



## Legislation Text

---

**File #:** 33611, **Version:** 1

---

### **Fiscal Note**

This resolution authorizes the acquisition of the second and final 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 \$6.8 million in CDA bonds issued to finance this portion of the parking structure. These bonds were refinanced in 2008 to take advantage of lower interest rates and to avoid a large interest rate jump under the variable interest rate structure of the original bonds issued in 2000. The provisions in those bond indentures allow the bonds to be called (repaid in full) on or after July 1, 2014.

Under the lease agreement, the incremental property tax revenues are due to be paid to the bond trustee through 2018. The current lease agreement calls for the incremental revenues paid toward debt service on the bonds to be reduced from 100% in year 5 to 50% in year 10 through 2018. The amount paid to the bond trustee in 2013 was \$159,899, which represents approximately 27% of the debt service in that year. The developer makes up the difference between the incremental revenues and the debt service through office lease and parking revenues from the Block 89 development.

Under the resolution, the City would pay the bond trustee \$610,000, based on a present value calculation of the tax incremental revenues estimated to be paid under the lease agreement through 2018, discounted at approximately 4.8% annually. The methodology for this calculation was established in the lease agreement in the event that the bonds were repaid early due to closure of TID 25. Under the current debt service schedule, the bonds would be repaid in 2020, with the debt service reserve used to pay all of the principal due to be paid in 2020 and approximately 12% of the principal due to be paid in 2019.

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 lease. Under this approach, the developer pays 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 annually over the past three years. With the 164 stalls that would be purchased out of a total of 743, the estimated share of the net operating income from this transaction would be \$231,763. Six percent of this amount is \$13,906, or a total of \$139,060 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 per stall value to be \$13,500. Based on current mill rates, 164 stalls will generate approximately \$55,000 in property taxes. However, the City Assessor has been assessing the office portion of the entire structure to include the value of the parking since it is paid through office leases. As such, the combined value of the office and parking portions of the structure will remain unchanged from the current value of the office structure. The assessed value of the property may be adjusted in the future based on market conditions. All property taxes paid on the value of the Block 89 properties will continue to accrue to TID 25 until it is closed.

### **Title**

Authorizing an advance disbursement of tax increment cash balances in TID 25 to redeem the 2000 Block 89 Redevelopment Lease Revenue Refunding Bonds and authorizing the Mayor and City Clerk to execute all documents necessary to facilitate such redemption and conveyance of the second phase of the Block 89

parking ramp from the City and CDA to Block 89 Parking Limited Partnership.

**Body**

WHEREAS, in 2000, the Community Development Authority (CDA) issued Redevelopment Lease Revenue Refunding Bonds in the principal amount of \$6,800,000 (the "Bonds") to partially finance the second phase of Block 89 redevelopment project. As a part of that financing, the CDA acquired ownership of 164 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 2000 development agreement, the City has been providing Developer with payments of tax increment from TID 25 as a credit towards debt service payments on the Bonds.

WHEREAS, the Bonds, which mature in 2020, may be redeemed in full on or after July 1, 2014. Developer desires to redeem the Bonds in full on July 1, 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 164 parking stalls from the City and the CDA, contingent upon the amendment of the 2000 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 2000 Option Agreement) from the 164 stalls for the ten-year period following the closing. The estimated purchase price of \$139,060 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 2000 Option Agreement to allow for Developer's 2014 acquisition of the second phase of the Block 89 parking facility, and to execute any other documents 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 \$610,000 from the TID 25 account to the Bond Trustee to be used to redeem the 2000 CDA Redevelopment Lease Revenue Refunding Bonds for the Block 89 project.