 12 and employs over 90 persons. The proposed conduit bond refunding will reduce debt service payments on behalf of the School.

Statement of Chairman (for Public Hearing)

“Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. This is a Public Hearing called for the purpose of approving the issuance of approximately \$6,250,000 in conduit revenue refunding bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Nova Classical Academy Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 19th of July 2021. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings. Is there anyone who wishes to be heard on this matter? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

The HRA Executive Director recommends approval of the resolution which authorizes the issuance of up to \$6,250,000 in conduit lease revenue refunding bonds for the Nova Classical Academy Charter School Project and the execution of related documents.

Sponsored by: Commissioner Noecker

Staff: Jenny Wolfe, 266-6680

Attachment

- **Map**