



Lease Revenue Bonds Parameters

EDA

6/23/25



Ice Arena

Ice Arena Project



- Council Resolution Financial Terms and Authorization Move Forward (2024)
- EDA Support Resolution for Use of Lease Revenue Bonds (September 2024)
 - See attachment on commitments in resolution
- 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
- Council approved EDA issuance of Lease Revenue Bonds under certain parameters
- Next step is EDA's consideration to approve issuance under the same parameters

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	
Combined Residential Impact (School + City):			\$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)

Lease Revenue Bond Estimates



Estimated Tax Impact Commercial/Industrial (City only annual increase)

Valuation (\$)	Annual Increase (\$)	Monthly Increase (\$)
500,000	558	47
1,000,000	1,160	97
5,000,000	5,980	499

EDA Lease Revenue Bonds - Ice Arena Project

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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

Consideration



- **EDA Parameters Resolution**

- Provide preliminary approval to proceed with a bond issue
- Establish Pricing Committee to review proposals and award sale of bonds
 - In form and terms of the proposed Lease and Indenture
 - In amount not to exceed \$23 million
 - 20-year term of repayment
 - Not to exceed 6.25% True Interest Cost
 - Select Trustee



Q + A



THANK YOU!