



Lease Revenue Bonds Parameters

City Council
6/17/25



Ice Arena

Ice Arena Project



- RJM Construction Received Bid April 23, 2025
- Council Approved Bids and Construction of Ice Arena May 6, 2025
- Northfield Hockey Association deposited Donation Cash with the City
- Next Step is for Council to establish Lease Revenue Bond Issuance Parameters with EDA

Lease Revenue Bonds



- **Financing tool for municipal entities**
 - Used by City and County HRAs, EDAs, Port Authorities, etc.
 - EDA issues bonds to acquire and/or improve property for lease to one or more users
 - Process follows statute and does not require a referendum
 - Form of revenue obligation
 - Bonds repaid solely by lease revenues with property or leasehold interest as collateral
 - Often a lease purchase agreement with a municipal entity who operates the facility and annually appropriates funds to provide rent that pays for debt service

Lease Revenue Bonds



- **Northfield – Memorial Pool**
 - Original construction financed by the EDA in 2006
- **Other recent examples**
 - Chaska EDA
 - Public Safety Campus and Community Facilities (Parks, Curling Center, etc.)
 - Otsego EDA
 - Fire and Emergency Services Building

Lease Revenue Bonds



- **Annual Appropriation risk**
 - Lease purchase requires City to annually appropriate funds
 - Lease Revenue Bonds often subject to different financing terms and covenants from a City's General Obligation Bonds
 - Examples: trustee, lower credit rating
 - In the event of non-appropriation:
 - City surrenders its leasehold interest, subject to credit downgrade
 - EDA could find alternative tenant, but not obligated to step in to remedy
 - Bondholders have rights to choose to operate or lease the facility to recover outstanding debt

Lease Revenue Bond Estimates



Northfield EDA, Minnesota

\$22,930,000 Lease Revenue Bonds, Series 2025A

(City of Northfield, Minnesota Ice Arena Lease)

Assumes Current Market Non-BQ "AA-" Rates plus 35bps

Sources & Uses

Dated 08/14/2025 | Delivered 08/14/2025

Sources Of Funds

| | |
|-----------------------------|------------------------|
| Par Amount of Bonds | \$22,930,000.00 |
| City Property Sale Proceeds | 1,016,643.00 |
| Cash Donations | 1,254,359.00 |
| Total Sources | \$25,201,002.00 |

Uses Of Funds

| | |
|---------------------------------------|------------------------|
| Total Underwriter's Discount (1.200%) | 275,160.00 |
| Costs of Issuance | 162,000.00 |
| Deposit to Project Construction Fund | 24,761,554.00 |
| Rounding | 2,288.00 |
| Total Uses | \$25,201,002.00 |

- Anticipated Sources and Uses for Bond Sizing

- NHA funding additional site works and alternates

Lease Revenue Bond Estimates



| EDA Lease Revenue Bonds - Ice Arena Project | | | |
|---|------------------------|----------------------------|---|
| <u>Estimated Repayment Components</u> | <u>EDA Bond Amount</u> | <u>Ave. Annual Payment</u> | <u>Estimated Tax Impact - \$350,000 Res Homestead</u> |
| 1) 100% City | 22,930,000 | 1,882,979 | \$256 |
| 2) Partner with School District & Dundas | 22,930,000 | | |
| School Lease Levy | | 200,000 | \$12 |
| City of Dundas | | 204,032 | \$201 |
| City of Northfield | | 1,478,947 | \$201 |
| | Total: | 1,882,979 | |
| <i>Combined Residential Impact (School + City):</i> | | | \$213 |

- **Current 20-year Debt Service Estimates**

- 5.14% True Interest Cost

- Market observations as of 6/11/2025 adding 0.35% planning factor
 - Assumes Bonds obtain “AA- or A+” credit rating (one to two notches below City’s General Obligation credit rating)

Legal Overview



- **Financing Statutory Authority**
- **Ice Arena agreements and documentation**
 - Financing Parameter Resolution
 - Ground Lease and Lease-Purchase Agreement with EDA
 - Trust Indenture
 - Continuing Disclosure Certificate



Q + A



THANK YOU!