



## Legislation Text

**File #:** 31713, **Version:** 1

### Fiscal Note

This resolution authorizes the acquisition of the first phase of the Block 89 parking structure by the developer (the "tenant" under the lease). The lease agreements between the City, the CDA and the developer required that the taxes generated by the incremental value of the Block 89 development be used to repay the \$20.7 million in CDA bonds issued to finance the parking structure. These bonds were refinanced in 2008 to take advantage of lower interest rates. The provisions in those bond indentures allow the bonds to be called (repaid in full) on or after January 1, 2014.

Under the lease agreement, the incremental property tax revenues are due to be paid to the bond trustee through 2018, at which time the bonds are scheduled to be fully retired. The amount of tax increment to be paid to the bond trustee in 2013 is \$569,042. The incremental taxes represent approximately one-third of the annual debt service on the bonds, with the developer required to make up the difference through lease and parking revenues from the Block 89 development.

Under the resolution, the City would pay the bond trustee the net present value of the estimated TID increment from 2014 through 2018. This amount is calculated to be \$2,533,300 (assumes a discount rate of 4%). Based on current municipal bond market conditions, a traditional refinancing of the bonds would have generated an economic savings of \$443,300. Given that the TID increment represents one-third of the current debt service, the calculated TID increment through 2018 was reduced by approximately one-third of the economic savings of a refinancing, or \$146,300. As such, the amount to be paid to the bond trustee to reflect the value of the projected TID increment through 2018 is \$2,387,000 (\$2,533,300 minus \$146,300).

Exercising the option to purchase the parking structure will result in the developer paying the City an amount based on a calculation methodology established in the option. Under the option, the developer is to pay 6% of the net operating income of the parking ramp over a 10 year period. Based on information from the developer, the net operating income has averaged approximately \$1,050,000 over the past three years. With the 579 stalls that would be purchased out of a total of 743, the estimated share of the net operating income from this transaction would be \$818,200. Six percent of this amount is \$49,090, or a total of \$490,900 paid over a 10 year period. These revenues will be deposited in the City's general fund.

Once the parking structure is owned by the developer, property taxes will be paid on the assessed value of the facility. The City Assessor estimates the range of value to be from \$7,000 to \$12,000 per stall, based on comparable facilities and the mix of contract parking, daily parking and parking included in office leases. The estimated total property taxes (school district, city, county, technical college and state) based on current mill rates would then range from \$98,100 to \$168,100 for 579 stalls. Those taxes would accrue to TID 25 until it is closed.

### Title

Authorizing an advance disbursement of tax increment cash balances in TID 25 to redeem the 1996 Block 89 Redevelopment Lease Revenue Bonds and authorizing the Mayor and City Clerk to execute all documents necessary to facilitate such redemption and conveyance of the first phase of the Block 89 parking ramp from the City and CDA to Block 89 Parking Limited Partnership

### Body

Preamble

In 1996, the Community Development Authority (CDA) issued Redevelopment Lease Revenue Bonds in the principal amount of \$20,640,000 (the "Bonds") to partially finance the Block 89 redevelopment project. As a part of that financing, the CDA acquired ownership of 579 subterranean parking stalls in the Block 89 parking facility and leased the stalls to the City, which then subleased the stalls to Block 89 Parking Limited Partnership ("Developer"). Under the lease between the City and Developer, Developer operates and manages the stalls, and retains all parking revenue from the facility. Rent under the lease is equal to the amount of debt service on the Bonds. Pursuant to the 1996 development agreement, the City has been providing Developer with payments of tax increment from TID 15 (now dissolved) and TID 25 as a credit towards debt service payments on the Bonds.

The Bonds, which mature in 2018, may be redeemed in full on or after January 1, 2014. Developer desires to redeem the \$6.27 million in remaining principal on the Bonds in full in January 2014, and the City and Developer have negotiated a TIF credit amount which the City shall pay to the Bond Trustee to be used, along with Developer's contribution, for the redemption of the outstanding Bonds. Developer has provided the CDA with its notice exercising the option to purchase the 579 parking stalls from the City and the CDA, contingent upon the amendment of the 1996 Option Agreement to allow for an earlier acquisition of the stalls by Developer. The purchase price shall be equal to six percent of the annual net operating income (as defined in the 1996 Option Agreement) from the 579 stalls for the ten-year period following the closing. The estimated purchase price of \$490,900 shall be paid to the City over ten years, and Developer shall execute a note and mortgage in favor of the City securing its payment. The City shall agree to subordinate its mortgage interest to Developer's first mortgage lender on terms approved by the City Attorney. The parking stalls shall be subject to property taxes after the CDA and City convey them to Developer.

NOW THEREFORE, BE IT Resolved, that the Mayor and City Clerk are hereby authorized to execute an amendment to the 1996 Option Agreement to allow for Developer's 2014 acquisition of the first phase of the Block 89 parking facility, and to execute any other document deemed necessary to effectuate the redemption of the Bonds and Developer's acquisition of the facility, all in a form approved by the City Attorney.

BE IT FURTHER RESOLVED, that the Finance Director is authorized to disburse a sum not to exceed \$2,387,000 from the TID 25 account to the Bond Trustee to be used to redeem the 1996 CDA Redevelopment Lease Revenue Bonds for the Block 89 project.