President Christopher Perez called the November 18, 2019, special meeting of the Redevelopment Authority (RA) to order at 8:00 a.m. The meeting was held in the City Council Chambers at City Hall. The Pledge of Allegiance was recited. Members present: Christopher Perez, Sherryl Doerr, and Emily SeDoris. Also present: Denarie Kane, Director of Development; Beth Jacobson, Assistant Director of Development; Matt Eckerle, Baker Tilly; Randy Rompol, Barnes & Thornburg; Brian Snedecor, Mayor; Anthony DeBonis, City Attorney (arrived during New Business); and Dawn Hostetler, Recording Secretary.

Under Approval of Agenda, a motion was made by Ms. Doerr to approve the agenda as presented; seconded by Ms. SeDoris. All ayes; motion carried. (3-0)

Under Approval of Minutes, a motion was made by Ms. SeDoris to approve the minutes of the March 18, 2019, Special Meeting as presented; seconded by Ms. Doerr. All ayes; motion carried. (3-0)

There was no Old Business.

Under New Business, the first item was the Election of Vice-President & Secretary. A motion was made by Mr. Perez to elect Ms. Doerr as Vice-President and Ms. SeDoris as Secretary; seconded by Ms. Doerr. All ayes; motion carried. (3-0)

The next item of Business was the Approval of 2020 Bond Contracts for Professional Services. Ms. Kane stated that these contracts are needed to begin the process of issuing a 2020 lease rental bond supported by tax increment generated from the 61st Avenue & SR 51 TIF district. Professional service contracts are needed to engage City Attorney DeBonis as legal counsel and Barnes & Thornburg as special counsel. These contracts have already been approved by the Redevelopment Commission (RDC), and must now be approved by the RA.

A motion was made by Mr. Perez to approve the 2020 Bond Contracts for Professional Services for Attorney DeBonis, and Barnes & Thornburg; seconded by Ms. Doerr. All ayes; motion carried. (3-0)

The next item of Business was Resolution 2019-01: A Resolution of the City of Hobart Redevelopment Authority Establishing Its Intent to Issue Redevelopment Authority Lease Rental Revenue Bonds, Approving a Proposed Lease with the City of Hobart Redevelopment Commission, and All Matters Related Thereto. Ms. Kane stated that the RDC has partnered with the RA on lease rental bond issues in the past and is intending to do so again with the upcoming 2020 bond issue in order to issue debt that does not impact the RDC’s statutory debt limit. She said that this bond is being proposed primarily to fund two projects within the 61st Avenue & SR 51 TIF district. The first project to be funded is the 69th Avenue road improvement project, in which the City was awarded a $2,500,000.00 grant from the Regional Development Authority (RDA). The second priority is the local match for the TRAX project in which the City was awarded $7,336,580.00 in grant funding from the State to build a railroad overpass on Colorado Street. Baker Tilly, the RDC’s financial advisor, has prepared an analysis which demonstrates that the TIF revenue from existing development can support a bond issue of $12,000,000.00 with net proceeds of approximately $10,455,000.00 available for project expenses. Ms. Kane stated
that when the TRAX application was submitted to the State, the RDC passed a resolution stating its intent to financially support the project if the grant was awarded.

Mr. Rompola stated that the RA’s role is to act as the issuer of bonds for projects to be completed. In order for the RA and RDC to implement a lease financing, there needs to be something that the RA can lease to the RDC, which in this case would be a portion of 69th Avenue. He said that the advantage of a lease rental is that capitalized interest is avoided. The statute specifies that the RDC cannot pay a lease rental payment to the RA until a project is complete and ready for use. However, if an existing structure or road is leased, the lease rental and interest on the debt can begin to be paid back immediately, therefore avoiding capitalized interest. Mr. Rompola explained that capitalized interest is basically just borrowing money to pay interest on the debt before actual revenues are generated. In this case, the RA is generating revenue to make bond payments by collecting lease rental payments from the RDC for what is being leased, which is 69th Avenue. He said the RA and RDC will both eventually sign a lease agreement, so each body will take action to approve a form of this lease agreement at today’s meetings. The RDC will then hold a public hearing on the lease at a meeting on December 2nd. Also on this date, the RA and RDC will both take action on resolutions regarding the execution of the lease and issuance of the bonds. Then on December 4th, the City Council will take action on a resolution to approve the issuance of bonds and execution of the lease. Once the Council adopts this resolution, the RA and RDC can then sign the lease agreement and the bond sale and issuance process can begin. The anticipated closing date on the bond is early February 2020.

Mr. Rompola stated that the lease agreement, which was distributed to the RA in today’s meeting packet, involves the lease of the portion of 69th Avenue from Mississippi Street to Colorado Street. The lease itself is for a term not to exceed eleven years and provides for an annual lease rental payment of not to exceed $3,300,000.00. He pointed out that there is language in the lease agreement stating that once the bonds are sold, the maximum lease rental will be matched to the debt service on the bond, so the annual lease rental payment will likely be much less than the not-to-exceed amount of $3,300,000.00. Mr. Eckerle stated that these figures assume a maximum assumed interest rate of 5% as well as the maximum term to allow for some cushion in case the market moves before closing. Mr. Rompola explained that the not-to-exceed figure for the annual lease rental payment is stated higher than anticipated because if the market changes between now and closing, and the maximum rental is too low, the process would need to be started all over. He said the principal and interest payment will be due on the bonds every six months and will be paid by the RDC. Although it will technically be paid to the RA, the payment will actually be made to the bond trustee who will then pay the bond holders.

Mr. Rompola stated that the lease rental payments are payable from the TIF revenues from the area; however, the proposed bond structure provides for a property tax backup. He explained that the TIF revenues generated in the area are more than sufficient to cover the lease rental payments. However, having a property tax backup in place provides more security and allows for better interest rates. Mr. Eckerle stated that the use of property tax backup is the gold standard for securing bonds in Indiana because TIF is not viewed as positively as property taxes.

Mr. Eckerle distributed copies of the preliminary financing analysis prepared by Baker Tilly which demonstrates the ability to utilize existing tax increment revenues to cover these bonds.
He stated that approximately $1,900,000.00 in tax increment revenues will be collected in 2019, and this figure will increase to almost $3,300,000.00 in 2028 as various tax abatements expire. He pointed out that when the proposed bond obligations are factored into the RDC’s outstanding obligations, the estimated remaining tax increment provides enough cushion so that a property tax backup should not need to be utilized in the event that TIF revenues decrease.

Ms. Kane stated that the third project identified in Resolution 2019-01 is the 61st Avenue and Marcella Boulevard intersection improvement project. She indicated that if there are proceeds remaining after the completion of the 69th Avenue and TRAX projects, the intent is to use them to help finance certain expenses associated with this 61st Avenue and Marcella Boulevard intersection improvement project. Since this project may be let after the three year window that bond proceeds must be spent and also has some federal funding associated with it, the RDC would likely reimburse the Board of Works for engineering expenses incurred for this project. She said that by mid-2022, it should be known whether there will be bond proceeds left to make these contributions as payment back for the engineering associated with this third project.

A motion was made by Mr. Perez to approve Resolution 2019-01; seconded by Ms. SeDoris. All ayes; motion carried. (2-0)

Under Staff Report, Ms. Kane called attention to the planning calendar for the 2020 lease rental bond. She reminded the RA that their next meeting will be at 8:00 a.m. on December 2nd.

Ms. Kane stated that an error was found on one of the pages in the 2018 Redevelopment Commission & Redevelopment Authority Annual Report after it was approved by the RDC and RA earlier this year. The revised page was substituted in the final report and has been included in this meeting’s package for the RA’s information.

Adjournment: The meeting was adjourned at 8:21 a.m.

Minutes prepared by Dawn Hostetler, Recording Secretary.

Minutes approved by the Hobart Redevelopment Authority on December 2, 2019.

Christopher Perez, President

Attest: Emily SeDoris