

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

REPORT TO THE COMMISSIONERS

DATE: April 23, 2014

REGARDING: APPROVING THE ISSUANCE OF REVENUE BONDS BY THE CITY OF SAINT PAUL TO REFUND ALL OUTSTANDING SALES TAX REVENUE REFUNDING BONDS (CIVIC CENTER PROJECT), SERIES 1996, ISSUED BY THE HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA; AUTHORIZING THE OPTIONAL REDEMPTION AND PREPAYMENT OF THE SERIES 1996 BONDS; AND AUTHORIZING THE EXECUTION OF VARIOUS DOCUMENTS IN CONNECTION WITH THE REDEMPTION OF THE SERIES 1996 BONDS AND RELATED TRANSACTIONS (District 17, Ward 2)

Requested Board Action

The specific actions being requested of the HRA Board are as follows:

- Approval of the attached resolution authorizing the refunding of the 1996 HRA Sales Tax Revenue Refunding Bonds (the “HRA Bonds”) by the City of Saint Paul and all related actions

Background

The HRA issued \$55.865M in Sales Tax Revenue Refunding Bonds in 1996 to refund HRA issued bonds from 1993 which financed the expansion and remodeling of the Civic Center (RiverCentre).

The HRA Bonds are callable on November 1, 2015, with a 3% premium, and have a current outstanding balance of \$31,340,000. Principal and interest payments due on the HRA Bonds are paid with a portion of the City of Saint Paul’s (“City”) half cent sales tax.

In 2012, the City received approval for an annual grant appropriation from the State of Minnesota (“State”) in the amount of \$2.7 million for fiscal years 2014 through 2033 (fiscal year 2014 began July 1, 2013). The annual grant amount has to be spent on operating or capital costs for new or existing sports facilities. The Saint Paul City Council adopted resolution #14-558 on April 2, 2014, granting preliminary approval to the City to advance refund the outstanding HRA

Bonds through the issuance of Taxable Revenue Refunding Bonds pledging the grant appropriation as the repayment source.

In a separate, but related transaction, the HRA authorized actions in connection with the City's issuance of Taxable Variable Rate Demand Sales Tax Revenue Refunding Bonds for the RiverCentre Arena Project (the "2009 Bonds"), which included the execution of an Intercreditor Agreement with respect to the HRA Bonds. The 2009 Bonds were secured by a letter of credit which is set to expire on June 30, 2014. The City has determined that the original letter of credit will be replaced with a new letter of credit issued by Wells Fargo Bank; this action requires approval of an Amended and Restated Intercreditor Agreement and Fourth Supplement to Indenture of Trust.

Budget Action

The HRA's debt service budget with regard to the HRA Bonds will be amended at a later date when final numbers are known.

Future Action

The HRA will need to adopt a budget amendment at a future meeting and amend the Minnesota Events Tax Increment Financing (TIF) Plan as this increment is currently used to pay debt service on the HRA Bonds (and return dollar for dollar of sales tax to the City per an allocation agreement). The TIF Plan amendment will authorize the tax increments to be expended for debt service on the 2009 Bonds issued by the City (as authorized in a 2014 Special Law).

Financing Structure

The City engaged Piper Jaffray and Wells Fargo who have proposed a private placement advance refunding of the HRA Bonds to close in August, 2014, in the approximate amount of \$32,450,000 (the "Refunding Bonds"). The Office of Financial Services staff has determined that it is feasible to advance refund the HRA bonds with a direct pledge of the State grant appropriation to be received in fiscal years 2016 through 2033 (18 years, total revenue of \$48.6M). The proposed refunding would produce net present value savings of approximately \$565,000.

PED Credit Committee Review

N/A

Compliance

N/A

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The public purpose achieved will be a defeasance of HRA debt supported by sales tax revenues and net present value savings of approximately \$565,000.

Recommendation:

The HRA Executive Director recommends approval of the Resolution, included as Attachment A, which provides authorization for the refunding of the 1996 HRA Sales Tax Revenue Refunding Bonds by the City of Saint Paul.

Sponsored by: Chair Brendmoen

Staff: Jenny Wolfe, 266-6680

Attachments

- **Attachment A -- Resolution**