

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

**REPORT TO THE COMMISSIONERS**

**DATE: OCTOBER 23, 2019**

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF TAX  
INCREMENT REVENUE BONDS (UPPER LANDING AND U.S.  
BANK OPERATIONS CENTER SUBDISTRICTS PROJECT) AND  
AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS  
DISTRICTS 3 AND 9, WARD 2**

## **Requested Board Action**

The purpose of this report is to obtain HRA Board approval for the issuance of up to \$21 million of Tax Increment Revenue Bonds (Upper Landing and US Bank Operations Center Subdistricts), Series 2019 (the “2019 Bonds”) to refund prior tax increment revenue bonds and generate an estimated \$1 million for eligible public improvements within the Project Area.

## **Background**

The HRA created the Riverfront Renaissance TIF District on March 28, 2001 (the “TIF District”), which includes the Upper Landing area on the north side of the Mississippi River, and the US Bank, Westside Flats and Drake Marble projects on the south side of the river. The TIF District is located within the Riverfront Redevelopment Project Area (the “Project Area”).

In 2001, the HRA executed a Development Agreement with Centex Multi-Family Communities, L.P., for the construction of a mixed-use community on the Upper Landing, including a mix of ownership and rental housing units, parking and ancillary retail. The “Upper Landing Project” consists of 434 rental apartments with 90 of those units affordable, 268 ownership units, and approximately 6,000 square feet of commercial uses, including retail and a fitness center.

Pledging revenues of the “Upper Landing Subdistrict,” the HRA issued tax increment revenue bonds for the Upper Landing Project to finance demolition, site improvements, remediation, parking, and public infrastructure. In 2012, the HRA issued \$15,790,000 of tax increment revenue refunding bonds (the “2012 Bonds”). The 2012 Bonds are not callable until March 1, 2020, and may be legally defeased up to 90 days prior to this date (December 2, 2019).

In 2001, the HRA issued \$12,000,000 in Tax Increment Revenue Bonds for eligible public infrastructure improvements relating to the construction of the US Bank Operations Center, and those bonds were refunded in 2011 through the City, with General Obligation Tax Increment Bonds, with the HRA pledging the tax increments from the “US Bank Subdistrict.” The total principal issued in 2011 was \$8,870,000 (the “2011 Bonds”). The “US Bank Project” includes nearly 500,000 square feet of office space with parking, and a 1,400-space stand-alone parking structure. The 2011 Bonds are currently callable and may be redeemed and prepaid on any date.

The HRA, in consultation with the City’s Office of Financial Services, is proposing to issue up to \$21,000,000 in Tax Increment Revenue Bonds to refund the 2011 Bonds and the 2012 Bonds (the “Prior Bonds”), and to generate approximately \$1,000,000 in new money to fund eligible public improvements downtown within the Project Area. A map of the Project Area and TIF District boundaries are **attached**. The public improvements anticipated could include street, bridge, and sidewalk improvements including reconstruction, repair, mill and overlay, such as, but not limited to, the Downtown Paving and Sidewalk Improvement Project planned to be completed in phases over the years 2019-2021.

### **Budget Action**

The 2019 Bonds are special, limited obligations of the HRA payable solely from the pledged revenues. The 2019 Bonds and the interest thereon do not constitute nor give rise to a pecuniary liability (other than from pledged revenues only), or general obligation of the HRA, the City of Saint Paul, or any agency or political subdivision thereof, and shall not constitute indebtedness of any of the foregoing within the meaning of any constitutional, statutory, or charter provision, nor be a charge against their respective general assets, credit or taxing powers, and do not grant the owners or holders of the bonds any right to have the HRA, the City of Saint Paul, or any agency or political subdivision thereof, to levy any taxes or appropriate any funds for the payment of the principal thereof or interest thereon. Principal and interest on the 2019 Bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

The HRA Budget is amended as set forth in the **attached** Financial Analysis to establish appropriate accounts to receive bond proceeds and redeem the Prior Bonds, and pay for costs of issuance, and establish a debt service reserve fund and project fund.

### **Future Action**

No further action is required and the closing is anticipated to occur on December 2, 2019.

### **Financing Structure**

In order to take advantage of lower interest rates and fund eligible public improvements, staff recommends the HRA issue Tax Increment Revenue Bonds not to exceed \$21,000,000 with a true interest cost (TIC) not to exceed 4.37% to redeem/pre-pay the Prior Bonds and generate proceeds for public improvements located within the Project Area. The 2019 Bonds will be unrated and sold in \$100,000 minimum denominations with 100% of the Upper Landing Subdistrict and US Bank Subdistrict tax increments pledged to the repayment. The 2019 Bonds mature 3/1/2029 to coincide with the final TIF collection year of 2028. The 2019 Bonds have been structured such that the debt service is equal to the debt service on the Prior Bonds, which provides more than 150% coverage. The projected sources and uses are shown in the table below:

<b>Sources of Funds</b>	<b>Amount</b>
Par Amount – 2019 Bonds	\$18,605,000
Premium 2019 Bonds	1,142,179
2012 Bonds Debt Service Reserve	1,452,625
Funds held for 2012 Bonds	5,000
<b>Total Sources</b>	<b>\$21,204,804</b>
<b>Uses of Funds</b>	<b>Amount</b>
Deposit to Escrow for 2012 Bonds	\$12,168,072
Redemption of 2011 Bonds	6,579,716
Deposit to Debt Service Reserve Fund	1,149,150
Deposit to Project Fund	1,031,118
Costs of Issuance/Rounding	276,748
<b>Total Uses</b>	<b>\$21,204,804</b>

The Financing team includes Kennedy and Graven as the HRA's bond counsel, Baker Tilly as the HRA's financial advisor, and Piper Jaffray as the bond underwriter.

A pricing committee will be established to include the HRA Interim Executive Director and the Interim Director, Office of Financial Services, or their designees, with written advice from the financial advisor. The Pricing Committee will make determinations as to the final principal amount of the bonds, the interest rates, maturity dates, principal amount of serial bonds and sinking fund redemption schedule for each term maturity, dates for optional redemption, and original issue discount or premium.

Piper Jaffray has prepared preliminary debt schedules based on the current market resulting in an average coupon of 3.97% and calculated true interest cost of 2.89%. These projections result in present value cash flow savings of \$76,567 and net present value savings of \$1,107,000 when including the \$1,031,000 deposit to the project fund (5.95% savings of the refunding bonds).

#### **PED Credit Committee Review**

The PED Credit Committee reviewed the requested HRA approval on October 15, 2019, and approved the structure and terms of the Tax Increment Revenue Bonds, which includes unrated bonds with \$100,000 minimum denominations without requiring an investor letter.

#### **Compliance**

Any new project expenditure is anticipated to be designed, bid and completed by the Public Works Department and as such will follow all standard City procurement processes.

#### **Green/Sustainable Development**

N/A

#### **Environmental Impact Disclosure**

N/A

#### **Historic Preservation**

N/A

**Public Purpose**

The public purpose goal of the refunding is to reduce the total interest cost compared to the Prior Bonds, and to fund tax increment eligible projects in the Project Area.

**Recommendation**

The Interim Executive Director recommends approval of the resolution which authorizes the issuance of up to \$21 million of Tax Increment Revenue Bonds and the execution of related documents.

**Sponsored by:** Commissioner Noecker

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

**Attachments**

- **Map**
- **Financial Analysis (Budget Amendment)**