

## City Council Staff Report



**Subject:** 2019 Sales Revenue Bonds – Authorizing Resolution  
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**Department:** Budget Department  
**Date:** January 15, 2019  
**Type of Item:** Legislative

### Summary Recommendation

Staff recommends that City Council approve the attached Authorizing Resolution for the 2019 Series Sales Revenue bonds in an amount not to exceed \$32,000,000 to fund the a portion of the Treasure Hill Open Space acquisition and to Fund Affordable and Attainable Housing Plan projects. The resolution begins the issuance process and authorizes the pricing and sale of the bonds, which is expected on or around February 21, 2019.

### Background

The 2019 sales revenue bonds issuance consists of two individual bond issuances, which will be bundled and sold collectively to take advantage of market conditions, and reduced cost of issuance. The bonds will be secured by two primary funding sources. The Treasure Hill Open Space portion of the bonds is funded through pledged revenue from de-obligated, deferred or delayed project funding from the additional resort communities sales tax, in the amount of \$10,300,000. The Affordable and Attainable Housing Plan portion of the bonds is funded through tax increment generated by the Lower Park Ave RDA, in the amount of \$21,700,000.

### ***Additional Resort Communities Sale Tax Project Plan***

After the approval by the voters in 2012, City Council unanimously passed an ordinance adopting an additional .5% Resort Communities Sales and Use Tax to be levied beginning April 1, 2013. At that time, Council confirmed that all revenue generated with the additional .5% Resort Communities Sales Tax be received directly in to the Capital Improvement Fund to be used for but not limited to the following capital projects, Historic Park City/ Main Street & Downtown Projects, Old Town Improvement Study Street Improvement Projects (OTIS), Storm Drain Improvements, Open Space Acquisition and other capital improvement projects as determined appropriate by City Council.

The adopted additional resort communities sales tax (ARCST) plan is reviewed each year as part of the budget process and 5-year capital improvement plan. The ARCST plan anticipates project funding through the use of cash and the issuance of debt against the ARCST revenue. The City Council has confirmed that the amount of debt issued should not exceed more than 65% of the pledged revenue in any one year. This policy helps determine the amount of debt capacity available for projects or open space acquisition in the 5-year CIP and the ARCST plan, and protects the City in the case of a down cycle in the economy which could result in reduced sales tax revenue.

As part of the 2019 budget process City Council and staff evaluated the City budget and 5-year Capital Improvement Plan (CIP) projects. As part of this process the City de-obligated, deferred and delayed planned capital improvement projects freeing up additional funds to

lower the amount of the GO ballot proposition to \$48 million. The majority of the additional funding required for the \$64 million purchase price of the Treasure Hill property will be funded through the use of sales revenue bonds, which were anticipated in the budget for projects planned and funded as part of the Addition Resort Communities Sales Tax Plan.

The City has issued three sales revenue bonds against the pledge of the Additional Resort Communities Sales Tax in 2014 for \$6,000,000, 2015 for \$12,000,000 and 2017 for \$7,500,000. These funds were used for open space acquisition, OTIS, Deer Valley Drive reconstruction, Main Street improvements and affordable housing land acquisitions. \$6,000,000 of the 2017 Sales Revenue Bonds have been used for the initial payment on Treasure Hill Open Space purchase. The full amount of this \$6 million payment is included in the \$64 million purchase price.

### ***Lower Park Ave RDA Affordable and Attainable Housing Plan***

City Council has set affordable and attainable housing as a critical City priority. The City and Redevelopment Authority has dedicated significant redevelopment tax increment funds towards a revolving funding program for affordable housing construction. The 2019 Sales Revenue Bonds will be issued by the City and reimbursed by the Lower Park RDA. This will allow the City and RDA to realize much lower interest rates than would be available with typical RDA tax increment bonds. In 2017, the City and RDA entered into agreements outlining and authorizing the reimbursement agreement.

Park City with tax increment pledge from the Lower Park RDA will issues approximately \$21,700,000 in sales revenue bonds to fund the construction of the affordable and attainable housing within the City, as currently outlined in the adopted budget and the housing project schedule (housing pipeline). This funding, along with the housing funds revolving from the 2017 sales revenue bonds (originally issued for \$8 million) will be needed for the construction of the Woodside phase II project.

### **Analysis**

The attached bond resolution sets the parameters of the sales revenue bond issuance, delegates final approval of bond terms to the City Manager as the *Designated Officer*, and initiates the process required for the issuance of the bonds. The resolution sets the maximum principal issuance amount not to exceed \$32,000,000 and defines the purpose as follows (the uses are broad to include all potential uses originally designated by the additional resort sales tax improvement plan):

**to (a) financing (i) a portion of the costs of a revolving program of the Issuer of acquiring and constructing affordable housing units within the Issuer, (ii) additional parking and plaza improvements within the Issuer, (iii) road improvements within the Issuer, (iv) open space acquisition and related improvements and (v) park, recreation and community center improvements (collectively, the “Series 2019 Project”), (b) funding any debt service reserve funds, as necessary, and (c) paying costs of issuance of the Bonds.**

The resolution also establishes maximum terms of 5.5% interest, not more than 15 years, and 2% discount from par. These terms are intentionally set high to allow flexibility in the

bond pricing structure. While markets are difficult to predict, staff anticipates that the actual interest rate of the bonds would be closer to the current rate between 2.7 to 3.0%, than the maximum. The maturity of the bond is expected to be 15 years. The parameters allow for a maximum 2% discount from par, which would be necessary if interest rates were higher than the coupon rate on the bond. It is anticipated that the total amount of project to be funded and proceeds of the bonds will be sold at \$32,000,000.

It is anticipated that the sale of the bonds would occur on or around February 21, 2019. Staff would proceed with the bond closing on or after March 7, 2019. The bonds will be sold tax-exempt. The bonds will be sold by competitive sale.

### **Funding Source**

The bond resolution is the first step in initiating a bond issuance. This bond issuance is anticipated in the budget and all funding sources have been approved by City Council for the purpose of land acquisition and/or project development. The authorizing resolution will allow staff to continue with the current timing of the issuance in order to make payment on the Treasure Hill land purchase on or before April 1, 2019 and continue with the financing of currently adopted housing projects as outlined in the 5-year Capital Improvement Plan.

### **Attachments**

A. 2019 Sales Revenue Bonds Authorizing Resolution