City Hall Financial Feasibility Report and Update

Presentation to City Council
October 7, 2009

City Council Direction Received on July 1

- Obtain firm construction price
- Council approval on moving forward with plans review and bids
- Council approval to proceed with COPs process per schedule
- Required identifying feasible financing

Overview

- Permitting & Bid Update
- Development Budget/GMP Recap
- Financial Options Analysis

Design and Development Update

- Design complete
- Plans review pending civil plans approval
- Civil plans pending actions at today’s meeting (easements)
- Main St garage financing/design/bid process well underway
- FC securing GMP based on progress to date

Expense Recap – City Hall Construction

Uses ($ 000’s)	Estimate June 2009	GMP Est. Sept 2009	Variance (reduced)
Forest City Mgm’t (5%)	$6,460	$6,339	($122)
A/E/Reimb/Soft Costs	$12,920	$12,364	($556)
Utility Relocation	$4,099	$4,099	$0
Construction	$107,934	$105,623	$(2,311)
FFE	$11,000	$11,000	$0
Improv. Tax ($2.2 mil. actual/net of RDA)	$0	$879	$879
Land Carry	$4,644	$4,644	$0
Total	$147,056	$144,948	$(2,108)

Funding Recap – City Hall Construction

COP's	$137,000,000
Int. Service Funds/Grants	$6,000,000
UP Phase 1 Bonds	$5,100,000
Capital Fund Balance	$4,000,000
General Fund Balance	$5,000,000
Total Sources of Funds	**$157,100,000**
Less GMP/Cost Estimate	**$144,948,000**
Budget Savings	**$12,152,000**

Project Timeline - Prior Steps

April, 2008
- Approved MOU with FC

May, 2008
- City Council approved MDA with FC
- Authorized FC to start design; approved $5 mil.

Sept, 2008
- FC selected Whiting Turner via publicly advertised process

November, 2008
- City Council amended MDA; added $5.1 for further design

January, 2009
- Res. R-2003-09 approved sending COPs to DMC

February, 2009
- DMC approved COPs sale, debt limit of $267M
- City Council public hearing regarding COPs, debt limit of $267M

April, 2009
- Department of Taxation approved COPs

July, 2009
- Presented project update at City Council

Financing Approval Status – Next Steps

November 4 or 18

- Introduce COPs Ordinance

November 17 or Dec 1

- Recommending Committee for COPs

November 18 or Dec 2

- Approval of COPs Bond Ordinance
- Final Approval of Financing Contingency
- Final Approval of Transaction Documents & OPA

Early to mid Dec

- Close COPs

Financial Options Analysis

- DMC Approved COPs
  - Lowest Upfront Payments – years 1 - 7
  - Highest Payments – after year 7
- GO/Revenue Bonds
  - lowest total financing cost
  - puts property tax rate at risk (GO obligation)
- COPs Natixis
  - Bypass need for underwriting
  - Variable rate structure carries higher risk
- COPs as Build America Bonds (BABs)
  - Low total financing costs
  - No GO obligation
  - May require supplemental financing after year 3
- Hold / Do Nothing

Financial Options Analysis

	Net Payment ($000,000)			
	DMC COPs	GO/Rev	Natixis COP (1)	BABs COP (1)
	7.00%	4.00%	7.20%	4.74%
Issue Amt	$ 267.000	$ 158.000	$ 233.200	$ 205.100
Yr 1 Pymt	$ -	$ -	$ 0.975	$ -
Yr 2 Pymt	$ -	$ -	$ 0.997	$ -
Yr 3 Pymt	$ -	$ -	$ 1.004	$ -
Yr 4 Pymt	$ 2.000	$ 9.677	$ 1.120	$ 0.974
Yr 5 Pymt	$ 2.000	$ 9.677	$ 1.889	$ 1.948
Yr 6 Pymt	$ 2.000	$ 9.677	$ 2.541	$ 1.963
Yr 7 Pymt	$ 2.000	$ 9.677	$ 3.233	$ 1.963
Yr 8 Pymt	$ 23.337	$ 9.677	$ 21.792	$ 13.969
Yr 9 Pymt	$ 23.338	$ 9.677	$ 23.340	$ 15.693
Yr 10 Pymt	$ 23.340	$ 9.677	$ 23.340	$ 15.683
Total	$ 78.016	$ 67.737	$ 80.231	$ 52.194
Yr 10 Bal	$ 251.600	$ 131.510	$ 213.350	$ 187.840

(1) Includes short-term financing to preserve Fiscal Stabilization Fund.

DMC Approved COPs Option

- 30 yr term assuming a 7.00% rate
- Deferred interest & principal over 7 years creating a deferred interest balance of about $121M
- Annual payment capped at $23.3M
- Pros:
  - Low up-front payments for 7 years
- Cons:
  - High interest cost
  - High payments starting in year 8 if not refinanced
  - Loan/Value ratio too high making the bonds difficult to market to investors

GO/Revenue (Benchmark)

- 30 yr term assuming a 4.00% rate
- 3 yrs of capitalized interest
- $9.7M annual payment starting in year 4
- Pros:
  - Lowest total cost option (no need to refinance)
  - Revenue pledge from C-Tax and the City GO simplifies the approval process
- Cons:
  - No non-appropriation clause (City GO pledged)
  - Can’t be absorbed in near-term budget
  - Requires DMC/State approval to be redone

COPs/Natixis Option

- 30 yr term
- Fixed / Variable structure equates to about 7.20%
- Includes a short-term taxable lease supplement
- $23.3M annual payment w/Taxable Lease pymts
- Pros:
  - Avoids need for underwriting
  - Doesn't burden General Fund (no GO pledge)
- Cons:
  - Variable rate exposes city to <u>risk</u> and <u>rewards</u>
  - NRS limitations and variable rate structure require higher up front payments with hope of interest reserve after 10 years

COPs/BABs Option

- 30 yr term
- 35% BABs credit delivers GO-like rate (4.74%)
- $15.7M annual payment w/ Rev Bonds
- Pros:
  - Very low interest cost; may not need refinancing
  - Doesn't burden General Fund (no GO pledge)
  - $86M of ARRA interest tax credits on BABs
- Cons:
  - Underwriter needs to market and sell bonds
  - May issue supplemental Revenue Bond
    - RDA to cover supplemental bonds +

“HOLD” Option

- City could take no action on moving forward
- Pros:
  - Buys time relative to economy and revenue capacity
  - May yield lower rates on financing (unlikely given BABs credits)
- Cons
  - City doesn’t realize gain on sale of P-Q to Forest City
  - Loss of BAB credits
  - Rising construction costs
  - May lose Forest City as a development partner

Financial Options Analysis

	Net Payment ($000,000)			
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Factors to Consider

- Debt capacity shows level of debt City can afford
- Current cost of borrowing has dropped, no guarantee what future borrowing cost will be
- One time use of stimulus bill with BABs
- Risk of pledging future General Fund tax revenues
- RDA funds or land sale revenues may not cover full payments
- Proceeding with COPs and land swap keeps Forest City vested in development downtown
- Will a delay cause redevelopment backslide?

Public Purpose – Development Impact

Fiscal/Economic Impact – Timing is Issue

Project	Private Invest.	Annual TIF	Perm. Jobs
Parcel P-Q	$1.2 B	$5 – 6 M	1,000
LiveWork LV	$0.9 B	$3 – 4 M	5,068
CIM/Lady Luck	$1.2 B	$5 – 6 M	4,013
City Hall/Arena Site	$0.8 B	$3 – 4 M	3,360
	$4.1 B	$16 – 20 M	13,441

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