

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

REPORT TO THE COMMISSIONERS

DATE: June 25, 2014

REGARDING: RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A TAX INCREMENT PLEDGE AGREEMENT IN CONNECTION WITH THE CITY OF SAINT PAUL'S TAXABLE GENERAL OBLIGATION TAX INCREMENT BONDS, SERIES 2014D AND RELATED ACTIONS

Ward 1, District 13

Requested Board Action

The purpose of this report is to request approval by the Housing and Redevelopment Authority of the City of Saint Paul (HRA) Board of Commissioners of the attached resolution authorizing:

- Approval of a Tax Increment Pledge Agreement for the Snelling – University Tax Increment District in connection with the City's bond refunding and approval of a budget amendment.

Background

In 1995, the City assisted the HRA through the issuance of \$7.6 million in Taxable GO Bonds for the Midway Marketplace Project in the Snelling University TIF District (#135). In 2005, the City refunded the 1995 bonds with proceeds from Taxable GO Refunding Bonds, Series 2005C, in the amount of \$5.13 million. See **Attachment B** for a Map of the TIF District/Project Area.

The HRA amended the Snelling University TIF Plan and budgets in 2010 to assist in the financing of the Betterments for the Central Corridor Light Rail (Green Line) Project. Later in 2010, the City received special legislation to allow the expenditure of increments from the Snelling University TIF district for the Betterments. The financing plan required that the HRA advance funds to pay for the Betterments and then be reimbursed with tax increments received through the end of the TIF district (final year is 2016).

The Office of Financial Services (OFS) has determined that the refunding of \$1,540,000 of the Series 2005C outstanding principal will produce savings. The interest rate on the outstanding 2005C maturities range from 4.95% to 5.125%, and the reduced interest rate is anticipated to be

around 1%. HRA staff has requested OFS, and OFS has agreed to increase the size of the bond refunding up to \$2 million in order to fund the previously authorized Betterment costs that are unpaid (e.g. Neighborhood Commercial Parking Program expenditures), in lieu of additional HRA internal borrowing.

The City will be requested to authorize the bond issue in an approximate amount of \$2,000,000 on this same date.

The City requires execution of a Tax Increment Pledge Agreement with the HRA. In this Agreement, the HRA will pledge all tax increment revenue received from the Snelling University TIF District to the City for debt service.

Budget Action

Adoption of the Resolution (**Attachment A**) includes an amendment to the HRA Budget in accordance with the proposed bond refunding.

Future Action

N/A

Financing Structure

The proposed sources and uses for the refunding are shown in the table below:

<u>Sources:</u>	
Par Amount of Bonds	2,000,000.00
Net Premium	<u>316.10</u>
Total Sources:	\$2,000,316.10
<u>Uses:</u>	
Project Fund	391,365.47
Refunding Deposit	1,572,528.13
Costs of Issuance	26,422.50
Underwriter's Discount	<u>10,000.00</u>
Total Uses:	\$2,000,316.10

The average annual debt service is an estimated \$677,000 and the anticipated Pay 2014 tax increments generated from properties within the Snelling University TIF district total \$1,420,000, which results in in excess of two times debt service coverage. The net present value savings, when offset with the added bond proceeds, are an estimated \$64,165. The HRA will reserve these savings to mitigate any reduction in tax increment revenues from this District through the final year of 2016.

PED Credit Committee Review

The PED Credit Committee reviewed the transaction on June 16, 2014 and recommended approval.

Compliance

All activities will conform to required compliance triggered with tax increment funds.

Green/Sustainable Development

All activities will conform to required sustainability policies triggered with tax increment funds.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Betterments for the Central Corridor Light Rail (Green Line) Project have been incorporated into neighborhood and station area plans and are consistent with the Saint Paul Comprehensive Plan.

Recommendation:

The Executive Director recommends and requests that the HRA Board of Commissioners approve the attached Resolution which authorizes execution of the Tax Increment Pledge Agreement and the HRA budget amendment.

Sponsored by: Commissioner Thao

Staff: Jenny Wolfe, 266-6680

Attachments

- **Attachment A -- Resolution**
- **Attachment B – Map of TIF District and Project Area**