

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 23, 2017

REGARDING: RESOLUTION APPROVING PARKING ENTERPRISE REVENUE REFUNDING BONDS, SERIES 2017 A & B AND AUTHORIZING THE PREPARATION OF NECESSARY DOCUMENTS AND MATERIALS IN CONNECTION WITH THE REFUNDING DISTRICT 17 WARD 2

Requested Board Action

Request authorization to issue Parking Enterprise Revenue Refunding Bonds, Series 2017A and Taxable Parking Enterprise Revenue Refunding Bonds, Series 2017B in a maximum aggregate principal amount of \$35,000,000 and approval of related documents.

There are two HRA resolutions for adoption as follows:

1. General Bond Resolution Authorizing the Issuance of Parking Revenue Bonds (approved first); and
2. First Supplemental Bond Resolution Authorizing the Issuance of Parking Enterprise Revenue Refunding Bonds, Series 2017A and Taxable Parking Enterprise Revenue Refunding Bonds, Series 2017B

The General Bond Resolution establishes terms that are applicable to all Revenue Bonds that might be issued under this program, including Additional Revenue Bonds. The First Supplemental Bond Resolution establishes terms that apply only to the Series 2017 Bonds.

Background

The HRA issued two series of parking revenue bonds in 2010 to refund and refinance prior obligations (the "Prior Bonds"). The Prior Bonds related to the Smith Avenue Transit Center Ramp (the "2010B Bonds"), the Kellogg Ramp (RiverCentre Exhibit Hall), the Block 19 Ramp, the Robert Street Ramp and the Lowertown/TPT Ramp. Net revenues from each facility were pledged to the repayment of the bonds, along with net revenues from the 7A (old Science Museum) ramp and the Farmer's Market parking lot. In order to market the bonds, the City also pledged up to \$3 million from its meter and fine revenues. The Prior Bonds mature on 8/1/2035

and the current outstanding balance is \$29,955,000 (\$19,580,000 for 2010A and \$10,375,000 for Series 2010B). All the pledged facilities are located in downtown and shown on the **Attached Map**.

The HRA is proposing to issue refunding bonds for interest cost savings, without extending the term beyond 8/1/2035. A portion of the bonds issued to refund the 2010B Bonds will be sold as taxable bonds in order to allow long-term contracts in the Smith Avenue Ramp that may be necessary for the redevelopment of the Seven Corners parking lot site currently owned by the HRA.

The proposed principal amount to be issued is estimated to total \$28,800,000, as follows (the “Series 2017 Bonds”):

- Tax Exempt Series 2017A - \$26,165,000
- Taxable Series 2017B - \$2,635,000

The proceeds of the Series 2017 Bonds, along with other funds held by the HRA for the Prior Bonds, will be used to:

- Refund the HRA’s outstanding Parking Revenue Refunding Bonds (Parking Facilities Project), Series 2010A on an advance basis;
- Refund the HRA’s outstanding Parking Revenue Refunding Bonds (Smith Avenue Project), Series 2010B on a current basis;
- Deposit funds to the Reserve Account in an amount that satisfies the Reserve Requirement (equal to the maximum annual debt service currently estimated to total \$2,217,194);
- Deposit funds to the Repair and Replacement Account (equal to the amount currently on deposit with the HRA equal to \$1,052,872); and
- Pay costs of issuance for the Series 2017 Bonds

The parking facilities pledged to the repayment of the Series 2017 Bonds include six (6) parking ramps and one (1) surface lot (4,641 total spaces):

- the Robert Street Ramp – 880 spaces / Built 1993
- the Lowertown Ramp – 910 spaces / Built 1987

- the (7A) Ramp – 660 spaces / Built 1977
- the Kellogg Underground Ramp – 428 spaces / Built 1997
- the Block 19 Ramp – 1,044 spaces / Built 2004
- the Smith Avenue Transit Ramp – 603 spaces / Built 2006
- one surface parking lot (Farmers Market Lot) – 116 spaces/ Built 1981

This refunding will strengthen the operations of the Parking Enterprise Fund by taking advantage of lower interest rates with the refunding of the Prior Bonds including the flexibility to issue additional bonds secured by the pledged parking revenues. The City will continue to pledge meter and fine revenue, with the first \$1,500,000 received from each, in order to market the bonds and achieve a credit rating of A+ or better (the current rating on the Prior Bonds) as set forth in a Pledge Agreement, to be approved by the HRA and the City Council. S&P Global Ratings will issue a rating on the Series 2017 Bonds.

Budget Action

An HRA budget amendment is required for this transaction and is included in the **Attached Financial Analysis**; all changes are within the HRA Parking Enterprise Fund 6810. The budget amendment is authorized within the First Supplemental Resolution.

Future Action

A resolution before the City Council is scheduled for this same date, August 23, approving the above mentioned Pledge Agreement. We anticipate closing on the refunding by the end of September, following proper notice periods for the redemption of the Prior Bonds.

Financing Structure

Piper Jaffray is the underwriter for the Series 2017 Bonds. They currently estimate an average coupon of 3.74%, and an all-in true interest cost of 3.19%, with no change to the final maturity of 8/1/2035. The Series 2017 Bonds will be sold in \$5,000 minimum denominations based on the strength of the rating per HRA policies. Piper Jaffray's current schedules project aggregate debt service savings in excess of \$300,000 per year, producing total net present value savings of \$3,446,870, which is 11.5% of the Prior Bonds and 12% of the Series 2017 Bonds. The average coupon on the Prior Bonds is 4.83%. The maximum annual debt service on the Series 2017

Bonds is projected to total \$2,217,194, and we project 2017 net operating income from the pledged parking facilities of \$5,677,542, demonstrating significant coverage in excess of 2.5x. The **Projected Financing Schedules** are **Attached**. The total estimated cost of the refunding is \$34,853,597 as shown below:

Sources of Funds

Principal Amount, Series 2017A	\$26,165,000
Principal Amount, Taxable Series 2017B	2,635,000
Net Premium on Series 2017 Bonds	1,780,572
Prior Reserve Fund	2,527,925
Prior Debt Service Account	692,228
Prior Repair and Replacement Fund	1,052,872
Total	\$34,853,597

Uses of Funds

Deposit to 2010A Refunding Escrow	\$20,663,931
Deposit to 2010B Refunding	10,455,190
Deposit to Reserve Fund	2,217,194
Deposit to Repair/Replacement Fund	1,052,872
Costs of Issuance	158,605
Est. Underwriter’s Discount (Max)	305,805
Total	\$34,853,597

The Financing Team includes Bruce Sorensen with Piper Jaffray as Underwriter; John Utley and Jenny Boulton with Kennedy and Graven as Bond Counsel; Ben Johnson with Barnes and Thornburg as Disclosure Counsel and Underwriting Counsel; and Kathy Aho with Springsted as Financial Advisor. US Bank will serve as Escrow Agent regarding the escrow required for the advance refunding of the Series 2010A bonds; and The Arbitrage Group will be engaged as the Verification Agent, to ensure the adequacy of the escrow account.

Refunding Parameters: The First Supplemental Resolution includes the following parameters for issuance of the Series 2017 Bonds: a maximum aggregate principal of \$35,000,000, a not to exceed all-in true interest cost of 4.50%, and minimum net present value savings as a result of 5.00%. There will be a Pricing Committee that will consist of the HRA Executive Director or designee, Director of OFS or designee and the City Treasurer or designee, with guidance from

Springsted. The Pricing Committee will be charged with determining the structure of the bonds within the parameters of the approving resolution.

PED Credit Committee Review

The Credit Committee reviewed and approved the terms of the refunding on August 14, 2017.

Compliance

N/A

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

This refunding will strengthen the operations of the Parking Enterprise Fund by taking advantage of lower interest rates with the refunding of the Prior Bonds including the flexibility to issue additional bonds secured by the pledged parking revenues. Furthermore, the HRA will maintain flexibility regarding the redevelopment of the HRA-owned Seven Corners parking lot by enabling additional capacity for long-term contracts in the Smith Avenue ramp.

Recommendation:

The Executive Director recommends approval of the General Bond Resolution and the First Supplemental Bond Resolution; authorizing the Issuance of the Series 2017 Bonds.

Sponsored by: Chair Brendmoen
Commissioner Noecker
Commissioner Stark

Staff: Marcq Sung, 266-6615 and Jenny Wolfe, 266-6680.

Attachments

- **Attachment – Map of Parking Facilities**
- **Attachment – Financial Analysis (Budget Amendment)**
- **Attachment – Projected Financing Schedules**