

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

REPORT TO THE COMMISSIONERS

DATE: MARCH 28, 2018

**REGARDING: RESOLUTION CONCURRING IN THE ISSUANCE AND SALE BY THE CITY OF SAINT PAUL OF GENERAL OBLIGATION TAX INCREMENT REFUNDING BONDS, SERIES 2018C, APPROVAL OF A SECOND AMENDED AND RESTATED PLEDGE AGREEMENT, A BUDGET AMENDMENT, AND RELATED MATTERS, DISTRICT 17, WARD 2**

## **Requested Board Action**

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

- Concurring in the issuance and sale by the City of Saint Paul (“City”) of up to \$15,000,000 in Tax Exempt General Obligation Tax Increment Refunding Bonds, Series 2018C (the “Series 2018C Bonds”);
- Approval of a Second Amended and Restated Pledge Agreement between the City and the HRA (the “Pledge Agreement”); and
- Approval of an HRA Budget Amendment.

## **Background**

In 1998, the City assisted the HRA in the development of the Block 39/Lawson Project with the issuance of \$40 million in General Obligation Tax Increment Bonds (Block 39 Project), Series 1998A (the “Series 1998A Bonds”) for the development of the city block bounded by Wabasha, Sixth, Fifth, and St. Peter Streets. The proceeds from the bonds were used for acquisition, demolition and site preparation, and to construct the Lawson Parking Ramp with 1,073 spaces and associated retail. The HRA executed a Pledge Agreement with the City which provided all the tax increments from the Block 39/Lawson TIF district, and net parking revenues from the Lawson Ramp, as the primary sources to pay the scheduled principal and interest on the Series 1998A Bonds. In 2009, the City refunded the Series 1998A Bonds and amended the Pledge Agreement with the General Obligation Tax Increment Refunding Bonds, Series 2009G (the “Series 2009G Bonds”). A map of the Lawson Parking Ramp and retail is **attached**.

As of February 1, 2018, the Series 2009G Bonds can now be redeemed and prepaid, and the current market conditions provide an opportunity for the City to refund the Series 2009G Bonds as part of their spring bond sale, with projected net present value savings of \$738,913. The current outstanding balance of the Series 2009G Bonds is \$14,500,000.

The Pledge Agreement will need to be approved by the HRA and City for execution. As indicated above, the Pledge Agreement outlines the explicit pledge of the HRA to remit 100% of the tax increments from the Block 39/Lawson TIF district, and net parking revenues of the Lawson Parking Ramp, to be utilized by the City to pay the scheduled principal and interest on the Series 2018C Bonds. The current draft of the Second Amended and Restated Pledge Agreement is **attached**.

**Budget Action**

The HRA Budget for the Lawson Parking Ramp (Fund 6810) will be amended in order to refund the Series 2009G Bonds. See the **attached** Financial Analysis.

**Future Action**

The City Council will consider a resolution on April 18, 2018, to award the sale of the Series 2018C Bonds.

**Financing Structure**

The Series 2018C Bonds will be structured with debt service payments to best maximize the savings and the tax increment revenues. The preliminary sources and uses are as follows:

<b><u>Preliminary Sources of Funds</u></b>	
Par Amount of Bonds	\$14,325,000
Reoffering Premium	\$154,461
Existing Debt Service Funds	\$347,556
<b>Total Sources</b>	<b>\$14,827,017</b>
 <b><u>Uses of Funds</u></b>	
Deposit to Current Refunding	\$14,650,448
Total Underwriter's Discount (0.70%)	\$100,275
Costs of Issuance/Rounding	\$76,294
<b>Total Uses</b>	<b>\$14,827,017</b>

The Series 2018C Bonds will mature on February 1, 2027, with preliminary interest coupons ranging from 2.25% to 3.00%, producing yields of 1.599% to 2.65%. The interest coupons on the Series 2009G Bonds range from 3.00% to 4.00%. The preliminary debt service schedule is **attached**.

**PED Credit Committee Review**

The PED Credit Committee reviewed this refunding on March 20, 2018.

**Compliance**

N/A

**Green/Sustainable Development**

N/A

**Environmental Impact Disclosure**

N/A

**Historic Preservation**

N/A

**Public Purpose/Comprehensive Plan Conformance**

This action will provide more favorable financing terms for existing debt on the Lawson Parking Ramp.

**Recommendation:**

The HRA Executive Director recommends approval of the resolution and refunding of the Series 2009G Bonds as recommended by the City's Finance Director.

**Sponsored by: Commissioner Noecker**

**Staff:** Jenny Wolfe, 266-6680

## **Attachments**

- **Map**
- **Second Amended and Restated Pledge Agreement**
- **Financial Analysis (Budget Amendment)**
- **Preliminary Debt Service Schedule**