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CITY OF SAINT PAUL

INTRODUCTION TO CONDUIT REVENUE BONDS FOR NOVA CLASSICAL ACADEMY

August 13, 2025



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**



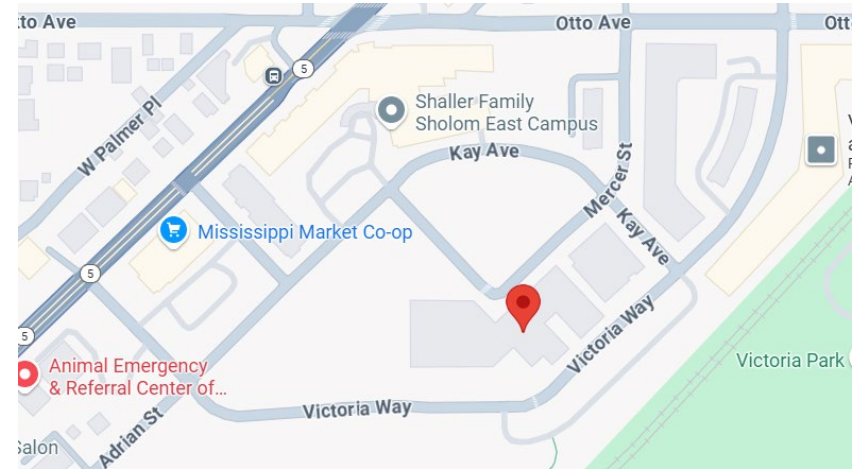
CONDUIT REVENUE BONDS FOR NONPROFIT - REVISIT

- 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



NOVA CLASSICAL ACADEMY PROPOSAL

Nova Classical Academy is a Minnesota public charter school located at 1455 Victoria Way serving students in grades K through 12 with a current enrollment of 1,062 students





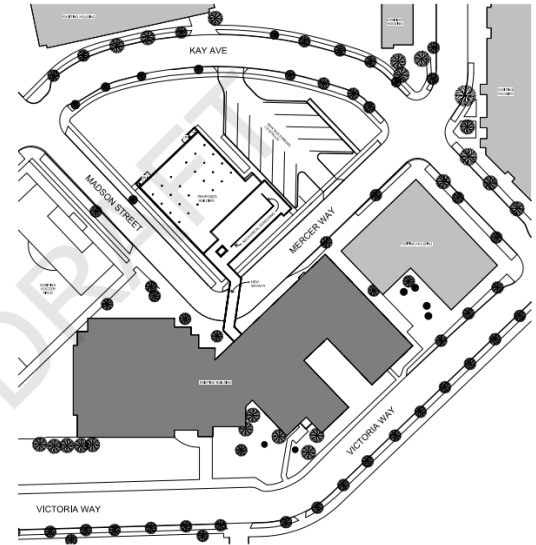
NOVA CLASSICAL ACADEMY BACKGROUND

- 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”)
- In 2016, the HRA issued \$17.06 million in conduit lease revenue refunding bonds to refinance a portion of the 2011 Bonds and to finance the acquisition of property and complete site improvements (the “2016 Bonds”)
- In 2021, the HRA issued \$4.93 million in conduit lease revenue refunding bonds to refinance the balance of the 2011 Bonds then outstanding.
- The current balances, following the 9/1/2025 payments, are as follows:
 - 2016 Bonds: \$16.7 million
 - 2021 Bonds: \$3.205 million



NOVA CLASSICAL ACADEMY PROPOSAL

- Nova applied to the HRA to issue up to \$25 million in conduit revenue bonds to finance an expansion to their current facility and to refinance/refund a portion of the prior bonds issued by the HRA
- The expansion will include a 28,363 square foot two-story building, located north of the existing building on the undeveloped lot previously acquired in 2016, connected via a skyway
- The proposed project includes the following: storm shelter, locker rooms, office space, meeting space, flexible classroom space, and accessory areas
- The second-floor area of the existing school impacted by the skyway will be reconfigured to include dedicated learning spaces for speech, occupational therapy, and behavioral services.





NOVA CLASSICAL ACADEMY PROPOSAL

- The School has applied to the Zoning Committee to amend the Victoria Park Master Plan to change the parcel designation from mixed-residential to institutional
- They also have requested six variances, as follows:
 - Reduce the FAR from 0.5 to 0.39;
 - Reduce the minimum opening percentage for doors and windows;
 - Increase the front yard setback from a maximum of 10 feet to a maximum 139 feet;
 - Increase parking lot frontage width from 60 feet to 97 feet along Mercer Way and to 180 feet along Kay Avenue;
 - Locate parking in front yard; and
 - Omit parking area interior landscaping
- The Zoning Committee met on July 31 and approved their requests with conditions*

** The Fort Road Federation submitted a letter opposing their requested amendment and variances*



NOVA CLASSICAL ACADEMY PROPOSAL

- The 2025 Bonds will be issued in an amount not to exceed \$25,000,000 and will be sold as a Public Offering with Piper Sandler serving as the **bond underwriter**
- The 2025 Bonds will be sold in minimum bond denominations consistent with PED's conduit bond policy which will depend on the credit rating
 - The bond underwriter is anticipating a credit rating of BB+ from S&P, resulting in required minimum bond denominations of \$25,000
- The total estimated cost of the Project is \$25,330,000 and includes a contribution from the School of \$4,025,000; the proposed sources and uses is shown on the following slide



NOVA CLASSICAL ACADEMY PROPOSAL

Sources and Uses

Proposed 2025 Bonds

Sources of Funds	Amount
Series 2025 Bonds	21,305,000
School Cash Contribution	3,000,000
School Capital Improvement Fund	1,025,000
Total Sources	\$25,330,000

Uses of Funds	Amount
Project Fund	\$13,300,000
Refunding Account	11,086,170
Debt Service Reserve Fund	326,691
Costs of Issuance/UD/Rounding	617,139
Total Uses	\$25,330,000



NOVA CLASSICAL ACADEMY PROPOSAL

- The PED Credit Committee reviewed the proposal on August 5
- The review consists of a determination that the proposed bond issuance meets PED's conduit bond policies
 - The policies cover the fees to be collected and the sale and placement requirements for HRA issued conduit revenue bonds
- Nova will pay all required fees, and the 2025 Bonds will be sold consistent with HRA required placement and sale requirements, which include the required minimum bond denominations
- The HRA is currently collecting fees from the bonds for which a portion will be refinanced; with the expansion project we will collect additional fees, including a closing fee equal to 0.25% of the bond principal issued (\$53,262.50 for \$21.305M as shown on the prior slide)



NOVA CLASSICAL ACADEMY PROPOSAL

- As stated earlier, conduit revenue bonds are special, limited revenue obligations of the governmental issuer and are repayable solely from the revenues of the borrower and not of the governmental issuer
- The 2025 Bonds do not include a general or moral obligation of the City or HRA and are not secured by any taxing powers of the City or HRA
- The HRA receives fees for issuing the 2025 Bonds



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 approve the public hearing as the elected representative of the governmental unit
- Resolutions will be considered by both the HRA Board and City Council on August 20
- Nova anticipates closing on the financing in the middle of October



COMPLIANCE REQUIRED FOR CONDUIT REVENUE BONDS

- The following compliance will be required for the proposed project:
 - Affirmative Action/Equal Employment Opportunity (AA/EEO) – Requiring all contractors/subs to have goals for project hours for minorities and women; and to file an affirmative action program registration to diversify and implement fair employment practices with its workforce
 - Prevailing wages on construction labor requiring onsite workers whose duties are physical or manual to be paid weekly minimum prevailing rates including fringe benefits
 - Vendor Outreach Program – project-specific goals for purchasing goods and services from certified Small, Women-Owned and Minority-Owned businesses



NOVA CLASSICAL ACADEMY CONTACT

- Dr. Brett Wedlund, the Executive Director for the School is present to answer any questions
 - Brett Wedlund, bwedlund@novaclassical.org
 - 651-209-6320



Questions?

Staff Contact:

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