



Bond Case Studies

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Today's Session

The Cities of Sauk Rapids & Columbia Heights

Local Option Sales Tax
& Bonding

Tax Increment &
Bonding

Bonding Options & Key Considerations

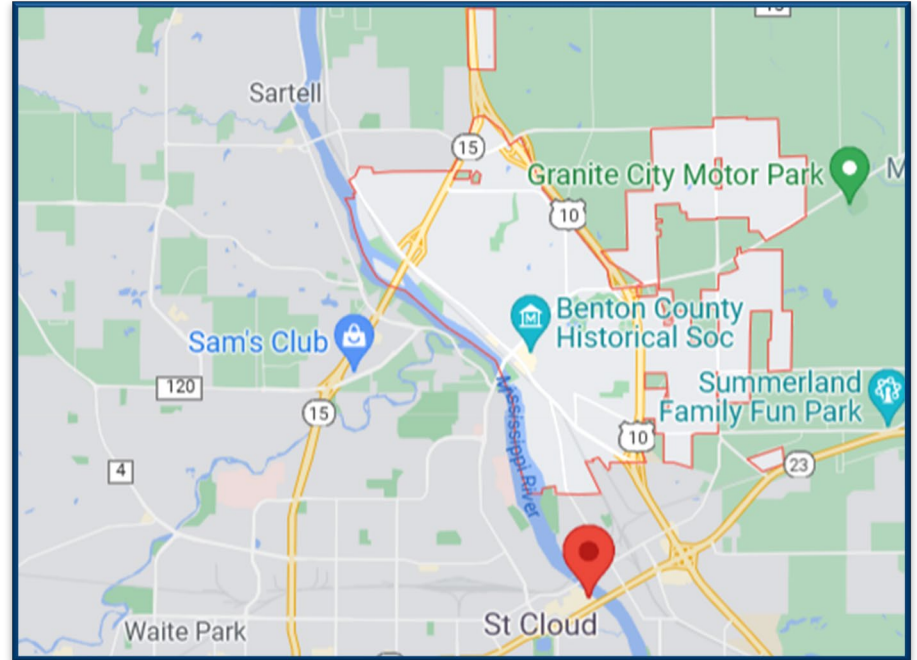


The City of Sauk Rapids, Minnesota

LOCAL OPTION SALES TAX & BONDING CASE STUDY

The City of Sauk Rapids, Minnesota

- Community dates to 1850s
- Part of St. Cloud Metro
- Population of approximately 14,000
- Strong commitment to economic development & redevelopment



City of Sauk Rapids: Development Background

“Vision Next” – 2050 Comprehensive Plan

Manage growth
& development

Foster economic
opportunity

Offer affordable
& diverse
housing options

Grow & maintain
a strong
downtown core

Provide
abundant
recreational
opportunities

Preserve natural
resources

Deliver effective
public & private
transportation
options

Welcome diverse
populations,
cultures &
opinions

Sauk Rapids: Southside & Lions Park Project

- Undeveloped & underutilized site along Mississippi River
- Plans included walking trails, community center, canoe launch, fishing piers & outdoor performance plaza
- Strong general community support



Sauk Rapids: Funding the Project

- ½% local sales & use tax originally adopted via special legislation, voter approval in 2016
- Needed reauthorization to apply to current project, which would require:
 - ✓ Strong partners & community engagement
 - ✓ Quality design & cost-effective construction
 - ✓ New City ordinances
 - ✓ Voter approval of financing & ordinances

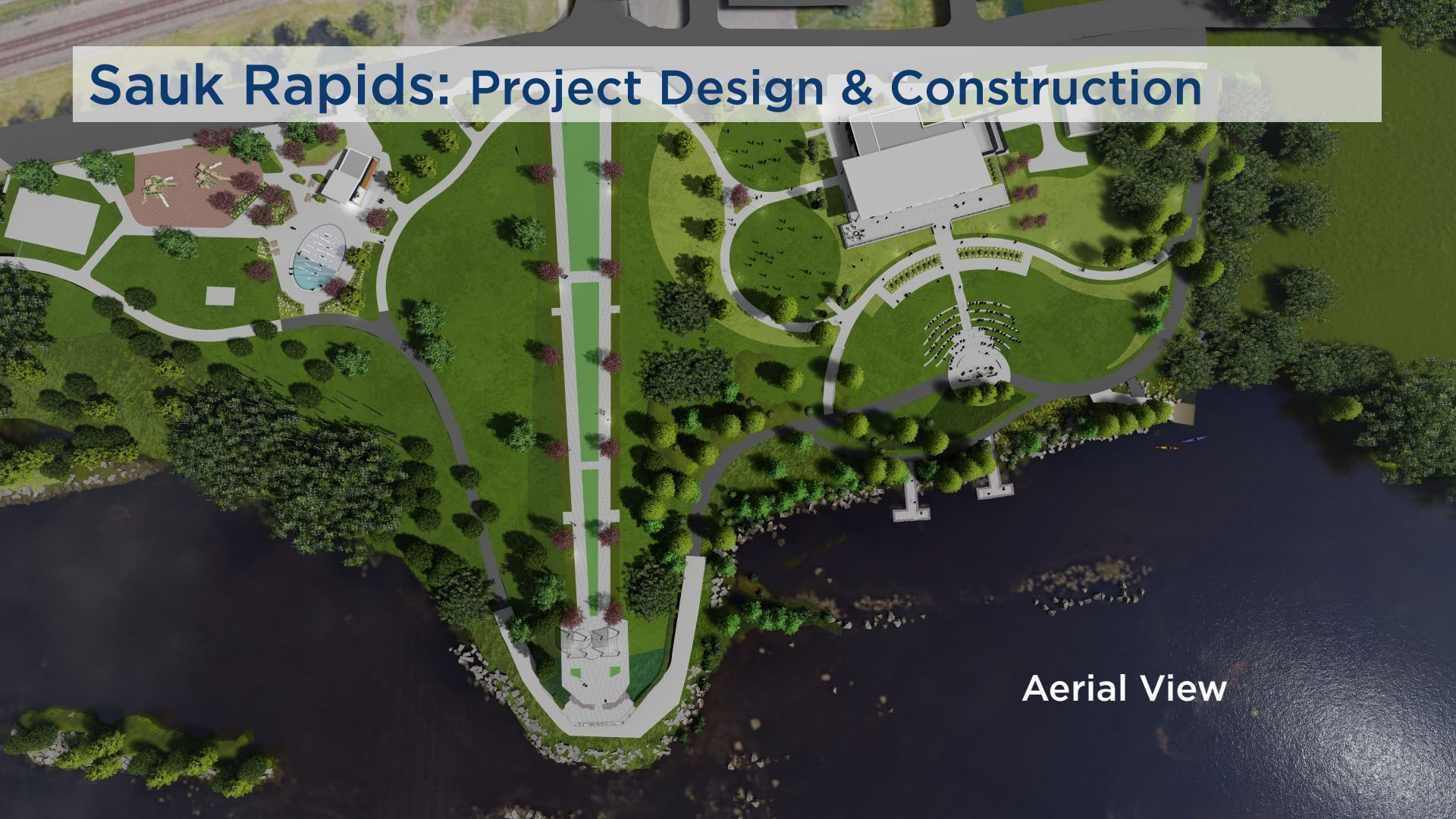
Sauk Rapids: Project Partners & Engagement

- Contracted with Confluence, S.E.H. & HMA as architectural partners
- Engaged Ehlers as public finance advisor
- Held public open houses to discuss design & financing plans, gather community feedback
- Adjusted plans to meet community appetite for cost, amenities, neighborhood concerns & preservation of natural resources

Sauk Rapids: Project Partners & Engagement

- Met with DNR on expansion of canoe / kayak improvements
- Sought input from local civic groups, school district, and others who would sponsor events in the park

Sauk Rapids: Project Design & Construction



Aerial View

Sauk Rapids: Project Design & Construction



Sales Tax: Bonding Authority

- County transportation sales & use tax: local authority for ½%
 - ✓ Imposition & bonding each subject to public hearing
- Local option sales & use tax
 - ✓ Local Resolution: “application to legislation”
 - Must describe projects, funding & regional significance
 - ✓ Legislation defines amount & qualified uses
 - ✓ Then... Local referendum required for approval

Sales Tax: Project Funding Bond Options

General Obligation Sales Tax Revenue Bonds

- Sales tax pledged to repayment: 105% coverage of annual payments required
- Amount subject to legislation or initial public hearing

Revenue Bonds

- Financing solely supported by sales tax revenues
- Underwriting may require track record of collection, minimum debt service coverage, debt reserve, etc.
- Subject to continuing disclosure requirements

Sales Tax: Project Bonding Considerations

- Revenue risk?
 - ✓ In a shortfall, other funding needed to avoid default
 - ✓ Review sales tax collections history/conduct study
 - Information resources: MN Dept. of Revenue
 - Budgeting & levying cycle
- Credit rating impacts?
- Exempted from Statutory Debt Limit
- Call/prepayment options?

Sauk Rapids: Proposed Funding

- \$5.6 million Bond - G.O. versus Pure Revenue Bond

	Deposit to Project Fund	TIC	Est. Annual Debt Service
G.O. Bond	\$5,471,800	1.73%	\$374,794
Revenue Bond	\$5,071,858	2.49%	\$379,710

- General Obligation Sales Tax Revenue Bonds
 - ✓ 18-year term - match the sales tax extension
 - ✓ 10-year call
 - ✓ Competitive sale

Sauk Rapids: Project Outcomes

- 14 scheduled events for 2022 Rock the Riverside music series
- Host for monthly Chamber meetings
- Bond sale success
 - ✓ 8 bids - 1.23% True Interest Cost
 - ✓ “AA” S&P credit rating assigned

Sauk Rapids: Lessons Learned

- Community engagement & education are key for Sales Tax reauthorization, project acceptance
- Hire an event coordinator!



Next Steps

- City awarded \$500,000 grant from Legislative-Citizen Commission on MN Resources
 - ✓ Additional improvements to park in 2022
- Potential to host 2023 Craft Beer Festival
- Working on partnerships with event promoters for larger events

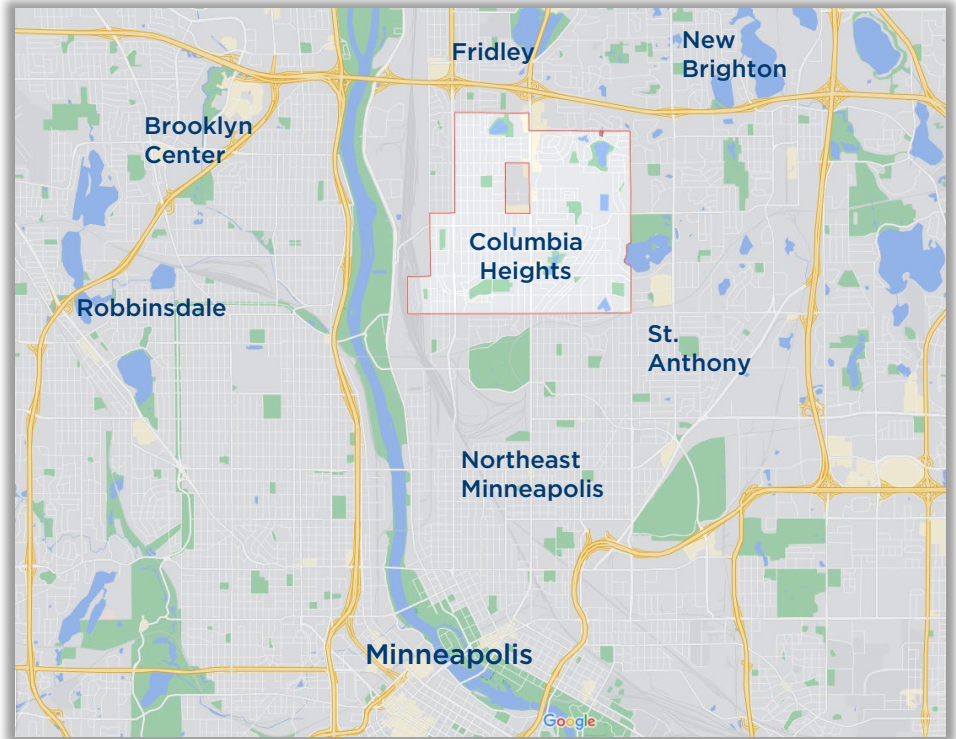


The City of Columbia Heights, Minnesota

TAX INCREMENT & BONDING CASE STUDY

The City of Columbia Heights, Minnesota

- Fully developed first ring suburb
- Population: 22,000
- Low tax capacity per capita
- Predominant land use is homogenous, single-family residential



Columbia Heights: Why Redevelop?

No vacant land!

Replace aging infrastructure

Remain competitive & viable

Attract new residents with housing options & amenities

Eliminate blight

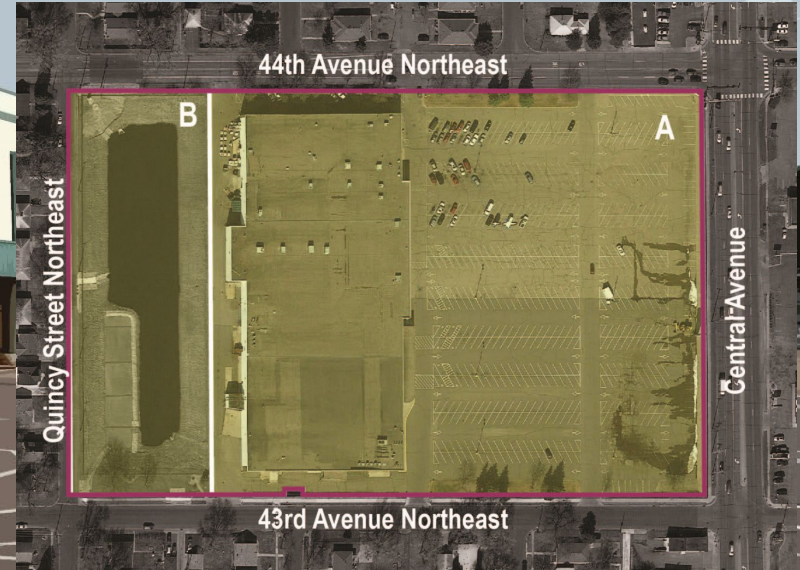
Grow & diversify tax base

Columbia Heights: Rainbow Foods Site Photos



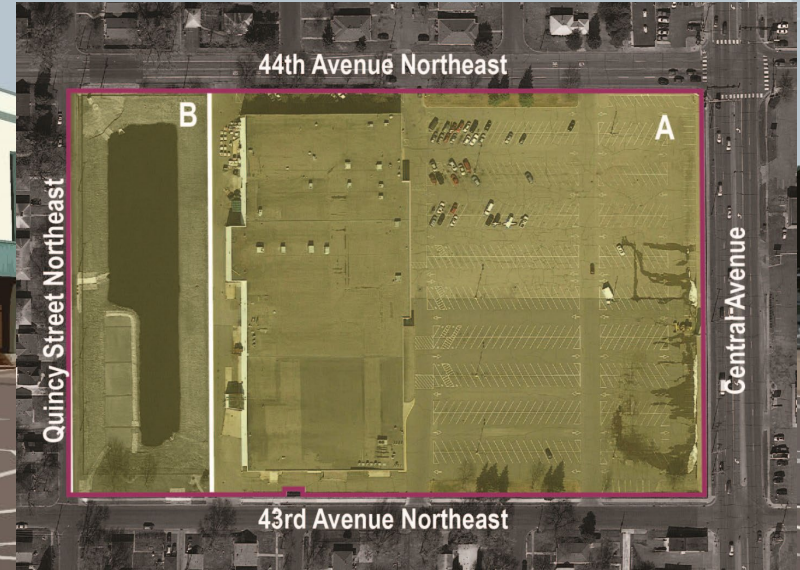
Columbia Heights: Original Hy-Vee TIF District

- Mostly vacant shopping center property
- Substandard building
- Blighted site
- Met state qualifications for classification as redevelopment district
- Secured 2016 agreement with Hy-Vee & created TIF District



Columbia Heights: Original Hy-Vee TIF District

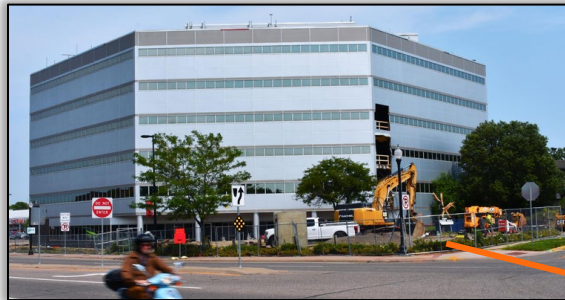
- 2021 Hy-Vee decided not to build on site, wanted to place property on the market
- Lots of marginal users already approaching Hy-Vee
- Hy-Vee contacted City to ascertain interest
- Wanted quick close
- City sought new partner



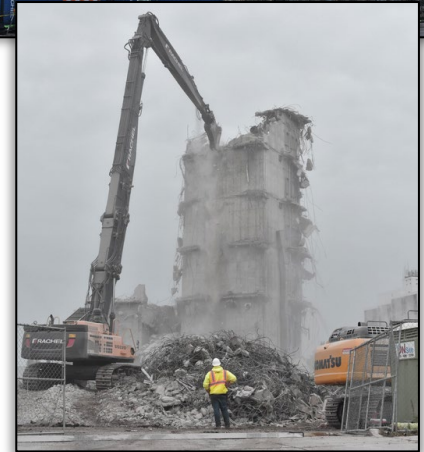
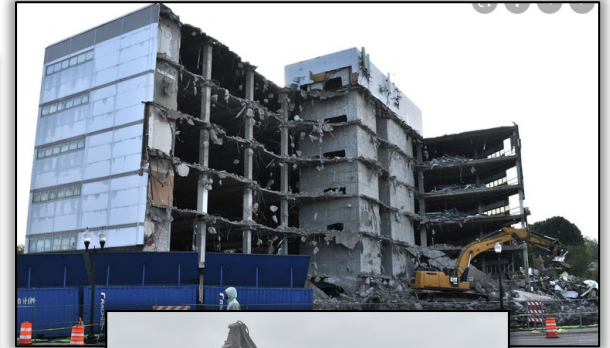
Columbia Heights: Finding a Partner

- City approached Alatus to discuss potential partnership
 - ✓ Strong relationship from current project (NE Business Center)
 - Mixed-use development with new City Hall
 - ✓ City appreciated Alatus' visionary project approach
 - ✓ True public/private partnership mentality

Columbia Heights: NE Business Center Site



Columbia Heights: NE Business Center Site



Columbia Heights: New City Hall Rendering



Columbia Heights: Site Redevelopment Planning

- Alatus was bullish on market but needed time to develop viable project
- Requested City to assist in land acquisition so they would not have to hold for 2 to 3 years
- Joint discussion on purchase price
- Due diligence on what City could sell land for if they ended up with it
 - ✓ Included estimates of closing costs, taxes, demolition & environmental remediation

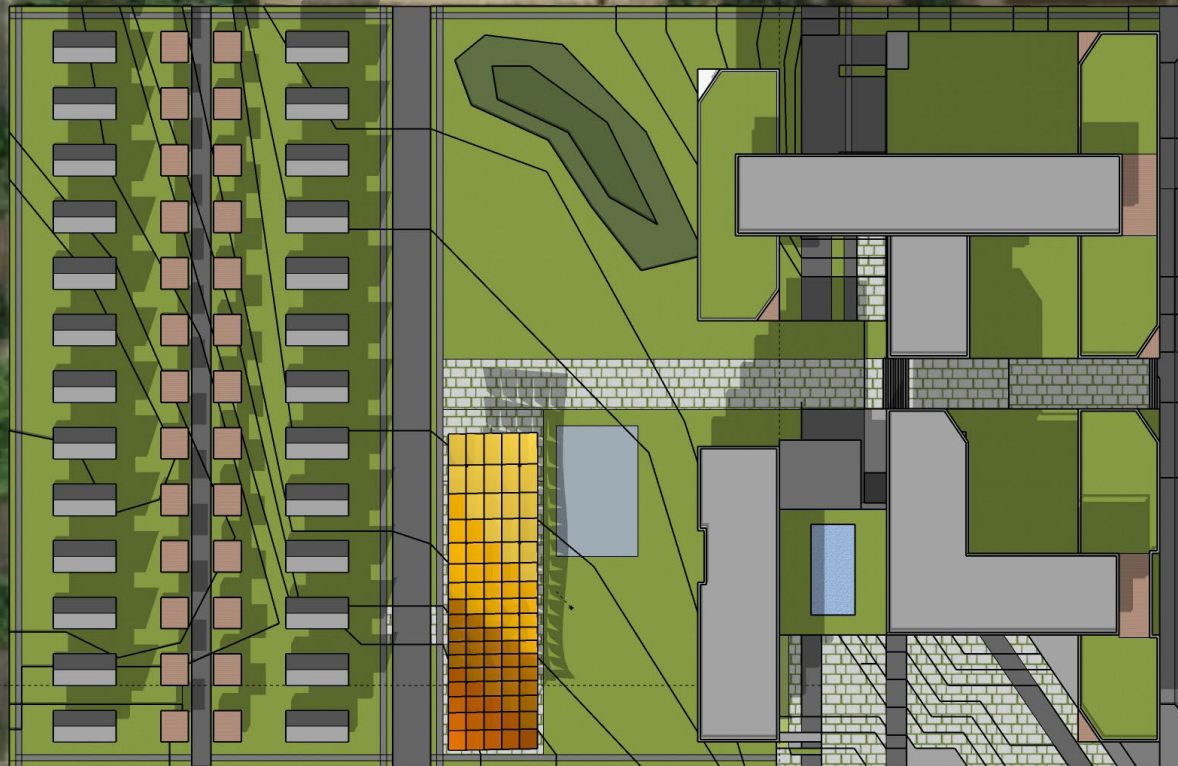
Columbia Heights: Site Redevelopment Planning

Site = 10.14 acres, “all in” at \$13.63 sq/ft

USES OF FUNDS	
Land Acquisition	\$ 4,500,000.00
Property Taxes (3 years)	395,957.35
Closing Costs	94,850.00
Mortgage Registry Tax	10,350.00
Capitalized Interest	87,500.00
Additional Interest	21,000.00
Misc. City Fees	50,000.00
Demolition	671,686.65
EAW Report	22,156.00
Environmental Testing & Reports	20,000.00
Geotechnical Testing & Reports	35,000.00
Cost of Issuance	112,500.00
Total Uses of Funds	\$ 6,021,000.00



Columbia Heights: Site Redevelopment Rendering



Columbia Heights: Site Redevelopment Rendering

Columbia Heights: Project Funding

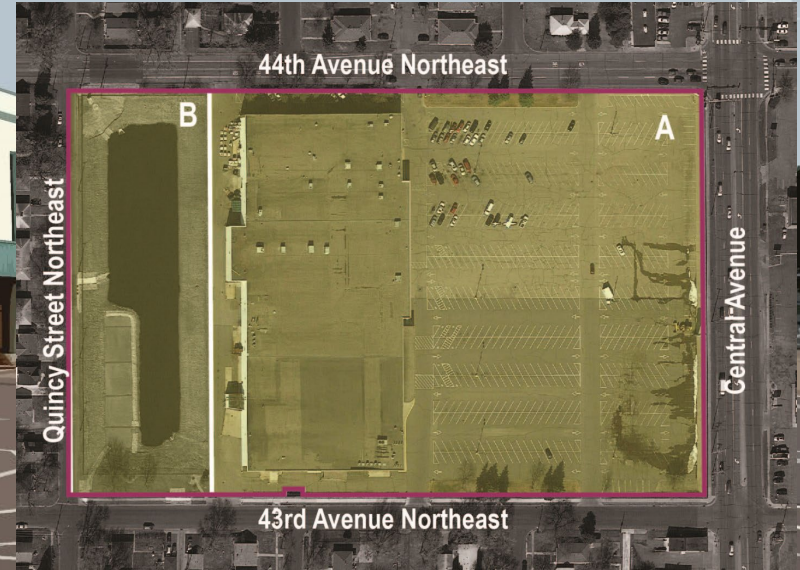
TIF District

**Terms of
Agreement**

Bonding

Columbia Heights: Alatus TIF District

- Decertified old HyVee District
- Buildings were still substandard
- Required to have public hearing prior to bond issuance
- Created new Alatus Redevelopment TIF District



Columbia Heights: Terms of Agreement

- Provided loan for \$6,021,000
 - ✓ Event of default = immediate repayment
- Mortgage recorded in favor of City
- Promissory Note
 - ✓ Payable in full by July 1, 2023
- Escrow Agreement with 3rd party
 - ✓ Standard draw process for approved expenses

Columbia Heights: Tax Increment Supported Bonds

General Obligation Bonds

- Requires TIF pledged to cover at least 20% of project costs
- May be supplemented by land sale proceeds and/or tax levy
- Taxable since property would be resold to private entity
- Still cheaper than private financing (TIC of .55%)
- Doesn't count against debt limit

Temporary Bonds

- Issued bonds for 3-year period
- Can issue for up to another 3 years if needed
- Interest only payments
- Capitalized interest so no out of pocket expenses (\$67,000)
- Did 6-month call date

Final Thoughts

- Not for everyone or every situation
- Experienced developer & trusted relationship
- Due diligence & risk assessment is critical
- Viable financing tool to allow redevelopment to move forward more quickly



Let's Talk!



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